

DELIVERING MORE

 **HOMES FOR
SCOTLAND**

DEVELOPMENT VIABILITY - HOUSING

June 2026

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WHO WE ARE

Homes for Scotland (HFS) provides a strong and unified voice on behalf of members who together deliver the vast majority of new homes of all tenures built across the country and the multi-faceted socio-economic benefits this brings.

With a wide-ranging membership spanning smaller developers and Registered Social Landlords to larger home building companies and PLCs, we represent the breadth and depth of the whole sector. This includes associated companies playing a crucial function in the wider housing delivery process, such as mortgage brokers, lawyers, architects, planning consultants and suppliers.

This rich and varied insight enables us to speak with the authority and expertise that befits our common purpose: to deliver new high-quality, affordable, energy-efficient homes that meet the housing needs and aspirations of all those who live, or wish to live, in Scotland.

FOREWORD



The home building sector operates in a complex and challenging environment. As Scotland enters a third year of housing emergency, the need to recognise and understand the issue of viability during the site allocation and planning application process is crucial to ensuring that sites are deliverable and that development will take place.

This paper has been developed to aid understanding of why, if there is insufficient financial return on development after the landowner has been paid, it will not proceed.

It should be read in conjunction with information produced by the Royal Institution of Chartered Surveyors (RICS) and Improvement Service. RICS-accredited surveyors can assist in reviewing and undertaking viability assessments.

To support viability, we recommend that Local Planning Authorities (LPAs) detail works or contributions that will be sought in Local Development Plans (LDPs) and Delivery Programmes, and that home builders consider entering into pre-application discussions to reduce the likelihood of exceptional planning costs arising.

I hope this document proves helpful as we seek to build the homes of all tenures required to meet the needs and aspirations of all those who live, or want to live, in Scotland.

Jane Wood

Chief Executive
Homes for Scotland

EXECUTIVE SUMMARY



The objective of this paper is to aid understanding of factors that influence development viability at a time when LPAs are in the process of reviewing their housing land allocations to ensure that emerging LDPs have robust deliverable housing land pipelines which meet, or exceed, the Local Housing Land Requirement (LHLR). The Improvement Service has provided briefings on viability in the past and links to these can be found in Further Information.

HFS members are regularly involved in assessing the deliverability of the existing land supply through the annual housing land audit review. This will highlight existing supply where viability may be under threat by the costs associated with addressing constraints and/or developer contributions. To date, HFS members have not been involved in assessing the deliverability of emerging LDP sites and are keen to share their insight with LPAs to help ensure that a balanced, flexible and, ultimately, deliverable supply can be established in areas where people want to live.

While factors such as availability of access, drainage, market conditions (locally and nationally) and services are key in determining whether land can come forward for development within the timeframe of the LDP (or at all), an overriding determinant is financial viability. A useful Homes England “beginner’s guide” on this is available at:

<https://www.gov.uk/guidance/financial-viability-for-housing-led-projects>

Not all LDP allocations will be viable at the outset because not all of the detailed information needed to determine a site’s viability may be available at the time of allocation and/or updated policy or regulatory requirements post allocation may make it financially unviable. A site’s viability will not therefore be completely understood until planning permission is obtained, the proposed scheme is costed by the builder

and a price agreed with the landowner to purchase the land on which the development will take place. Certainty over viability increases as the proposal moves through the stages detailed in Appendix 1 (Basic Development Process).

So, while a local authority may allocate a site for housing in good faith that it could become deliverable, there is always a risk that it might not. Therefore, to ensure that there is a robust deliverable pipeline of housing land to meet local housing needs across Scotland (generating significant employment opportunities, delivering infrastructure and improving our places for communities and the environment), more flexibility is needed through a greater number and range of site allocations.

This paper, in a Scottish context, examines:

- 🏠 the key principles of viability
- 🏠 why it is important to undertake an assessment of viability of LDP policies, and
- 🏠 the main features that make deliverable sites

Arising from this, we would encourage LPAs to detail works or contributions that will be sought in LDPs and Delivery Programmes and home builders to consider entering into pre-application discussions to reduce the likelihood of exceptional planning costs arising.

RECOMMENDATIONS



Each site and developer viability model varies, however, the following is recommended to support the delivery of development in order to realise the spatial strategy set out in the development plan.

- As a minimum, LPAs should seek and developers/land promoter provide, high level information on development viability when promoting sites.
- LPAs should consider viability during the LDP-making stages to ensure that the collective impact of policies, developer contributions and their cost impacts are understood and affordable. As appropriate, known costs should be contained in the emerging LDP, Delivery Programme or guidance.
- Developers are encouraged to enter into pre-application discussions to understand the extent of developer contributions and impact of policy requirements on development viability.
- Where appropriate, following a viability assessment, LPAs should understand what flexibility can be offered to make a development happen. This approach will vary depending on circumstances and may be linked to triggers for contributions or potential waiving some or all of the contributions.
- A viability assessment is not needed for every site. Local authorities should use benchmarking and standardised information to support their plan-making. RICS valuers and home builders can assist with the viability inputs.
- A range of sites with differing risk profiles should be considered for allocation in the LDP to ensure that the local authority, home builders and investors are confident that the deliverable housing pipeline is robust. Details of different home builder types can be found in Appendix 2.
- A greater number of sites should be allocated than required to meet the LHRL to allow for an attrition rate.

VIABILITY

A site is only financially viable to proceed when the overall income from the proposed scheme (from sale or rent of the homes) is more than the total costs to develop the scheme. The total costs include interest from funding finance, developer contributions, home builder profit margin and an acceptable land value for the landowner.

If, after an initial high-level assessment based on the inputs detailed in Appendix 3, a home builder perceives that the site is likely to be unviable (because income looks too low, costs look too high and margin or land value potential look limited) then they are unlikely to take on the risk of investing significant sums to promote the site for allocation or take forward a planning application.

The ability to purchase land is critical. Without land, no housing will be built. Therefore, being able to demonstrate clearly to a private or public landowner how the land price has been arrived at and that they are obtaining best value (in the context of the planning permission and market conditions) is essential and needs to be supported by a robust viability assessment.

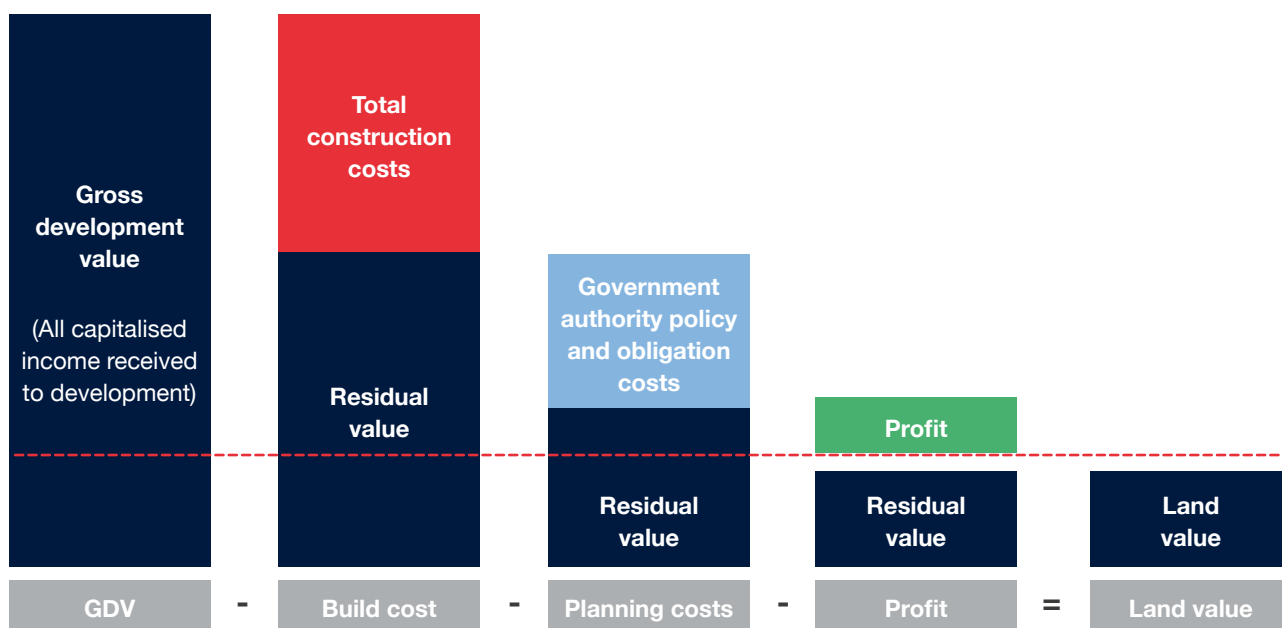
The generally accepted tool to undertake a valuation of development property and assess development viability is the RICS residual method. While the RICS also advocates a comparative method of valuation, because most development sites differ (scheme features, infrastructure, environmental conditions etc.), the residual method is the most used. As detailed in a RICS [journal article](#) viability models will vary by developer, but the principle remains the same – the need for returns to sufficiently exceed outgoings. Below is an excerpt from the RICS professional standard [Valuation of Development Property 2020](#), referred to in the article, which outlines the basic residual method.

The residual value at the end of the assessment is the amount that can be paid to the landowner whilst the home builder profit must also cover overheads. If the residual value is zero or less, the site is not viable. Additionally, if the residual value is below the landowners' expectations, the value of alternative or existing uses, or any contractual price agreed, the landowner is unlikely to sell their land for development.

Inputs to the residual value calculation will vary for each site depending on:

- 🏠 Site complexity
- 🏠 Location and market conditions
- 🏠 Scale of development
- 🏠 Policy and infrastructure requirements

All of the above can have a significant influence in determining whether a site is likely to be financially viable or not.



TIMING OF A VIABILITY ASSESSMENT

Timing of the viability assessment is also important, largely because of the availability of the required information at particular points in the pre-development process. Earlier in the process, say at the Call for Sites or Proposed Plan stages of LDP preparation, inputs will be based on estimates, studies and evidence from past experience, and a conceptual masterplan or development framework. After planning certainty becomes greater, more investment can be made to determine the inputs with greater accuracy, for example by refining development proposals through undertaking further survey work or tendering works for improved cost certainty.

However, the single most important stage for viability assessment is immediately prior to when the land is purchased. Once the price is agreed, there can be limited changes made to the residual calculation without it affecting the viability because the price paid for the land cannot be refunded to the builder.

The land purchase stage is the period of peak borrowing, where money is outlaid for land purchase, remedying ground conditions, installing infrastructure and building homes long before receiving returns from sales. If there are significant changes to the viability (e.g. costs associated with planning requirements are greater, new regulations increase costs, more infrastructure than thought is needed, house prices cannot be achieved) then there could be significant impact to the profitability and future viability of the site.

Viability assessment during LDP preparation

Given the fundamental importance of viability to whether a development site is deliverable or not, this must lie at the heart of the LDP process. Whether a local authority has a sufficient and robust pipeline of deliverable land to meet housing needs and demand will depend on whether the sites allocated and policies to be applied to them have been tested by an appropriate level of viability assessment.

This is a very challenging task for local authorities given the scale and complexity of undertaking a viability assessment for all sites proposed for allocation within the LDP, testing the impact of proposed LDP policies on these viabilities and running sensitivity testing to consider potential changes in either revenues or costs over the 10-year LDP period.

However, this is an essential task prior to the allocation of land through the LDP if a deliverable pipeline of housing sites is to be created. **Without an assessment of viability, the only alternative would be to increase the LHLR and allow for an attrition rate. This would be similar to areas where legacy sites have not come forward and will allow for changing viability over a 10 year plan period.**

While it is encouraging that some authorities are asking for viability information as part of Call for Sites submissions, how can they be certain that the information they are asking for is needed for the residual calculation, that a fair comparison can be undertaken between information provided for sites and by different builders, and that the information is robust and credible enough to allow sensitivity testing of their policies (such as developer contributions) and LDP?

In short, they currently cannot in Scotland, because there is no standardised approach to viability assessment. The UK Government has a well-developed process for viability assessment of development plans, their policies and contribution levels to ensure that allocated sites stand the best chance of being deliverable.

Viability assessment is undertaken collaboratively to ensure that policies are realistic and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan, including delivery of more homes and the benefits to local communities that brings. It is the responsibility of plan makers to engage with developers, landowners and infrastructure and affordable housing providers to ensure that their policies are informed.

Crucially, this process places viability at the heart of decision-making. It introduces a standardised approach to information gathering and viability assessment, and is focused on ensuring that policies and site requirements are relevant, affordable and reasonable. The below link provides more information on viability in plan-making:

<https://www.gov.uk/guidance/viability>

Even having undertaken a viability assessment at plan making stage, until planning permission is obtained and a land purchase price agreed the viability of a site may not be clear. Parameters change over time, so not all allocations will be viable during the life of a plan. LDPs must therefore allocate more land than needed to deliver their LHLRs.

BENCHMARKING & VIABILITY INPUTS

Assessing the viability of plans should not necessarily require individual testing of every site or assurance that every individual site is viable. Local authorities do not generally have sufficient resources to do this so a typology approach could be used at plan making stage. This could involve a viability assessment of samples of different sites against draft policies and consideration of initial developer contributions. However, in some circumstances, more detailed assessment would be necessary for areas or key sites on which the delivery of the plan relies, for example with larger strategic sites. The following provides a link to an appraisal tool produced by Homes England, including a user manual:

<https://www.gov.uk/government/publications/development-appraisal-tool>

The tool can be used to undertake a residual viability assessment of the site typologies or strategic sites to be identified through plan making. However, key to whether a site is likely to be financially viable or not is the input to the viability model.

Inputs must be based on real life information and standardised to allow a comparison across several sites. Viability assessments need to consider professional fees, finance costs, sales and marketing budgets, planning obligations construction costs and a contingency. The construction costs will typically equate to 35-45% of the Gross Domestic Value (GDV). With the exception of sales and marketing, the others can each account for 5-10% of the GDV depending on the project and allowing for a net profit of circa 20%. The percentages will vary depending on the type or mix of tenure, site type (brownfield or greenfield), location etc. If, after having deducted all of the costs, a residual benchmark land value can be reached, the site can be made viable.

The residual model calculation seeks to determine a residual land value that could be payable to the landowner. However, it is often unknown at plan making stage how much the landowner will accept for their land, given the optimum and most efficient use of it for development.

Viability assessment in England will generally look to consider Existing Use Value (EUV), for example industrial units, plus a premium to reflect the incentive needed for landowners to sell for development. The premium can range from case to case, but we have seen variations for example 30-50% above EUV and 10-15 times agricultural value.

A transparent approach to setting a benchmark land value should be established early.

In addition to providing for a suitable landowner premium, the viability assessment must also provide for a suitable home builder profit. The accepted industry standard is circa net 20% reflecting the risk associated with the speculative build and sale of new homes. This is a blended figure based on a margin of circa 20% for private homes and affordable homes and accounts for a range of known costs including build costs, planning costs, developer obligations, professional fees, potential exceptional costs and a contingency. Home builder profit on delivery of affordable homes is often less than 20% where delivery and funding risk is less. Levels of financial return can vary and the lower end of this scale may only be acceptable in stronger market locations where risks are lower.

As well as a standardised approach to setting benchmark land value and home builder profit, there must also be a standardised and robust approach to other viability inputs. For example, construction cost information will generally be taken from the Building Cost Information Service (BCIS) which provides build cost information for new build residential development types and regions. Within a viability assessment, allowance must also be made for developer overheads. These will range from staff costs, office costs and health and safety compliance to the cost of borrowing or operating a show home or marketing the development.

Engagement with an RICS valuer can assist when considering the levels at which to set benchmarks to ensure that they are realistic.

THE IMPACT OF POLICY AND CONTRIBUTIONS

Development Plans and Delivery Programmes should set out the standards and contributions expected from development. This should include the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that considers their cost impact.

Viability assessment at the plan making stage should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan. Engagement with developers, landowners and infrastructure and affordable housing providers should help understand policy impact on development and help shape them.

Below is a brief summary of some policies that can significantly impact on viability individually or collectively:

- 🏠 **Affordable housing** – a greater proportion of affordable housing can reduce the overall GDV created which in turn reduces the overall ability for the development to accommodate the costs. In addition, more affordable homes can create a significant public sector liability for grant subsidy where social housing is preferred or required. Alternative types of affordable housing may assist viability.
- 🏠 **Brownfield** – can introduce a significant abnormal cost burden into the viability assessment through the need for demolition, remediation and groundworks associated with this type of site. Cost certainty is not always possible prior to site start, increasing risk profile.
- 🏠 **Education** – a key area for viability given the significant cost increases being experienced recently. Some examples point to cost of procurement being double the equivalent in England.

🏠 **Density** – can impact the potential development product mix and affect whether the optimum and most efficient development is being proposed. That can affect viability through impact on GDV and costs, particularly where the local market has not been considered.

🏠 **Sustainability** – home builders are committed to sustainability, but recognition must be given to the cost of policies to development and viability, particularly where they go beyond Building Warrant requirements.

🏠 **Regeneration** – new home building can provide a critical role in the regeneration of areas through investment in local infrastructure and provision of jobs but the GDV generated in some local markets (because of weaker demand) will not be sufficient to sustain policy costs.

🏠 **Off-site infrastructure** – particularly where the cumulative impact of various developments has just been accommodated but a particular site tips capacity over a threshold.

The above is not an exhaustive list. Other policies such as design, biodiversity, taxation and levies and carbon reduction can also have an impact on viability and all policies and their impact on costs should be assessed cumulatively e.g. the Building Safety Levy, Section 75s.

A deliverable housing land pipeline will have considered the cumulative impact of policy and there should be confidence amongst local authorities and home builders that the majority of sites can accommodate the costs associated with the policies and infrastructure to enable their delivery within the 10-year period of the LDP.

A BALANCE OF DELIVERY RISK

Risk profile plays a central role in site selection because it significantly shapes the viability. A truly deliverable housing land pipeline will have a range of sites with differing risk profiles that have been considered by builders, investors and local authority planners.

Risks that should be considered include planning, environmental, infrastructure, market, politics, regulatory, delivery and financial. Any or all of these can deter investment. Indeed, if there is a perceived risk (where information is not available to determine the level of risk associated with any of the above) then that in itself may be enough to deter investment.

It is therefore important that policy, site allocations and infrastructure requirements are all clear, unambiguous and affordable, enabling sites to be viable and deliverable for as many home builders as possible.

Of course, as highlighted in Appendix 2, there are different types of home builder with different delivery and finance models but there are several features common to deliverable sites that our members all agree reduce the risk profile and should be central to the thinking around allocation of land to form the deliverable pipeline:

- 🏠 **Site size** – the smallest site that an SME builder will generally consider is about 30 homes. The optimum site size tends to be around 100 – 200 homes for larger home builders, representing around 3 years' worth of building in a single location depending on local sales rates. Larger sites will be considered, albeit increase risk. However, smaller sites tend not to generate enough GDV and so risk profile can be too high.
- 🏠 **Market** – strong demand for homes for sale and rent in a local area (volume and price), together with stable longer-term pricing outlook (strong past trends) can help sustain the GDV and overall viability. Home building can help improve affordability in areas of strong demand. Areas of weaker demand will increase the risk profile.
- 🏠 **Access & servicing** – the ability to access, provide services to and drain a site without significant financial intervention is fundamental to deliverability. Sites where there is complexity with land ownership, legal or construction issues will increase the risk profile.

🏠 **Infrastructure requirements** – the level of infrastructure needed to deliver a site should be proportionate and affordable. If it is not, then viability will be critically impacted and the site will not be deliverable. Lower infrastructure requirements reduce risk.

🏠 **Complexity** – the more complex the ground conditions, the more uncertainty there is over whether the site will be viable. Brownfield sites and sites in current use carry higher risk. A blend of brownfield and greenfield sites helps to offset some of that risk.

🏠 **Return on capital employed** – a development with a higher proportion of flats carries higher risk. The scale of capital employed before any return is significant. Return on capital is also a key metric in determining whether a site is viable. Sites with lower capital employed (two-storey housing with lower infrastructure needs for example) have a lower risk profile.

Home builders only have so much resource available to assess the potential of any site opportunities that come forward through the LDP process or through windfall sites. A collaborative approach to understanding viability of proposed allocations, policies and developer contributions would be welcomed.

There is likely to be a lack of available information upon which to fully determine the viability of sites and policies during plan making stage and so the experience of home builders and investors, as well as RICS valuers, will be important for undertaking the viability assessment robustly.

The subsequent weight given to a viability assessment is a matter for the decision-maker, having regard to all the circumstances in the case, including whether the site circumstances have changed since the plan was brought into force (or allocation made) and the transparency of assumptions behind evidence submitted as part of the viability assessment. Where required, a RICS-qualified consultant should be appointed to review the development viability.

Obtaining early clarity on local authority expectations that affect costs and application timescales is key to maintaining viability. Good practice would include agreeing any heads of terms for developer contributions, relevant indexation and payment triggers before the application is determined by a committee.

FURTHER INFORMATION

The following resources provide further information on viability:

[Financial Viability for Housing-led Projects - Homes England](#)

[Approaches to developer returns in appraisals article - RICS Land Journal](#)

[Valuation of Development Property - RICS Professional Standard](#)

[Viability - Ministry of Housing, Communities and Local Government and Department for Levelling Up,](#)

[Housing and Communities](#)

[Development appraisal tool - Homes England](#)

[Development Finance & Assessing Viability for Planners - Bob Salter, Geddes Consulting](#)

[Planning Skills: Development Viability - Improvement Service](#)

APPENDIX 1: BASIC DEVELOPMENT PROCESS

Stage	Description	Key features
1	LDP Proposed Plan	- Limited prior consultation with builders, investors, landowners and stakeholders (builders may have had an opportunity to submit limited information through a focused 'Call for Sites'). - Proposed site allocations based on limited information surrounding deliverability (access, drainage, servicing, viability). - Currently no viability assessment of proposed policies and developer contributions.
2	LDP adoption	- Examination currently doesn't place sufficient focus on deliverability of allocations and infrastructure proposed. - Fixes policy, infrastructure requirements and developer contributions, all of which affect financial viability. - No viability assessment at present as part of the process.
3	Planning permission in principle (PPP)	- Significant investment made by builder or investor on initial due diligence and supporting information. - Detailed delivery strategy, cost certainty, landowner expectations and other vital viability inputs still largely unknown. - Tested in principle with stakeholders, including the community and the planning committee but not in detail so scope remains for changes affecting viability (e.g. density, product mix, policy response delegated to PPP conditions, infrastructure requirements and timing).
4	Approval of Matters Specified in Conditions (AMSC) / detailed planning permission	- Likely to have builder on board who will have undertaken significant detailed diligence to close out conditions of PPP. - Fully tested through planning with stakeholders in detail, so scheme requirements known along with viability inputs. - Full cost certainty not yet achieved (RCC, sewers technical approvals and works tenders needed) but growing significantly closer to determining viability.
5	Cost tender	- Works tendered based on the scheme that has received planning permission - Should be undertaken when all consents and permissions are in place to avoid changes and potential for cost increases. - Significant progress with cost certainty, but significant element still missing (landowner expectation).
6	Investment decision / land purchase	- Negotiation between builder and landowner, ordinarily with an RICS valuer in between to ensure that the residual model is being followed, and inputs are agreed to make progress. - Investment decision usually made at national level and in competition with other UK opportunities. Return on capital employed. - Once land purchased there is limited opportunity for changes within the viability with profit expectations set within the investment approval and land price paid.
7	Site start	- Only achievable with all consents, investment approval and site purchased from landowner. - Builder will want to ensure works are undertaken as soon as possible after tenders to avoid cost increases. Break-even point may not be until the later stages of development. - To mobilise, clear site and undertake preparatory works is a significant investment. A home builder wants to see first house sales completed as soon as possible but normally this will take 9-12 months. With significant infrastructure requirements, this can take longer.
8	Development complete	- Unforeseen costs can arise through the development phase. - Until development completion, profitability is at risk from cost increases and market fluctuations, with the hope being that the former is exceeded by the latter. - Can be several years away and this is the stage where a full understanding of the viability and profitability is known.



APPENDIX 2: TYPES OF HOME BUILDER

Home builder	Model
SME	Annual completions can vary from 1 to 50 homes and land for development will either be secured through an option with a landowner and promoted via the Call for Sites / Ideas exercise or purchased following marketing by a land agent. In both instances the land will be purchased once planning consent is obtained. Funding is generally obtained by securing third party funding in the form of a loan. In some instances this may require personal guarantees.
Large home builder/PLC	Completions generally exceeding 50+ homes and applications tend to be for major developments and, as with an SME, will either be secured through an option with a landowner or purchased following marketing by a land agent. PLC funding is generally obtained by a parent company providing development viability thresholds are met.
Investment company	Will hold a long-term interest in the land and property, for example a Build to Rent development.
Registered Social Landlord	Will rely on funding being provided through the Affordable Housing Supply Programme and future rents. They will compete with the other home builders. They tend to build in more marginal areas meaning there is less competition.

APPENDIX 3: VIABILITY INPUTS

- 🏠 **Site area** – gross to net is important. The impact on the developable site by policy requirements, such as blue green infrastructure, should be understood by all parties to identify the capacity of a site.
- 🏠 **Capacity** – taking the net acres, what is the average density that would be granted in the area? Flatted sites are higher than suburban and have different space standards. Mixed sites will be around 45 per hectare (ha), flatted sites probably 60/ha+. Standard 2-storey is circa 38 – 40/ha.
- 🏠 **GDV** – the size of the ‘pie’ that can be shared between build costs, policy costs, land cost, profit margin, fees etc. is dependent on the number of homes that can be developed, sold and their price. The price of the home is dependent on local market conditions and what else is available at the time of sale (supply and demand influencing cost). Total GDV will take account of the value that can be provided by either the Council or registered social landlord for the affordable homes (note that this will be lower than the private sale price and a fixed price so there is no flex if other costs increase). Private revenues must reflect product and average new build prices in a locale for that product (and not the prices being advertised...probably about 90-95% of those to reflect potential incentives etc).
- 🏠 **Affordable housing** – affordable housing, where sought, is generally set at 25% of the total capacity of the site. NPF4 allows for a reduction in affordable housing where viability is under pressure. A higher percentage of affordable will reduce the GDV and viability of the site. It will also place demands on the public sector to fund the purchase of completed affordable homes built by the developer.
- 🏠 **Build cost** – This varies from builder to builder and a viability will be based on BCIS rates utilising either the Lower or Medium Quartile for general estate housing with 15% added for externals, which are regionalised per quarter. Where applicable, an allowance needs to be made for detached garages or other non-standard features.
- 🏠 **Benchmark land value** – usually about 10-15 x agricultural value if in agriculture is accepted as the lowest a landowner will go to release their land for housing. In practice, at this point in time, most landowners anticipate values exceeding £100k per acre (based on agricultural value of £10k per acre). For sites not in agricultural use the land value is existing use value plus 30 – 50%.
- 🏠 **Profit margin** – a net profit of circa 20% is acceptable on private new build. A lower profit margin may be accepted for affordable delivery because the risk is lower.
- 🏠 **Brownfield** – brownfield sites are likely to be more costly to develop, impacting viability due to the costs associated with ‘cleaning up’ the previous use before developing the site. However, this is not the only issue. Often the full costs associated with the ‘cleaning up’ are not known and this presents an issue at the planning stage because it is unknown whether the site will be viable or not, particularly where the cleaning up costs are likely to be substantial. This unknown presents risk and must be assessed against other risk areas including market, land price and developer contributions levels.
- 🏠 **Size of site** – The average time for obtaining planning consent in 2024/25 was 37 weeks. Factoring in additional time for gaining other consents (building warrant, road construction consent etc.), concluding legals and starting groundworks etc. means that home builders tend to consider sites that will provide them with c. 3 years’ worth of housing completions for business continuity. This allows time for obtaining consent for the subsequent site(s). Larger builders will generally therefore not look to develop out sites smaller than c. 50 homes. SMEs could go smaller but even then would draw the line at about 30 homes given the costs associated with obtaining planning permission, overheads and site mobilisation.
- 🏠 **Rate of sale** – a builder’s success (and their ability to secure development finance) is measured not only on profit margin but the speed at which this can be returned (return on capital employed or ROCE). ROCE is a critical financial consideration in weaker housing markets and will influence whether to purchase a site or not. To ensure that a site is a success, builders must be achieving somewhere between 30 – 50 private housing completions each year (0.6 – 1 per week). It is easy for people to say ‘reduce the house prices and sales will be quicker’ but that misses a crucial point: that the sales prices (which drive GDV in the land purchase viability) cannot be lower than what was agreed in the investment decision (by the board or funders) because then it will fail to meet hurdle rates. The land value will already have been paid and can’t be clawed back.

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