

Viability Report

The Mushrooms Factory, Thakeham, Pulborough

Turner Morum LLP

27th March 2026

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1. BACKGROUND AND RELEVANT EXPERIENCE

- 1.1** The applicant has instructed Turner Morum LLP ('TM') of 32 – 33 Cowcross Street, London, EC1M 6DF, to undertake a viability assessment of their proposed application scheme located in Hail. This report has been prepared by Thomas Hegan MRICS who is a Partner at TM and Kat Seager MRICS who is an Associate.
- 1.2** I regularly advise across the whole of the UK on the value and potential of major tracts of development land and infill urban development focusing specifically on development sites within the London Boroughs & the Southeast. I am currently instructed by several Local Authorities, Landowners, Housing Associations and Developers and have extensive experience in this field. I also provide Expert Witness evidence at planning appeals and Local Plan Examinations. Full details of some of our recent case experience can be viewed at **Appendix 4**.

2. PROPOSED SCHEME

- 2.1** I was appointed by Bellway to undertake a viability assessment regarding their development on the site off Storrington Road, Thakeham, Pulborough (also known as "the Mushrooms Factory"). It will be evident that the following report and associated analysis is not a typical planning viability assessment. Instead, the analysis considers the minimum amount of development (quantum of dwellings) that are required for the scheme to be commercially viable / deliverable, based upon Horsham District Councils' target 35% affordable housing and associated s106 / CIL requirements.

3. SITE LOCATION & DESCRIPTION

- 3.1** The subject site is located at the Former Mushroom Factory, Pulborough. The site area equates to 13.4 ha or 33.2 gross acres. A site location plan is included as **Appendix 1**.

4. PLANNING SUMMARY

- 3.2** A detailed planning application was submitted to Horsham District Council (HDC) and validated on 11 January 2024 (LPA reference: DC/24/0021). The proposal sought the demolition of the existing buildings and the phased redevelopment of the site for a residential-led scheme comprising 247 dwellings and flexible non-residential floorspace (Use Class E), along with works to the public right of way, landscaping, open space and supporting infrastructure.

3.3 The application was refused on 31 July 2024. An appeal followed, with a Hearing held in May 2025, and the appeal was ultimately dismissed in June 2025. The Inspector's decision focused on the following key issues:

- Conflict with the Spatial Strategy and Scale of Development: The quantum of development (247 homes) was found to be out of scale with Thakeham as a small settlement with limited facilities and services.
- Uncertainty Over Delivery of Sustainability Improvements: Measures such as the proposed local centre were considered insufficiently certain to address the site's inherent sustainability limitations.
- Unsustainable Location: The Inspector noted the site's very limited access to services and employment by sustainable transport modes. The restricted bus service (one per day) and challenging walking/cycling connections were found likely to lead to continued high reliance on private car use.
- Planning Balance: While the proposal would have delivered housing and affordable housing benefits, these were judged to be significantly and demonstrably outweighed by the adverse impacts relating to scale and sustainability.

3.4 Following the appeal, I am advised that Bellway has continued to work constructively with the Council to explore how a revised scheme could respond positively to the Inspector's conclusions. I am also advised that the Council have recognised the need for the site to be brought forward for development, and I'm told Horsham recognise some of site's inherent constraints which include significant demolition, contamination and other abnormal development costs.

3.5 I understand that Horsham District Council are keen to understand the quantum of development that is required for the scheme to be realistically viable/ deliverable. This report and the following analysis have therefore been prepared to assist in establishing the necessary amount of the development.

5. METHODOLOGY & VIABILITY GUIDANCE

4.1 I have carried out a development appraisal adopting a bespoke residual valuation model structure to analyse the viability of the proposed scheme. The residual appraisal and

supporting information can be seen as **Appendix 2**. This appraisal model follows the same principles and methodology as other toolkit models such as Argus or the HCA Toolkit.

4.2 In undertaking the enclosed analysis, I am aware of and follow the mandatory requirements set out in RICS Professional Standard *Financial Viability in Planning; Conduct & Reporting* (2019) (**Appendix 5**). It will also be noted that a non-technical summary of this assessment has been included as **Appendix 3**. I am also aware of viability guidance documents such as the RICS Professional Standard *Assessing viability in planning under the NPPF 2019 for England* (2021) and the Planning Practice Guidance on Viability published following updates to the National Planning Policy Framework (NPPF).

4.3 In carrying out this assessment, I have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information. We are not aware of any conflicts of interest in relation to this assessment. I have also not agreed any 'performance-related' or 'contingent' fees. We address this report to Bellway Homes Limited only and it should not be reproduced without prior consent. This report has been provided for its stated purposes and singular use of the named clients and may not be relied upon by any third party.

6. RESIDUAL APPRAISAL METHODOLOGY

5.1 The widely accepted approach for assessing the viability of sites at the planning application stage and the plan-making stage is to produce a residual appraisal which generates a Residual Land Value (RLV) output. This RLV is then compared with an appropriate Benchmark Land Value (BLV) which is usually an Existing Use Value (EUV) or an Alternative Use Value in certain cases.

5.2 The simple premise is that where the RLV exceeds the BLV, a surplus is generated, and the scheme can be considered "viable". However, if the BLV exceeds the RLV, a deficit is produced and the scheme can be considered technically "non-viable". The Benchmark Land Value that has been adopted within my analysis is examined in more detail below.

5.3 The simplified structure of a viability assessment can therefore be summarised as follows:

Gross Development Value (GDV)

Minus

Developer Costs

Minus

Developer Profit

Equals

Residual Land Value (RLV)

Minus

BLV / EUV

Equals

Surplus/Deficit (Viable/Non-Viable)

- 5.4** There are variations to the above methodology where the extent of the surplus is determined by measuring profit as an outturn against a target profit level; however, the principles remain the same. The above methodology is supported in guidance documents at both a national level with the PPG viability guidance and through professional bodies, such as the RICS.

7. RESIDUAL VIABILITY APPRAISAL

- 6.1** The residual appraisal analysis is included as **Appendix 2 Tab 1**, which considers the viability a scheme for 150-dwellings with 35% affordable housing (52 affordable units). The affordable is included based upon a 70/30 split between Affordable Rent and Shared Ownership, with 36 affordable rented dwellings and 16 included for shared ownership. I'm advised that this affordable housing provision accords with Horsham District Council's target policy position.
- 6.2** I will now explain the various appraisal inputs as they appear in the residual appraisal analysis, in sequential order:

8. APPRAISAL INPUTS**GROSS DEVELOPMENT VALUE ('GDV')**

- 7.1** Market revenues for the residential units are based upon internal advice from the applicant (As per Appendix 2 Tab 2) the average revenue equates to **£469** per square foot for the market dwellings. The market revenues are based upon sales evidence from other local Bellway schemes, as will be evident from the schedule that is included as **Appendix 2 Tab 8**.
- 7.2** The affordable revenues are applied based upon standard industry benchmark percentages of Open Market Value ("OMV"), with the Affordable Rent values included at 45% of OMV – which is equivalent to **£211 per ft²**, and the Shared Ownership values are included at 65% of OMV – equivalent to **£305 per ft²**. Based upon the 70% Affordable Rent/ 30% shared ownership tenure split, the blended affordable housing revenues equate to c. **52%** of OMV at **£242** per

square foot. These affordable values are applied based upon benchmark % assumptions, but there is currently considerable uncertainty in the s106 affordable housing market. Clearly, if lower affordable values were to be achieved, the viability position would worsen accordingly.

- 7.3** However, based on these revenue allowances, the residential scheme GDV totals some **£78.47m** based upon 35% affordable housing.

DEVELOPMENT COSTS

- 7.4** Fees and marketing costs are included at **3.25%** of the Market Housing GDV, and the cost of disposing of the affordable units to a Registered Provider is included at **1%** of affordable GDV, as per standard industry benchmarks.
- 7.5** Standard construction costs are derived from the Royal Institution of Chartered Surveyors (RICS) Build Cost Information Service (BCIS) with standard construction costs included as per the latest median average figures (Q1 2026) derived from the default range of results. As per BCIS guidance, to the base construction costs additional allowances are made for locational weighting (1.10 Horsham).
- 7.6** A breakdown of the standard construction costs is included at **Appendix 2 Tab 3**. The aforementioned allowances result in standard construction costs of **£156** per square foot for Estate Housing – Generally. Plot external costs are then included based upon a 10% adjustment to the BCIS residential costs.
- 7.7** There have been 43 single garages and 29 double garages included as per the plans provided. A provision £10k per single garage and £15k per double garage has been included within the appraisal – totalling some **£865k**.
- 7.8** Contingency is then applied at **5%**, which result in total build cost averaging **£180** per square foot (excluding garages). I consider this to be an entirely reasonable 'plot cost' allowance for a scheme of this nature, with market revenues exceeding £450 per square foot.
- 7.9** I have included allowances to reflect uplifts to cover Part L & Part F (2022 Building Regulations) at £3.5k per unit, totalling **£525k**. I have also included costs to reflect Future Homes Standards 2025 at £6k per plot, totalling **£900k**.
- 7.10** An allowance for Technical Fees is included at **8%** of the Standard Build Cost, which reflects the costs associated with Architects, Quantity Surveyors, Engineers, Project Management and other technical / professional consultancy fees. By way of comparison, the suggested

allowance for professional fees in the Horsham Local Plan Viability Report (November 2023) is 10%.

- 7.11** Developer Profit is reflected at 20% (of GDV) for the Market Housing and 6% (of GDV) for the affordable housing. These assumed returns are again based upon widely accepted industry allowances, and result in a blended return of **17.9%** of GDV in the policy compliant model reflecting 35% affordable housing.
- 7.12** The abnormal and strategic infrastructure costs are based upon my client's current internal estimates, with these costs covering items that will not be included within BCIS and/or the external works allowances, totalling some **£12.75m**. Full details of the cost plan can be viewed as per **Tab 5 of Appendix 2**. Due to the outline nature of the scheme, further works are ongoing to establish / evidence the costs for this scheme, which has only recently been fixed – in layout terms.
- 7.13** I am advised that S106 contributions totalling **£1.145m** are required from the scheme, as advised by the client. A breakdown of these estimated contributions is included within **Appendix 2 Tab 4**.
- 7.14** I have included costs to reflect Building Safety Levy ("BSL") at the Previously Developed Land rate £20.79 per m2 for Horsham, which when applied to the market GIA equates to **£331k**. The Government have confirmed that the BSL will come into effect in Autumn 2026 and provided advance warning the Local Planning Authorities and Developments to "*factor levy costs into their financial planning*" – as per the [Government's BSL Consultation page](#). Clearly, costs associated with the BSL should therefore be reflected within any current viability / valuation assessment, as these are known costs for this location which will be payable for each market dwelling completion.
- 7.15** The Community Infrastructure Levy ("CIL") has been calculated based on the current rate and equates to **£2.83m**. During the course of the application process, should either of the assumptions on CIL/S106 prove to be inaccurate, the appraisal analysis would need to be amend accordingly.
- 7.16** Finance costs have been calculated using a quarterly cashflow to reflect the finance costs for the revenues and costs included with the residual appraisal. This can be seen as per **Tab 6 of Appendix 2** and reflect the details of the particular scheme including the build rate of the residential units and the particular infrastructure timings.

7.17 The cashflow adopts the assumption that construction will commence on site within Q2 Year 1 (this is assumed to be following a period of site preparation) and will be completed by Q1 Year 3. Residential sales are assumed to begin in Q1 Year 2 at a rate of 13 market units per quarter, with sales concluding in Q4 Year 3. The affordable dwellings are assumed to be disposed of proportionately in addition to the market dwellings.

7.18 The cashflow works on a finance rate on debit of **7.5%**, which I believe is conservative, given that the current Bank of England Base Rate is 3.75%. The outturn finance costs illustrated within my analysis equate to 4.6% of total scheme costs, which is not excessive for a scheme of this nature. I suspect a reason for this is the low BLV that I have adopted, as examined in more detail below.

9. BENCHMARK LAND VALUE

8.1 The structure of my Residual Appraisals produces a Residual Land Value (RLV) which is then compared with an adopted Benchmark Land Value (BLV). If the RLV exceeds the Land Value, a surplus is generated and the scheme can be deemed "Viable". However, if the RLV is less than the Land Value, a deficit is produced and the scheme should be considered "Non-Viable".

8.2 The issue of what is deemed to be an appropriate BLV for inclusion within viability studies is always a highly topical subject. Planning appeal decisions and government PPG guidance dictate that one has to ignore the amount that is actually paid for a development site and instead adopt an appropriate BLV. The PPG Guidance recommends that practitioners should have regards to the LPA's most recent viability evidence, when consider the BLV that should be applied for any site-specific viability assessment.

8.3 Horsham District Council commissioned Aspinall Verdi to undertake detailed viability analysis for the purposes of their Local Plan in November 2023, and within this assessment, Aspinall Verdi made recommendations as what would constitute an appropriate Benchmark Land Values for various different development typologies, including large-scale strategic sites - with BLVs ranging between £300k - £350k per gross acre, and £660k per acre for brownfield (previously developed) sites.

8.4 The (red line) gross site area of the subject scheme totals some 32.23 acres, of which some 8.23 acres comprise brownfield (previously developed) land - with the remaining 25 acres as

greenfield development. On this basis, the Benchmark Land Value for the subject site – calculated in accordance with HDC's viability evidence base, would be as follows:

	Acres	£ / Acre	Total
Brownfield	8.23	£660,000	£5,431,800
Greenfield	25.00	£300,000	£7,500,000
			£12,931,800

8.5 As will be evident from the above summaries, I believe a Benchmark Land Value of c. **£12.9m** could be justified for this site – which would equate to approximately £390k per gross acre. In total, this would equate to c. **£13.8m** after SDLT / agency / legal fees.

8.6 Alternatively, one could calculate the BLV based upon the existing buildings within the subject site that could immediately be used for storage purposes – totalling 386,000 square feet. If one assumed just £1 per square foot (which is very low) and assumed that only 50% was rented at any one time (which is wholly conservative), this would amount to approx. £193k per annum as an assumed rental income, which would capitalise to c. £2.4m alone based on an 8% yield. If you then applied £150k per acre to the remaining land (or even £100k based on DSP's figures) you would arrive at a BLV well in excess of that adopted within my assessment.

8.7 However, for the purposes of this assessment, I have adopted a BLV of just **£150k per gross acre**, which comes to just **£5.298m** after SDLT / agency / legal fees. Needless to say, I feel this BLV is wholly conservative, and a much higher figure would have been justified. I believe this conservative BLV allowances reaffirms the conclusions of my analysis, as examined in more detail below.

10. SUMMARY CONCLUSIONS

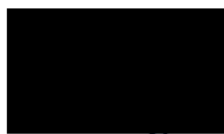
9.1 Based on the assumptions as outlined in this report, the summary conclusions for the viability assessment are shown in the schedule below:

Scenario	No. Units	GDV	Total Costs	RLV	BLV	Surplus/ Deficit
35% Affordable	150	£78,446,062	-£76,814,141	£1,631,922	£5,297,993	-£3,666,071

9.2 It will be noted from the above summary table that the scheme shows as technically non-viable, with a viability deficit totalling **£3.666m**. This point is examined in more detail below.

11. CONCLUSIONS

- 10.1** It will be noted from the above summary table and the appraisal analysis included as **Appendix 2**, the subject scheme comprising 150 dwelling of which 35% are included for affordable shows a fairly significant **£3.666m** deficit – even though I have adopted a wholly conservative BLV of just **£5.298m** – which is some **£7.6m** below what could be justified by reference to the BLV's included within HDC's Local Plan viability evidence base.
- 10.2** However, I'm advised that my client is prepared to take a 'commercial decision' to proceed with the scheme based on the provision of 150 units, provided that the deficit does not increase any further. This deficit essentially represents an amount of 'usually obtainable' developer profit that my client is essentially prepared to forego in this instance, in order to see the scheme proceed.
- 10.3** Needless to say, if the number of dwellings within the scheme was reduced, there would be a correspondingly negative impact on the viability / deliverability of the development, and an increase to the viability deficit. This deficit would also increase if lower revenues were achieved and/or if higher infrastructure/abnormal costs were incurred. If the deficit was to increase, the achievable profit from the scheme would reduce to such an extent that I believe it might be considered commercially undeliverable. In these circumstances, I believe the affordable housing requirement / s106 requirement would need to reduce, in order for the development to proceed.
- 10.4** I trust this provides a suitable summary; I would welcome the opportunity to discuss my findings with you at your earliest convenience.



Thomas Hegan MRICS