

Affordable housing viability: Local Plan Viability Report outcomes

- Previous versions of the viability report were undertaken in 2018, 2021 and 2022. The council commissioned independent viability consultants Aspinall Verdi (who had prepared the previous versions of the report) to undertake an update as required by the Inspectors.
- The 2025 update work included a focus on the key areas that the Inspectors identified during the examination hearing session on viability. Updated costs and figures were necessary for the following aspects:
 - build costs per square metre (which includes development finance costs);
 - affordable housing transfer values (including removal of First Homes as a policy requirement).
- A number of other changes have also been incorporated, including:
 - Additional cost allowance for financial contribution towards health infrastructure;
 - Updated costs of meeting Building Regulations Part L and Future Homes Standard
- It is important to highlight that the viability work includes a baseline profit of 20% on the Gross Development Value (GDV) of the private market sale housing. This is consistent with national Planning Policy Guidance which refers to a profit of 15 - 20% being '*considered a suitable return to developers in order to establish the viability of plan policies.*' This is unchanged from previous viability work undertaken in 2018, 2021 and 2022.
- The table below shows a comparison of figures from the previous report in 2022 and the updated 2025 work. The % changes in red negatively affect the viability of scheme, those in green positively affect the viability.

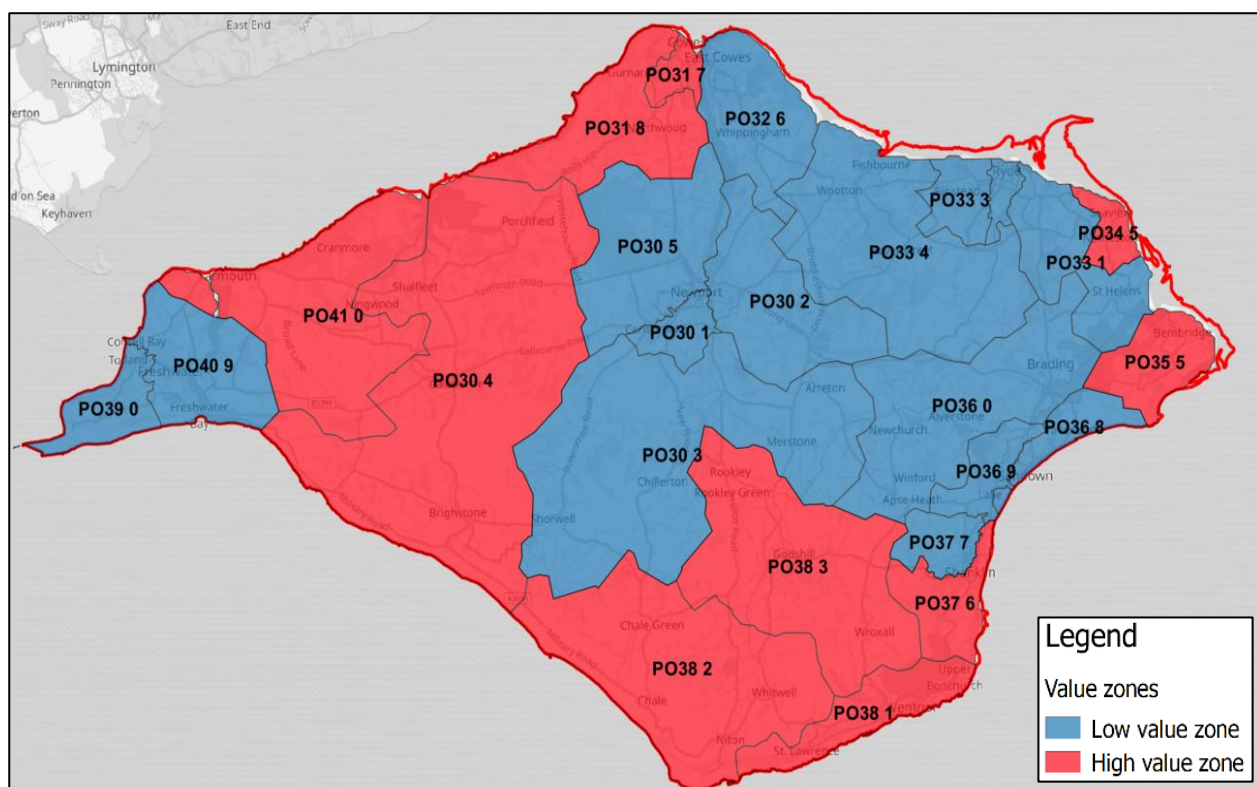
Item	2022 viability work	2025 viability work	% change
Estate housing build cost (<i>excluding professional fees, disposal costs, contingency</i>)	£1,499 per sqm (<i>based on BCIS rebased to IOW Q2 2022</i>)	£1,797 per sqm (<i>based on BCIS rebased to IOW Q3 2025</i>)	20% increase
Flats build cost (<i>excluding professional fees, disposal costs, contingency</i>)	£1,737 per sqm (<i>based on BCIS rebased to IOW Q2 2022</i>)	£2,029 per sqm (<i>based on BCIS rebased to IOW Q3 2025</i>)	17% increase
S106 costs per dwelling (<i>covers transport, education, open space, public realm, sports, community facilities, health</i>)	£6,000 per dwelling	£6,600 per dwelling	10% increase

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Building Regs Part L / Future Homes Standard	£4,000 per dwelling <i>(houses and flats)</i>	£5,000 per house £2,860 per flat	25% increase for houses 29% decrease for flats
Affordable housing transfer values	Affordable rent at 55% of market value Intermediate at 65% of market value	Affordable rent at 55% of market value Intermediate at 60% of market value	Decrease of 5% in transfer value for intermediate

- As the table demonstrates, there have been increases in a number of the costs associated with constructing a 'policy compliant' new dwelling. The viability update also looked at whether there was any increase in sales values that could 'offset' some of these increases in costs (albeit the risk of higher build costs is taken at the start of the process with increased sales only achieved at the end). Whilst some island sales values have also increased, this generally equated to between £150 - £175 per sqm, so only around half of the increase in build cost alone (+£298 per sqm). Effectively, continued rising build costs have outstripped house price inflation on the island.
- Within the viability work, a range of different **development typologies** are identified to ensure that development viability is assessed across a range of schemes and scenarios. These typologies are established from property market research of similar schemes on the island that are expected to come forward from allocated sites and cover the size of a scheme and the type of land being developed.
- Within the Viability Reports, the island is also split up into 'Lower Value Zones' and 'Higher Value Zones' to reflect the different property market characteristics (predominantly sales values) across the island. The value zone methodology was first established through Aspinall Verdi's detailed analysis of Land Registry sales data and market listings for residential schemes/units. This was to identify any patterns in values across the island.
- This analysis identified a clear split between higher-value coastal and rural settlements (such as Cowes, Ventnor, Bembridge, Seaview etc) and lower-value urban and inland areas (Newport, Ryde, East Cowes etc). These zones were validated and retained in subsequent market and Viability Report updates by updating the evidence base for residential market data. In the 2025 update, despite the visibly less intense scale of new-build housing completions and sales in the last year, the pattern remains clear and prevalent in the data that is available.
- The map below shows the Lower Value Zones (blue) and Higher Value Zones (red) with associated postcodes.

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- The table below summarises the viability update results for the various housing typologies based on an assumption of retaining the policy requirement as submitted of 35% affordable housing across the board. The table shows that the Draft Island Planning Strategy is consistently unviable or marginal in the lower value areas on the basis of requiring 35% affordable housing in line with draft IPS policies AFF1 (deeper discounts) and H5 as submitted.
- ‘Marginal’ is where Residual Land Value shows a deficit against Benchmark Land Value, so these schemes would require increased risk from a developer to move to delivery on the basis that something would change positively during the delivery phase. These results are also extremely sensitive to small increases in costs, e.g. a small % increase in build cost would render the scheme unviable.

Ref	#Units	Typology	% Affordable	Result
A	10	Lower Value Zone – Greenfield Sites / Adjacent to Rural Service Centres	35%	Unviable
B	10	Lower Value Zone - Brownfield	35%	Unviable
C	20	Lower Value Zone - Greenfield	35%	Unviable
D	20	Lower Value Zone - Brownfield	35%	Unviable
E	50	Lower Value Zone - Greenfield	35%	Marginal
F	50	Lower Value Zone - Brownfield	35%	Unviable
G	100	Lower Value Zone - Greenfield	35%	Marginal

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Ref	#Units	Typology	% Affordable	Result
H	100	Lower Value Zone - Brownfield	35%	Marginal
I	200	Lower Value Zone - Greenfield	35%	Marginal
J	200	Lower Value Zone - Brownfield	35%	Unviable
K	500	Lower Value Zone - Greenfield	35%	Marginal
L	1,200	Lower Value Zone – Mixed (GF / BF)	35%	Unviable
M	10	Higher Value Zone - Greenfield Sites / Adjacent to Rural Service Centres	35%	Viable
N	20	Higher Value Zone - Brownfield	35%	Viable
O	25	Higher Value Zone - Greenfield	35%	Viable
P	100	Higher Value Zone - Greenfield	35%	Viable
Q	150	Higher Value Zone - Brownfield	35%	Viable
R	250	Higher Value Zone – Brownfield (Apartments)	35%	Unviable
S	35	Island Wide – Brownfield (Apartments)	35%	Unviable
T	8	Island Wide – Greenfield Rural Exception Site	100%	Viable (with grant)

- To date, the IPS has taken a ‘blanket’ approach to affordable housing as previous viability work showed that the majority of typologies were viable (based on lower build costs).
- In light of current market conditions, the findings of this update work and in order to ensure that the policies of the IPS remain viable, it is recommended that the affordable housing requirement in certain lower-value areas and for higher-cost typologies is revised. A reduced target would improve deliverability while ensuring the IPS remains consistent with national policy. This approach also responds directly to the Inspectors’ post-hearing comments, ensuring that the Plan is demonstrably deliverable across all of the island.
- The viability update therefore assessed what the maximum level of affordable housing was that could be sought from each development typology. This is shown in the table below and **is on the basis of the deeper discounts in Policy AFF1 being retained.**

Ref	#Units	Typology	Maximum % Affordable	Result
A	10	Lower Value Zone – Greenfield Sites / Adjacent to Rural Service Centres	15%	Viable
B	10	Lower Value Zone - Brownfield	15%	Viable
C	20	Lower Value Zone - Greenfield	15%	Viable

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Ref	#Units	Typology	Maximum % Affordable	Result
D	20	Lower Value Zone - Brownfield	15%	Viable
E	50	Lower Value Zone - Greenfield	20%	Viable
F	50	Lower Value Zone - Brownfield	15%	Viable
G	100	Lower Value Zone - Greenfield	25%	Viable
H	100	Lower Value Zone - Brownfield	20%	Viable
I	200	Lower Value Zone - Greenfield	25%	Viable
J	200	Lower Value Zone - Brownfield	15%	Viable
K	500	Lower Value Zone - Greenfield	25%	Viable
L	1,200	Lower Value Zone – Mixed (GF / BF)	20%	Viable
M	10	Higher Value Zone - Greenfield Sites / Adjacent to Rural Service Centres	35%	Viable
N	20	Higher Value Zone - Brownfield	35%	Viable
O	25	Higher Value Zone - Greenfield	35%	Viable
P	100	Higher Value Zone - Greenfield	35%	Viable
Q	150	Higher Value Zone - Brownfield	35%	Viable
R	250	Higher Value Zone – Brownfield (Apartments)	0%	Unviable
S	35	Island Wide – Brownfield (Apartments)	0%	Unviable
T	8	Island Wide – Greenfield Rural Exception Site	100%	Viable (with grant)

- The two typologies where development would remain ‘Unviable’, even at 0% affordable housing, are for apartment schemes on brownfield land. Such schemes are very location dependant, with no such schemes anticipated to come forward in the first 5 years of the plan period.
- Based on these results, it is also clear that there is little scope for development being able to provide approximately £10,000 per unit for Net Zero initiatives (Policy C11), unless affordable housing is reduced to between 0-5%.