

**For: Epping Forest District Council**

**Appendix IV – Glossary**

**Stage 2: Update Assessment of the viability  
of Affordable Housing, Community  
Infrastructure Levy and Local Plan**

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## GLOSSARY OF TERMS

*This glossary attempts to define some of the more commonly used terms within viability studies carried out by DSP. It is not an exhaustive list and in most cases, the report itself explains any acronyms and provides definitions. Note – since the introduction of the National Planning Policy Framework in March 2012, all previous Planning Policy Statements have been replaced by the NPPF. References have been included within this Glossary for information purposes only.*

### A

*Abnormal Development Costs - Costs that are not allowed for specifically within normal development costs. These can include costs associated with unusual ground conditions, contamination, etc.*

*Affordable Housing - The National Planning Policy Framework defines affordable housing as: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.*

*Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.*

*Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing.*

*Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).*

*Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low-cost homes for sale and intermediate rent, but not affordable rented housing.*

Affordable Rented housing – See definition above.

Allocated – land identified for a specific use.

## **B**

Base Build Costs - for construction only (excluding fees, contingencies and extras) as explained in the study.

BH/BF - preceded by a number – abbreviations used to indicate how many bedrooms a dwelling has - (-bed house / -bed flat).

BREEAM - the Building Research Establishment Environmental Assessment Methodology which assesses the sustainability credentials of industrial, commercial and institutional buildings.

Building Cost Information Services (BCIS) - A subscriber service of RICS to facilitate the exchange of detailed building construction costs. The service is available from an independent body to those of any discipline who are willing and able to contribute and receive data on a reciprocal basis.

Building Regulations - Building regulations are statutory instruments that seek to ensure that the policies set out in the relevant legislation are carried out. Building regulations approval is required for most building work in the UK.

Building Regulations - Approved Document M (Access to and use of buildings) - takes effect on 1 October 2015 and contains updated guidance. In particular, it introduces three categories of dwellings:

- Category 1 - Visitable dwellings
- Category 2 - Accessible and adaptable dwellings
- Category 3 - Wheelchair user dwellings

Categories 2 and 3 apply only where required by planning permission – the optional element implementable by the Local Authority’s approach subject to local justification. The effectively optional regulations and space standards can only be applied where there is a local plan policy based on evidenced local need for them; and where the viability of development is not unduly compromised as a result of their application.

*Building Regulations – Approved Document G (water efficiency)* - gives guidance on how to comply with requirement G2 of the Building Regulations – water efficiency – 125litres(l) / person(p) /day(d) unless optional requirement of 110l/p/d is requirement of a planning condition. The optional element is implementable by the Local Authority’s approach subject to local justification. The effectively optional regulations can only be applied where there is a local plan policy based on evidenced local need for it; and where the viability of development is not unduly compromised as a result of their application.

*Building Regulations – Approved Document Q (Security)* - gives guidance on how to comply with requirement Q1 of the Building Regulations.

## C

*Capital value* - The value of a building or land as distinct from its rental value.

*Cash flow* - The movement of money by way of income, expenditure and capital receipts and payments during the course of a development.

*Cascade Mechanism/Principle* - A Cascade is a mechanism which enables the form and/or quantum of affordable housing provision to be varied according to the availability of grant funding, thus ensuring that at least a base level of need-related accommodation is provided without compromising overall scheme viability. The approach aids delivery of both the market and affordable tenures by providing adaptability where needed, thus avoiding the need to renegotiate Section 106 agreements with the time delays and cost issues that process brings.

*Charging Authority* – is the Local Planning Authority as defined by section 37 of the Planning and Compulsory Purchase Act 2004 for England.

*Charging schedule* – sets out the rates of CIL which will apply in the authority’s area. This involves consultation and independent examination.

*Code for Sustainable Homes (‘CfSH’, ‘CSH’ or ‘Code’)* - CLG had previously proposed to gradually tighten building regulations to increase the energy efficiency of new homes and thus reduce their carbon impact. In parallel with these changes to the building regulations, the CfSH had been introduced as a tool to encourage house builders to create more sustainable dwellings, and to inform buyers/occupiers about the green credentials of new housing. CfSH compliance, to levels over those generally operated in the market, is also compulsory for all public (HCA) funded affordable housing development. The Code was

intended to provide a route map, signalling the direction of change towards low carbon sustainable homes and become mandatory under the building regulations. The Code, again in parallel with building regulations and other initiatives, also covered a wider range of sustainability requirements – beyond lower carbon.

On 27<sup>th</sup> March 2015 in a written Ministerial Statement the Government formally announced a new approach to the setting of technical housing standards in England accompanied by a new set of streamlined standards. The government has now therefore withdrawn the code. For the specific issue of energy performance, local planning authorities will continue to be able to set and apply policies in their Local Plans which require compliance with energy performance standards that exceed the energy requirements of Building Regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill 2015. This is expected to happen alongside the introduction of zero carbon homes policy in late 2016. The government has stated that, from then, the energy performance requirements in Building Regulations will be set at a level equivalent to the (outgoing) Code for Sustainable Homes Level 4. Until the amendment is commenced, we would expect local planning authorities to take this statement of the government’s intention into account in applying existing policies and not set conditions with requirements above a Code level 4 equivalent<sup>1</sup>.

Community Infrastructure Levy - A levy allowing local authorities to raise funds from owners or developers of land undertaking new building projects in their area. Charging authorities must express CIL rates as pounds per square metre (£/sq. m.), as CIL will be levied on the gross internal floorspace of the net additional liable development. The published rate(s) within an authority’s charging schedule will enable liable parties to anticipate their expected CIL liability.

Commuted Sum - See “Payment in lieu” below.

Core Strategy - The *Key Development Plan Document* (‘DPD’) through which a local authority set out its strategic planning approach for its area. Accompanied by other DPDs, usually dealing with aspects such as site allocations or regeneration areas, and in some cases covering particular topics such as affordable housing (see below for other definitions). See also Local Plan.

Current Use Value - Market Value on the special assumption reflecting the current use of the property only and disregarding any prospect of development other than for continuation/expansion of the current use

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<sup>1</sup>DCLG - Rt Hon Eric Pickles Written Statement to Parliament “Steps the government are taking to streamline the planning system, protect the environment, support economic growth and assist locally-led decision-making”.

## D

Density ('Indicative Density') - Represents the intensity of use of a site by way of how many dwellings (or in some cases other measures such as habitable rooms) are provided on it. Usually described by reference to 'dwellings per hectare' (DPH).

Development – Planning law definition: 'the carrying out of building, engineering, mining or other operations in, on, over, or under land, or the making of a material change of use of any building or land'.

Development Appraisal - A financial appraisal of a development to calculate either: (i) the residual site value (deducting all development costs, including an allowance for the developer's profit/return, from the scheme's total capital value); or (ii) the residual development profit/return (deducting all development costs, including the site value/cost, from the scheme's total capital value). The appraisal(s) would normally look to determine an approximate *Residual Land Value* (RLV). Assuming a developer has already reached the initial conclusion that, in principle, a site is likely to be suitable and viable for development, an appraisal is then carried out to fine tune scheme feasibility and discover what sum they can afford to pay for the site. This would normally be subject to a range of caveats and clauses based on circumstances unknown to the developer at the time of making an offer. As an example, an offer could be subject to the granting of planning permission or subject to no abnormal conditions existing, etc.

Development Cost - This is the cost associated with the development of a scheme and includes acquisition costs, site-specific related costs, build costs, fees and expenses, interest and financing costs.

Development Plan ('Plan') - This includes adopted Local Plans, neighbourhood plans and the London Plan, and is defined in section 38 of the Planning and Compulsory Purchase Act 2004. (Regional strategies have now been abolished by Order using powers taken in the Localism Act).

Development Plan Document (DPD) - Spatial planning documents subject to independent examination, and together with any relevant regional plans, inform the planning policies for a local authority. They included a Core Strategy and also often cover site-specific allocations of land, area action plans and generic development control policies. See also Development Plan.

*Developer's Profit* - The developer's reward for risk taken in pursuing and running the project, required to secure project funding. This is the gross profit, before tax. It will usually cover an element of overheads, but varies. The profit element used in these appraisals is profit expressed as a percentage of Gross Development Value (the most commonly expressed way) although developers will sometimes use other methods, for example profit on cost.

*Development Viability (or 'Viability')* - The viability of the development - meaning its health in financial terms. A viable development can be defined as *'the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project'*<sup>2</sup>.

## **E**

*Existing Use Value (EUUV)* - is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller, in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, assuming the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market value to differ from that needed to replace the remaining service potential at least cost (see also Current Use Value and Market Value).

*Edge of centre* - For retail purposes, a location that is well connected and up to 300 metres of the primary shopping area. For all other main town centre uses, a location within 300 metres of a town centre boundary. For office development, this includes locations outside the town centre but within 500 metres of a public transport interchange. In determining whether a site falls within the definition of edge of centre, account should be taken of local circumstances.

## **F**

*Finance* - Costs associated with financing the development cost. Varying views are taken on the length of the relevant construction projects as to how long these costs need to be carried for on each occasion.

*Financial Contribution* - see "Payment in lieu".

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<sup>2</sup> Financial Viability in Planning – RICS Guidance Note (August 2012)

## G

Gross external area (GEA) - The aggregate superficial area of a building taking each floor into account. As per the RICS Code of Measuring Practice this includes: external walls and projections, columns, piers, chimney breasts, stairwells and lift wells, tank and plant rooms, fuel stores whether or not above main roof level (except for Scotland, where for rating purposes these are excluded); and open-side covered areas and enclosed car parking areas; but excludes; open balconies; open fire escapes, open covered ways or minor canopies; open vehicle parking areas, terraces, etc.; domestic outside WCs and coalhouses. In calculating GEA, party walls are measured to their centre line, while areas with a headroom of less than 1.5m are excluded and quoted separately.

Gross Internal Area (GIA) - Broadly speaking GIA is the whole enclosed area of a building within the external walls taking each floor into account and excluding the thickness of the external walls. GIA will include: Areas occupied by internal walls (whether structural or not) and partitions; service accommodation such as WCs, showers, changing rooms and the like; columns, piers, whether free standing or projecting inwards from an external wall, chimney breasts, lift wells, stairwells etc; lift rooms, plant rooms, tank rooms, fuel stores, whether or not above roof level; open-sided covered areas.

Gross Development Value (GDV) - The amount the developer ultimately receives on completion or sale of a scheme whether through open market sales alone or a combination of those and the receipt from a Registered Provider for completed affordable housing units and / or any non-residential sales - before all costs are subtracted.

## H

Homes and Communities Agency (HCA) - The Government's Agency charged with delivering the affordable housing (investment) programme ('AHP') and the vehicle through which public funds in the form of Social Housing Grant ('SHG') are allocated, where available and where the HCA's investment criteria are met, for affordable housing development.

Hope value - Any element of open Market Value of a property in excess of the current use value, reflecting the prospect of some more valuable future use or development. It takes account of the uncertain nature or extent of such prospects, including the time which would elapse before one could expect planning permission to be obtained or any relevant constraints overcome, so as to enable the more valuable use to be implemented.



*Housing Standards Review* - The technical housing standards review was launched in October 2012 following the housing and construction Red Tape Challenge, which was introduced in spring 2012. It was a fundamental review of the building regulations framework and voluntary housing standards which aimed to rationalise the large number of codes, standards, rules, regulations and guidance that add unnecessary cost and complexity to the house building process. One of the results was the introduction of dual level Building Regulations (*Access* and *Water*), which gives local authorities some choice to require developers to build to different standards than the minimum requirements. With appropriate evidence, local authorities can also use Nationally Described Space Standards which make up the new national technical standards. There is also a mandatory Building Regulation for security.

*Housing and Planning Act 2016* – The Housing and Planning Act 2016 received Royal Assent on the 12<sup>th</sup> May 2016 which makes extensive changes to the planning system and housing policy. It has the strategic objectives of increasing the output of newbuild homes and improving the affordability of home ownership for first time buyers (FTB). Central to these is the easing of some planning controls, and the creation of ‘Starter Homes’ for FTBs with values set at 80% of market value. The intention is to deliver 200,000 Starter Homes in the life of the parliament.

**I**

*Infrastructure* - The full range of transport networks, utilities, services and facilities that are needed to create sustainable neighbourhoods and support new development. It includes physical items such as roads and social infrastructure such as schools and healthcare centres.

*Intermediate Affordable Housing* - See ‘*Affordable Housing*’

**J**

**K**

**L**

*Land Costs* - Costs associated with securing the land and bringing it forward – activities which precede the construction phase, and, therefore, costs which are usually borne for a longer period than the construction phase (a lead in period). They include financing the land acquisition and associated costs such as land surveys, planning application and sometimes infrastructure costs, land acquisition expenses and stamp duty land tax.

Land Residual as a percentage (%) of GDV - The amount left for land purchase expressed as a percentage of the Gross Development Value. A common guideline used in the development industry. Readers may be familiar with the rule of thumb that upwards of approximately one third of development value is comprised of land value. In practice this has always varied, but with increasing burdens on land value from a range of planning infrastructure requirements (including affordable housing) traditional views on where land values lie are having to be revised.

Local Development Framework (LDF) - A non-statutory term used to describe a folder of documents, which includes all the local planning authority's local development documents. An LDF is comprised of:

- Development Plan Documents (which form part of the statutory development plan).
- Supplementary Planning Documents.

The local development framework will also comprise:

- The Statement of Community Involvement ('SCI')
- The Local Development Scheme ('LDS').
- The Annual Monitoring Report ('AMR').
- Any Local Development Orders or Simplified Planning Zones that may have been added.

Local Plan - The plan for the future development of a local area, drawn up by a local planning authority in consultation with the community. In law, described as the development plan documents adopted under the Planning and Compulsory Purchase Act 2004. Current core strategies or other planning policies, which under the regulations would be considered to be development plan documents, form part of the Local Plan. The term includes old policies which have been saved under the 2004 Act.

Local Planning Authority - The public authority whose duty it is to carry out specific planning functions for a particular area. Local planning authorities include district councils, London borough councils, county councils, Broads Authority, National Park Authorities and the Greater London Authority.

## M

Market Value ('MV') – is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## N

Nationally described space standard - The nationally described space standard replaces the existing different space standards used by local authorities. It is not a building regulation and remains solely within the planning system as a new form of technical planning standard. As with the optional elements of the Building Regulations evidence of need and viability must be demonstrated through the Local Plan process.

National Planning Policy Framework (NPPF) - The National Planning Policy Framework sets out the Government's planning policies for England and how these are expected to be applied. It sets out the Government's requirements for the planning system only to the extent that it is relevant, proportionate and necessary to do so. It provides a framework within which local people and their accountable councils can produce their own distinctive local and neighbourhood plans, which reflect the needs and priorities of their communities.

National Planning Practice Guidance (NPPG or PPG) - supporting document to the NPPF that refreshes and updates the raft of previous Planning Practice Guidance. Available as an online resource.

Net internal area (NIA) - The usable space within a building measured to the internal finish of structural, external or party walls, but excluding toilets, lift and plant rooms, stairs and lift wells, common entrance halls, lobbies and corridors, internal structural walls and columns and car parking areas.

## O

Open Market Value ('OMV') or now more frequently the term Market Value ('MV' – see 'M') – is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The usual measure of value in this study context. Used here to build up the

development scheme's *GDV* and also to distinguish between this level of value and the lower level of receipt usually associated with the affordable dwellings (see *Developer Payment*).

*Out of centre* - A location which is not in or on the edge of a centre but not necessarily outside the urban area.

*Out of town* - A location out of centre that is outside the existing urban area.

## **P**

*Payment in lieu* - A financial payment made by a developer or landowners instead of providing the planning-led affordable housing requirement on the site of the market (private sale) housing scheme (see also "*Commuted Sum/Financial Contribution*").

*Payment Table* - This is normally referred to where a local authority prescribes or guides as to the levels of receipt the developer will get for selling completed affordable housing units of set types and sizes to a Housing Association. In this context it normally relates to an approach which assumes nil grant and is based on what the Housing Association can afford to pay through finance raised (mortgage funded) against the rental or shared ownership income flow. See also *Developer Payment*. It is sometimes used in a looser context, for example in the setting out of financial contribution levels for payments in lieu of on-site affordable housing provision.

*Planning obligations* - A legally enforceable obligation entered into under section 106 of the Town and Country Planning Act 1990 to mitigate the impacts of a development proposal.

*Planning-led Affordable Housing* - Affordable housing required on new market (private sale) housing developments of certain types (which are set locally – see "Threshold" and "Proportion" below) as set out by the National Planning Policy Framework (NPPF).

*Planning Policy Statement 3: Housing ('PPS3')* – Now obsolete national statement of the Government's planning policy on Housing – including the planning-led affordable housing we consider here.

*Previously developed land* - Land which is or was occupied by a permanent structure, including the curtilage of the developed land (although it should not be assumed that the whole of the curtilage should be developed) and any associated fixed surface infrastructure. This excludes: land that is or has been occupied by agricultural or forestry buildings; land that has been developed for minerals extraction or waste disposal by landfill purposes where provision for restoration has been made through development control procedures; land in built-up areas

such as private residential gardens, parks, recreation grounds and allotments; and land that was previously-developed but where the remains of the permanent structure or fixed surface structure have blended into the landscape in the process of time.

## **Q**

## **R**

Rateable value - The figure upon which the uniform business rate is charged.

Recycled Capital Grant ('RCG') - An internal fund within the accounts of a Registered Provider used to recycle SHG in accordance with Homes and Communities Agency policies and procedures.

Renewable Energy/Renewal Energy Measures - Measures which are required for developments to ensure that a proportion (often expressed as a % target) of total energy needs of the scheme are supplied through renewable sources (for example solar, wind, ground heat, biomass, etc) rather than through conventional energy supply means. Usually in the context of viability studies we are referring to small scale *on-site* measures or equipment that will supply a proportion of the development's needs. Increasingly, there are also moves to investigate the potential for larger developments or groups of developments to benefit from similar principles but through group/combined/communal schemes usually involving significant plant installations.

Rental value - The income that can be derived under a lease or tenancy for use of land or a building.

Residual Valuation - The process by which *Residual Land Value ('RLV')* is estimated. So called because it starts with the *GDV* at the top of the calculation and deducts all *Development Costs* and *Developer's Profit* so as to indicate the amount left remaining (hence "residual") for land purchase – including land value.

Residual Land Value (RLV) - The amount left for land purchase once all development, finance, land costs and profit have been deducted from the *GDV*, normally expressed in monetary terms (£). This acknowledges the sum subtracted for affordable housing and other planning obligations where applicable. It is relevant to calculate land value in this way as land value is a direct result of what *scheme type* specifically can be created on a site, the issues that have to be dealt with to create it and costs associated with those.

Registered Provider (RP) - This legal definition has replaced the previously recognised term of Registered Social Landlord (RSL) and incorporates most Housing Associations. However the new definition explicitly allows both profit and non-profit making social housing providers to be registered (with the Tenant Services Agency).

Rural Exception Sites - The National Planning Policy Framework (NPPF) defines rural exception sites as:

*‘Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the local authority’s discretion, for example where essential to enable the delivery of affordable units without grant funding’.*

## S

Saved Policies - former *development plan* policies whose life has been extended pending the replacement plan being in place. A formal direction is required in order for policies to be saved.

Scheme Type - The scheme (development project) types modelled in the appraisals consist of either entirely flatted or housing schemes or schemes with a mix of houses and flats. They are notional, rather than actual, scheme types consistent with the strategic overview the study needs to make.

Section 106 (*‘S106’*) - (of the Town and Country Planning Act 1990). The legally binding planning agreement which runs with the interest in the land and requires the landowner (noting that ultimately the developer usually becomes the landowner) through covenants to agree to meet the various planning obligations once they implement the planning permission to which the *S106 agreement* relates. It usually sets out the principal affordable housing obligations, and is the usual tool by which planning-led affordable housing is secured by the Local Planning Authority. Section 106 of this Act refers to “agreements regulating development or use of land”. These agreements often cover a range of planning obligations as well as affordable housing. There is a related type of agreement borne out of the same requirements and legislation – whereby a developer unilaterally offers a similar set of obligations, often in appeal or similar set of circumstances where a quick route to confirming a commitment to a set of obligations may be needed (a *Unilateral Undertaking* – a term not used in this study).

Shared Ownership - Shared ownership is an intermediate form of Affordable Housing and provides a way of buying a stake in a property where the purchaser cannot afford to buy it outright. They have sole occupancy rights. Shared ownership properties are usually offered for sale by Registered Providers. The purchaser buys a share of a property and pays rent to the RP for the remainder. The monthly outgoings will include repayments on any mortgage taken out, plus rent on the part of the property retained by the housing association. Later, as the purchaser's financial circumstances change, they may be able to increase their share until they own the whole property (see 'stair-casing' below). See also Affordable Housing.

Sliding Scale - Refers in this context to a set of affordable housing policies which require a lower *proportion* of affordable housing on the smallest sites, increasing with site size – to provide a graduated approach.

Special Protection Areas - Areas which have been identified as being of international importance for the breeding, feeding, wintering or the migration of rare and vulnerable species of birds found within European Union countries. They are European designated sites, classified under the Birds Directive.

Social Rented Housing – see 'Affordable Housing'

Stair-casing Receipt - Payment an RP receives when a shared ownership leaseholder (shared owner) acquires additional equity (a further share of the freehold) in a dwelling.

Starter Homes – A new form of Affordable Housing for first time buyers only, between the ages of 23 and 40. Starter Homes will be sold at no more than 80% of market value capped at £450,000 in Greater London and 250,000 across the rest of England. The Government's 'Starter Homes Technical Regulations' consultation indicates that Starter Homes are to apply to sites of 10+ units (or 0.5ha) with 20% representing the minimum provision. We expect to know more from the Government in Autumn 2016.

Supplementary Planning Document (SPD) - Provides supplementary information in respect of the policies in Development Plan Documents, and their more detailed application. These do not form part of the development plan and are not subject to independent examination.

## **I**

Tenure/Tenure Type – the mode of occupation of a property – normally used in the context of varying *affordable housing* tenure types – in essence includes buying part or whole, and

renting; although there are now many tenure models and variations which also include elements of buying and renting.

Tenure Mix - The tenure types of affordable housing provided on a site – refers to the balance between, for example, affordable rented accommodation and shared ownership or other *Intermediate* tenure.

Threshold - Affordable housing threshold i.e. the point (development scheme and/or site size) at which the local authority determines that affordable housing provision should be sought, or in this study context the potential points at which the local authority wishes to test viability with a view to considering and selecting future policy or policy options.

## U

## V

Valuation Office Agency (VOA) - The Valuation Office Agency (VOA) is an executive agency of HM Revenue & Customs (HMRC). Their main functions are to compile and maintain the business rating and council tax valuation lists for England and Wales; value property in England, Wales and Scotland for the purposes of taxes administered by the HM Revenue & Customs; provide statutory and non-statutory property valuation services in England, Wales and Scotland; give policy advice to Ministers on property valuation matters. The VOA publishes twice-yearly Property Market Reports that include data on residential and commercial property, and land values.

Value Level(s) - DSP usually carry out sensitivity testing based on a range of new build property values which represent typically found prices for ordinary new developments in the area at the time of the study research.

Viability - See *Development Viability*.

## W

## X

## Y

Yield – In this study context, as applied to different commercial elements of a scheme (i.e. office, retail, etc.). Essentially indicates the percentage (%) of the capital value of the property represented by one year's rental income – i.e. the rental (investment) return. In this study context a lower yield (lower %) assumption generally represents a greater envisaged strength



of lease (occupier) covenant and greater certainty / lower risk over the security of the rental income (security or stability of the development / property type investment, therefore). Related to this, in turn a lower yield % produces a higher rental capitalisation (a higher multiplier, or Years Purchase – ‘YP’ – applied to the annual rent). The converse applies as the yield % increases (a higher yield assumption means a lower multiplier applied to the annual rent).

**Z**

**Appendix IV Glossary Ends (2017)**