



**Lambert
Smith
Hampton**

www.lsh.co.uk

Port Street, Manchester, M1 2EG

Financial Viability Assessment Executive Summary

On instruction of

Vita Group

Prepared by: Lambert Smith Hampton
6th Floor Hardman Street
Spinningfields
Manchester M3 3HF

Tel: +(0)161 242 8055

Fax: +(0)161 242 7354

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Executive Summary

- 1.1 Lambert Smith Hampton (LSH) has been appointed by Vita Group Ltd to provide viability evidence in support of their application for 485no. dwellings with associated commercial, circulation and ancillary amenity space at Port Street, Manchester.
- 1.2 The purpose of this viability assessment is to assess the level of affordable housing that can be supported by the Development, in order to ensure that it can be delivered on a viable basis whilst generating reasonable return to the developer
- 1.3 The 485 unit development includes a total GDV of £154,485,580 based on residential values of £440/sq. ft. on an Open Market Basis and £25/sq. ft. for the commercial floor space.
- 1.4 A Benchmark Land Value has been calculated using PPG guidance and the EUV + methodology, resulting in a BLV of £5,400,000 allowing for a 20% premium on EUV.
- 1.5 Development profit is included at 18% of GDV. This is below industry standard of 20% taking into account developer expectations, and level of risk associated with a development of this scale and the high level of economic uncertainty.
- 1.6 Total development costs are £126,550,807 allowing for a build cost of £208/ sq. ft. with an additional allowance associated fees and site specific costs.
- 1.7 There is a development timescale of 72 months total, from site purchase to the end of the sales period.
- 1.8 Based on a GDV of £154,486,580, costs of £126,550,807 as per the above inputs and a profit margin of 18%, the appraisal produces a negative land value of £1,772,347. This is a deficit of £7,172,347 from the Benchmark Land Value.
- 1.9 LSH has undertaken a second appraisal at a policy compliant level of affordable housing of 20% (assuming a blended rate of 65% OMV for the affordable housing revenue). This appraisal produces a negative land value of £9,003,977 which is a deficit of £14,403,977 from the Benchmark Land Value.
- 1.10 For information, LSH have also undertaken development appraisals for the open market scheme which demonstrate that at a fixed land price in line with the BLV, the scheme deficit translates to a profit on GDV in the region of 12.2%. This is considerably lower than one would anticipate a reasonable developer would accept for a development of this scale and risk.

- 1.11 Notwithstanding this, the applicant is aware of the requirement for affordable housing in Manchester City centre, and has offered an offsite sum of £750,000 for to the support the council with the delivery of affordable housing on other projects in the city.
- 1.12 This figure is not allowed for within the LSH appraisals, and would create a further deficit to what LSH would deem an acceptable and viable development.
- 1.13 As a result, LSH is of the view that the scheme is unable to provide any affordable housing on site. The knock on economic benefits of the delivery of a development of this scale will be significant, given it is creating 485 high quality homes for a wide range of people in the city.

