

Plot F Great Jackson Street, Manchester

Financial Viability Assessment

PRIVATE AND CONFIDENTIAL

OCTOBER 2021



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1. Introduction

Below we provide a Financial Viability Assessment report for Plot F Great Jackson Street, Manchester. The report has been prepared for the sole purpose of supporting an application for Full Planning Permission, to be submitted by Renaker Build Limited to Manchester City Council.

The figures contained within this report are presented in the context of advising on the viability of the development.

All values, costs and figures are provided as at October 2021 unless stated otherwise.

2. Location and Description

2.1 Location

The Site forms part of the Great Jackson Street Strategic Regeneration Framework and is currently bisected by Owen Street which runs North-South through the site and connects to Great Jackson Street. The western part of the site is bounded by the area known as Plot E to the north, Owen Street to the east, and Great Jackson Street to the south & west. The eastern part of the site is bound by Pond Street and Deansgate Square development to the north, Boatmans residential building to the east and Great Jackson Street to the south.

The Site has been used in recent years as a site compound area for the now completed Deansgate Square development which was successfully completed in February 2021.

2.2 Proposed Development

The proposals involve comprehensive redevelopment of the Site to provide a new mixed use residential-led neighbourhood comprising residential and high quality public realm.

The development will add to the community infrastructure already provided by the recent developments at Deansgate Square and the adjacent Crown Street development which incorporates significant initial public realm improvements and aims to deliver a brand new city centre medical centre.

The Proposed Development will comprise two iconic and ground-breaking high quality residential blocks, with a fully landscaped public realm area between and surrounding the two buildings. The two residential buildings are both 51 storeys in height and share a common form and floorplate design

The two towers are proposed to accommodate residential uses, consisting of 1 and 2 and 3 bedroom apartments.

The scheme will deliver:

- a) Residential – 988 new homes.
- b) Public realm and landscaping 4,350m²
- c) Car parking – 296 private car parking spaces

Our financial viability assessment is based on the assumption that planning permission will be secured for the scheme.

2.3 Planning / S106 contributions

The submission provides 4,350 m² of high quality public realm and highway pavement improvements. This key consideration was raised in the initial consultations for Phase 1 of the Great Jackson Street delivery and have been fully incorporated into the design / scheme proposals.

The total initial financial contribution by the developer to deliver this high quality public realm is £4,294,780.

3. Financial Viability Appraisal

3.1 Financial Viability Assessment

Our financial viability appraisal is as presented within appendix 1.

Valuation is sensitive to small changes in key variables, including construction costs & fees, funding costs, construction/ development timing, rental values, investor returns and sales values. Appraisals of this nature depend for their accuracy on the input variables, of which some of the most crucial (build costs, rental value and investment yield, etc.) can be subject to substantial variation over the project period.

Our assessment reflects a fair and balanced approach in the current market and with the economic arena based upon real comparable data.

Importantly, we have relied upon the following information:

- Estimated Construction Costs produced by Renaker Build Limited (Sep 20)
- Area Schedules and Scheme drawings in line with the planning application.

Below we outline the assumptions applied to each scheme in assessing financial viability.

We have benchmarked the development value per square foot based on sales rates being achieved at our ongoing developments at Deansgate Square and Crown Street Phase one.

- Adjacent to the subject property, we are achieving average sales rates of **£4,736 per sqm (£440 per sq ft)** at our neighbouring Crown Street Phase I development. Crown Street Phase I comprises two tall buildings (51 storeys and 21 storeys) providing 664 no residential units alongside a residential amenity (swimming pool, gym and lounge) and basement car parking.
- Finally, at our Deansgate square scheme, within 100m of the subject property, units are being sold at between **£4,305 per sq m (£400 per sq ft) and £5,920 per sq m (£550 per sq ft)**. Deansgate Square provides 1,508 residential units across four sleek glazed towers reaching as high as 64 storeys. The scheme will incorporate high end residents' facilities including 25m swimming pool, indoor tennis court, 1,900 sq ft gymnasium, Leisure Suite, dedicated resident's lounges and relaxation areas.

Residential – Development Value

Unit Type	Number of Units	Total NIA sq m (sq ft)	Average sales rate (per sq ft)	Gross Development Value
Residential	988	756,267	£485	£366,789,701
TOTAL	988	756,267	£485	£366,789,701

Residential – Development Value

Total Development Value

Unit Type	Total Development Value
Residential	£366,789,701
Car Parking – Public	N/A
Commercial Areas -	N/A
Car Parking – Residents	£3,700,000
TOTAL	£370,489,701

Additional Costs and Assumptions

In establishing the development costs for the scheme, we believe that we are best placed to assess realistic outturn costs for the project delivery given our experience and track record in delivery of projects within the city through the last decade.

Item	Assumption	Comments
Finance Rate	6.00%	Based on our market knowledge for scale and type of development.
	Land purchase costs	Renaker has already purchased the land and therefore costs have crystallised. A consideration of £12.2m for the land, plus £610,000 stamp duty and £100,000 land purchase costs have been paid.

Construction Cost	£204 per sq ft	Based on Estimated Construction Costs produced by Renaker Build.
Public Realm	£4,294,780	Based on Estimated Construction Costs produced by Renaker Build
Professional Fees	7.50% on construction costs	Based on our market knowledge for scale and type of development.
Development Management Fee	2.0% of construction costs	Standard DM fee for this scale and type of development
Contingency	5.00% on construction costs	Based on market knowledge for scale and type of development. Included within cost per square foot rates.
Marketing Costs	3.00% of development value	Cost associated with achieving the forward funded sale and generating general interest / raising the profile of the scheme.
Agency Fees on sale	5.00%	Based on our market knowledge for a development of this scale and type and recent historical data on our comparable projects.

4. Conclusion

Our viability assessment for Plot F indicates that the scheme, as presented, includes the commitment to the delivery of the public realm and pavement highway improvements **(£4,294,780)**.

The viability appraisal produces a developer's margin on value of **10.98%** with an overall development value at £370,489,701

Given the significant financial contribution attributed to the improvements to the public realm and the quality of the scheme and associated delivery costs, the scheme as supported within the enclosed viability cannot support further s106 / affordable housing contribution. It is recognised as an industry standard that a development of such scale and risk profile should produce a development margin of **18.00-20.00%**.

The scheme is high-quality in design and delivers much needed green public recreational space in line with the Great Jackson Street Strategic Regeneration Framework (SRF). It also continues to transform the new neighbourhood and wider city centre, in becoming an aspirational place and setting for people to enjoy over a longer term. We are committed to delivery in line with the established Great Jackson Street SRF.