

TRINITY ISLANDS, Manchester

Financial Viability Assessment

PRIVATE AND CONFIDENTIAL

NOVEMBER 2021



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1. Introduction

Below we provide a Financial Viability Assessment report for Trinity Islands 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 November 2021 unless stated otherwise.

2. Location and Description

2.1 Location

The Site is on the western boundary of Manchester City Centre and is within the Castlefield Conservation Area.

The emerging St Johns Masterplan area is located approximately 53m to the northeast of the site with Deansgate and Spinningfields beyond.

To the west are the River Irwell and Salford.

2.2 Proposed Development

The proposals are located on 2 equally sized island sites, each measuring 0.89Ha, and are bounded by Trinity Way, Water Street, and Regent Road, with frontage onto the River Irwell. The eastern boundary also abuts a railway viaduct.

The sites are currently established as a surface level car park and for meanwhile uses such as locations for film crews and as construction storage for development of adjacent sites.

In summary, the proposals include the following elements:

- Erection of four residential buildings (Use Class C3) of heights varying from 39
- to 60 storeys, incorporating lower floors accommodating residential amenity
- facilities and ground floor commercial units (Use Class E)
- Each building has separate private car and cycle parking within a two-storey
- basement (c. 29% and 100% provision respectively)
- Delivery of 1.29Ha of high quality public realm
- Enhancements to highways and servicing routes

The scheme will deliver:

- a) Residential – 1950 new homes.
- b) Public realm and landscaping 128,418ft²
- c) Car parking – 556 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 128,418ft² of high-quality public realm and highway pavement improvements. This key consideration was raised in the initial consultations for the project 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 **£10,273,465**

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 21)
- 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 comparable ongoing developments at Deansgate Square and Crown Street Phase one.

- 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, 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	1950	1,509,565	£485	£732,153,575
TOTAL	1950	1,509,565	£485	£732,153,575

Residential – Development Value

Total Development Value

Unit Type	Total Development Value
Residential	£732,153,575
Car Parking – Public	N/A
Commercial Areas	£832,696
Car Parking – Residents	£8,750,000
TOTAL	£741,736,271

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 £13.458m for the land, plus £796,000 stamp duty and £100,000 land purchase costs have been paid.
Construction Cost	£202 per sq ft	Based on Estimated Construction Costs produced by Renaker Build.

Public Realm	£10,273,465	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 indicates that the scheme, as presented, includes the commitment to the delivery of the public realm. **£10,273,465**

The viability appraisal produces a developer's margin on value of **12.04%** with an overall development value at **£741,736,271**

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. 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.

Appendix 1

Trinity Islands appraisal

Phase 1

Trinity Islands

Number of units - total	1950		
Number of 1 beds	638		
Number of 2 beds	1254		
Number of 3 beds +	58		
Total NIA			1,509,595
Parking spaces - 2 floor sub basement	556	28.51%	
Number of floors - 4 towers - 57,49,43,34 floors			
GIFA - excluding parking	2,081,678		
GIFA - including parking	2,327,233		
Total commercial area	3,886		

Total development Cost	Item	Sq. ft	Rate	Total
Land purchase				£13,458,000
Stamp duty				£796,000
Legal fees Land purchase				£100,000
Design and submission - Planning Cost	Per Apt			£3,750,000
Total land & planning costs	£9,284.10			£18,104,000
Design and Build construction Cost - Basement	556	245,555	£45	£11,049,995
Design and Build construction Cost		2,081,678	£221	£460,050,754
D&B Estimated Contract Sum		2,327,233	£202	£471,100,748
Extraordinary amenity provision				£7,500,000
Pro rata contribution to park / public realm - Section 106 cost		128,418	£80	£10,273,465
Professional fees @ 7.5%				£35,895,056
DM & PM Fees @ 2.0%				£10,495,385
Total Build Cost	Per Apt £274,495		Per sq ft 230	£535,264,655
Sales and marketing budget - 3%				£22,252,088
Agents fees cost - 5%				£37,086,814
Sales - Legal & Conveyancy Fees (£500 per apartment)				£1,267,500
Finance & Accounting Fees - 0.1% of above				£595,871
Irrecoverable VAT (£3,500 per apartment Floors/White Goods)				£1,365,000
Other developments costs (insurance / legals / professionals)				£2,500,000
Total finance cost - external funding - 70%				£34,000,000
Total development cost -	£334,582.53			£652,435,928

Total development value

	£ per unit ave			
Apartment sales	£375,463	1,509,595	£485	£732,153,575
Car Park sales income	700		£12,500	£8,750,000
Commercial area - Ground floor £15 sq. ft		3,886	£15	£832,696

Total gross development value -	£741,736,271
Margin -	£89,300,343
Margin on value -	12.04%

Margin on value	Extra	£36	£54,949,258
Revised Margin			£144,249,601
Revised Value			£796,685,529
To achieve 18% - MOV		£521	18.11%
Means average 1 bed	@18%		£0
Means average 2 bed	@18%		£0.00
Means average 3 bed	@18%		£0

Margin on value	Extra	£50	£74,875,912
Revised Margin			£164,176,255
Revised Value			£816,612,183
To achieve 20% - MOV		£535	20.10%
Means average 1 bed	@20%		£0
Means average 2 bed	@20%		£0.00
Means average 3 bed	@20%		£0

Margin on value	Extra	£64	£96,010,242
Revised Margin			£185,310,585
Revised Value			£837,746,513
To achieve 22% - MOV		£549	22.12%
Means average 1 bed	@22%		£0
Means average 2 bed	@22%		£0.00
Means average 3 bed	@22%		£0