
Viability Assessment

87 Rochdale Road, Manchester

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1. Introduction

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1.1. Purpose of Report

This report has been prepared in accordance with instructions received from Mulbury in respect of the proposed development of the land to the north side of Rochdale Road, Manchester, M9 5TT. We have been instructed to undertake an assessment of site viability based on the proposed residential scheme, which comprises 223 x 1 and 2 bedroom apartments, 14 x 2 and 3 bedroom duplex apartments, 1,424 sq. ft. of commercial space and 35 car parking spaces.

1.2. Objectivity and Impartiality

In accordance with RICS Professional Standards, we can confirm that there are no conflicts of interest that affect our independent opinion being provided.

We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.

We can also confirm that no performance related or contingent fees have been agreed in respect of the provision of this report and subsequent viability advice.

1.3. Report

This report is dated 15 September 2021. It has been produced by Charlie Alcroft MRICS and reviewed by Adam Mirley MRICS.

The people stated above with MRICS qualifications are suitably qualified practitioners that have previously advised in respect of viability assessments across the North West.

1.4. Information Provided

We have been provided with and have relied upon the following information:

- Accommodation Schedule, produced by Jon Matthews Architects (**Appendix 1**)
- Floor Plans, produced by Jon Matthews Architects (**Appendix 2**)
- Cost Plan, produced by Russell Bolton Consulting (**Appendix 3**)

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2. Site Information

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2.1. Site Location

The site is located within the existing New Town neighbourhood area of Manchester, in the northern part of the extended city centre. The site sits within the Northern Gateway Strategic Framework area that covers approximately 155 hectares to the north of Manchester city centre, with the subject site being situated within the New Town neighbourhood area, at the south western end of the Strategic Regeneration Framework (SRF) area. Its redevelopment would strengthen the city and link with successful regeneration of nearby areas such as NOMA, Ancoats, New Islington, the Green Quarter and Miles Platting.

It is approximately 1 mile to the north east of the town hall, 0.7 miles to the north east of the central retail district and 1.3 miles from Spinningfields, arguably the prime office location in the city. Manchester Victoria train station is located less than half a mile to the south west of the site.



Figure 1: Site Location

2.2. Site Description

The site (edged red on Figure 1) is of an irregular shape and in total extends to approximately 1.22 acres (0.49 ha). It is bordered to the north by the proposed 1,202 unit Gaswork development, Back Street George's Road and Clive Street to the east, commercial premises to the south and Gould Street to the west.

The property comprises a surfaced car park providing 115 spaces and two industrial warehouses that provide approximately 10,122 sq. ft. of industrial space in total.

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The site is located in the New Town area and is characterised by a mixture of high density residential development and vacant cleared sites that have proposals for residential development. The Northern Gateway SRF sets out the vision for the area as a series of 'vibrant, sustainable and integrated residential neighbourhoods'.

2.3. Proposed Development

The planning application is for 223 x 1 and 2 bedroom apartments, 14 x 2 and 3 bedroom duplex apartments and approximately 1,424 sq. ft. of ground floor commercial space. We have been provided with an accommodation schedule by Jon Matthews Architecture, which we summarise below:

Block	Unit Type	No.
1 & 2	1 Bed	77
	2 Bed	146
3 & 4	2 Bed Duplex	7
	3 Bed Duplex	7
TOTAL		237

Figure 2: Schedule of Accommodation

The proposals result in a total Net Sales Area of 161,214 sq ft. The average unit size across the scheme is 680 sq ft.

We have included accommodation plans prepared by Jon Matthews Architecture at **Appendix 2**.

2.3.1. Blocks 1 & 2

Blocks 1 and 2 are located within the centre of the site and comprise a total of 77 x 1 bedroom apartments and 146 x 2 bedroom apartments over 13 storeys. The basement car park is accessed via Gould Street to the west of the site and provides 29 car parking spaces. Both blocks are served by a central concierge and the 1,424 sq. ft. commercial unit fronts Rochdale Road to the south. We summarise the accommodation below:

Unit Type	Size Range (Sq. Ft.)	No.	Total Sq. Ft.
1B1P	447 – 465	39	17,501
1B2P	533 – 656	38	20,753
2B3P	673 – 736	71	48,728
2B4P	764 – 949	75	60,172
TOTAL		223	147,154

Figure 3: Blocks 1 & 2 Schedule of Accommodation

2.3.2. Blocks 3 & 4

Blocks 3 and 4 are situated to the north west and south west of the site and comprise 14 x duplex apartments arranged over 4 storeys. We summarise the accommodation below:

Unit Type	Size Range (Sq. Ft.)	No.	Total Sq. Ft.
Duplex 2B3P	825	3	2,475
Duplex 3B4P	910 – 956	4	3,686
Duplex 3B5P	997 – 1,396	6	6,780
Duplex 3B6P	1,119	1	1,119
TOTAL		14	14,060

Figure 4: Blocks 3 & 4 Schedule of Accommodation

For the purpose of this assessment, we have assumed that the development will be finished to an appropriate standard of workmanship, specification and layout commensurate with new build schemes delivered by Mulbury and other developers in the local market.

2.4. Planning Policy

The Development Plan for Manchester comprises the Manchester Core Strategy (adopted July 2012) and saved policies from the Unitary Development Plan (UDP) (adopted 2004).

The Core Strategy sets out the City Council's vision for Manchester to 2026, along with the planning policies that provide the framework for delivering that vision. It provides a spatial strategy for growth, identifying that Manchester will be the driver of the City Region economy due to the location of key assets in Manchester City Centre and the Regional Centre.

The Manchester Core Strategy divides the city into five regeneration areas in addition to the City Centre. As defined by the proposals map, the site is located within the North Manchester Regeneration Area. It is also located within the wider Manchester Regional Centre. Core Strategy Policy H3 (North Manchester) states that North Manchester, over the lifetime of the Core Strategy, will accommodate around 20% of the new residential development in Manchester. Priority will be given to family housing and other high value, high quality development where this can be sustained.

2.4.1. Affordable Housing and Other Requirements

Policy H8 in the Manchester Core Strategy sets out the policy position for affordable housing. The city wide target for affordable housing is 20% with 5% sought as social or affordable rent and 15% as intermediate housing. Policy H8 goes on to state that "Developers are expected to use the 20% target as a starting point for affordable housing provision", however this level may be lowered or the site receive an exemption from affordable housing provision if a financial viability assessment demonstrates that it is unviable to achieve the 20% target.

The development will be required to adhere to the Manchester Residential Quality Guidance, which sets out requirements and standards to ensure the delivery of high quality and sustainable housing across Manchester.

2.5. Regeneration Framework: Northern Gateway SRF

The Northern Gateway SRF was endorsed by MCC at the City Council's Executive on 13 February 2019 and is a material consideration for all relevant planning applications within the Northern Gateway. The SRF proposes seven interconnected neighbourhoods which comprise: Collyhurst; New Cross; New Town; Red Bank; South Collyhurst; Vauxhall Gardens; and, Eggington Street and Smedley Dip. The regeneration of the Northern Gateway will need to effectively integrate these neighbourhoods, providing critical connections and achieving high-quality place making, to ensure comprehensive regeneration in the north and east of the city. The SRF sets out a vision to deliver approximately 15,000 homes supported by social and physical infrastructure including a new City River Park which will connect Queens Park and Angel Meadow.

The site is located within the proposed New Town neighbourhood. New Town is identified as 1 of the 7 interconnected neighbourhoods in the Northern Gateway SRF with a vision for a residential-led neighbourhood with an opportunity to establish a range of higher-density housing types and tenures and non-residential active frontages at ground floor level. New Town's relationship with the city centre and key transport modes sets the context for a higher density urban form. The development of New Town should reflect the neighbourhood's location adjoining the city centre. The Northern Gateway SRF, on page 119, states that a new community will be established through a range of high-density developments, which provide a variety of housing types and tenures. Residential developments will be predominantly apartment-led, with opportunities for townhouses and maisonettes integrated within new developments, and accommodation suitable for families. The SRF also states that active frontages will be provided along important routes to support varied and safe streets in areas of increased footfall. Although New Town is primarily a residential neighbourhood, selected typologies should be flexible in supporting non-residential units at ground floor level.

2.6. Infrastructure and Services

The assumed works required are accounted for within the construction costs where possible, which are further outlined in Section 7 of the report.

2.7. Highways and Access

We have assumed that the site can be freely accessed over the existing pavements and that there is sufficient access to plant and refuse areas.

2.8. Tenure

The site is held under two separate ownerships on a freehold and leasehold basis. Peter Read Investments Limited own the freehold titles GM16795 and LA61430. Hallmark Developments (North West) Limited own the freehold title GM667698 whilst Peter Read Investments Limited own the leasehold titles LA246011 and GM16796 for the corresponding land.

3. Viability Methodology

3.1. Overview

The fundamental issue in considering viability assessments in a town planning context, is whether a development is made unviable by the extent of affordable housing, planning obligations or other requirements. A proper understanding of financial viability is essential in ensuring that:

- (i) land is released for development;
- (ii) developers are capable of obtaining an appropriate market risk adjusted return for delivering the proposed development;
- (iii) the proposed development is capable of securing funding; and assumptions about the quantum of development that can be delivered over the course of the plan period are robust.

Where planning obligation liabilities reduce the site value to the landowner and return to the developer below an appropriate level, land will not be released and development will not take place. Whilst the RICS Guidance Note: Financial Viability in Planning, 1st Edition (August 2012) is not out-dated, it provides a useful diagram to explain how viability is assessed:

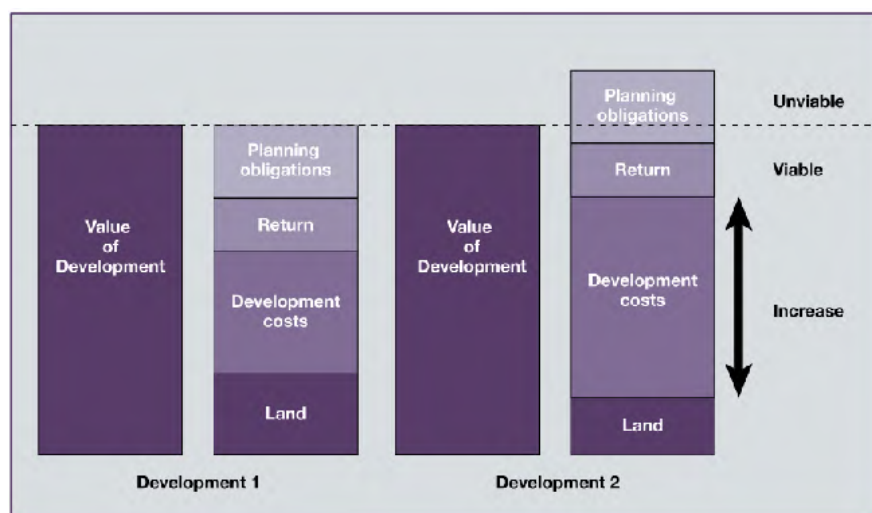


Figure 5: Development Viability Diagram (source: RICS Financial Viability in Planning)

3.2. National Planning Policy Framework and Planning Guidance

Paragraph 57 of the NPPF states that "all viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available".

It also states that: "where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all circumstances in the case, including whether the plan and viability evidence underpinning it is up to date, and any change in circumstance since the plan was brought into force."

The Viability Planning Practice Guidance (PPG) prioritises the assessment of viability at the plan-making and development management stages. The preferred methodology in this respect is a typology approach whereby sites are grouped by shared characteristics such as location, size and whether they are greenfield or brownfield. Plan makers can then decide on an appropriate benchmark land value, average costs, average values and the subsequent policy requirements for each typology.

The PPG also sets out a preferred methodology for assessing viability at the decision making stage. A viability assessment should incorporate standardised inputs and should also be based upon and refer back to any viability that informed the development plan (subject to this being up to date). Any deviation from the figures used in the viability assessment of the plan should be explained and supported by evidence. The standardised inputs as set out in the planning practice guidance are as follows:

- Gross Development Value (GDV)
- Costs – to include build costs, abnormal costs, infrastructure costs, cost of conforming with planning policies (e.g. S.106 costs, CIL and affordable housing), finance costs, professional fees, management costs, sales/ marketing costs and contingency costs
- Benchmark Land Value – to be assessed as the Existing Use Value (EUV) plus a premium
- Developer's return

The method of assessing Benchmark Land Value is prescribed as the EUV plus an appropriate minimum premium for the landowner. The premium should provide a reasonable incentive, in comparison with other options available. Paragraph: 013 Reference ID: 10-013-20180724 of the NPPF states that, "in order to establish a benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process."

The PPG also states that the benchmark land value should be informed by market evidence (subject to this evidence being policy compliant). The EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. The premium should be based on professional judgement and must be based on the best available evidence.

There is also additional commentary in respect of a developer's profit, stating that 15% - 20% of GDV may be considered a suitable return for viability testing. A lower figure may be more appropriate in consideration of the delivery of affordable housing in certain circumstances, for example when a sale at a known value to a credible party is guaranteed.

The PPG recommends that an executive summary should be used to set out the key findings and inputs of a viability assessment, and placed in the public domain. This should state what assumptions have been made in respect of gross development value, benchmark land value, costs and developer's return.

3.3. Financial Viability in Planning: Conduct and Reporting (Professional Standards)

This RICS professional standards and guidance, Financial Viability in Planning Conduct and Reporting, 1st Edition, dated May 2019 states the following: "RICS members must comply with the NPPF and PPG as the primary policy and guidance on assessing viability."

It sets out a number of mandatory requirements where Financial Viability Assessments (FVAs) are carried out. We would summarise these as follows:

- i. Reports must be signed off by the author and reviewer, and include confirmation of the absence of conflicts of interest, that no performance related fees have been agreed and that all practitioners have acted with objectivity and impartiality.
- ii. All inputs into an appraisal must be reasonably justified with as much good quality information as possible. Where a reviewer disagrees with a submitted and/or elements in it, differences must be clearly set out with supporting and reasonable justification. Where possible, practitioners should always try to resolve differences of opinion.
- iii. In respect of the benchmark land value RICS members must report the existing use value, premium, market evidence and all supporting considerations, assumptions and justifications adopted, as well as alternative use value (if appropriate).
- iv. All FVAs must provide a sensitivity analysis.
- v. RICS members should provide a non-technical summary of the report, which includes key figures and conclusions, so that non-specialists can better understand them.
- vi. RICS members must advocate reasonable, transparent and appropriate engagement between the parties.

3.4. Assessing viability in planning under the NPPF 2019 England – Guidance Note

An assessment of viability for planning purposes is distinct and separate from a market valuation for secured lending or company accounts purposes in accordance with the RICS Valuation – Global Standards. This document effectively updates the two RICS guidance notes above but does not become effective until 1 July 2021.

A viability appraisal for planning purposes is to assist in the delivery of local planning policy in accordance with the NPPF and PPG and this note provides guidance as to how an RICS qualified surveyor should assess viability. There remains a lot of ambiguity in terms of the approach but we have set out below the key points that we have assessed from the document.

3.4.1. Benchmark land value (BLV)

The value to be established on the basis of the existing use value (EUV) plus a premium for the landowner (PPG, paragraph 013) or the alternative use value (AUV) in which the premium is already included. PPG paragraph 014 is clear that there *'may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.'*

The primary approach is EUV+ (or AUV where appropriate). The other two approaches are crosschecks to check the robustness of the results of the primary approach:

- Policy-compliant residual land value, found by applying the residual valuation approach set out in Valuation of development property, RICS guidance note.
- The market comparison approach can be used to provide a further cross-check. Where the evidence allows, land transactions adjusted for policy compliance can be used.

The normal valuation approach to the analysis of transactions is set out in the 'Comparable evidence in real estate valuation', RICS guidance note.

The assessment of the benchmark land value (BLV) is an important part of the FVA. The PPG identifies the existing use value (EUV) plus a premium as the primary approach for assessing the BLV, but recognises that an alternative use value (AUV) ignoring a premium can also be used in some circumstances.

The components that need assessing are:

- EUV
- Premium
- AUV, where appropriate
- Policy-compliant site value assessed by the residual method
- Policy-compliant site value assessed by the comparative method

3.4.2. Existing use value (EUV)

The EUV is the value of land in its existing use, with no expectation of that use changing in the foreseeable future (based on Valuation of development property). The EUV excludes hope value from any assessment of the existing use value.

The 'price paid for land is not a relevant justification for failing to accord with relevant policies in the plan'. Landowners and site purchasers 'should consider this when agreeing land transactions'.

Where applicants do not feel that policy-compliant obligation levels are viable, it is up to them to demonstrate whether there are any particular circumstances to justify the need for an FVA at the decision-taking stage.

3.4.3. Sensitivity Analysis

It is mandatory in the Financial viability in planning: conduct and reporting RICS professional statement that FVAs include sensitivity analysis to examine the effect of changes in key inputs. Where projection models are used, this is particularly important given the reliance on forecasting costs and values.

3.5. Adopted Methodology

As per the NPPF and RICS guidance, we have adopted the prescribed approach to the standardised inputs and will be assessing the residual value of the proposed development as follows:

GROSS DEVELOPMENT VALUE less COSTS less PROFIT = RESIDUAL VALUE

We will assess the appropriate Benchmark Land Value and compare this to the residual value associated with the development. Should the residual value fall below the Benchmark Land Value, this would deem the development unviable. We have therefore assessed what level of planning obligations can be provided whilst ensuring the Benchmark Land Value is achieved.

4. Market Commentary

4.1. National Residential Market Trends

A copy of the latest Savills UK Housing Market Update, dated August 2021, is enclosed at **Appendix 4**.

4.2. Local Market Trends

The local market has broadly followed regional trends and continues to experience a prolonged period of positive sentiment and activity. According to Zoopla (based on Land Registry data) the average price in Manchester city centre for a flat is £223,950 which is below national averages. They are also reporting that the average price paid over the last 12 months is £219,563 with 209 sales.

The recently ended stamp duty holiday (effective until 30th July 2021) which was established as a result of the COVID-19 pandemic raised the threshold for paying stamp duty from £125,000 to £500,000. It was well-received by the market and it is unknown what the short and long term impact will be now that the scheme has ended.

Help to Buy has been pivotal for the new homes market. Local agents are reporting strong levels of interest from buyers eligible for Help to Buy across most sites and it has been estimated to account for approximately 25% of new build sales across the North West since its introduction in 2013. The scheme changed in April 2021, with only first time buyers now being eligible and a regional price cap of £224,400. The scheme will finish in April 2023.

4.3. New Build Sales Market

Whilst there is limited new build activity in the New Cross Area, there has been a significant amount of new build activity in the Ancoats / New Islington area to the south east. We have therefore had regard to the asking prices and sales prices confirmed by agents acting on the developments. We have also had regard to different areas on the periphery of Manchester City Centre, outside of the ring road, similarly positioned to the subject site.

4.3.1. Meadowside – Far East Consortium

Meadowside is a development by Far East Consortium which is located approximately 100 yards to the south west, being situated on the edge of the NOMA regeneration area and surrounding Angel Meadows park. The initial phases (Plots 2, 3 and 5) completed in 2021 and comprise 3 blocks providing 422 no. apartments. The scheme benefits from residents' amenities, commercial space and surrounding greenspace.



Figure 6: Meadowside CGI

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We have been provided with the average sales achieved across plots 2 (The Gate), 3 (The Stile) and 5 (Mount Yard). The Gate has achieved an average price of £422 per sq. ft., The Stile has averaged £418 per sq. ft. and Mount Yard has achieved an average of £413 per sq. ft.. The average achieved to date across all three plots reflects £416 per sq. ft..

We would expect the subject site to achieve lower sales values per sq ft. than those being achieved at Meadowside, due to the inferior outlook and being situated in an inferior location.

4.3.2. The Hallmark

The Hallmark is a development by Forty/8 Developments in the Green Quarter and comprises 146 x 1, 2 and 3 bedroom apartments, including a roof terrace and concierge facilities.



Figure 7: The Hallmark CGI

Sales have been at around the asking prices with some small discounts averaging to 2%. We summarise the latest completed sales over the last 12 months from Land Registry as follows:

Beds	Sq. Ft.	Sold Price	Average Price Per Sq. Ft.
1 bed	463	£167,000 - £220,940	£361 - £477
2 bed	710 – 743	£255,000 - £315,000	£348 - £430
3 bed	807 - 969	£356,000 - £385,000	£367 - £447

Figure 8: The Hallmark Reservation Data

The average price agreed across the scheme is currently £401 per sq. ft. We would comment that a significant proportion of the sales have been to foreign investors and as such, the above figure is high. We would expect the subject to achieve a lower price per sq. ft. than The Hallmark.

4.3.3. North Central

North Central is located adjacent to the 20 acre regeneration area NOMA and 0.2 miles to the south. It is a development of 64 flats by Progressive Living, comprising 24 x 1 bedroom and 40 x 2 bedroom apartments.

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Figure 9: North Central

The development sold out prior to Covid-19 and we understand the most recent completed sales achieved are as follows:

Beds	Sq. Ft.	Sold Price	Average Price Per Sq. Ft.
1 bed	538	£156,000 - £195,000	£290 - £362
2 bed	656 – 850	£190,000 - £289,000	£292 - £405

Figure 10: North Central Sold Price Data

The achieved sale prices reflect an overall average of £340 per sq. ft. We would expect the subject site to achieve values in excess of that being achieved at North Central.

4.3.4. New Little Mill

New Little Mill is a 68 unit apartment scheme providing 1, 2 and 3 bedroom apartments by Manchester Life. The development comprises a mill conversion within Ancoats, situated approximately 0.4 miles to the south east of the subject site.

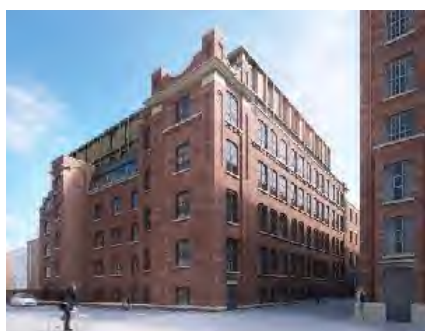


Figure 11: New Little Mill CGI

The development forms part of the Murrays' Mills Complex and comprises of 68 one, two and three bed homes, including rooftop duplexes with outdoor terraces. The site benefits from 19 secure car parking spaces which can be purchased separately for all units except the 1 bedroom apartments, costing £20,000. We understand that 60 units have sold with 8 remaining, these vary from one, two and two bed duplex apartments. We summarise the recently completed sales as follows:

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Beds	Sq. Ft.	Sold Price	Average Price Per Sq. Ft.
1 bed	544 – 636	£195,000 - £222,500	£358 - £401
2 bed	701 – 1,121	£260,000 - £450,000	£358 - £423
3 bed	990 – 1,137	£390,000 - £455,000	£394 - £400

Figure 12: New Little Mill Sales Values

The average sales price for one bedroom flats equates to £387 per sq. ft., two bedroom units average £387 per sq ft although this is strongly skewed upwards by 9 duplex apartments at £400 - £423 per sqft. Three bedroom apartments averaged £387 per sqft. The average across all of these sales is £387 per sqft.

The site is located within Ancoats and also has the benefit of being a characterful conversion. The subject site is situated in less desirable location and we would expect the proposed scheme to have a lower average value to the £387 per sqft achieved at New Little Mill.

4.3.5. One Vesta Street

One Vesta Street is a development by Manchester Life approximately 1 miles to the south east of the subject site fronting Old Mill Street. The site will provide 169 apartments over 8 story's and three townhouses.



Figure 13: One Vesta Street CGI

We understand that prior to the Covid-19 pandemic sales had been strong in 2020, with an average of 6 sales per month, largely at asking price. It is understood that since the easing of lockdown measures, interest has picked up and is expected that the sales rate will return to an average of 6 a month. Car Parking is available to purchase separately for all units except the 1 bedroom apartments, with a secure car parking space costing £17,500 and an undercroft parking space at £20,000. Recently completed sales are as follows:

Beds	Sq. Ft.	Sold Price	Average Price Per Sq. Ft.
1 bed	529 - 585	£169,000 - £207,500	£316 - £385
2 bed	696 – 884	£233,000 - £312,500	£317 - £373
3 bed	799– 1,119	£322,500 - £500,000	£337 - £447
4 bed	1,236 – 2,005	£442,500 - £690,000	£329 - £364

Figure 14: One Vesta Street Sales Prices

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We understand that there are 10 available units at this development. The average sale price for one bedroom flats equates to £342 per sq. ft., two bedroom units average £347 per sq. ft., three bedroom apartments average £386 per sq. ft. and the 4 bedroom flats £361 per sq. ft. and 4 bedroom townhouses £337 per sq. ft.. The average across all of these asking prices is £350 per sq. ft..

4.4. Second Hand Sales Values

We have also considered the second hand market, focussing on stock within 0.5 miles of the subject site that appears to be in a good condition and of a good specification so that a realistic comparison can be made against potential new build prices.

4.4.1. The Tobacco Factory

The Tobacco Factory is located less than 100 metres to the north west of the subject site and comprises a converted former tobacco into 1 and 2 bedroom apartments. There have been 9 sales over the last 12 months which we summarise below:

Beds	Sq. Ft.	Sold Price	Average Price Per Sq. Ft.
1 bed	490 – 926	£150,000 - £199,950	£216 - £306
2 bed	601 – 1,076	£183,000 - £325,000	£277 - £304

Figure 15: Tobacco Factory Re-Sales

The average price paid across these 9 sales equates to £274 per sq. ft. We would expect the subject site to achieve strong sales values to reflect the newer product.

4.5. Local Sales Market Summary

Meadowside by FEC and North Central by Progressive Living are two developments located less than 2 miles to the south of the subject site, making them useful comparable schemes albeit in a stronger location. The Hallmark which is located approximately 0.6 miles to the north west of the subject site is too a useful comparable being situated in a similar fringe city centre location.

At Meadowside, we understand that FEC are achieving approximately £416 per sq ft. The development is however superior in comparison to the subject site with a superior location and aspect. We would therefore expect a lower rate per sq ft across the subject site with the proposed development only extending to 13 storeys.

North Central by Progressive Living achieved £340 per sq ft across sales in 2019 and achieved sales significantly lower than at Meadowside. This development is close to the city centre, however we consider the proposed development on Rochdale Road to be superior and would expect stronger sales values than the average of £340 per sq ft that was achieved.

The Hallmark is situated in an existing residential location in the Green Quarter and is achieving an average of £401 per sq ft across sales over the last 12 months. We understand that the majority of these sales have been to overseas purchasers, which has resulted in an inflated rate per sq ft.

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The second hand sales at the Tobacco Factory average £274 per sq. ft. which helps to provide a tone of value in the area.

We would therefore, optimistically, expect average sales values in the order of £405 per sq ft across the development. We would also assume an average rate of sale of between 4 and 6 units per month as this is in line with what developers in the area are reporting. This is reflective of the nature, scale and location of the proposed development.

4.6. New Build Rental Evidence

Mulbury have a track record of delivering BTR schemes in Manchester City Centre. They delivered the Astley on Port Street for M&G, Anco & Co, Blossom Street for DTZi and more recently they have agreed a deal with Cheyne Capital Real Estate for a site in New Cross. It is anticipated that this site will follow that trend and we provide below an overview of the BTR market in Manchester.

4.6.1. The Astley

A 135 unit build to rent scheme delivered by Mulbury and funded by M&G. The site located on the edge of the Northern Quarter fronting the inner city ring road which completed in late 2018. Amenities include a residents lounge and roof garden and there is ground floor commercial space. The scheme is 98% let with 3 units remaining (1 x 1-bed at £875pcm and 2 x 2-bed at £1,250pcm and £1,300pcm). Achieved rents on the completed units are as follows:

Beds	Range £pcm
Studio	£830 - £840
1 bed	£890 - £1,100
2 bed	£1,175 - £1,345
3 bed	£1,825

Across the scheme the average is in the order of £21.72/sq.ft but on a smaller average unit size of 622sq.ft. This is inside the ring road, on the fringe of the established and popular Northern Quarter and we would not expect the same rental values at the subject.

4.6.2. Anco & Co, Blossom Street

This is a development by Mulbury City in partnership with DTZ Investors. The scheme comprises 143 purpose built apartments and townhouses across two separate buildings and is located in the Ancoats area of Manchester, a popular destination for young professionals. The development includes extensive ground floor resident amenity space, reception and concierge areas, car parking and cycle spaces as well as a panoramic roof terrace incorporating a private dining room for residents. The development is now fully-let and achieved rents are as follows:

Beds	Range £pcm
1 bed	£930 - £1,100
2 bed	£1,270 - £1,500
3 bed	£2,130

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The average lettings across the scheme are £23.24/sq.ft. Although located just outside of the ring road, the development is in a popular area of Manchester and provides a large range of amenities.

4.6.3. Cottonfield Wharf

Another Manchester Life scheme in neighbouring New Islington, currently 98% let with 6 apartments remaining. Rents are detailed below:

Beds	Range £pcm
1 bed	£716 - £926
2 bed	£921 - £1,254
3 bed	£1,399 - £1,547

The rents are currently averaging £17.58/sq.ft, exclusive of parking which is rented separately. This is similar in proximity to the centre, but as with others more evolved as a residential neighbourhood, with greater amenities on the doorstep. It is also a canal fronting scheme.

4.6.4. Sawmill Court

Another recent Manchester Life development, in a prime Ancoats location, now effectively fully let with some modest operational vacancies. Current rents achieved at the scheme are as below.

Beds	Range £pcm
1 bed	£794 - £900
2 bed	£985 - £1,179
3 bed	£1,299 - £1,759

The achieved rental, equates to an average of £17.55/sq.ft across the building. These rents are relatively modest in the context of the location, but there was a high volume of units to let up with it effectively being released with Smiths Yard below.

4.6.5. Smith's Yard

Adjacent to Sawmill Court above, having been completed and let up at the same time. We understand the scheme is now 97% occupied, with rents as below.

Beds	Range £pcm
1 bed	£795 - £935
2 bed	£992 - £1,425
3 bed	£1,350 - £1,675

The average across the scheme is currently £17.25/sq.ft, exclusive of parking, rented separately at £95PCM. The same comments as Sawmill Court above apply. The subjects ought to provide a higher level of specification.

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4.6.6. Weavers Quay

Another Manchester Life scheme, in nearby New Islington, completed in 2019, recently let up and now understood to be almost fully let with a few units remaining. Current rents are as follows:

Beds	Range £pcm
1 bed	£799 - £920
2 bed	£975 - £1,100
3 bed	£1,450 - £1,570

The average across the lettings to date is some £17.11/sq.ft. Car parking is let separately at £95 per calendar month. This is a fringe location, but part of a wider regeneration now approaching completion. The subjects are likely to be of a higher specification.

4.6.7. Angel Gardens

A new scheme currently being let up a short distance to the north west of the subject site, in the NOMA district. We understand that rents achieved are currently in the order of:

Beds	Range £pcm
1 bed	£825
2 bed	£1,500 - £1,700
3 bed	£2,050 - £2,100

In broad terms, this is a similar location, just outside of the inner city ring road almost opposite the subject. It is perhaps slightly more evolved, not least by the critical mass it itself provides. It is a high specification scheme with a range of resident's facilities.

4.6.8. Burlington House, Tariff Street

Approximately ¼ mile to the south east, a new scheme of 91 apartments completed in mid-2019, and fully occupied as at September 2019. Current rents are currently in the order of:

Beds	Range £pcm
1 bed	£985 - £1,095
2 bed	£1,095 - £1,825
3 bed	£1,775 - £1,935

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The average across the scheme is some £20.17/sq.ft per annum. Whilst also in an evolving location, this is a more core location further advanced than the subject, and we would expect slightly lower rents to reflect the same.

4.7. Investment Market Evidence

We attach Savills latest UK Build to Rent Market Update at **Appendix 5**.

Property	Units	Purchaser	Transaction	Price	Net Yield	Date
Tribe, Ancoats & New Islington	192	Grainger	Let investment	£26,000,000	5.25%	2017
Oldham Road, Manchester	161	Cheyne Capital	Forward fund	£32,000,000	4.75%	2020
New Victoria, Manchester	520	PIC	Forward fund	£130,000,000	4.80%	2020
Skyline, Manchester	129	L1 Capital	Let investment	Undisclosed	4.5% – 4.75%	2020
The Rock, Bury	233	Grainger	Let investment	£22,100,000	4.80%	2017

Target yields vary depending on the type of investor and nature of the asset but we would expect net returns in the order of 4.25% - 5% for stabilised assets and 4.75% - 5.25% for non-stabilised assets.

For the subject site we have adopted a yield of 4.75% within our appraisal which is line with the yield achieved at the 161 unit scheme on Oldham Road by Mulbury in December 2020.

5. Benchmark Land Value

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5.1. Overview

The benchmark land value has been calculated in accordance with the PPG and the latest RICS Guidance Note (2021) using the Existing Use Value Plus method. Manchester City Council's last local plan viability assessment was produced in 2009 and is considered to be too historic to be relevant to current day viability assessments and therefore we have not had regard to any of its assumptions. This is particularly because the study was produced before the most recent guidance on viability therefore the approach adopted is now out of date.

We have reviewed current use of the site and the income received from these uses. We have also reviewed comparable land sales of sites with planning permission for residential development in order to establish the minimum premium that should be applied to enable the landowner to release the land for development.

5.2. Existing Use Value

The subject site comprises a car park providing 115 spaces, and two industrial units comprising 3,508 sq. ft. and 6,614 sq. ft. of space.

5.2.1. Car Park

We understand that the car park provides 115 car parking spaces. The car park is operated by Total Car Parks and charges £3.00 per space for daily car parking. We are unaware of the occupancy levels but undertook a viability assessment of the 675 car park at Gould Street to the north assuming an occupancy of 70% which was broadly accepted.

On the basis of charging £3.00 per car parking space with a 70% occupancy rate, we have estimated an annual gross income of £88,206 could be achieved, giving a net income of approximately £61,744 per annum following the deduction of management / operational costs of 30%, say £61,745 per annum.

There is a scarce evidence of car parks transacting and we have capitalised the income at a yield of 10% to achieve a capital value of £587,812, **say £587,800** for the car park after deducting purchaser's costs of 4.8%.

5.2.2. Industrial Accommodation

The subject site includes two industrial warehouses, a 3,508 sq ft unit situated to the north east of the site and a 6,614 sq ft unit situated to the south west of the site. We have reviewed nearby industrial transactions over the last 12 months which we detail below:

Property	Size (sq ft)	Tenant	Lease Type	Rent PA (£)	Rent PSF	Term	Rent Free	Date
Units 1-3, City Court Trading Estate	5,608	Sky	New Lease	£60,000	£10.43	3 years 7 months	-	Mar-21
Unit 4, Sudell Street Trading Estate	1,725	Smarter Choice Ltd	New Lease	£12,500	£7.24	5 years	5 months	Oct-20
Unit 9, Crown Industrial Estate	1,198	Unknown	New Lease	£8,500	£7.09	5 years	-	May-20

Figure 16: Industrial Rents

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The three rental transactions reflect rents between £7.09 per sq ft and £10.43 per sq ft.

Unit 4 Sudell Street Trading Estate situated less than 100 metres to the east of the subject and is the best comparable. The property however despite comprising 1,725 sq ft only comprises 540 sq ft of ground floor warehouse space with the remainder comprising 320 sq ft of mezzanine office space and 865 sq ft ground floor amenity and office space whilst the subject site is across ground floor only. Both sites benefit from being visible from Rochdale Road albeit the subject site is accessed via the car park.

On balance we would expect the subject to achieve a rent of £7.50 per sq ft per annum for the 3,508 sq. ft. warehouse and a reduced rent of £4.50 per sq. ft. for the 6,614 sq. ft. to reflect the poorer condition and the lack of visibility from the main road.

Henry Boot Developments purchased the portfolio of City Court Trading Estate sold in May 2021 for a reported £5,800,000 reflecting a NIY of 4.01%. The portfolio is situated on Pollard Street, approximately 0.6 miles to the south east of the subject site. The site has long term development potential being situated on the fringe of Ancoats.

To reflect no hope value we have capitalised the industrial units on the subject site at a NIY of 8%, this results in an capital value of £328,875 for the 3,508 sq. ft. unit reflecting £93.75 per sq. ft. and a capital value of £330,700 for the 6,614 sq. ft. unit reflecting £50.00 per sq. ft. The total value for the two industrial units is £627,190 after deducting purchaser's costs of 4.91%, **say £627,200** which reflects approximately £62 per sq. ft. which we consider to be more than reasonable.

5.2.3. Existing Use Value

We have assessed the EUV of the car park to be £587,800 and the EUV of the two industrial units to be £627,200. We therefore consider the EUV of the subject site to be **£1,215,000**.

5.3. Premium

In calculating the Benchmark Land Value we have to consider the above positions and also reflect on the amount of premium that would be appropriate. The updated PPG guidance states that the land value should reflect the "minimum return at which a reasonable landowner would be willing to sell their land".

The site is located within the New Town neighbourhood area of the Northern Gateway SPF. New Town is described within the SPF as a 'residential-led neighbourhood'. The site therefore has strong potential for residential development, albeit without any planning permission in place.

There have been a number of land transactions in the wider city centre. Whilst these are not directly comparable given the individual nature and complexities of each development site, they help to provide a tone of value for development land in the area and therefore the premium that should be applied to the subject site for viability purposes. We have had regard to the following transactions:

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Property	Developer	Area (Acres)	Units	Planning	Price	Per Acre	Per Plot	Date	Comments
Crown Street (Phase 2)	Renaker	2.72	855	No	£7,000,000	£2,573,529	£8,187	Apr-20	Lease re-gear with MCC
Swan House	Ridgeback	0.6	385	Yes	£10,000,000	£6,000,000	£25,975	Dec-20	
Long Acre Street	Fiera Real Estate / Packaged Living	0.7	350	No	£6,000,000	£8,571,429	£17,143	Jan-20	BTR scheme
First Street	Downing	2.94	624	Yes	£18,000,000	£6,122,449	£28,846	Mar-19	Subject to planning
Douglas House	United Living	0.3	86	Yes	£1,420,000	£4,733,333	£16,512	Jul-18	Subject to planning
Meadowside	FEC	2.05	344	Yes	£5,200,000	£2,536,585	£15,116	May-18	Auction
1 Lord Street	Fortis	0.57	192	Yes	£5,894,400	£10,341,053	£30,700	Jan-18	

Figure 17: Development Land Transactions

There is a general tone of value in the region of £8,200 - £31,000 per plot for development land in the wider local area across similarly regarded locations. Values will vary depending on factors such as location, scale, gross development values, abnormal development costs, net developable area and planning obligations.

Meadowside was purchased at auction in May 2018 for £5,200,000 which reflects a purchase price of £15,116 per plot. The site is located less than 0.1 miles to the south west in a more central location and was purchased on a unconditional basis.

Furthermore, the joint venture between Fiera Real Estate and Packaged Living purchased the 0.7 acre site on Long Acre Street, located 1.1 miles to the south east, for £6,000,000. The site did not benefit from planning consent at the time of purchase and reflects a price of £17,143 per plot.

Based on the comparability of the two sites, it could be argued that a minimum price of £15,000 per plot would be appropriate to reflect the minimum level that a landowner would release the site for. This would reflect a BLV of £3,555,000 for the subject site which based on a EUV of £1,215,000 would require a premium of £2,340,000. This reflects a premium of 1.93 x EUV or a premium of 193% which could be argued to be appropriate in this instance.

The PPG states that 'market evidence can include benchmark land values from other viability assessments'. Based on other FVA that we have produced and have reviewed on behalf of Manchester City Council the BLV for sites have ranged between £5,150 and £15,000 per plot. In other FVAs in Manchester, the BLV of brownfield sites have been calculated by applying a premium between 20% and 50% of the EUV.

The proposed 1,202 unit Gaswork development situated immediately to the north of the subject site had an agreed BLV of approximately £5,600 per plot. The subject site, whilst situated adjacent Gasworks, is of a much smaller scale and as such we would expect a higher BLV on a per plot basis.

The subject site has an underlying commercial value in the order of £1,215,000. A 20% premium equates to £243,000 and based on a EUV+ method results in a BLV of £1,458,000 reflecting approximately £6,150 per plot. We consider this be reasonable and in line with other viability assessments that we have undertaken and which we have reviewed.

However, as the residual land value has falls below the EUV of the subject site we have not adopted a premium. If the residual land value was to increase we would consider that a premium should be included.

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5.4. Benchmark Land Value

We have therefore assessed the BLV on the following basis:

= EUV + minimum premium
= £1,215,000 + £0
= **£1,215,000**

This results in a total **Benchmark Land Value of £1,215,000**. We will undertake residual appraisals of the scheme, and should the residual value fall below this level, the development would be unviable.

6. Gross Development Value

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6.1. 100% Private Sale Scheme

6.1.1. Residential GDV

Based on the market research and evidence in this report, we have undertaken a pricing schedule for the proposed development. We have valued the 223 apartments at £59,440,000 reflecting an average price of £403.93 per sq ft and the 14 duplex apartments at £5,427,000 reflecting an average price of £385.99 per sq ft. This results in a total GDV for the 237 residential units of £64,867,000.

6.1.2. Car Parking GDV

We have valued the car parking spaces at £20,000 per unit, which is in line with what is being achieved at nearby developments. There are a total of 35 car parking spaces. This produces a GDV of £700,000 for the car parking spaces.

6.1.3. Commercial GDV

We have valued the ground floor commercial unit at £15.00 per sq ft. We have adopted a 6 month rent free period and have capitalised the income stream at a 8% yield. This results in a GDV of £256,921 for the commercial unit.

6.1.4. Total GDV

On the basis of the above, we have calculated the total GDV for the residential, car parking and the commercial income to be **£65,567,000**.

6.2. Affordable Housing Assumptions

6.2.1. Residential GDV

We have assumed an affordable housing mix which is compliant with Policy H8 of the Manchester Core Strategy. We have therefore made 20% (48) of the units affordable, with a tenure mix of 75% (36) of the affordable units being intermediate and 25% (12) of the affordable units being let at a social / affordable rent.

In terms of GDV, we have allowed a value of 50% of the open market value for the social rent / affordable rent and 70% of the open market value for the intermediate units. This gives an affordable GDV of £201.18 per sq ft for the social rent / affordable rent and £281.66 per sq ft for the intermediate units. On this basis we have assessed the GDV for the 48 affordable units to be £8,539,453.

The GDV for the remaining 189 private units is £51,729,380.

This gives a GDV of £59,567,640 for the residential income.

6.2.2. Car Parking GDV

The GDV for the 35 car parking spaces remains the same at £700,000.

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6.2.3. Commercial GDV

The GDV for the ground floor retail unit remains the same at £256,921.

6.2.4. Total GDV

On the basis of the above, we have calculated the total GDV for the residential, car parking and the commercial income of the policy compliant scheme to be **£61,219,562**.

6.3. BTR Scheme

6.3.1. Residential GDV

We have had regard to the comparable new build rental evidence and having undertaken a pricing schedule for the units we have assessed the Estimated Rental Value of the units to be as below:

Blocks 1 & 2

Unit Type	No. Units	Size Range (SQ FT)	Rent Range (PCM)	Rent Range (PA)	Total Gross Rent PA
1B1P	39	447 – 465	£950 - £1,100	£11,400 - £13,200	£483,000
1B2P	38	533 – 656	£1,000 - £1,240	£12,000 - £14,880	£506,880
2B3P	71	673 – 736	£1,200 - £1,440	£14,400 - £17,280	£1,106,880
2B4P	75	764 – 949	£1,300 - £1,540	£15,600 - £18,480	£1,266,960
TOTAL	223				£3,363,720

Based on our rental assumptions above, the total gross rent across the 223 apartments equates to £3,363,720. This reflects a gross rent of £22.86 per sq ft.

Blocks 3 & 4

Unit Type	No. Units	Size Range (SQ FT)	Rent Range (PCM)	Rent Range (PA)	Total Gross Rent PA
Duplex 2B3P	3	825	£1,540	£18,480	£55,440
Duplex 3B4P	4	910 – 956	£1,790	£21,480	£85,920
Duplex 3B5P	6	997 – 1,396	£2,000	£24,000	£144,000
Duplex 3B6P	1	1,119	£2,250	£27,000	£27,000
TOTAL	14				£312,360

Based on our rental assumptions above, the total gross rent across the 14 duplex apartments equates to £312,360. This reflects a gross rent of £22.22 per sq ft.

This results in a total gross rent of £3,676,080 across the 237 apartments and duplex apartments.

We have then reduced the gross income by 25% to reflect the projected operational management costs. This makes an allowance for void costs, lettings, utilities and dilapidations. This level of operating expenditure is in line with other new build assets that we have been involved with. This results in a total net rent of £2,757,060 reflecting £17.10 per sq ft across the 237 units.

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We have then capitalised the total net rent by a net yield of 4.75%. This results in a total GDV for the residential income of £61,268,000 which reflects £379.97 per sq ft across the residential accommodation.

6.3.2. Car Parking GDV

We have valued the 35 car parking spaces at £100 PCM (£1,200 PA). This equates to a gross annual income of £42,000. We have then reduced the income by 25% which results in a net annual income of £31,500 and have capitalised the income at a 4.75% yield. This results in a total GDV of £663,158 for the car parking income.

6.3.3. Commercial GDV

The GDV for the ground floor retail unit remains the same at £256,921.

6.3.4. Total GDV

On the basis of the above, we have calculated the total GDV for the residential, car parking and the commercial income of the policy compliant scheme to be **£58,963,447**.

7. Appraisals

7.1. Overview

In order to assess the scheme viability we have undertaken three development appraisal, which is based on the following basic function:

GROSS DEVELOPMENT VALUE less COSTS less PROFIT = RESIDUAL LAND VALUE

The calculation comprises many variables, most of which are based on estimates of cost or value. A residual appraisal is therefore significantly affected by small changes in its inputs. A change in any of the costs and values we have adopted here is likely to affect the value of the site as a development opportunity.

We have reviewed the Council's documentation and there is no relevant up to date viability assessment that has been undertaken. We have therefore relied upon our own market evidence and knowledge for the appraisal assumptions.

7.2. Private Sale Scheme – 100% Private Housing

7.2.1. Gross Development Value

As outlined in Section 6, we have assessed the GDV of the scheme to be **£65,069,231** without affordable housing.

7.2.2. Build Costs

We have had reference to the cost plan provided and produced by Russell Bolton Consulting. The cost plan (**Appendix 3**) has been produced in accordance with the outline plans drawn up for the scheme by Jon Matthews Architects. The total build costs equate to £37,253,981 which equate to approximately £171 per sq ft across the gross internal area of 217,497 sq ft. Included within these build costs are the following:

- i. Basement costs of £1,317,293 (£108 per sq ft)
- ii. Apartment (Blocks 1 & 2) costs of £31,360,892 (£166 per sq ft)
- iii. Duplex Apartment (Blocks 3 & 4) costs of £3,069,924 (£187 per sq ft)
- iv. Public Realm Work costs of £1,505,873 (£7 per sq ft)

They have then allowed for the following:

- i. Contractor Preliminaries of £3,392,000 (9.1%)
- ii. Contractor Overheads and Profit of £2,032,000 (5%)
- iii. Contractor Risk Allowance of £641,000 (1.5%)

This results in total construction costs of £43,319,000 reflecting £199 per sq ft across the gross internal area of 217,497 sq ft.

We have also reviewed this against BCIS data and other recent schemes we have been involved with. BCIS data allows for contractor costs for the construction of individual dwellings (sub and standard super structures, internal fittings / finishes), preliminaries and contractor overheads/ profit.

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We are content that the above costs represent a realistic assumption for a development such as this. We have adopted the above costs within our appraisal but have presented the professional fees and external costs separately.

7.2.3. Fees and Finance

We have also made the following allowances within our appraisal:

- Professional fees of 8% - this is an allowance for consultants and survey fees that will be incurred throughout the planning and development process;
- A finance rate of 6% - this allows for the cost of borrowing and opportunity cost of capital;
- Marketing fees of 2%;
- Sales agent fees of 1%;
- Legal fees of 0.5%;
- Commercial letting agent and legal fees of 10% and 5% respectively;
- Purchasers costs of 2.41% on the commercial GDV;
- Stamp Duty Land Tax on the site acquisition at the prevailing rate;
- Agency fees of 1% and legal fees of 0.5% on the site acquisition.

7.2.4. Timescales

We have assumed that construction would commence on receipt of planning permission and be phased over 24 months. Sales receipts will occur after the completion of the build, and we envisage a 21 month period to complete all of the sales. We have assumed that 50% of the units will be reserved prior to completion, with the monies being received on completion, following this, there is a 6 month sales period with an optimistic average rate of 6 units per month. This results in a total development period of 46 months.

7.2.5. Profit

From our knowledge and experience of the development land market, it is usual for residential developers in the North West region to seek a minimum profit margin of 20% of revenue on residential developments. Additionally, 20% on GDV is typically required to secure development funding in the current market. This is also stated in the recently updated NPPF as a suitable level of return.

A profit margin is a reflection of site specific development and sales risks as well as wider macro-economic / political risks.

There are also some issues in this location because there is a healthy supply pipeline coming forward across the city and in Salford, with approximately 15,000 unit currently under construction, with anticipated residential delivery over the next 3 years due to exceed the previous 10 years combined. Furthermore, adjacent to the north of the site is the consented Gasworks development that will provide 1,202 units across a phased development. This level of supply creates a higher sales risk.

There are also high levels of inflation that are being seen in the build cost market at the moment due to the shortage of materials and skilled labour, this increases construction risk for the developer.

In terms of macro-economic / political risks, there is uncertainty in the markets as a result of the UK withdrawal from the EU, with concerns over slowed market activity going forward. Interest rates have recently been cut to a historic low as a result of the impact of Covid-19 and it is likely that there will be increases over the short to medium term.

These factors make the development process more difficult and uncertain, increasing the development costs and risks. We believe that a profit margin of 20% on GDV is a minimum acceptable level for the subject site in the context of the development and sales risk at the subject site as well as in the wider markets. It is recognized that in some instances a lower profit margin may be sought across the affordable housing element when a sale has already been agreed to a Registered Provider and there is certainty over this income stream.

Whilst this is not the case at the subject site, we have agreed with the applicant that a profit margin of 17% on GDV is appropriate for the viability assessment, in order to present a best case scenario and within the parameters set out in the NPPF.

7.3. Private Sales Scheme – Policy Compliant

7.3.1. Gross Development Value

As outlined in Section 6, we have assessed the GDV of a policy compliant position on affordable housing of 20% to be **£60,524,561**.

7.3.2. Build Costs

We have adopted the total construction costs of £43,319,000 reflecting £199 per sq ft across the gross internal area of 217,497 sq ft as outlined in Section 7.2.2.

7.3.3. Fees and Finance

We have made the same assumptions outlined in Section 7.2.3

7.3.4. Timescales

We have assumed that construction would commence on receipt of planning permission and be phased over 24 months. Sales receipts will occur after the completion of the build, and we envisage a 17 month period to complete all of the private sales. We have assumed that 50% of the units will be reserved prior to completion, with the monies being received on completion, following this, there is a 6 month sales period with an optimistic average rate of 6 units per month. This results in a total development period of 42 months.

7.3.5. Profit

We have adopted a profit margin of 17% on GDV.

7.4. BTR Scheme

7.4.1. Gross Development Value

As outlined in Section 6, we have assessed the GDV of the BTR scheme to be **£58,963,447**.

7.4.2. Build Costs

We have adopted the total construction costs of £43,319,000 reflecting £199 per sq ft across the gross internal area of 217,497 sq ft as outlined in Section 7.2.2.

7.4.3. Fees and Finance

We have also made the following allowances within our appraisal:

- Professional fees of 8% - this is an allowance for consultants and survey fees that will be incurred throughout the planning and development process;
- A finance rate of 4.75% - it is a standard assumption for the finance rate to match the NIY;
- Commercial letting agent and legal fees of 10% and 5% respectively;
- Stamp Duty Land Tax on the site acquisition at the prevailing rate;
- Agency fees of 1% and legal fees of 0.5% on the site acquisition.

7.4.4. Timescales

We have assumed that construction would commence on receipt of planning permission and be phased over 24 months. Sales receipts will occur on completion of the build. This results in a total development period of 25 months.

7.4.5. Profit

The proposed development assumes a forward funded agreement to an institutional fund on the grant of planning permission. Based on this scenario we would expect to see a profit on cost of 15% on Cost to reflect the lower risk profile, this is because there is limited sales risk.

We have adopted a profit margin of **15% on Cost** to reflect this.

7.5. Residual Appraisal Summaries

7.5.1. Appraisal Summary – Private Sale Scheme (Policy Compliant)

We have appraised the site using Argus Developer Software, assuming a 20% policy compliant affordable housing provision, with the required tenure mix of 25% social rent / affordable rent and 75% intermediate housing. Intermediate housing typically attracts a value of 70% of open market value and social rented property 50% of open market value.

Based on the GDV, costs and a profit margin of 17% on GDV this results in a negative land value of -£1,954,524, say **negative £1,955,000**.

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A copy of the appraisal summary is attached at **Appendix 6**. This would evidently render the development unviable.

7.5.2. Appraisal Summary – Private Sale Scheme (No Affordable)

We have appraised the site using Argus Developer Software, assuming no affordable housing provision or section 106 contributions.

Based on the GDV, costs and a profit margin of 17% on GDV, this results in land value of £735,005, say **£735,000**.

A copy of the appraisal summary is attached at **Appendix 7**. This is below the Benchmark Land Value of £1,215,000.

7.5.3. Appraisal Summary – BTR Scheme

We have appraised the site using Argus Developer Software, assuming no affordable housing provision or section 106 contributions.

Based on the GDV, costs and a profit margin of 15% on Cost, this results in land value of £950,856, say **£950,000**.

A copy of the appraisal summary is attached at **Appendix 8**. This is below the Benchmark Land Value of £1,215,000 and we therefore consider that the proposed development is unable to provide any affordable housing on site or as an offsite contribution.

7.6. Sensitivity Analysis

The RICS Professional Statement on Viability in planning requires us to produce a sensitivity analysis of the proposed development. The value of a property with development potential, by its nature, can be highly volatile and the residual approach adopted is sensitive to changes in its key variables. This being so, it is useful to provide a sensitivity analysis, giving context to the inter-relationship between key variables, these generally being developer's profit requirement, sales values and construction costs, as well as potential to add or lose value through planning outcomes.

We have kept all other inputs constant for the BTR scheme and have varied the construction rate per sq ft in increments and decrements of £2.50 per sq. ft and the residential yield at increments and decrements of 0.125%. This produces a range of residual land values from negative £2,592,106 to £4,675,299. We have attached a Sensitivity Analysis at **Appendix 9**.

We believe that we have been particularly optimistic in our assessment of GDV and the likelihood is that costs would increase, rather than decrease. We therefore believe it is most likely that the residual value of the scheme would reduce rather than increase based on the sensitivity analysis results.

8. Conclusions

8.1. Overview

The proposed development at Rochdale Road comprises 223 x residential apartments over two blocks that extend to 11 and 13 storeys as well as 14 x duplex apartments arranged over 4 storeys, 35 car parking spaces and a ground floor commercial unit of 1,424 sq. ft.

In order for any land to be released for residential development, the development is required to generate the minimum acceptable level of return for the landowner, in the form of a premium over the existing use value of the land. The developer must also receive an acceptable level of return for the level of risk that they take.

We have calculated the EUV of the site to be **£1,215,000**. This has been calculated on the basis of the current uses of the site as a surfaced car park and two industrial premises.

The updated PPG guidance states that the land value should reflect the “minimum return at which a reasonable landowner would be willing to sell their land”. However in this case we have not adopted a premium due to our residual land value falling below the current EUV of the site. We have therefore assessed the BLV to be £1,215,000. If the residual land value was to increase we considered it to be reasonable to expect a premium to reflect a minimum return to the landowner.

Our appraisal of the scheme with a policy compliant provision of affordable housing results in a negative land value of £1,954,524 say **negative £1,955,000**. This would ultimately render the development unviable.

Our appraisal of the sales scheme with no affordable housing or section 106 contributions, results in a land value of £735,005, say **£735,000**. This is below the Benchmark Land Value of £1,215,000.

Our appraisal of the BTR scheme with no affordable housing or section 106 contributions, results in a land value of £950,856, say **£950,000**. This is slightly below the Benchmark Land Value of £1,215,000. We are therefore of the opinion that the proposed development is unable to provide any affordable housing on site or as an off-site contribution as this would render the development unviable. We would therefore conclude that the development would not be able to provide any affordable housing contribution.

The scheme will however deliver a high quality development of 223 apartments and 14 duplex apartments that will help to regenerate the currently underdeveloped New Town area. The proposed development also includes significant public realm investment of £1,751,000 which will help to significantly enhance the surrounding area.

Viability Assessment

Rochdale Road, Manchester



Appendices

Viability Assessment

Rochdale Road, Manchester



Appendix 1 – Accommodation Schedule

Jon Matthews Architects

Project87 Rochdale Road

Filing Code136_0.03_009

Issue Date03/09/2021

BlockBlocks 1 & 2

Floor	GIA		Residential GIA		Commercial GIA		Efficiency	Car Parking Spaces
	m²	ft²	m²	ft²	m²	ft²	%	Nos
Basement	1,137	12,242						29
Ground	1,399	15,055	314	3,377	132	1,424	32%	
1st	1,549	16,671	1,285	13,835			83%	
2nd	1,549	16,671	1,285	13,835			83%	
3rd	1,549	16,671	1,285	13,835			83%	
4th	1,549	16,671	1,285	13,835			83%	
5th	1,549	16,671	1,285	13,835			83%	
6th	1,549	16,671	1,285	13,835			83%	
7th	1,538	16,552	1,274	13,718			83%	
8th	1,538	16,552	1,274	13,718			83%	
9th	1,532	16,495	1,269	13,654			83%	
10th	1,269	13,660	1,030	11,085			81%	
11th	626	6,736	520	5,596			83%	
12th	344	3,701	277	2,976			80%	
TOTAL	18,675	201,019	13,669	147,133	132	1,424	73%	29

Notes: GIA & Residential GIA includes measuring into window reveals. Residential GIA excludes perimeter structure.

Apartments																																
1B1P				1B2P									2B3P							2B4P												
42	42	42	43	50	50	50	55	57	58	59	61	63	63	64	65	65	67	68	71	72	72	73	73	74	74	75	75	76	76	77	88	
447	451	454	465	533	536	537	594	614	625	633	656	673	678	687	696	699	725	736	764	773	775	784	789	794	795	802	805	806	813	822	830	949
2 1				1									1							、												
3	1			2		1					1		2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4	1										1	1	1	2	2			
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3	1			2		1							2	4	1										1	1	1	2	2			
3	1			2		1							2	4																		

Jon Matthews Architects

Project	87 Rochdale Road	
Filing Code	136_0.03_009	
Issue Date	03/09/2021	
Block	Blocks 3 & 4	

Floor	GIA		Residential GIA		Commercial GIA		Efficiency	Car Parking Spaces	Apartments						
										Duplex 2B3P	Duplex 3B4P	Duplex 3B4P	Duplex 3B5P	Duplex 3B5P (*3 storey inclusive of gargae)	Duplex 3B6P
	m²	ft²	m²	ft²	m²	ft²	%	Nos	m²	77	85	89	93	130	104
	ft²									825	910	956	997	1396	1119
Basement	77	825	74					2							
Ground	402	4,324	330	3,550			82%	4					4	2	1
1st	402	4,324	330	3,550			82%								
2nd	374	4,025	306	3,295			82%			3	3	1			
3rd	274	2,944	266	2,863			97%								
										3	3	1	4	2	1
										3		4		6	1
										3					
										21%					
TOTAL	1,527	16,441	1,309	14,089	0	0	86%	6					11	79%	
													14		

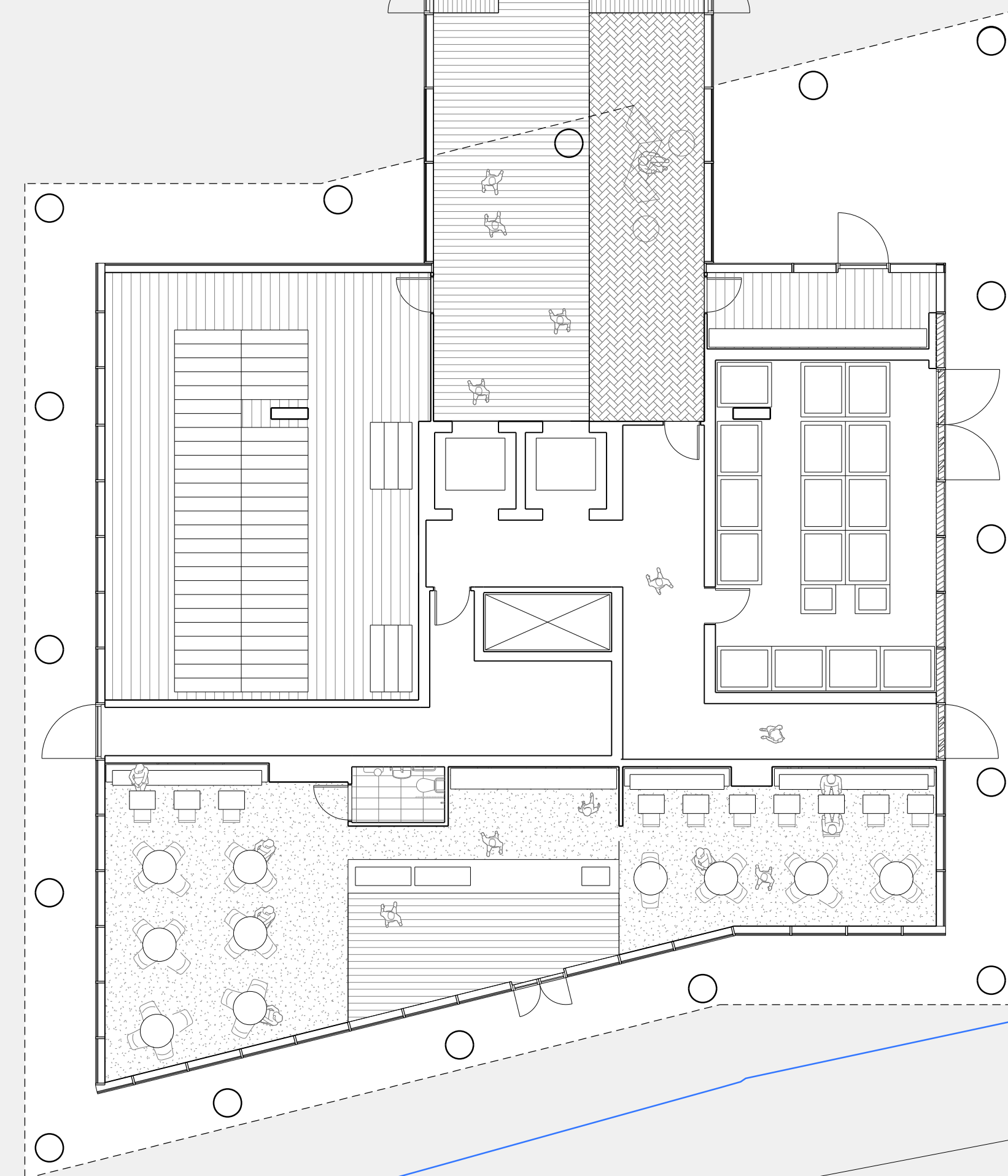
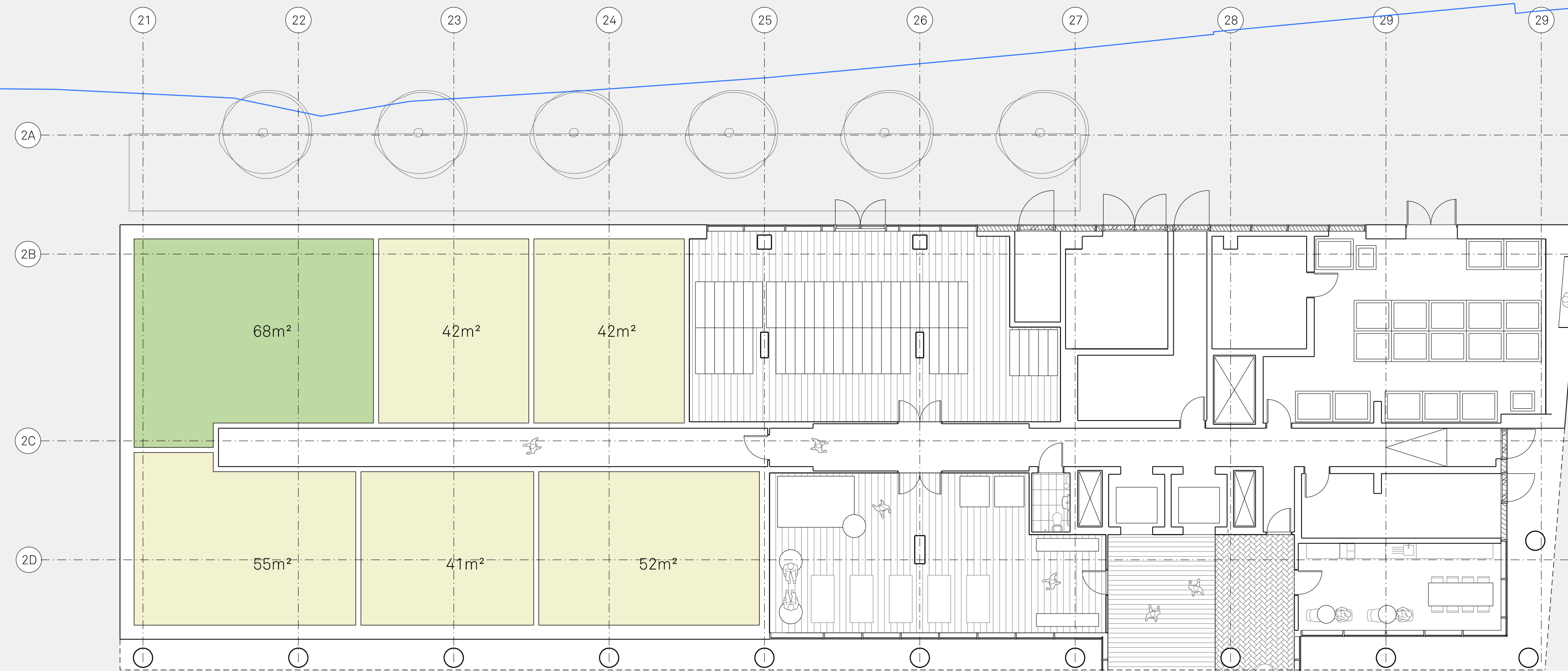
Notes: GIA & Residential GIA excludes measuring into window reveals.

Viability Assessment

Rochdale Road, Manchester



Appendix 2 – Floor Plans



OPTION 04



Notes

PLAN KEY

- 01 Lift lobby
- 02 Escape stair
- 03 1 bed apartment
- 04 2 bed apartment

Project
87 Rochdale Road

Drawn
HB

Checked
JB

Details
18.06.21 Issued for Design Freeze 1

Title:
1st-6th Floor General Arrangement Plan
Block 1 & Block 2

Status:
Information

Drawing No:

136-JMA-MP-01-P-A-022201

Scale:
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Rev:

-

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Notes

PLAN KEY

- 01 Lift lobby
- 02 Escape stair
- 03 1 bed apartment
- 04 2 bed apartment

Project
87 Rochdale
Road

Drawn
HB

Details

18.06.21 Issued for Design Freeze 1

Title:
7th-8th Floor General Arrangement Plan

Status:
Information

Drawing No:
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Scale:
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Notes

PLAN KEY

- 01 Lift lobby
- 02 Escape stair
- 03 1 bed apartment
- 04 2 bed apartment

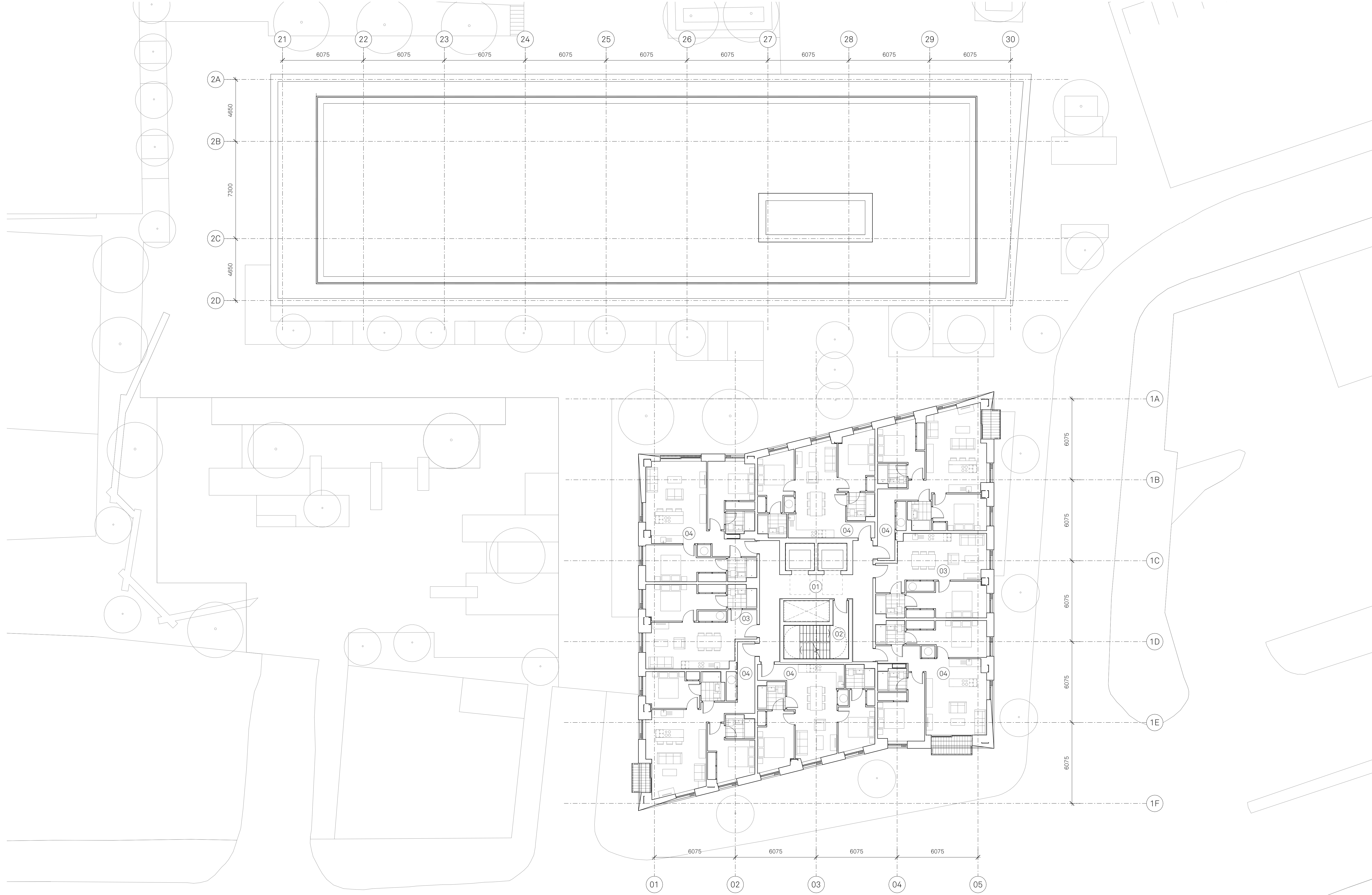
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87 Rochdale
Road
Drawn
HB
Details
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Block 1 & Block 2
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Information
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Rev:
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Notes

PLAN KEY

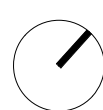
- 01

Lift lobby
- 02

Escape stair
- 03

1 bed apartment
- 04

2 bed apartment



Project
87 Rochdale
Road

Drawn
HB

Details
18.06.21 Issued for Design Freeze 1

Title:
11th Floor General Arrangement Plan
Block 1 & Block 2

Status:
Information

Drawing No:
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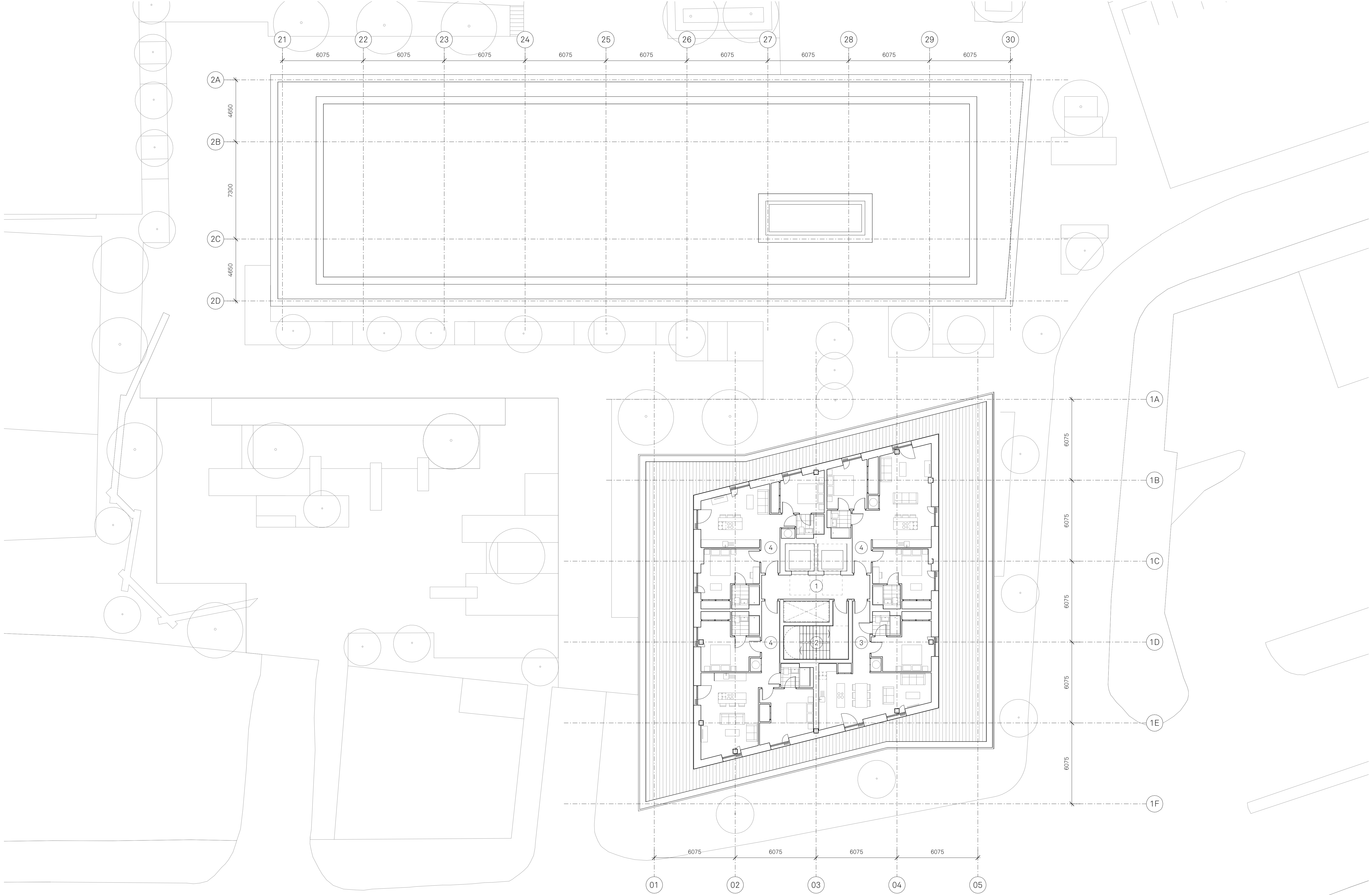
Rev:
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Notes

PLAN KEY

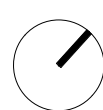
- 01

Lift lobby
- 02

Escape stair
- 03

1 bed apartment
- 04

2 bed apartment



Project
87 Rochdale
Road

Drawn
HB

Checked
JB

Details
18.06.21 Issued for Design Freeze 1

Title:
12th Floor General Arrangement Plan
Block 1 & Block 2

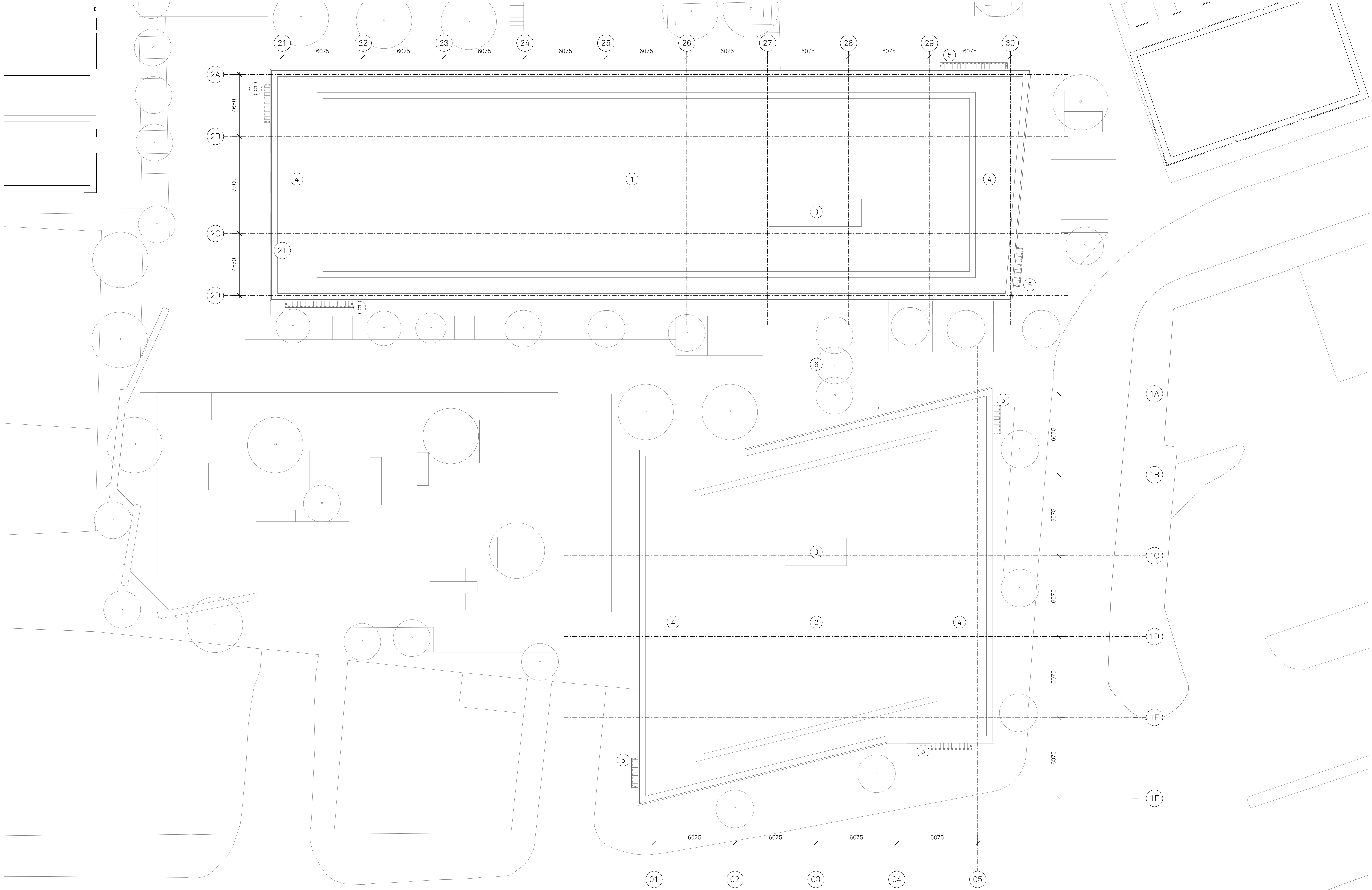
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Information

Drawing No:
136-JMA-MP-12-P-A-022212

Rev:
-

Scale:
As
indicated@A

Rev:
-



Notes

PLAN KEY

- 01 Block 1 Roof
- 02 Block 2 Roof
- 03 Lift Overrun
- 04 Terrace
- 05 Balcony
- 06 Link Building Green Roof

Project

87 Rochdale Road

Drawn

HB JB

Details

18.06.21 Issued for Design Freeze 1

Title:

Roof General Arrangement Plan

Status:

Information

Drawn

JB

Details

18.06.21

Scale:

As

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Rec:

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Viability Assessment

Rochdale Road, Manchester



Appendix 3 – Cost Plan



COST PLAN NR 1
87 Rochdale Road, Manchester

PORTWOOD DEVELOPMENTS

Rev 04 | September 2021

Prepared By

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Associate

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QUALITY ASSSSURANCE

Revision	RIBA Stage	Issue Date	Prepared by	Initialled	Checked by	Initialled
00	2 (Concept)	18/06/2021	Syrrun Adnan	SA		
01	2 (Concept)	22/06/2021	Syrrun Adnan	SA		
02	2 (Concept)	30/06/2021	Syrrun Adnan	SA		
03	2 (Concept)	27/08/2021	Syrrun Adnan	SA		
04	2 (Concept)	14/09/2021	Syrrun Adnan	SA		

Distribution/Version Control

Revision	Status	Issued to	Copy to	Issue date	Purpose of Issue	Comments
00	2 (Concept)	N Legget	n/a	18/06/2021	Initial cost advice	
01	2 (Concept)	N Legget	n/a	22/06/2021	Updated following discussions	
02	2 (Concept)	N Legget	n/a	30/06/2021	Townhouse omitted	
03	2 (Concept)	N Legget	n/a	27/08/2021	Design update for planning	
04	2 (Concept)	N Legget	n/a	14/09/2021	Updated to reflect planning scheme	

CONTENTS

- 1.0 Introduction

2.0 Design Overview

3.0 Executive Summary

4.0 Basis of Estimate

5.0 Accommodation Schedule

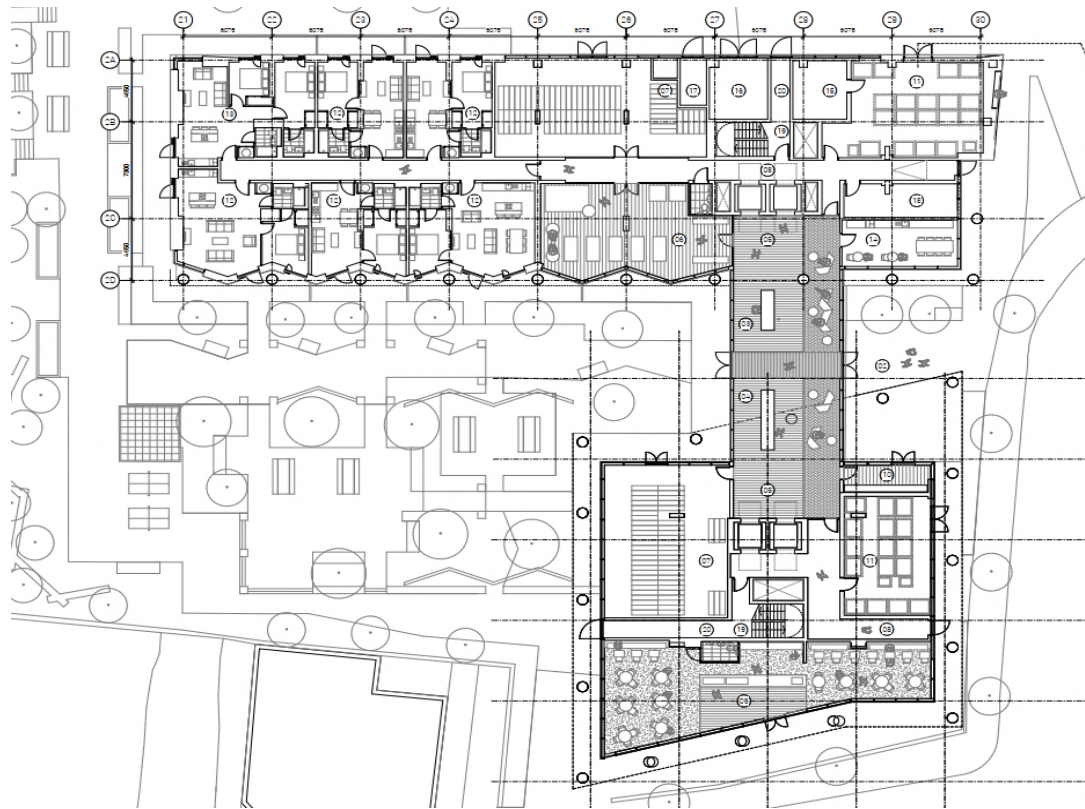
6.0 Elemental Summary

1.0 INTRODUCTION

- This report has been prepared for Portwood Developments Homes to advise on the estimated construction cost for the proposed development at 87 Rochdale Road, Manchester. Russell Bolton Consulting have been appointed to provide cost planning support at RIBA Stage 2
- The scheme comprises of the construction of a new build 10 and 12 storey residential apartment buildings in Manchester over two blocks, that totals to 223 units and is made up of one and two bedroom apartments for private rent. The scheme also includes 2nr duplex townhouses providing 14nr duplex apartments. The cost includes the provision of a basement car park under the main apartment block
- The estimated total construction cost of the project based on the early RIBA Stage 2, Concept Design is (including inflation and contingency) is £45,485,000. This equates to a blended cost/sqft on the GIA of £209 per sqft
- The overall Gross Internal Area (GIA) of the building is 20,206 m² which equates to 217,497 ft²
- The cost have been based upon the information in Section 4 - Basis of Estimate that provides the key assumptions and exclusions used in the preparation of the cost plan, and also the information forming the basis of this cost plan
- The cost have been based on an estimated construction period of 106 weeks and this is to be tested with a main contractor
- The cost plan makes an allowance of 5% for design development up to award of contract and this is separate to the client's contingency that is excluded from this cost plan and assumed as included elsewhere within the client's development appraisal

2.0 DESIGN OVERVIEW

GROUND FLOOR



TYPICAL FLOORPLATE



INDICATIVE ELEVATION



CGI

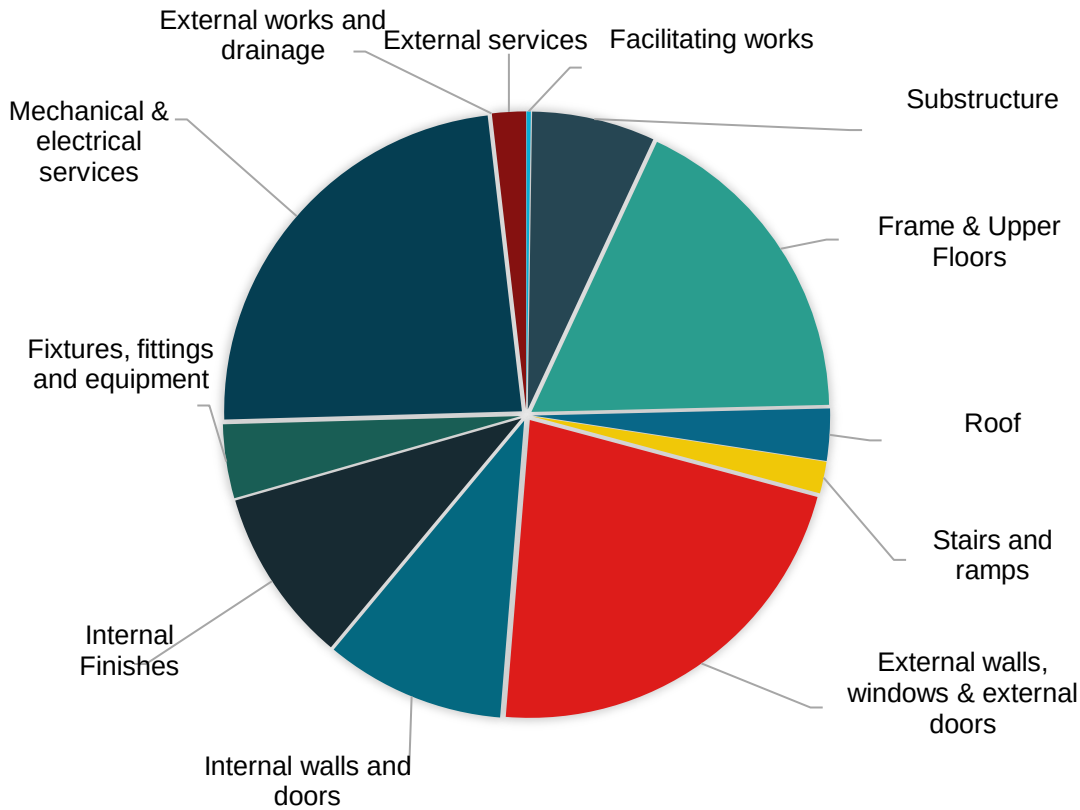


3.0 EXECUTIVE SUMMARY

			GIA	20,206m²	217,497ft²	237nr		
Ref	Project Costs	Area	£	£ / m²	£ / ft²	£/nr		
001	Enabling works and site remediation						Excluded - see notes	
002	Basement	1,137m²	£1,532,000	£1,347	£125	£6,870		
003	Apartments	17,540m²	£36,466,000	£2,079	£193	£163,525		
004	Duplex Townhouses	1,529m²	£3,570,000	£2,335	£217	£255,000		
005	Public realm works		£1,751,000	£87	£8	£7,388		
006	ESTIMATED CONSTRUCTION COST		£43,319,000	£2,144	£199	£182,781		
	Client Directs	} All excluded						
007	Professional fees		-	-	-	-		
008	Surveys		-	-	-	-		
009	Client direct costs		-	-	-	-		
010	ESTIMATED PROJECT COST		£43,319,000	2,144	£199	£182,781		
011	Allowance for Inflation		-	-	-	-	- Based on commencement 1Q22	
012	Design development up to start on site	5.0%	£2,165,950	£107	£10	£9,139	Excluding client contingency	
013	TOTAL PROJECT COST		£45,485,000	2,251	£209	£191,920		
014	Opportunities (as per separate schedule)		-	-	-	-	- To be confirmed	
015	TOTAL COST INCL OPPORTUNITIES		£45,485,000	2,251	£209.13	£191,920		

Headline items		Cost Distribution	
■ Cost excludes work to Gould Street scheme that is outside the planning redline boundary			
■ Cost assumes the retaining structure that is outside of the site boundary is included within the Gould Street project			
■ Cost assumes site won demolition material are disposed on adjacent Gould Street site and an agreement with the developer can be reached on this			

Cost movement			
	Previous report	This Report	Variance
£ (Total)	£44,996,000	£45,485,000	+£489,000
£/ft² GIA	£210/ ft²	£209/ ft²	-£0.45 / ft²



Programme Assumptions	
Construction start date	1Q 2022
Construction period	106wks

Area Summary	
Net Internal Floor Area	14,974m²
Commercial Area	132m²
Basement Area	1,137m²
Apartment Area	17,540m²
Duplexes	1,529m²
Gross Internal Floor Area	20,206m²
Site area (Redline Boundary)	4,950m²

Key KPI's - Apartments	
Net to Gross Efficiency (inc com)	79%
Apartment wall to floor ratio	57%
Blended Façade Rate	£700/m²
M&E Cost / Apartment (net)	£25,416/apt
Main Contractor's Preliminaries	£32,000/wk

Fit out Assumptions	
Apartment main entrance door cost	£800/nr
Internal apartment door cost	£550/nr
Internal apartment double door cost	£850/nr
Average bathroom size	4.5/m²
Bathroom wall tiles cost	£60/m²
Apartment living area finishes	£55/m²
Apartment bedroom area finishes	£55/m²
Bathroom floor finishes	£55/m²
Circulation floor finishes	£25/m²
Apartment ceiling finishes	£45/m²
Circulation ceiling finishes	£45/m²
Average Kitchen/apartment	£5,000/nr
Fitted wardrobe/apartment	excluded
Bathroom fit out/apartment	£2,600/nr
M&E fit out cost/apartment	£25,416/nr

4.0 BASIS OF ESTIMATE

Schedule of information used

- 136-JMA-MP-XX-P-A-001000 Existing Site Location Plan
- 136-JMA-MP-XX-P-A-001003 Red Line Boundary Plan
- 136-JMA-MP-XX-P-A-001005 Proposed Ground Floor Site Plan
- 136-JMA-MP-LG-P-A-022199 Basement Level, General Arrangement Plan
- 136-JMA-MP-00-P-A-022200 Ground Floor General Arrangement Plan, Block 1 & 2
- 136-JMA-MP-01-P-A-022201 1st - 6th Floor General Arrangement Plan, Block 1 & 2
- 136-JMA-MP-07-P-A-022207 7th - 8th Floor General Arrangement Plan, Block 1 & 2
- 136-JMA-MP-09-P-A-022209 9th Floor General Arrangement Plan, Block 1 & 2
- 136-JMA-MP-10-P-A-022210 10th Floor General Arrangement Plan, Block 1 & 2
- 136-JMA-MP-11-P-A-022211 11th Floor General Arrangement Plan, Block 1 & 2
- 136-JMA-MP-12-P-A-022212 12th Floor General Arrangement Plan, Block 1 & 2
- 136-JMA-MP-13-P-A-022213 Roof General Arrangement Plan
- 136-JMA-B3-00-P-A-022230 Duplex Coach Houses General Arrangement Plans, Block 3
- 136-JMA-B4-00-P-A-022240 Duplex Townhouses General Arrangement Plans, Block 4
- 136-JMA-MP-S-E-A-042200 Elevation AA, South (Rochdale Road) Block 1 & 2 GA Elevation
- 136-JMA-MP-E-E-A-042201 Elevation BB, East (Clive Street) Block 1 & 2 GA Elevation
- 136-JMA-MP-N-E-A-042202 Elevation CC, North (MCR Site) Block 1 & 2 GA Elevation
- 136-JMA-MP-W-E-A-042203 Elevation DD, West (Gould Street) Block 1 & 2 GA Elevation
- 136-JMA-MP-S-E-A-042204 Elevation EE, South (Block 1) GA Elevation
- 136-JMA-MP-N-E-A-042205 Elevation FF, North (Block 2) GA Elevation
- 136-JMA-B3-N-E-A-042230 Duplex Coach Houses GA Elevations, Block 3
- 136-JMA-B4-N-E-A-042240 Duplex Townhouses GA Elevations, Block 4
- 136-JMA-MP-AA-S-A-052200 Section AA, Block 1 & Block 2 GA Cross Section
- 136-JMA-B1-00-E-A-104200 Bay Study 01, Block 1
- 136-JMA-B2-00-E-A-104201 Bay Study 02, Block 2
- 136-JMA-B2-10-E-A-104202 Bay Study 03, Block 2

- 2624-PLA-XX-XX-DR-L-0002
- 2624-PLA-XX-XX-DR-L-1001
- 2624-PLA-XX-XX-DR-L-1002
- 2624-PLA-XX-XX-DR-L-2000
- 2624-PLA-XX-XX-DR-L-3000

4.0 BASIS OF ESTIMATE

Key assumptions

- It has been assumed that the works will be on a concurrent programme with works commencing 2nd Quarter 2022
- Assumed the project will be procured on a single stage design and build basis and will be constructed in one development phase.
- The cost plan assumes the project will be carried out by a main contractor under one development phase therefore benefitting in preliminaries and management costs. No allowance have been made for the duplexes to be carried out by Portwood Developments direct
- Base date of costs is 3rd Quarter 2021.
- Assumed a construction programme of 106 weeks
- The PC Sum for the supply of brickwork have been assumed as £650/1000
- No allowance made for fire rated glass to apartments block where the façade faces each other, assuming sufficient distance is available between the elevations to negate this requirement
- The cost plan was prepared without on the assumption that site won materials will be disposed on site on the adjacent MCR development as part of the agreement that Portwood Developments will reach with MCR developments and therefore nil cart away
- This cost plans excludes the fit out of the residents' amenity areas outside of the shell and core provision. For the avoidance of doubt, the cost plan includes allowances for enhanced finishes to the areas but exclude loose furniture, gym, bespoke joinery items etc and have assumed that this will be covered separately under the developer's cost or a separate funder/operator fit out item
- This cost plan was prepared without the benefit of full civil and structural solution and have therefore assumed an efficient reinforced concrete frame solution with reinforced concrete core walls. The allowances in this cost plan is therefore subject to emerging structural design
- This cost plan excludes landscaping to the private terraces other than allowance for paving
- No allowances have been made for temporary propping of walls during construction or demolition activities
- The cost plan assumes the public realm works within existing levels and no allowance have been made for extensive steps/terraces/auditoria etc
- No allowances have been made for external public realm linking to the Gould Street scheme i.e. works outside the redline planning application boundary
- Assumed continuous working, no allowance for contractor down time, or non-productive working.
- No allowance have been included for water features, sculptures, etc.
- Assumed finishing specifications, mid-level apartments
- No allowances for bathroom pods and assumes traditional insitu construction
- We have made no allowance for a substation in the cost plan
- The cost plan is based on a multi utility quotation obtained for the scheme dated 8 September 2021
- No allowance for any site wide infrastructure upgrade or diversions. All cost in relation to incoming services are therefore provisional
- Basement walls have been assumed as reinforced concrete retaining walls with open excavation. No allowance made for inner liner wall to basement walls
- This cost plan assumes cycle storage provision of 1:1
- Cost excludes wardrobes and blinds as this is assumed as to be fitted out by the operator
- Cost assumes that a backup generator is not required on the basis of continuity of supply and to be validated as part of the building control submission
- No allowance has been made for the re-lining or re-facing of the Northern boundary retaining wall.
- Cost assumes no requirement for finishes to the escape staircase and remains as exposed concrete with contrasting treads for the purposes of Building Regulations

4.0 BASIS OF ESTIMATE

Exclusions

- Value added tax.
- Professional fees, land costs, other development/finance costs.
- Land acquisition/finance cost.
- Cost in obtaining building guarantees i.e. NHBC, LABC, PG, etc.
- Dewatering of the site.
- Archaeological implications/excavations or cost associated with such discoveries.
- Services/infrastructure diversion or upgrades.
- Section 106/278 works or contributions.
- Temporary accommodation.
- Monitoring of adjacent / adjoining building and / or works to existing buildings.
- Costs arising from statutory provisions in obtaining planning permission.
- Local Authority charges, i.e. road closures.
- Site Acquisition Fees / Costs, Air Rights, Party Wall Awards, Rights to Light (and all other Third Party compensations).
- Capital allowances or other incentives / grants.
- Finance costs & insurances.
- Asbestos or other such contaminants (other than provisions allowance for demolition).
- Ground contamination or remediation of contaminated land.
- Adverse ground conditions; ground water; UXB's; obstructions; existing basements and structures; etc. unless specifically stated.
- Sustainability measures including BREEAM / DEC & EPC ratings beyond current minimum legislative requirements.
- Currency and exchange rate fluctuations and Costs resulting from tariffs or other charges following the withdrawal of the UK from the European Union.
- Works outside of the site boundary.
- Works outside of normal working hours.
- Loose furniture.



5.0 Accommodation Schedule - Basement

	Commercial	Apartments	Circulation	Core	Car Park	Plant	Non Usable	GIA
	m²	m²	m²	m²	m²	m²	m²	m²
Level -01	-	-	6	47	848	222	14	1,137

Accommodation Schedule - Apartments

	Commercial	Apartments	Amenity	Circulation	Core	Back of House	Plant	Non Usable	GIA	Apartment Mix			
	m²	m²	m²	m²	m²	m²	m²	m²	m²	1B1P	1B2P	2B3P	2B4P
Level 00	132	314	74	303	85	366	60	65	1,399	3	2	1	-
Level 01	-	1,285	-	100	87	-	-	77	1,549	4	3	7	7
Level 02	-	1,285	-	100	87	-	-	77	1,549	4	3	7	7
Level 03	-	1,285	-	100	87	-	-	77	1,549	4	3	7	7
Level 04	-	1,285	-	100	87	-	-	77	1,549	4	3	7	7
Level 05	-	1,285	-	100	87	-	-	77	1,549	4	3	7	7
Level 06	-	1,285	-	100	87	-	-	77	1,549	4	3	7	7
Level 07	-	1,274	-	100	87	-	-	77	1,538	4	3	7	7
Level 08	-	1,274	-	100	87	-	-	77	1,538	4	3	7	7
Level 09	-	1,269	-	100	87	-	-	76	1,532	4	3	7	7
Level 10	-	1,030	-	95	87	-	-	57	1,269	-	6	4	6
Level 11	-	520	-	37	42	-	-	27	626	-	2	2	4
Level 12	-	277	-	15	42	-	-	10	344	-	1	1	2
TOTAL (m²)	132	13,668	74	1,350	1,039	366	60	851	17,540	39	38	71	75
TOTAL (ft²)	1,421	147,122	797	14,531	11,184	3,940	646	9,160	188,801	Total	223		

Accommodation Schedule - Duplexes

	Commercial	Apartments	Circulation	Core	Non Usable	GIA	Apartment Mix	
	m²	m²	m²	m²	m²	m²	2B4P	2B5P
Level -01	-	74	-	-	3	77		
Level 00	-	330	46	-	26	402	-	7
Level 01	-	330	32	-	40	402	7	-
Level 02	-	306	56	-	12	374	-	-
Level 03	-	266	-	-	8	274	-	-
TOTAL (m²)	-	1,306	134	-	89	1,529	7	7
TOTAL (ft²)	0	14,058	1,442	0	958	16,458	Total	14



6.0 ELEMENTAL SUMMARY

		Basement			Apartments			Duplex Townhouses			Public Realm Works			Blended				
		GIA	1,137m²	12,239ft²	GIA	17,540m²	188,801ft²	GIA	1,529m²	16,458ft²	Site	4,950m²	53,282ft²	GIA	20,206m²	217,497ft²		
Ref	Elemental Summary	£	£/m²	£/ft²	£	£/m²	£/ft²	£	£/m²	£/ft²	£	£/m²	£/ft²	£	£/m²	£/ft²		
001	Facilitating works	-	-	-	£73,470	£4	£0	£4,020	£3	£0	£104,965	£5	£0	£182,455	£9	£1		
002	Sub total Facilitating works	-	-	-	£73,470	£4	£0	£4,020	£3	£0	£104,965	£5	£0	£182,455	£9	£1		
003	Substructure	£928,444	£817	£76	£2,099,617	£120	£11	£380,878	£249	£23	-	-	-	£3,408,939	£169	£16		
004	Sub total Substructure	£928,444	£817	£76	£2,099,617	£120	£11	£380,878	£249	£23	-	-	-	£3,408,939	£169	£16		
005	Frame & Upper Floors	£70,133	£62	£6	£5,547,905	£316	£29	£181,125	£118	£11	-	-	-	£5,799,163	£287	£27		
006	Roof	-	-	-	£883,980	£50	£5	£131,273	£86	£8	-	-	-	£1,015,252	£50	£5		
007	Stairs and ramps	£16,300	£14	£1	£540,150	£31	£3	£78,000	£51	£5	-	-	-	£634,450	£31	£3		
008	External walls, windows & external doors	£10,000	£9	£1	£6,939,801	£396	£37	£922,925	£604	£56	-	-	-	£7,872,726	£390	£36		
009	Internal walls and doors	£35,671	£31	£3	£3,060,463	£174	£16	£315,474	£206	£19	-	-	-	£3,411,609	£169	£16		
010	Sub total Superstructure	£132,104	£116	£11	£16,972,300	£968	£90	£1,628,797	£1,065	£99	-	-	-	£18,733,201	£927	£86		
011	Internal Finishes	£30,642	£27	£3	£2,980,333	£170	£16	£303,571	£199	£18	-	-	-	£3,314,545	£164	£15		
012	Sub total Internal Finishes	£30,642	£27	£3	£2,980,333	£170	£16	£303,571	£199	£18	-	-	-	£3,314,545	£164	£15		
013	Fixtures, fittings and equipment	£10,000	£9	£1	£1,256,500	£72	£7	£81,200	£53	£5	-	-	-	£1,347,700	£67	£6		
014	Sub total Fixtures, fittings and equipment	£10,000	£9	£1	£1,256,500	£72	£7	£81,200	£53	£5	-	-	-	£1,347,700	£67	£6		
015	Mechanical & electrical services	£216,102	£190	£18	£7,402,061	£422	£39	£528,866	£346	£32	-	-	-	£8,147,028	£403	£37		
016	Sub total Mechanical & electrical services	£216,102	£190	£18	£7,402,061	£422	£39	£528,866	£346	£32	-	-	-	£8,147,028	£403	£37		
017	External works and drainage	-	-	-	-	-	-	£115,593	£76	£7	£1,400,908	£69	£6	£1,516,501	£75	£7		
018	External services	-	-	-	£576,612	£33	£3	£27,000	£18	£2	-	-	-	£603,612	£30	£3		
019	Sub total External works	-	-	-	£576,612	£33	£3	£142,593	£93	£9	£1,400,908	£69	£6	£2,120,113	£105	£10		
020	Abnormals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
021	Sub total Abnormals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
020	TOTAL BUILDING WORKS	£1,317,293	£1,159	£108	£31,360,892	£1,788	£166	£3,069,924	£2,008	£187	£1,505,873	£75	£7	£37,253,981	£1,844	£171		
Main Contractor On Costs													0			-		-
021	Main Contractor Preliminaries	9.1%	£120,000	£106	£10	£2,855,000	£163	£15	£280,000	£183	£17	£137,000	£7	£1	£3,392,000	£168	£16	
022	Main Contractor Overheads and Profit	5.0%	£72,000	£63	£6	£1,711,000	£98	£9	£167,000	£109	£10	£82,000	£4	£0	£2,032,000	£101	£9	
023	Contractor's D&B Risk Transfer	1.50%	£23,000	£20	£2	£539,000	£31	£3	£53,000	£35	£3	£26,000	£1	£0	£641,000	£32	£3	
023	TOTAL CONSTRUCTION COST	£1,532,000	£1,347	£125	£36,466,000	£2,079	£193	£3,570,000	£2,335	£217	£1,751,000	£87	£8	£43,319,000	£2,144	£199		



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Viability Assessment

Rochdale Road, Manchester



Appendix 4 – Savills UK Housing Market Update

UK Housing Market Update



Transactions dip in the wake of the stamp duty deadline, but house price growth remains strong

House prices rose 2.1% in August according to Nationwide, more than offsetting last month's fall of -0.6%. This brings annual house price growth to 11.0%, supporting our view that price growth will remain strong this year and on track to surpass our forecast of 9.0%.

Only 82,110 transactions were recorded in July, down from the 213,000 recorded in June. This is a monthly fall of 62%, and put transactions 22% below the 2017-19 average for the month. This shows the distorting effect of the stamp duty holiday, with the first and most significant deadline now passed. We expect a smaller spike in September before the next deadline, as buyers can still save up to £2,500, but not to the same magnitude as the June distortion.

Mortgage data suggest activity will remain strong, with 2021 seeing 28% more mortgages approvals so far compared to this time in 2019.

Demand has started to soften, but remains above supply. The latest RICS survey shows demand falling, but it remains above the level of new instructions, which have already been falling for four months. This supply-demand mismatch is echoed by TwentyCI, who reported sales agreed in August to be 9% above the 2017-19 average,

while new instructions are 19% below. The gap between supply and demand will continue to be a key driver of price growth.

First Time Buyer numbers were up 63% in June compared to June 2019. Their share of the market has fallen however, down to 25% of all mortgages from 30% in 2019. They are being held back by persistently high interest rates on higher LTV mortgages. Home mover numbers were up 144% and they accounted for 33% of the market, up from 29% in 2019.

There were higher numbers of more affluent buyers during the pandemic. Across both buyer types we've seen a greater use of equity, with the average LTV falling to 69%, down from 73% last June. So lenders are more insulated from any house price falls. The average income of both first time buyers and home movers has also increased.

The average UK rent increased 1.2% in the year to July, according to the ONS. Rental growth has been strongest in the East Midlands and the South West, both up 2.5% annually.

Annual house price growth in May was strongest in Merthyr Tydfil at 16.3%, followed by Derbyshire Dales at 15.1%. Only Aberdeen saw values fall over this period, down -0.9%.

Figure 1 House price growth to May-21 since 07/08 peak

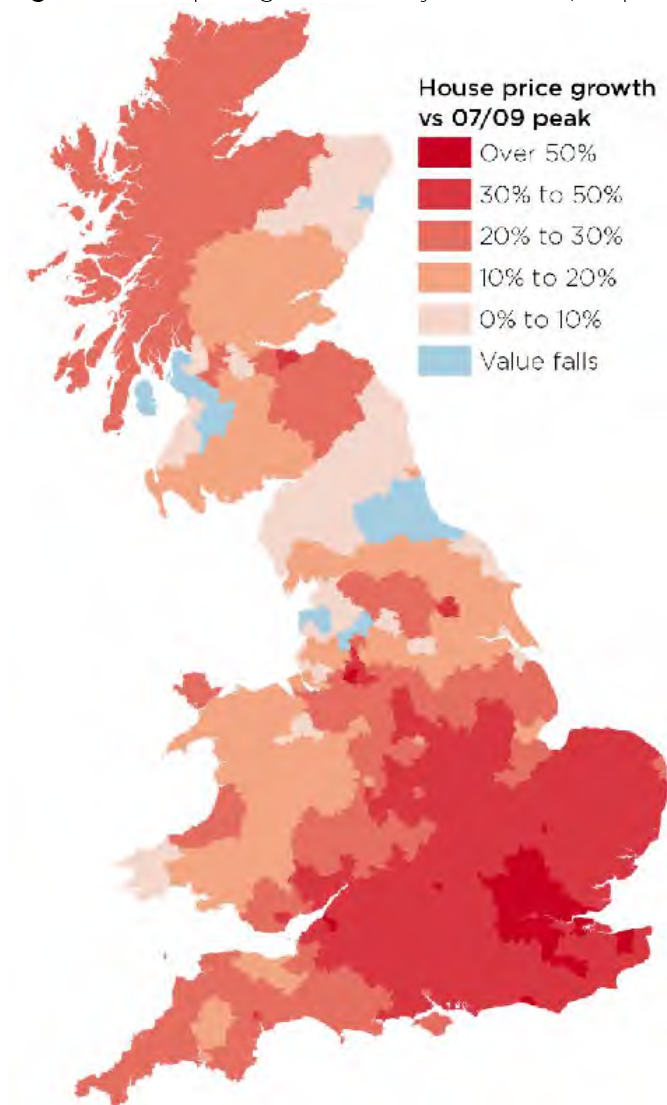
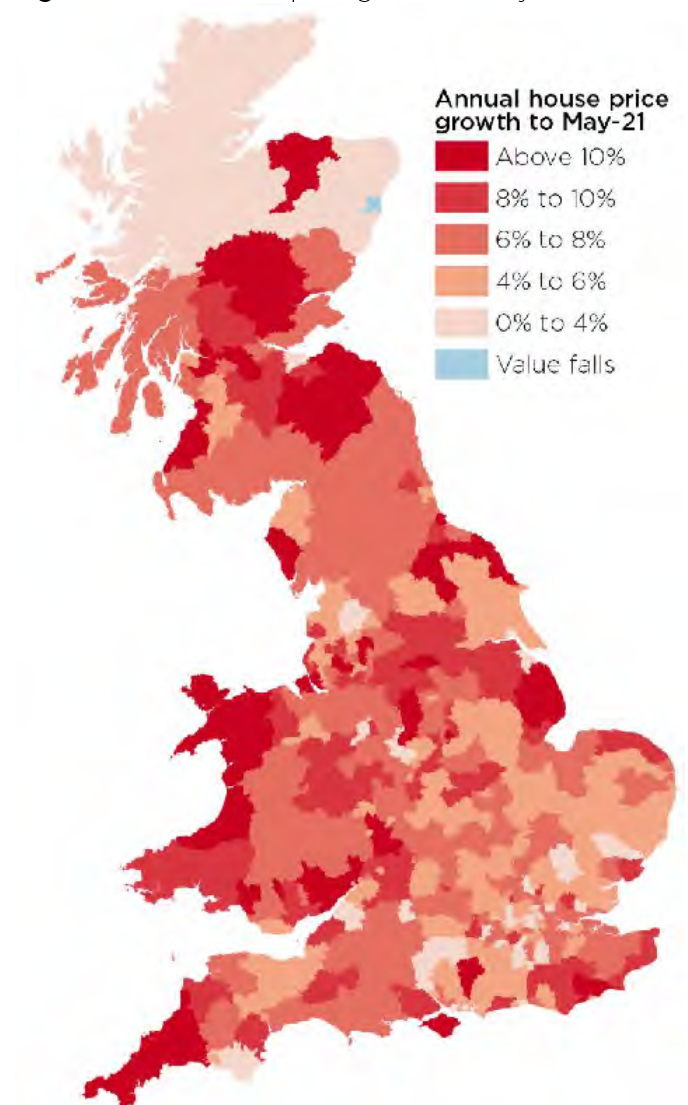


Figure 2 Annual house price growth to May-21

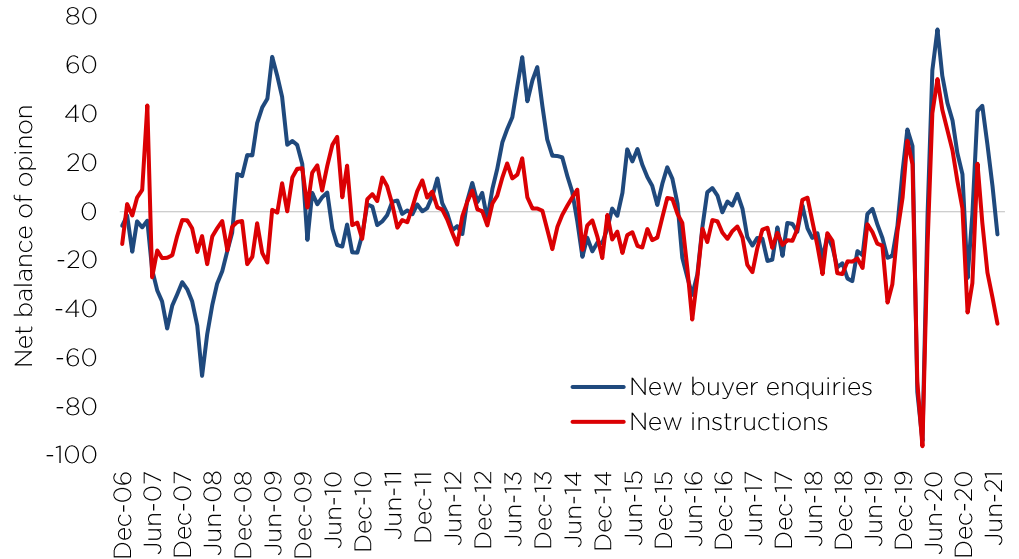


The RICS survey for July showed the majority of surveyors were reporting falling numbers of new buyer enquiries, indicating a cooling in demand following the first SDLT deadline.

The latest reading for new instructions continued its decline into negative territory, to -46, the weakest reading on record, aside from when the market was closed in March & April last year.

This continued strain on supply and only slight let-up in demand will continue to support house price growth over the coming months.

Figure 3 Surveyors report falling demand and falling supply



Source RICS (seasonally adjusted)

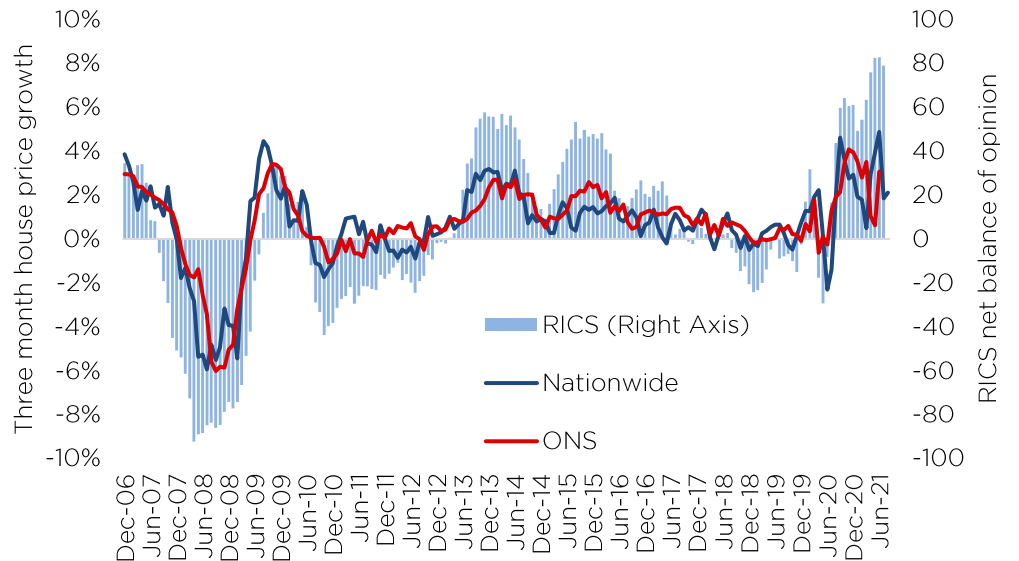
The RICS survey can be a good early indicator of house price movements, which are later picked up by other indices.

Surveyors continued to agree on rising house prices in July at +79, only marginally down on June's +83.

Nationwide reported a seasonally adjusted three month growth figure of 2.1% in August, slightly up on last month's 2.0%.

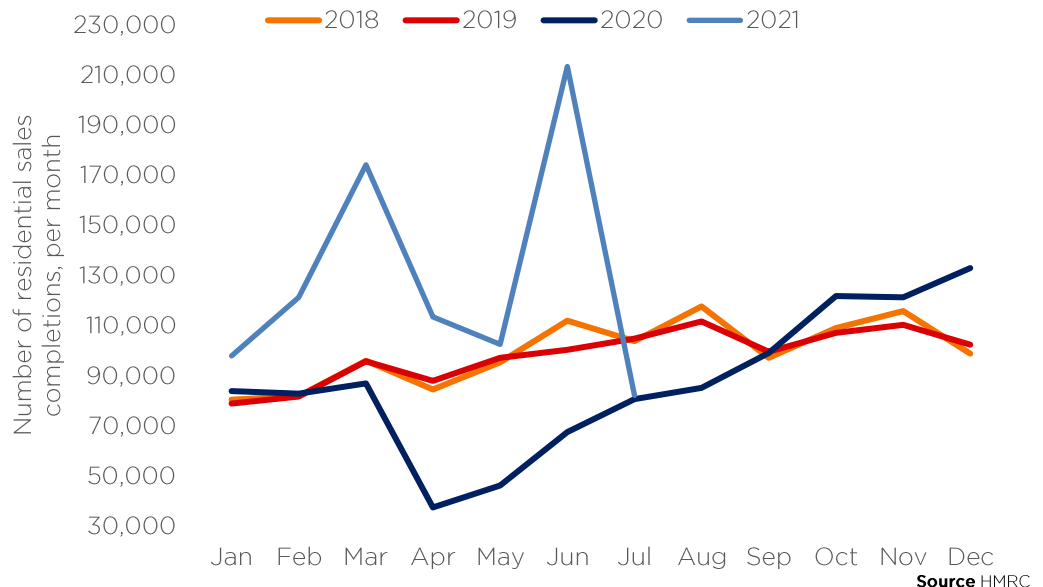
The ONS index, which tends to lag the others (being reliant on sales completions), reported a seasonally adjusted three month growth figure of 3.1% in June.

Figure 4 Value growth still strong



Source RICS, Nationwide, ONS

Figure 5 Transaction activity down in July following first stamp duty deadline



Source HMRC

Table 1 Recent house price growth

	Nationwide (Regions to Q2 2021, UK to August-21)			ONS (to June-21)			Savills (to May-21)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	2.1%	2.1%	11.0%	4.2%	3.0%	13.2%	0.2%	1.4%	7.2%
London	-	3.4%	7.2%	2.7%	0.4%	6.3%	-0.4%	-0.3%	5.1%
South East	-	3.6%	11.0%	2.3%	1.3%	10.6%	0.1%	1.0%	6.0%
East of England	-	3.3%	9.8%	4.3%	3.5%	12.1%	0.3%	1.1%	5.8%
South West	-	4.2%	10.5%	5.0%	2.8%	13.7%	0.3%	1.4%	7.2%
East Midlands	-	4.1%	12.2%	4.9%	4.2%	14.3%	0.3%	1.5%	7.0%
West Midlands	-	3.6%	12.3%	5.5%	4.6%	15.0%	0.3%	1.1%	6.7%
North East	-	4.2%	11.2%	5.0%	1.6%	15.3%	0.6%	1.6%	7.2%
Yorks & Humber	-	3.8%	13.0%	6.6%	3.7%	15.9%	0.1%	1.2%	8.0%
North West	-	3.1%	10.9%	6.1%	5.2%	18.7%	0.6%	1.7%	8.1%
Wales	-	3.0%	13.3%	4.2%	4.1%	16.7%	0.6%	2.3%	8.6%
Scotland	-	2.5%	7.0%	1.2%	1.1%	12.0%	0.3%	1.1%	7.6%

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

Table 2 House price forecasts (published July 2021)

Region	2021	2022	2023	2024	2025	5 years to 2025
UK	9.0%	3.5%	3.0%	2.5%	2.0%	21.5%
London	7.0%	2.0%	1.5%	1.0%	0.5%	12.4%
South East	9.0%	3.0%	2.5%	2.0%	1.5%	19.1%
East of England	8.0%	3.0%	2.5%	2.0%	1.5%	18.0%
South West	8.5%	3.5%	3.0%	2.5%	2.0%	20.9%
East Midlands	9.0%	4.0%	3.5%	3.0%	2.5%	23.9%
West Midlands	9.0%	4.0%	3.5%	3.0%	2.5%	23.9%
North East	8.0%	4.0%	3.5%	3.5%	3.0%	23.9%
Yorks & Humber	10.5%	4.5%	4.0%	3.5%	3.0%	28.0%
North West	10.5%	4.5%	4.0%	3.5%	3.0%	28.0%
Wales	10.0%	4.0%	4.0%	3.5%	3.0%	26.8%
Scotland	9.5%	4.0%	3.5%	3.0%	2.5%	24.4%

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*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

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Viability Assessment

Rochdale Road, Manchester



Appendix 5 – Savills BTR Market Update

UK Build to Rent

savills



Yield compression • Scale • Premiums

Market Monitor

Key statistics for the BtR market



UK BtR yields have remained broadly stable, despite economic headwinds



3.5%

London BtR yields remain low



55bps

Prime BtR yield compression in Stockholm this year



Analysis of other major global markets demonstrates the significant scope for growth in the UK BtR sector



76,300

Number of homes a UK investor would control if they had the same market share as Vonovia in Germany

Yield Compression

In recent years, prime Build to Rent (BtR) yields have remained broadly stable. In spite of the economic headwinds through 2020 and early 2021, the sector delivered resilient income returns. High occupancy levels and rent collection have supported pricing. But there are signs that we are on the cusp of yield compression in the sector.

Downward pressure on yields from new investors entering the market...

The strong performance of the sector over the past 18 months has further burnished its counter-cyclical credentials, driving increased investor appetite and a wave of new entrants.

This year began with Goldman Sachs making their debut, acquiring the Thistle Portfolio. This has been followed in recent months by Heimstaden Bostad's debut in Birmingham and Macquarie Bank launching their own platform, Goodstone.

We expect this increased competition from investors to put downward pressure on yields for the best assets. This will especially be the case for income producing, stabilised assets. A common theme over recent years has been a lack of these opportunities. When they do come to market they attract significant competition, as evidenced by the Thistle Portfolio.

Investor demand is driving down yields

Looking to other parts of UK real estate, in particular industrial, shows how strong investor demand and positive sentiment has driven yield compression. Yields for prime distribution and multi-let estates have been falling since 2016 and are now both at 3.5%, a drop of 100bps and 75bps

respectively over the past year alone. As a result, prime industrial assets now attract the same yield as a prime London BtR asset. In 2016, industrial yields were 100-125bps higher than London BtR.

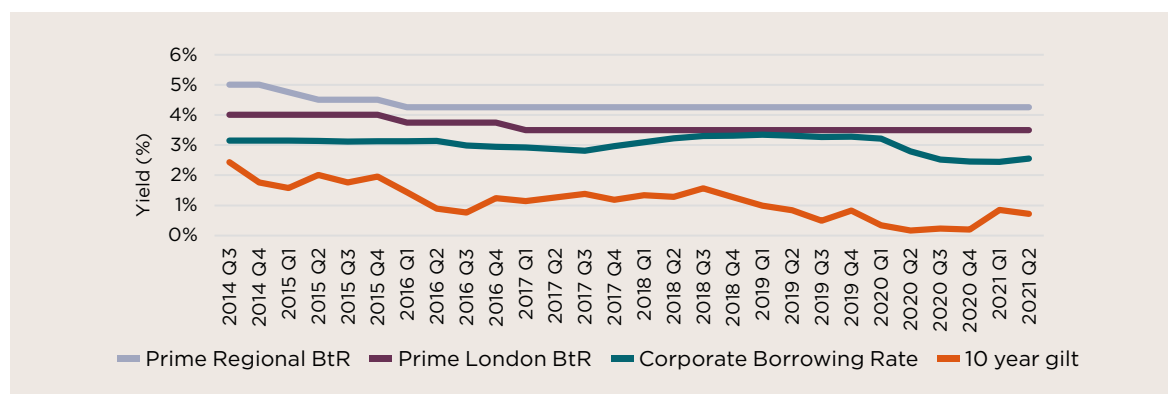
Strong investor appetite and competition has driven down residential yields across other European markets. Berlin has seen prime yields fall by 40bps over the past 12 months, while Stockholm is down by 55bps to 3.25%. This means only Warsaw and Dublin have higher prime yields than London.

Corporate debt rates had previously put a floor under yields

During 2017 and early 2018, a rise in corporate debt rates reduced the spread of BtR yields in London from c.80bps to c.20bps. This level became the new normal throughout 2018 and 2019. As a result, the scope for yield compression was significantly reduced, given the additional risk of investing in residential.

But there has recently been a significant fall in corporate debt rates, which have dropped by 66bps between Q1 2020 and Q2 2021. This means that the spread to prime BtR yields has increased to its highest level in over 6 years, creating room for yield compression.

The spread between BtR yields and corporate debt has widened



Source Savills Research, Bank of England

The economy will be a fundamental driver

As with many things, the direction of travel will be influenced by the UK economy and how it emerges from the pandemic. Recent economic data points towards a steady recovery through 2021, with the jobs market emerging with less damage than feared 12 months ago. This should support wage growth as the economy reopens, in turn underpinning

potential for rental growth.

The house price growth seen over the past few months will also put the aspiration of homeownership further out of reach for many would-be first-time buyers - driving demand for rental product.

The potential fly in the ointment is inflation. At present, forecasts are for the current strong inflation to be temporary. But, if it turns out to be

persistent then the Bank of England will have to act, leading to a rise in bond yields. This will put upward pressure on yields across real estate.

But as BtR continues to mature as an asset class, we expect greater liquidity and economies of scale will put downward pressure on the sector's risk premium. This means that even if yields don't fall, they will likely remain stable even as the risk-free rate rises.

Scale in UK BtR

Sigma recently announced the delivery of the 4,000th home for the PRS REIT, meaning they have one of the largest operational BtR portfolios in the UK, alongside Grainger (c.6,350 units).

Whilst impressive in terms of scale in the UK context, as we highlighted in [our report in December 2020](#), these pale in comparison to the size of the largest investors in more mature markets. Germany and the USA, for example, both have investors with over 100,000 units.

The differences in the size and structure of rental markets

in these countries mean that we can't take as a given that we will see portfolios this large in the UK. But looking at the proportion of rental stock controlled by these investors can still provide an indication as to what scale could really look like in the UK.

Scope for significant growth in scale

At present, Grainger's operational portfolio equates to 0.13% and the PRS REIT's equates to 0.08% of total rental stock in the UK. In contrast, Vonovia, Germany's largest landlord, controls 1.6% of rental stock, while Vesteda, the largest landlord in the Netherlands, controls 2.5% of rental stock.

Across the Atlantic, the USA's largest landlord, MAA, controls around 0.5% of the total rental stock in the country. Irvine Company, who are California's largest

landlord, control 1.0% of all rental homes in the state.

This difference in proportional scale shows that there is still significant growth potential for UK investors. For example, applying Vonovia's market share to the UK would equate to a 76,300 unit portfolio. Even the more conservative 0.5% market share that MAA has would mean a portfolio of nearly 25,000 homes, around four times the current number owned by Grainger.

International investors' UK portfolios if they had the same penetration rate as their home markets

Investor	Location of Portfolio	Operational Portfolio Size	Proportion of Country/State's Rental Stock	Size of UK Portfolio if Same Proportion of PRS Homes
Vesteda	Netherlands	25,800*	2.50%	119,200
Vonovia**	Germany	349,500	1.60%	76,300
Irvine Company	California (USA)	58,500	1.00%***	47,700
MAA	USA	100,500	0.50%	23,800
Grainger	UK	6,350	0.13%	-
PRS REIT	UK	4,000	0.08%	-

Source Savills Research, Bank of England British Property Federation, Company Financial Statements, Yardi, NMHC, German Federal Statistical Office, US Census Bureau, ONS, Statistics Netherlands | *this relates only to their market rent portfolio. **this relates to Vonovia's portfolio before any merger with Deutsche Wohnen. ***this relates to California only.

Evidence of localised concentration

Furthermore, there is evidence of investors in other markets being comfortable with pockets of high concentration. In both Germany and the Netherlands, there are a number of cities where investors control over 3% of rental stock. For example, Vesteda owns 3.1% of all rental homes in Amsterdam and Deutsche Wohnen owns 3.4% of stock in Frankfurt.

By contrast, in the UK, the largest landlords in London, L&Q and Quintain, only control 0.2% and 0.3% of rental stock respectively. Even looking at their entire pipeline this only rises to 0.5%. If they were to reach a similar proportion of stock as seen in Germany and Holland, their portfolios would be over 30,000 homes in London alone.

But a need for a diverse product offering

The evidence from mature markets elsewhere overwhelmingly indicates that the UK has not got close to its potential in terms of scale. But to do this, investors will need to ensure their portfolios provide a mixed offering of single and multifamily homes, catering to different tenant groups and across the affordability spectrum.



Operational Capital Markets

We provide our clients with valuation, consultancy, transactional and financing advice across the residential (PRS), student accommodation, co-living, senior living and healthcare sectors - across the UK and Europe. Our track record is unrivalled, having advised our clients on over £20 billion of investment in the last three years alone.

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Appendix 6 – Appraisal Summary (Sales Scheme – Policy Compliant)

87 Rochdale Road, Manchester
Viability Assessment
20% Affordable Housing

APPRAISAL SUMMARY**LICENSED COPY**
87 Rochdale Road, Manchester
Viability Assessment
20% Affordable Housing
Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private Apartments (Blocks 1 & 2)	175	114,503	404.38	264,585	46,302,380
Duplex Apartments (Blocks 3 & 4)	14	14,060	385.99	387,643	5,427,000
Car Parking	35	0	0.00	20,000	700,000
Affordable Apartments (Blocks 1 & 2)	48	<u>32,651</u>	261.54	177,905	<u>8,539,453</u>
Totals	272	161,214			60,968,833

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial	1	1,424	15.00	21,360	21,360	21,360

Investment Valuation

Commercial					
Market Rent	21,360	YP @	8.0000%	12.5000	
(6mths Rent Free)		PV 6mths @	8.0000%	0.9623	256,921

GROSS DEVELOPMENT VALUE 61,225,754

Purchaser's Costs		(6,192)	
Effective Purchaser's Costs Rate	2.41%		(6,192)

NET DEVELOPMENT VALUE 61,219,562**NET REALISATION 61,219,562****OUTLAY****ACQUISITION COSTS**

Residualised Price (Negative land)	(1,954,524)	(1,954,524)
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CONSTRUCTION COSTS**Construction**

	Units	Unit Amount	Cost
Public Realm	1 un	1,751,000	1,751,000
	ft²	Build Rate ft²	Cost
Private Apartments (Blocks 1 & 2)	201,019	181.41	36,466,000
Duplex Apartments (Blocks 3 & 4)	16,441	217.14	3,570,000
Basement	<u>12,239</u>	<u>125.17</u>	<u>1,532,000</u>
Totals	229,699 ft²		41,568,000

Contingency	3.00%	1,299,570	1,299,570
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PROFESSIONAL FEES

Professional Fees	8.00%	3,465,520	3,465,520
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MARKETING & LETTING

Marketing, Sales & Legal	3.50%	1,835,028	
Letting Agent Fee	10.00%	2,136	
Letting Legal Fee	5.00%	1,068	
			1,838,232

FINANCE

Debit Rate 6.000%, Credit Rate 0.000% (Nominal)			
Land		(222,331)	
Construction		2,695,410	
Other		370,307	
Total Finance Cost			2,843,386

TOTAL COSTS 50,811,184

87 Rochdale Road, Manchester
Viability Assessment
20% Affordable Housing
PROFIT

10,408,378

Performance Measures

Profit on Cost%	20.48%
Profit on GDV%	17.00%
Profit on NDV%	17.00%
Development Yield% (on Rent)	0.04%
Equivalent Yield% (Nominal)	8.00%
Equivalent Yield% (True)	8.42%
IRR% (without Interest)	22.44%
Rent Cover	487 yrs 3 mths
Profit Erosion (finance rate 6.000)	3 yrs 2 mths



Appendix 7 – Appraisal Summary (Sales Scheme – 100% Private)

87 Rochdale Road, Manchester
Viability Assessment
100% Private Housing

Development Appraisal
Licensed Copy
15 September 2021

APPRAISAL SUMMARY**LICENSED COPY**

87 Rochdale Road, Manchester
Viability Assessment
100% Private Housing

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Apartments (Blocks 1 & 2)	223	147,154	403.93	266,547	59,440,000
Duplex Apartments (Blocks 3 & 4)	14	14,060	385.99	387,643	5,427,000
Car Parking	35	0	0.00	20,000	700,000
Totals	272	161,214			65,567,000

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial	1	1,424	15.00	21,360	21,360	21,360

Investment Valuation

Commercial					
Market Rent	21,360	YP @	8.0000%	12.5000	
(6mths Rent Free)		PV 6mths @	8.0000%	0.9623	256,921

GROSS DEVELOPMENT VALUE **65,823,921**

Purchaser's Costs	(6,192)
Effective Purchaser's Costs Rate	2.41%
	(6,192)

NET DEVELOPMENT VALUE **65,817,729****NET REALISATION** **65,817,729****OUTLAY****ACQUISITION COSTS**

Residualised Price	735,005
	735,005
Stamp Duty	26,250
Effective Stamp Duty Rate	3.57%
Agent Fee	7,350
Legal Fee	3,675
	37,275

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Public Realm	1 un	1,751,000	1,751,000
	ft²	Build Rate ft²	Cost
Apartments (Blocks 1 & 2)	201,019	181.41	36,466,000
Duplex Apartments (Blocks 3 & 4)	16,441	217.14	3,570,000
Basement	12,239	125.17	1,532,000
Totals	229,699 ft²		41,568,000
Contingency		3.00%	1,299,570
			44,618,570

PROFESSIONAL FEES

Professional Fees	8.00%	3,465,520
		3,465,520

MARKETING & LETTING

Marketing, Sales & Legal	3.50%	2,294,845
Letting Agent Fee	10.00%	2,136
Letting Legal Fee	5.00%	1,068
		2,298,049

FINANCE

Debit Rate 6.000%, Credit Rate 0.000% (Nominal)	
Land	97,731
Construction	2,695,410
Other	680,103
Total Finance Cost	3,473,244

TOTAL COSTS **54,627,663**

87 Rochdale Road, Manchester
Viability Assessment
100% Private Housing

PROFIT**11,190,067****Performance Measures**

Profit on Cost%	20.48%
Profit on GDV%	17.00%
Profit on NDV%	17.00%
Development Yield% (on Rent)	0.04%
Equivalent Yield% (Nominal)	8.00%
Equivalent Yield% (True)	8.42%
IRR% (without Interest)	20.00%
Rent Cover	523 yrs 11 mths
Profit Erosion (finance rate 6.000)	3 yrs 2 mths

Appendix 8 – Appraisal Summary (BTR Scheme)

87 Rochdale Road, Manchester
Viability Assessment
BTR Appraisal

Development Appraisal
Savills
17 September 2021

87 Rochdale Road, Manchester
Viability Assessment
BTR Appraisal
Appraisal Summary for Phase 1

Currency in £

REVENUE
Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Commercial	1	1,424	15.00	21,360	21,360	21,360	21,360
Apartments (Blocks 1 & 2)	223	147,154	22.86	15,084	2,522,790	3,363,720	2,522,790
Duplex Apartments (Blocks 3 & 4)	14	14,060	22.22	22,311	234,270	312,360	234,270
Car Parking	35			1,200	31,500	42,000	31,500
Totals	273	162,638			2,809,920	3,739,440	2,809,920

Investment Valuation
Commercial

Market Rent	21,360	YP @	8.0000%	12.5000	
(6mths Rent Free)		PV 6mths @	8.0000%	0.9623	256,921

Apartments (Blocks 1 & 2)

Current Rent	2,522,790	YP @	4.7500%	21.0526	53,111,368
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Duplex Apartments (Blocks 3 & 4)

Current Rent	234,270	YP @	4.7500%	21.0526	4,932,000
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Car Parking

Current Rent	31,500	YP @	4.7500%	21.0526	663,158
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Total Investment Valuation
58,963,447
NET REALISATION
58,963,447
OUTLAY
ACQUISITION COSTS

Residualised Price			950,856		950,856
Agent Fee		1.00%	9,509		
Legal Fee		0.80%	7,607		
					17,115

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Public Realm	1 un	1,751,000	1,751,000	
	ft²	Build Rate ft²	Cost	
Apartments (Blocks 1 & 2)	201,019	181.41	36,466,000	
Duplex Apartments (Blocks 3 & 4)	16,441	217.14	3,570,000	
Basement	12,239	125.17	1,532,000	
Totals	229,699 ft²		41,568,000	
Contingency		3.00%	1,299,570	
				44,618,570

PROFESSIONAL FEES

Professional Fees		8.00%	3,465,520		3,465,520
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MARKETING & LETTING

Letting Agent Fee		10.00%	2,136		
Letting Legal Fee		5.00%	1,068		
					3,204

FINANCE

Debit Rate 4.750%, Credit Rate 0.000% (Nominal)					
Land			95,904		
Construction			2,121,395		
Total Finance Cost					2,217,299

TOTAL COSTS
51,272,564
PROFIT

87 Rochdale Road, Manchester
Viability Assessment
BTR Appraisal
7,690,883
Performance Measures

Profit on Cost%	15.00%
Profit on GDV%	13.04%
Profit on NDV%	13.04%
Development Yield% (on Rent)	5.48%
Equivalent Yield% (Nominal)	4.76%
Equivalent Yield% (True)	4.91%
IRR% (without Interest)	19.45%
Rent Cover	2 yrs 9 mths
Profit Erosion (finance rate 4.750)	2 yrs 12 mths

Appendix 9 – Sensitivity Analysis

87 Rochdale Road, Manchester
Viability Assessment
BTR Appraisal

Development Appraisal
Savills
17 September 2021

87 Rochdale Road, Manchester
 Viability Assessment
 BTR Appraisal

Table of Land Cost and IRR%

Construction: Rate /ft²					
Rent: Yield	-5.00 /ft²	-2.50 /ft²	0.00 /ft²	+2.50 /ft²	+5.00 /ft²
-0.2500%	(£4,675,299)	(£4,080,465)	(£3,485,618)	(£2,890,792)	(£2,295,962)
4.5000%	18.2859%	18.4609%	18.6410%	18.8263%	19.0171%
-0.1250%	(£3,373,644)	(£2,778,818)	(£2,183,988)	(£1,589,155)	(£994,322)
4.6250%	18.6467%	18.8374%	19.0339%	19.2365%	19.4456%
0.0000%	(£2,140,520)	(£1,545,688)	(£950,856)	(£356,024)	£244,070
4.7500%	19.0292%	19.2372%	19.4520%	19.6741%	19.9064%
+0.1250%	(£970,624)	(£375,794)	£223,865	£833,779	£1,445,577
4.8750%	19.4355%	19.6629%	19.9008%	20.1578%	20.4302%
+0.2500%	£143,877	£753,492	£1,365,100	£1,977,761	£2,592,106
5.0000%	19.8699%	20.1315%	20.4094%	20.7015%	21.0110%

Sensitivity Analysis : Assumptions for Calculation

Construction: Rate /ft²

Original Values are varied in Fixed Steps of £2.50

Heading	Phase	Rate	No. of Steps
Basement	1	£125.17	2.00 Up & Down
Apartments (Blocks 1 & 2)	1	£181.41	2.00 Up & Down
Duplex Apartments (Blocks 3 & 4)	1	£217.14	2.00 Up & Down

Rent: Yield

Original Values are varied in Fixed Steps of 0.13%

Heading	Phase	Cap. Rate	No. of Steps
Apartments (Blocks 1 & 2)	1	4.7500%	2.00 Up & Down
Duplex Apartments (Blocks 3 & 4)	1	4.7500%	2.00 Up & Down
Car Parking	1	4.7500%	2.00 Up & Down

Viability Assessment

Rochdale Road, Manchester



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