
Viability Assessment Report

Eliza Yard, Jersey Street, Manchester

Contents

1.	Introduction	2
2.	Site Information	3
3.	Viability Methodology	9
4.	Market Commentary	16
5.	Benchmark Land Value	27
6.	Gross Development Value	30
7.	Appraisals	31
8.	Conclusions	35
9.	Important Note	36

Appendices

1. Accommodation Schedule
2. Savills Housing Market Update
3. Policy Compliant Appraisal
4. Viable Position Appraisal

1. Introduction

1.1 Purpose of Report

This report has been prepared in accordance with instructions received from Manchester Life to undertake an assessment of site viability to establish the level of affordable housing and Section 106 contributions that can reasonably be provided on the Eliza Yard site at Jersey Street, Manchester.

This is in relation to the redevelopment of the site to provide 118 residential dwellings across a ground plus seven storey building. This report will be submitted to Manchester City Council as part of the planning application for this development.

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 29 April 2020. It has been produced by Adam Mirley MRICS and reviewed by Charlie Alcroft 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 relied upon the following information:

- Scheme Drawings
- Schedule of Accommodation
- Cost Plan produced by Turner and Townsend

2. Site Information

2.1 Site Location

The site is located within the existing Ancoats neighbourhood area of Manchester, in the east of the extended City Centre. The site sits within the Ancoats and New Islington Development Framework that covers approximately 50 hectares to the east of Manchester city centre, with the subject site being situated within the Ancoats neighbourhood area, at the north eastern end of the Development Framework area. Redevelopment here would strengthen the city and link with successful regeneration already completed at Ancoats, New Islington, NOMA, the Green Quarter and Miles Platting.

It is approximately 0.8 miles to the north east of the town hall, 0.6 miles to the east of the central retail district and 1 mile to the east of Spinningfields, arguably the prime office location in the city. Manchester Piccadilly train station is located approximately 0.5 miles to the south west and Manchester Victoria train station is located 0.6 miles to the north west of the site.



Figure 1: Location Plan

2.2 Site Description

The site (edged red on Figure 1) is of a broadly rectangular shape and extends to approximately 0.59 acres (0.24 ha). It is bordered to the north by The City Court Trading Estate and a car park to the east. Jersey Street borders the southern boundary and links the site to Great Ancoats Street. To the west, the site is bordered by Poland Street and industrial warehousing past this.

At present, the site is operated as a surface car park.

The site is located in the Back of Ancoats. Ancoats itself is characterised by a mixture of high density residential development and commercial units. There are a number of bars and restaurants around Cutting Room square. The back of Ancoats is an emerging area with a number of vacant cleared sites being used as car parking and low grade industrial uses.

2.3 Proposed Development

The planning application will be a ground plus seven storey building comprising of 118 residential units and 5 commercial units (Use Classes E(a) Display or retail sale of goods, other than hot food, E(c) Financial and Professional Services, and E(g)(i) Offices to carry out any operational or administrative functions) with associated amenity and storage space on the ground floor. We have been provided with the following schedule of accommodation (**Appendix 1**) for the whole site:

Level	No.	Area (Sq ft)
00	Commercial 1	1,131
00	Commercial 2	911
00	Commercial 3	911
00	Commercial 4	1,175
00	Commercial 5	1723
TOTAL		5,851

Figure 2: Commercial Schedule of Accommodation

Level	1 Beds	2 Beds	3 Beds	3 Bed Duplex	Total Beds	NIA (Sq ft)
01	6	12	0	0	18	12,650
02	6	12	0	0	18	12,650
03	6	12	0	0	18	12,650
04	6	12	0	0	18	12,650
05	6	12	0	0	18	12,650
06	4	6	1	6	17	15,677
07	4	6	1	-	11	8,015
TOTAL	38	72	2	6	118	86,939

Figure 3: Schedule of Accommodation

The proposals result in a total Net Sales Area of 86,939 sq ft. across 118 apartments and 5,851 sq ft. across the ground floor commercial element. The average unit size across the apartments is approximately 737 sq ft.

We have reviewed plans that show the layout of the proposed scheme, it comprises of 38 one bedroom apartments, 72, 2 bedroom apartments, 2, 3 bedroom apartments and 6, 3 bedroom duplex apartments. The 8, 3 bedroom apartments are all to benefit from roof terraces on the 7th floor.

The Ground Floor is to provide 5 commercial units, likely to accommodate a retail or office style use, in addition to a commercial and residential refuse, amenity space, parcel store and office and bike store.

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 Manchester Life 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

Supporting Planning Statement prepared by Deloitte Real Estate provides a full assessment of the proposals against all relevant policies.

The Core Strategy sets out the City Council's vision for Manchester from 2012 to 2027, 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 East Manchester Regeneration Area. It is also located within the wider Manchester Regional Centre. Core Strategy Policy H4 (East Manchester) states that East Manchester, over the lifetime of the Core Strategy will deliver around 18,280 new residential development in Manchester with 65% of the units having at least 3 bedrooms.

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 The next phase of regeneration in Ancoats & New Islington

The proposed development forms part of wider phase of development to take place in Ancoats and New Islington over the coming years. This will continue the area's transformation into a neighbourhood of choice which is now one of the most sought-after residential neighbourhoods in Manchester City Centre.

A central element to the neighbourhood's success has been a strong vision for regeneration, embedded within the Ancoats and New Islington Neighbourhood Development Framework originally prepared by Manchester City Council in 2012 and updated in 2016 and 2020. This is discussed in greater detail later in the Planning Statement prepared by Deloitte and submitted as part of this application. However, another key component is partnership working to deliver maximum benefit at both a neighbourhood and city-wide scale. This joined-up approach has been a central element to the next, emerging phase of development which the proposed development is a part of.

Three companies have come together to deliver this next phase of development: Manchester Life Development Company, Great Places Housing Group, and Manchester City Council. Between them the following six sites will be delivered, delivering substantial public benefits in addition to creating over 400 new homes across the neighbourhood.

- **Eliza Yard** – a residential development which will be delivered by Manchester Life.
- **Ancoats Mobility Hub** – innovative neighbourhood infrastructure that seeks to challenge the 2 conventions of parking, street usage, mobility, and logistics in a city centre environment which will be delivered by Manchester Life Strategic Development Company Limited but will be operated by Manchester City Council and their selected management company. This is

where car parking for the development (aside from two disabled parking spaces) will be located at a cost to the residents and is why car parking is not included within the Eliza Yard Financial Viability Appraisal.

- **Downley Drive** – affordable housing development being delivered by Great Places.
- **Ancoats Dispensary** – affordable housing development being delivered by Great Places that will facilitate the redevelopment of the Grade II Listed Ancoats Dispensary.
- **Plot C, Ancoats** – residential development of an underutilised site fronting the Rochdale Canal which will be brought forward by Manchester Life.
- **Affordable Housing Site** – a site that has been identified for the delivery of Affordable Housing by Manchester City Council

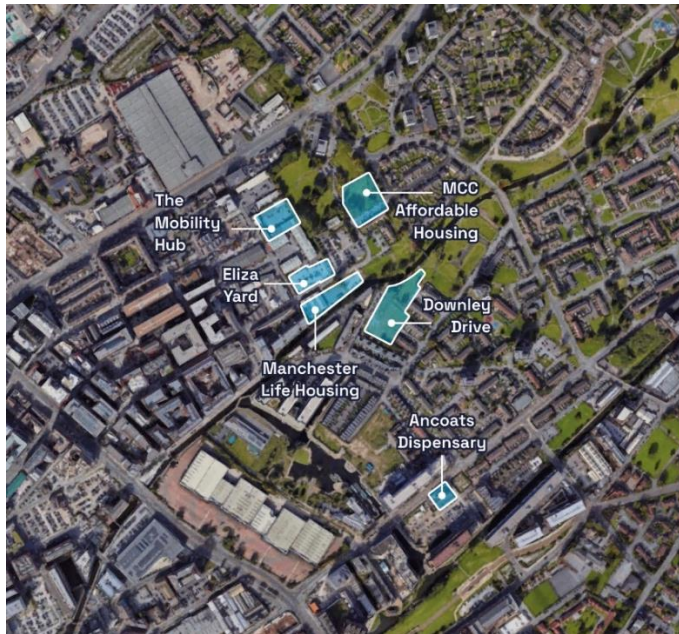


Figure 4: Sites to be delivered

A coordinated public consultation exercise was undertaken between December 2020 and January 2021 to highlight the sites that were coming forward and to explain their combined benefits. It presented an opportunity for the community to comment on the proposals whilst at an early stage. This exercise, and the output from it, is described in greater detail within the Statement of Consultation prepared by Deloitte and submitted as part of this application.

This phase of development will deliver a complementary set of developments that when combined will further diversify the offer within Ancoats and New Islington. It is considered that the following **collective benefits** will be delivered by the developments coming forward:

Social Benefits

- Delivery of new homes, including affordable housing, increasing the range of housing options locally.
- Bringing activity and vitality to the area, supporting the creation of inclusive routes and connections through the neighbourhood.
- Increasing natural surveillance within the neighbourhood, improving safety and security in the area both during the day and at night.
- New commercial units providing opportunities for commercial, social, and community uses.

- Reduced vehicle movements across Ancoats as a neighbourhood due to centralised parking facilities at the Ancoats Mobility Hub.
- Facilitating the rejuvenation of the Ancoats Dispensary, a cultural landmark with significant local importance to the neighbourhood as well as the wider city of Manchester.

Economic Benefits

- Creation of jobs through the construction and operational phases of the development, including further indirect employment within the supply chain.
- Further job creation and additional economic benefits through the operation of commercial units.
- Delivery of new homes and commercial units thus providing Council Tax and Business Rates receipts to MCC in perpetuity.
- Facilitating the development of vacant and/or underutilised parcels of land across the neighbourhood.
- Increasingly the residential population within the neighbourhood, with a subsequent increase in spending within the local and city centre economy.

Environmental Benefits

- Sustainable reuse of underutilised brownfield land and an 'at risk' Grade II listed building.
- Securing the beneficial, long-term, re-use of the Ancoats Dispensary and allowing the architectural and heritage significance to be fully appreciated, whilst removing the risk of further deterioration to this Grade II Listed Building, and the risk to public safety.
- Supporting the promotion of electrical vehicles through the provision of EV charging infrastructure.
- Offering the potential to centralise delivery services across Ancoats within a single hub rather than multiple deliveries going to individual buildings. Last-mile delivery could be via e-cargo bike.
- Substantial cycling facilities available for residents within new developments and bike hire available centrally within the Ancoats Mobility Hub.
- Improved pedestrian and cycle linkages which will encourage the use of sustainable modes of transport and connect key regeneration areas and transport hubs.
- Dedicated and well managed car club spaces within a central facility at the Ancoats Mobility Hub.

The proposed development will play a critical role in delivering these wholesale benefits across Ancoats and New Islington. Whilst an independent planning application, it is important to recognise its role in delivering a diverse phase of development across the neighbourhood with each element complementing the others that will be delivered in the coming years.

2.6 Neighbourhood Development Framework: Ancoats and New Islington

Ancoats lies within the East Manchester Regeneration Area and is part of a strategic housing location as identified in the core strategy. The site is covered by the Ancoats and New Islington Neighbourhood Development Framework (2020) and more specifically, character area 3, The Poland Street Zone part of the framework.

The Poland Street Zone is described as an area that has the potential to accommodate a mix of residential and commercial land uses. This is to be encouraged in order to support the vitality of the neighbourhood by generating activity at different times of the day, during the week and at weekends. Within this character area it is noted that new developments will need to incorporate similar proportions and materials to the traditional, historic buildings of Ancoats.

The use of brick will be appropriate to its location with subtle colour and textural variations to provide distinction from the traditional mill buildings.

The site is covered by three key policies in the Manchester Core Strategy which was adopted in 2012. H4 covers housing in East Manchester, EC5 covers economic development in the same area and SP1 covers spatial principles of development across Manchester. The site also sits within the Ancoats Conservation Area.

2.7 Infrastructure and Services

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

2.8 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. Any costs associated with this are also included within section 7.

2.9 Tenure

The site is held under two separate ownerships on a freehold basis. The Council of the City of Manchester own the freehold title GM861865 and LA8646 on a freehold basis. The site is to be acquired by Manchester Life and a deal has been agreed for the acquisition.

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. In certain instances, financial viability may be relevant in the context of seeking to depart from planning policy.

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
- (i) 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.

3.2 National Planning Policy Framework and Planning Policy Guidance

The NPPF was updated on 19th February 2019. Paragraph 57 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 application to demonstrate whether particular circumstances justify the need for a viability 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), last updated 9th May 2019, 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. Further Amendments continue to be made to the PPG.

The Viability PPG sets out a preferred methodology for assessing site viability. This aims to *"strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the grant of planning permission."* It is imperative that this balance is maintained to ensure that landowners are incentivised to release their land for development.

Previously in financial viability assessments, the prices paid for land in the market were sometimes used as a justification by developers for being unable to deliver planning policy requirements, introducing an element of circularity within the process. Higher land prices reduce developer contributions and reduced developer contribution expectations can fuel higher land

prices. The PPG now makes explicit that this should not occur under the new approach. Market valuations of land will need to take account of this stronger expression of policy requirements.

A viability assessment should incorporate standardised inputs and 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 PPG are as follows:

Existing Use Value (EUV)

The EUV for the purposes of FVAs is the value in the existing use, ignoring any prospect of future change to that use. This may however include permitted development or change of use within the same planning use class, but only where this does not necessitate any refurbishment or redevelopment works to the existing buildings or site works.

Plan-makers can set out the circumstances in which the alternative use value (AUV) can be used. Where the AUV is being used as the appropriate BLV approach, the applicant must demonstrate that there is demand for the alternative use and why the proposed scheme is being promoted over the AUV, if the AUV suggests greater viability and returns.

Gross Development Value (GDV)

We have utilised up-to-date market evidence from existing comparable developments in coming to the Gross Development value. This is as described in paragraph 11 of the PPG for Viability.

Costs

As per paragraph 12 of the PPG for viability, we have included where appropriate the following: 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.

The evidence collected to support assumptions on costs could include, but is not restricted to, the following:

- expected build cost (a full quantity surveyor's cost report showing how costs have been estimated should be made available for site-specific information; plan making may have to rely on BCIS or other online information)
- demolition and site preparation costs
- any planning costs after the granting of permission
- any anticipated abnormal costs
- details of expected finance rates and fees
- professional fees, including architect, planning consultant, quantity surveyor, structural engineer mechanical/electrical engineer and project manager
- letting agent fee/letting legal fee and environmental standards (e.g. BREEAM or specific policy costs such as urban greening).

Benchmark Land Value

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

- I. policy-compliant residual land value, found by applying the residual valuation approach set out in Valuation of Development Property, RICS guidance note.
- II. 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 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:

- i. EUV
- ii. Premium
- iii. AUV, where appropriate
- iv. Policy-compliant site value assessed by the residual method
- v. Policy-compliant site value assessed by the comparative method

The PPG also states that under no circumstances will the price paid for the specific site be a relevant justification for failing to comply with relevant policies in the plan. LPAs can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement) if they feel it is appropriate. The primary approach to determine the BLV is EUV plus a premium. Where appropriate, the BLV can be informed by the AUV.

Developer's Return

Paragraph 18 of the PPG states that in respect of a developer's profit, a standard input of 15% - 20% of GDV may be considered a suitable return for the purpose of plan making, but is silent on a decision-taking developer return. Paragraph 008 states that where a site-specific FVA accompanies a specific planning application, it 'should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then'.

The Government is preparing an Executive Summary Template that sets out how to present the publicly available information so that the process is accountable. As a minimum, the Government recommends that the executive summary includes the gross development value, benchmark land value, costs and developer's return. It should also set out the proposed developer contributions and how this compares with policy requirements.

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 assessment 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 Financial Viability in Planning (RICS Guidance Note)

The RICS Guidance Note: Financial Viability in Planning, 1st Edition (August 2012) provides the following definition in the context of undertaking viability appraisals for the purposes of town planning decisions:

'An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project'

Where planning obligation liabilities reduce the site value to the landowner and return to the developer below an appropriate level, in the context of the costs and completed value of the development, land will not be released and/ or development will not take place.

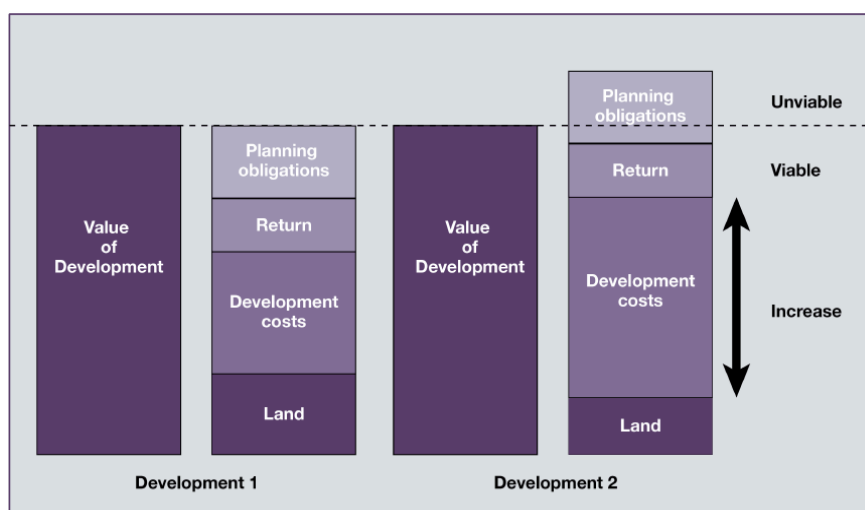


Figure 5: Development Viability Diagram (source: RICS Financial Viability in Planning)

There are a number of methods of assessing viability that are set out in this guidance note, namely the Developer's Return Approach and the Site Value Approach. It is worth noting that this Guidance Note is due to be updated in line with the recent changes to the NPPF, PPG and RICS Professional Statement as detailed above.

3.5 Assessing viability in planning under the National Planning Policy Framework 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 RICS Valuation – Global Standards. This document effectively updates the two RICS guidance notes above but does not come into force until 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.

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 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

Existing use value (EUV)

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

Viability Framework



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.

3.6 Adopted Methodology

As per the NPPF and RICS guidance, we have adopted the prescribed approach to the standardised inputs and will be allowing for benchmark land value as a cost of the development. This will enable an assessment of the developer's profit margin:

GROSS DEVELOPMENT VALUE less COSTS less BENCHMARK LAND VALUE = PROFIT

We will establish the benchmark land value through market evidence for the existing use. We will also assess the premium that is attributed to the landowner through market evidence, by reviewing development land values for comparable policy compliant development sites. This evidence will then be used to inform a judgement on the appropriate minimum value to the landowner. This is in line with the NPPF guidance.

We will then review the evidence in respect of gross development value and development costs, making appropriate assumptions in our appraisal for these, alongside the benchmark land value.

The level of profit will then be compared to an appropriate market rate in order to assess the viability of the development. As stated in the NPPF, this profit margin should reflect the type, scale and risk profile of the proposed development.

4. Market Commentary

4.1 National Residential Commentary

The latest Savills UK Housing Market Update, dated April 2021, is attached at **Appendix 2**.

4.2 Local Residential Market

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 house price in the M4 postcode currently stands at £239,752 which is below national averages. They are also reporting that the average price paid over the last 12 months is £224,823.

The average value and average price paid over the last 12 months for apartments in the area is as follows:

Property Type	Average Value	Average £/sq ft	Average Beds	Average £ Paid
Flats	£226,628	£297	1.8	£222,929

Figure 6: Property Values in M4 postcode, April 2021 (source: Zoopla)

There have been 57 sales across all property types in the M4 postcode area over the last year, of which 50 sales were of flats. The most active price point in Ancoats is between £150,000 - £200,000 with 39% of sales occurring within this range. Additionally, 26% of sales are between £200,000 - £250,000 and 21% are between £100,000 - £150,000. Approximately 99% of transactions have been for values below £300,000, indicating a ceiling value in the area and a lack of available stock above this level.

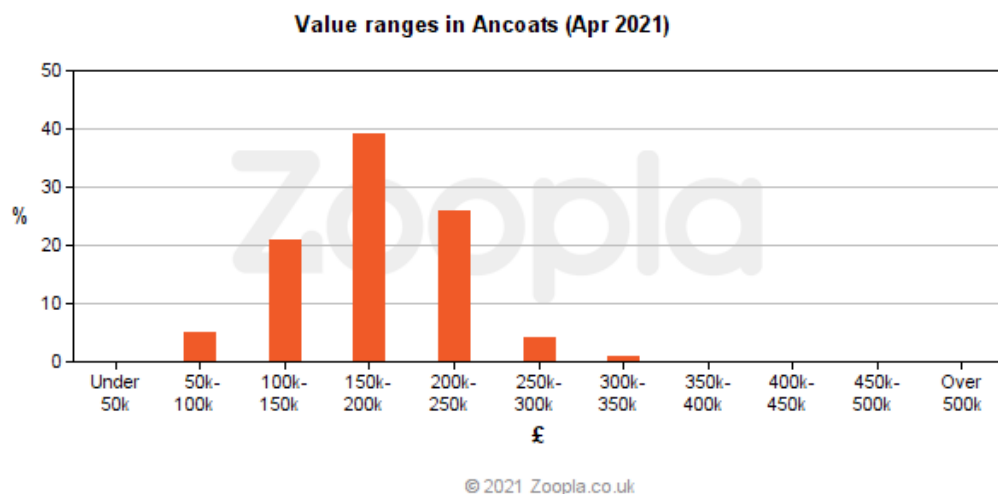


Figure 7: Value Ranges in Ancoats, April 2021 (source: Zoopla)

There is currently a stamp duty holiday as a result of the COVID-19 pandemic that raises the threshold for paying stamp duty from £125,000 to £500,000, effective until 30th June 2021. This is currently being well-received by the market and it is unknown what the impact will be when the scheme ends.

Help to Buy has been pivotal for the new homes market in locations outside of London and the South East. Local agents are reporting strong levels of interest from first time buyers eligible for Help to Buy across most sites. It has been estimated to account for approximately 25% of new build sales across the North West, with housebuilders reporting that it can account for up

to 75% of sales on some sites, particularly in lower value locations. It effectively allows buyers to purchase new build homes with a deposit of 5% by offering an equity loan on up to 20% of the value, with bank mortgage finance accounting for the remaining 75%. The scheme is due to change in April 2021, with a regional price cap of £224,400 being brought in, in addition the scheme will only be available to first time buyers. The scheme will then finish completely in April 2023.

4.3 New Build Market Evidence

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.

Manchester Life Schemes

4.3.1 One Vesta Street

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



Figure 8: 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	Price	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 9: One Vesta Street Sales

We understand that there are 12 available units at this development. The average sale price for one bedroom flats equates to £342 per sqft, two bedroom units average £347 per sqft, three bedroom apartments average £386 per sqft and the 4 bedroom flats £361 per sqft and 4 bedroom townhouses £337 per sqft. The average across all of these asking prices is £350 per sqft.

The site is located in a similar fringe location, however we consider the proposed development to be superior. We would therefore expect higher average values to those achieved at One Vesta Street.

4.3.2 New Little Mill

New Little Mill is another development by Manchester Life approximately 150m to the west of the subject site fronting Jersey Street. The site provides 68 apartments over 6 storey's with the 6th floor being a duplex level.



Figure 10: New Little Mill

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 59 units have sold with 9 remaining and these include one and two bed apartments. Recently completed sales are as follows:

Beds	Sq.Ft	Price	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 11: New Little Mill Sales

The average sales price for one bedroom flats equates to £387 per sqft, two bedroom units average £387 per sqft 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 in a more prominent location within Ancoats and also has the benefit of a characterful conversion by the same developer. We would expect the proposed scheme to have a lower average value to the £387 per sqft achieved at New Little Mill.

4.3.3 Murrays' Mills

A scheme by Manchester Life, including the repurposing of an old mill building, developed for open market sale. The development comprises 123 one, two and three bed apartments and one townhouse. It completed in 2019.



Figure 12: Murrays' Mills

This scheme is a mill conversion, resulting in a larger range of unit types, which in some cases can serve to suppress the rate per sqft achieved. We understand there is only 1 property remaining for purchase in the scheme, which is a townhouse. Car Parking spaces are available at £15,000 per space. The most recent transactions from Land Registry are as follows:

Beds	Sq.Ft	Price	Sq.Ft (£)
1 bed	484 - 581	£97,500 - £210,000	£361 - £408
2 bed	732 – 1,066	£225,000 - £320,000	£296- £371
3 bed	1,001 – 1,765	£365,000 - £470,000	£266 - £365

Figure 13: Murrays' Mills Reservation Data

Current availability is as follows:

Beds	Sq.Ft	Price	Sq.Ft (£)
2 bed	1,400	£799,950	£357
2 bed (Townhouse)	1,400	£875,000	£625

Figure 14: Murrays' Mills Asking prices

As this scheme is a mill conversion it has resulted in a larger range of unit types, which in some case can serve to suppress the rate per sqft achieved. We were advised by the sales agent that the one bedroom units achieved in the region of £372 per sqft and the 2 bedroom units achieved in the region of £365 per sqft. The current asking prices for the remaining 2 bedroom flat is £357 per sq ft. We would expect the proposed development to achieve a rate per sqft in excess of the sales evidence, as it will have more efficient unit types and whilst the

location is not as good it will be a new scheme in what is now a much more established market.

Manchester City Centre Periphery

4.3.4 Meadowside

Meadowside is a development by Far East Consortium which is located approximately 0.5 miles to the north west, and is situated on the edge of the NOMA regeneration area and surrounding Angel Meadows Park. The development will comprise of four buildings, totalling 756 one, two and three bedroom apartments, penthouse apartments and townhouses. The initial phases (Phases 2, 3 and 5) are forecast for completion in 2021 and will comprise 3 blocks providing 422 no. apartments. The scheme will benefit from residents' amenities, commercial space and surrounding greenspace.



Figure 15: Meadowside

We are advised that there are 3 schemes and they are now over 60% sold. We understand that Mount Yard is now completely sold out, averaging £412 per sqft. The Stile and The Gate are averaging £420 per sqft. These three plots (The Gate, The Stile and Mount Yard) contain some 422 apartments. The sales agent advised that the demand for 1 beds was extremely high.

We have collated the current asking prices from the development and summarise as follows:

Beds	Sq.Ft	Price	Sq Ft (£)
1 bed	528	£223,500 - £251,950	£408 - £477
2 bed	746 – 800	£297,500 - £371,790	£386 - £490
3 bed	1,039 – 1,068	£392,500 - £495,000	£354 - £423

Figure 16: Meadowside Asking Price Data

We are advised that the demand for the scheme is dying out and asking prices are not being achieved, discounts from 2 – 5% are being offered. The current average asking price per sqft is £411. We would expect the subject site to achieve lower values per sqft than those being achieved at Meadowside, due to the proposed development only comprising of 7 storeys and being situated in a more secondary location.

4.3.5 The Hallmark

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



Figure 17: The Hallmark CGI

Sales have been at around the asking prices with some small discounts averaging to 2%. Completed sales are as follows:

Beds	Sq.Ft	Price	Sq.Ft (£)
1 bed	454 - 531	£174,000 - £220,940	£358 - £476
2 bed	653 - 732	£257,280 – £298,000	£356 - £437

Figure 18: The Hallmark Sales Data

The average price agreed across the scheme is currently £408 per sqft. 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 site to achieve a lower price per sqft than The Hallmark as sales will be focused in the local market.

4.3.6 North Central

North Central is located adjacent to the 20 acre regeneration area NOMA and 0.4 miles north west of the proposed development. It is a development of 64 flats by Progressive Living, comprising 24 x 1 bedroom and 40 x 2 bedroom apartments.



Figure 19: 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	Price	Sq.Ft (£)
1 bed	538	£156,200 - £195,030	£290 - £362
2 bed	656 – 850	£209,681 - £82,563	£319 - £405

Figure 20: North Central Sold Price Data

The achieved sale prices reflect an overall average of £340 per sqft. We would expect the subject site to achieve values in excess of those being achieved at North Central as we feel the location is more established.

4.3.7 Local Blackfriars

Local Blackfriars is located in the Greengate area of Salford. It is a development of 380 one and two bed apartments and 6 three bed townhouses over two towers, reaching 12 and 16 storeys.



Figure 21: Local Blackfriars

The development completed in September 2019 and the latest completed sales are as follows:

Beds	Sq.Ft	Price	Sq.Ft (£)
1 bed	398 – 570	£151,477 - £248,622	£302 - £453
2 bed	535 – 850	£248,090 - £338,993	£355 - £467
Townhouse	1,044	£430,000	£413

Figure 22: Local Blackfriars Sold Price Data

The scheme was originally aimed at the private rental sector but was switched to target the sales market part way through development. We understand the buyers have been a mix of local and overseas purchasers. The average sale price across the scheme is £410 per sqft.

Local Blackfriars is located in a more central location to the subject site surrounded by established residential areas. We would expect the subject site to achieve values lower than those recently achieved at Local Blackfriars.

Ancoats / New Islington / Northern Quarter

Ancoats and New Islington have undergone significant regeneration over the last 10 years, the areas have effectively merged to form a distinct fringe city centre neighbourhood, just over one kilometre from the city's Central Business District and a short walk from both Piccadilly Station and the popular Northern Quarter with its associated independent retailers, bars and restaurants. A new tram station opened at New Islington in 2013 as part of the first phase of the city's wider Metrolink expansion with a new East Manchester Line which now connects the core city centre to New Islington, which is now just one stop beyond Piccadilly. Ancoats is located to the east of the New Cross area, on the opposite side of Oldham Road (A62) and New Islington to the east of Ancoats.

4.3.8 New Cross Central

New Cross Central is a development by Far East Consortium, located within New Cross on Addington Street, an area seeing increasing levels of development activity as it becomes integrated into the wider city centre and is allocated as a city centre regeneration area. The development is situated approximately 600m north west of the proposed site and comprises of 80, 1, 2 and 3 bedroom homes with a larger proportion being of 23, 1 bed apartments along with 48, 2 bed apartments and 9, 3 bed townhouses.



Figure 23: New Cross Central CGI

We understand that the development is expected to be completed in early 2022. Asking prices at the development are as follows:

Beds	Sq.Ft	Price	Sq.Ft (£)
1 bed	564	£256,750	£455
2 bed	744 - 780	£345,500 - £388,500	£444 - £499
3 bed (Townhouse)	1,053- 1,448	£420,000 - £462,000	£319 - £404

Figure 24: New Cross Central Asking Prices

The asking prices of the 23 released units reflects an average price of £418 per sqft, between £319 - £499 per sq ft. Due to the more central location of the New Cross development, we would expect the subject site to achieve lower values on a per sqft basis.

4.3.9 Mansion House, New Islington

Mansion House is a development by Urban Splash at New Islington Marina. The 20 year regeneration has transformed the area into a neighbourhood with homes, workspaces, a marina and shops. The development comprises of 6 floors and each apartment benefits from a balcony.



Figure 25: Mansion House CGI

Current asking prices are as follows:

Beds	Sq.Ft	Price	Sq.Ft (£)
2 bed	764	£375,000	£491

Figure 26: Mansion House Asking Prices

We understand that there is currently only one apartment remaining on the market at the development. The asking price reflects a price of £491 per sqft. Mansion house benefits from being located centrally to the New Islington regeneration and the New Islington Marina. We would expect these properties to have achieved a premium over the proposed units although we would need more evidence to come to a firm conclusion.

4.4 **Second Hand Market Evidence**

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

4.4.1 The Green Quarter

The Green Quarter is a group of purpose-built residential towers, with easy access to the city centre, Victoria Station and the main ring road.



Figure 27: The Green Quarter

Some of the properties are now slightly dated, which is reflected in the sales prices. Sales from the last 12 months have ranged from £220 to £285 per sqft, perhaps reflecting the differences in condition of the apartments. The average value achieved is £262 per sqft. We would expect the proposed development to achieve a significant premium over this level.

4.4.2 **N.O.M.A**

N.O.M.A is situated directly to the south of the subject site, just outside Manchester's inner ring road. The area undergoing a mixed-use redevelopment extends to 20 acres and includes the Angel Gardens residential tower.

N.O.M.A is approximately 0.6m north west of the proposed site. The second hand sales prices in the area reflect the fact that some of the properties are now slightly dated and that some of the properties are conversions of older buildings. Sales from the last 12 months have ranged from £222 to £329 per sqft, perhaps reflecting the differences in condition of the apartments. The average value achieved is £260 per sqft. We would expect the proposed development to achieve a significant premium over this level.

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, as is The Hallmark which is located approximately 0.5 miles to the east of the site

New Little Mill and Murrays' Mills both by Manchester Life are two developments located less than 150m to the south and south west of the subject site, making them useful comparable schemes, as is One Vesta Street which is located approximately 500m on the opposite side of New Islington Marina.

At New Little Mill we understand that Manchester Life are achieving an average sales value across all unit sales of £387 per sq ft. As the site is in a similar location and completed by the same developer we would expect the values at the subject site to be similar although slightly lower to the achieved values here to reflect that it is not a characterful conversion and is slightly further out of the centre.

Murrays' Mills, also by Manchester Life achieved in the region of £372 per sq ft for one bedroom units and £365 per sq ft for 2 bedroom units. The current asking prices for the remaining 2 bedroom flats is £357 per sq ft. We would expect the proposed development to achieve a rate per sq ft in excess of the sales evidence, as this is a conversion and the subject site will benefit from more efficient unit types.

Another Manchester Life development, One Vesta Street is achieving an average sales price of £342 per sqft for one bedroom units, £347 per sqft for two bedroom units and £386 per sqft for three bedroom apartments. The 4 bedroom flats are achieving an average of £361 per sqft. The average across all of these asking prices is £350 per sqft. We would expect the proposed site to achieve a premium on these sales. This development is close to the city centre, however we consider the proposed development to be superior and as such would expect a higher rate.

The second hand sales in the Green Quarter and N.O.M.A show average sales values of £262 per sqft and £260 per sqft respectively, which helps to provide a tone of value in the area.

We would therefore, optimistically, adopt an average sales value of £381 per sqft across the development. Whilst this site is at the back of Ancoats we have taken our lead from the New Little Mill development. Whilst this scheme benefits from a conversion/character premium and is in a better location, we feel that it sets a new benchmark for values in Ancoats. 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.

5. Benchmark Land Value

5.1 Overview

The benchmark land value has been calculated in accordance with the PPG and the latest RICS Guidance (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.

In line with guidance we have also considered alternative use value. We do however not consider that there is a relevant or appropriate alternative use value for this site as there is no obvious alternative use for the use being proposed in the application.

5.2 Existing Use Value

The site is currently used as a surface car park and we have agreed with Manchester City Council that this is an appropriate existing use. We have explored the Existing Use Values for the site as a car park below:

Car Parking Land

We understand that the northern car park on the subject site totals approximately 0.59 acres and contains 103 car parking spaces.

BPP Jersey Street Car Park, located directly to the east of the subject site, charges £3.00 per car parking space and based on the location we assume has a 60% occupancy rate. On the basis of charging £3.00 per car parking space with a 60% occupancy rate, we have estimated an annual gross income of £67,671 could be achieved, giving an annual net income of approximately £47,370 following the deduction of management / operational costs at 30%.

There is scarce evidence of car parks transacting as it is widely acknowledged that they are all residential sites waiting to come forward. We have capitalised the income at a yield of 10% to achieve a capital value of £441,488, say **£440,000** for the site in its existing use after deducting purchasers costs of 6.8%.

Residential Development Land

The site is located within the Poland Street area of the Ancoats and New Islington NDF. Ancoats is described within the NDF as a 'Key location for new housing development in Manchester'. 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:

Address	Developer	Area	Units	Planning	Price	Per Acre	Per plot	Date	Comments
Plot G, Castlefield	U/O	0.25	24	Yes	c. £2,000,000	£8,000,000	£80,000	U/O	
Long Acre Street	Fiera Real Estate / Packaged Living	0.7	350	Yes	£6,000,000	£8,571,429	£17,143	Mar-19	Unconditional
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
Victoria Riverside, Dantzic Street	FEC	2.05	344	Yes	£5,200,000	£2,536,585	£15,116	May 18	Auction
1 Lord Street	Fortis	0.57	192	Yes	£5,900,000	£10,341,053	£30,700	Jan 18	
Talbot Mill	Capital and Centric	1.03	202	No	£4,500,000	£4,368,932	£22,277	Nov 16	Subject to Planning Conversion
NCP Tib St	TIBST	0.59	183	Yes	£7,000,000	£11,864,407	£38,251	Sep 16	
Ancoats Gardens	Beech Group	0.43	155	Yes	£2,745,000	£6,385,000	£17,700	2016 & 2017	
Swan Street	Ridgeback	0.60	373	Yes	£10,000,000	£16,666,667	£26,810	Feb 21	

Figure 28: Manchester Land Transaction Data

Transactions in Manchester city centre show that development sites have sold in the region of £15,000 to £38,000 per plot. Values will vary depending on factors such as scale, gross development values, abnormal development costs, net developable area and planning obligations. The most relevant comparables are the unconditional purchases of the former Pinnacle site, now Victoria Riverside on Dantzic Street by FEC and the Fiera Capital acquisition on Long Acre Street that equate to £15,000 - £17,000 per plot although given that this site is owned by MCC there are more stringent requirements on the developer around the delivery of a low carbon development which would result in a lower land value than these comparables suggest.

5.4 Premium and Benchmark Land Value

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 most logical existing use for the site is the current car parking use.

With an existing use value of £440,000 we then need to consider what is a fair and appropriate premium to ensure that the landowner would have some incentive to dispose of the site. We are aware from recent viability projects we have been doing for both MCC and other private developers that the approach to the premium can vary significantly with some developers simply looking incorrectly at what was paid for a site and others looking at an appropriate mechanism to fill the gap between the EUV and the market value of land in order to incentivise the landowner.

The premium's that have been judged as acceptable on other sites ranges from 20-50%. We believe that this sites potential value with planning is such that it would be fair and appropriate to apply a premium at the top of this range as adopting a lower premium would not provide the level of value appropriate for an asset such as this. This is because there has to be an incentive for the landowner to sell the land and even with a 50% premium the is still well below that of sites with permission for residential have transacted at.

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". Having regard to the comparable evidence above, the evidence we have provided above are for higher quality and less constrained sites in arguably better locations.

When this premium is added to the existing use value it gives a benchmark land value for the site of **£660,000**. This equates to circa £5,600 per unit and is in line with recent viability discussions we have had with MCC on sites within close proximity to this one. We consider this to be a low but fair benchmark land value based on our recent experiences of BLV's on sites such as Gould Street and Victoria Riverside. It is lower than others we have reviewed on behalf of Manchester City Council that have ranged between £10,000 and £15,000 per plot. A recent assessment we undertook of premiums accepted by Manchester City Council showed an average premium adopted was £10,543 but we accept that more recent applications have seen a lower benchmark land value approach adopted.

6. Gross Development Value

6.1 GDV

Based on the market research evidenced in this report and from undertaking a pricing exercise, we have valued the units at an average value of £381 per sq ft, reflecting an uplift on value as you go up a floor with a premium on the apartments at the 7th floor. This results in a total GDV for the residential income of £33,132,453 across the 118 dwellings.

We have valued the commercial element of 5,851 sq ft at £22 per sq ft. We have adopted 3 months' rent free and have capitalised both the income streams at an 8% yield. This results in a GDV of £1,578,363 for the commercial units. It is accepted that this may be optimistic for this site given its location but there is a shortage of units and high demand hence our positive assumption.

The total GDV across the scheme equates to £34,710,816.

Car Parking is going to be provided off site as part of the Ancoats Mobility Hub proposals but we are not including any income or costs associated with this facility within our assessment.

6.2 Affordable Housing Assumptions

We have assumed an affordable housing mix which is compliant with Policy H8 of the Manchester Core Strategy. We have therefore made 20% (24) of the units affordable, with a tenure mix of 75% (18) of the units being intermediate and 25% (6) of the units being let at a social / affordable rent.

In terms of the GDV, we have allowed a value of 65% of the open market value for the intermediate units and 45% of open market value for the social / affordable rent units. The total GDV of the 18 intermediate unit equates to £3,284,997 and the total GDV of the 6 social rented units equates to £758,202. This gives a total value of £4,043,199 for the affordable housing and £26,393,649 for the market housing.

With the addition of £1,578,363 of commercial income, the total GDV of the affordable policy compliant scheme is £32,015,211.

7. Appraisals

7.1 Overview

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

GROSS DEVELOPMENT VALUE less COSTS less BENCHMARK LAND VALUE = PROFIT

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 Residual Appraisal Inputs

7.2.2 Gross Development Value

As outlined in section 6, we have assessed the total GDV of the scheme to be £34,710,816 without affordable housing. If we include a policy compliant position on affordable housing of 20%, the total GDV is £32,015,211.

7.2.3 Build Costs

We have had reference to a cost plan produced by Turner and Townsend and provided by Manchester Life. The cost plan has been produced in accordance with the plans drawn up for the scheme. The total build costs equate to £24,787,162 which equates to £196 per sq ft across the gross internal area. This build cost includes an allowance for contingency of 2% as well as Prelims and Contractors Overheads and Profit.

The build costs are typically in line with Manchester Life's benchmarks of previous projects adjusting for inflation and new design characteristics namely the enhanced air tightness and fabric first approach which is significantly beyond current carbon reduction requirements under building regulations and MCC core strategy, triple glazing, additional floor slab insulation and extensive PV at roof level. This is a requirement that MCC have placed on the scheme during the disposal discussions. The building is sprinklered and provides residential amenity space (both Manchester Life design standard). Ground conditions are known and are in line with other sites developed in the area in terms of remediation strategy.

These additional costs associated with the Council's carbon aspirations add up to a total of £168,285 and are set out in more detail below:

- Triple Glazing extra over cost - £43,168
- Additional extra over cost for improved floor slab insulation - £53,417
- PV panels - £71,700

On top of these costs there is also additional costs associated with offsite public realm. Ancoats has had significant investment in public realm and this site will make a contribution of £300,000 towards those costs, on top of this there are scheme costs of £77,941 towards off-site public realm costs.

We are content that the build costs of £196 per sq ft as set out in the attached cost plan represent a realistic assumption for a development such as this given these exceptional requirements over and above normal building regulations. They are also reflective of the high quality development that Manchester Life are proposing to develop.

7.2.5 Fees and Finance

We have also made the following allowances in 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 2.922% - This rate has been adopted as we have been provided with the actual finance cost by Manchester Life and by adopting this rate rather than the normal 6% finance rate we are reflecting the actual costs associated with financing this development. We have also added on the arrangement fee of £167,000 that Manchester Life will have to pay to deliver this site.
- Marketing, sales agent and legal fees of 3%;
- Stamp Duty Land Tax on the site acquisition at the prevailing rate;
- Purchasers costs of 6.8% on the commercial GDV.

7.2.6 Timescales

We have assumed the following timescales:

Phase 1 (Blocks A & B)

- Pre-Construction– 3 month
- Construction – 24 months
- Sales – 10 months

We have assumed sale receipts will occur after the completion of the build. 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 sales period with an average rate of 6 units per month.

This results in a total development period of 37 months.

7.2.8 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 12,322 units currently under construction, with anticipated residential delivery over the next 3 years due to exceed the previous 10 years combined. 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's 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 reduced profit margin of 14% on GDV is appropriate for the viability assessment, in order to present a best case scenario and would comment that this is actually below parameters set out in the PPG.

7.3 Residual Appraisal Summaries

7.3.1 Appraisal Summary – 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 75% are intermediate and 25% social rent. Intermediate housing typically attracts a value of 65% of open market value and social rented property 45% of open market value.

Based on the GDV, costs and Manchester Life's profit margin of 14% on GDV, which is lower than the suitable range suggested in the PPG, this results in a negative land value of £1,492,863. A copy of the appraisal summary is attached at **Appendix 3**. This would evidently render the development unviable.

7.3.2 Appraisal – Viable Position

We have also assessed the viability of the development using the inputs described above, assuming no on-site affordable housing provision.

This produces a land value of £581,191 (say £580,000). This is below the Benchmark land value of £660,000. This demonstrates that the development is not viable at this level and therefore will be unable to provide an affordable housing contribution.

A copy of the appraisal summary is attached at **Appendix 4**.

7.4 Sensitivity Analysis

The RICS Professional Statement on Viability in planning (2019) 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 and varied the construction rate per sqft and sales rate per sqft in increments of £2.50. This produces a range of residual land values from negative £403,557 to £1,536,609.

Construction: Rate /ft ²					
Sales: Rate /ft ²	-5.00 /ft ²	-2.50 /ft ²	0.00 /ft ²	+2.50 /ft ²	+5.00 /ft ²
	191.00 /ft ²	193.50 /ft ²	196.00 /ft ²	198.50 /ft ²	201.00 /ft ²
-5.00 /ft ²	(£889,055)	(£573,234)	(£257,411)	£71,828	£403,557
376.10 /ft ²	£4,798,657	£4,798,657	£4,798,660	£4,798,657	£4,798,657
-2.50 /ft ²	(£1,050,944)	(£735,123)	(£419,302)	(£98,155)	£233,457
378.60 /ft ²	£4,829,086	£4,829,086	£4,829,086	£4,829,086	£4,829,086
0.00 /ft ²	(£1,212,832)	(£897,011)	(£581,191)	(£265,368)	£63,474
381.10 /ft ²	£4,859,514	£4,859,514	£4,859,514	£4,859,517	£4,859,514
+2.50 /ft ²	(£1,374,721)	(£1,058,900)	(£743,079)	(£427,258)	(£106,509)
383.60 /ft ²	£4,889,943	£4,889,943	£4,889,943	£4,889,943	£4,889,943
+5.00 /ft ²	(£1,536,609)	(£1,220,788)	(£904,967)	(£589,147)	(£273,324)
386.10 /ft ²	£4,920,372	£4,920,372	£4,920,372	£4,920,372	£4,920,373

Figure 29: Sensitivity Analysis

This demonstrates just how sensitive the appraisal is to its inputs and how small changes can have a big impact on the development economics.

8. Conclusions

Eliza Yard is a development by Manchester Life. The proposals comprise 118 residential units across 7 storeys. The development comprises 38 x 1 bedroom apartments, 72 x 2 bedroom apartments and 8 x 3 bedroom apartments. The development will also include 5 ground floor commercial units providing 5,851sq.ft of space.

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 £440,000 on the basis of the current use as a car park as agreed with MCC. 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”. Having regard to the comparable evidence above, the evidence we have provided above are for higher quality and less constrained sites in arguably better locations.

We have included a premium of 50% that equates to £220,000 and reflects a benchmark land value of £660,000. This equates to circa £5,600 per unit. We consider this to be more than reasonable benchmark land value. It is reflective of a recent viability report we have agreed with MCC on Gould Street and lower than other viability reports we have produced on similar sites and also below others that we have reviewed on behalf of Manchester City Council that have ranged between £10,000 and £15,000 per plot.

We have agreed with the developer to include a reduced developer's profit of 14% on GDV, this is below the normal, evidenced level which the market would usually accept of 20% on GDV.

Our appraisal of the scheme viability assuming full policy compliance with regard to affordable housing, results in a negative land value of negative £1,492,863. This deems the development unviable because this return is significantly below the benchmark land value, and would therefore not induce any landowner to develop the site.

We have also undertaken an appraisal that assesses what planning obligations can be delivered on site without affecting the scheme viability. Our appraisal of the scheme on this basis delivers a land value of £581,191 which is under the benchmark land value and could in our professional opinion not viably provide any contribution to affordable housing.

We would therefore conclude that the development would not be able to provide any on site affordable housing or an offsite contribution to affordable provision. The site does however form part of a wider proposal for the redevelopment of the back of Ancoats that will be delivered in partnership with partners and will deliver towards the Council's affordable housing aspirations on other sites. It is also contributing £377,941 toward public realm improvements in Ancoats.

The scheme will deliver a high quality development of 118 residential units that will help to regenerate the area whilst at the same time delivering towards MCC's exceptional carbon requirements and improving the public realm.

9. Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.

Appendix 1



Note:
Do Not Scale from this drawing.
Dimensions are to be checked on site.
If in doubt please ask.

Apartment Area Schedule		
Level	Unit Type	Area

01 First Floor	2B4P - Inline Type 2	77.67 m²
01 First Floor	2B4P - Inline Type 1	70.13 m²
01 First Floor	1B2P - Type 3	50.14 m²
01 First Floor	2B4P - Corner Type 1	70.16 m²
01 First Floor	1B2P - Type 1	50.04 m²
01 First Floor	1B2P - Type 1	50.04 m²
01 First Floor	1B2P - Type 2	56.48 m²
01 First Floor	2B4P - Corner Type 1	70.16 m²
01 First Floor	2B4P - Corner Type 1	70.16 m²
01 First Floor	2B4P - Inline Type 2	77.67 m²
01 First Floor	2B4P - Inline Type 1	70.13 m²
01 First Floor	2B4P - Inline Type 1	70.13 m²
01 First Floor	2B4P - Inline Type 1	70.13 m²
01 First Floor	2B4P - Inline Type 1	70.13 m²
01 First Floor	1B2P - Type 3	50.14 m²
01 First Floor	2B4P - Corner Type 1	70.16 m²
01 First Floor	1B2P - Type 1	50.04 m²
01 First Floor	2B4P - Corner Type 1	71.33 m²
01 First Floor	2B4P - Corner Type 2	80.48 m²

02 Second Floor	2B4P - Inline Type 2	77.67 m²
02 Second Floor	2B4P - Inline Type 1	70.13 m²
02 Second Floor	1B2P - Type 3	50.14 m²
02 Second Floor	2B4P - Corner	70.16 m²
02 Second Floor	1B2P - Type 1	50.04 m²
02 Second Floor	1B2P	50.04 m²
02 Second Floor	1B2P - Type 2	56.48 m²
02 Second Floor	2B4P - Corner	70.16 m²
02 Second Floor	2B4P - Corner	70.16 m²
02 Second Floor	2B4P - Inline Type 2	77.67 m²
02 Second Floor	2B4P - Inline Type 1	70.13 m²
02 Second Floor	2B4P - Inline Type 1	70.13 m²
02 Second Floor	2B4P - Inline Type 1	70.13 m²
02 Second Floor	1B2P - Type 3	50.14 m²
02 Second Floor	2B4P - Corner	70.16 m²
02 Second Floor	1B2P	50.04 m²
02 Second Floor	2B4P - Corner	71.33 m²
02 Second Floor	2B4P - Corner	80.48 m²

03 Third Floor	2B4P - Inline Type 2	77.67 m²
03 Third Floor	2B4P - Inline Type 1	70.13 m²
03 Third Floor	1B2P - Type 2	50.14 m²
03 Third Floor	2B4P - Corner	70.16 m²
03 Third Floor	1B2P	50.04 m²
03 Third Floor	1B2P	50.04 m²
03 Third Floor	1B2P	56.48 m²
03 Third Floor	2B4P - Corner	70.16 m²
03 Third Floor	2B4P - Corner	70.16 m²
03 Third Floor	2B4P - Inline Type 2	77.67 m²
03 Third Floor	2B4P - Inline Type 1	70.13 m²
03 Third Floor	2B4P - Inline Type 1	70.13 m²
03 Third Floor	1B2P - Type 2	50.14 m²
03 Third Floor	2B4P - Corner	70.16 m²
03 Third Floor	1B2P	50.04 m²
03 Third Floor	2B4P - Corner	71.33 m²
03 Third Floor	2B4P - Corner	80.48 m²

04 Fourth Floor	2B4P - Inline Type 2	77.67 m²
04 Fourth Floor	2B4P - Inline Type 1	70.13 m²
04 Fourth Floor	1B2P - Type 2	50.14 m²
04 Fourth Floor	2B4P - Corner	70.16 m²
04 Fourth Floor	1B2P	50.04 m²
04 Fourth Floor	1B2P	50.04 m²
04 Fourth Floor	1B2P	56.48 m²
04 Fourth Floor	2B4P - Corner	70.16 m²
04 Fourth Floor	2B4P - Corner	70.16 m²
04 Fourth Floor	2B4P - Inline Type 2	77.67 m²
04 Fourth Floor	2B4P - Inline Type 1	70.13 m²

Apartment Area Schedule		
Level	Unit Type	Area

04 Fourth Floor	2B4P - Inline Type 1	70.13 m²
04 Fourth Floor	2B4P - Inline Type 1	70.13 m²
04 Fourth Floor	1B2P - Type 2	50.14 m²
04 Fourth Floor	2B4P - Corner	70.16 m²
04 Fourth Floor	1B2P	50.04 m²
04 Fourth Floor	2B4P - Corner	71.33 m²
04 Fourth Floor	2B4P - Corner	80.48 m²

05 Fifth Floor	2B4P - Inline Type 2	77.67 m²
05 Fifth Floor	2B4P - Inline Type 1	70.13 m²
05 Fifth Floor	1B2P - Type 2	50.14 m²
05 Fifth Floor	2B4P - Corner	70.16 m²
05 Fifth Floor	1B2P	50.04 m²
05 Fifth Floor	1B2P	50.04 m²
05 Fifth Floor	1B2P	56.48 m²
05 Fifth Floor	2B4P - Corner	70.16 m²
05 Fifth Floor	2B4P - Corner	70.16 m²
05 Fifth Floor	2B4P - Inline Type 2	77.67 m²
05 Fifth Floor	2B4P - Inline Type 1	70.13 m²
05 Fifth Floor	2B4P - Inline Type 1	70.13 m²
05 Fifth Floor	1B2P - Type 2	50.14 m²
05 Fifth Floor	2B4P - Corner	70.16 m²
05 Fifth Floor	1B2P	50.04 m²
05 Fifth Floor	2B4P - Corner	71.33 m²
05 Fifth Floor	2B4P - Corner	80.48 m²

06 Sixth Floor	3B6P - Duplex Type 3	77.19 m²
06 Sixth Floor	3B6P - Duplex Type 2	69.65 m²
06 Sixth Floor	3B6P - Duplex Type 3	77.19 m²
06 Sixth Floor	3B6P - Duplex Type 1	69.65 m²
06 Sixth Floor	3B6P - Duplex Type 1	69.65 m²
06 Sixth Floor	3B6P - Duplex Type 2	69.65 m²
06 Sixth Floor	1B2P - Type 2	56.48 m²
06 Sixth Floor	1B2P - Type 3	50.14 m²
06 Sixth Floor	1B2P - Type 3	50.14 m²
06 Sixth Floor	2B4P - Corner Type 1	70.16 m²
06 Sixth Floor	2B4P - Inline Type 3	75.06 m²
06 Sixth Floor	3B6P	97.34 m²
06 Sixth Floor	2B4P - Corner Type 1	70.16 m²
06 Sixth Floor	2B4P - Corner Type 2	80.48 m²
06 Sixth Floor	2B4P - Corner Type 1	70.16 m²
06 Sixth Floor	1B2P - Type 1	50.04 m²
06 Sixth Floor	2B4P - Corner Type 1	71.33 m²

07 Seventh Floor	3B6P - Duplex Type 3	55.96 m²
07 Seventh Floor	3B6P - Duplex Type 1&2	42.52 m²
07 Seventh Floor	3B6P - Duplex Type 3	55.96 m²
07 Seventh Floor	3B6P - Duplex Type 1&2	42.52 m²
07 Seventh Floor	3B6P - Duplex Type 1&2	42.52 m²
07 Seventh Floor	3B6P - Duplex Type 1&2	42.52 m²
07 Seventh Floor	1B2P - Type 3	51.7 m²
07 Seventh Floor	1B2P - Type 2	56.48 m²
07 Seventh Floor	1B2P - Type 3	51.7 m²
07 Seventh Floor	2B4P - Corner Type 1	70.16 m²
07 Seventh Floor	2B4P - Inline Type 3	75.06 m²
07 Seventh Floor	3B6P	97.34 m²
07 Seventh Floor	2B4P - Corner Type 1	70.16 m²
07 Seventh Floor	2B4P - Corner	70.16 m²
07 Seventh Floor	1B2P	50.04 m²
07 Seventh Floor	2B4P - Corner	71.33 m²
07 Seventh Floor	2B4P - Corner	80.48 m²

8076.84 m²

Ground Floor Schedule		
Level	Unit Type	Area

00 Ground Floor	Commercial - Unit 1	105.09 m²
00 Ground Floor	Commercial Refuse	10.78 m²
00 Ground Floor	Refuse	53.04 m²
00 Ground Floor	Plant	14.5 m²
00 Ground Floor	Plant	148.25 m²
00 Ground Floor	Bike Store	75.69 m²
00 Ground Floor	Commercial - Unit 4	109.14 m²
00 Ground Floor	Amenity	64.04 m²
00 Ground Floor	LV Switch	3.96 m²
00 Ground Floor	Refuse	22.38 m²
00 Ground Floor	Refuse	20.05 m²
00 Ground Floor	Parcel Store	19.47 m²
00 Ground Floor	Comms	22.05 m²
00 Ground Floor	Staff Welfare	13.57 m²
00 Ground Floor	WC	3.94 m²
00 Ground Floor	WC	3.65 m²
00 Ground Floor	Commercial - Unit 3	84.61 m²
00 Ground Floor	Commercial - Unit 2	84.61 m²
00 Ground Floor	Commercial - Unit 5	160.1 m²
00 Ground Floor	Store	3.94 m²

1022.86 m²

Apartment Count	
Unit Type	Count

1B2P	15
1B2P - Type 1	5
1B2P - Type 2	10
1B2P - Type 3	8
2B4P - Corner	27
2B4P - Corner Type 1	11
2B4P - Corner Type 2	2
2B4P - Inline Type 1	20
2B4P - Inline Type 2	10
2B4P - Inline Type 3	2
3B6P	2
3B6P - Duplex Type 1	2
3B6P - Duplex Type 2	2
3B6P - Duplex Type 3	2

118

Gross Internal Area (GIA)	
Level	Area

00 Ground Floor	1321.12 m²
01 First Floor	1521.07 m²
02 Second Floor	1521.07 m²
03 Third Floor	1521.07 m²
04 Fourth Floor	1521.07 m²
05 Fifth Floor	1521.07 m²
06 Sixth Floor	1521.07 m²
07 Seventh Floor	1301.45 m²

11748.99 m²

Net Internal Area (NIA)	
Level	Area

00 Ground Floor	1022.86 m²
01 First Floor	1175.16 m²
02 Second Floor	1175.16 m²
03 Third Floor	1175.16 m²
04 Fourth Floor	1175.16 m²
05 Fifth Floor	1175.16 m²
06 Sixth Floor	1174.44 m²
07 Seventh Floor	1026.59 m²

9099.71 m²

P0 UPDATE PB Planning issue

Rev Date Intls Details

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Project Title	Eliza Yard
Client	MLDC
Location	Manchester

Drawing ref Apartment Schedule

Date 22/04/2021 09:14:16 Scale
Checker PB Orig Paper Size A2

Job No: 9033 Status Planning

Project: Origin: Zone: Level: Type: Disc: Number: Rev:

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Appendix 2

UK Housing Market Update



Market's momentum underpinned by mortgaged home movers

House prices slipped -0.2% in March, according to Nationwide. But this fall was all in the seasonal adjustment and the unadjusted figures showed growth of 0.5%. This puts annual UK house price growth at 5.7% for March.

The regional data showed the strongest growth over the year to Q1 2021 was in the North West at 8.0% and the West Midlands at 7.5%. The lowest growth was in London at 4.8% in the year to Q1, followed by the Outer London commuter belt at 5.6%.

Value growth continues to be driven by high levels of demand and restricted supply. The number of sales agreed in March was likely at its highest point since before the Global Financial Crisis, and 54% above the 2017-19 average, according to TwentyCi. Numbers of new sales instructions and buyer enquiries continued to rise from their January low, according to the March RICS Survey.

Completed transaction numbers hit record levels in February, exceeding 120,000 for the first time since HMRC records began in 2005. We expect transaction levels to remain robust throughout the stamp duty holiday extension period, anticipated to peak in June.

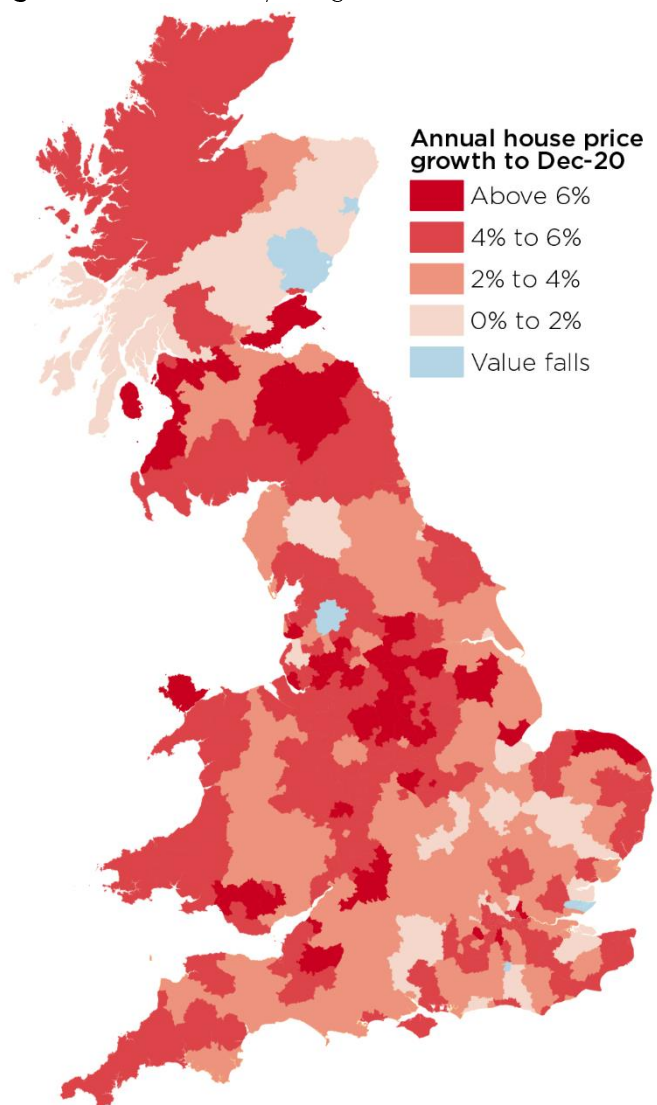
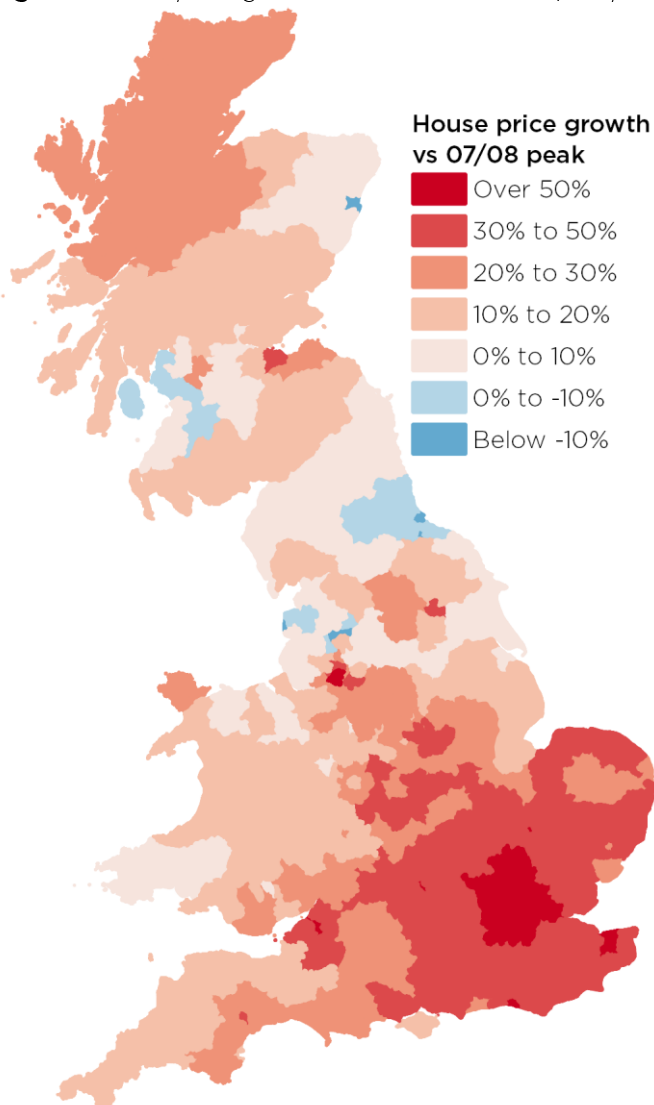
This high level of activity is being largely driven by mortgaged home movers, whose numbers were up 35% in January compared to last year, according to data from UK Finance. First time buyer (FTBs) mortgage numbers were up only 3%. Rising house prices and limited availability of high loan-to-value mortgages have made it harder for new buyers to jump onto the housing ladder over the last year. Prospective FTBs tend to be younger and more likely to have been impacted by unemployment and furlough during the pandemic. Some high street banks were reported this week to have rejected mortgage applications from recently furloughed applicants.

The average UK rent increased 1.4% over the year to January, according to the ONS. Rents grew the most in the South West and East Midlands, up 2.3% and 2.2% respectively, and least in London, up 0.8%.

Annual house price growth in December was once again strongest in Midlothian, at 10.2%, followed by Rossendale in Lancashire at 9.6%. House prices fell most over the same period in Ribble Valley, also in Lancashire, at -1.1%, followed by Aberdeen at -0.6%.

Figure 1 House price growth to Dec-20 since 07/08 peak

Figure 2 Annual house price growth to Dec-20



The RICS survey for March showed the number of surveyors reporting rising levels of activity had picked up significantly, following the stamp duty holiday extension.

The level of new instructions coming to the market rose to a net balance +22, a turnaround from February's negative reading, suggesting fresh supply to the market.

The rise in new buyer enquiries is still more widespread than rising supply from new sellers. So we expect house price growth to remain positive in the near-term.

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

A rising number of surveyors (+59) reported positive price growth in the March survey, up from +54 in February and +50 in January.

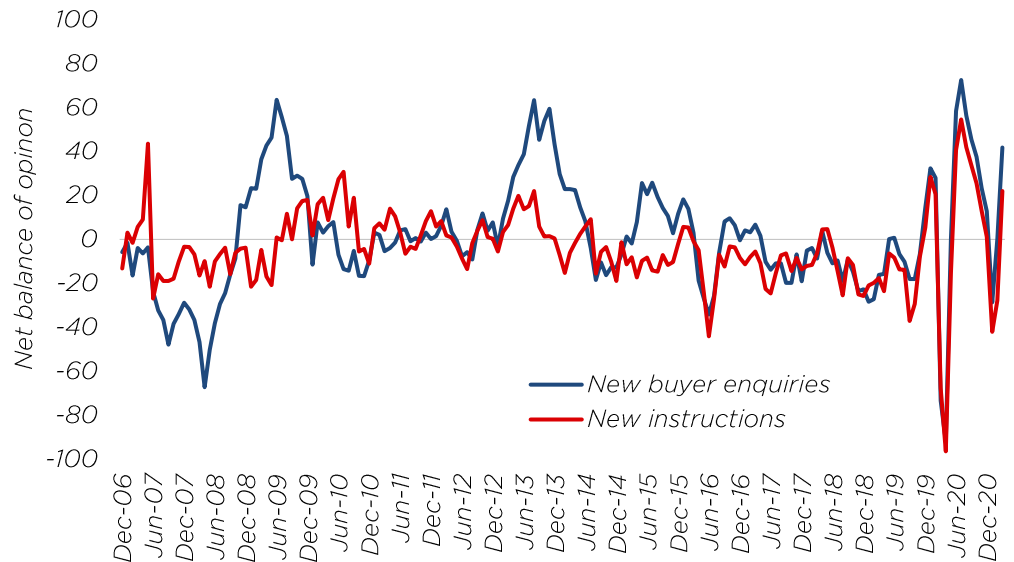
Nationwide reported a seasonally adjusted three month growth figure of 0.3% a fall from the previous figure of 1.4%.

The ONS index, which tends to lag the others (being reliant on sales completions), reported a seasonally adjusted three month growth figure of 2.4% in January, down from November's three month growth figure of 4.3%, reflecting the slower start to the year.

The number of completed transactions in February rose by 26% month on month, counteracting the drop seen at the start of the year. Transaction levels are well above this time last year and 50% higher than the 2018-2020 three year average.

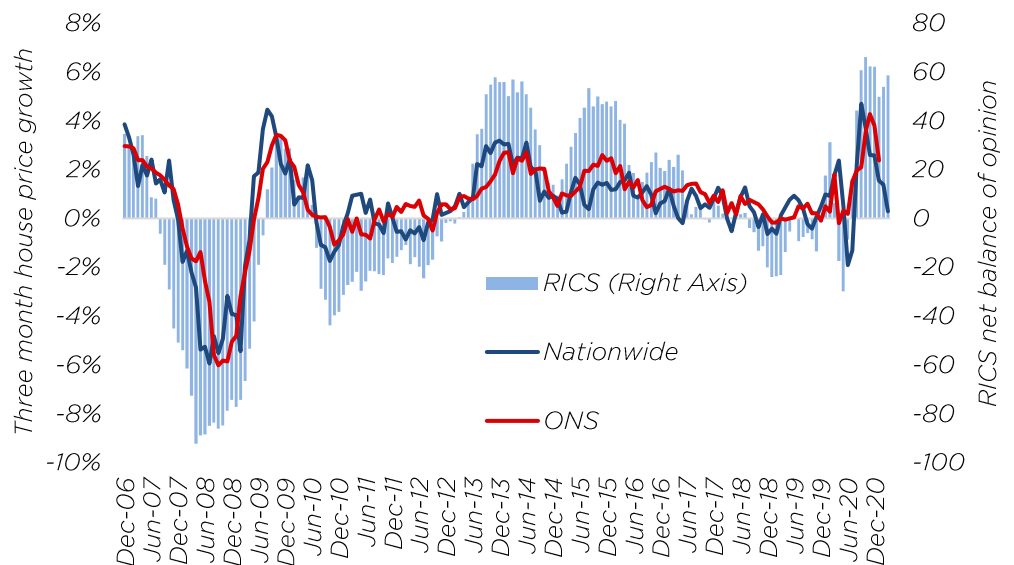
The heightened levels of transactions seen in February is likely a result of the initial March stamp duty holiday deadline, with conveyancers rushing to complete before the end of Q1. We expect transaction numbers to remain high until June, when the nil rate threshold is reduced from £500,000 to £250,000.

Figure 3 Surveyors report an upward swing in activity levels this month



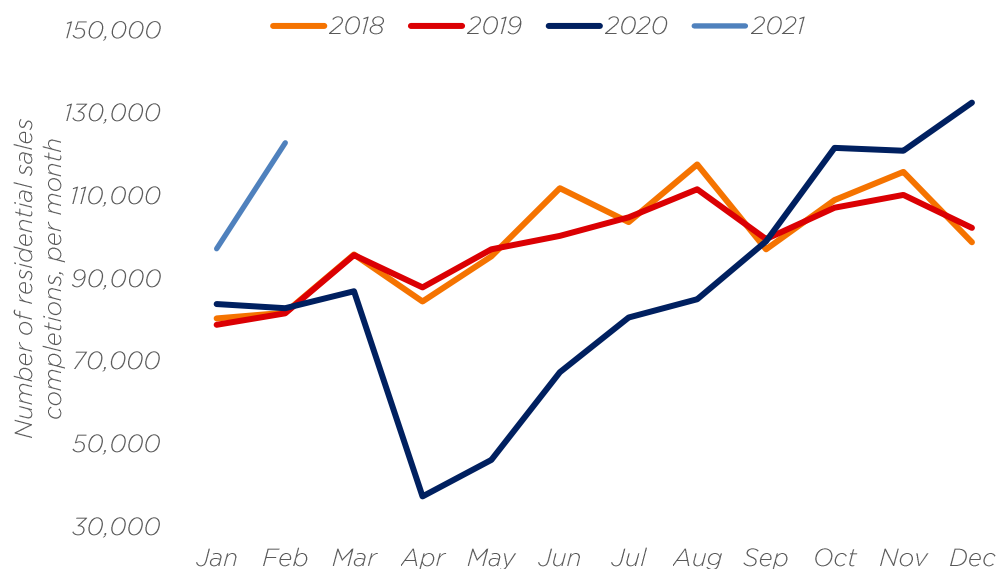
Source RICS (seasonally adjusted)

Figure 4 House price growth remains high, but is slowing



Source RICS, Nationwide, ONS

Figure 5 Transactions in February were 50% above the three year average



Source HMRC

Table 1 Recent house price growth

	Nationwide (Regions to Q1 2021, UK to Mar-21)			ONS (to Jan-21)			Savills (to Dec-20)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	-0.2%	1.2%	6.3%	0.0%	2.4%	7.4%	0.8%	2.0%	4.3%
London	-	0.2%	4.8%	0.1%	2.3%	5.3%	0.7%	1.9%	4.3%
South East	-	1.4%	7.2%	0.2%	2.4%	6.4%	0.9%	2.0%	3.5%
East of England	-	1.2%	6.0%	1.1%	3.5%	7.5%	0.7%	1.5%	3.4%
South West	-	0.8%	7.3%	-1.9%	0.7%	6.7%	0.8%	1.9%	4.0%
East Midlands	-	0.3%	6.0%	-0.9%	2.1%	7.5%	0.7%	1.9%	4.7%
West Midlands	-	0.7%	7.5%	-1.2%	0.7%	4.6%	0.5%	1.6%	4.5%
North East	-	0.4%	7.2%	0.8%	3.7%	8.3%	0.9%	2.1%	4.3%
Yorks & Humber	-	1.7%	6.8%	-0.2%	2.6%	8.8%	0.8%	2.1%	5.2%
North West	-	2.5%	8.0%	1.3%	4.1%	11.8%	0.9%	2.1%	5.2%
Wales	-	3.0%	7.0%	0.1%	3.1%	9.6%	0.7%	2.0%	4.7%
Scotland	-	2.4%	6.9%	0.2%	1.2%	6.8%	0.9%	2.0%	4.5%

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 March 2021)

Region	2021	2022	2023	2024	2025	5 year to 2025
UK	4.0%	5.0%	4.0%	3.5%	3.0%	21.1%
London	2.5%	4.5%	2.0%	2.0%	1.0%	12.6%
South East	5.0%	4.5%	2.5%	2.5%	1.5%	17.0%
East of England	5.0%	4.5%	2.5%	2.5%	1.5%	17.0%
South West	5.0%	4.0%	3.5%	3.0%	2.0%	18.7%
East Midlands	4.5%	5.5%	5.0%	4.0%	3.0%	24.0%
West Midlands	4.5%	5.5%	5.0%	4.0%	3.0%	24.0%
North East	3.5%	4.5%	4.0%	3.5%	3.5%	20.5%
Yorks & Humber	4.5%	6.0%	5.5%	5.0%	4.5%	28.2%
North West	4.5%	6.0%	5.5%	5.5%	4.5%	28.8%
Wales	3.5%	5.5%	5.0%	4.0%	3.0%	22.8%
Scotland	3.0%	5.0%	4.5%	4.5%	4.0%	22.8%

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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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Appendix 3

Eliza Yard
Viability Appraisal - Policy Compliant

Development Appraisal
Savills
05 May 2021

APPRAISAL SUMMARY

SAVILLS

Eliza Yard

Viability Appraisal - Policy Compliant

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Residential	94	69,256	381.10	280,783	26,393,649
Social Rented	6	4,421	171.50	126,367	758,202
Intermediate	18	13,262	247.70	182,500	3,284,997
Totals	118	86,939			30,436,848

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial	1	5,851	22.00	128,722	128,722	128,722

Investment Valuation

Commercial					
Market Rent	128,722	YP @	8.0000%	12.5000	
(3mths Rent Free)		PV 3mths @	8.0000%	0.9809	1,578,363

GROSS DEVELOPMENT VALUE

32,015,211

Purchaser's Costs	(107,329)
Effective Purchaser's Costs Rate	6.80%
	(107,329)

NET DEVELOPMENT VALUE

31,907,882

NET REALISATION

31,907,882

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)	(1,492,863)
	(1,492,863)

CONSTRUCTION COSTS

Construction

	ft²	Build Rate ft²	Cost
Residential	100,744	196.00	19,745,705
Social Rented	6,430	196.00	1,260,280
Intermediate	19,291	196.00	3,781,036
Totals	126,465 ft²		24,787,021

Other Construction

Public Realm Contributions	300,000
	300,000

PROFESSIONAL FEES

Professional Fees	8.00%	1,982,962
		1,982,962

DISPOSAL FEES

Marketing, Sales Agent & Legal Fee	3.00%	957,236
		957,236

Additional Costs

Arrangement Fee	167,000
	167,000

FINANCE

Debit Rate 2.922%, Credit Rate 0.000% (Nominal)	
Land	(80,502)
Construction	737,841
Other	67,058

APPRAISAL SUMMARY**SAVILLS****Eliza Yard****Viability Appraisal - Policy Compliant**

Total Finance Cost	724,397
TOTAL COSTS	27,425,754
PROFIT	4,482,128

Performance Measures

Profit on Cost%	16.34%
Profit on GDV%	14.00%
Profit on NDV%	14.05%
Development Yield% (on Rent)	0.47%
Equivalent Yield% (Nominal)	8.00%
Equivalent Yield% (True)	8.42%
IRR% (without Interest)	17.84%
Rent Cover	34 yrs 10 mths
Profit Erosion (finance rate 2.922)	5 yrs 2 mths

TIMESCALE AND PHASING CHART

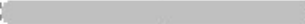
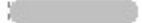
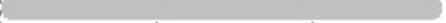
SAVILLS

Eliza Yard

Viability Appraisal - Policy Compliant

Project Timescale	
Project Start Date	May 2021
Project End Date	Feb 2024
Project Duration (Inc Exit Period)	34 months

Phase 1

	Start Date	Duration	End Date	May 21	May 22	May 23
Project	May 2021	34	Feb 2024			
Purchase	May 2021	0 Month(s)				
Pre-Construction	May 2021	0 Month(s)				
Construction	May 2021	24	Apr 2023			
Post Development	May 2023	0 Month(s)				
Letting	May 2023	0 Month(s)				
Income Flow	May 2023	0 Month(s)				
Sale	May 2023	10	Feb 2024			
Cash Activity	May 2021	34	Feb 2024			
				1	13	25

Eliza Yard

Viability Appraisal - Policy Compliant

Table of Land Cost and Profit Amount

Construction: Rate /ft²					
Sales: Rate /ft²	-5.00 /ft²	-2.50 /ft²	0.00 /ft²	+2.50 /ft²	+5.00 /ft²
-5.00 /ft²	£1,168,196 £4,421,272	£1,501,791 £4,421,272	£1,835,763 £4,421,272	£2,169,757 £4,421,272	£2,504,475 £4,421,267
-2.50 /ft²	£997,161 £4,451,701	£1,330,361 £4,451,701	£1,664,314 £4,451,701	£1,998,285 £4,451,701	£2,332,614 £4,451,701
0.00 /ft²	£826,126 £4,482,129	£1,159,326 £4,482,129	£1,492,863 £4,482,128	£1,826,836 £4,482,129	£2,160,808 £4,482,129
+2.50 /ft²	£655,291 £4,512,558	£988,291 £4,512,558	£1,321,492 £4,512,558	£1,655,386 £4,512,558	£1,989,358 £4,512,558
+5.00 /ft²	£484,671 £4,542,987	£817,256 £4,542,986	£1,150,457 £4,542,987	£1,483,934 £4,542,984	£1,817,909 £4,542,987

Sensitivity Analysis : Assumptions for Calculation

Construction: Rate /ft²

Original Values are varied in Fixed Steps of £2.50

Heading	Phase	Rate	No. of Steps
Residential	1	£196.00	2.00 Up & Down
Social Rented	1	£196.00	2.00 Up & Down
Intermediate	1	£196.00	2.00 Up & Down

Sales: Rate /ft²

Original Values are varied in Fixed Steps of £2.50

Heading	Phase	Rate	No. of Steps
Residential	1	£381.10	2.00 Up & Down
Social Rented	1	£171.50	2.00 Up & Down
Intermediate	1	£247.70	2.00 Up & Down

Appendix 4

Eliza Yard
Viability Appraisal - Viable

Development Appraisal
Savills
05 May 2021

APPRAISAL SUMMARY**SAVILLS****Eliza Yard
Viability Appraisal - Viable****Appraisal Summary for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Residential	118	86,939	381.10	280,783	33,132,453

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial	1	5,851	22.00	128,722	128,722	128,722

Investment Valuation**Commercial**

Market Rent	128,722	YP @	8.0000%	12.5000	
(3mths Rent Free)		PV 3mths @	8.0000%	0.9809	1,578,363

GROSS DEVELOPMENT VALUE**34,710,816**

Purchaser's Costs	(107,329)
Effective Purchaser's Costs Rate	6.80%
	(107,329)

NET DEVELOPMENT VALUE**34,603,487****NET REALISATION****34,603,487****OUTLAY****ACQUISITION COSTS**

Residualised Price	581,191
Stamp Duty	581,191
Effective Stamp Duty Rate	18,559
	3.19%
	18,559

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Residential	126,466	196.00	24,787,162
			24,787,162

Other Construction

Public Realm Contribution	300,000
	300,000

PROFESSIONAL FEES

Professional Fees	8.00%	1,982,973
		1,982,973

DISPOSAL FEES

Marketing, Sales Agent & Legal Fee	3.00%	1,038,105
		1,038,105

Additional Costs

Arrangement Fee	167,000
	167,000

FINANCE

Debit Rate 2.922%, Credit Rate 0.000% (Nominal)	
Land	34,422
Construction	737,845
Other	96,716
Total Finance Cost	868,983

TOTAL COSTS**29,743,973**

Eliza Yard**Viability Appraisal - Viable****PROFIT****4,859,514****Performance Measures**

Profit on Cost%	16.34%
Profit on GDV%	14.00%
Profit on NDV%	14.04%
Development Yield% (on Rent)	0.43%
Equivalent Yield% (Nominal)	8.00%
Equivalent Yield% (True)	8.42%

IRR% (without Interest)	16.39%
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Rent Cover	37 yrs 9 mths
Profit Erosion (finance rate 2.922)	5 yrs 2 mths

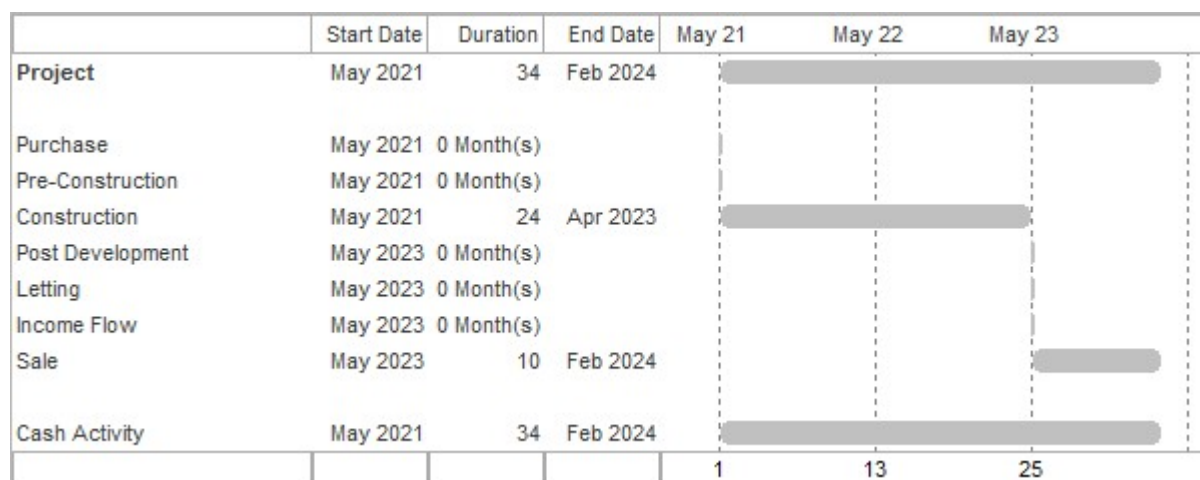
TIMESCALE AND PHASING CHART

SAVILLS

Eliza Yard Viability Appraisal - Viable

Project Timescale	
Project Start Date	May 2021
Project End Date	Feb 2024
Project Duration (Inc Exit Period)	34 months

Phase 1



Eliza Yard
Viability Appraisal - Viable

Table of Land Cost and Profit Amount

Construction: Rate /ft²					
Sales: Rate /ft²	-5.00 /ft²	-2.50 /ft²	0.00 /ft²	+2.50 /ft²	+5.00 /ft²
	191.00 /ft²	193.50 /ft²	196.00 /ft²	198.50 /ft²	201.00 /ft²
-5.00 /ft²	(£889,055)	(£573,234)	(£257,411)	£71,828	£403,557
376.10 /ft²	£4,798,657	£4,798,657	£4,798,660	£4,798,657	£4,798,657
-2.50 /ft²	(£1,050,944)	(£735,123)	(£419,302)	(£98,155)	£233,457
378.60 /ft²	£4,829,086	£4,829,086	£4,829,086	£4,829,086	£4,829,086
0.00 /ft²	(£1,212,832)	(£897,011)	(£581,191)	(£265,368)	£63,474
381.10 /ft²	£4,859,514	£4,859,514	£4,859,514	£4,859,517	£4,859,514
+2.50 /ft²	(£1,374,721)	(£1,058,900)	(£743,079)	(£427,258)	(£106,509)
383.60 /ft²	£4,889,943	£4,889,943	£4,889,943	£4,889,943	£4,889,943
+5.00 /ft²	(£1,536,609)	(£1,220,788)	(£904,967)	(£589,147)	(£273,324)
386.10 /ft²	£4,920,372	£4,920,372	£4,920,372	£4,920,372	£4,920,373

Sensitivity Analysis : Assumptions for Calculation

Construction: Rate /ft²

Original Values are varied in Fixed Steps of £2.50

Heading	Phase	Rate	No. of Steps
Residential	1	£196.00	2.00 Up & Down

Sales: Rate /ft²

Original Values are varied in Fixed Steps of £2.50

Heading	Phase	Rate	No. of Steps
Residential	1	£381.10	2.00 Up & Down