Viability Assessment

Gould Street, Manchester

Savills

Site Name: Gould Street
Client: Southvalley Estates
Savills Office: Manchester
Report Status: FINAL

Author: Adam Mirley MRICS, Director



Signed:…….....

Date: 23 September 2020

Reviewer: Charlie Alcroft MRICS, Surveyor



Signed:……

Date: 23 September 2020

Contents

1. **Introduction** 3
2. **Site Information** 4
3. **Viability Methodology** 8
4. **Market Commentary** 12
5. **Benchmark Land Value** 20
6. **Gross Development Value** 23
7. **Appraisals** 24
8. **Conclusions** 28
9. **Important Note** 30

Appendices

1. AHR Unit Summary
2. Gardiner & Theobald Cost Plan
3. Savills Housing Market Update
4. Policy Compliant Appraisal
5. Viable Position Appraisal

1. Introduction

1.1 Purpose of Report

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

This is in relation to the redevelopment of the site to provide 1,202 residential dwellings across 4 phases of 9 blocks. 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 23 September 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:

- AHR Floor Plans (Submitted as part of the application)
- AHR Unit Summary (Appendix 1)
- Gardiner & Theobald Cost Plan (Appendix 2)

2. Site Information

2.1 Site Location

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

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

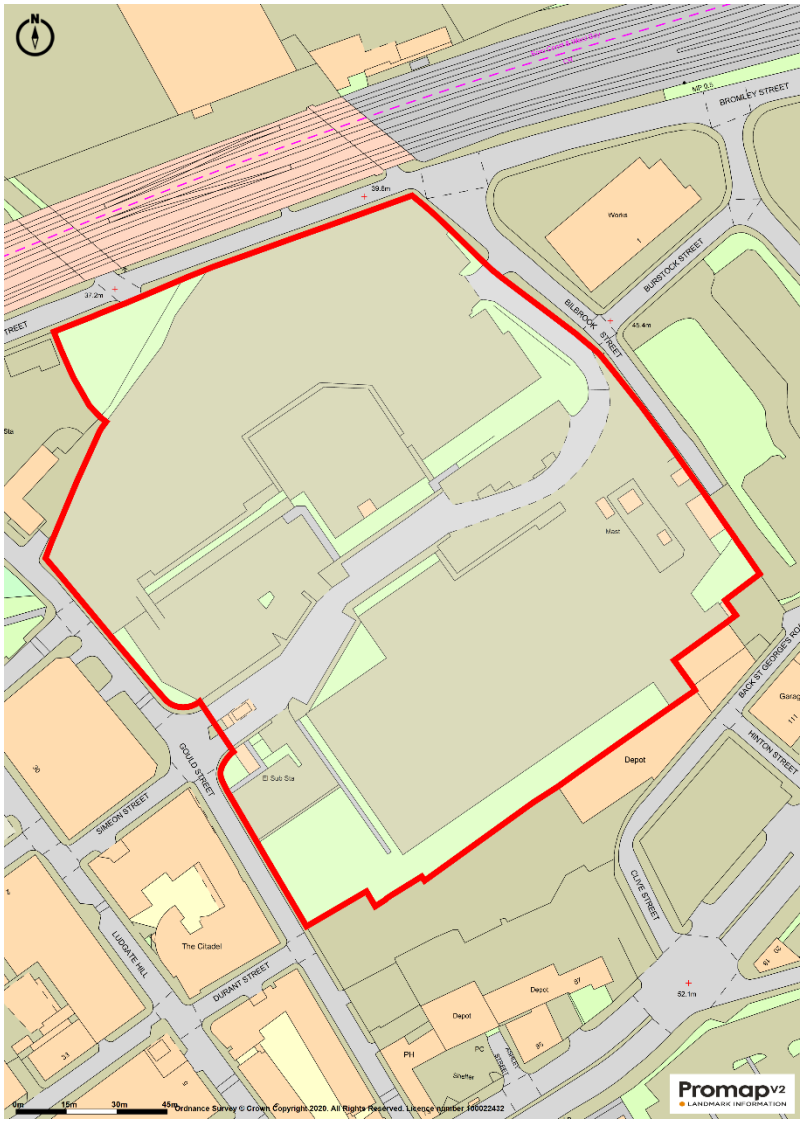


Figure 1: Location Plan

2.2 Site Description

The site (edged red on Figure 1) is of an irregular shape and extends to approximately 6.89 acres (2.79 ha). It is bordered to the north by Bromley Street, with the Northern and TransPennine Express railway line adjacent the site. Balbrook Street borders the eastern boundary. To the south east the site is bordered by industrial warehousing and to the south west is a surfaced car park. Gould Street borders the site to the west, with an electric substation and scrub land bordering the north western edge of the site.

The site was formerly occupied as a gas works and call centre before being remediated in 2011. At present, the site is operated as a surfaced car park.

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

2.3 Proposed Development

The planning application will be for 1,202 units across 4 phases of 9 blocks. We have been provided with the following schedule of accommodation for the whole site:

Type	1 Beds	2 Beds	3 Beds	4 Beds	TOTAL
Phase 1	52	95	13	0	**160**
Phase 2	58	112	0	0	**170**
Phase 3	77	235	8	1	**321**
Phase 4	245	306	0	0	**551**
TOTAL	**432**	**748**	**21**	**1**	**1,202**

Figure 2: Schedule of Accommodation

Phase	Block	Storeys	1 Beds	2 Beds	3 Beds	4 Beds	Total Beds	Parking Spaces	NIA (Sq ft)
1	A	7	16	40	13	0	69	41	55,353
	B	7	36	55	0	0	91		62,044
2	C	7	41	64	0	0	105	42	73,258
	D	7	17	48	0	0	65		50,432
3	E	11	31	75	7	1	114	6	86,525
	F	18	46	160	1	0	207		150,565
4	G	11	35	96	0	0	131	11	92,059
	H	15	84	77	0	0	161		107,701
	I	31	126	133	0	0	259		172,525
		TOTAL	**432**	**748**	**21**	**1**	**1,202**	**103**	**850,462**

Figure 3: Schedule of Accommodation

The proposals result in a total Net Sales Area of 850,462 sq ft. The site area is approximately 6.69 acres. The average unit size across the scheme is approximately 708 sq ft.

We have reviewed the proposals which outlines the layout of the proposed scheme and the four phases of development.

Phase 1 is located to the south west of the site and comprises blocks A and B, both of 7 storeys with a central courtyard area. The two blocks comprise a total of 154 apartments and 6 townhouses with 41 underground car parking spaces, 4 of which are accessible.

Phase 2 is located to the south east of the site and comprises blocks C and D , both of 7 storeys with a central courtyard area. The two blocks comprise a total of 162 apartments and 8 townhouses with 42 underground car parking spaces, 4 of which are accessible.

Phase 3 is located to the north west of the site and comprises block E of 11 storeys and block F of 18 storeys. The two blocks comprise a total of 308 apartments and 13 townhouses with 6 underground car parking spaces, 1 of which is accessible. Block E contains a 1,070 sq ft ground floor commercial unit.

Phase 4 is located to the north east of the site and comprises the 'I shaped' block G of 11 storeys, the rectangular shaped block H of 15 storeys and the square block I of 33 storeys. The three blocks total 542 apartments and 9 townhouses with 11 car parking spaces, 1 of which is accessible. Block I contains a 1,001 sq ft ground floor commercial unit.

The accommodation plans prepared by AHR are included with the planning application submission.

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 Waterside Places 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 Avison Young provides a full assessment of the proposals against all relevant policies.

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

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

2.4.1 Affordable Housing and Other Requirements

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

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

2.5 Regeneration Framework: Northern Gateway SRF

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

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

2.6 Infrastructure and Services

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

2.7 Highways and Access

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

2.8 Tenure

The site is held under three separate ownerships on a freehold basis. South Valley Estates Ltd (Southvalley Estates) own the freehold title MAN258078 on a freehold basis and have an option to purchase the freehold titles GM861150 and GM61152. We have assumed that if the completed housing units are to be sold, they will be sold on a long leasehold basis with a minimum term of 999 years.

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.

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.

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:

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: build costs, abnormal costs, infrastructure costs, cost of conforming with planning policies (e.g. S.106 costs, CIL and affordable housing), finance costs, professional fees, management costs, sales/ marketing costs and contingency costs

Benchmark Land Value
The benchmark land value has been assessed using the Existing Use Value (EUV) plus method as advocated and described in paragraphs 13 to 17 of the PPG. The 'plus' refers to a premium for the land owner over EUV. A sufficient premium is required to incentivise the landowner to dispose of their land for development. Paragraph 13 defines the premium as "the minimum return at which a reasonable land owner would be willing to sell."

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

Developer's Return
Paragraph 18 of the PPG states that respect of a developer's profit, a return of 15% - 20% of GDV may be considered a suitable return for viability testing. Alternative figures may be appropriate where there is evidence to support this according to the type, scale and risk profile of the planning development.

The Government is preparing an Executive Summary Template that sets out how to present the publically 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.

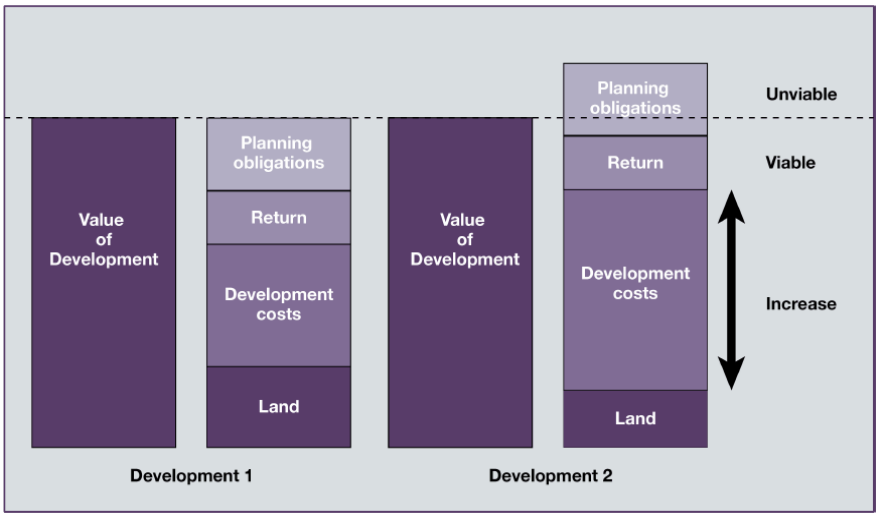


Figure 4: Development Viability Diagram (source: RICS Financial Viability in Planning)

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 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 LANE 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 August 2020, is attached at **Appendix 3**.

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 £219,752 which is below national averages. They are also reporting that the average price paid over the last 12 months is £224,200.

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	**£218,823**	£297	1.8	£215,956

Figure 5: Property Values in M4 postcode, September 2020 (source: Zoopla)

There has been 120 sales across all property types in the M4 postcode area over the last year, of which 108 sales were of flats. The most active price point in the M4 postcode 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.

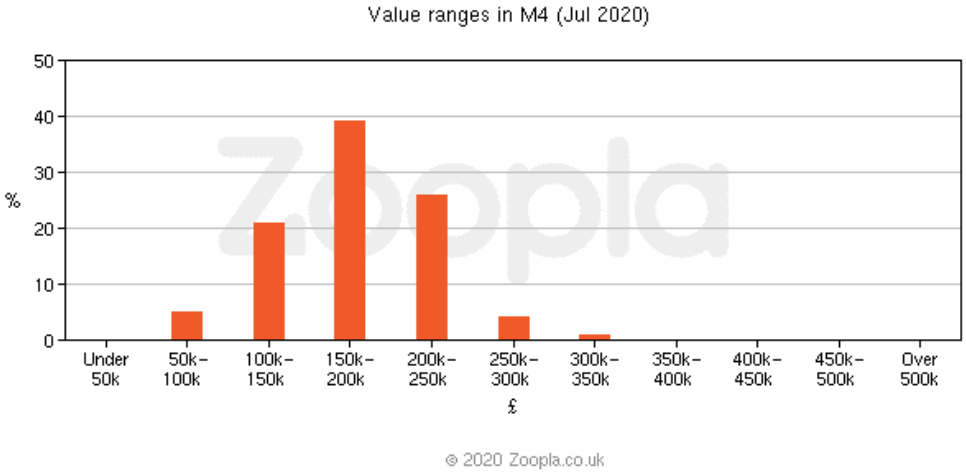


Figure 6: Value Ranges in M4, July 2020 (source: Zoopla)

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 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 2023.

4.3 New Build Market Evidence

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

Manchester City Centre Periphery

4.3.1 Meadowside

Meadowside is a development by Far East Consortium which is located approximately 100 yards to the south west, being situated on the edge of the NOMA regeneration area and surrounding Angel Meadows park. The initial phases (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 7: Meadowside

We are advised that plots 2, 3 and 5 are now approximately 50% sold, with plot 2 and 3 averaging £420 per sq ft and plot 5 averaging £412 per sq ft. These three plots (The Gate, The Stile and Mount Yard) contain some 422 apartments.

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 - £365,500	£386 - £490
3 bed	1,039 – 1,068	£392,500 - £495,000	£354 - £421

Figure 8: Meadowside Asking Price Data

The current average asking price per sq ft is £408. We would expect the subject site to achieve lower values per sq ft than being achieved at Meadowside, due to the majority of the proposed development comprising 7 storey blocks and being situated in an inferior location.

4.3.2 The Hallmark

The Hallmark is a development in the Green Quarter of 146 apartments, including a roof terrace and concierge facilities. The Hallmark is due to complete in Q2 2020 and 33 of the apartments have been reserved.

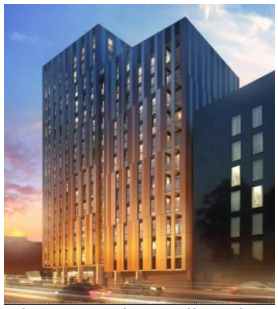


Figure 9: The Hallmark CGI

Sales have been at around the asking price with some small discounts. Agreed Sales are as follows:

Beds	Sq.Ft	Price	Sq.Ft (£)
1 bed	452 - 531	£175,000 - £223,000	£358 - £476
2 bed	653 - 732	£257,500 – £300,000	£356 - £437

Figure 10: The Hallmark Reservation Data

The average price agreed across the scheme is currently £408 per sq ft. We would comment that a significant proportion of the sales have been to foreign investors and as such, the above figure is high. We would expect the subject to achieve a lower price per sq ft than The Hallmark.

4.3.3 North Central

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



Figure 11: 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	£156,000 - £195,000	£290 - £362
2 bed	656 – 850	£190,000 - £289,000	£292 - £405

Figure 12: North Central Sold Price Data

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

4.3.4 Local Blackfriars

Local Blackfriars is located in the Greengate area of Manchester. 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 13: 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 – 538	£147,000 - £200,000	£319 - £386
2 bed	581 – 797	£200,000 - £400,000	£315 - £500
Townhouse	1,044	£430,000	£413

Figure 14: 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 two bed penthouse apartments have shown a significant premium with some achieving sale prices of £500 per sq ft. The average sale price across the scheme is £348 per sq ft. Local Blackfriars is located in a similar periphery area of the city centre to the subject site. We would expect the subject site to achieve values in excess of those achieved at Local Blackfriars due to some of these sales being slightly historic.

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.

4.3.5. One Vesta Street

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



Figure 15: 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. Current asking prices are as follows:

Beds	Sq.Ft	Price	Sq.Ft (£)
1 bed	535 - 584	£190,000 - £200,000	£338 - £355
2 bed	696 - 798	£245,000 - £300,000	£339 - £373
3 bed	950 – 959	£350,000 - £395,000	£365 - £416
4 bed	1,525	£575,000	£377

Figure 16: One Vesta Street Asking Prices

The average asking price for one bedroom flats equates to £345 per sqft, two bedroom units average £354 per sqft and three bedroom units £390, although this is strongly skewed upwards by a top floor apartment at £416 per sqft. There is a four bedroom apartment priced at £377 per sq ft. The average across all of these asking prices is £361 per sq ft.

The site is located in a similar fringe location, however we would expect the subject to achieve in excess of the £361 sqft average we have calculated.

4.3.6 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 was due for completion in Spring 2019, but we understand there were some delays to the build programme. All units sold to date have, to our knowledge, been sold at asking price.



Figure 17: Murrays' Mills

This scheme is a mill conversion, resulting in a larger range of unit types, which in some case can serve to suppress the rate per sq ft achieved. We understand there are only 5 properties remaining for purchase in the scheme, and that these units were available prior to the Covid-19 pandemic. Car Parking spaces are available at £15,000 per space. We are aware of the following sale transactions:

Beds	Sq.Ft	Price	Sq.Ft (£)
1 bed	495 - 581	£155,000 - £205,000	£288 - 392
2 bed	785 – 1,212	£240,000 - £395,000	£291- £372
3 bed	947 - 1,603	£290,000 - £610,000	£207 - £380

Figure 18: Murrays' Mills Reservation Data

Current availability is as follows:

Beds	Sq.Ft	Price	Sq.Ft (£)
2 bed	699 – 807	£235,000 - £295,000	£336 - £365
2 bed (Townhouse)	1,400	£799,950	£625
3 bed	2,238	£365,000	£357
4 bed	1,549	£495,000	£320

Figure 19: Murrays' Mills Asking prices

Murrays Mills is averaging sale prices in excess of £325 per sq ft, however, this is skewed downward by the larger unit sizes due to the conversion nature of the scheme. The current asking prices reflect an average of £403 per sq ft. We would expect the proposed development to achieve a rate per sq ft in excess of the sales evidence, as it will have more efficient unit types.

4.3.7 Avro

An Urban Splash development of 30 flats and a single townhouse, just inside the city ring

road. The size of the units in this development are considerably larger than the market norm due to it being a conversion and consequently the rate per sq ft rate could be considered suppressed.



Figure 20: Avro

We understand that 20 of these units have been reserved with 19 of these having exchanged. The units have been reserved at or around the asking prices below:

Beds	Sq.Ft	Price	Sq.Ft (£)
1 bed	936	£275,000	£294
2 bed	1,141 – 2,228	£375,000 – £690,000	£301 - £422
3 bed	1,830 - 2,648	£590,000 - £690,000	£253 - £341

Figure 21: Avro Reservation Data

Due to the size of the units in the Avro scheme, we would expect the subject to achieve higher values on a per sqft basis due to the units being more efficient.

West of City Centre

4.3.9 Middlewood Locks

Middlewood Locks comprises an extensive regeneration project by Scarborough Group which will ultimately provide over 2,000 no. apartments with residents' amenity and commercial space. It is located along Manchester Canal just to the west of the city centre, close to St Johns Quarter and Spinningfields, beyond the inner city road. Ongoing improvements to the transport infrastructure should ultimately better connect the development with the city centre.



Figure 22: Middlewood Locks

The on-site sales agent reported that a high percentage of purchasers were first-time buyers and were supported by Help to Buy, but expressed some concerns over the accessibility of

mortgages / increased deposits required and the impact of this on first time buyers. The most recent sales are as follows:

Unit	Size (Sq.Ft)	Price (£)	Sq.Ft (£)
1 beds	517	£171,000 - £181,000	£331- £350
2 beds	678 – 775	£250,000 - £292,000	£337 - £392
3 beds	958	£350,000	£365

Figure 23: Middlewood Locks Sold Price Data

The overall sold price is currently circa £360 per sq.ft. The subject site is located in a similar peripheral location although we would expect the subject site to achieve higher values per sq ft.

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 a good condition and of a good specification so that a realistic comparison can be made against potential new build prices:

4.4.1 The 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 24: 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 sq ft, perhaps reflecting the differences in condition of the apartments. The average value achieved is £262 per sq ft. 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.



Figure 25: Angel Gardens

Geographically, N.O.M.A is the closest area of residential development to the subject site. The sales prices reflect the fact that some of the properties 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 £301 per sq ft, perhaps reflecting the differences in condition of the apartments. The average value achieved is £260 per sq ft. 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

At Meadowside, we understand that FEC are achieving approximately £412 - £420 per sq ft. The development is however considerably superior in comparison to the subject site with an improved specification and location. We would therefore expect a lower rate per sq ft across the subject site, especially on the 7 – 18 storey blocks.

North Central by Progressive Living achieved £340 per sq ft across sales in 2019 and achieved sales significantly lower than at Meadowside. This development is close to the city centre, however we consider the proposed development on Gould Street to be superior and as such would expect a higher rate.

The Hallmark is situated in an existing residential location in the Green Quarter and is achieving an average of £408 per sq ft across all sales. We understand that the majority of these sales have been to overseas purchasers, which has resulted in an inflated rate per sq ft.

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

We would therefore, optimistically, expect average sales values in the order of £370 - £400 per sq ft across the development. We would also assume an average rate of sale of between 4 and 6 units per month as this is in line with what developers in the area are reporting. This is reflective of the nature, scale and location of the proposed development.

5. Benchmark Land Value

5.1 Overview

The benchmark land value has been calculated in accordance with the PPG and the latest RICS Guidance (2019) 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 in 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 not historic planning permission for the site and there is no obvious alternative use save for the use being proposed in the application.

5.2 Existing Use Value

The site is currently used as a surface car park having previously being been a gas works and call centre. 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 2.33 acres and contains approximately 250 car parking spaces. This equates to just over 107 car parking spaces per acre.

We are unsure of the total number of car parking spaces at the southern car park which totals 3.96 acres, but on the basis of the above, we have estimated that approximately 425 car parking spaces could be provided on the southern car park.

On this basis, the total estimated number of car parking spaces across the two surfaced car parks totals 675 spaces.

25 Addington Street Car Park, located approximately 0.4 miles to the south of the subject site, charged £4.50 per car parking space and had an average occupancy rate of 85%. We do not know the occupancy level across the two car parking sites, but we understand the south car park charges £4.00 per car parking space. On the basis of charging £4.00 per car parking space with a 70% occupancy rate, we have estimated an annual gross income of £689,850 could be achieved, giving an annual net income of approximately £482,895 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 £4,500,581, say **£4,500,000** for the site in its existing use after deducting purchasers costs of 6.8%.

Residential Development Land

The site is located within the New Town neighbourhood area of the Northern Gateway SPF. New Town is described within the SPF as a 'residential-led neighbourhood'. The site therefore

has strong potential for residential development, albeit without any planning permission in place.

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

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
Port Street	Mulbury	0.33	135	-	£2,313,000	£7,009,091	£17,133	Sep 16	
NCP Tib St	TIBST	0.59	183	Yes	£7,000,000	£11,864,407	£38,251	Sep 16	

Figure 26: 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.

Many of the other deals were purchased subject to planning being granted. Given that this site is so close to Dantzic Street we would suggest that a residential land value for this site of £15,000 per plot without planning would be appropriate, which would give a value of £18,375,000.

However, due to the quantum of the development with 1,202 proposed units, we consider a discount would be appropriate and as such we have adopted £12,000 per plot reflecting a 20% discount. This results in a value of **£14,424,000** for the site equating to £2.16m per acre.

5.4 Benchmark Land Value

In calculating the Benchmark we have to consider the above positions and also reflect on the amount of premium that would be appropriate. The site has had a previous residential planning permission and as such there would be string arguments to adopt a residential land value as the benchmark. However, it is our view that the guidance as set out means that you disregard planning and look at the most logical existing use. In this case car parking would seem to be the most logical.

With an existing use value of £4,500,000 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. To do this we have taken the residential land value of £14,424,000 and assessed the difference between this value and the existing use value. The difference of £9,924,000 could be argued to be the premium, however we consider a fair reflection of an appropriate premium to be half of it so £4,962,000.

There is a dearth of evidence for policy compliant land transactions across the city centre, with many sites providing no contributions or a commuted sum in favour of delivering affordable units. There is also a large variation in the tone of development land value in the area between £15,000 - £80,000 per plot. Values achieved are very dependent on the quality of the land as well as other factors such as location within the city centre, permitted number of units, access and site abnormals.

All of these comparable land transactions were vacant sites at the time of sale, with a range of former uses. The premium achieved by the land owner for residential development does not appear to significantly vary depending on former use and the premium is therefore be dictated by the potential end value as a development site.

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 value of £9,462,000. This equates to £7,872 per unit. We consider this to be a low but fair benchmark land value. It is lower than other viability reports we have produced on similar sites and also 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.

Based on the above market evidence, we believe that a premium of £4,962,000 should be applied to the existing use value as an appropriate minimum premium to the land owner. The existing use value is £4,500,000. This results in a total benchmark land value of £9,462,000. We have discussed this approach with the MCC development team and they have accepted the approach adopted above.

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 Blocks A, B, C and D at £371 per sq ft, Blocks E and F at £375 per sq ft, Blocks G & H at £374 per sq ft and Block I at £400 per sq ft. This results in a total GDV for the residential income of £322,072,267 across the 1,202 dwellings reflecting a blended rate of approximately £379 per sq ft.

We have valued the car parking spaces at £15,000 per unit, which is in line with what is being achieved at nearby developments. There are a total of 100 car parking spaces, with 10 of these being accessible. We have not applied any value to the accessible parking spaces and the 90 non-accessible car parking spaces produces a GDV of £1,350,000.

We have valued the two commercial units of 1,070 sq ft and 1,001 sq ft at £15 per sq ft. We have adopted 3 months rent free and have capitalised both the income streams at a 9% yield. This results in a GDV of £337,810 for the two commercial units.

The total GDV across the scheme equates to £323,760,077.

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% (241) of the units affordable, with a tenure mix of 75% (180) of the units being intermediate and 25% (61) 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 180 affordable intermediate unit equates to £32,897,225 and the total GDV of the social rented units equates to £7,840,262. This gives a total value of £40,737,486 for the affordable housing and £270,069,560 for the market housing.

With the addition of £1,350,000 car parking income and £337,810 of commercial income, the total GDV of the affordable policy compliant scheme is £312,494,856.

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 £323,760,077 without affordable housing. If we include a policy compliant position on affordable housing of 20%, the total GDV is £312,494,856.

7.2.3 Build Costs

We have had reference to the cost plan provided by Souhvalley Estates and produced by Gardiner & Theobald. The cost plan (**Appendix 2**) has been produced in accordance with the plans drawn up for the scheme by AHR. The total build costs equate to £215,910,000 which equates to approximately £186.87 per sq ft across the gross internal area of 1,155,433 sq ft. Included within the build costs are the following:

i. Residential Building costs of £200,650,000 reflecting approx. £184 per sq ft
ii. Commercial Space costs of £170,000 reflecting approx. £82 per sq ft
iii. Basement costs of £6,520,000 reflecting approx. £100 per sq ft
iv. Public Realm costs of £3,880,000
v. Site Abnormals of £4,690,000

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

We are content that the build costs of £186.87 per sq ft as set out in the attached cost plan represent a realistic assumption for a development such as this. They are also reflective of the high quality development that Southvalley Estates are proposing to develop.

In July 2019 Manchester City Council officially declared a climate emergency, committing to the goal of reducing the city's emissions to zero by 2038. Responding to this, the Manchester Zero Carbon Framework 2020 – 2038 was developed, setting out a clear commitment to limiting the impacts of climate change by adopting and meeting science-based targets, in line with the Paris Agreement. Current targets, based on analysis by the Tyndall Centre at the University of Manchester include:

- A 15 million tonne carbon budget for 2018 – 2100

- Urgent and deep carbon reductions (50% reduction by 2022, from 2018 levels)
- To be zero carbon by 2038

The proposed development aim to take a meaningful step towards the delivery of net zero carbon dwellings in Manchester, Current planning policy requires buildings to achieve a 9% carbon betterment against Part L 2013. The proposed development is committing to achieving a 20% – 31% betterment against Part L 2013, in line with the interim reduction targets documented in the draft Future Homes Standard (currently out to consultation).

There is a project aspiration to achieve beyond this commitment, noting that the SAP calculation results for the planning scheme currently report a 36.1% betterment against Part L 2013. This is beyond Option 2 (Fabric Plus Technology) of the draft Future Homes Standard.

The project is benefited by the following strategies:

- Fabric First
  - Highly efficient building envelope
  - High performance glazing with low g-values for reduced heat gains
- Efficient Active Systems - Ventilation is provided by a Mechanical Ventilation and Heat Recovery (MVHR) system.
- Low Carbon Energy Supply - Heating and domestic hot water is provided by a hybrid system (Air Source Heat Pumps & gas boiler) together with a Combined Heat and Power (CHP) system. This is a step change from the 'business as usual' approach of providing electric panel heaters.

Gardiner & Theobald have estimated costs of approximately £3,000 per apartment for the above strategies to be implemented. This equates to an additional cost of approximately £3,606,000 that would not normally be required and is included within the total costs set out above.

The proposed development will be the first in New Town, place-making and public realm is essential to deliver a development which will act as a catalyst for future regeneration in the area. The cost of delivering the high quality public realm proposed is £3,880,000 which has been taken into account within this viability assessment.

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 6% - this allows for the cost of borrowing and opportunity cost of capital;
- Marketing, sales agent and legal fees of 4%;
- Commercial letting agent and legal fees of 10% and 5% respectively;
- Stamp Duty Land Tax on the site acquisition at the prevailing rate;
- Agency fees of 1% and legal fees of 0.5% on the site acquisition.
- Purchasers costs of 6.8% on the commercial GDV.

7.2.6 Timescales

The proposed development will be phased over 4 phases and we have assumed the following timescales:

Phase 1 (Blocks A & B)

- Purchase – 1 month
- Construction – 18 months
- Sales – 13 months

Phase 1 (Blocks C & D)

- Construction – 18 months
- Sales – 15 months

Phase 1 (Blocks E & F)

- Construction – 24 months
- Sales – 27 months

Phase 1 (Blocks G, H & I)

- Construction – 24 months
- Sales – 46 months

We have assumed that construction of Phase 1 would commence on receipt of planning permission.

For each phase, we have assumed sale receipts will occur after the completion of the build at each phase. 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.

We have assumed that construction of the following phase will finish 3 months prior to the end of the previous phases sales period.

This results in a total development period of 111 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 15,000 unit 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 withdrawal from the EU, with concerns over slowed market activity going forward. Interest rates have recently been cut to a historic low as a result of the impact of Covid-19 and it is likely that there will be increases over the short to medium term.

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

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

7.3 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 70% of open market value and social rented property 50% of open market value.

Based on the GDV, costs and Southvalley's profit margin of 17% on GDV, which is within the suitable range suggested in the PPG, this results in a negative land value of £3,141,245. A copy of the appraisal summary is attached at **Appendix 4**. 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 £1,360,600 say £1,360,000. This is below the Benchmark land value of £9,462,000. 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 5.**

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 sq ft and sales rate per sq ft in increments of 2.5%. This produces a range of residual land values from negative £8,714,837 to £10,683,471.

Sales: Rate per sq.ft	Construction: Rate per sq.ft				
	-2.50%	-2.50%	0%	+2.50%	+5.00%
-2.50% £361.73 pf^2	£1,180,309	-£1,201,815	-£3,690,013	-£6,194,839	-£8,714,837
-1.25% £366.36 pf^2	£3,556,121	£1,270,455	-£1,104,372	-£3,591,378	-£6,095,167
0% £371 pf^2	£5,931,909	£3,646,267	**£1,360,600**	-£1,006,929	-£3,492,743
+1.25% £375.64 pf^2	£8,307,692	£6,022,059	£3,736,412	£1,450,746	-£909,486
+2.5% £380.28 pf^2	£10,683,471	£8,397,845	£6,112,208	£3,826,558	£1,540,892

Figure 27: 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

Gould Street is a large scale development by Southvalley. The proposals comprises 1,202 units across four phases of nine blocks that range in height from 7 to 33 storeys. The development comprises 432 x 1 bedroom apartments, 748 x 2 bedroom apartments, 21 x 3 bedroom apartments and 1 x 4 bedroom apartment. The development will also include 103 car parking spaces, 2 ground floor commercial units of 1,070 sq ft and 1,001 sq ft.

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

We have calculated the EUV of the site to be £4,500,000 on the basis of the current use as a car park. We have estimated the residential land value of the site to be £14,424,000 on the basis of £12,000 per plot. The difference of £9,924,000 between the two land values could be argued to the be the premium, however we consider a fair reflection of an appropriate premium to be half of it, so £4,962,000.

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 value of £9,462,000. This equates to £7,872 per unit. We consider this to be more than reasonable benchmark land value. It is 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 17% 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 £3,141,245. 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 £1,360,000 which is under the benchmark land value and it is therefore our professional opinion that the scheme could not viably provide any contribution to affordable housing.

We would therefore conclude that the development would not be able to provide any affordable housing contribution.

The scheme will however deliver a high quality development of 1,202 units that will help to regenerate the currently underdeveloped New Town area. The proposed development includes significant public realm investment and is committed to achieving a 20% – 31% betterment against Part L 2013, in line with the interim reduction targets documented in the draft Future Homes Standard (currently out to consultation). There is a project aspiration to achieve beyond this commitment, noting that the SAP calculation results for the planning scheme to achieve a 36.1% betterment against Part L 2013. We suggest that these benefits and the additional costs outweigh the need for affordable housing on this site.

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.

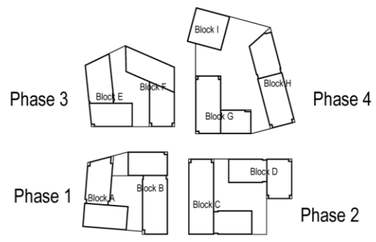
Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in 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

UNIT SUMMARY

Client	**MCR**
Project	**The Gasworks**
Project number	**2015.00541.000**
Drwg Ref	**GDS-AHR-XX-XX-SC-A-A1-001**
Revision	**G**
Revision Date	**11.09.20**

Key



*ALL AREAS DENOTED IN SQUARE METRES

Units Summary

Phase	Phase 1						Phase 2						Phase 3							Phase 4									
Block	A			B			C			D			E				F			G			H			I			
	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	4 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	4 bed
Totals per Unit	16	40	13	36	55	0	41	64	0	17	48	0	31	75	7	1	46	160	1	35	96	0	84	77	0	126	133	0	0
Total Units per Block	69			91			105			65			114				207			131			161			259			
Total Units per Phase	160						170						321							551									
Total Units	1202																												

Mix Summary

Phase	Phase 1						Phase 2						Phase 3							Phase 4									
Block	A			B			C			D			E				F			G			H			I			
	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	4 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	4 bed
Totals per Block	23%	58%	19%	40%	60%	0%	39%	61%	0%	26%	74%	0%	27%	66%	6%	1%	22%	77%	0%	27%	73%	0%	52%	48%	0%	49%	51%	0%	0%
	1 bed		2 bed		3 bed		1 bed		2 bed		3 bed		1 bed		2 bed		3 bed		4 bed	1 bed			2 bed			3 bed			4 bed
Mix per Phase	33%		59%		8%		34%		66%		0%		24%		73%		2%		0.3%	44%			56%			0%			0.0%
	100%						100%						100%							100%									
Totals	1 bed						2 bed						3 bed							4 bed									
	36%						62%						2%							0.08%									
	100%																												

Typical Floor NIA / GIA

Phase	Phase 1		Phase 2		Phase 3		Phase 4		
Block	A	B	C	D	E	F	G	H	I
Net Internal Area per Block	819.11	939.96	1064.93	707.64	833.47	858.39	845.54	862.28	484.85
per Phase	1759.07		1772.57		1691.86		2192.67		
Gross Internal Area per Block	1052.85	1160.52	1347.24	867.10	1015.57	1085.39	1026.62	1105.41	603.66
per Phase	2213.37		2214.34		2100.96		2735.69		
Efficiency per Block	77.8%	81.0%	79.0%	81.6%	82.1%	79.1%	82.4%	78.0%	80.3%
per Phase	79.5%		80.0%		80.5%		80.2%		

Scheme Net Internal Area	7416.17
Scheme Gross Internal Area	9264.36
Scheme Efficicency	80.1%

Total NIA / GIA
(NIA exl. Entrance, Amenity, Retail, Parking & Plant)

Phase	Phase 1		Phase 2		Phase 3		Phase 4		
Block	A	B	C	D	E	F	G	H	I
Net Internal Area per Block	5142.50	5764.06	6805.87	4685.30	8038.43	13988.00	8552.58	10005.77	16026.08
per Phase	10906.56		11491.17		22026.43		34584.43		
Gross Internal Area per Block	7074.92	7372.02	9107.41	5943.43	10035.33	17793.36	10690.26	12820.70	20248.75
per Phase	14446.94		15050.84		27828.69		43759.71		
Efficiency per Block	72.7%	78.2%	74.7%	78.8%	80.1%	78.6%	80.0%	78.0%	79.1%
per Phase	75.5%		76.3%		79.2%		79.0%		

Scheme Net Internal Area	79008.59
Scheme Gross Internal Area	101086.18
Scheme Total Efficicency	78.2%

Car Parking

Phase	Phase 1		Phase 2		Phase 3		Phase 4		
Block	A	B	C	D	E	F	G	H	I
Spaces per Phase	41		42		6		11		
Total Spaces	100 (Including 10 accessible)								
% of Units Provided	8.3%								
	*4		*4		*1		*1		

Commercial (other Net)

Phase	Phase 1		Phase 2		Phase 3		Phase 4		
Block	A	B	C	D	E	F	G	H	I
	0.00	0.00	0.00	0.00	99.41	0.00	93.00	0.00	0.00
	0		0		99		93		
Total	192.41								

NIA and GIA areas: GIA includes Entrances, Cores, Circulation and Amenity Spaces; Excludes Retail, Basement Parking and Plant
NIA Includes Apartments

Appendix 2

GT GARDINER &THEOBALD

GOULD STREET, MANCHESTER
BUDGET COST ESTIMATE - REV E

SOUTHVALLEY ESTATES

SVE
Southvalley Estates

September 2020

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SOUTHVALLEY ESTATES
GOULD STREET, MANCHESTER

CONTROL ISSUE SHEET

Revision	Status	Prepared By (name/position/date)	Checked By (name/position/date)	Authorised By (name/position/date)
-	Issue	**Ben McCartney** Associate 14 July 2020	**Rob McNeish** Partner 14 July 2020	**Rob McNeish** Partner 14 July 2020
A	Issue	**Ben McCartney** Associate 31 July 2020	**Rob McNeish** Partner 31 July 2020	**Rob McNeish** Partner 31 July 2020
B	Issue	**Ben McCartney** Associate 13 August 2020	**Rob McNeish** Partner 13 August 2020	**Rob McNeish** Partner 13 August 2020
C	Issue	**Ben McCartney** Associate 24 August 2020	**Rob McNeish** Partner 24 August 2020	**Rob McNeish** Partner 24 August 2020
D	Issue	**Ben McCartney** Associate 03 September 2020	**Rob McNeish** Partner 03 September 2020	**Rob McNeish** Partner 03 September 2020
E	Issue	**Ben McCartney** Associate 25 September 2020	**Rob McNeish** Partner 25 September 2020	**Rob McNeish** Partner 25 September 2020

BASIS, ASSUMPTIONS & EXCLUSIONS

This Cost Estimate has been prepared using the following design information and should be read in conjunction with all sections of this report.

Drawing Reference List (Architectural)	Rev.	D.O.I.
GDS-AHR-SO-B2-DR-A-PL-001	1	
GDS-AHR-SO-B1-DR-A-PL-002	1	
GDS-AHR-SO-00-DR-A-PL-003	1	
GDS-AHR-SO-01-DR-A-PL-004	1	
GDS-AHR-SO-02-DR-A-PL-005	1	
GDS-AHR-SO-03-DR-A-PL-006	1	
GDS-AHR-SO-30-DR-A-PL-012	1	
GasWorks draft outline spec 01.07.20	-	
GS-AHR-XX-XX-SC-A-A1-001 - Area Schedule	G	

Drawing Reference List (Structural)	Rev.	D.O.I.
200415 - Sketchbook 1	-	
200507 - Sketchbook 2	-	
200515 - Sketchbook 3	-	
200519 - Sketchbook 4	-	
200520 - Sketchbook 5	-	
200603 - Sketchbook 6	-	
200616 - Sketchbook 7	B	
200617 - Sketchbook 8	-	
200619_BDP-RPT-CS-001 - C&S Design Approach	-	

Drawing Reference List (Landscape)	Rev.	D.O.I.
2277-PLA-XX-XX-DR-L-3000	P03	

Drawing Reference List (Fire)	Rev.	D.O.I.
MSF 031 - Design Review	3	

Drawing Reference List (MEP)	Rev.	D.O.I.
6509 General Conditions fact sheet 2014	v2	
200517 Technical Note - Approach to towards Zero Carbon - SAP Calculation Results	-	
Budget Quote Letter Business 005500173174B	-	
Gould Street Budget Letter	-	
Towards Zero Carbon - Presentation to MCC - May 20	-	
PDE Letter - 01.06.2020	-	
POC Plan	-	
Technical Note - Electrical Connection Options	-	
Technical Note - Fire Figthing Services	-	
Technical Note - Mech Services Spacing Requirements	2	
Technical Note - Ventilation Strategy	-	
Technical Note 2 - Electrical Spacing Requirements	V2	
Technical Note 3 - Electrical Systems - Gould Street	-	

SOUTHVALLEY ESTATES
GOULD STREET, MANCHESTER

BASIS, ASSUMPTIONS & EXCLUSIONS

The below are a list of key assumptions that have been made to inform the basis of our costs:-

	Key Assumptions
1	Estimated costs have been prepared using current day pricing levels (Q3 2020).
2	Allowances have been included for Main Contractor preliminaries and Main Contractor's overheads and profit across all construction works.
3	Design and construction risk allowances have been included to reflect the status of the design.
4	New build costs that has been discussed in principle with the Architects where not specifically noted in the Stage 1 documentation.
5	The procurement strategy for the works is yet to be determined but is assumed to be a competitive lump sum with all works tendered under one main contract.
6	Gross and Net internal areas of the existing building are as per the AHR Area Schedule dated 11.06.20 and are assumed to be accurate.
7	Gross and Net internal areas of the proposed buildings have been measured from the drawings included in the drawing reference list.
8	Areas are intended for the production of the Cost Estimate only and should not be relied upon for any other purpose.
9	The architects area schedule does not include the commercial spaces or basements, these have been measured separately and included in the overall GIA.
10	The designs comply with current Building Regulations.
11	It is assumed that National Grid will remediate the site and handover a 'clean' site.

	Key Assumptions
12	Allowances for the podium structure included in the Block costs, the landscaping costs are included in the External Works.
13	Budget allowance included for unknown off-site reinforcement of utility network.
14	The substructure is assumed to be CFA piles, as noted in the BDP Design Approach.
15	The façade allowance is based on the ratios advised by AHR - 60% solid / 40% glazed. Note the glazing is assumed to be timber aluminium composite.
16	The solid façade can be further broken down to 75% brickwork / 25% metal cladding. The brickwork can be further broken down to 70% standard / 30% feature (verbally advised over the phone 14/07).
17	As advised by AHR, the tower is to be a full metal clad system (Corten). The metal cladding on the Phase 3 buildings was advised to be Corten.
18	The brickwork reveal is assumed to be no greater than one brick deep.
19	All building frames as prices as traditional flat slab concrete.
20	Bolt-on balconies excluded as discussed with the client & AHR. Inset corner balconies have been counted from the architectural plans.
21	Fit out allowances included for kitchens, bathroom pods, bedroom wardrobes, MEP store cupboards, cycle storage, internal signage and post boxes.

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SOUTHVALLEY ESTATES
GOULD STREET, MANCHESTER

BASIS, ASSUMPTIONS & EXCLUSIONS

The following are a list of inclusions / exclusions that have been used to inform the basis of our costs.

	List of Inclusions / Exclusions	Incl.	Excl.	Client
1	Value Added Tax			X
2	Land acquisition costs and fees			X
3	Client finance, legal or marketing costs			X
4	Professional fees (e.g. design, PCSA, PM, surveys etc)			X
5	Planning and building regulation fees			X
6	Fees or costs associated with rights of light agreement, party wall awards or over-sailing agreements etc..			X
7	Project insurances			X
8	Section 106 / 278 Contributions			X
9	Community Infrastructure Levy Contributions or similar		X	
10	Benefits arising from any potential Capital Allowances or other government incentives / grants		X	

	List of Inclusions / Exclusions	Incl.	Excl.	Client
11	Currency and exchange rate fluctuations		X	
12	Costs resulting from tariffs or other charges following the withdrawal of the UK from the European Union		X	
13	Costs resulting from zero carbon requirements or offset charges		X	
14	Statutory changes		X	
15	Works outside of the site boundary except where specifically stated		X	
16	Public art installations or contributions		X	
17	Phasing of the works		X	
18	Works outside of normal working hours		X	
19	Mockups, prototypes, off site benchmark and the like		X	
20	Fit out of retail spaces, constructed to shell & core only		X	

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SOUTHVALLEY ESTATES
GOULD STREET, MANCHESTER

BASIS, ASSUMPTIONS & EXCLUSIONS

	List of Inclusions / Exclusions	Incl.	Excl.	Client
21	Tenant's costs or contributions		X	
22	Loose fittings, furnishings and equipment and external furniture		X	
23	Asbestos removal		X	
24	Fees, works or costs associated with abnormal ground conditions		X	
25	Underpinning of adjoining structures		X	
26	Archaeological investigations and exploratory or resulting works		X	
27	Diversion of existing below ground services		X	
28	IT hardware / active hubs		X	
29	Connection to district heating system		X	
30	Audio visual installations and equipment		X	

	List of Inclusions / Exclusions	Incl.	Excl.	Client
31	Spares and maintenance costs		X	
32	Changes to current building regulations		X	
33	Costs relating from force majeure events		X	
34	Changes in costs and / or programme caused by an epidemic or pandemic disease; advice or guidance issued and / or laws or actions taken by the UK Government or other relevant governmental or regulatory bodies (including the NHS) in the UK (or abroad) in relation thereto.		X	
35	Costs relating from force majeure events		X	
36	Ground remediation - it is assumed that National Grid will remediate the site and handover a 'clean' site		X	
37	Potential materials disposed of off-site by National Grid when working under their remediation contract		X	
38	NHBC fees, or similar			X

SOUTHVALLEY ESTATES
GOULD STREET, MANCHESTER

Job No. : TBC
Client : SOUTHVALLEY ESTATES

Issue Date : 25-Sep-20
Base Date : 3Q 2020
Area (m^2): 107,343

EXECUTIVE SUMMARY

1. COST SUMMARY

Description	£	NIA	£	GIA
Residential Buildings	£ 200,660,000	£	235.37	£ 173.67
Commercial Spaces	£ 170,000	£	0.20	£ 0.15
Basement	£ 6,520,000	£	7.65	£ 5.64
External Works	£ 3,880,000	£	4.55	£ 3.36
Site Abnormals	£ 4,680,000	£	5.49	£ 4.05
Sub-Total	**£ 215,910,000**	**£**	**253.26**	**£ 186.87**
Main Contractor Preliminaries	Included	Included		Included
Main Contractor OH&P	Included	Included		Included
Risk Allowance	Included	Included		Included
Total (Construction Cost)	**£ 215,910,000**	**£**	**253.26**	**£ 186.87**

3. KEY HEADLINES

Overall construction costs at circa £180/sqft is broadly in line with the G&T regional benchmarking.

Number of car parking spaces in the basement works back to be a 8% provision.

Budgets received for the incoming electrical supply. Allowances made for other services.

Main Contractor preliminaries level takes account of working nearby Network Rail assets.

2. AREAS

	NIA	GIA	NIA:GIA
This Report	852,533	1,155,433	74%
Previous Report	846,123	1,151,051	74%

4. COST MOVEMENT

	Previous Report	This report	Variance
£ (Total)	215,910,000	215,910,000	-
£/ft² (NIA)	253.26	253.26	-
£/ft² (GIA)	186.87	186.87	-

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SOUTHVALLEY ESTATES
GOULD STREET, MANCHESTER

Job No. : TBC
Client : SOUTHVALLEY ESTATES

Issue Date : 25-Sep-20
Base Date : 3Q 2020
Area (m^2): 107,343

KEY METRICS - RESIDENTIAL

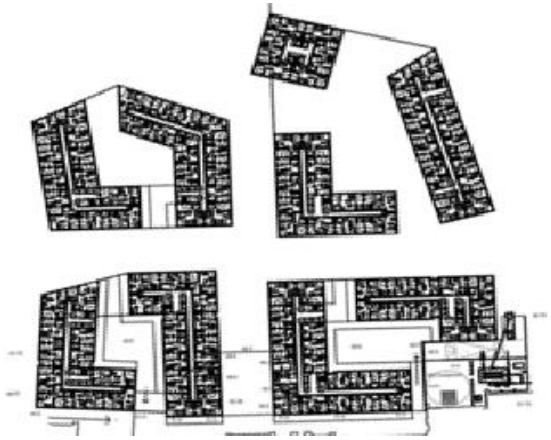
£/ft²

USE-TYPE RATES

	GIA (ft²)	£/ft² (GIA)
Residential	1,088,082	£184.42
Commercial	2,071	£82.08
Basement	65,280	£99.88
External Works	1,155,433	£3.36
Abnormals	1,155,433	£4.05

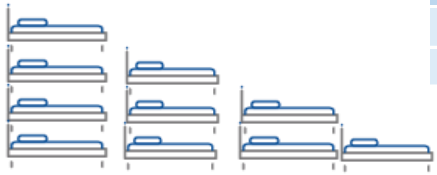
N.B. rates are current day, incl. MC on-costs

TYPICAL FLOOR



UNIT MIX

Avg. mix / ratios	
35.9%	432nr
62.2%	748nr
1.7%	21nr
0.1%	1nr



EFFICIENCIES / RATIOS

Overall Building
74%
Typical Floor
81%

WALL FLOOR 48%

PROJECT DATA

	7 - 33 storeys Basement		100 spaces 8% provision
8	Average number of units / core		2 lifts / core typically
	Avg. £/unit £180k		Kitchen £6k Bathroom £5.5k
	Total project value £216m	1,202	Residential Units

GT GARDINER &THEOBALD

SOUTHVALLEY ESTATES
GOULD STREET, MANCHESTER

Issue Date: 25 September 2020
Base Date: 3Q 2020

HIGH LEVEL COST BREAKDOWN

	Description	GIA (ft2)	NIA (ft2)	Units Total	Quantity	Unit	Rate (£)	Total (£)	£ / ft2 GIA	£ / Unit
	RESIDENTIAL BUILDINGS									
	Phase 1	**155,505**	**117,397**	**160**				**£ 27,360,000**	**£ 176**	**£ 171,000**
	Block A	76,154	55,353	69	76,154	ft2	£ 170	**£ 12,980,000**	£ 170	£ 188,116
	Block B	79,352	62,044	91	79,352	ft2	£ 181	**£ 14,380,000**	£ 181	£ 158,022
	Phase 2	**162,006**	**123,690**	**170**				**£ 28,730,000**	**£ 177**	**£ 169,000**
	Block C	98,031	73,258	105	98,031	ft2	£ 176	**£ 17,300,000**	£ 176	£ 164,762
	Block D	63,974	50,432	65	63,974	ft2	£ 179	**£ 11,430,000**	£ 179	£ 175,846
	Phase 3	**299,545**	**237,090**	**321**				**£ 54,770,000**	**£ 183**	**£ 170,623**
	Block E	108,019	86,525	114	108,019	ft2	£ 180	**£ 19,470,000**	£ 180	£ 170,789
	Block F	191,526	150,565	207	191,526	ft2	£ 184	**£ 35,300,000**	£ 184	£ 170,531
	Phase 4	**471,025**	**372,285**	**551**				**£ 89,800,000**	**£ 191**	**£ 162,976**
	Block G	115,069	92,059	131	115,069	ft2	£ 185	**£ 21,330,000**	£ 185	£ 162,824
	Block H	138,001	107,701	161	138,001	ft2	£ 183	**£ 25,300,000**	£ 183	£ 157,143
	Block I	217,956	172,525	259	217,956	ft2	£ 198	**£ 43,170,000**	£ 198	£ 166,680
	TOTAL RESIDENTIAL BUILDINGS COST	**1,088,082**	**850,462**	**1,202**	**1,088,082**	**ft2**	**£ 184**	**£ 200,660,000**	**£ 184**	**£ 166,938**
	COMMERCIAL									
	Phase 3 Retail - Shell & Core	1,070	1,070	-	1,070	ft2	£ 80	**£ 90,000**	£ 84	£ -
	Phase 4 Retail - Shell & Core	1,001	1,001	-	1,001	ft2	£ 80	**£ 80,000**	£ 80	£ -
	TOTAL COMERCIAL COST	**2,071**	**2,071**	**-**	**2,071**	**ft2**	**£ 82**	**£ 170,000**	**£ 82**	**£ -**
	BASEMENTS									*£/space*
	Phase 1 Basement	21,116	-	-	21,116	ft2	£ 100	**£ 2,110,000**	£ 100	£ 51,463
	Phase 2 Basement	20,540	-	-	20,540	ft2	£ 100	**£ 2,050,000**	£ 100	£ 48,810
	Phase 3 Basement	8,005	-	-	8,005	ft2	£ 100	**£ 800,000**	£ 100	£ 133,333
	Phase 4 Basement	15,619	-	-	15,619	ft2	£ 100	**£ 1,560,000**	£ 100	£ 141,818
	TOTAL BASEMENTS COST	**65,280**	**-**	**-**	**65,280**	**ft2**	**£ 100**	**£ 6,520,000**	**£ 100**	**£ 65,200**
	SUB TOTAL (RESIDENTIAL, COMMERCIAL AND BASEMENT)	**1,155,433**	**852,533**	**1,202**	**1,155,433**	**ft2**	**£ 179**	**£ 207,350,000**	**£ 179**	**£ 172,504**

GT GARDINER &THEOBALD

SOUTHVALLEY ESTATES
GOULD STREET, MANCHESTER

Issue Date: 25 September 2020
Base Date: 3Q 2020

HIGH LEVEL COST BREAKDOWN

	Description	GIA (ft2)	NIA (ft2)	Units Total	Quantity	Unit	Rate (£)	Total (£)	£ / ft2 GIA	£ / Unit
	SITE WIDE COSTS - EXTERNALS WORKS									
	Hard landscaping; including podium				10,500	m2	£ 160	**£ 1,680,000**	£ 1.45	£ 1,398
	Soft landscaping; including podium				7,200	m2	£ 60	**£ 430,000**	£ 0.37	£ 358
	Allowance for external furniture and lighting				1	item	£ 350,000	**£ 350,000**	£ 0.30	£ 291
	Allowance for site drainage				18,594	m2	£ 45	**£ 840,000**	£ 0.73	£ 699
	E/o for attenuation - volume based on BDP Sketchbook 3				2,322	m3	£ 250	**£ 580,000**	£ 0.50	£ 483
	Incoming services; allowance included in Block costs				1	item	Included	**Included**	£ -	£ -
	TOTAL SITE WIDE COSTS - EXTERNALS WORKS	**1,155,433**	**852,533**	**1,202**	**1,155,433**	**ft2**	**£ 3.36**	**£ 3,880,000**	**£ 3.36**	**£ 3,228**
	TOTAL (EXCLUDING ABNORMALS)	**1,155,433**	**852,533**	**1,202**	**1,155,433**	**ft2**	**£ 183**	**£ 211,230,000**	**£ 183**	**£ 175,732**
	SITE WIDE COSTS - ABNORMALS									
	Ground remediation - Provisional Sum for any contamination not removed by National Grid				1	item	£ 1,100,000	**£ 1,100,000**	£ 0.95	£ 915
	Cut and fill - as per BDP Sketchbook 8				18,594	m2	£ 102	**£ 1,900,000**	£ 1.64	£ 1,581
	Retaining walls; various heights - as per BDP Sketchbook 9				740	m	£ 1,250	**£ 930,000**	£ 0.80	£ 774
	Allowance for 100% EV charging provision				100	nr	£ 2,500	**£ 250,000**	£ 0.22	£ 208
	Off-site reinforcement of utility network - Provisional Sum for unknowns				1	item	£ 500,000	**£ 500,000**	£ 0.43	£ 416
	TOTAL SITE WIDE COSTS - ABNORMALS	**1,155,433**	**852,533**	**1,202**	**1,155,433**	**ft2**	**£ 4.05**	**£ 4,680,000**	**£ 4.05**	**£ 3,894**
	TOTAL (INCLUDING ABNORMALS)	**1,155,433**	**852,533**	**1,202**	**1,155,433**	**ft2**	**£ 187**	**£ 215,910,000**	**£ 187**	**£ 179,626**

GT GARDINER &THEOBALD

SOUTHVALLEY ESTATES
GOULD STREET, MANCHESTER

Issue Date: ################
Base Date: 3Q 2020

RESIDENTIAL AREA / ACCOMMODATION SCHEDULE

Description	Storeys	GIA (m2)	GIA (ft2)	NIA (m2)	NIA (ft2)	Nett : Gross	Units				
							1 Bed	2 Bed	3 Bed	4 Bed	Total
Phase 1		**14,447**	**155,505**	**10,907**	**117,397**	**75.5%**	**52**	**95**	**13**	**-**	**160**
Block A	7	7,075	76,154	5,143	55,353	72.7%	16	40	13	-	69
Block B	7	7,372	79,352	5,764	62,044	78.2%	36	55	-	-	91
Phase 2		**15,051**	**162,006**	**11,491**	**123,690**	**76.3%**	**58**	**112**	**-**	**-**	**170**
Block C	7	9,107	98,031	6,806	73,258	74.7%	41	64	-	-	105
Block D	7	5,943	63,974	4,685	50,432	78.8%	17	48	-	-	65
Phase 3		**27,829**	**299,545**	**22,026**	**237,090**	**79.2%**	**77**	**235**	**8**	**1**	**321**
Block E	13	10,035	108,019	8,038	86,525	80.1%	31	75	7	1	114
Block F	18	17,793	191,526	13,988	150,565	78.6%	46	160	1	-	207
Phase 4		**43,760**	**471,025**	**34,586**	**372,285**	**79.0%**	**245**	**306**	**-**	**-**	**551**
Block G	13	10,690	115,069	8,553	92,059	80.0%	35	96	-	-	131
Block H	13	12,821	138,001	10,006	107,701	78.0%	84	77	-	-	161
Block I	33	20,249	217,956	16,028	172,525	79.2%	126	133	-	-	259
COMBINED TOTAL		**101,086**	**1,088,082**	**79,011**	**850,462**	**78.2%**	**432**	**748**	**21**	**1**	**1,202**

Appendix 3

SAVILLS RESEARCH

UK Housing Market Update

savills

Activity still strong, but are we at the peak?

House prices rose by 2.2% in August according to Nationwide, the strongest single month of growth since Feb-04. While we always treat a single month's figure with caution, this brings annual growth to 3.7%, the fastest growth in over three years. Growth over the last two months more than reverses the price falls earlier in the summer.

Activity also remains robust. In the RICS survey for August, 82% of surveyors reported rising numbers of new buyer enquiries, while 73% saw rising numbers of new instructions. This supply/demand mismatch has increased competition in the mainstream market, supporting the current value growth. The stamp duty holiday has also contributed to greater buyer demand.

Other metrics show activity levelling off, albeit from a record high. Analysis of TwentyCI data shows there were 50% more sales agreed subject to contract in the first week of September than the same time in 2019. Although still high, this is a 16% fall on the previous week, with relatively flat growth in the few weeks before that. The market has been boosted by pent-up demand until now, but it seems this demand is starting to return to more normal levels.

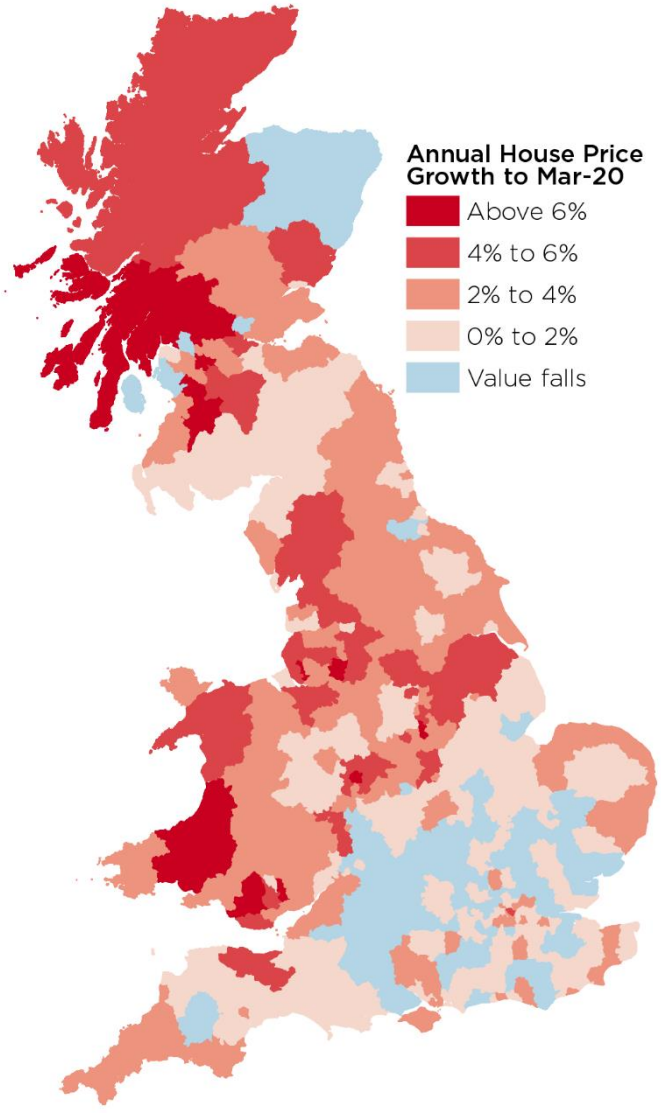
High activity levels have stressed lender capacity. Many lenders have therefore reduced the number of high LTV mortgages on offer, and raised the rates on others. This will make it harder for those with small deposits to get on the ladder. Other pathways into low deposit ownership, Help to Buy or Shared Ownership for example, may become more attractive as result.

The current rise in rates is likely to be temporary. As activity eases, lenders will be keen to remain competitive. The low interest rate environment will allow them to deliver affordable mortgage products with low rates, which will help sustain house prices.

The rental market is also showing signs of strength. RICS data showed 75% of surveyors reported rising levels of demand from tenants. This isn't quite matched by the levels of supply as only half of surveyors saw increasing numbers of new landlord instructions. This is still relatively high compared the long term trend however.

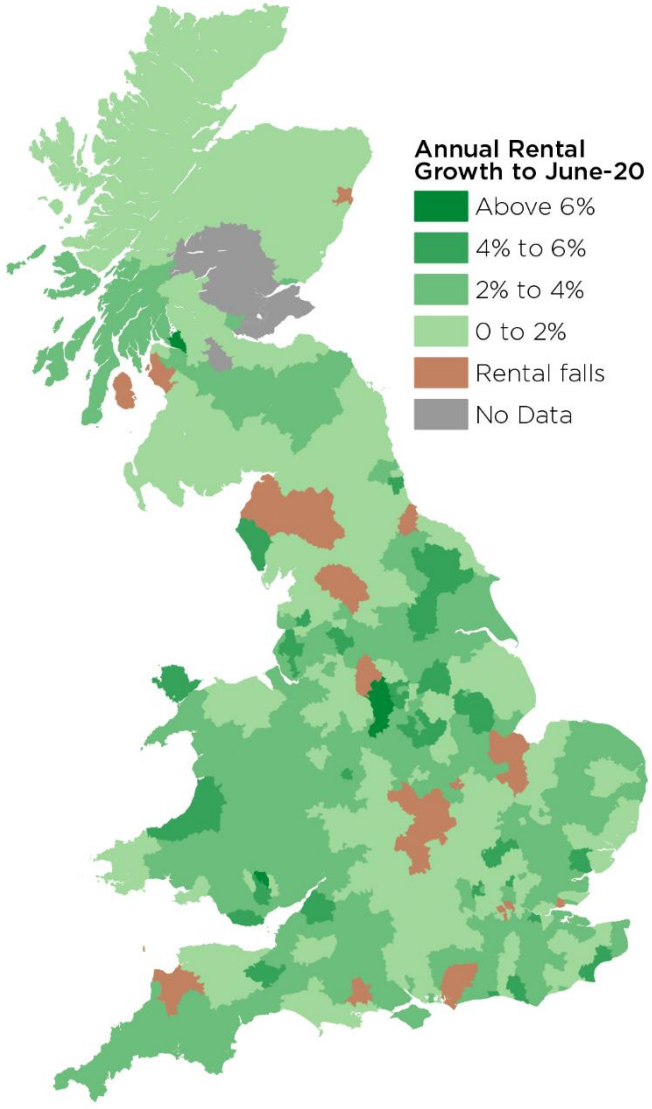
Rental growth for the country as a whole stood at 1.4% in the year to July. It was strongest in the South West at 2.5%, and weakest in Scotland, at 0.6%.

Figure 1 Annual house price growth, year to Mar-20



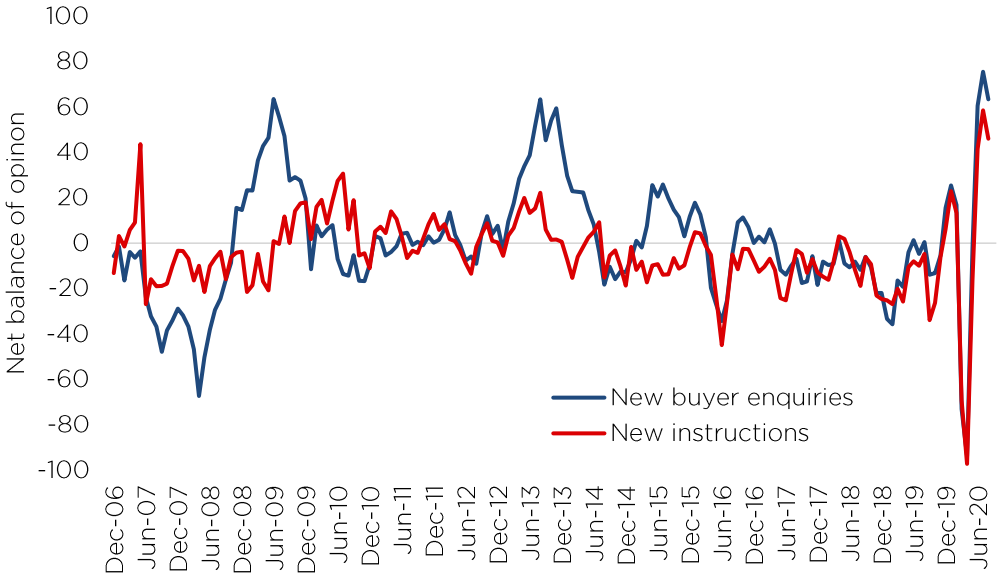
Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)*

Figure 2 Average rental value growth, year to June-20



Source Zoopla Rental Index – powered by Hometrack

Figure 3 The majority of surveyors continue to see rising levels of activity



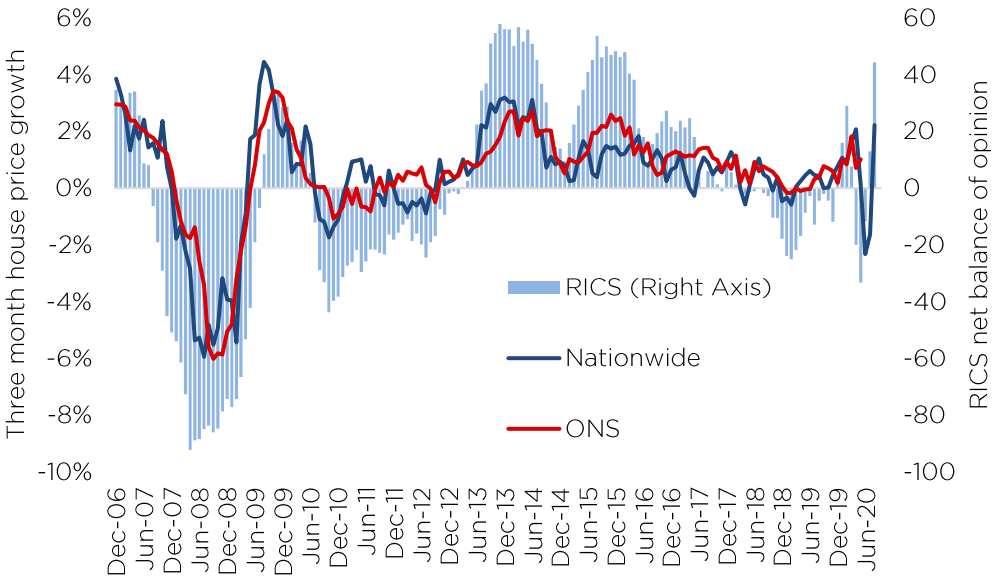
Source RICS (seasonally adjusted)

The RICS survey for August showed 82% of surveyors reporting rising numbers of new buyer enquiries, while only 73% saw rising levels of new instructions.

While still high, both metrics have declined slightly since last month, implying the rate of activity growth is slowing.

The gap between the number of new buyer enquiries and new instructions has been maintained. This is likely to be a driver behind the current levels of strong house price growth.

Figure 4 Strong bounce back in house price growth



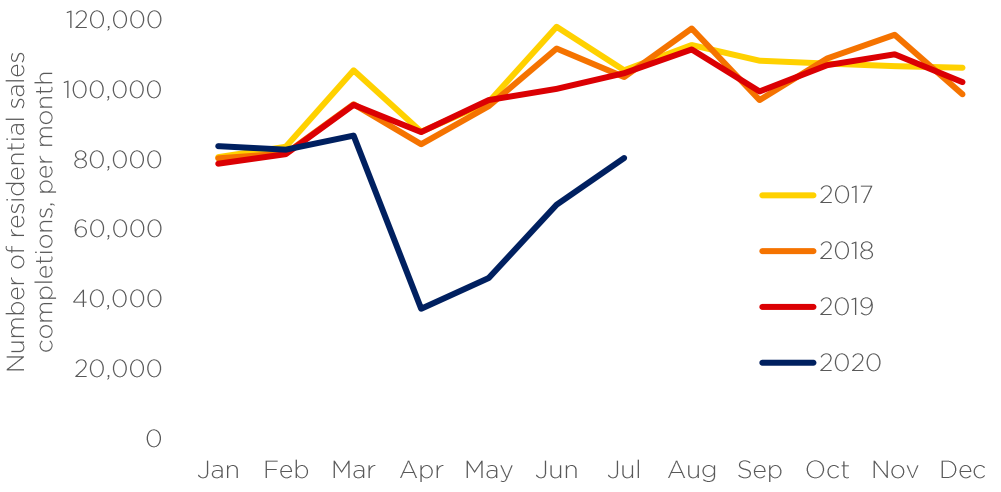
Source RICS, Nationwide, ONS

The RICS Survey can be a good early indicator of house price movements, which are later picked up by other indices. Given the current of rate of change, it may only reflect the current state of the market however.

August's survey saw price expectations jump to their highest level in four years.

Nationwide reported similarly strong growth, with their three month figure at its highest value in over six years.

Figure 5 Transaction activity is recovering at pace



Source HMRC

Data on actual completed transactions is not as timely as the forward indicators from RICS, or on sales subject to contract.

The latest data from HMRC shows that by July, completed transactions had recovered to 77% of their numbers the same time last year.

It is likely to continue rising over the coming months, based on the trend from forward indicators such as mortgage approvals.

Table 1 Recent house price growth

	Nationwide (to Jul-20 for UK, to Jun-20 for regions)			ONS (to May-20)			Savills (to Mar-20)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	2.2%	2.2%	3.7%	0.2%	1.0%	2.9%	0.1%	0.1%	2.2%
London	-	1.4%	2.0%	-1.2%	-0.3%	3.3%	0.0%	-0.3%	1.5%
South East	-	0.1%	2.2%	-1.2%	1.0%	2.0%	0.0%	-0.1%	0.6%
East of England	-	-0.2%	0.9%	-1.2%	-0.2%	0.7%	0.0%	-0.1%	0.5%
South West	-	1.2%	2.2%	-0.4%	1.6%	3.4%	0.1%	0.1%	1.5%
East Midlands	-	-1.5%	1.6%	-1.0%	1.2%	2.9%	0.3%	0.3%	2.8%
West Midlands	-	-0.8%	0.7%	0.7%	1.1%	3.4%	0.0%	0.2%	2.3%
North East	-	0.3%	-0.1%	4.6%	2.6%	4.4%	-0.2%	-0.3%	1.9%
Yorks & Humber	-	-1.8%	2.2%	2.6%	2.0%	4.9%	0.1%	0.0%	3.2%
North West	-	0.4%	5.1%	0.1%	1.2%	2.6%	0.2%	0.4%	4.0%
Wales	-	-2.2%	1.2%	1.5%	1.2%	4.8%	0.1%	0.4%	4.3%
Scotland	-	2.5%	3.7%	0.2%	0.3%	2.1%	-0.2%	-0.4%	2.7%

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

We are currently revising our house price forecasts to account for recent market developments and policy announcements. We hope to be able to share these with you soon. You can find our previous set of forecasts here.

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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 4

Gould Street, Manchester
Viability Assessment - Policy Compliant

Development Appraisal
Savills (UK) Ltd
24 September 2020

APPRAISAL SUMMARY — SAVILLS (UK) LTD

Gould Street, Manchester
Viability Assessment - Policy Compliant

Appraisal Summary for Merged Phases 1 2 3 4

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Block A	55	44,122	371.00	297,623	16,369,246
Block B	73	49,090	371.00	249,485	18,212,390
Phase 1 - Basement	37	0	0.00	15,000	555,000
Block A - Affordable Housing	14	11,231	219.95	176,448	2,470,268
Block B - Affordable Housing	18	12,954	221.63	159,498	2,870,967
Block C	84	58,606	371.00	258,843	21,742,826
Block D	52	40,346	371.00	287,853	14,968,366
Phase 2 - Basement	38	0	0.00	15,000	570,000
Block C - Affordable Housing	21	14,652	223.48	155,923	3,274,388
Block D - Affordable Housing	13	10,086	224.04	173,817	2,259,625
Block E	91	69,068	375.00	284,622	25,900,576
Block F	165	120,016	375.00	272,763	45,005,842
Phase 3 - Basement	5	0	0.00	15,000	75,000
Block E - Affordable Housing	23	17,457	224.18	170,154	3,913,549
Block F - Affordable Housing	42	30,549	224.11	163,008	6,846,343
Block G	105	73,788	374.00	262,825	27,596,618
Block H	129	120,639	374.00	349,760	45,118,986
Block I	207	137,887	400.00	266,448	55,154,710
Phase 4 - Basement	10	0	0.00	15,000	150,000
Block G - Affordable Housing	26	18,271	222.96	156,684	4,073,786
Block H - Affordable Housing	32	29,926	224.40	209,856	6,715,386
Block I - Affordable Housing	52	34,638	240.00	159,869	8,313,174
Totals	**1,292**	**893,325**			**312,157,046**

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase 3 Retail	1	1,070	15.00	16,050	16,050	16,050
Phase 4 - Retail	1	1,001	15.00	15,015	15,015	15,015
Totals	**2**	**2,071**			**31,065**	**31,065**

Investment Valuation

Phase 3 Retail					
Market Rent	16,050	YP @	9.0000%	11.1111	
(3mths Rent Free)		PV 3mths @	9.0000%	0.9787	174,532
Phase 4 - Retail					
Market Rent	15,015	YP @	9.0000%	11.1111	
(3mths Rent Free)		PV 3mths @	9.0000%	0.9787	163,277
Total Investment Valuation					**337,810**

GROSS DEVELOPMENT VALUE		**312,494,856**
Purchaser's Costs	(22,971)	
Effective Purchaser's Costs Rate	6.80%	
		(22,971)
NET DEVELOPMENT VALUE		**312,471,885**
NET REALISATION		**312,471,885**
OUTLAY		
ACQUISITION COSTS		
Residualised Price (Negative land)	(3,141,245)	
		(3,141,245)

CONSTRUCTION COSTS
Construction

	ft²	Build Rate ft²	Cost
Phase 3 Retail	1,070	84.11	90,000
Phase 4 - Retail	1,001	79.92	80,000
Block A	76,154	170.44	12,980,000

Gould Street, Manchester
Viability Assessment - Policy Compliant

Block B	79,352	181.22	14,380,000	
Phase 1 - Basement	21,116	99.92	2,110,000	
Block C	98,031	176.47	17,300,000	
Block D	63,974	178.67	11,430,000	
Phase 2 - Basement	20,540	99.81	2,050,000	
Block E	108,019	180.25	19,470,000	
Block F	191,526	184.31	35,300,000	
Phase 3 - Basement	8,005	99.94	800,000	
Block G	115,069	185.37	21,330,000	
Block H	138,001	183.33	25,300,000	
Block I	217,956	198.02	43,160,000	
Phase 4 - Basement	15,619	99.88	1,560,000	
Totals	**1,155,433 ft²**		**207,340,000**	**207,340,000**
Contingency		4.00%	8,293,600	
				8,293,600
Other Construction				
Public Realm	128 un	3,227.95 /un	413,178	
Abnormal Costs	128 un	3,901.83 /un	499,434	
Public Realm	136 un	3,227.95 /un	439,001	
Abnormal Costs	136 un	3,901.83 /un	530,649	
Public Realm	256 un	3,227.95 /un	826,355	
Abnormal Costs	256 un	3,901.83 /un	998,868	
Public Realm	441 un	3,227.95 /un	1,423,526	
Abnormal Costs	441 un	3,901.83 /un	1,720,707	
				6,851,719
PROFESSIONAL FEES				
Professional Fees		8.00%	16,835,365	
				16,835,365
MARKETING & LETTING				
Marketing, Sales & Legal		4.00%	5,687,970	
Marketing, Sales, Legal		4.00%	5,114,813	
Letting Agent Fee		10.00%	3,107	
Letting Legal Fee		5.00%	1,553	
				10,807,442
FINANCE				
Debit Rate 6.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				12,360,879
TOTAL COSTS				**259,347,760**
PROFIT				
				53,124,125

Performance Measures	
Profit on Cost%	20.48%
Profit on GDV%	17.00%
Profit on NDV%	17.00%
Development Yield% (on Rent)	0.01%
Equivalent Yield% (Nominal)	9.00%
Equivalent Yield% (True)	9.53%
IRR% (without Interest)	19.65%
Rent Cover	N/A
Profit Erosion (finance rate 6.000)	3 yrs 2 mths

Appendix 5

Gould Street, Manchester
Viability Assessment - Viable Scheme

Development Appraisal
Savills (UK) Ltd
24 September 2020

APPRAISAL SUMMARY — SAVILLS (UK) LTD

Gould Street, Manchester
Viability Assessment - Viable Scheme

Appraisal Summary for Merged Phases 1 2 3 4

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Block A	69	55,353	371.00	297,623	20,535,963
Block B	91	62,044	371.00	252,949	23,018,324
Phase 1 - Basement	37	0	0.00	15,000	555,000
Block C	105	73,258	371.00	258,845	27,178,718
Block D	65	50,432	371.00	287,850	18,710,272
Phase 2 - Basement	38	0	0.00	15,000	570,000
Block E	114	86,525	375.00	284,622	32,446,875
Block F	207	150,565	375.00	272,763	56,461,875
Phase 3 - Basement	5	0	0.00	15,000	75,000
Block G	131	92,059	374.00	262,825	34,430,066
Block H	161	107,701	374.00	250,187	40,280,174
Block I	259	172,525	400.00	266,448	69,010,000
Phase 4 - Basement	10	0	0.00	15,000	150,000
Totals	**1,292**	**850,462**			**323,422,267**

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase 3 Retail	1	1,070	15.00	16,050	16,050	16,050
Phase 4 - Retail	1	1,001	15.00	15,015	15,015	15,015
Totals	**2**	**2,071**			**31,065**	**31,065**

Investment Valuation

Phase 3 Retail					
Market Rent	16,050	YP @	9.0000%	11.1111	
(3mths Rent Free)		PV 3mths @	9.0000%	0.9787	174,532
Phase 4 - Retail					
Market Rent	15,015	YP @	9.0000%	11.1111	
(3mths Rent Free)		PV 3mths @	9.0000%	0.9787	163,277
Total Investment Valuation					**337,810**

GROSS DEVELOPMENT VALUE			**323,760,077**
Purchaser's Costs		(22,971)	
Effective Purchaser's Costs Rate	6.80%		
			(22,971)
NET DEVELOPMENT VALUE			**323,737,106**
NET REALISATION			**323,737,106**
OUTLAY			
ACQUISITION COSTS			
Residualised Price		1,360,600	
			1,360,600
Stamp Duty		59,030	
Effective Stamp Duty Rate	4.34%		
Agent Fee	1.50%	20,409	
Legal Fee	0.50%	6,803	
			86,242

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Phase 3 Retail	1,070	84.11	90,000
Phase 4 - Retail	1,001	79.92	80,000
Block A	76,154	170.44	12,980,000
Block B	79,352	181.22	14,380,000
Phase 1 - Basement	21,116	99.92	2,110,000
Block C	98,031	176.47	17,300,000
Block D	63,974	178.67	11,430,000
Phase 2 - Basement	20,540	99.81	2,050,000

Gould Street, Manchester
Viability Assessment - Viable Scheme

Block E	108,019	180.25	19,470,000	
Block F	191,526	184.31	35,300,000	
Phase 3 - Basement	8,005	99.94	800,000	
Block G	115,069	185.37	21,330,000	
Block H	138,001	183.33	25,300,000	
Block I	217,956	198.02	43,160,000	
Phase 4 - Basement	15,619	99.88	1,560,000	
Totals	**1,155,433 ft²**		**207,340,000**	
Contingency		4.00%	8,293,600	
				215,633,600
Other Construction				
Public Realm	160 un	3,227.95 /un	516,472	
Abnormal Costs	160 un	3,901.83 /un	624,293	
Public Realm	170 un	3,227.95 /un	548,751	
Abnormal Costs	170 un	3,901.83 /un	663,311	
Public Realm	321 un	3,227.95 /un	1,036,172	
Abnormal Costs	321 un	3,901.83 /un	1,252,487	
Public Realm	551 un	3,227.95 /un	1,778,600	
Abnormal Costs	551 un	3,901.83 /un	2,149,908	
				8,569,996
PROFESSIONAL FEES				
Professional Fees		8.00%	16,897,600	
				16,897,600
MARKETING & LETTING				
Marketing, Sales & Legal		4.00%	7,134,081	
Marketing, Sales, Legal		4.00%	5,748,810	
Letting Agent Fee		10.00%	3,107	
Letting Legal Fee		5.00%	1,553	
				12,887,550
FINANCE				
Debit Rate 6.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				13,262,305
TOTAL COSTS				**268,697,893**
PROFIT				
				55,039,213

Performance Measures	
Profit on Cost%	20.48%
Profit on GDV%	17.00%
Profit on NDV%	17.00%
Development Yield% (on Rent)	0.01%
Equivalent Yield% (Nominal)	9.00%
Equivalent Yield% (True)	9.53%
IRR% (without Interest)	17.73%
Rent Cover	N/A
Profit Erosion (finance rate 6.000)	3 yrs 2 mths