

Viability Assessment Review

Land off Pitsford Road, Manchester



Executive Summary

The RICS Professional Statement Financial Viability in Planning: Conduct and Reporting (1st Edition, May 2019) states that all FVAs **must** be accompanied by non-technical summaries of the report so that non-specialists can better understand them (ref: 2.11).

We summarise the key findings of this assessment below:

Applicant	Bellway Homes (Manchester)
Address	Land off Pitsford Road, Manchester
Scheme	88 x 2 storey family houses

Appraisal 1 - Private Sales Scheme

	Northern Land Agency	Savills
GDV	£30,517,000	£30,517,000
Open Market Sales Rate	£345 per sq. ft.	£345 per sq. ft.
Development Costs	£23,347,736	£24,413,600
Construction Costs	£13,886,493	£13,886,493
Contingency	£951,349 (5%)	£958,921 (5%)
Professional Fees	6% on construction costs and abnormal costs	6% on construction costs and abnormal costs
Abnormal Costs	£5,140,481	£5,409,135
Marketing and Sales Agent Fees	3% of GDV	3% of GDV
Sales Legal Fees	£1,000 per unit	£1,000 per unit
Finance Rate	7%	7%
Benchmark Land Value	£900,000	£900,000
EUV	£889,700 (BLV)	£889,700 (BLV)
Premium	0%	0%
Developer's Profit Margin	20% on GDV	20% on GDV
Residual Land Value	£868,000	£1,079,365
Viability Gap / Deficit	-£32,000	£179,365

Appraisal 2 – Policy Compliant Scheme

	Northern Land Agency	Savills
GDV	£28,086,250	£28,649,000
Blended Sales Rate	£318 per sq. ft.	£324 per sq. ft.
Development Costs	£21,119,941	£23,331,746
Construction Costs	£13,886,493	£13,886,493
Contingency	£951,349 (5%)	£958,921 (5%)
Professional Fees	6% on construction costs and abnormal costs	6% on construction costs and abnormal costs

Site Enabling & Abnormal Costs	£5,140,481	£5,409,135
Marketing and Sales Agent Fees	3% of private GDV	3% of private GDV
Sales Legal Fees	£1,000 per unit	£1,000 per unit
Finance Rate	7%	7%
Benchmark Land Value	£900,000	£900,000
EUV	£889,700 (BLV)	£889,700 (BLV)
Premium	0%	0%
Developer's Profit Margin	18.77%	18.56%
Residual Land Value	-£441,880	£419,143
Viability Gap / Deficit	-£1,341,880	-£480,857

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1. Introduction

We have been instructed to undertake an independent review of the Viability Statement produced by Northern Land Agency (NLA) on behalf of Bellway Homes (Manchester). The report has been prepared in respect of the proposed redevelopment of the Land off Pitsford Road, Manchester.

The proposed development is for 88 x low rise (2-storey) family houses bedroom houses.

We understand that although there is a 20% on site affordable housing policy requirement, NLA conclude that the Financial Viability Statement demonstrates that the affordable housing and planning contributions should be relaxed on viability grounds.

We have reviewed the assumptions made within their appraisal and have made our own assessment of what we believe to be viable in terms of the financial contribution in respect of affordable housing delivery.

Site & Location

The subject site is located in Monsall, an area in Manchester situated approximately 2 miles to the north east of the city centre. It is bordered by railway to the south (which serves the Manchester Victoria to Halifax service), Queens Road to the west, Pitsford Road and residential housing the north and industrial units at Wilsons Park Business Centre to the east.

The property (outlined in red below) is broadly rectangular in shape and extends to approximately 7.09 acres (2.87 ha). It comprises the former Wilsons Brewery and associated sidings. We understand that the site is level and has been cleared from its former industrial units for some time.

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Proposed Development

We summarise the accommodation schedule for the proposed 88 dwelling scheme below:

House Type	Type	Beds	No. Units	Unit Size (Sq. Ft.)	Total Sq. Ft.
Salter	Semi/Mews	2	12	767	9,204
Tailor	Semi	3	18	937	16,866
Tenterer	Semi	3	1	985	985
Lymner	Detached	3	23	985	22,655
Mason	Detached	3	19	1,059	20,121
Scrivener	Detached	4	3	1,214	3,642
Cartwright	Semi Townhouse	4	12	1,248	14,976
TOTAL:			88		88,449

The proposed development includes 12 x 2 bedroom houses, 61 x 3 bedroom houses and 15 x 4 bedroom houses.

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Planning Obligations

There is a requirement, as per Policy H8 of the Manchester Core Strategy, for 20% affordable housing (5% affordable rented and 15% intermediate housing) to be delivered on site and for Section 106 Contributions to be payable for items such as public open space, education, public transport and highways. This would equate to 18 affordable units based on the proposal above. This will be tested to assess whether it is viable within the report.

In terms of additional Section 106 contributions, it is not clear what Manchester City Council (MCC) would expect to see provided with a development of this nature.

CIL is currently not chargeable by Manchester City Council, therefore no CIL has been allowed for.

2. Benchmark Land Value

In accordance with the NPPF, the land value for a viability assessment should be a Benchmark Land Value (BLV).

The BLV is usually based upon the EUV plus a premium (EUV+) approach, although an Alternative Use Value (AUV) can also be used.

Existing Use Value

The property comprises former industrial land. We understand that it has been cleared for some time, is self-contained and well served by existing access.

NLA have assessed the BLV on the GMSF Viability Evidence Base. In adopting this approach, they comment that the site could be considered in industrial use although the significant time period since the site was in use, would suggest that a more conservative approach should be taken. NLA go on to comment that the site could be considered as incidental green space, however land in this use rarely transacts in the market, and if it did it would likely contain a premium to reflect a planning permission for an alternative use or hope value. In the instance of the subject site, NLA considered that market comparables will not be appropriate to assess EUV+/BLV.

Benchmark Land Value

NLA therefore consider that the GMSF Viability Evidence Base (now known as Places for Everyone) is the most reasonable and objective assessment of benchmark land value for the purposes of viability assessment. The relevant document is the “*Greater Manchester Spatial Framework Strategic Viability Report Stage 1 September 2020*”, and NLA have adopted the “Edge of Settlement Greenfield” BLA/gross ha which is £310,000. Based on the 2.87 ha site, this results in a value of £889,700. NLA therefore consider that a very conservative, objective assessment of BLV would be in the order of £900,000.

We consider this to be a fair assessment of the benchmark land value given the current condition of the site, and have therefore adopted a BLV of £900,000 in our appraisal.

3. Gross Development Value

100% Private Sales Scheme GDV

NLA have assessed the total GDV of the private sales scheme to be **£30,517,000**. We summarise the adopted sales values for the proposed scheme below:

House Type	Type	Beds	No. Units	Sq. Ft.	Total Sq. Ft.	Value	Per Sq. Ft.	Total Value
Salter	Semi/Mews	2	12	767	9,204	£275,000	£359	£3,300,000
Tailor	Semi	3	16	937	14,992	£335,000	£358	£5,360,000
Tailor*	Semi	3	2	937	1,874	£328,000	£350	£656,000
Tenterer	Semi	3	1	985	985	£350,000	£355	£350,000
Lymner	Detached	3	23	985	22,655	£350,000	£355	£8,050,000
Mason	Detached	3	19	1,059	20,121	£365,000	£345	£6,935,000
Scrivener	Detached	4	3	1,214	3,642	£420,000	£346	£1,260,000
Cartwright	Semi TH	4	10	1,248	12,480	£385,000	£308	£3,850,000
Cartwright**	Semi TH	4	2	1,248	2,496	£378,000	£303	£756,000
TOTAL:			88		88,449		£345	£30,517,000

*plots 35 and 36 single car space

**plots 12 and 13 single car space

In total the 88 dwellings produces an total GDV of £30,517,000 which reflects an average price of £345 per sq. ft..

Policy Compliant Scheme GDV

NLA have assessed the total GDV of the policy compliant scheme to be **£28,086,250**. They have assumed that 3 x Salter and 3 x Tailor dwellings would be provided as intermediate units and 9 x Salter and 3 x Tailor dwellings would be provided as affordable rent. They have priced the intermediate units (assumed to be shared ownership) at 70% of the private sales values and the affordable rent units at 45% of the private sales values. We summarise the adopted affordable sales values for the scheme below:

House Type	Type	Beds	No. Units	Sq. Ft.	Total Sq. Ft.	Value	Per Sq. Ft.	Total Value
Salter AR	Semi/Mews	2	9	767	6,903	£137,500	£179	£1,237,500
Salter IH	Semi/Mews	2	3	767	2,301	£178,750	£233	£536,250
Tailor AR	Semi	3	3	937	2,811	£150,750	£161	£452,250
Tailor IH	Semi	3	3	937	2,811	£217,750	£232	£653,250
TOTAL:			18		14,826		£194	£2,879,250

In total the 18 affordable dwellings produce an total GDV of £2,879,250 which reflects an average price of £194 per sq. ft..

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We would comment that based on our calculations, the above figures are incorrect when calculating the % of MV from the private sales scheme. We have provided a table below which details the revised values that we have calculated:

House Type	Type	Beds	No. Units	Sq. Ft.	Total Sq. Ft.	Value	Per Sq. Ft.	Total Value
Salter AR	Semi/Mews	2	9	767	6,903	£123,750	£161	£1,113,750
Salter IH	Semi/Mews	2	3	767	2,301	£192,500	£251	£577,500
Tailor AR	Semi	3	3	937	2,811	£150,750	£161	£452,250
Tailor IH	Semi	3	3	937	2,811	£234,500	£250	£703,500
Tailor	Semi	3	10	937	9,370	£335,000	£358	£3,350,000
Tailor*	Semi	3	2	937	1,874	£328,000	£350	£656,000
Tenterer	Semi	3	1	985	985	£350,000	£355	£350,000
Lymner	Detached	3	23	985	22,655	£350,000	£355	£8,050,000
Mason	Detached	3	19	1,059	20,121	£365,000	£345	£6,935,000
Scrivener	Detached	4	3	1,214	3,642	£420,000	£346	£1,260,000
Cartwright	Semi TH	4	10	1,248	12,480	£385,000	£308	£3,850,000
Cartwright**	Semi TH	4	2	1,248	2,496	£378,000	£303	£756,000
TOTAL:			88		88,449		£317	£28,054,000

Based on our calculations, in total the 70 private sale dwellings and 18 affordable dwellings produces an total GDV of £28,054,000 which reflects an average price of £317 per sq. ft..

Residential Sales Market Commentary

NLA have undertaken a review of local markets when considering the above values. We summarise the market research below:

New Build Asking Prices

Development	Average Value Per Sq. Ft.
Collyhurst Village - FEC	£294
Saxon Square – Lovell Homes	£355
Daisy Bank – Splash Developments	£316
Cotton Mews – unknown developer	£289
New Hall Gardens – Stonewhite Developments Ltd	£356
Carmona Court – unknoww developer	£446
The Fairway Views – MSB	£300
The Mount – Bellway	£394

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New Build Sales Evidence

Development	Average Value Per Sq. Ft.
Brunswick PFI – S4B	£287
Platinum Place – Lovell Homes	£391
Miles Platting – Lovell Homes	£263
Clarksville Farm – Abraham Halpern	£248
Belle Vue Place – Countryside	£302
The Gateway – Lovell Homes	£388

NLA have discounted a number of the above schemes on the basis that they are not comparable to the subject site.

NLA consider the Lovell Homes scheme at Miles Platting, and the Far East Consortium scheme at Collyhurst Village, Thornton Street North to be the principle comparable sites.

We have undertaken a review of the residential market to inform our opinion of appropriate GDV for the proposed development.

Collyhurst Village, Collyhurst - FEC

Unit Type	Area (Sq. Ft.)	Asking Price	Price Per Sq. Ft.
3 bedroom 3st townhouse	1,129	£355,000 - £360,000	£314 - £319
2 bedroom 3st townhouse	921	£269,995 - £272,995	£293 - £296
Total:			£308

Collyhurst Village is a development of by FEC that comprises a mix of 2, 3, and 4 bedroom homes and forms part of the wider Victoria North regeneration. It is located approximately 0.5 miles north west of the subject site. We understand that sales across the first releases went well and FEC have recently released prices for the next release. The most recent asking prices reflect an average value of £308 per sq. ft. We would expect the sales values at the subject to be similar to those being achieved at Collyhurst Village, albeit the units at Collyhurst Village comprises terraced 3 storey townhouses whereas the subject comprises traditional two storey housing. On balance, we would therefore expect a higher value per sq. ft. at the subject site.

Saxon Square, Miles Platting – Lovell Homes

Unit Type	Area (Sq. Ft.)	Asking Price	Price Per Sq. Ft.
4 bedroom 3st townhouse	1,398	£389,950 - £494,950	£350 - £354
4 bedroom 3st townhouse	1,337	£469,950 - £479,950	£351 - £359
Total:			£354

Unit Type	Area (Sq. Ft.)	Sold Price	Price Per Sq. Ft.	Date
4 bedroom 3st townhouse	1,398	£489,950	£350	February 2024
4 bedroom 3st townhouse	1,337	£469,950	£351	December 2023
Total:			£351	

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Saxon Square is a development of 28 x 2, 3 and 4 bedroom homes in Miles Platting by Lovell Homes. The development is situated approximately 0.8 miles to the south of the subject site, closer to the city centre. The most recent asking prices reflect an average value of £354 per sq. ft. and recent sales evidence reflect an average value of £351 per sq. ft.. The units at Saxon Square comprise a mix of two storey and three storey properties, but the comparables above all comprise 4-bedroom three storey units. Due to the location of the subject site further away from the city centre, we would not expect the subject site to achieve similar values to Saxon Square. However, the units at Saxon Square are larger three storey townhouses that typically command a lower value per sq. ft. than traditional two storey housing. On balance, we would expect the subject site to achieve similar values per sq. ft. to reflect the traditional two storey housing, but inferior location.

The Gateway, Ancoats/Miles Platting – Lovell Homes

Unit Type	Area (Sq. Ft.)	Sold Price	Price Per Sq. Ft.	Date
4 bedroom 3st townhouse	1,337	£514,950	£385	January 2023
4 bedroom 3st townhouse	1,253	£494,950	£395	June 2023
3 bedroom 3st townhouse	1,094	£449,950	£411	June 2023
3 bedroom 3st townhouse	1,094	£444,950	£407	October 2023
3 bedroom 3st townhouse	1,094	£444,950	£407	October 2023
3 bedroom 3st townhouse	1,094	£444,950	£407	June 2023
Total:			£401	

The Gateway is another development by Lovell Homes situated in the Miles Platting regeneration area. This development, that is located off Oldham Road, comprises a mix of 2-bedroom apartments and 3 and 4 bedroom homes. The most recent sales prices reflect an average value of £401 per sq. ft.. The development is located in a superior location to the subject site, being closer to the city centre and located on Oldham Road, an area that has seen a number of new developments come forward over the past 12 months. It is also located much closer to the amenities of the city centre as well as popular residential location of Ancoats. We would therefore not expect the subject site to achieve the values noted above.

Mulino Walk, Ancoats - Plumlife

Unit Type	Area (Sq. Ft.)	Reserved Price	Price Per Sq. Ft.
3 bedroom 3st townhouse	1,119	£415,000 - £430,000	£371 - £384
3 bedroom 3st townhouse	1,119	£410,000 - £425,000	£366 - £380
2 bedroom 3st townhouse	850	£320,000 - £325,000	£376 - £382
Total:			£373

Mulino Walk is a development by Plumlife that comprises a mix of 2- and 3-bedroom homes, available for Shared Ownership. We have obtained the price list for the units, and their full market value. We understand that the units have all now been reserved, with the average price at £373 per sq. ft.. The development is situated approximately 1.3 miles south west of the subject site at the back of New Islington. Due to the superior location of Mulino Walk, being closer to the city centre, we would not expect the subject site to achieve the same high values.

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Daisy Bank, Newton Heath – Splash Developments

Unit Type	Area (Sq. Ft.)	Sold Price	Price Per Sq. Ft.
3 bedroom 2.5st semi	950	£299,995	£316
Total:			£316

We have also reviewed second hand sales values, both from within 1 mile of the subject site, but also across the Miles Platting area of Manchester.

Second Hand – Within 1 mile

Unit Type	Area (Sq. Ft.)	Sold Price	Price Per Sq. Ft.
2 bedroom	581	£159,000	£274
3 bedroom	689 – 990	£150,000 - £240,000	£188 - £242
Total:			£225

Second Hand sales values for houses within 1 miles of the subject site average £225 per sq. ft.. A 2-bedroom property sold for £159,000 (£274 per sq. ft.) and the 3-bedroom properties sold for values between £150,000 - £240,000 (£188 - £242 per sq. ft.).

Second Hand – Miles Platting

Unit Type	Area (Sq. Ft.)	Sold / Asking Price	Price Per Sq. Ft.
2 bedroom	763 – 780	£280,000 - £317,500	£359 - £416
3 bedroom	848 – 993	£280,000 - £350,000	£326 - £401
4 bedroom	1367 – 1507	£400,000 - £455,000	£265 - £333
Total:			£335

Second hand sales values for houses previously new-build properties in Miles Platting average £335 per sq. ft..

100% Private Sales Scheme GDV

We consider the suggested sales values by NLA for the housing to be reasonable based on the above comparable evidence. We have therefore adopted NLA's GDV of £30,517,000 in our assessment.

Policy Compliant Scheme GDV

We have reviewed the policy compliant GDV and note that there is an error in the calculations for some of the units. Furthermore, as per Policy H8 of the Manchester Core Strategy, there is a requirement for 25% of the affordable housing to be provided as 'affordable rent' and 75% to be required for 'intermediate housing', however NLA's policy compliant scheme does not include this mix.

We have therefore amended the affordable units and valued the policy compliant scheme as follows:

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House Type	Type	Beds	No. Units	Sq. Ft.	Total Sq. Ft.	Value	Per Sq. Ft.	Total Value
Salter AR	Semi/Mews	2	4	767	3,068	£123,750	£161	£495,000
Salter IH	Semi/Mews	2	8	767	6,136	£192,500	£251	£1,540,000
Tailor IH	Semi	3	6	937	5,622	£234,500	£250	£1,407,000
Tailor	Semi	3	10	937	9,370	£335,000	£358	£3,350,000
Tailor*	Semi	3	2	937	1,874	£328,000	£350	£656,000
Tenterer	Semi	3	1	985	985	£350,000	£355	£350,000
Lymner	Detached	3	23	985	22,655	£350,000	£355	£8,050,000
Mason	Detached	3	19	1,059	20,121	£365,000	£345	£6,935,000
Scrivener	Detached	4	3	1,214	3,642	£420,000	£346	£1,260,000
Cartwright	Semi TH	4	10	1,248	12,480	£385,000	£308	£3,850,000
Cartwright**	Semi TH	4	2	1,248	2,496	£378,000	£303	£756,000
TOTAL:			88		88,449		£324	£28,649,000

NLA have assumed that the 18 affordable dwellings would be provided as the Salter and Tailor house types which are 2- and 3-bedroom house types respectively. They have priced the affordable rent dwellings at 45% of market value and the shared ownership dwellings at 70% of market value.

As per Policy H8 of the Manchester Core Strategy, there is a requirement for 25% of the affordable housing to be provided as 'affordable rent' and 75% to be required for 'intermediate housing'. This equates to 4 affordable rent units and 14 intermediate housing units at the subject site. We have assumed that 4 affordable rent dwellings would be provided as the Salter house type, and the 14 intermediate housing dwellings would be provided as the Salter and Tailor house types (8 will be Salter and 6 will be Tailor).

This results in a total GDV of £28,649,000 for the policy compliant scheme which is £562,750 higher than the values adopted by NLA.

4. Development Costs and Timescales

Construction Costs

NLA have adopted base build costs of £157 per sq. ft. for the 88 dwellings. This is based on NLA's experience, professional judgement and a study of the application drawings. NLA have also had regard to BCIS data to compare the adopted base build cost. BCIS does not account for external works, so assuming that these are in the order of 20% of the total new build residential costs, then the figure adopted by NLA would equate to £1,408 per sq. m., which is below the Lower Quartile Figure of the BCIS for new build estate housing in the semi-detached typology (£1,411 per sq. m.).

We have reviewed these against BCIS data and other recent schemes that we have been involved in. The lower quartile BCIS costs for Estate Housing generally in Manchester is £124.21 per sq. ft. and the mean BCIS costs are £146.97 per sq. ft.. BCIS costs are inclusive of preliminary costs, but exclusive of external works. We would expect the build costs to fall within these two figures for a housing development of this scale, but note that external works also need to be considered on top of these. We therefore have adopted the base build costs adopted by NLA as they appear commensurate with what we would expect for a housing development such as the one proposed by Bellway.

Abnormal Costs

For the abnormal costs, NLA have relied upon an Abnormal Costs Breakdown provided by Bellway, dated April 2024 (**Appendix 1**).

We understand from NLA, that the Abnormal Costs Breakdown has been prepared by Bellway's internal estimating department. It assesses abnormal costs totalling £6,140,481 which equates to £58,415 per plot, across the 88 dwellings or £58.12 per sq ft across the 88,489 sq. ft. GIA. We summarise the cost plan below:

Cost Item	Abnormal Costs	
	Cost	Cost Per Sq. Ft.
Cut/Fill & Abnormal Material	£1,954,022	£22.08
Attenuation	£927,837	£10.49
Retaining Walls	£699,669	£7.91
Abnormal Spoil Management	£367,899	£4.16
Foundations	£802,745	£9.07
Noise Mitigation	£173,884	£1.97
Services	£39,425	£0.45
Additional Costs	£175,000	£1.98
Total:	£5,140,481	£58.09

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We would consider abnormal costs of £58 per sq. ft. to be high in most circumstances. This being said, we have reviewed the costs and note that there is considerable cost for cut/fill and abnormal material (£1,954,022). We have reviewed the Phase II Geoenvironmental Site Assessment that has been conducted by e3p and note that Japanese Knotweed has been identified in sporadic areas, particularly the northeast of the site. We have raised this with NLA who comment that there is an additional £367,899 cost for abnormal spoil management, on top of the spoil removal that Sirius will undertake because of works that are required after the remediation contract is complete. We have also been provided with a quotation by NLA that has been sent to the applicant by Sirius.

On this basis, we consider the abnormal costs due be reasonable and aligned with the works required.

NLA have also made us aware that since the Viability Assessment was submitted, it has emerged through planning that an additional unaccounted for abnormal cost needs to be recognised within the appraisal. This is due to discussions with the Council and the requirement on Bellway providing a total of 1,044m of railings which are not depicted on the application drawings. These come at a cost of £145 per linear metre, totalling £151,454.

We have therefore included this additional cost within our appraisal, meaning that the total abnormal costs are **£5,291,935**.

Other Development Costs

NLA have also allowed for the following development cost assumptions:

Cost Item	Rate
Professional Fees	6% on construction costs and abnormal costs
Contingency	5% of total construction budget
Marketing and Sales Agent Fees	3% of GDV on the private dwellings
Sales Legal Fees	£1,000 per dwelling
Finance	7%
Site Acquisition Costs	1% for agency fees and £40,000 for legal fees
Biodiversity Net Gain	£117,200 (5.86 credits @ £20,000 per credit)

Professional Fees: NLA have allowed for professional fees of 6%. We would usually expect to see professional fees in the order of 6% and 8% for residential developments of this scale. We therefore consider the assumption of 6% to be reasonable.

Contingency: We would typically expect to see contingency in the order of 3% and 5%. We therefore consider the assumption of 5% to be reasonable.

Marketing and Sales Agent Fees: NLA have adopted sales agents fees of 3% of the GDV for the private dwellings. We consider this to be a reasonable assumption and have adopted this within our appraisal.

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Sales Legal Fees: NLA have adopted sales legal fees at £1,000 per dwelling. We would usually expect to see legal fees in the order of £750 - £1,000 per unit for residential developments of this scale. We therefore consider £1,000 per unit to be a reasonable assumption and have adopted this within our appraisal.

Finance: NLA have adopted finance costs at 7%. We consider this to be a reasonable assumption and have adopted this within our appraisal.

Site Acquisition Costs: NLA have included 1% sales agent fees and £40,000 for legal fees. We consider these to be reasonable but have also allowed for SDLT at prevailing rates, which NLA have not included.

Developer's Return

From our knowledge and experience of the development land market, it is usual for residential developers in the North West region to seek a profit margin of 20% on GDV.

NLA comment that as the site is technically challenging with a large element of abnormal costs they would expect a profit margin to be at the upper end of the NPPG guide range of 15% to 20% on GDV. NLA have therefore targeted a profit margin of 20% on GDV for the market sale appraisal. NLA consider a profit margin of 8% on GDV to be appropriate for the affordable housing to reflect the reduced sales risk with the dwellings being pre-sold to a Registered Provider. This results in a blended profit margin of 18.77% on GDV for the policy compliant scheme.

We consider this to be a reasonable assumption in the current climate and have adopted this within our appraisal.

Timescales

NLA have adopted the following timescales informed by the applicant:

- 39 months construction period;
- 30 months sales period.

NLA have assumed a 30 months sale period assuming 3 sales per month, with the first sale commencing 12 months into the construction period. This results in a total development period of 41 months.

We consider the above assumptions to be reasonable, but think that there should be a pre-construction period to allow for site remediation, spoil management and site access as opposed to all of the abnormal costs being within the construction period. We have therefore adopted the following timescales:

- 4 months pre-construction period;
- 35 months construction period;
- 30 months sales period.

We have assumed a 30 months sale period assuming 3 sales per month, with the first sale commencing 8 months into the construction period.

5. Development Appraisals

We have used ARGUS Developer software to undertake appraisals based on our amended assumptions.

Private Sales Appraisal

We have run a residual appraisal assuming no affordable housing is provided on site.

Based on our adopted assumptions including a developers profit margin of 20% on GDV this results in a residual land value of £1,079,364, say **£1,080,000**. We attach a copy of the appraisal summary at **Appendix 2**.

This is £180,000 higher than our adopted BLV of £900,000, which suggests that the applicant could support a financial contribution on site.

Policy Compliant Appraisal

We have run a residual appraisal assuming a policy compliant level of affordable housing (18 dwellings) is provided on site.

Based on our adopted assumptions including a developers profit margin of 18.56% on GDV this results in a residual land value of £419,143, say **£420,000**. We attach a copy of the appraisal summary at **Appendix 3**.

This is £480,000 lower than our adopted BLV of £900,000, which suggests that the application would not be able to support a financial contribution or provide affordable housing on site.

Alternative Policy Compliant Appraisal

We have run a third appraisal, to assess what level of affordable housing could be provided on site. For this, we have assumed a policy compliant level of affordable housing (18 dwellings) is delivered, but that these are delivered as discounted market sale units at 80% of Market Value. We have explored the discounted market sale option on the basis that there is currently no S106 market for affordable units.

Based on our adopted assumptions including a developers profit margin of 20% on GDV this results in a residual land value of £898,372, say **£898,000**. We attach a copy of the appraisal summary at **Appendix 4**.

This is marginally lower than our adopted BLV of £900,000, which suggests that the applicant could support the delivery of a policy compliant level of affordable housing (18 dwellings), delivered as discounted market sale.

Viability Assessment Review

Land off Pitsford Road, Manchester



Sensitivity Analysis

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

On the policy complaint appraisal, we have kept all other inputs constant but have varied the construction costs and sales values at a rate of £2.50 per sq. ft.. This produces a range of residual land values from **-£320,420** to £1,154,850. We have attached a summary of the sensitivity analysis at **Appendix 5**.

The sensitivity analysis highlights that even if construction costs decreased by £2.50 per sq. ft. and sales values increased by £2.50 per sq. ft. the residual land value would increase to £787,103 which is still below the adopted BLV.

6. Conclusion

As instructed, we have reviewed the Viability Assessment that was submitted as part of the planning application for the site.

We have adopted the same BLV of £900,000 within our assessment.

We consider the sales value assumptions adopted by NLA in their assessment to be reasonable, and have therefore adopted these within our assessment. This is save for the policy compliant GDV, where we noticed an error in their assumptions. The revised policy compliant GDV is £28,649,000.

We consider the build costs and other development costs adopted by DPC to be reasonable. There is a slight difference in the costs adopted in our appraisals, because NLA made us aware that since the Viability Assessment was submitted, it has emerged through planning that an additional unaccounted for abnormal cost needs to be recognised within the appraisal. This is due to discussions with the Council and the requirement on Bellway providing a total of 1,044m of railings which are not depicted on the application drawings. These come at a cost of £145 per linear metre, totalling £151,454. We have therefore included this additional cost within our appraisal, meaning that the total abnormal costs are £5,291,935. We consider the timescales suggested by NLA to be reasonable.

We have run a residual appraisal for both a private sales scheme and a policy compliant scheme. The private sales scheme results in a residual land value of £1,079,364, say **£1,080,000** which is £180,000 higher than our adopted BLV of £900,000. This suggests that the proposed development could support a financial contribution on site.

The policy compliant scheme results in a residual land value of £419,143, say £420,000. This is £480,000 lower than our adopted BLV of £900,000, which suggests that the proposed development would not be able to support a financial contribution or provide affordable housing on site.

We have undertaken a sensitivity analysis for the scheme, exploring the potential changes to the residual land value based on varying the construction costs and sales values at a rate of £2.50 per sq. ft.. The analysis shows that even if construction costs decreased by £2.50 per sq. ft. and sales values increased by £2.50 per sq. ft. the residual land value would increase to £787,103 which is still below the adopted BLV.

We have therefore undertaken a third appraisal to test the level of affordable housing that could be delivered on site. We assumed a policy compliant level of affordable housing (18 dwellings) is delivered, but that these are delivered as discounted market sale units at 80% of Market Value.

This scheme results in a residual value of £898,372, say **£898,000**. This is marginally lower than our adopted BLV of £900,000, which suggests that the proposed development could support the delivery of a policy compliant level of affordable housing (18 dwellings), delivered as discounted market sale.

Based on the above, we recommend that the applicant delivers a policy compliant level of affordable housing (18 dwellings), but that these are delivered as discounted market sales units at 80% of the Market Value. On this basis, a late stage review is not required.

7. 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.

Viability Assessment Review

Land off Pitsford Road, Manchester



Appendices

Appendix 1 – Abnormal Costs Breakdown

Pitsford Rd - DRAFT Abnormal Costs Breakdown 02.04.2024

2	CUT/FILL & ANBNORMAL MATERIAL	Ground remediation	£1,954,022	£1,954,022
3	ATTENUATION	Attenuation manholes (E.O) Attenuation pipework (E.O) Oversize hydrobrake manhole inc. penstock & overflow Reduced level dig E.O large opening to manhole & 225mm manhole backdrop E.O FW deeper manholes E.O FW deeper pipes	£178,200 £688,300 £35,000 £22,662 £1,075 £1,100 £1,500	£927,837
4	RETAINING WALLS	450mm flag on edge 3000mm eco-crib retaining wall 3250mm eco-crib retaining wall 900mm brick retaining wall Edge protection to retaining walls	£14,970 £531,783 £95,540 £45,188 £12,188	£699,669
5	ABNORMAL SPOIL MANAGEMENT	Import capping layer Import topsoil Cart excavated material from EO attenuation Cart excavated material from EO foundations	£71,466 £117,382 £166,010 £13,041	£367,899
6	FOUNDATIONS	Foundations - x 89 plots driven pile CS2 gas membrane x 89 plots	£740,000 £62,745	£802,745
7	NOISE MITIGATION	E.O acoustic fencing to train line Purge ventilation & MVHR	£63,900 £109,984	£173,884
8	SERVICES	Substation Substation foundation	£34,925 £4,500	£39,425
9	ADDITIONAL COSTS	Works to Form Site Access	£175,000	£175,000

All abnormal development costs: £5,140,481

Viability Assessment Review

Land off Pitsford Road, Manchester



Appendix 2 – Private Sales Scheme

Pitsford Road
100% private scheme

Development Appraisal
Savills
11 October 2024

APPRAISAL SUMMARY**SAVILLS****Pitsford Road
100% private scheme****Appraisal Summary for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private	88	88,449	345.02	346,784	30,517,000

NET REALISATION**30,517,000****OUTLAY****ACQUISITION COSTS**

Residualised Price			1,079,364		
				1,079,364	
Stamp Duty			43,468		
Effective Stamp Duty Rate		4.03%			
Agent Fee		1.00%	10,794		
Legal Fee			40,000		
				94,262	

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Private	88,449	157.00	13,886,493	13,886,493

Other Construction Costs

Remediation			1,954,022	
Attenuation			927,837	
Retaining Walls			699,669	
Spoil Management			367,899	
Foundation Abnormals			802,745	
Noise Mitigation			173,884	
Services Abnormals			39,425	
Works to Form Site Access			175,000	
BNG Contribution			117,200	
Enhanced railings			151,454	
Contingency		5.00%	958,921	
				6,368,056

PROFESSIONAL FEES

Professional Fees		6.00%	1,150,706	
				1,150,706

MARKETING & LETTING

Marketing and Sales Agents		3.00%	915,510	
				915,510

DISPOSAL FEES

Sales Legal Fee	88 un	1,000.00 /un	88,000	
				88,000

TOTAL COSTS BEFORE FINANCE**23,582,390****FINANCE**

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			203,495	
Construction			627,715	
Total Finance Cost				831,210

TOTAL COSTS**24,413,600****PROFIT****6,103,400****Performance Measures**

APPRAISAL SUMMARY

SAVILLS

Pitsford Road

100% private scheme

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	35.97%
Profit Erosion (finance rate 7.000)	3 yrs 3 mths

Appendix 3 – Policy Compliant Scheme

Pitsford Road
20% Affordable scheme

Development Appraisal
Savills
11 October 2024

APPRAISAL SUMMARY**SAVILLS****Pitsford Road
20% Affordable scheme****Appraisal Summary for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private	70	73,623	342.38	360,100	25,207,000
Intermediate Housing	14	11,758	250.64	210,500	2,947,000
Affordable Rent	<u>4</u>	<u>3,068</u>	161.34	123,750	<u>495,000</u>
Totals	88	88,449			28,649,000

NET REALISATION **28,649,000****OUTLAY****ACQUISITION COSTS**

Residualised Price		419,143	
			419,143
Agent Fee	1.00%	4,191	
Legal Fee		40,000	
			44,191

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Private	73,623	157.00	11,558,811
Intermediate Housing	11,758	157.00	1,846,006
Affordable Rent	<u>3,068</u>	157.00	<u>481,676</u>
Totals	88,449 ft²		13,886,493
			13,886,493

Other Construction Costs

Remediation		1,954,022	
Attenuation		927,837	
Retaining Walls		699,669	
Spoil Management		367,899	
Foundation Abnormals		802,745	
Noise Mitigation		173,884	
Services Abnormals		39,425	
Works to Form Site Access		175,000	
BNG Contribution		117,200	
Enhanced railings		151,454	
Contingency	5.00%	958,921	
			6,368,056

PROFESSIONAL FEES

Professional Fees	6.00%	1,011,045	
			1,011,045

MARKETING & LETTING

Marketing and Sales Agents	3.00%	756,210	
			756,210

DISPOSAL FEES

Sales Legal Fee	88 un	1,000.00 /un	88,000
			88,000

TOTAL COSTS BEFORE FINANCE **22,573,138****FINANCE**

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Land		83,884	
Construction		674,723	
Total Finance Cost			758,607

TOTAL COSTS **23,331,746**

APPRAISAL SUMMARY

SAVILLS

Pitsford Road
20% Affordable scheme

PROFIT

5,317,254

Performance Measures

Profit on Cost%	22.79%
Profit on GDV%	18.56%
Profit on NDV%	18.56%
IRR% (without Interest)	34.79%
Profit Erosion (finance rate 7.000)	2 yrs 12 mths

Appendix 4 – Alternative Policy Compliant Scheme

Pitsford Road
20% Affordable Housing Scheme - DMS

Development Appraisal
Savills
11 October 2024

APPRAISAL SUMMARY**SAVILLS****Pitsford Road
20% Affordable Housing Scheme - DMS****Appraisal Summary for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private	70	73,623	342.38	360,100	25,207,000
Affordable - DMS	<u>18</u>	<u>14,826</u>	293.27	241,556	<u>4,348,000</u>
Totals	88	88,449			29,555,000

NET REALISATION**29,555,000****OUTLAY****ACQUISITION COSTS**

Residualised Price			898,372		
				898,372	
Stamp Duty			34,419		
Effective Stamp Duty Rate		3.83%			
Agent Fee		1.00%	8,984		
Legal Fee			40,000		
				83,402	

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost		
Private	73,623	157.00	11,558,811		
Affordable - DMS	<u>14,826</u>	157.00	<u>2,327,682</u>		
Totals	88,449 ft²		13,886,493		
				13,886,493	

Other Construction Costs

Remediation			1,954,022		
Attenuation			927,837		
Retaining Walls			699,669		
Spoil Management			367,899		
Foundation Abnormals			802,745		
Noise Mitigation			173,884		
Services Abnormals			39,425		
Works to Form Site Access			175,000		
BNG Contribution			117,200		
Enhanced railings			151,454		
Contingency		5.00%	842,537		
				6,251,672	

PROFESSIONAL FEES

Professional Fees		6.00%	1,011,045		
				1,011,045	

MARKETING & LETTING

Marketing and Sales Agents		3.00%	756,210		
				756,210	

DISPOSAL FEES

Sales Legal Fee	70 un	1,000.00 /un	70,000		
				70,000	

TOTAL COSTS BEFORE FINANCE**22,957,194****FINANCE**

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)					
Land			178,903		
Construction			507,903		
Total Finance Cost				686,806	

TOTAL COSTS**23,644,000**

Pitsford Road**20% Affordable Housing Scheme - DMS****PROFIT****5,911,000****Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	38.67%
Profit Erosion (finance rate 7.000)	3 yrs 3 mths

Appendix 5 – Sensitivity Analysis

Pitsford Road
20% Affordable scheme

Development Appraisal
Savills
11 October 2024

Pitsford Road
20% Affordable scheme

Table of Land Cost and Land Cost

Sales: Rate /ft²					
Construction: Rate /ft²	-5.00 /ft²	-2.50 /ft²	0.00 /ft²	+2.50 /ft²	+5.00 /ft²
-5.00 /ft²	-£543,325	-£696,206	-£849,081	-£1,001,969	-£1,154,850
152.00 /ft²	-£543,325	-£696,206	-£849,081	-£1,001,969	-£1,154,850
-2.50 /ft²	-£328,248	-£481,278	-£634,222	-£787,103	-£939,984
154.50 /ft²	-£328,248	-£481,278	-£634,222	-£787,103	-£939,984
0.00 /ft²	-£113,083	-£266,113	-£419,143	-£572,172	-£725,119
157.00 /ft²	-£113,083	-£266,113	-£419,143	-£572,172	-£725,119
+2.50 /ft²	£103,103	-£50,948	-£203,978	-£357,007	-£510,037
159.50 /ft²	£103,103	-£50,948	-£203,978	-£357,007	-£510,037
+5.00 /ft²	£320,420	£165,860	£11,299	-£141,842	-£294,872
162.00 /ft²	£320,420	£165,860	£11,299	-£141,842	-£294,872

Sensitivity Analysis : Assumptions for Calculation

Sales: Rate /ft²

Original Values are varied in Fixed Steps of £2.50

Heading	Phase	Rate	No. of Steps
Private	1	£342.38	2.00 Up & Down
Intermediate Housing	1	£250.64	2.00 Up & Down
Affordable Rent	1	£161.34	2.00 Up & Down

Construction: Rate /ft²

Original Values are varied in Fixed Steps of £2.50

Heading	Phase	Rate	No. of Steps
Private	1	£157.00	2.00 Up & Down
Intermediate Housing	1	£157.00	2.00 Up & Down
Affordable Rent	1	£157.00	2.00 Up & Down

Emma Hitt MRICS
Senior Surveyor

+44 (0) 161 602 8268
+44 (0) 7866 203 369
emma.hitt@savills.com

Adam Mirley MRICS
Director

+44 (0) 161 602 8658
+44 (0) 7967 347 620
adam.mirley@savills.com