



Room2 Hometel, Piccadilly

Viability Statement

October 2023

Contents

1. Introduction 3

2. The Site and Location 6

3. Scheme Proposals 8

4. Methodology 9

5. Appraisal Assumptions 11

6. Appraisal Results..... 15

7. Sensitivity Analysis 16

8. Conclusions 19

Appendices

- Appendix I – Terms and Conditions
- Appendix II – Programme
- Appendix III– Development Appraisal

Title: Room2 Hometel Financial Viability Statement
Prepared by: Dale Robinson, MRICS
Contributors: Chris Molyneux MRICS
Status: Final
Draft date: ©October
For and on behalf of Avison Young (UK) Limited

1. Introduction

- 1.1 Northside (Manchester) Ltd. (The applicant) is seeking full planning permission for a new 34 storey, 251 bedroom aparthotel with ancillary public facing uses including a new restaurant, bar, café, exhibition space and museum, at 12-16 Piccadilly.
- 1.2 The adjacent Grade II Listed former Union Bank building, is to also be incorporated into the proposed development¹.
- 1.3 The site has a long standing history of consented hotel developments which have not been implemented. Therefore the Council has requested evidence, which demonstrates that the scheme is viable and therefore deliverable.
- 1.4 Within this context Avison Young has been appointed by the applicant to prepare an independent assessment of scheme viability.
- 1.5 The report is a technical annex to the application and is intended to form a material consideration in the eventual determination of this application.
- 1.6 The assessment should be read in conjunction with the supporting development appraisals as well as the documents submitted as part of the planning application.

Basis of Reporting

- 1.7 Our report has been prepared in accordance with the RICS Professional Statement Financial Viability in Planning: Conduct, and Reporting, 1st edition, May 2019. This document sets out mandatory requirements on conduct and reporting in relation to viability assessments for planning in England to demonstrate how a reasonable, objective and impartial outcome should be arrived at.
- 1.8 The Professional Statement sets out the mandatory reporting and process requirements for all viability assessments prepared on behalf of, or by applicants, reviewers, decision makers and plan-makers.
- 1.9 This assessment has been undertaken in accordance with these mandatory reporting requirements, which are set out under the sub-headings below and expanded on where relevant in this document.

Objectivity, Impartiality and Reasonableness Statement

- 1.10 This assessment has been carried out by an RICS member who has acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information. Furthermore the RICS member who has undertaken this report is a suitably qualified practitioner and RICS Registered Valuer with sufficient skills, expertise and knowledge to provide a robust and objective assessment.
- 1.11 The RICS member has extensive experience in advising on financial viability assessments and up-to-date knowledge of the planning system gained through previous viability experience and working alongside Avison Young's local and national planning teams.

Confirmation of Instructions and Absence of Conflicts of Interest

- 1.12 The terms of engagement for this instruction are appended to the rear of this report².

¹ The description of development is as follows: *Erection of a 34 storey building (land at no. 14-16 Piccadilly) and conversion of adjacent building (no.12 Piccadilly) (basement to fourth floor) to create an aparthotel, including a ground floor cafe (Use Class E (b)), first floor exhibition hall (Use Class F1) and a rooftop bar and restaurant (Use Class E (b)), and associated works.*

² Refer to Appendix I.

- 1.13 We confirm that we have not had previous involvement with the subject site in preparing any viability assessments. We also confirm that, to the best of our knowledge, no conflict of interest arises in preparing the advice requested.

No Contingent Fee Statement

- 1.14 In preparing this assessment, no performance-related or contingent fees have been agreed.

Confirmation Where the RICS Member is Acting on Area-Wide and Scheme-Specific Assessments

- 1.15 Neither Avison Young or the RICS member has undertaken an area-wide viability assessment concerning existing or future planning policies against which the proposed scheme could be assessed in the future.

Justification of Evidence

- 1.16 All inputs into this assessment have been reasonably justified as explained in further detail throughout this report. We have aimed to provide thorough detail regarding our approach and assumptions to limit the need for clarifications and subsequent negotiations with the Council following submission of this report.

- 1.17 It is noted that where the Council disagrees with elements of this assessment, the parties should always seek to resolve differences of opinion where possible.

Benchmark Land Value (BLV)

- 1.18 As outlined previously the purpose of this assessment is to demonstrate that the scheme is deliverable. In this context we don't believe that a BLV is required, as this assessment does not concern a viability in planning matter regarding commuted sums or affordable housing.

- 1.19 Instead the assessment, as part of demonstrating that the scheme is deliverable, includes the purchase price of the site. This is expanded upon further within Section 5.

Engagement

- 1.20 We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.

Non -technical summary

- 1.21 A non-technical summary has been prepared and presented independently of this main report.

Timescales

- 1.22 We confirm that adequate time has been allowed to produce this assessment having regard to the scale of this particular project. We further confirm that this assessment has been carried out in accordance with Section 4 – Duty of Care and Due Diligence of the Professional Statement and that full consideration has been given to the matters referenced in Section 4.

- 1.23 Further to the mandatory RICS reporting requirements the assessment has also been undertaken with due regard to the RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019³ for England, 1st edition March 2021 (re-issued as a Professional Standard in April 2023) and the latest Planning Policy guidance (PPG) and National Planning Policy Framework (NPPF) guidance relating to viability.

³ It should be noted that although the latest version of the NPPF is September 2023 the guidance remains valid.

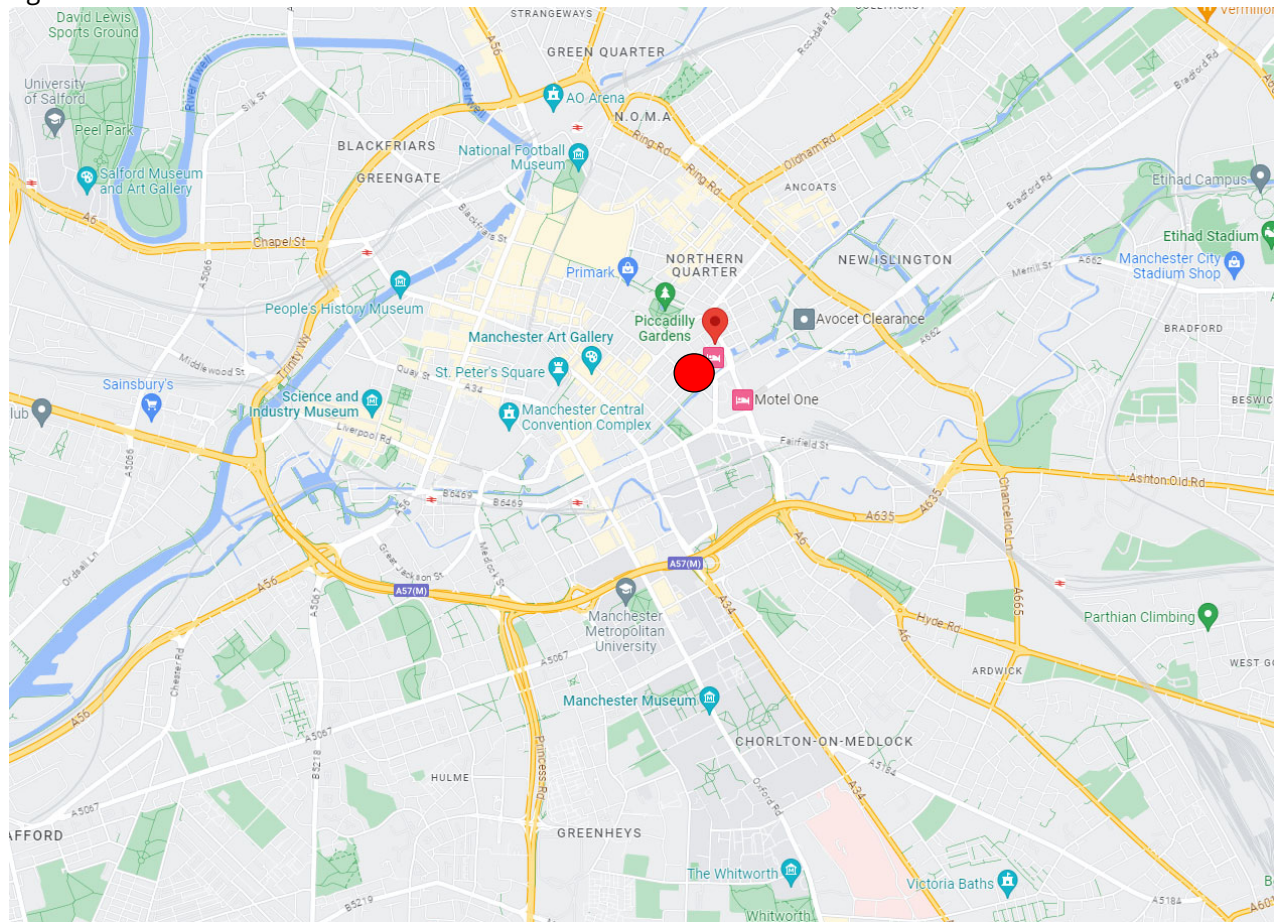
- 1.24 The advice contained within this report does not constitute a valuation of the site in accordance with RICS Valuation – Global Standards 2020 and should not be relied upon as such⁴.
- 1.25 This report has been prepared for the sole use of our client, based on the scope of work and on the terms and conditions agreed with our client. Whilst facts have been rigorously checked, Avison Young can take no responsibility for any damage or loss suffered because of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced, or referred to without prior approval. Any such reproduction should be credited to Avison Young.

⁴ The assessment is prepared for assessing the viability of development to assist with planning matters, either plan/policy making, or decision taking. The assessment therefore constitutes an exception from valuation technical and performance standards ('VPS') 3 – 5 of the Red Book and is not a formal valuation and should not be relied upon as such.

2. The Site and Location

- 2.1 The site is located within Manchester City Centre on the west side of Piccadilly, to the south of Piccadilly Gardens and north of Piccadilly train station. The site has high levels of accessibility in terms of its location, boasting immediate access to a variety of public and private transport modes. In location terms, the site is situated within easy walking and cycling distance to a number of key services and facilities within Manchester City Centre.
- 2.2 There is a major bus interchange hub located at Piccadilly Gardens, approximately 330m from the Site, which is served by more than 85 bus services connecting the majority of the Greater Manchester area. The nearest bus stops are located adjacent to the proposed development along A6 Piccadilly, approximately 40 meters from the Site.
- 2.3 There are a range of public transport options within short walking distance of the site, including:
- Manchester Piccadilly Train Station (4min walk)
 - Metrolink stops at Piccadilly Gardens at Piccadilly Train station (4min walk)
 - Bus stops on Piccadilly and Portland Street (1min walk)
- 2.4 The site is also located close to a number of major highway corridors. Local roads that frame the site and provide access to the development via Piccadilly are Chatham Street, Roby Street and Gore Street. With the number of city centre multi-storey carpark options available, the nearest being located on Chatham Street opposite the development.

Figure 1 – Location Plan



Approximate location of the site

- 2.5 The site encompasses the vacant Grade II Listed former Union Bank building and adjacent vacant land; the Waldorf Public House and Indemnity House (no, 7 Chatham St) immediately adjoin the site to the south west / west but do not form part of the proposal. The site itself is bound by Piccadilly, Gore Street and Chatham Street. The land adjacent to the Listed Building is currently a vacant and derelict site.
- 2.6 The site's main frontage faces onto Piccadilly, which is an important pedestrian thoroughfare from Manchester Piccadilly Train Station to the city centre and Manchester's primary retail and commercial district.

Figure 2 – Site Plan



Source: Nimbus Maps and Avison Young

— Indicative Site boundary

- 2.7 The former Union Bank building has been unoccupied since 2006 when the Barclays Bank vacated the site, and as such, the condition is deteriorating and the building is now in need of urgent / restoration to ensure the building is protected and brought back into active economic use.

3. Scheme Proposals

- 3.1 The scheme comprises a new 34 storey, 251 bedroom aparthotel with ancillary public facing uses including a ground floor café, museum/ exhibition floor and a rooftop terrace with bar and restaurant.
- 3.2 The new building is expressed in two parts; a base building, and a tower. The tower is a singular form which has prominence on the city skyline whilst the base of the building is expressed separately and relates to the scale and grain of the older buildings along Piccadilly.
- 3.3 The scheme provides the following uses and total areas.

Table 3.1 – Schedule of Uses

Use	GIA ⁵
Aparthotel	12,369sq.m (133,143sq.ft) ⁶
Café	140sq.m (1,507sq.ft)
Bar and Restaurant	860sq.m (9,257sq.ft)
Museum/Exhibition / Conference	216sq.m (2,325sq.ft)
Totals	13,585sq.m (146,232sq.ft)

Source: Design and Access Statement (July 2023) Bennetts Associates

- 3.4 The bedroom levels are a core element of the design, providing the key accommodation for the aparthotel and comprising the majority of the development area with the provision of 251 rooms providing high quality accommodation to a range of sizes including studios and 1 and 2 bedrooms.
- 3.5 We set out below the schedule of proposed accommodation.

Table 3.1 – Schedule of Accommodation

Room Type	Total Number Rooms
Small studio – no kitchen	39
Small studio – no kitchen and no window	13
Standard studio	159
1 bed room	24
2 bed room	10
2 bed premium room	4
2 bed suite	2
Totals	251

- 3.6 Our appraisal is based on the above uses and schedule of accommodation.

⁵ Gross Internal Area

⁶ The 12,369sqm (133,143sq.ft) includes uses ancillary to the hotel use (e.g. linen stores, plant rooms) on the basement, ground, mezzanine and first floor.

4. Methodology

4.1 Financial viability for planning purposes is defined as:

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

4.2 There is no single approach for assessing viability, but an accepted method of valuation is the 'residual method'. This is explained further in the RICS Guidance Note (Valuation of Development Property – 1st Edition, October 2019). In summary this valuation approach recognises that the value of a development scheme is a function of several elements. These include:

- The value of the completed development (GDV).
- The direct costs of developing the scheme (TCC).
- The return (profit) to the developer for taking the development risk and delivering the scheme.
- The cost or value of the land.

4.3 Normally the residual method of valuation is used in two basic ways. In the first instance it can be used to assess the level of return (profit) generated from the proposed project where the cost of the land is an input into the appraisal. In the second option it can be used to establish a 'residual site value' by inputting a predetermined level of profit. The consequential outputs of both options can then be compared to a 'benchmark' to assess the viability of the scheme.

4.4 This assessment is based on the first option, with the resultant output from our appraisal being the residual profit. This can be expressed through the simple calculation below.

Gross Development Value (GDV) (Minus) Total Costs (including land value) = Residual Profit

- Gross Development Value (GDV) generated by the development.
- Total Development Costs (TDC) includes land value, construction costs, professional fees, planning/S106 obligations and finance / interest charges etc.
- Developer's Profit is expressed by reference to a percentage of the Total Development Costs or Gross Development Value. It can also be expressed by reference to an Internal Rate of Return (IRR) or Return on Capital Employed (ROCE).
- Land Value is expressed by the price paid.

Developer's Target Profit

4.5 In simple terms, only when the development value exceeds the total project costs can a scheme be considered viable. A scheme will not proceed where development costs exceed revenue (i.e. where there is a negative profit). However, even in circumstances where a very modest profit is generated it does not always meet the expectations of the developer. Therefore, when undertaking a viability assessment, a minimum profit needs to be identified.

4.6 Planning Practice Guidance (PPG) states⁷ that for the purpose of plan making an assumption of 15% to 20% of gross development value (GDV) may be considered a suitable return to developers to establish the viability of plan policies. It further states that plan makers may choose to apply alternative figures

⁷ Paragraph: 018 Reference ID: 10-018-20190509

where there is evidence to support this according to the type, scale and risk profile of planned development. It also states that alternative figures may also be appropriate for different development types.

- 4.7 Whilst the reference within PPG is clearly aimed towards viability in plan making many practitioners also refer to the guidance within PPG for viability in decision making. However, at the application and decision-making stage the level of return needs to have regard to the scale and complexity of the project in question, its cash efficiency, the scale of investment required and the embedded risk in the project.
- 4.8 With respect to this project, we would highlight the following:
- The project is a large complex project in an urban location on a constrained site including the refurbishing of a listed building, enhancing the construction risks.
 - Current cost estimates are subject to a much higher level of uncertainty than would normally be the case due to continuing cost inflation.
 - Increasing interest rates, together with wider economic concerns are causing developers and investors to reprice assets. The market is still in a period of 'pricing discovery' meaning there is a higher level of uncertainty on the schemes estimated development value than would normally be the case.
- 4.9 Because this assessment is focussed on demonstrating the 'deliverability' of the scheme the profit included in the assessment needs to reflect the applicant's target profit. In this instance the applicant / developer will own and operate the asset once completed and, in this scenario, it is normal to base profit on an IRR approach, with a sense check against profit on cost.
- 4.10 A typical expected return would be an IRR of circa 20% but the distribution of IRR's varies widely, with a tolerance for as low as 15%. With respect to a profit on cost we would typically expect 15% with a tolerance for as low as 10%.

5. Appraisal Assumptions

- 5.1 Assessing viability requires judgements which are informed by the relevant available information / evidence. It requires a realistic understanding of the costs and the value of development in the local area and an understanding of the operation of the market.
- 5.2 Para 008 of the PPG states that any viability assessment should reflect the governments recommended approach to defining key [standardised] inputs as set out in National Planning Guidance.
- 5.3 Para 010 of PPG⁸ further states that any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners and infrastructure and affordable housing providers. It also states that any viability assessment should follow the governments recommended approach to assessing viability as set out in the National Planning Guidance and be proportionate, simple, transparent, and publicly available.
- 5.4 The RICS Guidance Note⁹ also provides further guidance to practitioners on the evidence that could be used.

Gross Development Value

- 5.5 Our specialist hotel team has calculated the schemes GDV at £90,400,000, as summarised in the table below, based on income and expenditure projections provided by the applicant, which have been validated by our hotel specialists.

Table 5.1 – GDV Summary

Input/output name	Value
Total number of rooms	251
Occupancy	82.5%
ADR	163.01
RevPAR	£134.49
Total Sales (y3)	£19,295,428
Gross Operating Income (y3)	£12,177,370
Gross Operating Profit	£8,491,944
Net Operating Profit (EBITDA)	£6,392,140
Discount rate	9%
Inflation	2%
Terminal Cap Rate	6.50%
Total GDV	£90,400,000 (£360,159 per room)

- 5.6 The bar and restaurant will be leased to an operator and has an estimated value of £5,400,000. The rooms value is circa £85,000,000, which is £339,000 per bed. The total GDV estimate is therefore £90,400,000, which equates to £360,159 per room, which is on line with the past 12 months of transaction activity recorded in CoStars Manchester Centre Hospitality Submarket, which has been between £300,000 and £400,000 per room.
- 5.7 The scheme has been valued on a discounted cashflow approach, which uses a running yield and a discount factor rather than capitalising stabilised income at an exit yield. The running yield changes

⁸ Ref ID: 10-010-20180724

⁹ Assessing viability in planning under the National Planning Policy Framework 2019 for England

year on year, as it is the sum of the net operating profit for that year divided by the terminal value. The terminal cap rate applied is 6.5% and the discount rate is 9%.

Development Costs

- 5.8 Para 012 PPG¹⁰ states that the assessment of costs should be based on evidence which is reflective of local market conditions. The latest RICS Guidance¹¹ also states that a full quantity surveyors cost report showing how costs have been estimated should be made available for site specific viability.

Construction Costs

- 5.9 The applicant has instructed Equals to prepare a Stage 2 Cost Plan, which estimates the total cost of construction at £52,676,967. This equates to £3,877psm (£360psf) or £209,868 per bed room.

Table 5.2 – Construction Costs

Cost Element	Total (£)	£psm	£psf	Notes
Existing building	£3,922,981	£2,811	£261	The costs comprise the demolition of existing internal walls, minor repairs works to the existing structure, new roof covering, dropping the existing ground floor slab to align with the new build and refurbishment.
New build tower	£48,753,986	£4,000	£372	The costs comprise the construction of the 34 storey tower hotel, comprising 252 rooms (11 within the existing building), with a restaurant, bar and event space at roof level, museum, reception and café at lower levels.
Total Costs	£52,676,967	£3,877	£360	

Developers Contingency

- 5.10 We have allowed a contingency based on 5% of the construction costs.

Project Fees

- 5.11 Within our appraisal we have included project fees, which covers planning, architecture, QS, structural engineer, services engineer, project manager, specialist fees and surveys, legal, development management and other fees at 10% of the construction costs.

Additional Set Up Costs

- 5.12 Additional set up costs totalling £3,301,183 have also been included within our appraisal. A breakdown of these costs is presented below.

Table 5.3 – Additional Costs

Cost Item	Cost Price
Holding Rates	£41,974
Holding Insurances	£30,498
Rights of Light Compensations	£250,000
FF&E Costs	£2,036,363
Procurement Delivery and Installation	£183,273
Curtains	£175,700

¹⁰ Reference ID:10-012-20180724

¹¹ Assessing viability in planning under the National Planning Policy Framework for England

Cost Item	Cost Price
OS&E	£37,650
TVs	£169,425
Restaurant Fit Out	£150,000
Lease Legals Joint	£40,000
SPV Formation Admin Costs	£101,300
Marketing and Brading	85,000
Total	£3,301,183

S106 Contributions and CIL

- 5.13 We have included a S106 obligation of £20,000.
- 5.14 If additional contributions are subsequently requested our appraisal will need to be updated.
- 5.15 The Council are not charging a Community Infrastructure Levy (CIL) in relation to any planning permission so no costs have been included in our appraisal.

Site Purchase Costs

- 5.16 As outlined previously the purpose of this assessment is to demonstrate that the scheme is viable and, therefore, deliverable. In this context we don't believe that a Benchmark Land Value is required, as this assessment does not concern a viability in planning matter regarding commuted sums or affordable housing.
- 5.17 Instead the assessment, as part of demonstrating that the scheme is viable, includes the actual price paid for the site.
- 5.18 We understand that the price paid for the site was £5,000,000.

Stamp Duty and Purchasers Costs on Land Value

- 5.19 We have applied Stamp Duty in line with HMRC's prevailing rates. These are set out in Table 5.4.

Table 5.4 – Stamp Duty Thresholds for Non-Residential Land or Property¹²

Purchase Price	SDLT Rate
Up to £150,000	0%
The next £100,000 (the portion from £150,001 to £250,000)	2%
The remaining amount (the portion over £250,000)	5%

Source: HM Customs and Revenue

- 5.20 In addition to stamp duty purchasers' costs have also been included at 1.8%

Finance Costs

- 5.21 It is difficult to establish what the appropriate rate of interest would be in the current market. The Bank of England has recently maintained the base rate at 5.25%, as it continues to grapple with inflation. It is also widely recognised that the approach to development varies considerably and is influenced by the equity invested in the site along with the financial organisation / strength of the developer. The interest rates can, therefore, differ widely between these approaches.

¹² The HMRC Guidance states that non – residential properties include commercial property such as shops or offices, agricultural land, forests and any other land property transaction which is not used as a dwelling and six or more residential properties bought in a single transaction.

- 5.22 The cost of finance for hotel schemes currently ranges between 9% and 12%. For the purpose of our appraisal we have assumed an interest rate of 9%.

Phasing and Timescale

- 5.23 In terms of timescales / phasing our assessment is based on the programme included at Appendix II. This shows a start on site in August 2024 followed by a circa two year (24 month) construction program.

6. Appraisal Results

- 6.1 The results of our baseline assessment are summarised in Table 6.1 and a copy of our appraisal is included at Appendix III.

Table 6.1 – Summary of Base Appraisal

Item	Value/Cost
Aparthotel GDV	£85,000,000
Food and Beverage GDV	£5,400,000
Total GDV (A)	£90,400,000
Land purchase price	£5,000,000
Stamp duty and purchaser's costs	£340,000
Construction costs	£52,676,868 ¹³
Developers' contingency (at 5% of construction costs)	£2,633,843
Additional set up costs	£3,301,183
S106 costs	£20,000
Project fees (at 10% of construction costs)	£5,267,687
Finance costs	£9,518,358
Total Costs (B)	£78,757,939
Profit (A – B)	£11,642,061
Profit on cost	14.78%
IRR	18.40%

- 6.2 As highlighted above, the development is viable, generating a profit of circa £11.65m which equates to an IRR of 18.40% and a profit on cost of 14.78%. Both of these indices are sufficient to the developer / Applicant for them to bring the site forward for development.

¹³ The figure in our appraisal is fractionally different to that in the cost plan due to rounding.

7. Sensitivity Analysis

- 7.1 Within this section of our report, we consider the impact on viability as a result of changing some of the key appraisal variables. The scenarios considered, which are not exclusive include adjustments to the schemes GDV and construction costs.

Adjustments to Scheme GDV

- 7.2 We have considered adjustments to the GDV of the aparthotel element of the scheme by changing the discount rate and terminal cap rates by 0.25%. The results of this exercise in terms of the result GDV are set out below.

Table 7.1 - Sensitivity Matrix of Cap Rate And Discount Rate on Aparthotel GDV

Discount Rate	Terminal Cap Rate				
	6%	6.25%	6.50%	6.75%	7.00%
8.50%	£92,170,000	£90,070,000	£88,120,000	£86,320,000	£84,650,000
8.75%	£90,510,000	£88,450,000	£86,550,000	£84,790,000	£83,160,000
9.00%	£88,880,000	£86,870,000	£85,000,000	£83,290,000	£81,690,000
9.25%	£87,290,000	£85,320,000	£83,510,000	£81,830,000	£80,270,000
9.50%	£85,730,000	£83,810,000	£82,040,000	£80,400,000	£78,870,000

- 7.3 The corresponding profit on cost and IRR figures for these scenarios is presented below.

Table 7.2 – Sensitivity Matrix of Apart Hotel GDV on Profit¹⁴

Scenario	Changes	GDV	£ per bed	Profit on Cost	IRR
Base ¹⁵	No change cap rate at 6.5% and discount rate at 9%	£85,000,000	£360,159	14.78%	18.40%
A	Cap rate maintained at 6.5% but discount rate reduced to 8.75%	£86,550,000	£366,335	16.75%	19.60%
B	Cap rate maintained at 6.5% but discount rate reduced to 8.5%	£88,120,000	£372,590	18.74%	20.78%
C	Cap rate maintained at 6.5% but discount rate increased to 9.25%	£83,510,000	£354,223	12.89%	17.23%
D	Cap rate maintained at 6.5% but discount rate increased to 9.5%	£82,040,000	£348,367	11.02%	16.07%
E	Cap rate reduced to 6.25% and discount rate at 8.5%	£90,070,000	£380,359	21.22%	22.23%
F	Cap rate reduced to 6.25% and discount rate at 8.75%	£88,450,000	£373,904	19.16%	21.02%
G	Cap rate reduced to 6.25% and discount rate at 9.00%	£86,870,000	£367,610	17.16%	19.83%
H	Cap rate reduced to 6.25% and discount rate at 9.25%	£85,320,000	£361,434	15.19%	18.65%
	Cap rate reduced to 6.25% and discount rate at 9.50%	£83,810,000	£355,418	13.27%	17.47%

¹⁴ All the scenarios presented in Table 7.2 also maintain the food and beverage GDV at £5,400,000.

¹⁵ Refer to Table 6.1

Scenario	Changes	GDV	£ per bed	Profit on Cost	IRR
	Cap rate reduced to 6% and discount rate at 8.50%	£92,170,000	£388,725	23.88%	23.77%
	Cap rate reduced to 6% and discount rate at 8.75%	£90,510,000	£382,112	21.78%	22.55%
	Cap rate reduced to 6% and discount rate at 9.00%	£88,880,000	£375,618	19.71%	21.35%
	Cap rate reduced to 6% and discount rate at 9.25%	£87,290,000	£369,283	17.69%	20.15%
	Cap rate reduced to 6% and discount rate at 9.50%	£85,730,000	£363,068	15.07%	18.96%
	Cap rate increased to 6.75% and discount rate at 8.50%	£86,320,000	£365,418	16.46%	19.41%
	Cap rate increased to 6.75% and discount rate at 8.75%	£84,790,000	£359,323	14.52%	18.24%
	Cap rate increased to 6.75% and discount rate at 9.00%	£83,290,000	£353,347	12.61%	17.06%
	Cap rate increased to 6.75% and discount rate at 9.25%	£81,830,000	£347,530	10.76%	15.90%
	Cap rate increased to 6.75% and discount rate at 9.50%	£80,400,000	£341,833	8.94%	14.75%
	Cap rate increased to 7.00% and discount rate at 8.50%	£84,650,000	£358,765	14.34%	18.13%
	Cap rate increased to 7.00% and discount rate at 8.75%	£83,160,000	£352,829	12.47%	16.96%
	Cap rate increased to 7.00% and discount rate at 9.00%	£81,690,000	£346,972	10.58%	15.79%
	Cap rate increased to 7.00% and discount rate at 9.25%	£80,270,000	£341,315	8.77%	14.64%
	Cap rate increased to 7.00% and discount rate at 9.50%	£78,870,000	£335,737	6.99%	13.49%

- 7.4 As highlighted above most of the scenarios regarding sensitivities on the aparthotel GDV are viable and generate profits that will facilitate delivery of the scheme. This provides comfort that the project will remain viable even in a changing market.

Adjustments to Construction Costs

- 7.5 We have additionally analysed sensitivities to the construction cost, stepping up and down in increments of 5% and present the results of this exercise below.

Table 7.3 – Sensitivity of Base Build Cost impact on IRR and Profit on Cost

Change to BBC	-5%	-2.5%	0.00%	+2.5%	+5%
Total Construction Costs	£50,043,025	£51,359,946	£52,676,868	£53,993,790	£55,310,711
Profit On Cost	19.94%	17.31%	14.78%	12.36%	10.05%
IRR	21.40%	19.89%	18.40%	16.93%	15.49%

- 7.6 As highlighted in the previous table the scheme would still generate sufficient return even if the costs were to increase by 5%, but this would be the profits would be at the margins of what are considered to be acceptable.

8. Conclusions

- 8.1 Northside (Manchester) Ltd. (the applicant) is seeking full planning permission for a new 34 storey, 251 bedroom aparthotel with ancillary public facing uses including a new restaurant, bar, café, exhibition space and museum, to the south of Piccadilly Gardens.
- 8.2 The site has a long standing history of consented hotel developments which have not been implemented. Therefore, the Council has requested evidence, which demonstrates that the scheme is viable and therefore deliverable.
- 8.3 Within this context Avison Young has been appointed by the applicant to prepare an independent assessment of scheme viability.
- 8.4 Because this assessment is focussed on demonstrating 'viability'/deliverability' of the scheme we don't believe that a Benchmark Land Value is required, as this assessment does not concern a viability in planning matter regarding commuted sums or affordable housing. Instead the assessment, as part of demonstrating that the scheme is deliverable, needs to include the actual purchase price, which in this case is £5,000,000.
- 8.5 Furthermore, because this assessment is focussed on viability / deliverability the scheme also needs to demonstrate that it is capable of achieving the developers/applicant's target profit. In this instance the applicant / developer will own and operate the asset once completed and, in this scenario, it is normal to base profit on an IRR approach, with a sense check against profit on cost. A typical expected return would be an IRR of circa 20% but the distribution of IRR's varies widely, with a tolerance for as low as 15%. With respect to a profit on cost we would typically expect 15% with a tolerance for as low at 10%.
- 8.6 Our base appraisal generates a profit of £11.65m which equates to an IRR of 18.40% and a profit on cost of 14.78%, which would enable the developer/applicant to proceed with the scheme.
- 8.7 Our sensitivity analysis has also demonstrated the project will remain viable even in a changing market.

Appendix I

Terms and Conditions

Avison Young (UK) Limited Standard Terms of Appointment

PARTIES

- (1) Avison Young (UK) Limited incorporated and registered in England and Wales with company number 6382509 whose registered office is at 3 Brindleyplace, Birmingham, B1 2JB, United Kingdom (**Avison Young**).
- (2) The Client named in the Letter of Appointment (**Client**)

1. Interpretation

The following definitions and rules of interpretation apply in this appointment:

Additional Services: any additional services which Avison Young agrees to provide in accordance with clause 6.

Fee: the fees for the Services and any Additional Services (if any) as set out in the Letter of Appointment.

Force Majeure Event: means any circumstance not within a party's reasonable control including, without limitation: acts of God, flood, drought, earthquake or other natural disaster; epidemic or pandemic; terrorist attack, civil war, civil commotion or riots, war, threat of or preparation for war, armed conflict, imposition of sanctions, embargo, or breaking off of diplomatic relations; nuclear, chemical or biological contamination or sonic boom; any law or any action taken by a government or public authority, including without limitation imposing an export or import restriction, quota or prohibition, or failing to grant a necessary licence or consent; collapse of buildings, fire, explosion or accident; any labour or trade dispute, strikes, industrial action or lockouts; any interruption or failure of utility service

Insolvent: a party is insolvent if: a party is making a voluntary arrangement with its creditors, entering administration or going into liquidation; or a security holder taking possession, or a receiver or an administrative receiver being appointed over all or any part of the property or the assets of the party; or any other similar or analogous event in another jurisdiction.

Letter of Appointment: the letter by Avison Young which sets out the details of the Client and the Services and the Fee together with other details relating to the Service which may be appropriate to this appointment.

Material: all designs, drawings, models, plans, specifications, design details, photographs, brochures, reports, notes of meetings, CAD materials, calculations, data, databases, schedules, programmes, bills of quantities, budgets and any other materials provided in connection with the Services and all updates, amendments, additions and revisions to them and any works, designs, or inventions incorporated or referred to in them for any purpose relating to the Services.

Services: the Services set out in the Letter of Appointment and the Additional Services (if any).

VAT: value added tax imposed by the Value Added Tax Act 1994, or any similar tax in addition to or replacing it from time to time.

2. Appointment

- 2.1. The Client appoints Avison Young to carry out the Services, subject to the terms of this appointment.
- 2.2. This appointment takes effect from the date when Avison Young begins performing the Services, regardless of the date of this appointment.
- 2.3. This appointment consists of these Avison Young Terms and the Letter of Appointment.
- 2.4. Avison Young shall deem the Client to have accepted the terms of this appointment (including the details set out in the Letter of Appointment) within 30 days of their issue unless the Client has notified Avison Young otherwise in writing.

3. Consultant's Obligations

- 3.1. Avison Young warrants and undertakes that it shall comply with the terms of this appointment.
- 3.2. Avison Young warrants and undertakes that it shall act with reasonable skill and care:
 - 3.2.1. when performing the Services;
 - 3.2.2. to comply with any Act of Parliament, any instrument, rule or order made under any Act of Parliament; and any regulation or bye-law of any local authority, statutory undertaker or public or private utility or undertaking that has any jurisdiction over the Services or with those systems or property the Services is or will be connected.

Avison Young (UK) Limited Standard Terms of Appointment

4. Client Obligations

- 4.1. The Client undertakes promptly to provide Avison Young with all information, assistance and materials that Avison Young may request from time to time to facilitate the proper and timely performance of the Services. The Client warrants that all information provided by it to Avison Young will be accurate and complete, and that it is entitled to provide the same to Avison Young for its use without recourse to any third party.
- 4.2. The Client undertakes promptly to carry out all such actions and provide all such resources (if any) as may be required of the Client in the Letter of Appointment.
- 4.3. The Services will be provided at Avison Young's premises when the nature of the work permits. If any of Avison Young's personnel are to perform any Services at the Client's premises, the Client shall ensure that such personnel are allowed access to such premises upon reasonable prior notice during normal business hours and shall take full responsibility for the safety and security of Avison Young's personnel whilst at such premises.

5. Remuneration

- 5.1. The payment terms set out in clauses 5.5 to 5.7 shall apply to all Services not covered under the Housing Grants, Construction and Regeneration Act 1996. The payments terms set out in clauses 5.8 to 5.14 apply to Services which are covered under the Housing Grants, Construction and Regeneration Act 1996.
- 5.2. The Client shall pay the Fee, together with any reasonable expenses and disbursements, which shall be Avison Young's entire remuneration under this appointment.
- 5.3. The Client shall pay Avison Young any VAT properly chargeable on the Services. Any amount expressed as payable to Avison Young under this appointment is exclusive of VAT unless stated otherwise.
- 5.4. The Fee shall be calculated and paid in instalments in accordance with the dates set out in the Letter of Appointment or if not set out, the Fee shall be paid at intervals of not less than one month, beginning one month after Avison Young begins performing the Services.

To the extent that the Fee is not set out in the Letter of Appointment, Avison Young will be entitled to charge a Fee based on its current hourly rates (which are available on request), and on the number of hours it has worked on the matter.

- 5.5. Avison Young shall submit to the Client an invoice for each instalment of the Fee, together with any supporting documents that are reasonably necessary to check the invoice. The invoice and supporting documents (if any) shall specify the sum that Avison Young considers will become due on the relevant instalment date.
- 5.6. Payment shall be made within 30 days of the date of the Invoice.
- 5.7. Avison Young reserves the right to charge interest and debt recovery costs in respect of any amounts not paid in accordance with clause 5.6. Interest will be calculated in accordance with the "Late Payment of Commercial Debts (Interest) Act 1998".
- 5.8. Avison Young shall submit to the Client an invoice for each instalment of the Fee, together with any supporting documents that are reasonably necessary to check the invoice. The invoice and supporting documents (if any) shall specify the sum that Avison Young considers will become due on the payment due date in respect of the instalment of the Fee, and the basis on which that sum is calculated.
- 5.9. Payment shall be due on the date Avison Young submits each invoice (**payment due date**).
- 5.10. No later than five days after the payment due date, the Client shall notify Avison Young of the sum that the Client considers to have been due at the payment due date in respect of the payment and the basis on which that sum is calculated.
- 5.11. The **final date for payment** shall be 30 days after the payment due date.
- 5.12. Unless the Client has served a notice under clause 5.13, it shall pay Avison Young the sum referred to in the Client's notice under clause 5.10 (or, if the Client has not served notice under clause 5.10, the sum in the invoice referred to in clause 5.8) (the **notified sum**) on or before the final date for payment.
- 5.13. Not less than five days before the final date for payment (the **prescribed period**), the Client may give Avison Young notice that it intends to pay less than the notified sum (a pay less notice). Any pay less notice shall specify:

Avison Young (UK) Limited Standard Terms of Appointment

5.13.1. the sum that the Client considers to be due on the payment due date; and

5.13.2. the basis on which that sum is calculated.

5.14. If the Client fails to pay an amount due to Avison Young by the final date for payment and fails to give a pay less notice, then the Client shall pay interest calculated in accordance with the "Late Payment of Commercial Debts (Interest) Act 1998".

6. Additional Services

6.1. Each party shall notify the other as soon as reasonably practicable if it becomes apparent that Additional Services are likely to be required, and such notice will identify the required services.

6.2. Additional Services may arise as a result of the following:

6.2.1. a change in the scope, size, complexity or duration of the Services;

6.2.2. any other changes to the Services as set out in the Letter of Appointment;

6.2.3. any material delay or disruption to the Services; or

6.2.4. any other cause outside Avison Young's reasonable control and which it could not reasonably have foreseen at the date of this appointment.

6.3. If the Client provides a notice under clause 6.1, then as soon as reasonably practicable after receiving the notice, Avison Young shall provide the Client with a written estimate of the change to the Fee in respect of the Additional Services. If Avison Young provides a notice under clause 6.1, Avison Young shall provide the Client with a written estimate of the change to the Fee in respect of the Additional Services at the same time it provides the notice.

6.4. The Fee for the Additional Services shall be calculated by agreement between the parties.

6.5. At the Client's discretion, acting reasonably, it may instruct Avison Young to carry out the Additional Services. For the avoidance of doubt, Avison Young shall only perform Additional Services on receipt of a written instruction to do so by the Client.

6.6. Any Fee payable by the Client in respect of Additional Services shall be included in the next invoice following performance of the Additional Services.

7. Limitation of Liability – PLEASE READ THIS SECTION CAREFULLY

7.1. Without affecting any other limitation in this appointment, Avison Young's liability under or in connection with this appointment shall be limited to £5,000,000 in total for all claims arising. This limit shall apply however that liability arises including a liability arising by breach of contract, arising by tort (including the tort of negligence) or arising by breach of statutory duty. Nothing in this appointment shall exclude or limit Avison Young's liability for:

7.1.1. death or personal injury caused by Avison Young's negligence; or

7.1.2. fraud or fraudulent misrepresentation.

7.2. None of Avison Young's employees, directors or consultants individually has a contract with the Client or owes the Client a duty of care or personal responsibility. The Client agrees that it will not bring any claim against any such individuals personally in connection with the Services.

7.3. If the Client suffers loss as a result of Avison Young's breach of contract or negligence, Avison Young's liability shall be limited to a just and equitable proportion of the Client's loss having regard to the extent of responsibility of any other party. Avison Young's liability shall not increase by reason of a shortfall in recovery from any other party, whether that shortfall arises from an appointment between the Client and them, difficulty in enforcement, or any other cause.

7.4. Avison Young shall have no liability to the Client under this appointment in respect of loss of profits, loss of revenue or business, loss of goodwill or reputation or any other indirect or consequential losses.

7.5. The Services and any Material produced in connection with the Services are provided for the Client's benefit alone and solely for the purposes of the instruction to which it relates. The Services or any Material may not, without Avison Young's written consent, be used or relied upon by any third party, even if that party pays all or part of Avison Young's Fees, or is permitted to see a copy of the Materials Avison Young create. If Avison Young provides written consent for a third party to rely on the Services or the Materials, it may be subject to a further fee, and any such third party will be deemed to have accepted the terms and conditions set out in this appointment.

Avison Young (UK) Limited Standard Terms of Appointment

7.6. Avison Young shall not be liable for any loss or damage suffered or incurred by the Client arising from Avison Young's delay in performing or failure to perform the Services and/or any of its obligations under this appointment where such delay or failure results from a Force Majeure Event.

8. Suspension

- 8.1. The Client may, at any time, suspend performance of all or part of the Services by giving written notice to Avison Young. Subject to clause 9.1, Avison Young shall resume performance of the Services as soon as reasonably practicable after receiving a written notice to do so from the Client.
- 8.2. Avison Young may suspend the performance of any or all of its Services and other obligations under this appointment by giving not less than seven days' notice to the Client of its intention to do so in the event that the Client fails to pay an invoice in accordance with the relevant payment provisions set out in clause 5.
- 8.3. In the event of a suspension in accordance with this appointment, the Client shall pay Avison Young an amount in respect of any costs and expenses reasonably incurred by Avison Young as a result of such suspension.

9. Termination

- 9.1. Avison Young may immediately terminate its engagement under this appointment by giving written notice to the Client if:
 - 9.1.1. a suspension of the Services in accordance with clause 8.1 continues for a continuous period of six months; and
 - 9.1.2. the Client does not instruct Avison Young to resume the Services within 30 days of receiving a written notice from Avison Young requiring it to do so.
- 9.2. Either party may immediately terminate this appointment by giving written notice to the other party if:
 - 9.2.1. the other party is in material breach of its obligations under this appointment and fails to remedy that breach within 14 days of receiving written notice requiring it to do so; or
 - 9.2.2. the other party becomes Insolvent; or
 - 9.2.3. a Force Majeure Event continues for a period of more than 30 days.

9.3. Either party may terminate this appointment at any time for any reason by giving no less than 30 days written notice to the other party.

10. Consequences of Termination

- 10.1. On termination the Client shall immediately pay Avison Young:
 - 10.1.1. any amount properly due for payment under this appointment at the date of termination; and
 - 10.1.2. a fair and reasonable proportion of the next instalment of the Fee, together with any expenses and disbursements, commensurate with the Services properly performed at the date of termination; and
 - 10.1.3. any expenses, disbursements or costs necessarily incurred by Avison Young as a direct result of termination (unless the termination arises as a result of Avison Young's default).
- 10.2. Termination of Avison Young's engagement under this appointment shall not affect any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of this appointment which existed at or before the date of termination.

11. Copyright and Intellectual Property

- 11.1. Avison Young owns all intellectual property rights (including copyright) relating to the Material it produces.
- 11.2. On payment of the Fee, Avison Young grants to the Client an irrevocable, non-exclusive, non-terminable, royalty-free licence to copy and make full use of any Material prepared by, or on behalf of, Avison Young for any purpose relating to the project or the property to which the Services relate.
- 11.3. Avison Young shall not be liable for use of the Material for any purpose other than that for which it was prepared and/or provided.
- 11.4. The Client may, at any time (whether before or after completion of the Services, or after termination of Avison Young's engagement under this appointment), request a copy or copies of (some or all of) the Material from Avison Young. On the Client's payment of Avison Young's reasonable charges for providing the copy (or copies), Avison Young shall provide the copy (or copies) to the Client.

Avison Young (UK) Limited Standard Terms of Appointment

12. Confidentiality

- 12.1. Each party undertakes that it shall not at any time disclose to any person any confidential information concerning the business, affairs, customers, clients or suppliers of the other party or of any member of the group of companies to which the other party belongs, except as permitted by clause 12.2.
- 12.2. Each party may disclose the other party's confidential information:
 - 12.2.1. to its employees, officers, representatives, contractors, sub-contractors or advisers who need to know such information for the purposes of exercising the party's rights or carrying out the party's obligations under or in connection with this appointment. Each party shall ensure that its employees, officers, representatives, contractors, sub-contractors or advisers to whom it discloses the other party's confidential information comply with this clause 12; and
 - 12.2.2. as may be required by law, to a court of competent jurisdiction or any governmental or regulatory authority.
- 12.3. No party shall use any other party's confidential information for any purpose other than to exercise its rights and perform its obligations under or in connection with this appointment.

13. Anti-Money Laundering

- 13.1. Avison Young operate an anti-money laundering policy in compliance with the Money Laundering Regulations 2007 and the Money Laundering Regulations 2017, The Proceeds of Crime Act 2002, The Terrorism Act 2000 and subordinate legislation. Avison Young may require the Client to provide information (including proof of identity or income) from time to time to enable Avison Young to verify the Client's identity. For the avoidance of doubt this may require Avison Young to request and retain information relating to the directors and the "beneficial owners" of the Client, as is required under the legislation.
- 13.2. Any failure to provide such information within seven days of such a request shall give Avison Young the right to terminate this appointment in accordance with Clause 9.2.1 of this appointment.

14. Bribery Act

- 14.1. In order to Comply with the Bribery Act 2010, either party must inform the other if it becomes aware of any person (employee, agent, intermediary, contractor, private individual, commercial organisation or public official) connected (in any way) with this appointment who has committed an offence under the Bribery Act 2010 (or any equivalent legislation).
- 14.2. Avison Young reserves the right to terminate this appointment in accordance with Clause 9.2.1 should it reasonably believe that a breach or likely breach of the Bribery Act 2010 (or any equivalent legislation) has occurred.

15. Data Protection

As a result of Avison Young's relationship with the Client, Avison Young may collect or retain personal data about the Client. If the Client is a company, this may include information about the Client's employees, officers, or shareholders. If the Client is a person, this may include information about the Client's family members. Avison Young will only use such data for the purposes of providing the Services, or for related purposes such as updating Client records, money laundering compliance and other legal and regulatory compliance, and we may need to disclose this information to appropriate persons in relation to such matters. In providing any personal data to Avison Young, the Client confirms that it has informed the individuals concerned and obtained any necessary consent to the transfer to Avison Young and for Avison Young's use of their data for these purposes.

16. Professional Indemnity Insurance

- 16.1. Avison Young shall maintain professional indemnity insurance to cover its liabilities arising out of this appointment for a period beginning on the date of this appointment and ending 6 years after the date of completion of the Services provided that such insurance is available at commercially reasonable rates and terms with reputable insurers lawfully carrying on insurance business in the UK.
- 16.2. Whenever the Client reasonably requests, Avison Young shall send the Client a broker letter/certificate to evidence that Avison Young's professional indemnity insurance is in force.

Avison Young (UK) Limited Standard Terms of Appointment

17. Complaints

In the event that the Client has a complaint the Client shall be entitled to have access to the complaints handling procedure maintained by Avison Young which contains a dispute resolution process as required by the Royal Institution of Chartered Surveyors (RICS) rules of conduct (details of which are available from Avison Young on request).

18. Unoccupied Premises or Properties

Avison Young accepts no liability or responsibility for the security, maintenance or repair of, or for any damage to any premises or properties to which the Services relate. The Client shall take all necessary action to protect such premises or property and to ensure that they have adequate insurance cover in place.

19. Joint and Several Liability

If at any time the Client shall consist of more than one person, the obligations on the Client under this appointment shall be enforceable against each of them on a joint and several basis.

20. Assignment and Subcontracting

- 20.1. Neither party shall assign or subcontract its rights or obligations under this appointment without the prior written consent of the other party such consent not to be unreasonably withheld or delayed.
- 20.2. If the Client wishes to instruct Avison Young to use a specific contractor or consultant, Avison Young shall instruct such contractor on the Client's behalf. The Client retains all responsibility for any such contractors or consultants and will undertake all due diligence and investigation in relation to their competences and resources. Avison Young accepts no responsibility or liability for the acts of any consultants or contractors appointed at the Client's request.

21. Notice

A notice given to a party under or in connection with this appointment shall be in writing and delivered by hand or by recorded delivery post to the address recorded in the Letter of Appointment or such other address as the party may specify from time to time by written notice to the other.

22. Liability Period

Neither party shall commence any legal action against the other under this appointment after six years from the date of completion of the Services.

23. Third Party Rights

Except in relation to clause 7.2, a person who is not a party to this appointment shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this appointment.

24. Entire Agreement

- 24.1. This appointment constitutes the entire agreement between the parties and supersedes and extinguishes all previous discussions, correspondence, negotiations, drafts, agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.
- 24.2. Each party agrees that in entering into this appointment it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this appointment.
- 24.3. Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this appointment.
- 24.4. No variation to this appointment will be binding unless agreed in writing by both parties.
- 24.5. Nothing in this clause shall limit or exclude any liability for fraud.

25. Severance

If any provision or part-provision of this appointment is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this appointment.

Avison Young (UK) Limited Standard Terms of Appointment

26. Non-Solicitation

- 26.1. The Client agrees that both during and for a period of twelve months after the term of this Appointment, the Client shall not (and shall procure that none of its subsidiary or associated companies shall) without the prior written consent of Avison Young:
- 26.1.1. directly or indirectly employ or engage any person who is (or was at any time during the term of this Appointment) a director, member, employee, agent or contractor of Avison Young and with whom the Client has had dealings pursuant to this Appointment (a "relevant person"), or solicit or induce any such relevant person to terminate their employment or engagement with Avison Young;
- 26.1.2. engage or accept services from or otherwise deal with any company, partnership or other entity of which any relevant person is a director, member, employee, agent or contractor.
- 26.2. In granting its consent hereunder, if it agrees to do so, Avison Young shall be entitled to make such consent conditional upon the payment by the Client to Avison Young of a fee equal to 50% of the relevant person's average annual salary or earnings during the preceding 12 months, which equates roughly to the cost to Avison Young of replacing such relevant person.

27. Governing Law and Jurisdiction

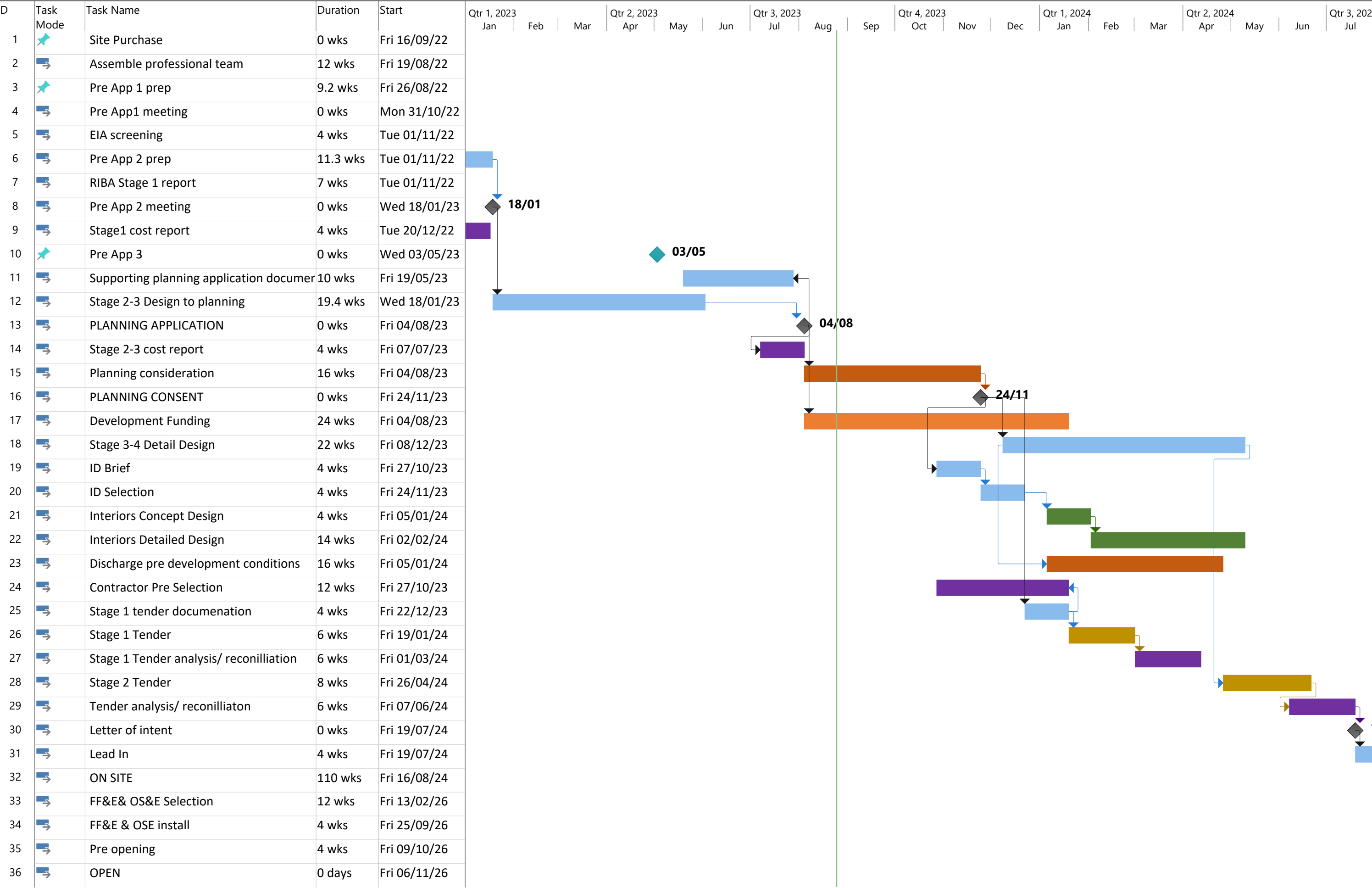
- 27.1. This appointment and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales and each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the appointment.
- 27.2. If the Services are provided primarily in Scotland then the appointment and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with Scots law and each party irrevocably agrees that the courts of Scotland shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the appointment.

Appendix II

Programme

ROOM 2 MANCHESTER PROGRAMME

Fri 25/08/23



Appendix III

Development Appraisal

Room2 Aparthotel Manchester
Piccadilly

Development Appraisal
Avison Young (UK) Ltd
21 September 2023

APPRAISAL SUMMARY**AVISON YOUNG (UK) LTD****Room2 Aparthotel Manchester
Piccadilly****Appraisal Summary for Phase 1****Currency in £****REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales
Room revenue	251	360,159	90,400,000

NET REALISATION 90,400,000**OUTLAY****ACQUISITION COSTS**

Fixed Price	5,000,000		
Fixed Price		5,000,000	
			5,000,000
Stamp Duty and PC's		340,000	
Effective Stamp Duty Rate	6.80%		
			340,000

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Room revenue	251 un	209,868	52,676,868
Developers Contingency		5.00%	2,633,843
			55,310,711

Other Construction

Additional set up costs	3,301,183		
			3,301,183

Section 106 Costs

Section 106 Costs	20,000		
			20,000

PROFESSIONAL FEES

Project Fees	10.00%	5,267,687	
			5,267,687

FINANCE

Debit Rate 9.000%, Credit Rate 0.000% (Nominal)			
Land		2,284,337	
Construction		6,670,470	
Letting		563,550	
Total Finance Cost			9,518,358

TOTAL COSTS 78,757,939**PROFIT****11,642,061****Performance Measures**

Profit on Cost%	14.78%
Profit on GDV%	12.88%
Profit on NDV%	12.88%
IRR% (without Interest)	18.40%
Profit Erosion (finance rate 9.000)	1 yr 7 mths

APPRAISAL SUMMARY

AVISON YOUNG (UK) LTD

**Room2 Aparthotel Manchester
Piccadilly**

Contact details

Enquiries

Dale Robinson, MRICS
07810 757422
dale.robinson@avisonyoung.com

Visit us online
avisonyoung.com