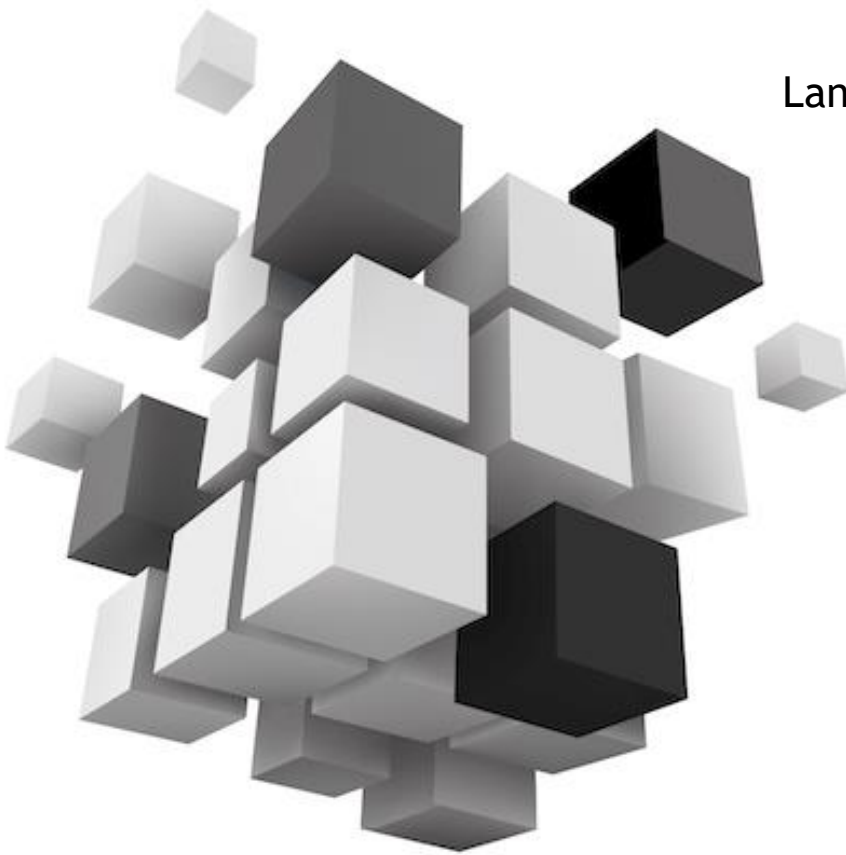


DEVVIA

PROPERTY CONSULTANCY



Viability Assessment
Land at High Lane, Chorlton.

Prepared on behalf of:
Cube Homes Limited

Prepared by:
Devvia Property Consultancy

February 2024

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Non-technical summary

The proposed scheme is designed to deliver a total of 22 dwellings with six 2 bedroom apartments and fourteen 4 bed 2.5 storey houses together with two semi-detached houses converted from the retained Carlton House, both of which will provide very large 4 bedroom dwellings with accommodation over 4 floors, including basements.

The policy-compliant assessment includes the following key headlines:

Total Development Value: £14,755,000 (policy compliant)

Total Development Cost: £11,750,311 (excluding profit)

Residual land value: £385,000

We have assessed the ability of the scheme to be capable of being delivered. It is evident that this scheme is not viable on a policy compliant basis.

Assumptions

The following key assumptions are contained in our assessment:

Development programme: June 2024 to May 2026

Developer profit: 18% on GDV for market dwellings and 8% of GDV for affordable dwellings

Publication exemption request

We are aware that viability submissions are in most cases placed in the public domain.

In this case, we would seek an exemption to that, as contained within the PPG (May 2019), given that negotiations to acquire the site and other land interests are ongoing and the publication of this material would prejudice those negotiations:

"Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances. Even in those circumstances, an executive summary should be made publicly available. Information used in viability assessment is not usually specific to that developer and thereby need not contain commercially sensitive data. In circumstances where it is deemed that specific details of an assessment are commercially sensitive, the information should be aggregated in published viability assessments and executive summaries and included as part of total costs figures. Where an exemption from publication is sought, the planning authority must be satisfied that the information to be excluded is commercially sensitive. This might include information relating to negotiations, such as ongoing negotiations over land purchase..."

Para 021

We have submitted a further copy of the non-technical executive summary as a separate file for publication if required.

1.0 Introduction

- 1.1 This Viability Assessment is provided concerning the proposed development for housing provision on land at High Lane, Chorlton, Manchester.
- 1.2 This report establishes the financial viability of the proposed scheme for 22 dwellings. The purpose of this report is to determine the viability of the scheme.
- 1.3 The report considers the impact on the viability of the scheme as a consequence of all currently known or estimated development costs, both normal and abnormal.
- 1.4 The site is located in Chorlton, a residential suburb in the south of Manchester. The site is adjacent to a mix of predominately 2 and 3 storey residential dwellings.
- 1.5 The site is currently/last used as a High School, with the current occupiers moving to alternative premises.
- 1.6 This Viability Assessment is prepared on an independent basis and is in full conformity with the RICS Guidance Note '*Assessing viability in planning under the NPPF 2019*' (1st edition) March 2021; the RICS Professional Statement and the PPG on viability (July 2018 and revised May 2019).
- 1.7 We have acted with objectivity and in an impartial capacity, without interference and utilising all available sources of information. Our terms of engagement confirmed that we have acted without any conflict of interest and any performance-related or contingent fee element.
- 1.8 Any requests made by the applicant are set out within this report and do not contradict the mandatory requirements of the RICS Professional Statement '*Financial viability in planning: conduct and reporting*' (May 2019).
- 1.9 This report is prepared by a suitably qualified practitioner, with more than 30 years of experience in planning and development matters.
- 1.10 No part of this report constitutes a valuation, nor should it be relied on in that respect for any purpose.

- 1.11 This report is prepared solely on behalf of the applicant concerning their proposed scheme and to establish the viability of that scheme. In this respect, the report is neither transferable nor applicable to any other scheme or purpose. No assignment of this report is permissible.

2.0 Proposed development

- 2.1 The site extends to approximately 0.44 hectares, (1.08 acres), to be accessed from both High Lane, Acres Road and Stockton Road. As part of the development proposals, Acres lane will be widened and improved. Drive via a new access road that will be improved and upgraded.
- 2.2 The scheme will include surface water SUDS and additional landscaping to public and private areas.
- 2.3 The proposed development includes a range of three-storey 4-bedroom dwellings of semi-detached and terraced house types, and a 3 storey block of six 2 bedroom apartments. Dwelling sizes are across a range as shown below.
- 2.4 The apartments are limited to 1 parking space whilst the 2 houses converted from the existing Victorian building will have 2 parking spaces. The large terraced houses facing Acres Lane and the 2 adjacent semi-detached houses that front High Lane will have just one parking space.

3.0 Methodology, policy and data sources

3.1 In accordance with the RICS Guidance Note 'Assessing viability in planning under the NPPF 2019' (1st edition) March 2021; the PPG (Viability) (as amended May 2019) and the RICS Professional Statement 'Financial Viability in planning: conduct and reporting' (May 2019) the methodology used to establish the financial viability of the scheme is that of a residual appraisal.

3.2 This methodology in this instance is summarised as follows:

$$\begin{aligned} &\text{GROSS DEVELOPMENT VALUE (GDV) less COSTS less PROFIT} \\ &= \text{RESIDUAL LAND VALUE} \end{aligned}$$

3.3 In this way, financial viability is tested, with a clear connection to planning policy as contained within the NPPF and PPG, which indicate that unless viability is secured development may not proceed, to the detriment of economic gain that would otherwise arise.

3.4 It is recognised that a reasonable return from development should be produced. In the absence of that reasonable return, measured by profit, and benchmarking of the site value, such development will not proceed.

3.5 The purpose of considering financial viability is to establish how a scheme should be considered during the planning application phase with particular regard to matters such as the provision of affordable housing and other levels of planning obligations. The aim is to secure a surplus from the equation above to enhance the land value.

3.6 At present there is no adopted CIL charging schedule for the Manchester City Council area. The Council are participants in the wider ongoing consultations now known as Places for Everyone that is seeking to adopt a wider housing strategy for 9 authorities within the Greater Manchester area. This remains at an early stage and therefore carries limited weight.

3.7 The Site is located within the 'Inner Areas' (MCC CS Policy SP1) as defined by MCC Core Strategy.

3.8 The following documents are relevant in this instance:

- On behalf of the Greater Manchester Combined Authority (Places for Everyone):
- Strategic Viability Report Stage 1, dated September 2020
- Strategic Viability Report Stage 1 Addendum, dated June 2021
- Strategic Viability Report Stage 2 Allocated Sites Viability Report, dated June 2021)
- RICS Guidance Note 94/12
- RICS Professional Statement '*Financial viability in planning: conduct and reporting*' (May 2019)
- RICS Guidance Note '*Assessing viability in planning under the NPPF 2019*' 1st edition (effective July 2021)
- NPPF (December 2023)
- PPG Viability (2018 and amended 2019)

3.9 The policy for affordable housing for market housing developments in the Manchester City Council area is not specifically defined. Under Core Strategy Policy H8 the City Council seeks to achieve 20% on average across the City Council area. The policy does not specify a preferred tenure mix by area but is envisaged that 5% of new housing provision will be social or affordable rented and 15% will be intermediate housing. The policy requires affordable housing to be provided in all residential developments that propose 15 or more units; with the proportion of affordable housing units reflecting the type and size of the development as a whole.

3.10 An applicant may be able to seek an exemption from providing affordable housing, or a lower proportion of affordable housing, a variation in the mix of affordable housing, or a lower commuted sum, where a financial viability assessment is conducted which demonstrates that it is viable to deliver only a proportion of the affordable housing target of 20%; or where material considerations indicate that intermediate or social rented housing would be inappropriate.

3.11 All planning applications should be accompanied by a Viability Assessment to determine the appropriate level of affordable housing. The assessments' costs and values are robustly tested and analysed.

3.12 We have been provided with details of costs including some infrastructure, enhanced specification and abnormal costs which have been included as appropriate.

3.13 The assessment date for viability purposes is 19th February 2024. All data sources used were current at that date.

- 3.14 We have completed a detailed Market Research Report. This is attached at Appendix D. We have then calculated, and duly benchmarked, the affordable rent and shared ownership tenures for the policy compliant assessment.
- 3.15 We have utilised current BCIS data to benchmark the basic build costs against, also noting the ongoing levels of cost inflation. This is contained within Appendix G.

4.0 Scheme value

- 4.1 As more fully described within the planning application the proposal is for a total of 22 dwellings.
- 4.2 We have been provided with an intended development programme timescale and separately identify pre-construct, construction, and sales phases within our appraisals. This forms the basis of the cash flow contained within our appraisal.
- 4.3 The following dwelling type mix is included in our assessment of a policy compliant scheme: 20% affordable would be 4.4 dwellings so rounded down this equates to 1 affordable rent and 3 shared ownership dwellings.

House type (market sale dwellings)	No.
Type A: 2.5 Storey, 4 Bed Townhouse	12
Type B: 2.5 Storey, 4 Bed Semi Detached House	2
Type C: 2 Bed Apartment	2
Type D: 3.5 Storey, 4 Bed Semi Detached House	1
Type E: 3.5 Storey, 4 Bed Semi Detached House	1
Total	18

House type (affordable dwellings)	No.	Tenure
Type C: 2 Bed Apartment	1	Affordable Rent
Type C: 2 Bed Apartment	3	Shared Ownership
Total	4	

Market housing

- 4.4 The proposed development is for 22 dwellings. As illustrated above the existing policy of up to 20% affordable housing would require 4.4 (rounded down to 4) dwellings of the total to be affordable housing provision. We have carried out an appraisal of the scheme on that basis and considered the viability based on all calculated values and costs.
- 4.5 We have completed detailed Market Research for the site. This is submitted in Appendix D and includes the proposed prices for each dwelling type as follows:

House type (market sale dwellings)	Asking price	Parking
Type A: 2.5 Storey, 4 Bed Townhouse	£825,000	1 Space
Type B: 2.5 Storey, 4 Bed, Semi Detached House	£795,000	1 Space
Type C: 2 Bed Apartment	£300,000	1 Space
Type D: 3.5 Storey, 4 Bed Semi Detached House	£950,000	2 Spaces
Type E: 3.5 Storey, 4 Bed Semi Detached House	£995,000	2 Spaces

- 4.6 We have adopted the above values having taken into account that the house types as proposed are very large for the accommodation provided in this location and the limited private amenity space for large family home accommodation. In addition the majority of dwellings provide accommodation over 3 or 4 floors leading to a larger proportion of circulation space within dwellings, particularly the refurbished dwellings. In addition the current layout provides only 1 parking space per dwelling for all the newbuild houses. This will limit the appeal to purchasers at this price point and impact sales rates. This results in the following GDV:

GDV - market housing	
Total GDV (market housing)	£14,035,000

- 4.7 We note the wider economic issues that are likely to influence demand throughout the development period, especially wider inflation increases and rising costs of living. It is further noted that expectations of continued house price growth are significantly reduced, with sources including Nationwide and Halifax reporting broadly flat house prices and reduced sales volumes.
- 4.8 Whilst noting the levels of growth that have occurred across all house types prior to the recent correction, we conclude that there is increasing uncertainty within the property market and as such any increase in the proposed prices cannot be justified. We consider the prices adopted to be robust and include any new homes price premium.

Affordable housing

- 4.9 As identified at 4.3 above normally 20% of the total scheme will be required to be affordable housing. The tenure mix would require circa 3 shared ownership dwellings and 1 affordable rent dwellings in order to meet the policy requirement.

Affordable Rent

4.10 Affordable housing prices adopted are as follows:

House type (affordable rent dwellings)	Market value	Transfer value adopted	Proportion of market value
Type C: 2 Bed Apartment	£300,000	£135,000	45%

4.11 We have adopted the transfer values for the affordable tenure dwellings and consider these to be maximised and therefore adopting any higher transfer value would not be appropriate. We have not had sight of any site-specific offers from any RP and reserve the right to amend our appraisals in the event that offers are provided.

Shared Ownership

4.12 We have adopted the following transfer values for the shared ownership tenure as follows:

House type (shared ownership dwellings)	Market value	Transfer value adopted	Proportion of market value
Type C: 2 Bed Apartment	£300,000	£195,000	65%

Gross Development Value (GDV) - Affordable Housing

4.13 This assessment, therefore, produces the following GDV for the policy compliant affordable housing:

GDV - affordable housing	£
Total GDV (affordable rent)	£135,000
Total GDV (shared ownership)	£585,000
Total scheme affordable GDV	£720,000

Gross Development Value (GDV)

- 4.14 This assessment, therefore, creates the following overall policy compliant scheme GDV:

GDV - policy compliant scheme	£
Total GDV (market)	£14,035,000
Total GDV (affordable)	£720,000
Total scheme GDV	£14,755,000

- 4.15 We have accordingly included this total GDV into our residual-based appraisal of the policy compliant scheme. A copy of this appraisal is included in Appendix B.

5.0 Costs

- 5.1 We have assessed the potential development cost of the proposed development. We have fully considered the development programme, and how the development of this proposal would be carried out.
- 5.2 Our terms of engagement include the request to provide all known or estimated cost information relating to the scheme, together with an identification of the source of such data. We have utilised the cost information provided. The incorporation of information provided is further benchmarked.
- 5.3 We have been provided with a detailed cost plan of for the projected development, completed by Gleeds. A copy of the cost plan is included in Appendix F. The total basic build including prelims and external works is therefore assessed as being **£6,567,416**. This equates to £1,868/m² (£174.00/ft²) overall.
- 5.5 The current BCIS data rebased to Manchester has been used to benchmark the adopted rates. This is included in Appendix G. The current BCIS median cost for 3 Storey Estate Housing is £1,532/m² (£142.33/ft²). BCIS cost data excludes all external works costs. For this site we would expect standard external works to add around 18% to the standard BCIS costs This would increase the comparable BCIS cost to circa £1,808/m² (£168/ft²). The comparable median rate for 3 storey apartments is £1,689/m² (£156.91/ft²). This increases to £1,993/m² (£185/ft²) when an appropriate allowance is made for external works.
- 5.6 The use of the median quartile as a benchmark is appropriate, given the scale of the scheme and its bespoke design. This also accords with other viability assessments and reviews concluded in the local area.
- 5.7 In addition to the basic build costs we have also included the site-specific other development cost identified in the Gleeds cost plan. These are first summarised on page 11 of their report and then set out in detail in pages 12 to 16.
- 5.8 The following additional abnormal costs not included within the Gleeds cost plan have been provided and are included as separate items within our appraisal:
- Ground remediation: hot spots Pc sum £25,000
 - Road closure and traffic management PC sum £20,000

5.9 We have additionally been provided with, or made, the following allowances:

- Developers Contingency: £517,184
- Finance: 10% borrowing rate inclusive of all fees
(Noting that this is a low finance rate for small scale bespoke developments)
- Professional fees are separately identified within the appraisal, along with appropriate sales, marketing and legal costs.
- Developers profit at 18% of GDV for all market dwellings and 8% of GDV for any affordable dwellings.

5.10 The PPG at para 012 identifies the required and separate elements of cost data, including:

- *"...build costs based on appropriate data, for example, that of the Building Cost Information Service*
- *abnormal costs...*
- *site-specific infrastructure costs...*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards...*
- *general finance costs...*
- *professional, project management, sales, marketing and legal costs ... Any professional site fees ...*
- *explicit reference to project contingency costs ...*

5.11 Each of the separate elements is included within our appraisal and therefore this conforms with the PPG.

5.12 Build cost inflation continues to be at a high rate and is projected to continue. In this context the construction costs assessed are robust but have the potential to be an understatement when compared to the cost report. This is also referred to in our Sensitivity Analysis in Appendix H.

6.0 Site value

6.1 The site has for many years been occupied as a school. The buildings on site are a mix of converted Victorian dwellings and modern additions, the majority of which are single storey. The remainder of the site is predominantly tarmac surfaced for outdoor play areas. The total application extends to approximately 0.44 hectares (1.08 acres).

6.2 The RICS Professional Statement requires the following elements to be assessed with establishing a benchmark land value:

Current use value (EUV) “...first component in the PPG (para 015)...”

Premium “...second component...in the PPG (para 016)...”

Market evidence

All supporting considerations, assumptions, and justifications

Alternative use-value (AUV) (para 017 of the PPG)

6.3 We have further noted that price paid data is not to be used in a viability assessment. We have not, therefore, included details of the price to be paid by the applicant.

6.4 The PPG states that:

“...To define land value for any viability assessment, a benchmark land value should be established based on the existing use value (EUV) of the land, plus a premium for the landowner...”

Para 013

6.5 The PPG then indicates that:

“...Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types...”

Para 015

- 6.6 We have appraised the proposed scheme, utilising the cost analysis provided. The appraisal is then used to calculate a Residual Land Value (RLV), which in turn, we have benchmarked.
- 6.7 The methodology has been followed and a Residual Land Value (RLV) calculated that would arise from the proposed scheme, given all values and costs as described within this report.
- 6.8 We have noted the use of other benchmark land values. The RICS Guidance Note indicates that site value should relate to market evidence, confirmed within PPG guidance on the subject.

Existing Use Value (EUV)

- 6.9 The Existing Use Value (EUV) of the site is, as required by the PPG, the value of the site in its existing use. No regard is to be had to hope value or any extant consent, nor the price to be paid. The Existing Use Value (EUV) of the site is based on the assumption that the site has a long established use as a school. Which has only recently ceased when the school moved to larger premises within Manchester in September 2023.
- 6.10 A premium would be required in addition to the EUV for the site to come forward for development, as confirmed in the Harman Report. Where no premium exists, the site would not come forward and would remain in its existing use. The PPG is not prescriptive in the level of that premium.
- 6.11 The site has been most recently used for educational purposes. We are aware of the recent transaction by the last occupier of the subject site for similar educational premises in the area which provides a good comparable for this site. In August 2022 agreement was reached to purchase a 6.5 acre site from Manchester College known as the Fielden Campus at Barlow Moor Road. The site had been actively marketed by the college.
- 6.12 The site was purchased for £12,750,000 which equates to £1,961,538 per acre. The total accommodation on site in buildings up to 6 floors was circa 67,000 sq ft (NIA) and therefore the price paid on that basis equates to £190.30 per sq ft.

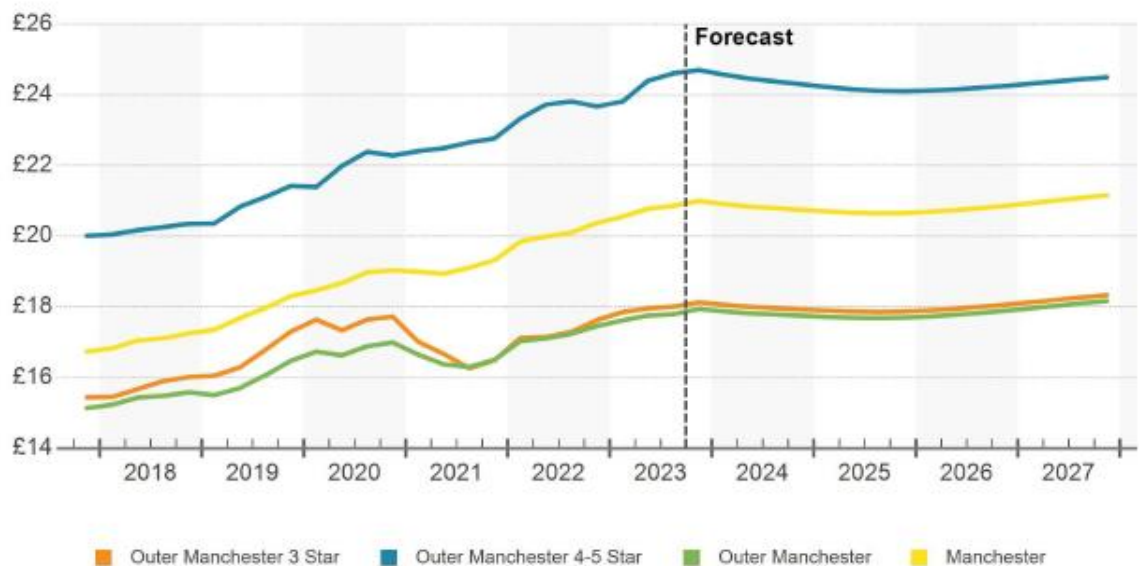
- 6.13 The subject site at Hight Lane, Chorlton is located in a similar location within the popular South Manchester area. The site extends to 1.08 acres and therefore by comparison with the Fielden Campus site would result in a value of circa **£2,118,461**. This value discounts any uplift in market values since the sale of the Fielden Campus site was agreed and also any premium for a significantly smaller lot size.
- 6.14 It has been confirmed by the clients' architects that the High Lane site currently provides a total of 1,741.50m² (18,746 sq ft) of buildings on site. This is made up of the frontage buildings that is a combination of 2 and 3 storey buildings, including the original Victorian Mansion that will be retained as part of the proposed development, a range of single storey classroom buildings that front on to the rear playground area and a small area of good quality modular accommodation that were used as small additional classrooms. We have discounted the total floor area by 20% overall to arrive at a comparable net internal area of 14,997 sq ft. Adopting the price paid for the Fielden Campus on this basis (£190.30/sq.ft.) equates to a site value of **£2,853,929**. Again, this value discounts any uplift in market values since the sale of the Fielden Campus site was agreed and also any premium for a significantly smaller lot size.

Alternative Use Value

- 6.15 Whilst we have noted above that the site has been used most recently for educational purposes we have also considered the alternative use of the site and buildings as commercial offices. We have therefore assessed the potential value of the site by comparison with the alternative use of the site for second hand offices.
- 6.16 We have reviewed recent office transactions (excluding Central Manchester locations where values are significantly higher) for evidence of rental agreements and freehold sales. To identify an appropriate level of rent and yield we have utilised the data contained within the CoStar Office Submarket Report, Outer Manchester, a copy of which is included in Appendix E of this report.
- 6.17 When considering these transactions we have taken into account that it is unlikely that all of the subject premises would be let to a single occupier and that some degree of subdivision into separate suites would be required.

- 6.18 Whilst transaction volumes have been lower in the last year, the level of values (for rental and sales) achieved have remained firm. The forecasts for market rental growth for all sectors predict a possible small decline of 1 or 2% over the next couple of years which then returns to a similar level of growth from mid-2025.
- 6.19 Discounting the 4 to 5 star properties, Outer Manchester rentals for properties of 3 star and below are reported as very similar as highlighted in the Market Rent per sq ft. data below at around £18 per sq.ft. The forecast for rental levels is generally flat in the short to medium term.

MARKET RENT PER SQUARE FEET



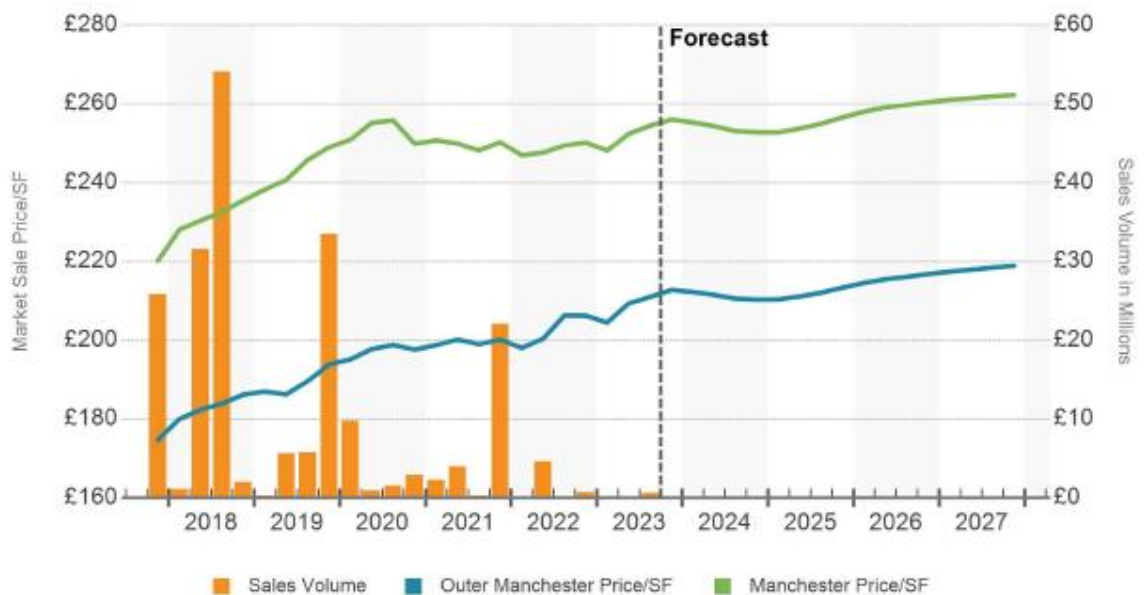
- 6.20 Rental levels for 1 and 2 star properties are also separately detailed in the table at page 16 of the CoStar report and summarised below. This data shows that rental levels have been consistent over a number of years for this class of property at £14 to £15 per sq.ft. with only nominal growth forecast in the short to medium term

1 & 2 STAR RENT & VACANCY

Year	Market Rent			Vacancy		
	Per SF	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2027	£15.71	1.8%	4.4%	40,197	2.4%	-0.8%
2026	£15.43	1.4%	2.5%	53,780	3.2%	-0.3%
2025	£15.22	0%	1.1%	59,943	3.5%	0.6%
2024	£15.22	-0.6%	1.1%	50,630	2.9%	0.8%
2023	£15.32	1.7%	1.7%	38,492	2.1%	0.3%
YTD	£15.21	1.0%	1.0%	27,745	1.6%	-0.2%
2022	£15.05	3.1%	0%	31,927	1.8%	-1.0%
2021	£14.61	10.3%	-3.0%	48,946	2.8%	-0.3%
2020	£13.25	5.4%	-12.0%	54,439	3.1%	0.6%
2019	£12.57	-2.3%	-16.5%	43,167	2.5%	-0.4%
2018	£12.86	0.7%	-14.5%	49,642	2.8%	1.5%
2017	£12.77	5.2%	-15.2%	22,739	1.3%	-1.4%
2016	£12.14	4.8%	-19.4%	46,383	2.7%	1.9%
2015	£11.58	16.1%	-23.1%	12,901	0.7%	-0.3%
2014	£9.98	-1.8%	-33.7%	18,815	1.1%	-1.0%
2013	£10.16	0.6%	-32.5%	36,519	2.1%	-2.2%
2012	£10.10	1.3%	-32.9%	75,659	4.3%	1.2%
2011	£9.97	-6.3%	-33.8%	54,464	3.1%	-1.8%

6.20 Office Sales volumes and prices are also detailed in the CoStar report as below.

SALES VOLUME & MARKET SALE PRICE PER SF



6.21 Whilst sales volumes have been low in the last couple of years sales values for Outer Manchester locations have increased from around £200 to £215 per sq

ft. with the forecast predicting a modest increase in values in the short to medium term.

- 6.22 Further details of actual transactions and forecasted market trends are detailed in the tables at page 18 of the report. These are broken down between 3 star and 1 and 2 star sales. Over the last 3 years there has been a modest increase in 3 star sales from circa £210 per sq ft to around £225 per sq ft as detailed below. Over the same period market yields have also increased from just under 7.00% to almost 7.50%. the forecast is for yields to remain at a similar level at around 7.30%.

3 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Yield	Price/SF	Price Index	Yield
2027	-	-	-	-	-	-	£232.75	155	7.3%
2026	-	-	-	-	-	-	£230.56	154	7.2%
2025	-	-	-	-	-	-	£226.91	151	7.3%
2024	-	-	-	-	-	-	£223.68	149	7.4%
2023	-	-	-	-	-	-	£226.31	151	7.4%
YTD	3	£0	1.0%	-	-	-	£228.15	152	7.4%
2022	-	-	-	-	-	-	£219.04	146	7.4%
2021	11	£23.3M	7.1%	£4,661,443	£144.41	5.7%	£210.03	140	7.0%
2020	9	£5.1M	6.2%	£1,269,500	£129.12	11.7%	£208.19	139	6.9%
2019	5	£8.1M	0.9%	£2,023,277	£214.69	-	£203.58	136	6.9%
2018	11	£76M	7.0%	£6,904,545	£226.34	6.2%	£195.97	131	6.9%
2017	15	£63.3M	12.6%	£6,330,500	£155.61	7.0%	£183.96	123	7.1%
2016	9	£11.9M	6.3%	£3,975,667	£112.20	8.8%	£162.38	108	7.7%
2015	19	£37.7M	13.1%	£3,424,425	£103.38	7.6%	£158.18	105	7.7%
2014	8	£1.5M	5.5%	£1,460,000	£17.18	-	£146.66	98	8.0%
2013	9	£14.3M	4.4%	£2,035,714	£85.32	10.0%	£136.56	91	8.5%
2012	3	£6.4M	1.4%	£3,200,000	£115.10	11.8%	£133.22	89	8.9%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

- 6.23 For 1 and 2 star properties over the same period sales values have shown a modest increase from around £150 per sq ft to circa £160 per sq ft with yields increasing from 7.60% to around 8.40%. The forecast is again for very modest sales value growth in the short to medium term and for yields of around 8.30% to be maintained as detailed in the table below.

1 & 2 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Yield	Price/SF	Price Index	Yield
2027	-	-	-	-	-	-	£163.91	164	8.3%
2026	-	-	-	-	-	-	£161.86	162	8.2%
2025	-	-	-	-	-	-	£158.99	159	8.2%
2024	-	-	-	-	-	-	£156.47	157	8.4%
2023	-	-	-	-	-	-	£157.74	158	8.4%
YTD	2	£615K	1.4%	£615,000	£46.22	-	£158.12	159	8.3%
2022	2	£5.3M	1.8%	£2,630,000	£168.19	-	£153.03	153	8.4%
2021	6	£3.5M	1.5%	£581,762	£130.64	-	£153.08	154	7.7%
2020	3	£2.9M	1.3%	£1,471,000	£141.82	-	£147.38	148	7.6%
2019	6	£37.1M	19.5%	£7,410,117	£115.45	5.0%	£146.09	146	7.6%
2018	4	£1.7M	8.6%	£825,000	£15.77	7.8%	£139.87	140	7.7%
2017	3	£360K	0.6%	£360,000	£98.50	-	£131.48	132	7.8%
2016	3	£11.5M	15.1%	£5,760,605	£43.68	-	£117.11	117	8.4%
2015	5	£1.1M	2.0%	£222,997	£31.52	7.3%	£111.89	112	8.5%
2014	5	£2.6M	0.8%	£522,088	£194.16	-	£102.19	102	8.9%
2013	4	£397.5K	7.3%	£198,750	£17.83	-	£94	94	9.6%
2012	3	£700K	0.2%	£350,000	£318.18	-	£90.69	91	10.1%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

- 6.24 Based on the above we would assess a conservative alternative market rent for this location at around £16 per sq.ft. for the brick built buildings and just £10 per sq.ft. for the small module buildings.
- 6.25 In addition we have also conservatively assessed the value of parking spaces in this location at £1,200 per annum given both commercial and residential secure off street parking is very limited in the area. In addition to the existing 15 spaces located of High Lane there is a large surfaced area that can be accessed of Acres Road through an existing gateway that could readily provide significant additional secure parking. We have conservatively assessed this would accommodate a further 25 spaces.
- 6.26 Based on the above assumptions we have arrived at a total market rent for the alternative use of the site as summarised in the table below. We have then adopted a conservative initial yield of 8.50% to arrive at an alternative use Capital Value.
- 6.27 The above yield is in accord with that identified within the CoStar report for 1 and 2 star sales and also with the recent Savills research “UK Regional Office Investment Market watch - December 2023” that reports a yield of 8.50% for secondary offices in the Manchester area.

Alternative Use Value	Sq. ft. (No. spaces)	£/sq. ft. (per space)	Rental Value	Capital Value (Yield 8.50%)
Existing Buildings	14493	£16.00	£231,888	£2,728,094
Modular Classrooms	500	£10.00	£5,000	£58,824
Parking Spaces (off High Lane)	15	£1,200	£18,000	£211,765
Estimated Parking Spaces (off Acres Road)	25	£1,200	£30,000	£352,941
		Total Value	£284,888	£3,351,624

6.28 For the avoidance of doubt the above assessment of value does not take into account the potential to further extend the accommodation on site within the undeveloped playground areas, subject to the receipt of the appropriate consents.

6.29 As discussed at 6.17 above it is unlikely that all of the subject premises would be let to a single occupier and that some degree of subdivision into separate suites will be required. We have therefore made provision either works or rent free periods or other incentives to the value of £850,000. The Alternative use value of the site on this basis is **£2,501,624**.

6.30 Our assessment of the existing/alternative use value of the site is summarised in the table below.

Value Basis	£
Existing Use for Educational Use (Land Value Comparison)	£2,118,461
Existing Use for Educational Use (Floor Space Comparison)	£2,853,929
Alternative Use for Offices.	£2,501,624

6.31 Based on the above analysis and assessments of existing and alternative uses an EUV of £2,500,000 has been reasonably adopted in this case.

Benchmark Land Value

6.32 We have based the land value on a conservative assessment of £2,500,000. We have then applied a conservative uplift of 30% given that this site benefits from being within the built up area of South Manchester and therefore has a high likelihood of being granted a permission for residential development.

Current site value	= £2,500,000
Uplift :@30% of EUV	= £750,000
Benchmark Land Value (EUV+)	= £3,250,000

Scheme RLV

- 6.33 The policy compliant appraisal carried out is based on all known values and costs, with any assumptions as indicated earlier within this report. As the summary report in Appendix B identifies the Residual Land Value (RLV) is as follows:

£385,000

- 6.34 This is notably below the assessment of EUV, with or without a premium. In this respect, the residual land value for the scheme on a policy compliant basis with 20% affordable housing provision confirms that the scheme is not viable.

Land value comparison

- 6.35 We have set out below a comparison of land values arising from our assessment:

Scheme	GDV	RLV	EUV+ Benchmark	Difference
Policy compliant	£14,755,000	£385,000	£3,250,000	-£2,865,000
Revised - 0% affordable housing	£15,235,000	£618,000	£3,250,000	-£2,632,000

- 6.36 On this basis a policy compliant scheme would not be viable, with no surplus over the benchmark land value.

Appraisal conclusion

- 6.37 The revised appraisal with 0% affordable housing results in a RLV, that is also remains below the EUV+ land value. As such only the assessment with 0% affordable housing could be considered to be, at best, at the margins of being made viable, albeit below the EUV+ measure.

7.0 Viability judgement

- 7.1 We have assessed the value of the policy compliant scheme and established a level of residual land value (RLV) that is significantly less than the assessment of EUV. This does mean that the scheme is unviable on a policy compliant basis.
- 7.2 We have provided at Appendix H a sensitivity analysis to illustrate a range of scenarios, as required by the RICS Professional Statement.
- 7.3 Our analysis of the proposed scheme provides our professional opinion of the viability of the proposal. This opinion is formed in the context of the current guidance, together with the existing planning policy.
- 7.4 We have fully considered the value and cost data provided and benchmarked against the Area Wide Viability Report as well as more recent sources of data. We believe that the data provided is reflective of the nature and type of development proposed in this instance and is not in any way overstated.
- 7.5 It is our considered opinion that the proposed scheme is capable of being delivered at the margins of being viable if no affordable housing or other S106 obligations are provided.

Written by

A handwritten signature in black ink, appearing to read 'Richard Heathcote'.

Richard Heathcote
Consultant

Reviewed by

A handwritten signature in black ink, appearing to read 'A V Martinelli'.

A V Martinelli FRICS
Director
Devvia Property Consultancy Ltd.
19th February 2024

B. Summary appraisal (policy compliant scheme)

REVENUE		File: Appendix B		
Gdv Market Housing				14,035,000
Gdv Affordable Housing	-E			720,000
			REVENUE	14,755,000
(Revenue Totals labelled -E do not attract Fees)				
COSTS				
Site Value			385,000	
Site Stamp Duty			8,750	
			Site Costs	393,750
Site Legal Fees			12,000	
Site Agency Fees			15,000	
			Initial Payments	27,000
Build Costs			6,567,416	
Infrastructure And Abnormal Costs			2,640,479	
Traffic Management And Closures			20,000	
Contamination Hotspot Removal			25,000	
Developer Contingency			517,184	
Professional Fees Application And Pre St	at 4.00%		390,803	
Professional Fees Post Planning	at 5.50%		537,354	
			Build Costs	10,698,237
Direct Sale Agents Fee	at 3.50%		491,225	
			Disposal Fees	491,225
Direct Sales Legal Fees			22,000	
			End Payments	22,000
INTEREST	(See CASHFLOW)			538,849
10.00% pa	on Debt charged Quarterly and compounded Quarterly			
Site Costs	Month 1 (Jun 24)			
Site Legal Fees	Month 1 (Jun 24)			
Site Agency Fees	Month 1 (Jun 24)			
Build Costs (bld.)	Month 4 to 23 (Sep 24 - Apr 26)			
Infrastructure And Abnormal Costs (bld.)	Month 4 to 23 (Sep 24 - Apr 26)			
Traffic Management And Closures	Month 2 to 11 (Jul 24 - Apr 25)			
Contamination Hotspot Removal	Month 2 to 4 (Jul 24 - Sep 24)			
Developer Contingency	Month 4 to 23 (Sep 24 - Apr 26)			
Professional Fees Application And Pre St	Month 1 (Jun 24)			
Professional Fees Post Planning	Month 2 to 23 (Jul 24 - Apr 26)			
Direct Sale Agents Fee	Month 11 to 24 (Apr 25 - May 26)			
Direct Sales Legal Fees	Month 12 to 24 (May 25 - May 26)			
Gdv Market Housing (sale)	Month 14 to 24 (Jul 25 - May 26)			
Gdv Affordable Housing (sale)	Month 14 to 24 (Jul 25 - May 26)			
PROFIT	2,583,939		COSTS	12,171,061
PROFIT/SALE	17.51%		PROFIT/COST	21.23%

C. Summary appraisal (revised zero affordable housing).

REVENUE		File:Appendix C	
Gdv Market Housing			15,235,000
		REVENUE	15,235,000
COSTS			
Site Value		618,000	
Site Stamp Duty		20,400	
		Site Costs	638,400
Site Legal Fees		12,000	
Site Agency Fees		15,000	
		Initial Payments	27,000
Build Costs		6,567,416	
Infrastructure And Abnormal Costs		2,640,479	
Traffic Management And Closures		20,000	
Contamination Hotspot Removal		25,000	
Developer Contingency		517,184	
Professional Fees Application And Pre St	at 4.00%	390,803	
Professional Fees Post Planning	at 5.50%	537,354	
		Build Costs	10,698,237
Direct Sale Agents Fee	at 3.50%	533,225	
		Disposal Fees	533,225
Direct Sales Legal Fees		22,000	
		End Payments	22,000
INTEREST	(See CASHFLOW)		573,457
10.00% pa	on Debt charged Quarterly and compounded Quarterly		
Site Costs	Month 1 (Jun 24)		
Site Legal Fees	Month 1 (Jun 24)		
Site Agency Fees	Month 1 (Jun 24)		
Build Costs (bld.)	Month 4 to 23 (Sep 24 - Apr 26)		
Infrastructure And Abnormal Costs (bld.)	Month 4 to 23 (Sep 24 - Apr 26)		
Traffic Management And Closures	Month 2 to 11 (Jul 24 - Apr 25)		
Contamination Hotspot Removal	Month 2 to 4 (Jul 24 - Sep 24)		
Developer Contingency	Month 4 to 23 (Sep 24 - Apr 26)		
Professional Fees Application And Pre St	Month 1 (Jun 24)		
Professional Fees Post Planning	Month 2 to 23 (Jul 24 - Apr 26)		
Direct Sale Agents Fee	Month 11 to 24 (Apr 25 - May 26)		
Direct Sales Legal Fees	Month 12 to 24 (May 25 - May 26)		
Gdv Market Housing (sale)	Month 14 to 24 (Jul 25 - May 26)		
PROFIT	2,742,682	COSTS	12,492,318
PROFIT/SALE	18.00%	PROFIT/COST	21.95%

D. Market analysis report

A separate pdf is provided.

E. CoStar office submarket report: outer Manchester

A separate pdf is provided.

F. Gleeds cost plan

A separate pdf is provided.

G. BCIS data

BCIS®

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 10-Feb-2024 07:26

Rebased to Manchester (101; sample 67)

MAXIMUM AGE OF RESULTS: DEFAULT PERIOD

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
New build								
810. Housing, mixed developments (15)	1,539	831	1,334	1,489	1,682	3,791	1275	
810.1 Estate housing								
Generally (15)	1,526	740	1,299	1,467	1,666	5,251	1411	
Single storey (15)	1,735	1,035	1,468	1,663	1,913	5,251	234	
2-storey (15)	1,467	740	1,273	1,424	1,610	3,168	1094	
3-storey (15)	1,609	941	1,337	1,532	1,829	3,129	78	
4-storey or above (15)	3,188	1,543	2,554	2,852	4,245	4,749	5	
810.11 Estate housing detached (15)	1,986	1,130	1,480	1,702	2,117	5,251	21	
810.12 Estate housing semi detached								
Generally (15)	1,539	898	1,311	1,510	1,676	3,394	355	
Single storey (15)	1,717	1,109	1,469	1,678	1,869	3,394	81	
2-storey (15)	1,486	898	1,299	1,445	1,635	2,605	262	
3-storey (15)	1,508	1,123	1,218	1,444	1,790	2,175	12	
810.13 Estate housing terraced								

BCIS®

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
Generally (15)	1,554	904	1,274	1,466	1,696	4,749	231	
Single storey (15)	1,781	1,161	1,479	1,754	2,127	2,537	18	
2-storey (15)	1,481	904	1,258	1,419	1,629	3,168	178	
3-storey (15)	1,646	941	1,336	1,510	1,848	3,129	33	
816. Flats (apartments)								
Generally (15)	1,802	891	1,495	1,695	2,036	6,106	828	
1-2 storey (15)	1,700	1,038	1,429	1,609	1,899	3,524	173	
3-5 storey (15)	1,778	891	1,487	1,689	2,003	3,727	554	
6 storey or above (15)	2,120	1,294	1,718	1,994	2,300	6,106	98	

H. Sensitivity analysis

Following the RICS Professional Statement, we have prepared a sensitivity analysis. This has been carried out concerning values and costs and is summarised below.

1. Costs

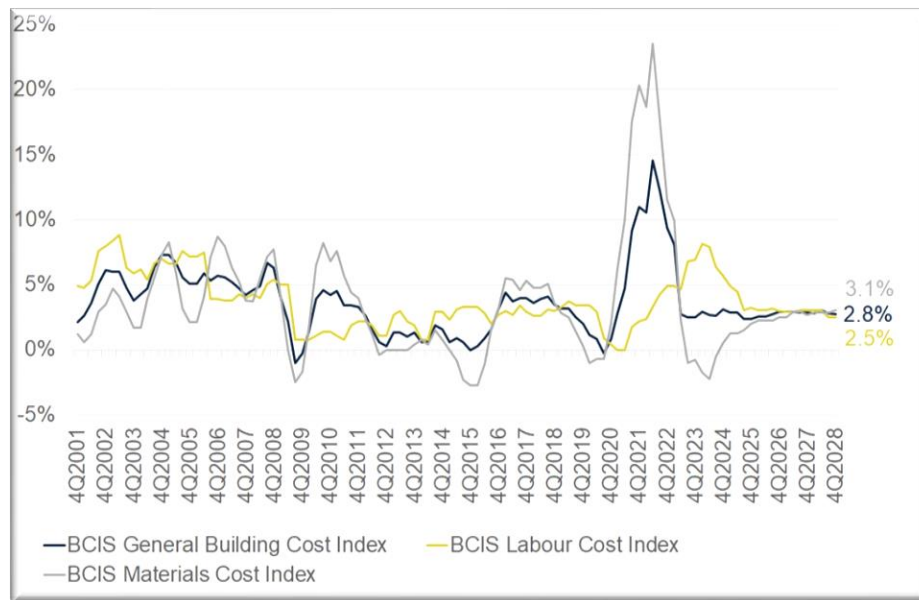
Cost item	House type	Overall Rate used	BCIS Rate Median quartile plus external works allowance	-5%	+5%	Comment
Basic build cost	3 storey houses	£1,868/m ²	£1,808/m ² (3 storey housing)	£1,718/m ²	£1,898/m ²	All indicators confirm increasing costs, with no evidence of any decline in labour, materials and build cost indices
	3 storey apartments		£1,993/m ² (3 storey apartments)	1,893/ m ²	£2,093/m ²	

Build cost sensitivity

The latest BCIS (December 2023) Briefing observes the following analysis:

- 3.2.3 Building costs

Building costs, as measured by the BCIS General Building Cost Index, rose 2.5% in the year to 3Q2023, continuing the downward trend from the recent peak of 14.6% in 2Q2022. The slowdown in the growth of construction costs is mainly attributed to the fall in materials cost inflation; with the cost of labour forecast to be the main driver of construction costs in the near term.



This data shows how there continues to be cost inflation, albeit at reduced levels from the peak in 2021. In this respect, we consider that there is a significant risk of inflation on all elements of build costs across the development period. We have not included any such inflation within our appraisals, nor have we increased the contingency level to accommodate any such increases.

We conclude that build costs cannot be reduced arbitrarily. They have been benchmarked to BCIS levels and are robust.

2. Values

We have assessed the levels of market prices, using both the market research and additional consideration of new build schemes in the area.

The assessment of the market prices confirms that the range is appropriate. Market conditions are presently uncertain, with reported declines in both achieved house prices and sales rates in recent months. We would accordingly see no justification for higher prices being applied. The potential exists for house price reductions, given wider economic condition changes. This in turn has an impact on the shared ownership tenure, required to create a higher value than the affordable rent tenure.