

**Upper Brook Street
Masterplan(Williams
Motor Co (Holdings) /
Alliance UBS Limited)**

**Financial Viability
Statement -
Addendum**

November 2023

Private and Confidential

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Appendix 1 – Development Appraisals

Report title: UBS Masterplan - Williams Motor Co (Holdings) / Alliance UBS Limited – Financial Viability Statement - Addendum

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Status: Final Report

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For and on behalf of Avison Young (UK) Limited

1. Introduction

- 1.1 Williams Motor Co (Holdings) and Alliance UBS Limited (the Applicant), are seeking full planning permission for a life sciences and purpose-built student accommodation (PBSA) development on Phase Two of the Upper Brook Street Masterplan. The proposal would bring forward development on a previously developed site which is earmarked for commercial and PBSA uses in the Oxford Road Corridor Strategic Regeneration Framework Guidance (SRFG) endorsed by Manchester City Council in 2019.
- 1.2 Avison Young was appointed to prepare an independent assessment of scheme viability; the purpose of which was to:
- Demonstrate that the quantum of student development proposed was the minimum necessary to balance the risk profile and scheme viability inclusive of wider public realm benefits.
 - Demonstrate that the PBSA scheme was deliverable, which is a key strand of the Council's student housing policy¹
- 1.3 Our report was issued in July 2023 and concluded that the scheme (including the PBSA with 20% affordable bed spaces) was deliverable and that the scale of the PBSA proposed was the minimum necessary to balance the risk profile and scheme viability.
- 1.4 A planning application was submitted in June 2023 and subsequently there have been discussions with the Council, which have resulted in a number of amendments to the scheme in order to respond to the comments raised and to allow officers to progress the application. The changes proposed are summarised below:

Summary of Scheme Changes

- Block A1 reduced in height from Ground Floor plus 41 storeys to Ground Floor plus 29 storeys, with change to the massing.
 - Block A1 will now incorporate a mezzanine (included within the ground floor).
 - The total quantum of PBSA beds within Blocks A1 / A2 is now 763 beds (a reduction of 117 beds) with the number of beds in Block A3 (220 beds) remaining unchanged.
- 1.5 The revised schedule of accommodation for the PBSA elements of the scheme is summarised below.

Table 1.1 – Revised PBSA Schedule of Accommodation

Bedroom Type	A1	A2	A3	Total	Proportion
Cluster	178	130	210	518	52.70%
Acc. Cluster	18	0	10	28	2.85%
Standard Studio	276	104	0	380	38.66%
Acc. Studio	22	0	0	22	2.23%
Large Studio	26	0	0	26	2.64%
Duplex Studio	9	0	0	9	0.92%
Total beds	529	234	220	983	100%

Source: Simpsonhaugh Unit Mix Area Schedules

¹ Policy H12 – Purpose Built Student Accommodation.

- 1.6 The updated costs for the PBSA scheme, taking into account the previous changes, are summarised below.

Table 1.3 – Updated PBSA Costs

Key Elements	Total; (£)
Building Works	£96,364,916
External Works (1)	£1,285,178
Preliminaries	£14,647,514
Overheads and Profit	£5,614,881
Risk and Design Development	£2,947,812
Inflation (to midpoint of construction – Q4 25)	£4,834,412
Total Costs	£125,694,713
Cost per bed space	£127,868.48

Source: Abacus

- 1.7 There has been no changes to the proposed life sciences building (Block B), meaning the costs are unchanged from those set out in our July 2023 report.
- 1.8 Taking into account the proposed changes to the scheme, the Applicant has agreed a revised purchase price and lease regear.

Scope of Assessment

- 1.9 This report is an addendum to our previous July 2023 report to take into account the impact on viability of the above changes and demonstrate that the scheme is still viable and therefore deliverable, in line with the Council's student housing policy . All other assumptions remain as set out within our previous July 2023 report.
- 1.10 This addendum should, therefore, be read alongside our previous viability assessment and in conjunction with the supporting development appraisals, as well as the documents submitted as part of the planning application.

Methodology

- 1.11 Our methodology is unchanged from that set out in our previous July 2023 report, in that we have adopted the residual method of valuation to derive the residual profit from the scheme. We have maintained the same benchmark / target profit included in our previous assessment, which is a blended scheme profit of 15% on cost, with an absolute minimum profit of 10%.

Basis of Reporting

- 1.12 The basis of reporting is the same as that set out in our July 2023 report.
- 1.13 The advice contained within this addendum does not constitute a valuation of the site in accordance with RICS Valuation – Global Standards January 2022 and should not be relied upon as such².

² 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') 1 – 5 of the Red Book and is not a formal valuation and should not be relied upon as such.

- 1.14 This addendum 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

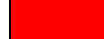
2. Appraisal Results / Conclusions

- 2.1 The results of our updated 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	£
PBSA – Gross Development Value	£214,713,598
Sci Tech – Gross Development Value	£283,351,110
Total Gross Development Value	£498,064,709
Purchasers Costs	(£33,868,400)
Net Development Value / Realisation (A)	£464,196,309
Acquisition Costs / Land Value	£33,850,000
Stamp Duty and Purchasers Costs	£2,301,800
PBSA Block – Construction Costs	£125,694,244
Sci Tech Block – Construction Costs	£182,353,213
Developers Contingency	£15,402,373
Project Fees	£24,643,797
Marketing and Disposal Costs	£5,959,972
Finance	£30,840,114
Total Costs (B)	£421,045,511
Profit (A- B)	£43,150,798
Profit on Cost	10.25%

Source: Avison Young Base Appraisal

	Target profit of 15% exceeded.
	Below target profit but higher than minimum profit of 10%.
	Below minimum profit of 10%.

- 2.2 As demonstrated above our base case appraisal generates a profit of 10.25%, which is below the target profit of 15% but marginally higher than the absolute minimum profit of 10% on cost, thereby demonstrating that the scheme, including the student block is viable and, therefore, deliverable, which is a key strand of the Council's student housing policy.

Appendix 1

Development Appraisal

UBS Masterplan
Williams Motor Co (Holdings)/Alliance UBS Limited

Base Appraisal

UBS Masterplan
Williams Motor Co (Holdings)/Alliance UBS Limited

Appraisal Summary for Merged Phases 1 2

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Blocks A1 and A2 - Clusters	326			12,750	3,075,810	4,156,500	3,075,810
Blocks A1 and A2 - Studios	437			19,380	6,267,104	8,469,060	6,267,104
Block A3 - Affordable Clusters	220			10,200	1,660,560	2,244,000	1,660,560
Block A1- A2 Ancilliary Commercial	1	1,107	23.00	25,454	25,454	25,454	25,454
Block A3 - Ancilliary Commercial	1	3,532	23.00	81,230	81,230	81,230	81,230
Blocks A1 - A2 Sundry Income	880			150	132,000	132,000	132,000
Block A3 Sundry Income	220			150	33,000	33,000	33,000
Block B1 - Life Science	1	148,898	46.00	6,849,308	6,849,308	6,849,308	6,849,308
4Block B2 - Life Science	1	95,210	46.00	4,379,660	4,379,660	4,379,660	4,379,660
Block B3 - Life Science	1	75,563	46.00	3,475,898	3,475,898	3,475,898	3,475,898
Life Science - B2 Ancilliary Commercial	1	2,543	23.00	58,494	58,494	58,494	58,494
Life Science - B3 Ancilliary Commercial	1	5,087	23.00	117,007	117,007	117,007	117,007
Totals	2,090	331,940			26,155,525	30,021,611	26,155,525

Investment Valuation

Blocks A1 and A2 - Clusters					
Current Rent	3,075,810	YP @	5.2500%	19.0476	58,586,857
Blocks A1 and A2 - Studios					
Current Rent	6,267,104	YP @	5.2500%	19.0476	119,373,417
Block A3 - Affordable Clusters					
Current Rent	1,660,560	YP @	5.2500%	19.0476	31,629,714
Block A1- A2 Ancilliary Commercial					
Market Rent	25,454	YP @	5.2500%	19.0476	
(6mths Rent Free)		PV 6mths @	5.2500%	0.9747	472,593
Block A3 - Ancilliary Commercial					
Market Rent	81,230	YP @	5.2500%	19.0476	
(6mths Rent Free)		PV 6mths @	5.2500%	0.9747	1,508,160
Blocks A1 - A2 Sundry Income					
Current Rent	132,000	YP @	5.2500%	19.0476	2,514,286
Block A3 Sundry Income					
Current Rent	33,000	YP @	5.2500%	19.0476	628,571
Block B1 - Life Science					
Current Rent	6,849,308	YP @	5.2500%	19.0476	130,463,010
4Block B2 - Life Science					
Current Rent	4,379,660	YP @	5.2500%	19.0476	83,422,095
Block B3 - Life Science					
Current Rent	3,475,898	YP @	5.2500%	19.0476	66,207,581
Life Science - B2 Ancilliary Commercial					
Market Rent	58,494	YP @	5.2500%	19.0476	
(6mths Rent Free)		PV 6mths @	5.2500%	0.9747	1,086,020
Life Science - B3 Ancilliary Commercial					
Market Rent	117,007	YP @	5.2500%	19.0476	
(6mths Rent Free)		PV 6mths @	5.2500%	0.9747	2,172,404
Total Investment Valuation					498,064,709

GROSS DEVELOPMENT VALUE498,064,709

Purchaser's Costs		(33,868,400)	
Effective Purchaser's Costs Rate	6.80%		(33,868,400)

NET DEVELOPMENT VALUE464,196,309

NET REALISATION464,196,309

OUTLAY

ACQUISITION COSTS

Land Value	6,770,000		
Fixed Price	27,080,000		
Total Acquisition		33,850,000	33,850,000
Stamp Duty		2,301,800	
Effective Stamp Duty Rate	6.80%		2,301,800

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Blocks A1 and A2 - Clusters	326 un	127,868	41,684,968
Blocks A1 and A2 - Studios	437 un	127,868	55,878,316
Block A3 - Affordable Clusters	220 un	127,868	28,130,960
Totals			125,694,244
	ft²	Build Rate ft²	Cost

UBS Masterplan

Williams Motor Co (Holdings)/Alliance UBS Limited

Block B1 - Life Science	225,311	363.21	81,835,208	
4Block B2 - Life Science	151,544	363.21	55,042,296	
Block B3 - Life Science	<u>125,205</u>	363.21	<u>45,475,708</u>	
Totals	516,494 ft²		182,353,213	
Developers Contingency		5.00%	15,402,373	323,449,829

PROFESSIONAL FEES

Project Fees		8.00%	24,643,797	24,643,797
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MARKETING & LETTING

Letting Agent's and Legals		15.00%	16,003	
Letting Agent Fee		10.00%	1,488,037	
Letting Legal Fee		5.00%	744,018	2,248,058

DISPOSAL FEES

Sales Agent Fee		0.50%	2,474,609	
Sales Legal Fee		0.25%	1,237,305	3,711,914

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				30,840,114

TOTAL COSTS

421,045,511

PROFIT

43,150,798

Performance Measures

Profit on Cost%	10.25%
Profit on GDV%	8.66%
Profit on NDV%	9.30%
Development Yield% (on Rent)	6.21%
Equivalent Yield% (Nominal)	5.25%
Equivalent Yield% (True)	5.43%
IRR% (without Interest)	15.17%
Rent Cover	1 yr 8 mths
Profit Erosion (finance rate 7.000)	1 yr 5 mths

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