

Financial Viability Assessment

B&M, Kingsway, Burnage, M19 1BB

Triple Jersey Ltd

Pre-Application Stage

October 2023

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Non-technical Summary

- ES 1 This Non-technical Summary should be read in conjunction with the main report and general assumptions and definitions attached hereto.
- ES 2 We refer to the instructions which were enclosed in an email dated 8th February 2023 requesting a Financial Viability Assessment (FVA) in respect of the proposed single-family build to rent (BTR) scheme at B&M, Kingsway, Burnage, M19 1BB. The current proposed scheme comprises 112 units – 78 houses (from 2-4 beds) and 34 apartments (2-beds).
- ES 3 This FVA has been prepared for Triple Jersey Ltd (the 'client'), in order to determine whether their proposed scheme on the existing site is able to deliver a policy-compliant level of affordable housing. The client is currently at the pre-application stage of development and consultation with Manchester City Council (MCC).
- ES 4 Following initial viability work on the proposal, the scheme is likely to result in a positive policy compliant residual land value (PC-RLV) including 20% affordable housing/rent.
- ES 5 This report constitutes Stage 2 of our appointment (Full FVA report), where we include our assessment of the Benchmark Land Value (BLV) of the site before finalising our policy-compliant appraisals for submission to MCC.
- ES 6 The site is located at the existing B&M retail warehouse store on Kingsway (A34) in Burnage, South Manchester, M19 1BB. The site is currently occupied by B&M on a lease. B&M moved into the building in September 2014 and their lease is set to expire in December 2023. The current passing rent on the existing lease is £379,500 pa.
- ES 7 The floor area (GIA) of the occupied warehouse is 3,458 sqm (37,222 sqft). The front of the site is largely car parking space with associated hardstanding. The rear of the site holds the warehouse storage space, accessible via the Mauldeth Rd entrance.
- ES 8 Manchester City Council's Local Plan Policy H8 requires 20% affordable housing on residential development sites of 0.3 hectares and above or where 15 or more units are proposed. The NPPF Glossary defines affordable housing for rent. In the context of private development this is known as Affordable Private Rent. This forms the basis of our appraisal.

Appraisal Inputs

Market Rents

ES 9 Section 4 provides our market assessment for the BTR Houses and Apartments. We have analysed the local residential BTR and lettings market through which we have come to a view on the value assumptions/yield to be adopted in our financial appraisals. Further detailed comments and analysis are contained within the main report. Our value assumptions are as follows.

Table ES.1 – Rental Value Assumptions

Unit Type	Sqm	Market Rent £ pcm	Rent £ psm PA
Type 1 – House	74	£1,456	£19
Type 2 – House	84	£1,518	£19
Type 3 – House	105	£1,974	£17
Type 4 – House	121	£2,283	£18
Type 5 – Apartments*	50	£1,098	£22
Type 5 – Apartments*	63	£1,382	£22
Type 5 – Apartments*	62	£1,361	£22
Type 5 – Apartments*	62	£1,363	£22

*4 x blocks

ES 10 This leads to a total gross monthly income of £177,312 pcm and £2,127,741 PA without affordable rent.

ES 11 After taking into account affordable rent tenure mix, the GDVs amount to:

- Private Market Rent Total Rent PA - £1,765,489 | 7,856 sqm
- Affordable Rented Total Rent PA - £289,802 | 1,372 sqm

ES 12 A total gross rent PA of £2,055,291 including affordable housing.

ES 13 This is based on a pro-rata split of PMR and AR across the Type 5 - Apartments. The scheme mix may change as the scheme develops in consultation with MCC.

ES 14 We also adopt a 28% leakage assumption, a 4.5% yield and 6% purchasers costs. Deducting these allowances leads to a Net Development Value of **£32,884,656** based on 20% affordable housing.

Cost Assumptions

ES 15 Our cost assumptions are as follows.

Table ES.2 – Cost Assumptions

Element	Cost (£)	Comment
Site Clearance and Demolition	£100,000	Prior to the redevelopment of the site, the existing B&M store will need to be demolished. We have made an allowance of £100,000 in this respect. We recommend that quotes are obtained to ensure a more accurate sum is included at the next stage of feasibility.
Construction Costs	Houses - £1,467 psm Flats - £1,695 psm	Based on BCIS Costs (New build median costs for Estate Housing (generally) and Flats (generally), rebased to 3Q 2023 and Manchester. These can be seen in Appendix 4.

Element	Cost (£)	Comment
Contingency	5%	Applied on the construction costs.
External Works	15%	Applied on the construction costs based on the GMCA Strategic Viability Report. We are assuming that abnormals are included.
S106 Costs	£5,250 per unit	Allowance applied based on the GMCA Strategic Viability Report. Subject to change based on discussions with the Council.
Professional Fees	8%	Based on the GMCA Viability report's allowance.
Disposal Costs	£20,000	Included as an initial allowance for BTR launch. We have not included letting legal and agent fees separately as we assume they are accounted for in the leakage/operating expenditure.

Element	Cost (£)	Comment
Finance	8%	This is a risk element in the current market and rising BoE rates. We reserve the position to increase this rate once bank terms are known.
Profit	20%	On cost.

Land Value

ES 16 The approach that we have taken to understand the EUV is to examine the capital value of the existing building. The building is in reasonable condition and we understand that it is occupied by B&M on a lease, expiring in December 2023. We consider that the retail warehouse could be re-occupied for a range of 'E1' class uses.

ES 17 We have therefore undertaken an assessment of the EUV on an investment valuation basis. We have considered the investment value based both on a traditional investment approach and a discounted cashflow approach (DCF). These are summarised below.

Table ES.3 – Traditional Land Valuation

Net Rent passing @ £10 psf	£379,500
All Risks Yield	6.0%
Capital Value (Existing Use Value)	£6,325,000
Less Purchasers Costs @ 6.80%	£402,715
Existing Use Value	£5,922,285

Table ES.4 – DCF Land Valuation

Net Rent passing @ £10 psf (first 5 years)	£379,500
Net Rent passing @ £13 psf (rent review to cashflow exit)	£436,425
Capital Value at exit (based on 6.0% and 6.8% purchaser costs)	£6,779,135
Less Purchasers Costs @ 6.80%	£494,615

Existing Use Value	£5,922,285
Equated Yield / IRR	12.26%

ES 18 We have adopted an EUV of £5.92m. We have not adopted a premium at this stage; however, we reserve the right to revisit this at a later stage.

Appraisal Outturn

ES 19 The below table summarises our policy-compliant appraisal.

Table ES.5 – Policy Compliant Residual Appraisal.

Residual Land Value (@20% Affordable Housing)	£4,840,481
Residual Land Value £ per acre	£1,423,670
Profit	£5,151,930
Profit on Cost	20.0%
Profit on GDV	15.67%
EUV	£5,922,285
Deficit (excluding Premium)	-£1,081,804

Source: 231002 B&M Kingsway Residual Appraisal_v6 Affordable

ES 20 The policy-compliant appraisal which includes 22 affordable units at 20% of the market rent produces a residual land value of £4,840,481.

ES 21 Relative to the EUV, this results in a viability deficit of -£1,081,804.

ES 22 This scheme is therefore unable to deliver the policy-compliant level of affordable units.

Sensitivities / scenario testing

ES 23 We have carried out a sensitivity analysis on the open market values and cost assumptions on the original appraisal.

ES 24 We have assumed that the values and build costs change by +/- 5%.

Table ES.6 – Values v Costs Sensitivity Analysis

Rent: Total MRV					
Construction: Gross Cost	-10.000%	-5.000%	0.000%	5.000%	10.000%
-10.000%	-4,293,913 4,636,737	-5,422,554 4,894,335	-6,551,194 5,151,936	-7,679,842 5,409,526	-8,808,484 5,667,124
-5.000%	-3,438,548 4,636,744	-4,567,197 4,894,334	-5,695,839 5,151,932	-6,824,478 5,409,532	-7,953,126 5,667,123
0.000%	-2,583,195 4,636,738	-3,711,831 4,894,342	-4,840,481 5,151,930	-5,969,123 5,409,528	-7,097,762 5,667,129
5.000%	-1,727,837 4,636,737	-2,856,479 4,894,335	-3,985,114 5,151,940	-5,113,766 5,409,527	-6,242,407 5,667,125
10.000%	-872,478 4,636,737	-2,001,122 4,894,333	-3,129,763 5,151,932	-4,258,407 5,409,526	-5,387,050 5,667,123

Source: Aspinall Verdi 2023

- ES 25 In the table above, the top sub-row is the land value. It must be noted that these represent a positive RLV, although they appear as a negative as they are a cost. The bottom sub-row is the profit which alters as it is applied as 20% on the costs.
- ES 26 Our sensitivity analysis shows with a 10% increase in the MRV results in a positive RLV of £7.09 million (including affordable units). In this scenario, the scheme would be viable on a policy compliant basis. If MRV increased by 5% and costs decreased by 5%, then there would also be a positive RLV of £6.82 million.
- ES 27 However, in the current market with economic certainty (increasing costs, base rate, high inflation etc), it is unlikely that costs would decrease by 5%. This supports our conclusion that the scheme cannot deliver a policy-compliant scheme with on-site affordable housing
- ES 28 We have also appraised a scenario of No Affordable Housing. This appraisal generated a RLV of £5,605,983. However, this is below the EUV and generates a deficit of -£316,302.
- ES 29 We have also undertaken an exercise to determine with what profit rate is the scheme deliverable. We have tested the scheme under a 100% market scenario with a reduced profit.
- ES 30 We have included land as a fixed cost to ascertain the profit rate at which the scheme would be viable i.e. RLV equivalent to the EUV (excluding premium).
- ES 31 This appraisal generated a profit amount of £5,013,963. This amounts to
- 14.73% Profit on GDV
 - 18.58% Profit on Cost

ES 32 For the scheme to be deliverable, the profit would need to be reduced to 18.58% on cost. We understand the Client may take a view, considering the potential future rental growth/ long term income stream, to proceed on this basis. However, this is to their discretion and contingent on their required rate of return.

Conclusions and Recommendations

ES 33 We conclude that the subject scheme cannot currently viably support any on-site affordable housing contributions.

ES 34 We have included land as a fixed cost (of £5.92m (excluding premium)) to ascertain the profit rate at which the scheme would be viable.

ES 35 This appraisal generated a profit amount of £5,013,963 This amounts to:

- 14.73% Profit on GDV
- 18.58% Profit on Cost

ES 36 For the scheme to be deliverable, the profit would need to be reduced to 18.58% on cost. We understand the Client may 'take a view', considering the potential future rental growth/ long term income stream, to proceed on this basis. However, this is to their discretion and can contingent on their required rate of return.

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For the attention of Alex Lewis, on behalf of Triple Jersey Ltd,

Dear Alex,

1 Introduction

- 1.2 We refer to the instructions which were enclosed in an email dated 8th February 2023 requesting a Financial Viability Assessment (FVA) in respect of the proposed single-family build to rent (BTR) scheme at B&M, Kingsway, Burnage, M19 1BB. The current proposed scheme comprises 112 units – 78 houses (from 2-4 beds) and 34 apartments (2-beds).
- 1.3 This FVA has been prepared for Triple Jersey Ltd (the 'client'), in order to determine whether their proposed scheme on the existing site is able to deliver policy-compliant affordable housing. The client is currently at the pre-application stage of development and consultation with Manchester City Council (MCC).
- 1.4 We understand that Manchester City Council's Local Plan Policy H8 requires 20% affordable housing on residential development sites of 0.3 hectares and above or where 15 or more units are proposed. The NPPF Glossary defines affordable housing for rent. In the context of private development this is known as Affordable Private Rent. This forms the basis of our appraisal.
- 1.5 Following initial viability work on the proposal, the scheme is likely to result in a positive policy compliant residual land value (PC-RLV) including 20% affordable housing/rent.
- 1.6 This report constitutes Stage 2 of our appointment (Full FVA report), where we include our assessment of the Benchmark Land Value (BLV) of the site before finalising our policy-compliant appraisals for submission to MCC.

RICS Professional Statement

- 1.7 Our FVA has been carried out in accordance with the RICS Financial Viability in Planning: Conduct and Reporting Professional Statement (May 2019).

1.8 Our FVA is also carried out having regard to the following policy and guidance:

- National Planning Policy Framework (NPPF, September 2023);
- Planning Practice Guidance (PPG, September 2019);
- Assessing viability in planning under the National Planning Policy Framework 2019 for England (March 2021).

Confirmation of Instructions

1.9 This report has been prepared by AspinallVerdi – Property Regeneration Consultants.

1.10 We confirm that that in preparing this report, no performance-related or contingent fees have been agreed.

Conflicts of Interest

1.11 We confirm that we have no conflict of interest in providing this advice and we have acted independently and impartially.

Transparency of Information

1.12 Transparency and fairness are key to the effective operation of the planning process. The presumption is that this viability assessment will be published in full, except where this may compromise delivery of the proposed application scheme or infringe other statutory and regulatory requirements.

Area Wide Viability Assessment

1.13 We confirm that we have not acted for Manchester City Council in respect of the preparation of an area wide Local Plan or CIL viability assessment.

2 Scheme Details

2.1 This section of our report sets out our understanding of the scheme.

Location

- 2.2 The site is located at the existing B&M retail warehouse store on Kingsway (A34) in Burnage, South Manchester, M19 1BB. This is a primarily a residential estate area with local businesses nearby and a primary school. Towards the south of the site sits a petrol station and other commercial units. Some of these are unoccupied.
- 2.3 The site is adjacent to Mauldeth Road station with links via the northern line to Manchester Piccadilly, Manchester Airport, Crewe and Liverpool Lime Street. The City Centre is 5 miles away via the A34 and Manchester Airport is up to 15 minutes away via the A34/M56.

Figure 2.1 - Location Map



Source: Google Maps (2023)

The Site

- 2.4 The site location plan below was provided by JA Lewis. We measured the area on Digimap which showed a site area of 3.4 acres (1.37 hectares).

- 2.5 The site is orientated north/south. The primary access point is from the A34, north of the site. The site is also accessible from Mauldeth Road (south).
- 2.6 We note that CBRE conducted an Environmental Assessment in 2009, wherein they identified possible site contaminations which would require remediation. We are not aware if there is still any possible contamination on-site or if any pre-existing contaminations have been remediated.
- 2.7 The red-line site plan for identification is shown in Figure 2.2.

Figure 2.2 - Red Line Site Plan



Source: JA Lewis (2023)

Existing Use(s)

- 2.8 The site is currently occupied by a B&M retail warehouse on a lease. B&M took occupation of the building in September 2014 and their lease is set to expire in December 2023. The passing rent on the existing lease is £379,500 pa.
- 2.9 The floor area (GIA) of the occupied warehouse is 3,458 sqm (37,222 sqft). The front of the site is largely car parking space with associated hardstanding. The rear of the site holds the warehouse storage space, accessible via the Mauldeth Rd entrance. These can be seen in Table 2.1.

Table 2.1 – Existing Site Images



Existing Retail Warehouse – B&M



Existing Car Park – via A34 site entrance



Site Rear – via Mauldeth Rd



Site Rear – storage area

Source: Google Maps (2023)

Proposed Scheme

- 2.10 The proposal is for the demolition of the existing building and delivery of a new-build BTR scheme on-site with the associated landscaping, infrastructure and engineering works. The proposal is currently at the pre-application stage for a 112-unit residential scheme.
- 2.11 The scheme layout plan can be seen below in Figure 2.3.

Figure 2.3 - Site Layout Plan



Source: JA Lewis (2023)

- 2.12 The scheme is made up of:
- 78 single-family BTR houses ranging from 2 – 3 stories;
 - 34 BTR apartments in 3 blocks with cycle storage;
 - Outdoor communal space/community garden;
 - Car parking spaces (quantity tbc).

Scheme Mix / Areas

- 2.13 The proposed unit mix is 77% 2-beds, 8% 3-beds and 15% 4-beds. This makes up 78 houses and 34 apartments in total. We understand the scheme has been agreed with Manchester City Council and that they are supportive of the proposals.
- 2.14 Table 2.2 summarises the mix for the private units and Table 2.3 for the affordable units.

Table 2.2 – Private Unit Mix

Uses	Floor Area Sqft (per unit)	Floor Area Sqm (per unit)	Beds	No of Units
Type 1 - House	792	74	2	6
Type 2 - House	906	84	2	48
Type 3 - House	1,128	105	3	16
Type 4 - House	1,305	121	4	8
Type 5 - Apartments	537	50	2	2
Type 5 - Apartments	676	62	2	10
Total		7,856		90

Source: AspinallVerdi

Table 2.3 – Affordable Unit Mix

Uses	Floor Area Sqft (per unit)	Floor Area Sqm (per unit)	Beds	No of Units
Type 5 - Apartments	676	62	2	11
Type 5 - Apartments	666	62	2	3
Type 5 - Apartments	667	62	2	8
Total	13,650	1,268		22

Source: AspinallVerdi

- 2.15 As the site is currently at pre-application stage, we understand the mix may develop further in the detailed design stages. We therefore reserve the right to review our conclusions should the scheme mix change.
- 2.16 The total GIA of the apartments is 2,359.5sqm, however the NIA is 2,100 sqm (89% gross to net). We have appended the Floor Area Schedule to Appendix 2.

3 Planning Policy Requirements

- 3.1 In this section we set out the planning policy which is relevant in respect of viability.
- 3.2 Paragraph 010 of the PPG describes the principles for carrying out a viability assessment. It stated that, 'viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it.'¹
- 3.3 We note that the principles of carrying out viability assessments, namely proportionately and transparency are to, 'strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure the maximum benefits in the public interest through the granting of planning permission'²
- 3.4 We note that it is not a balance that the landowner's aspirational land value and the developer's profit is protected at the expense of affordable housing. However, land value and profit have to be set in the context of the real estate market.
- 3.5 The PPG describes how the gross development value and costs should be defined for the purposes of a viability assessment (Paragraphs 011 and 012). The PPG also described how benchmark land value (BLV) is defined i.e. existing use value (EVU) + a premium (Paragraph: 016 Reference ID: 10-016-20190509) (see section 6 below).

Affordable Housing Requirement

- 3.6 The Manchester City Council Core Strategy highlights in Policy H6 that the delivery strategy for South Manchester includes the delivery of around 3,240 residential units. It also states that outside the district centres of Chortlon, Didsbury, Fallowfield, Levenshulme, and Withington, '...priorities will be for housing which meets identified shortfalls, including family housing and provision that meets the needs of elderly people, with schemes adding to the stock of affordable housing'.
- 3.7 Policy H8 states that 20% affordable housing is required on new housing provisions, residential development sites of 0.3 hectares and above or where 15 or more units are proposed. The policy also states:
- 'It is envisaged that 5% of new housing provision will be social or affordable rented and 15% will be intermediate housing, delivering affordable home ownership options.'*
- 3.8 Also, that there may be:

¹ Paragraph: 010 Reference ID: 10-010-20180724, Revision date: 24 07 2018

² Paragraph: 010 Reference ID: 10-010-20180724, Revision date: 24 07 2018

‘Either an exemption from providing affordable housing, or a lower proportion of affordable housing, a variation in the proportions of socially rented and intermediate housing, or a lower commuted sum, may be permitted where either a financial viability assessment is conducted and 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.’

- 3.9 Within the PPG Build to Rent Guidance Paragraph: 002 Reference ID: 60-002-20180913 its states that:

‘20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any Build to Rent scheme. National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents’

- 3.10 MCC have adopted this in their “Manchester Living Rent” policy (MLR)³. The Council does not have a specific Build to Rent policy. We have therefore assumed 20% affordable housing at 20% discount to market rent in our baseline appraisal.

S106 Requirements

- 3.11 We understand that at this stage, no non-housing site-specific S106 contributions have been requested by the Council.
- 3.12 However, we note that the Greater Manchester Combined Authority (GMCA) Strategic Viability Report makes an allowance of £5,250 per unit for S106 contributions. We have adopted this generic sum for the purpose of this assessment.
- 3.13 This allowance is subject to change based on any discussions with the Council. Any further contributions/allowance may further impact the scheme’s viability.

Community Infrastructure Levy (CIL)

- 3.14 We note that MCC are not charging CIL and may seek contributions through S106 agreements⁴.

³ <https://www.manchester.gov.uk/livingrent>

⁴ [Guide to Development in Manchester - Supplementary Planning Document and Planning Guidance \(SPD\) | The Guide to Development in Manchester | Manchester City Council](#)

4 Build to Rent (BTR) Market Assessment

- 4.1 This section considers evidence to inform the rental values for the Build to Rent accommodation in Manchester (particularly South Manchester). BTR is in effect its own asset class and is a subsidiary of the wider private rented sector which includes private landlords, institutional and large corporate investors. This section refers to evidence from the rented sector in general, where information is specifically related to BTR we explicitly state this.
- 4.2 We have focussed our research on the proposed scheme (single-family dwellings) which includes two-, three- and four-bedroom houses and two bedroom flats. This is to understand the likely rental values which could be achieved in the current market. The outputs of this section will inform the values used in our appraisals.
- 4.3 Our market research takes into consideration the location of the site, its proximity to amenities and transport services.

National Market Context

- 4.4 The Savills Q3 2022 Build to Rent Market Update highlights that demand for buy to let properties is outstripping supply. This is partially due to the withdrawal of Buy-to-Let landlords with there being a -76,000 net Buy to let mortgage redemption in the year to August 2022. Nationally there were -29% fewer listings on Rightmove in Q3 2022 compared to the 2017-19 average, whilst the annual rental growth rose to 11.9% in August 2022. An additional compounding factor has been the growing full time student population, with the number increasing by 8% in the last academic year. This increase in students is only adding to the demand for rental accommodation. In line with the rising demand for Build to Rent properties, there has been a steep increase in investment with there being a 75% year on year increase in investment in 2022 Q3 alone.
- 4.5 Cushman & Wakefield's Q3 2022 report also demonstrates the increase in demand for rental properties by showing that the number of people renting in the UK has grown from 3.6 million in 2010 to 4.4 million in 2021. The report goes on to highlight that the rental market has been popular with investors due to its reliable long-term performance with there being an average increase of 3.6% per annum on the rent for new leases since 2015. A key factor in its popularity is that it has proven to be resilient in the past with it experiencing only 11 months of negative growth (with a maximum fall of -1.3%) in the aftermath of the Global Financial Crisis. The report also demonstrates that from Q3 2021 to Q3 2022 the average asking rent in the UK has risen by 10% to £1,121, whilst also being 26% above pre pandemic levels (Q1 2020).

Local Market Context

- 4.6 In terms of market rental evidence, the Office for National Statistics (ONS) records private monthly rents across the different administrative areas in England⁵. **Error! Reference source not found.** Table 4.1 summarises the evidence from April 2022 – March 2023 for Manchester.

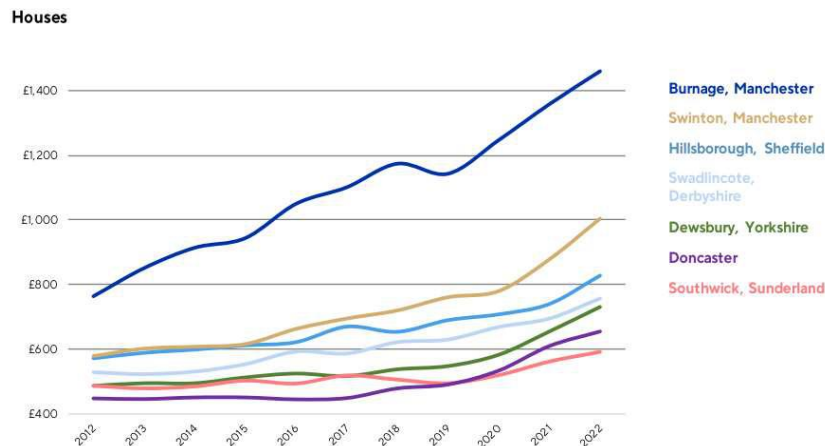
Table 4.1 – Manchester Private Market Rents April 2022 to March 2023 (£pcm)

Item	No. of Rents	Lower Quartile £	Median £	Upper Quartile £	Mean £
Studio	80	£647	£575	£625	£700
1-Bed	1,330	£820	£725	£800	£900
2-Bed	3,050	£979	£825	£950	£1,100
3-Bed	880	£1,164	£900	£1,130	£1,330

Source: ONS (2023)

- 4.7 Figure 4.1 shows the average rental values for houses within a 1-mile radius of each of the Applicant's owned B&M sites between 2012 and 2022, including the subject site.

Figure 4.1 – Average Local House Rents

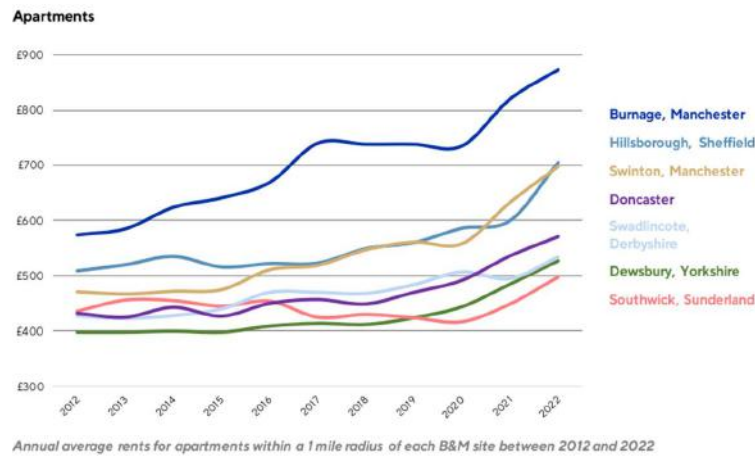


Source: Cortland Consult (2023)

- 4.8 The average rental values for houses around the subject site in Burnage have grown by 93% since 2012. From 2019, values arose by 26%. The largest surge in the average rents occurred during the Covid-19 pandemic.

⁵ <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/private rental market summary statistics in england>.
10/01/23

Figure 4.2 – Average Local Apartment Rents



Source: Cortland Consult (2023)

- 4.9 The average rental values for apartments around the site in Burnage have grown roughly 52% since 2012. From 2019, values have grown by 16.6%. The largest surge in the average rents occurred during the Covid-19 pandemic.

Rental Evidence

- 4.10 For the purpose of this assessment, we have had regard to listings in the Manchester BTR Sector, and to supplement this, we also looked to the Private Rented Sector (PRS), to inform our value assumptions.
- 4.11 We have referred to websites such as Rightmove and Zoopla for our research on values. We focused mainly on schemes/units in South Manchester, but where there was a lack of data, we looked further towards the City Centre for comparables.
- 4.12 Our search identified 15 houses comparable to those which are proposed, 4 in South Manchester and the remaining within 5 miles of the subject site. We have looked to primarily townhouses and terraced units. A few comparables have a very similar design to the proposed scheme units. We also identified 40 apartments, 10 in South Manchester and the remaining within 6.7 miles.
- 4.13 The majority of BTR schemes by developers such as MODA, Urban Splash, Kampus etc are closer to/or in the City Centre with high-rise blocks and numerous amenities. There is visibly a lack of BTR schemes towards South Manchester so we have also had regard to modern apartment buildings with similar design to the subject scheme and strong transport links nearby. These have been considered when adopting our rental values.

Table 4.2 – Houses Rental Evidence (Manchester)

Address	Unit Type	Asking Rent (£ pcm)	Size (Sqm)	£ / sqm	Distance from site (miles)	Comments	Image
Whimberry Way, Withington, Manchester M20 4SG	4-bed	£1,700	88	£19	0.6	X2 bathrooms, recently renovated, fitted kitchen, garage, 3 storeys. Not a new build but similar in design terms and closest comp to the subject site. Internal finishings dated and subject scheme has no garage. Sits near a station in South Manchester. Smaller than the proposed 4-beds.	
Dundreggan Gardens, Spath Road, Didsbury, Manchester, M20 2EH	3-bed	£2,400	130	£18	2.7	Gated development, high spec unit that is furnished, 3 storeys, modern fittings, private balcony, spacious garden and parking for 2. Sitting in a sub-urban location in South Manchester. Similar designed unit to Type 3 & 4 with high quality specification. Larger than the proposed 3-bed unit but we may anticipate there being a similar £ psm figure.	
Pennington Gardens, Cheadle, SK8 2GP	4-bed	£1,800	168	£11	2.9	3 bathrooms, open plan living, private garden etc. No Garage Access. Close proximity to a train station and similar in appearance to Type 1 proposed units. However, much larger unit than those proposed.	
Chichester Road South, Hulme, Manchester, M15 5QQ	3-bed	£1,600	89	£18	3.5	Dated comparative to new schemes. 3 Storeys, 2 balconies, 3 car parking, 2 en-suite bathrooms, modern integrated kitchen and fully furnished. More comparable in design and size terms with 3 stories and situated closer to South Manchester. Internals and exterior are however dated in appearance.	

Address	Unit Type	Asking Rent (£ pcm)	Size (Sqm)	£ / sqm	Distance from site (miles)	Comments	Image
Dearden Street, Hulme, Manchester, M15 5LZ	3-bed	£1,600	93	£17	3.9	Dated unit relatively. X2 bathrooms, fully furnished, rear garden, secure parking, 3 stories and a balcony. Similar design to 3 storey proposed units however condition is dated	
147 Chorlton Rd, Hulme, Manchester M15 4JG	4-bed	£1,990	122	£16	4.0	X3 bathrooms, 3 stories, fully furnished, rear garden, open plan layout, fitted kitchen, dated furnishings. Dated comp although similar in size. Comp is close to Old Trafford and city centre.	
7 Guest Street, Manchester, M4 7EJ	3-bed	£2,600	139	£19	4.4	BTR scheme with x2 bathrooms, private garden, parking space, high ceilings, large windows, loft living style, 25% bigger than the average new build., canal facing. Unlikely for site to achieve similar asking rents for 3-beds in South Manchester. Much higher floor area.	
Henry Street, Manchester, M4 5BA	2-bed	£1,772	81	£22	4.4	New high-spec scheme with communal facilities including gym, lounge, rooftop terrace etc. X2 bathrooms, Wi-Fi, co-working space, smart home, 24/7 concierge service. Site sits in the Northern Quarter, hence higher relative £psm value. Although marketed as a house, we note it resides on the ground floor of an apartment building therefore would be less comparable.	

Address	Unit Type	Asking Rent (£ pcm)	Size (Sqm)	£ / sqm	Distance from site (miles)	Comments	Image
Roof Gardens, Arundel Street, Castlefield, Manchester, M15 4JZ	3-bed	£1,995	116	£17	4.5	X2 bathrooms, fully furnished, 3 storey, secure parking, open plan layout, modern spec and integrated appliances. City centre location, high quality scheme with rooftop terraces and an internal courtyard with parking. Built around 2019 next to the A57. Similar design and size.	
Botanica, Chester Road, Manchester, M15	2-bed	£1,190	101	£12	4.8	BTR scheme with spacious layout, private balcony, fitted high spec appliances, on-site gym and managed development. scheme may be comparable in terms of design and quality, but not in location or size for 2-beds.	
Novus Development, Dodie Smith Walk, Stretford, Manchester. M32 0HS	3-bed	£1,950	109	£18	5.1	2022 scheme with x2 bathrooms, (inc en-suite), furnished unit with a sun deck terrace, open plan layout, fitted kitchen, and undercroft parking. Although the site is (arguably) in South Manchester, it is in closer proximity to Old Trafford, near the stadium. Location-wise it is weaker than the nearby comps.	
Upper Wharf Street, Manchester, M5 4BY	2-bed	£1,849	106	£17	5.4	X2 Bathrooms, podium garden, equipped gym, managed by Greystar, benefits from scheme communal facilities and 24/7 on-site service. High internal specifications. 2 storey unit. Comp sits between city centre and Salford Quays in a newly developed area with many BTR schemes	

Address	Unit Type	Asking Rent (£ pcm)	Size (Sqm)	£ / sqm	Distance from site (miles)	Comments	Image
Vimto Gardens, Barrow St, Salford M3 5LF	3-bed	£1,900	101	£19	5.5	X2 bathrooms, furnished, private terrace, 3 storeys. Similar design and size ideal for single families. Near other BTR schemes in Salford Quays but distant location.	

Source: Rightmove (2023)

Table 4.3 – Apartments Rental Evidence (Manchester)

Address	Unit Type	Asking Rent (£ pcm)	Size (Sqm)	£ / sqm	Distance from site (m)	Comments	Image
Wilmslow Road, Withington, M20 3BD	2-bed	£1,300	61	£21	1.7	Dated building but comparable in location, design and floor area. Comp may have a smaller asking rent due to its condition than what the subject units may ask for pcm. Ideal for families with modern fittings and private outdoor space. Communal areas and lift available.	
Wilmslow Road, Withington, M20 3BD	2-bed	£1,275	66	£19	1.7	Dated building but comparable in location, design and floor area. Comp may have a smaller asking rent due to its condition than what the subject units may ask for pcm.	

Address	Unit Type	Asking Rent (£) pcm	Size (Sqm)	£ / sqm	Distance from site (m)	Comments	Image
St. Pauls Road, Withington, M20 4PG	2-bed	£1,200	64	£19	2.1	Dated building with modern refurb but comparable in location, design and floor area. 2x baths, open plan layout, appliances included in kitchen, lift access, part furnished and allocated residents parking.	
Sherwood Street, Manchester M14 6NJ	2-bed	£2,600			2.2	More recent comp than the above but not a new build. Comp is multi-use with retail on GF in a commercial location. Units are more 'luxury' marketed but situated in South Manchester. Not ideal for 'single families'. Values may be aspirational for subject scheme considering the above.s	
The Depot, 12 Bowes St, Manchester M14 4TF	1-bed	£825	52	£16	2.4	BTR Scheme. Strong comparable in terms of location although smaller floor area. Sitting in a primarily residential area with new-build development surrounding. Comp is part of a new-build development (2020+). This is however 1-bed. 2-bed would hold a higher value.	
Clarence Road, Manchester, Greater Manchester, M13	3-bed	£1,400	76	£18	2.6	BTR Scheme. Comp is 3-bed so not directly comparable however similar floor area and locality to subject scheme. Based on above comps, the proposed unit may have values pcm in a similar range.	
Kampus Apt 516 South Block, 59 Chorlton Street, Manchester, M1 3GD	2-bed	£1,650 - £1,910	62	£27	4.4	Weak comparable as it is visibly a high rise BTR block in the city centre which will no doubt have a higher £sqm value due to the location, spec and amenities. Similar floor area to the proposed flats. We still hold this comp in regard as the subject scheme has arguably a strong location and transport links to the city centre and at outline stage, the	

Address	Unit Type	Asking Rent (£) pcm	Size (Sqm)	£ / sqm	Distance from site (m)	Comments	Image
						spec/amenities are not apparent. There are x12 two-bed listings from this scheme.	
Oxygen, Store Street, Manchester, M1 2WA	2-bed	£1,425 - £1,700	65	£26	4.6	Weak comparable but given regards to as mentioned above. There are x3 units from this scheme.	
Apartment 6.02 Ice Plant, Ancoats, Manchester, M4 6AP	2-bed	£1,600	79	£20	5.2	Similar in stories (design) to subject scheme in a strong location. Floor area is higher than what is proposed and comp sits much closer to the City Centre. X2 units from this scheme on market.	
1st Floor, Angel Gardens , 1 Rochdale Rd, Manchester, M4 4GE	2-bed	£1,650 - £,725	63	£26	5.6	MODA scheme. Weak comparable as it is visibly a high rise BTR block in the city centre. We have regards to it based on its locational attributes, as mentioned above. X5 units from this scheme from £1,650 to £1,725.	
Blossom Street, Manchester, Greater Manchester	2-bed	£1,566	72	£22	5.6	Somewhat similar in stories (design) to subject scheme in a strong location. Floor area is similar however comp sits much closer to the City Centre.	

Address	Unit Type	Asking Rent (£) pcm	Size (Sqm)	£ / sqm	Distance from site (m)	Comments	Image
Block H Townhouses Rolling Street, Salford, M5 4RT	2-Bed	£1,395	66	£21	5.7	Comp sits between Salford Quays and City Centre in a prominently new-built location with many BTR schemes nearby. Although similar floor area, this comp is weaker than what's been presented due to the location and higher blocks. X4 units from this scheme.	
Manchester Waters, 1 Pomona Strand, Old Trafford, Manchester, M16 0YE	2-bed	£1,250	68	£18	6.7	Comp sits near Salford Quays and Old Trafford, close to the City Centre so stronger location. Although similar in floor area and block height. Weak comparable in terms of location but in design/size it is stronger.	

Source: Rightmove (2023)

Value Assumptions

- 4.14 Based on the available data above, we have assumed the values shown in which will be applied in our appraisal in Table 4.4.

Table 4.4 – Proposed Scheme Value Assumptions

Unit Type	Sqm	Market Rent £ pcm	Rent £ psm PA
Type 1 – House	74	£1,398	£19
Type 2 – House	84	£1,599	£19
Type 3 – House	105	£1,781	£17
Type 4 – House	121	£2,182	£18
Type 5 – Apartments*	50	£1,098	£22
Type 5 – Apartments*	63	£1,382	£22
Type 5 – Apartments*	62	£1,361	£22
Type 5 – Apartments*	62	£1,363	£22

Source: AspinallVerdi (* 4 x blocks)

- 4.15 This leads to a total gross monthly income of £177,312 pcm and £2,127,741 PA; without affordable rent.
- 4.16 After taking into account affordable rent tenure mix, the GDVs amount to:
- Private Market Rent Total Rent PA - £1,765,489 | 7,856 sqm
 - Affordable Rented Total Rent PA - £289,802 | 1,372 sqm
- 4.17 A total gross rent PA of **£2,055,291** including affordable housing.
- 4.18 This is based on a pro-rata split of PMR and AR across the Type 5 - Apartments. The scheme mix may change as the scheme develops in consultation with MCC.

Leakage Assumption

- 4.19 We understand the scheme is at outline stage and details on the operating model for the scheme are still to be finalised. RICS guidance on Valuing residential property purpose-built for renting 2018 states that:

'Consideration should be given to potential income lost through bad debts or delays in payments, non-recoverable arrears, voids and tenancy turnover.' This includes any operating expenditure, including utilities, management and letting costs, maintenance etc.'

- 4.20 The Greater Manchester Combined Authority (GMCA) Strategic Viability Report Stage 1 2020 by Three Dragons allows for 28.25% of operating costs made up of management fees, sinking funds and voids.
- 4.21 Therefore, for the purposes of our appraisal, we have made an allowance of 28% for operating/leakage costs. This is also based on our experience of working on other BTR / PRS schemes.
- 4.22 The total leakage cost applied in our appraisal is £575,481 PA.
- 4.23 The total net income is therefore £1,479,809 PA (including affordable housing).

Yields

- 4.24 For the purposes of our appraisal, we have adopted a yield of 4.5% on the net income; based on yield guides from Knight Frank, Cushman & Wakefield and JLL (see Appendix 3).
- 4.25 We note that this is subject to change based on the operating model and more concrete costs for the operating expenditure; and based on market risk, yield expectations of investors etc.
- 4.26 Based on the net income and adopted yield, the total capital value / gross development value (GDV) is £32,884,656 (with affordable housing).

Purchasers Costs

- 4.27 We have made an allowance of 6% for purchasers' costs based on the JLL Stamp Duty Calculator.
- 4.28 This equates to £1,973,079
- 4.29 The total Net Development Value (NDV) considering all the above, is **£30,911,577**.

5 Cost Assumptions

- 5.1 This section sets out the cost assumptions which form the basis of the financial appraisals for the proposed scheme. Details of the viability conclusions are set out in section 9.
- 5.2 The financial development appraisals have been prepared using industry standard software, Argus Developer. This provides a complete assessment of the scheme including costs of finance and income generated during the development period.

Build Costs

- 5.3 The build costs adopted in our appraisal are summarised in Table 5.1.

Table 5.1 – Build Cost Summary

Element	Cost (£)	Comment
Site Clearance and Demolition	£100,000	Prior to the redevelopment of the site, the existing B&M store will need to be demolished. We have made this allowance of £100,000 in this respect. We recommend that quotes are obtained to ensure a more accurate sum is included at the next stage of feasibility.
Construction Costs	Houses - £1,467 psm Flats - £1,695 psm	Based on BCIS Costs (New build median costs for Estate Housing (generally) and Flats (generally), rebased to 3Q 2023 and Manchester. These can be seen in Appendix 4.

Other Development Costs

- 5.4 We have adopted the following cost assumptions in our appraisals, as summarised in Table 5.2.

Table 5.2 – Development Costs Summary

Element	Cost (£)	Comment
Contingency	5%	Applied on the construction costs.
External Works	15%	Applied on the construction costs based on the GMCA Strategic Viability Report and assuming that abnormalities are included.
S106 Costs	£5,250 per unit	Allowance applied based on the GMCA Strategic Viability Report. Subject to

Element	Cost (£)	Comment
		change based on discussions with the Council.
Professional Fees	8%	Based on the GMCA Viability report's allowance.
Disposal Costs	£20,000	Included as an initial allowance for BTR launch. We have not included letting legal and agent fees separately as we assume they are accounted for in the leakage/operating expenditure.
Finance	8%	This is a risk element in the current market and rising BoE rates. We reserve the position to increase this rate once bank terms are known.
Profit	20%	On cost.

- 5.5 We have not included SDLT or land agent / legal fees as we understand that Triple Jersey Ltd already own the site (see section 6 below in respect of land value and premium).

Timing / Phasing Assumptions

- 5.6 We have assumed the following timing assumptions in respect of the construction

- Pre-construction – 3 months
- Construction – 18 months
- Investment Sale – 1 month

6 Land Value

- 6.1 The value of a site is a key consideration within a viability assessment as the 'cost' of the land or Benchmark Land Value (BLV) needs to be taken into account within any financial appraisal. Fundamentally, a landowner will sell an asset which has development potential, when they consider that the development potential of the site is being fairly reflected within the price being paid. Otherwise, the site will essentially remain in its existing use with no incentive for the landowner to bring the site forward for development.
- 6.2 The PPG (Paragraph: 014 Reference ID: 10-014-20190509) states that the BLV should:
- be based upon Existing Use Value;
 - allow for a premium to landowners;
 - reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees.
- 6.3 The PPG defines EUV as follows:
- (Paragraph 015) *'[...] 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'.⁶*
- 6.4 The PPG also defines the premium to the landowner:
- (Paragraph 016) *'The premium (or the 'plus' in EUV+) [...] is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements'.*
- 6.5 And, market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.⁷

Existing Use Value (EUV)

- 6.6 The building is in reasonable condition and we understand that it is occupied by B&M on a lease, expiring in December 2023. We consider that the retail warehouse could be re-occupied for a range of 'E1' class uses. We have therefore undertaken an assessment of the EUV on an

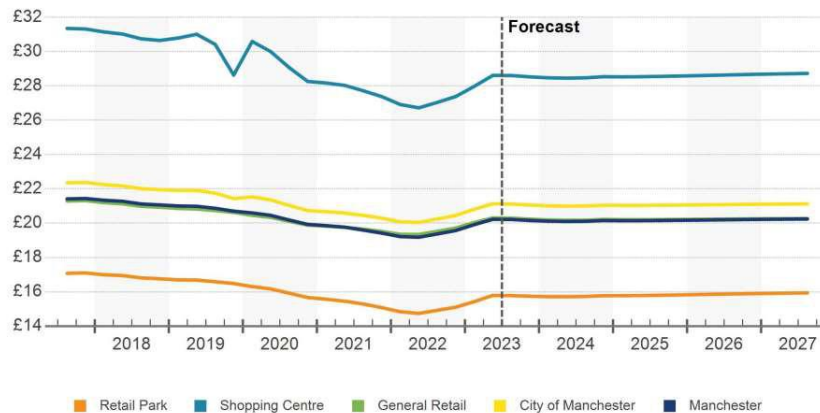
⁶ Paragraph: 015 Reference ID: 10-015-20190509, Revision date: 09 05 2019

⁷ Paragraph: 016 Reference ID: 10-016-20190509, Revision date: 09 05 2019

investment valuation basis. We have considered the investment value based on both a traditional investment approach and a discounted cashflow approach (DCF).

- 6.7 The current passing rent is £379,500 against a GIA of 3,458 sqm (37,222 sqft). This equates to £110 psm or £10.20 psf PA.
- 6.8 The Valuation Office Agency (VOA) gathers information about rents paid for comparable business properties to inform the Business Rates Rating List. It analyses this information to calculate a price per square metre. It also considers local conditions and property characteristics such as outside seating, unusual layouts, and air conditioning. The VOA⁸ has estimated that the rateable value for the existing B&M warehouse is £360,000 (April 2023) which equates to £104 psm overall (£9.67 psf).
- 6.9 CoStar, in their Manchester Retail Submarket Report 2023 record that the market rent £psf for general retail sits at £20 psf and for retail parks at £16. This is shown as per the graph in Figure 6.1.

Figure 6.1 – CoStar Manchester Market Rents £psf 2023



Source: CoStar 'City of Manchester Retail Submarket Report 2023'

- 6.10 We also reviewed letting transactions within the last year in Greater Manchester to understand the market rents. Our findings are summarised in Table 6.1.

⁸<https://www.tax.service.gov.uk/business-rates-find/valuations/start/4066662000>

Table 6.1 – Manchester Retail Leasehold Deals Evidence

Address	Deal Date	Agreed Rents (£) psf	Size (Sqft)	£ / sqft	Comments	Image
Suite 3 & 4, Chill Factore, 7 Trafford, Manchester, M41 7JA	01/06/2023	£50,000	3,856	£13	Occupied by Lock up ltd. Site sits towards the west of Manchester near Trafford Park. This is a freestanding retail at a similar floor area in Manchester. We rely strongly on this for our rent growth assumption.	
Altrincham Retail Park, Manchester Road, Altrincham, WA14 5GR	01/09/2022	£480,000	30,000	£16	Lease comprising of 10 years FRI - Occupied by Homebase in a retail park towards South-west of Greater Manchester. Unit is Freestanding Retail. This is comparable however a higher rent as its in a retail park.	
Peel Centre, Unit 4, Great Portwood Street, Stockport, SK1 2HH	01/07/2022	£303,750	13,500	£23	Lease comprising of 10 years FRI - Occupied by New Look in a retail park in Stockport.	
Altrincham Retail Park, Manchester Road, Altrincham, WA14 5GR	02/09/2022	£335,000	20,000	£17	Lease comprising of 25 years FRI - Occupied by Lidl in a retail park towards South-west of Greater Manchester. Unit is Freestanding Retail. This is comparable however a higher rent as its in a retail park.	

Address	Deal Date	Agreed Rents (£) psf	Size (Sqft)	£ / sqft	Comments	Image
Pure Gym, Former Aldi, Castle Street, Tyldesley, M29 8EW	22/06/2022	£140,000	12,733	£11	Lease comprising of 10 years FRI - Occupied by PureGym and previously occupied by Aldi. Site sits in the North-west of Greater Manchester. 6 months rent free with 2 rent reviews within first 10 years. Similar setting to the existing site. We have adopted the rent free from this comp.	
Cheetham Hill Retail Park, Elizabeth Street, Manchester, M8 8BB	27/01/2021	£507,390	21,000	£24	Lease comprising of 25 years - Occupied by Lidl in a retail park in north Manchester. 12 months rent free period with lease 5 five-yearly rent reviews.	
Unit 3, 47 Market Street, Manchester, M1 1WR	25/10/2021	£368,000	22,874	£16	Unit sits in Manchester City Centre. Achieved Letting Deal – 12 months rent free period with lease 5 th year rent reviews.	

Source: EGI (2023)

- 6.11 Based on the evidence presented below, we have adopted an Estimated Rental Value (ERV) of £13 psf PA. This represents a 30% growth from £10 psf PA.

Traditional Approach

- 6.12 Firstly, we have used the traditional approach (income capitalisation at a relevant yield) to value the existing use of the site based on the existing lease and rental income.
- 6.13 We have looked to CoStar to understand yields that are achieved within Greater Manchester. The initial yields for retail units from our findings ranged from 5.5% - 8% (see Appendix 5).
- 6.14 Based on the evidence appended, we adopt an all risks yield of 6% (growth implicit).
- 6.15 Table 6.2 provides our land value calculation in respect of this site and approach.

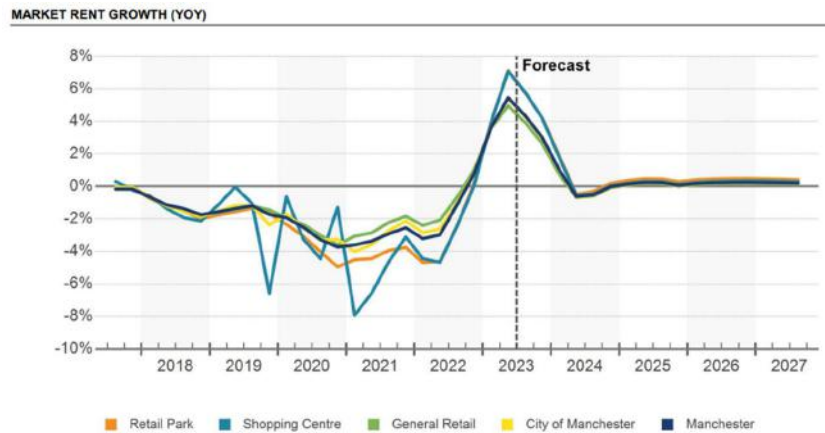
Table 6.2 – Traditional Land Value Calculation

Net Rent passing @ £10 psf	£379,500
All Risks Yield	6.0%
Capital Value (Existing Use Value)	£6,325,000
Less Purchasers Costs @ 6.80%	£402,715
Existing Use Value	£5,922,285

DCF Approach

- 6.16 Next, we value the site assuming an initial market rent of £10 psf PA. We understand there is demand for the freestanding retail unit with the occupier's interest in a lease renewal, and with number of approaches to the Client from interested occupiers. We have thus also included a rent-review whereby a growth is considered for the rent.
- 6.17 We have modelled our DCF on a 10-year lease and have included a rent-review after 5 years in our valuation, where the growth is to be applied. We adopt a market rent of £13 psf at the 5th year as growth (30% growth). In this model/scenario, we consider that a 6-month allowance for a rent-free period is appropriate.
- 6.18 Our income growth assumption is based on the evidence presented above and the CoStar Retail Submarket Report 2023 for Manchester. Figure 6.2 shows that year on year rent growths are between 5 – 7%. Assuming a similar rate of growth for the next 5 years results in a growth of c. 30%.

Figure 6.2 – CoStar Market Rent Growth Forecast



Source: CoStar (2023)

- 6.19 We capitalised the net passing rent *at exit* at an all risks yield of 6%. This discounted to a present value in the model.
- 6.20 Table 6.3 provides a summary our land value calculation in respect of this site and approach. It shows the equated yield / IRR to be 12.26% (growth explicit yield). Both valuation approaches may be seen in Appendix 6.

Table 6.3 – DCF Land Value Calculation

Net Rent passing @ £10 psf (first 5 years)	£379,500
Net Rent passing @ £13 psf (rent review to cashflow exit)	£436,425
Capital Value at exit (based on 6.0% and 6.8% purchaser costs)	£6,779,135
Less Purchasers Costs @ 6.80%	£494,615
Existing Use Value	£5,922,285
Equated Yield / IRR	12.26%

- 6.21 Based on the analysis, we consider **£5.92 m** to be a reasonable existing use value (EUV).

Premium

- 6.22 The PPG states that the Benchmark Land Value (BLV) is to be established on the basis of the EUV + premium for the landowner. This is to reflect the minimum return at which a reasonable landowner would be willing to sell their land (Paragraph: 013 Reference ID: 10-013-20190509).

- 6.23 The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements (Paragraph: 016 Reference ID: 10-016-20190509)
- 6.24 We have not adopted a premium at this stage; however, we reserve the right to revisit this at a later stage.

7 Appraisal Results

- 7.1 We present below in Table 7.1 our conclusions with respect to the viability of this scheme and the ability to provide affordable housing in accordance with adopted policy. Copies of our financial appraisals can be found at Appendix 5.

Policy Compliant Appraisal

- 7.2 Table 7.1 summarised our results from the policy-compliant residual appraisal.

Table 7.1 – Policy Compliant Residual Appraisal Results

Residual Land Value (@20% Affordable Housing)	£4,840,481
Residual Land Value £ per acre	£1,423,670
Profit	£5,151,930
Profit on Cost	20.0%
Profit on GDV	15.67%
EUV	£5,922,285
Deficit (excluding Premium)	-£1,081,804

Source: 231002 B&M Kingsway Residual Appraisal_v6 Affordable

- 7.3 The policy-compliant appraisal which includes 22 affordable units at 20% of the market rent produces a residual land value of £4,840,481.
- 7.4 Even without the application of a premium (EUV+), there is a viability deficit of -£1,081,804.
- 7.5 This scheme is therefore unable to deliver the policy-compliant level of affordable units.
- 7.6 We assess alternative scenarios below to assess the scope for delivery of affordable units.

Sensitivity Analysis

- 7.7 The RICS Practice Statement requires that all FVAs and subsequent reviews must provide a sensitivity analysis of the results and an accompanying explanation and interpretation in respective calculations on viability, having regard to risks and an appropriate return(s). This is to:
- allow both the Applicant and decision maker to consider how changes in inputs to a financial appraisal affect viability, and
 - understand the extent of these results, to arrive at an appropriate conclusion on viability of the application scheme.

7.8 This also forms part of an exercise to 'stand back' and apply a viability judgment to the outcome of a report.

7.9 In this respect we have carried out the following sensitivity scenarios:

Policy Compliant GDV v Construction Costs Sensitivity

7.10 We have carried out a sensitivity analysis on the open market values and cost assumptions on the original appraisal.

7.11 We have assumed that the values and build costs change by +/- 5%.

7.12 The results of the sensitivity analysis are shown in the table below.

Table 7.2 – Values v Construction Costs Sensitivity Table

Rent: Total MRV					
Construction: Gross Cost	-10.000%	-5.000%	0.000%	5.000%	10.000%
-10.000%	-4,293,913 4,636,737	-5,422,554 4,894,335	-6,551,194 5,151,936	-7,679,842 5,409,526	-8,808,484 5,667,124
-5.000%	-3,438,548 4,636,744	-4,567,197 4,894,334	-5,695,839 5,151,932	-6,824,478 5,409,532	-7,953,126 5,667,123
0.000%	-2,583,195 4,636,738	-3,711,831 4,894,342	-4,840,481 5,151,930	-5,969,123 5,409,528	-7,097,762 5,667,129
5.000%	-1,727,837 4,636,737	-2,856,479 4,894,335	-3,985,114 5,151,940	-5,113,766 5,409,527	-6,242,407 5,667,125
10.000%	-872,478 4,636,737	-2,001,122 4,894,333	-3,129,763 5,151,932	-4,258,407 5,409,526	-5,387,050 5,667,123

7.13 In the table above, the top sub-row is the land value. It must be noted that these represent a positive RLV, although they appear as a negative as they are a cost. The bottom sub-row is the profit which alters as it is applied as 20% on the costs.

7.14 Our sensitivity analysis shows with a 10% increase in the MRV results in a positive RLV of £7.09 million (including affordable units). In this scenario, the scheme would be viable on a policy compliant basis. If MRV increased by 5% and costs decreased by 5%, then there would also be a positive RLV of £6.82 million.

7.15 However, in the current market with economic certainty (increasing costs, base rate, high inflation etc), it is unlikely that costs would decrease by 5%. This supports our conclusion that the scheme cannot deliver a policy-compliant scheme with on-site affordable housing.

No Affordable Units – 100% Market Scheme

- 7.16 We have undertaken an exercise to determine if any affordable units are able to be delivered on-site by testing the viability of the scheme under a 100% market scenario.
- 7.17 This appraisal generated a RLV of £5,605,983. However, this is below the EUV and generates a deficit of -£316,302.
- 7.18 The scheme is therefore not able to provide any affordable units.

No Affordable Housing – Reduced Profit Scheme

- 7.19 We have also undertaken an exercise to determine with what profit rate is the scheme deliverable. We have tested the scheme under a 100% market scenario with a reduced profit.
- 7.20 We have included land as a fixed cost (of £5.92m) to ascertain the profit rate at which the scheme would be viable. i.e. RLV equivalent to the EUV (excluding premium).
- 7.21 This appraisal generated a profit amount of £5,013,963. This amounts to:
- 14.73% Profit on GDV
 - 18.58% Profit on Cost
- 7.22 For the scheme to be deliverable, the profit would need to be reduced to 18.58% on cost. We understand the Client may take a view, considering the potential future rental growth/ long term income stream, to proceed on this basis. However, this is to their discretion and can contingent on their required rate of return.

8 Summary and Conclusions

- 8.1 We conclude, that the subject scheme cannot currently viably support any on-site affordable housing contributions.
- 8.2 The sensitivity analysis (no affordable units) scenario does show that the difference between the RLV and BLV is £316,302, which could be covered by a circa 5% increase in values. Therefore, in spite of the results of this FVA, the Applicant as the site-owner is committed to the delivery of a high-quality single family BTR scheme as proposed on-site.
- 8.3 We have however included an allowance for S106 costs (based on the GMCA viability assessment) which would provide the Council with contributions. This is of course subject to discussions with MCC to confirm any S106 obligations.
- 8.4 Should you have any questions or queries in respect of any aspect of this report, please do not hesitate to contact AspinallVerdi.
- 8.5 For and on behalf of Aspinall Verdi Ltd:

Yours faithfully,

(checked by)



Amir Shabir
Consultant

0113 243 6644
amirs@aspinallverdi.co.uk

Ben Aspinall MRICS, MRTPI
Registered Valuer
Managing Director

0113 243 6644
ben@aspinallverdi.co.uk



Appendix 1 – Terms and Conditions

Alex Lewis,
JA Lewis Development Consulting,
122 Waterloo Road,
Southport,
Merseyside
PR8 3AZ

Studio 7,
46 The Calls,
Leeds, LS2 7EY

0113 243 6644
amirs@aspinallverdi.co.uk
www.aspinallverdi.co.uk

Our ref: 230524 B&M Kingsway, Burnage
FVA Fee Proposal_v5

Your ref:

By email alex@jalewisconsulting.co.uk

25 May 2023

Dear Alex,

Financial Viability Appraisal – Pre-application stage: B&M, Kingsway, Burnage, M19 1BB

I refer to your email dated 11th may and our telephone conversation in respect of the above. Thank you for inviting AspinallVerdi to quote for financial viability services in respect of the above site.

The Scheme:

We understand that:

- The Applicants are JA Lewis Development Consulting.
- The site is currently occupied by a B&M retail warehouse on a lease set to expire in December 2023.
- The site owner is Jersey Limited.
- The scheme is currently at the pre-application stage for a scheme consisting of a 105-unit residential scheme. The proposed unit mix is 77% 2-beds, 8% 3-beds and 15% 4-beds. We understand the scheme has been agreed with Manchester City Council and that they are supportive of the proposals.
- It is intended to deliver the scheme as build-to-rent.
- Policy H8 states that 20% affordable housing is required on new housing provisions, residential development sites of 0.3 hectares and above or where 15 or more units are proposed.
- You would like an independent assessment to determine whether the proposed scheme is able to deliver the policy requirement affordable housing.

Project Experience

AspinallVerdi are experienced in the preparation of site-specific Viability Assessments and indeed the negotiations which may take place following submission and review. We have extensive experience in undertaking Viability Assessments on behalf of private and public sector clients for both residential and commercial development schemes. We are RICS Registered Valuers, Mediators and Chartered Town Planners. We are regular speakers at RTPI conferences on development economics and viability.



In addition, we are continuously working on a portfolio of site-specific S106 viability appraisals. We have direct experience in advising clients on site-specific viability assessments, CIL charging schedules, bespoke financial modelling and advising on the delivery of infrastructure. We have acted on a financial viability assessment for a 322 BTR scheme in Ellerby Road and a 350 BTR scheme in Flax Place, both in Leeds. We have also worked on business cases for regeneration and development in Thameside, Oldham, Bury and Rochdale.

More details about our services and experience in respect of site-specific viability can be found on our website at <https://www.aspinallverdi.co.uk/>. We also append a Site-Specific Viability assessment capability sheet and CVs for the team.

Key Issues / Challenges

Based on the above and our viability experience the key risks / challenges to overcome will be around:

- Land value – as you know the PPG clearly states that purchase price of land cannot be used as justification for not delivering policy compliant affordable housing etc. We will need transparency over the purchase price / land value and lease / rental details.
- Abnormal costs – This is likely to be a cost for a brownfield site of this nature and will need to be evidenced – ideally by an independent expert as part of the team.

Tasks / Approach

It is important that your consultants adopt a robust methodology in order to ensure that the assessment is sound as a basis for negotiation and agreement. Given the circumstances of the site, we propose a two-stage process:

- Stage 1 - We will prepare our own residual land value appraisals (RLV) and sensitivity analysis to advise on the potential residual land value on a policy compliant basis. This will be based on site specific property market research and an Argus development appraisal (with a covering letter).
- Stage 2 - Depending on the outcome of 1, we will advise on whether there is a robust case for a planning application and prepare a full FVA report for you to submit to the local planning authority - this would be provided in a format consistent with the RICS Financial Viability in Planning: Conduct and Reporting (2019).

In terms of our more specific methodology, I comment as follows –

Stage 1

1. Inception Meeting and Site Visit–

We have assumed that the exercise is to be desk-top only at this stage. We have therefore excluded an inception meeting and allowed for a briefing on the telephone/Teams. Site visit – again we have assumed that this is not required at this stage (in order to keep initial costs to a minimum).

2. Initial Feasibility Scheme details –

We will require a detailed masterplan and phasing plan for the site if available, as well as plans for the proposed units. We will also require a floorspace schedule showing the areas associated with individual units and the overall scheme (net and gross internal areas). A site plan will be required showing gross and net areas. We currently have the draft layout plan you provided us.

3. Market Research –

We will research the market for rental values and yields for the GDV of the scheme. We will consult local agents to understand the level of demand in the local market and current market sentiment and also consider recent/upcoming BTR schemes to understand their values. We will use our own market benchmarks and liaise with you regarding the operating model and leakage (from voids, management and maintenance costs etc.) We have invested in website coding so that we can match the Land Registry and EPC data very quickly to ascertain achieved sale transactions (£ psm values) to benchmark the unencumbered values in our appraisal.

4. Construction / Development Costs –

The RICS Assessing Financial Viability in Planning (March 2021) indicates that BCIS should not be used for site-specific assessments (although these costs are appropriate for area-wide assessments). It is prudent that an independent cost consultant is instructed who can provide the build costs (if not appointed already). The cost plan should reflect your proposed designs and site-specific issues (including abnormals, remediation etc). If this is not possible at this stage of the scheme, then we will use BCIS and normal industry % rates. We will use industry-standard benchmarks for other development costs e.g. professional fees, marketing and sales costs etc. We will liaise with you about evidencing the appropriate interest rate.

5. Planning policy costs –

We will appraise the scheme based on the policy-compliant % affordable housing in the first instance. We will liaise with you to ascertain the base case tenure mix e.g. Affordable Private Rent. We assume that you will be able to provide us with any other S106 costs.

6. Profit –

We will need to discuss and agree the appropriate target profit for the scheme.

7. Financial modelling –

We propose to model the scheme(s) using Argus development appraisal software which is clearly auditable by the Council (should this be required in the future). In the first instance, we will prepare a policy-compliant appraisal in order to establish the policy-compliant residual land value (RLV). We have allowed for 1 x feedback loop in respect of the viability appraisal at this stage.

8. Reporting –

We will produce a short letter setting out our market research, appraisal inputs and results.

Stage 2

9. Benchmark Land Value Review –

Depending on the outcome of 1, we may discuss and agree the best approach to take in terms of an appropriate BLV.

A key aspect of the planning assessment is the Benchmark Land Value. The Viability PPG recommends an approach based on the Existing Use Value (EUV) + plus a premium approach. This examines the site in its current use and then considers whether a premium should be applied to incentive the landowner to sell. As part of our analysis, we will consider the existing use of the

site in which the development will take place to inform our assessment of the Benchmark Land Value. This will be a key issue to overcome with the Council.

10. Finalised affordable housing RLV appraisal(s) –

Once we have established the BLV, we will prepare a final development appraisal based on the level of affordable housing shown to be viable based on our appraisal inputs. This will be the minimum amount of Affordable Housing which the scheme can sustain given the BLV. We have allowed for 1 x feedback loop in respect of the above viability appraisals at this stage.

11. Reporting –

We will prepare a detailed evidenced-based report which will be submitted as a comprehensive set of information for the Council's consideration. This will be informed by the RICS Practice Statement for surveyors undertaking Financial Viability Assessments. Sensitivity tables will be provided for our appraisals showing variances for incremental adjustments in both costs and values.

Professional Fees

In terms of our fees, we propose the following (for Stage 1):



Please note that the above costs exclude:

- VAT
- Expenses e.g. travel expenses (if applicable)
- Meetings – we have excluded any meetings at this stage (other than referred to above)
- Red Book valuations e.g. EUV etc.
- QS Cost Plan
- Further iterations of the appraisal and alternative scenarios, plus associated reporting.

I enclose our standard terms and conditions.

I trust that we have interpreted the brief correctly and you have all the information that you require. However, please do let me know if you have any questions. We would be delighted to be working on this project and look forward to hearing from you.

Kind regards,

Yours sincerely,

A handwritten signature in black ink, appearing to be 'AS' or similar, written over a light grey circular stamp.

Amir Shabir, BSc (Hons)
Consultant

Encs.

EVA Capability - Developer
Ben Aspinall Housing Site Specific CV
Matthew Scott EVA CV
Amir Shabir CV
AspinallVerdi Standard Terms and Conditions

Cc – by email

Ben Aspinall, AspinallVerdi

Appendix 2 – Floor Area Schedule

231002 B&M Scheme Accommodation Schedule_v6 - Version Notes

Date	Version	Comments	Updated by Who
231003	v6		

Printed: 04/10/2023 13:31

S:_Client Projects\2306 B&M Kingsway Burnage Manchester FVA_Jersey Limited\2307 Accommodation Sched
Accommodation Schedule_v6

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Verdi

Accommodation Schedule

USES	Floor Area Sqft	Floor Area Sqm	Beds	No of Units
Type 1 - House	792	74	2	6
Type 2 - House	906	84	2	48
Type 3 - House	1,128	105	3	16
Type 4 - House	1,305	121	4	8
Type 5 - Apartments	537	50	2	2
Type 5 - Apartments	676	63	2	21
Type 5 - Apartments	666	62	2	3
Type 5 - Apartments	667	62	2	8
TOTAL	6,677	620	19	112



[illegible]

Type 5 - Apartments	2	63	M	£22	£1,382	£16,580	£16,580	63	£13,264	-	-	£4,642	£11,937	£265,275
Type 5 - Apartments	2	63	M	£22	£1,382	£16,580	£16,580	63	£13,264	-	-	£4,642	£11,937	£265,275
Type 5 - Apartments	2	63	M	£22	£1,382	£16,580	£16,580	63	£13,264	-	-	£4,642	£11,937	£265,275
Type 5 - Apartments	2	63	M	£22	£1,382	£16,580	£16,580	63	£13,264	-	-	£4,642	£11,937	£265,275
Type 5 - Apartments	2	63	M	£22	£1,382	£16,580	£16,580	63	£13,264	-	-	£4,642	£11,937	£265,275
Type 5 - Apartments	2	63	M	£22	£1,382	£16,580	£16,580	63	£13,264	-	-	£4,642	£11,937	£265,275
Type 5 - Apartments	2	63	M	£22	£1,382	£16,580	£16,580	63	£13,264	-	-	£4,642	£11,937	£265,275
Type 5 - Apartments	2	63	M	£22	£1,382	£16,580	£16,580	63	£13,264	-	-	£4,642	£11,937	£265,275
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	63	A	£22	£1,382	£16,580	-	-	£13,264	£13,264	63	£3,714	£9,550	£212,220
Type 5 - Apartments	2	62	A	£22	£1,361	£16,334	-	-	£13,068	£13,068	62	£3,659	£9,409	£209,081
Type 5 - Apartments	2	62	A	£22	£1,361	£16,334	-	-	£13,068	£13,068	62	£3,659	£9,409	£209,081
Type 5 - Apartments	2	62	A	£22	£1,361	£16,334	-	-	£13,068	£13,068	62	£3,659	£9,409	£209,081
Type 5 - Apartments	2	62	A	£22	£1,363	£16,359	-	-	£13,087	£13,087	62	£3,664	£9,423	£209,395
Type 5 - Apartments	2	62	A	£22	£1,363	£16,359	-	-	£13,087	£13,087	62	£3,664	£9,423	£209,395
Type 5 - Apartments	2	62	A	£22	£1,363	£16,359	-	-	£13,087	£13,087	62	£3,664	£9,423	£209,395
Type 5 - Apartments	2	62	A	£22	£1,363	£16,359	-	-	£13,087	£13,087	62	£3,664	£9,423	£209,395
Type 5 - Apartments	2	62	A	£22	£1,363	£16,359	-	-	£13,087	£13,087	62	£3,664	£9,423	£209,395
Type 5 - Apartments	2	62	A	£22	£1,363	£16,359	-	-	£13,087	£13,087	62	£3,664	£9,423	£209,395
Type 5 - Apartments	2	62	A	£22	£1,363	£16,359	-	-	£13,087	£13,087	62	£3,664	£9,423	£209,395
Type 5 - Apartments	2	62	A	£22	£1,363	£16,359	-	-	£13,087	£13,087	62	£3,664	£9,423	£209,395
Type 5 - Apartments	2	62	A	£22	£1,363	£16,359	-	-	£13,087	£13,087	62	£3,664	£9,423	£209,395

Sum	9228	£177,312	£2,127,741	PMR Total Rent PA	PRM Total Sqm	AR Total Rent PA	AR Total sqm	Total Leakage Cost	Total Net Income PA	Total Capital Value/GDV
Houses	7128 Net			£1,765,489	7856	£289,802	1372	£575,481	£1,479,809	£32,884,656
Apartment	2100 Net			90		22				
Apartment (N:G)	89%	2359.51 Gross				£2,055,291				

[illegible]

Appendix 3 – BTR Yield Evidence



Q2 2023

BUILD TO RENT REPORT

cushmanwakefield.com

CONTENTS

02 | HALF YEAR REVIEW: HOW ARE THINGS LOOKING?

RENTS CONTINUE TO RISE

SOME RENTERS ARE FEELING THE SQUEEZE

DEMAND CONTINUES TO OUTWEIGH SUPPLY

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06 | SUPPLY: A LONG WAY OFF SOLVING THE SUPPLY CRISIS

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09 | INVESTMENT: COST OF DEBT SLOWS THE MARKET

STRONG STABLE RETURNS

SINGLE FAMILY HOUSING IS BOOSTING INVESTMENT VOLUMES

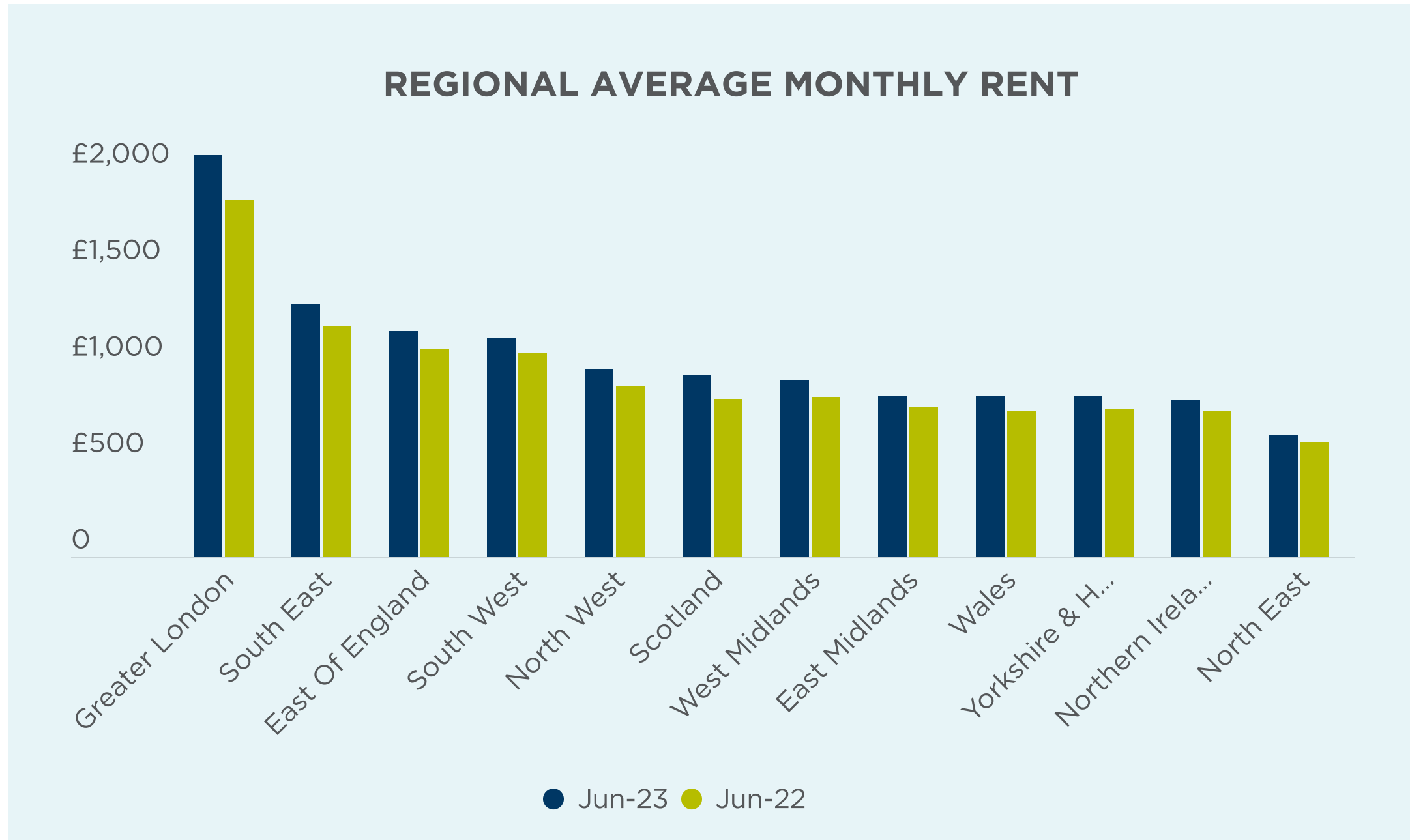
RENTS CONTINUE TO RISE

The UK (excluding London) has seen 9.7% growth in rents over the last 12 months, making the average rent £1,027 pcm as of June 2023.

London has seen 12.5% growth in rents over the last 12 months, making the average rent £2,077pcm, as of June 2023.

Scotland (at 15.8% annual growth), London (12.5% annual growth), and the West Midlands (10.8% annual growth) were the top performing regions. The North East was the only region to experience negative monthly growth in rents in June, -1.1 %.

Build to Rent (BTR) rents have also seen strong rental growth, with Grainger reporting 8.2% annual growth on new lets across their portfolio in HY 2023 and 6.1% on renewals in HY 2023. Overall, HY annual rental growth was at 6.9%, with this at a similar rate to wage inflation, affordability in BTR has remained broadly stable. Grainger renters spend an average of 29% of their income on rent.



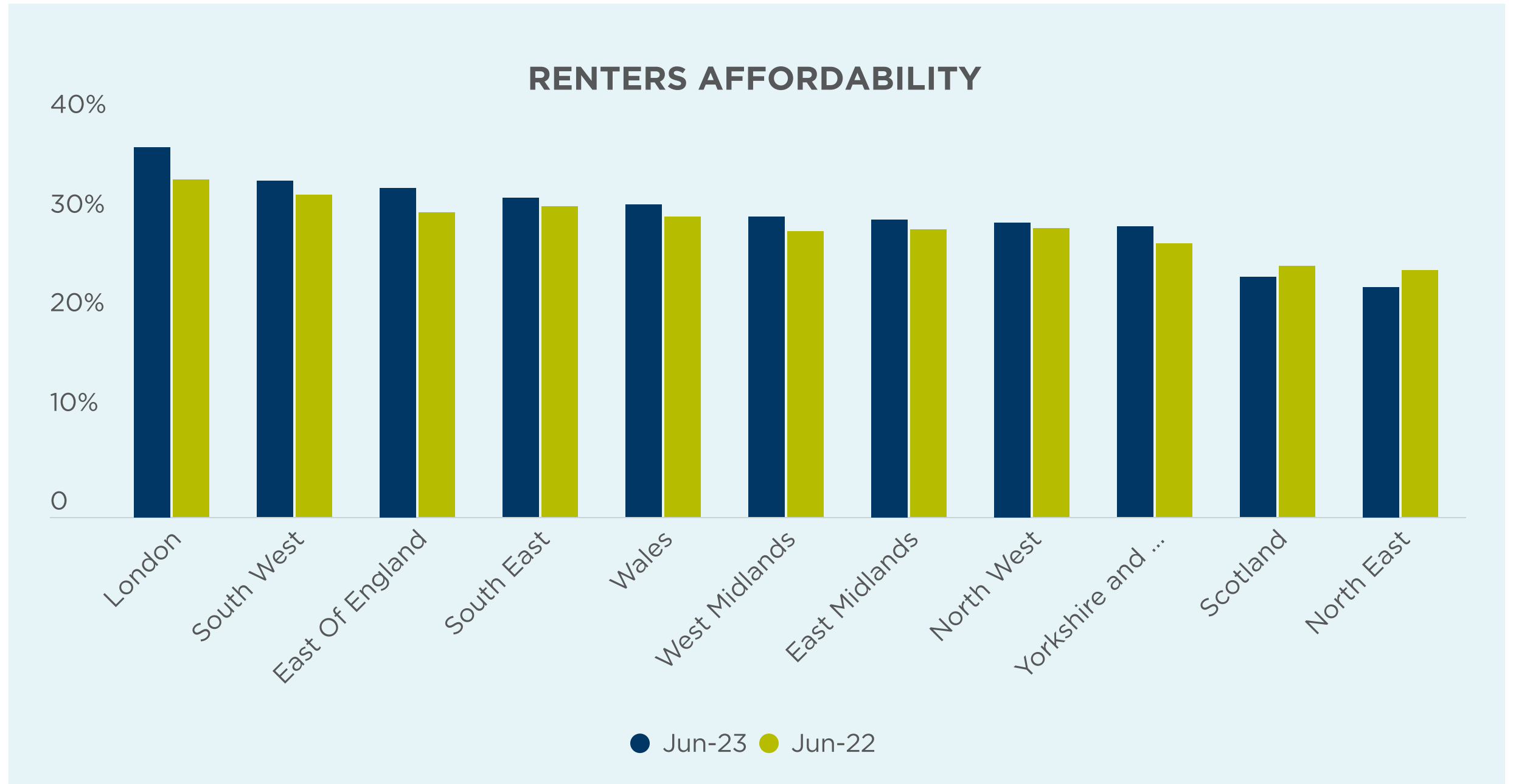
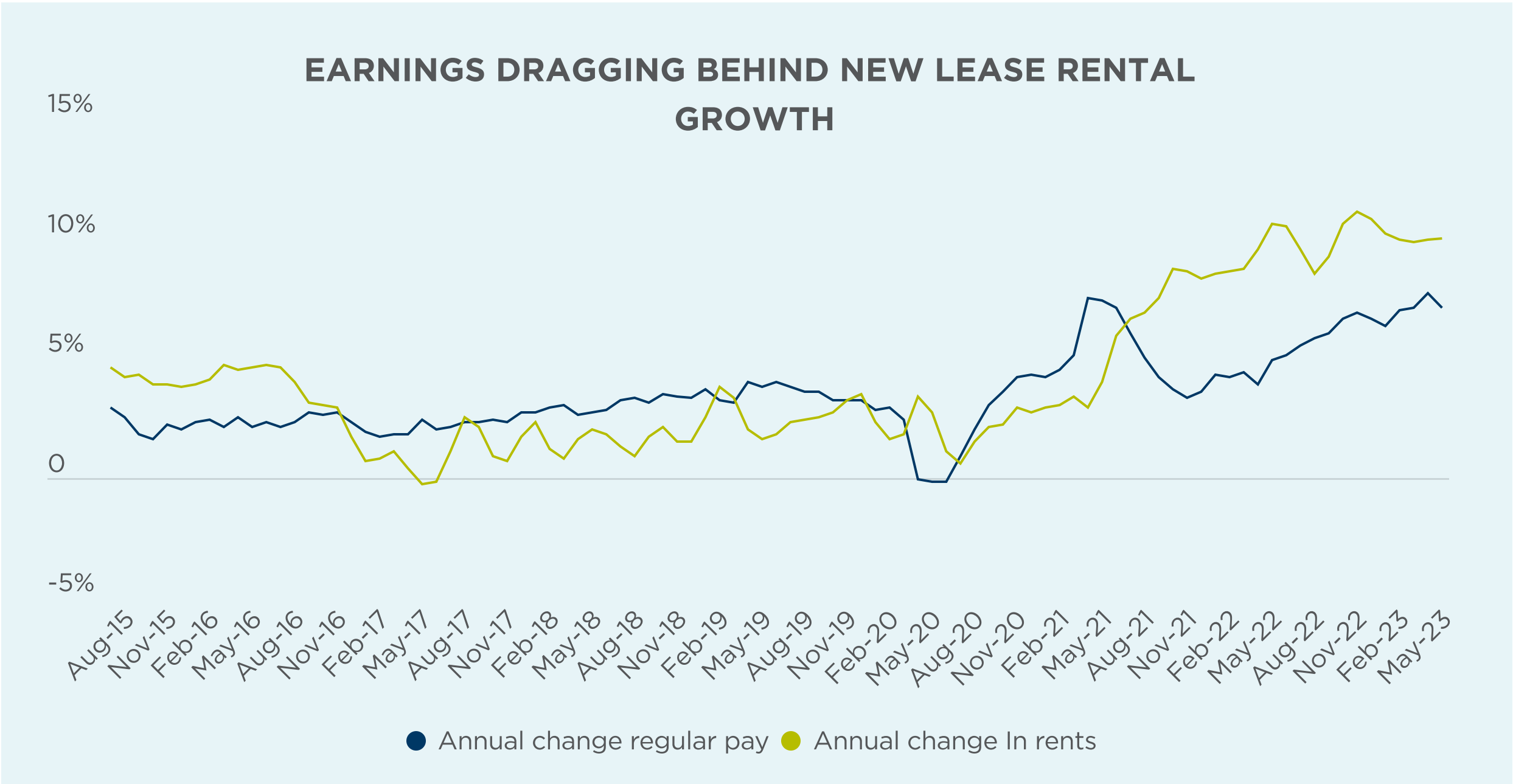
Source: Cushman & Wakefield, Homelet

SOME RENTERS ARE FEELING THE SQUEEZE

In the wider rental market, new lease rental growth has been rising at a faster rate than earnings growth (10% vs 7.1% annual growth in May 2023), so affordability has worsened for renters looking for new homes.

In the UK (excluding London), renters spend an average of 30.4% of their gross income on rent a month, an increase from 29.5% the same time last year. London renters spend a higher proportion of their income on rent, 37.3%, up from 34% last year.

Rental affordability is at or above the recommended 30% of income spent on rent in more than half of the UK's regions. There are certain areas in the UK where increased rental growth will put considerable financial pressure on renters.



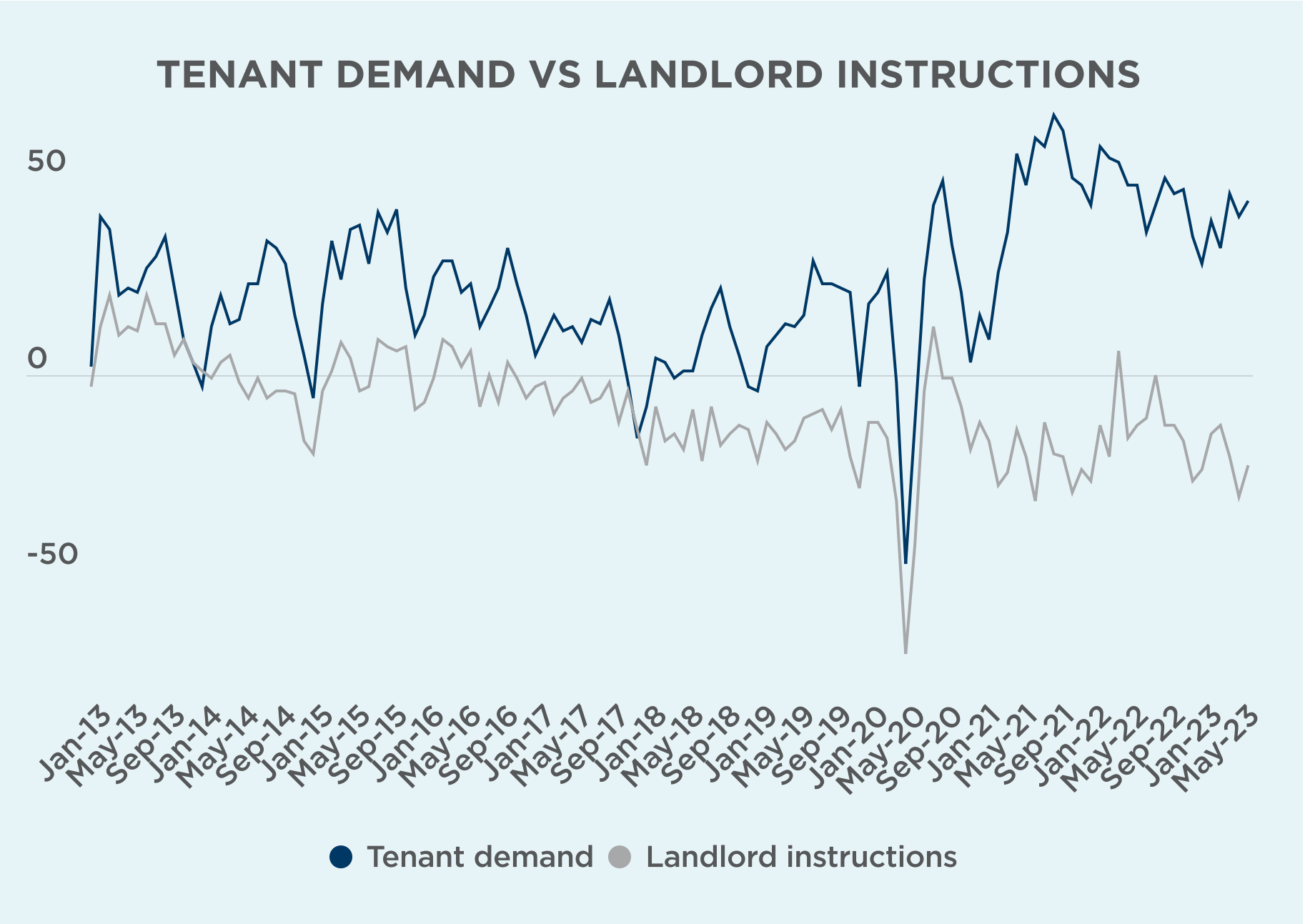
Source: Cushman & Wakefield, ONS, Homelet

DEMAND CONTINUES TO OUTWEIGHT SUPPLY

Rental growth has been supported by the ongoing imbalance between tenant demand and landlord instructions.

The RICS May 2023 residential survey showed a net balance of +44% of respondents reporting an increase in demand. New rental supply continued to fall, with a net balance of -23% of respondents reporting a decline in landlord instructions (more on this later).

The BTR and Buy to Let (BTL) sectors are a long way off solving the rental supply crisis, and given worsening affordability constraints for First Time Buyers, tenant demand is only going to increase.



Source: Cushman & Wakefield, RICS



RENTER DEMAND WILL CONTINUE TO INCREASE

Social Housing: The proportion of households living in social rented homes (for example, through a local council or housing association) has declined. Today, 17.1% of households live in social rented homes vs 17.6% in 2011 (Census 2021). A shortage of social rented households increases the number of private renters using housing benefits or universal credit in the Private Rented Sector (PRS). It is estimated that almost 40% of PRS households have government support with rents (Ray-Chaudhuri and Waters, 2023). These renters will be more exposed to the cost of living crisis.

Home Ownership: Saving for a deposit is the first hurdle and with renters disposable income being eaten into, this has become even more of a challenge. The average First Time Buyer deposit in the UK in 2022 was £62k and £125k in London (Halifax).

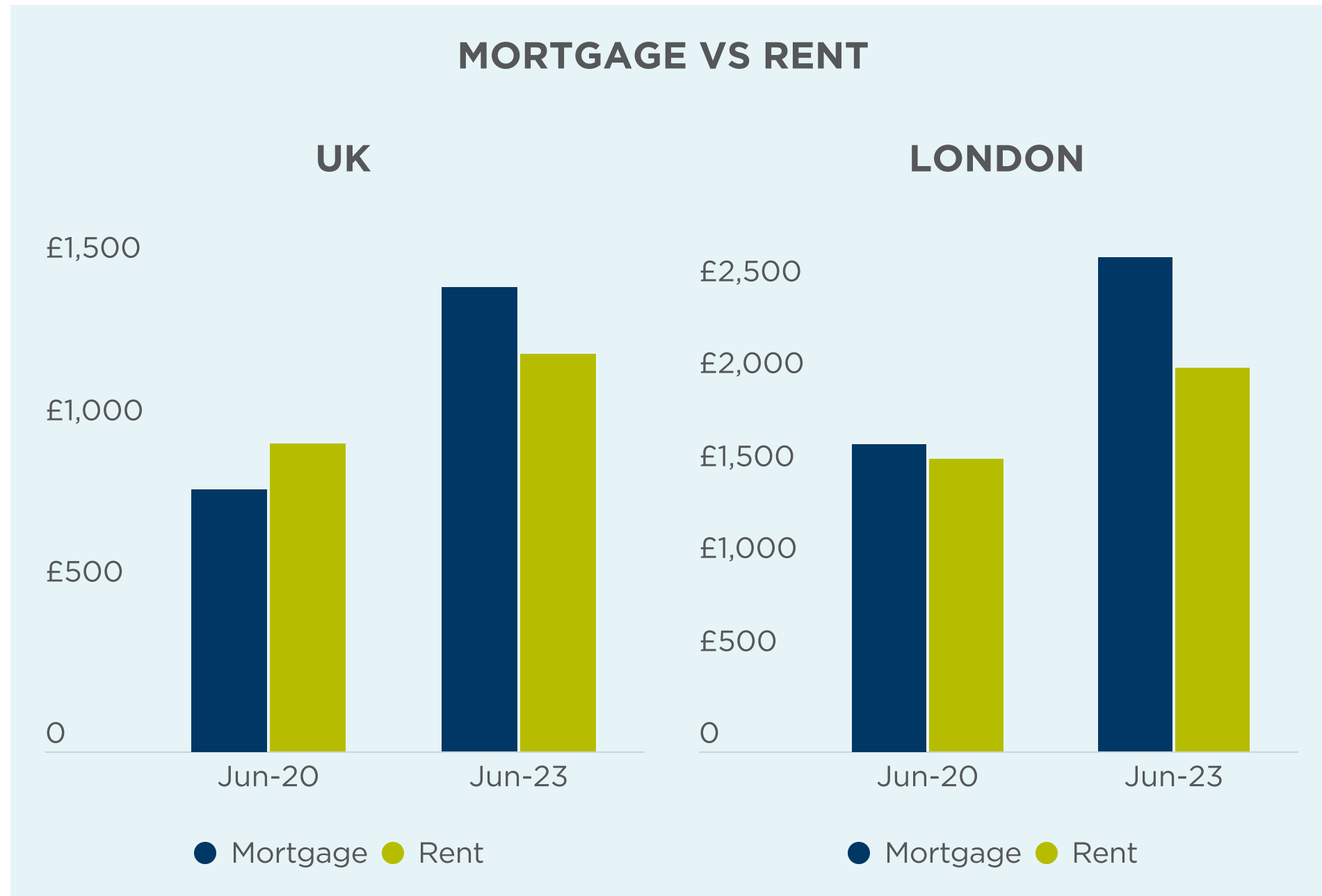
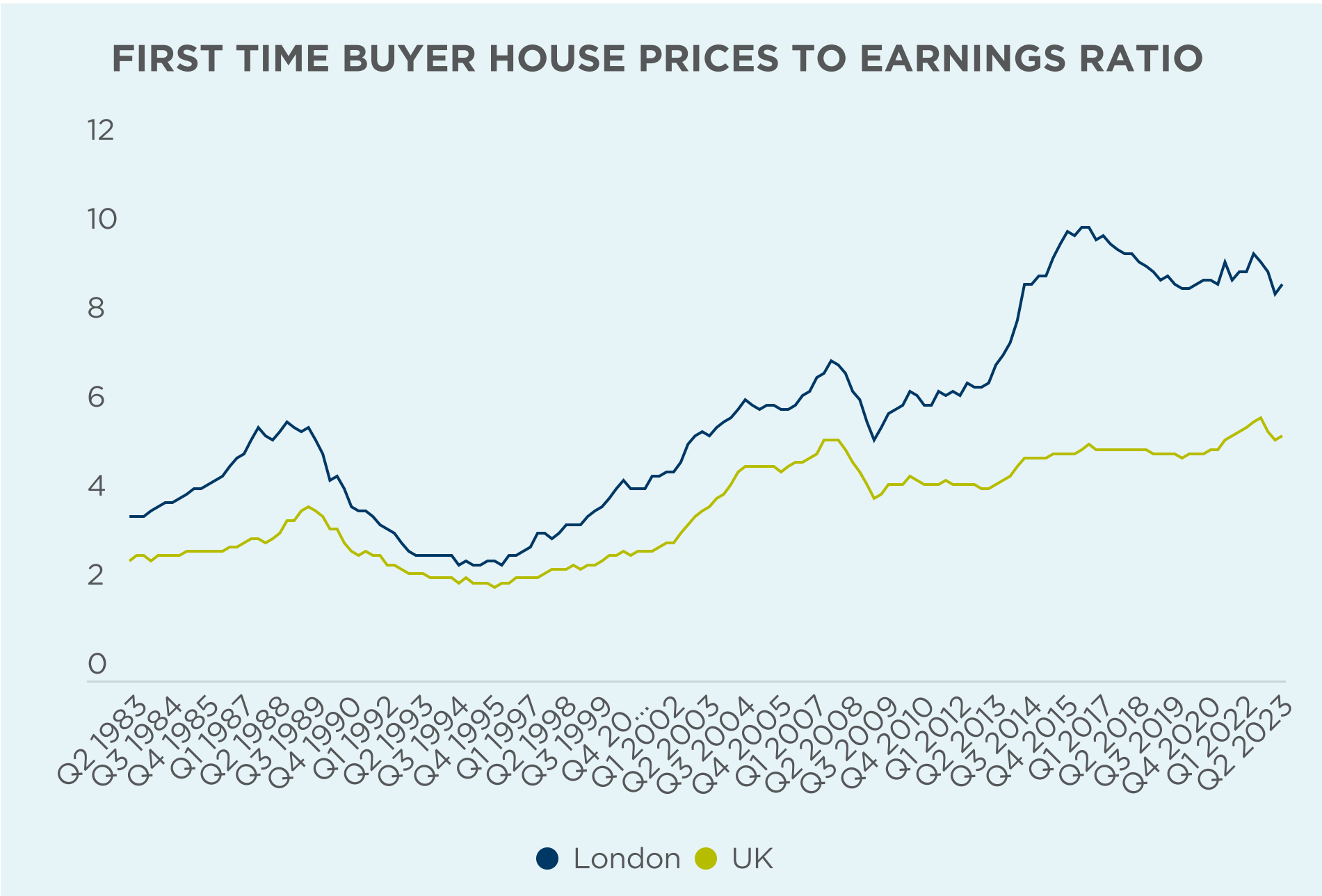
Then there are affordability metrics. In the UK, First Time Buyer house prices are 5.5 times earnings, similar to 5.4 during the Global Financial Crisis (even higher in London at 8.9 vs 7.2).

Even if a potential First Time Buyer is able to purchase a home, mortgage rates continue to climb, making paying a mortgage more expensive than renting. Average mortgage payments in the UK are 17% more expensive than renting, and in London they are 29% greater.

In addition, there is increased uncertainty in the housing market, with house price falls expected in the short to medium term as high inflation, rising interest rates, and a weaker economy erode buyer demand.

Latent Private Renter Demand: Then there is the untapped market. The number of adult children living with their parents has increased from around 4.2 million in the 2011 Census to around 4.9 million in the 2021 Census. These young adults either can't afford to rent or are skipping the rental sector to save for a house deposit. This is a pool of potential renters that a more affordable rental product could serve.

All these factors, as well as a growing population, are only going to create greater demand for privately rented homes.



Source: Cushman & Wakefield, Nationwide, Homelet, BoE, UK HPI
Mortgage analysis: Assuming an average mortgage interest rate on 75% and 90% LTVs, on a new 2 & 5 year fixed mortgage, with a term of 25 years

BUY TO LET LANDLORDS EXITING THE MARKET

There has been considerable discussions in the media around landlords exiting the market. The broad consensus is that Buy to Let landlords are exiting, but perhaps not to the extent the media reports.

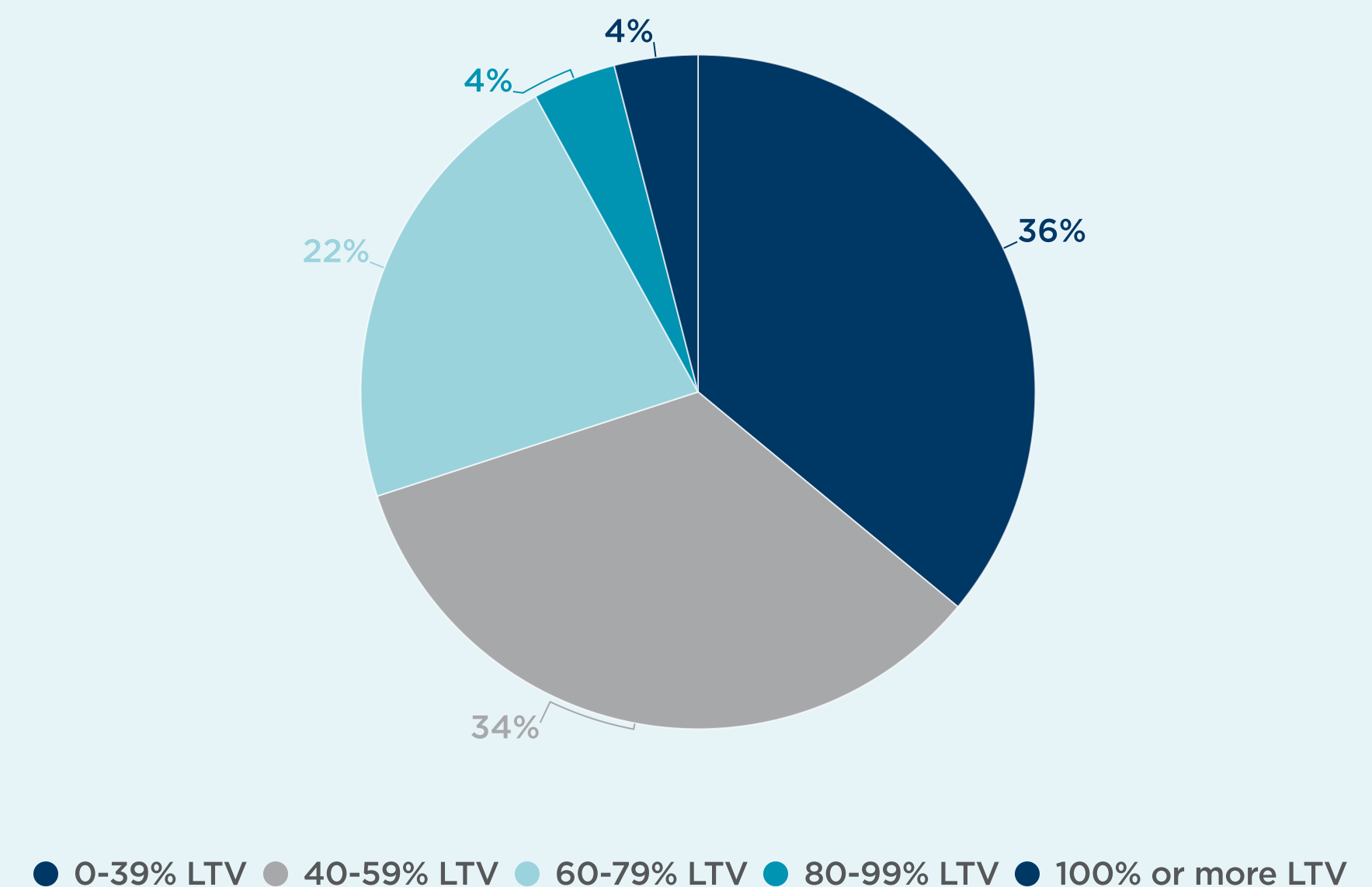
'Talk of landlord exodus overdone but some are selling'. Zoopla's sales data shows a steady, constant flow of private landlords selling up – this has been the case since 2018 but it's not accelerating. This combined with investment into BTR, has led to Zoopla reporting no change in the number of private rented homes since 2016.

Increasing mortgage costs. 62% of landlords have debt (English Private Landlord Survey), and many of these will be coming off fixed mortgages and exposed to increased mortgage rates. Those landlords who are exposed to higher mortgage rates might be more likely to sell as their profit margin is squeezed.

Not all landlords are heavily leveraged. Those landlords who do have debt, tend to have lower loan-to-values. 36% of landlords with debt having a loan-to-value of 39% or less, 34% with a loan-to-value of between 40 to 59%, 22% with a loan-to-value of between 60 to 79%, and 8% with a loan-to-value greater than 80%.

A weaker sales market. With house prices falling, now isn't an optimal time for landlords to sell. Only landlords who are financially stretched are likely to accept lower capital values.

PORTFOLIO LOAN TO VALUE RATIOS FOR LANDLORDS WITH DEBT



Source: Cushman & Wakefield , English Private Landlord Survey

An increase in accidental landlords. There is likely to be an increase in the number of 'accidental' landlords, as buyers struggle to sell their homes. Everyday life events mean home moves remain on the agenda for some households (moving in with a partner, having children, divorce, death, etc.).

Renter Reform Bill might further discourage some Buy to Let landlords. The Renter Reform Bill was introduced to parliament in May 2023 to create a fairer, more secure, and higher quality PRS. The Bill proposes a number of changes; section 21 "no fault" evictions to be abolished, periodic tenancy system to be standard, rent increase notice period to be doubled, more tenant rights to keep pets in properties, a government approved ombudsman to settle disputes without going to court, and a property portal for landlords and tenants.

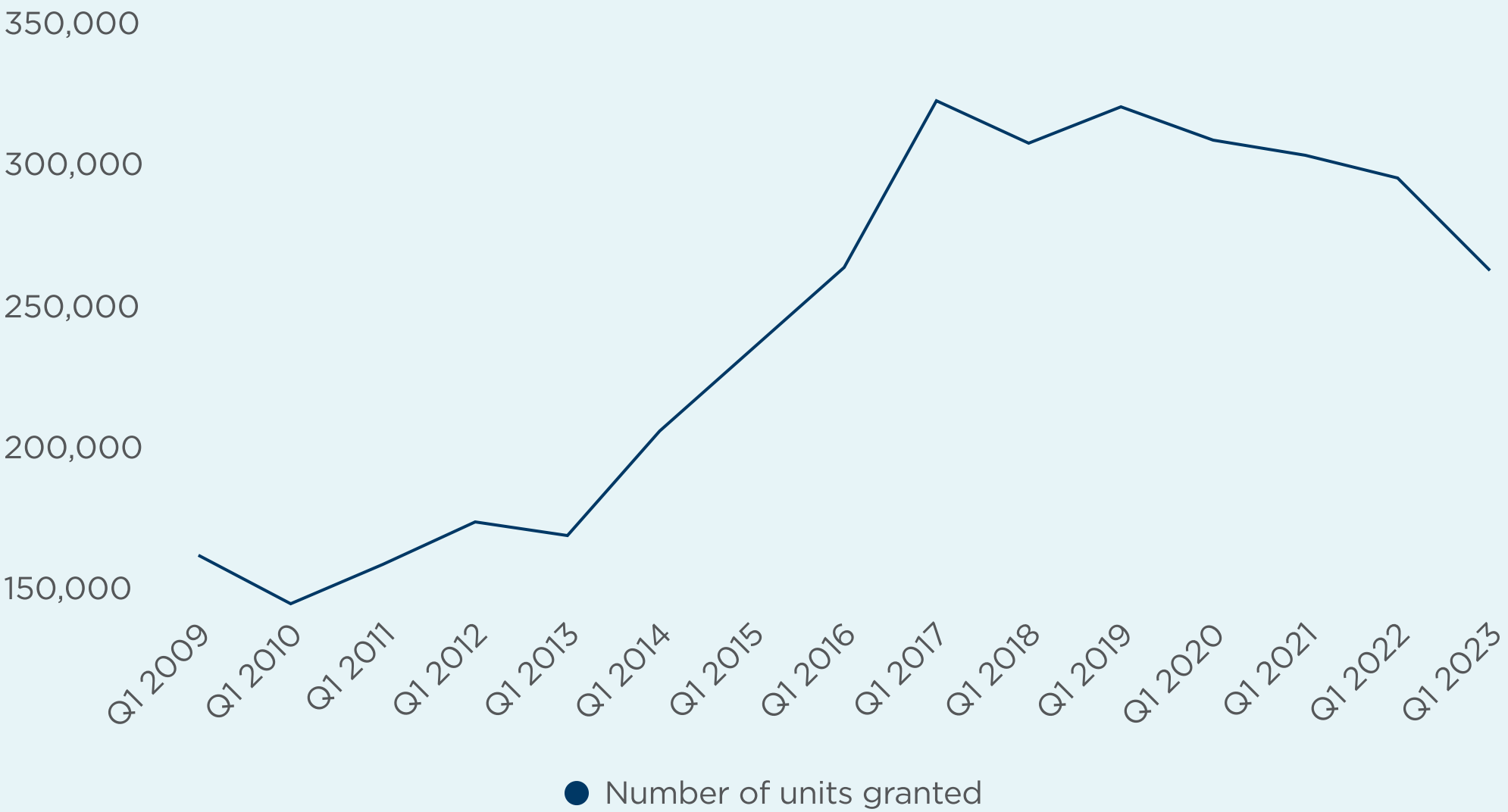
A SLOWDOWN IN NEW HOMES DELIVERY

Planning permissions have slowed. In Q1 2023, annual new homes planning permissions were down 11% on last year. Local authorities have been receiving fewer planning applications than normal, with developers deterred due to a weaker economic environment and ongoing changes to the planning system.

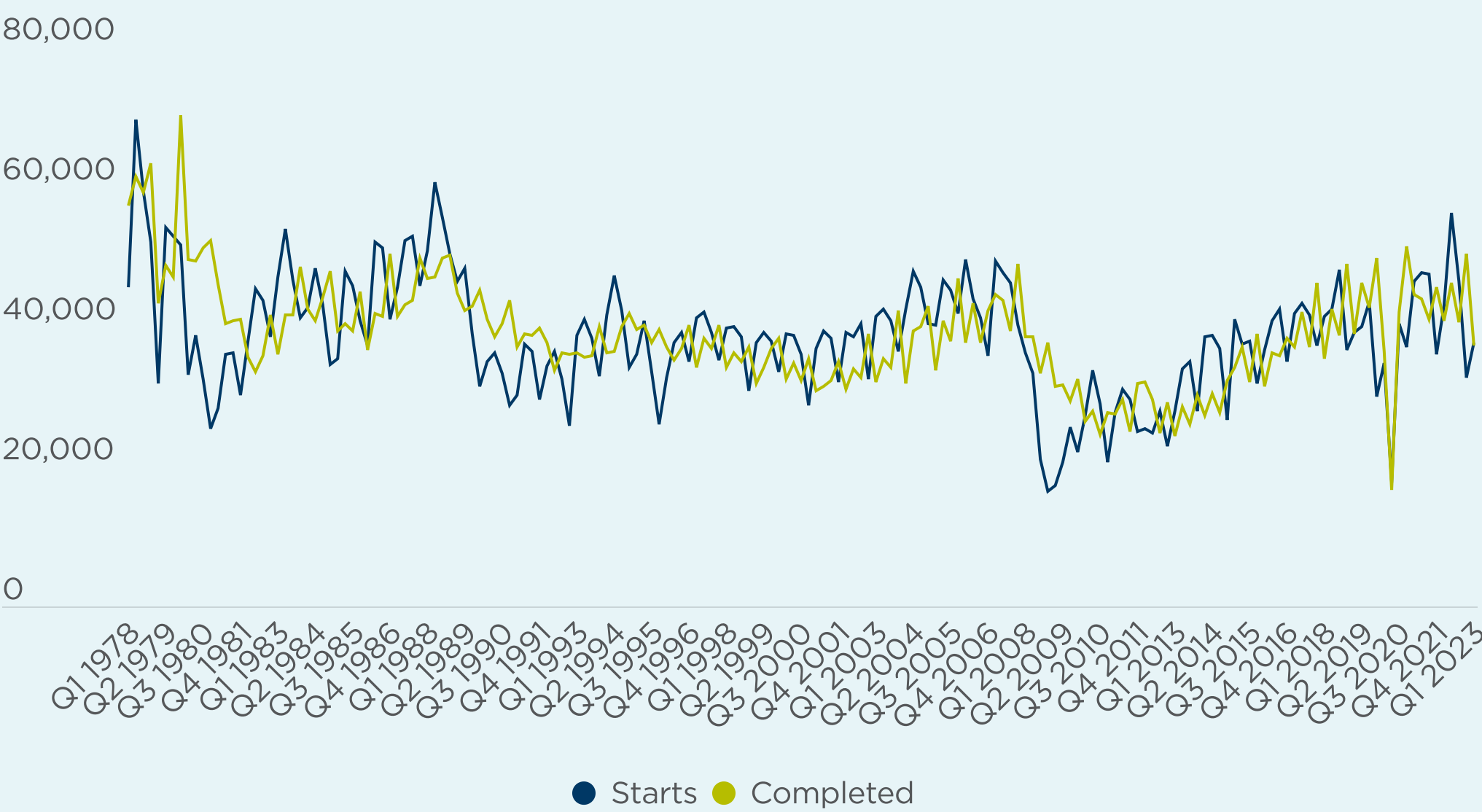
Construction starts and completions have also slowed. In Q1 2023, construction starts were down 12% on the same period last year, however, new homes starts increased 16% over the last quarter. Construction completions in Q1 2023 were down 8% on the same time last year, and fell 26% over the last quarter.

A slowdown in planning permissions and new homes construction is going to put greater pressure on the PRS.

ROLLING ANNUAL HOUSING UNITS GRANTED PLANNING PERMISSION



NEW HOMES STARTS AND COMPLETIONS



Source: Cushman & Wakefield, GOV.UK

BUILD TO RENT CONSTRUCTION SLOWS

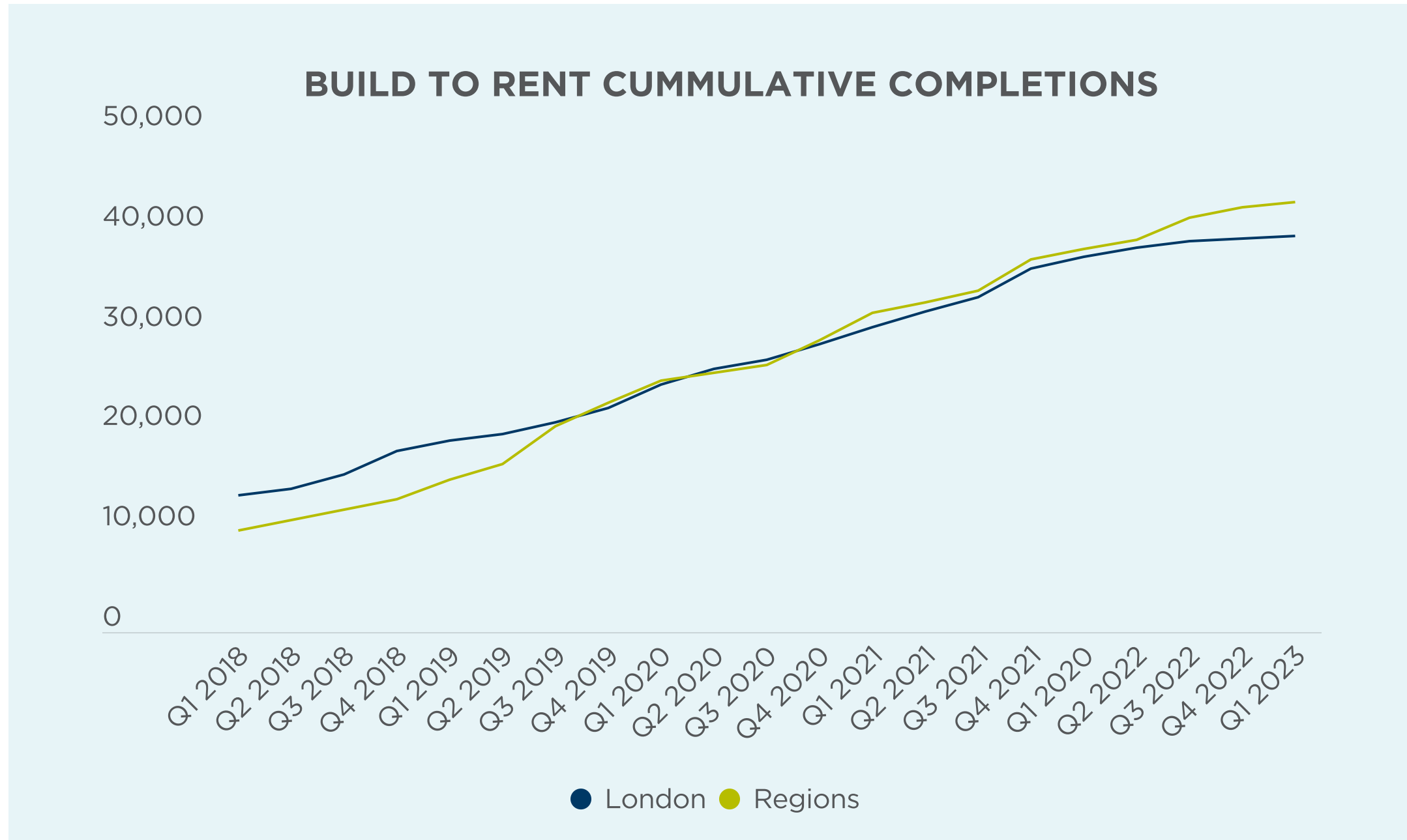
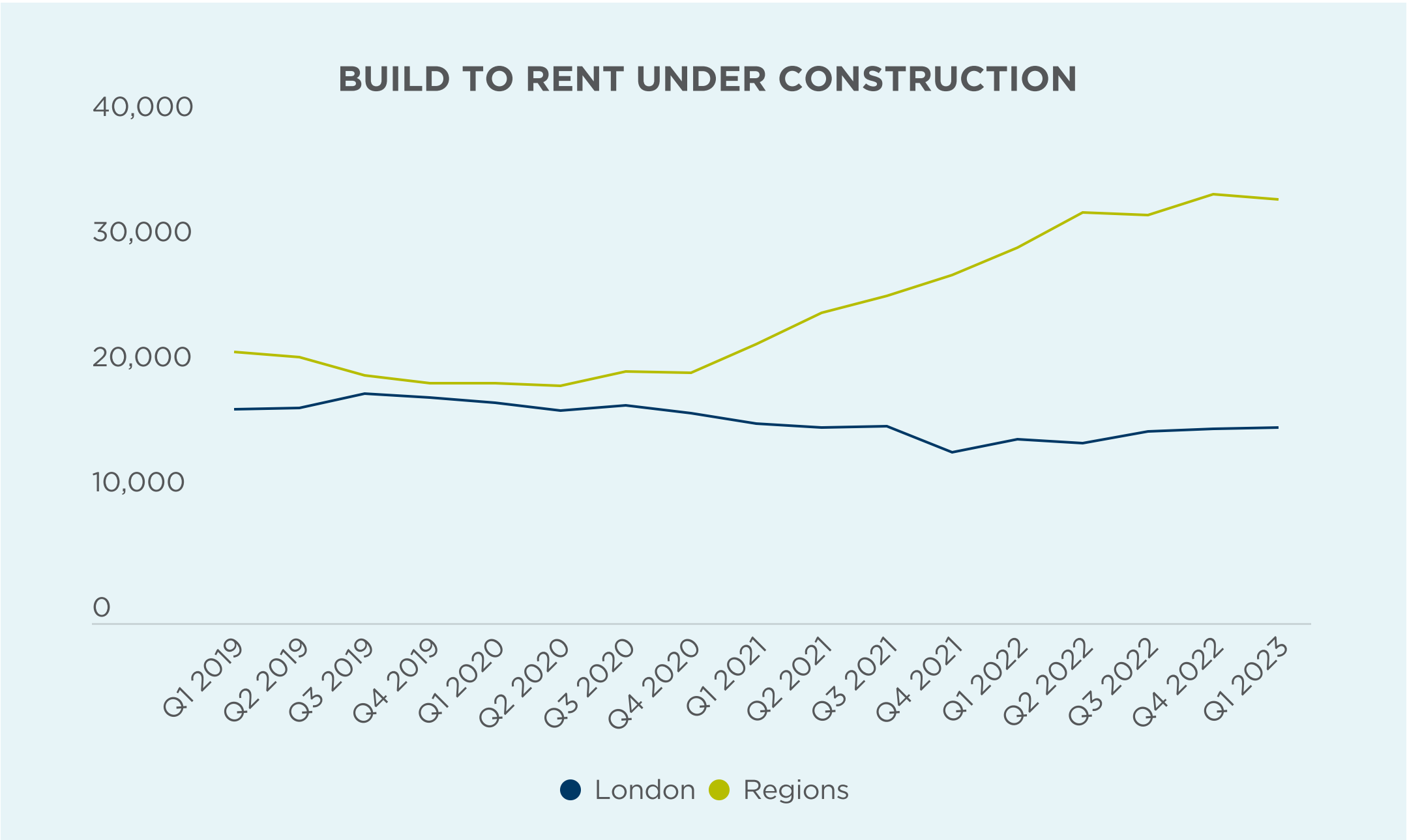
In the UK, there are now 82,505 complete BTR units, up 9% on last year. Despite the increase, BTR still only makes up c.1.6% of the PRS market.

There has been a slowdown in the number of units under construction in the regions. There were 33,882 BTR units under construction in the regions in Q1 2023, down from 34,267 in Q4 2022.

London hasn't seen a slowdown in BTR construction starts yet, but this is coming off of a lower base. There were 15,605 BTR units under construction in Q1 2023, down from a peak of 18,317 in Q3 2019.

A slowdown in BTR construction reflects the current economic headwinds, as well as Building Regulations and Fire Safety causing schemes to return to planning. A greater number of BTR homes need to be delivered if we are to plug the supply gap.

On a more positive note, Single Family Housing (SFH) is one area which is growing. There are now 9,566 completed SFH units in the UK, 5,210 under construction and 9,751 in planning. The number of SFH units is expected to increase rapidly as housebuilders look to diversify exit routes in light of a weaker sales market. Two key SFH deals happened in Q2 2023 (Citra & Barratt and MJ Gleeson & Carlyle & Gatehouse), with a discount of around 5% to 10%, making it attractive to both investors and housebuilders.



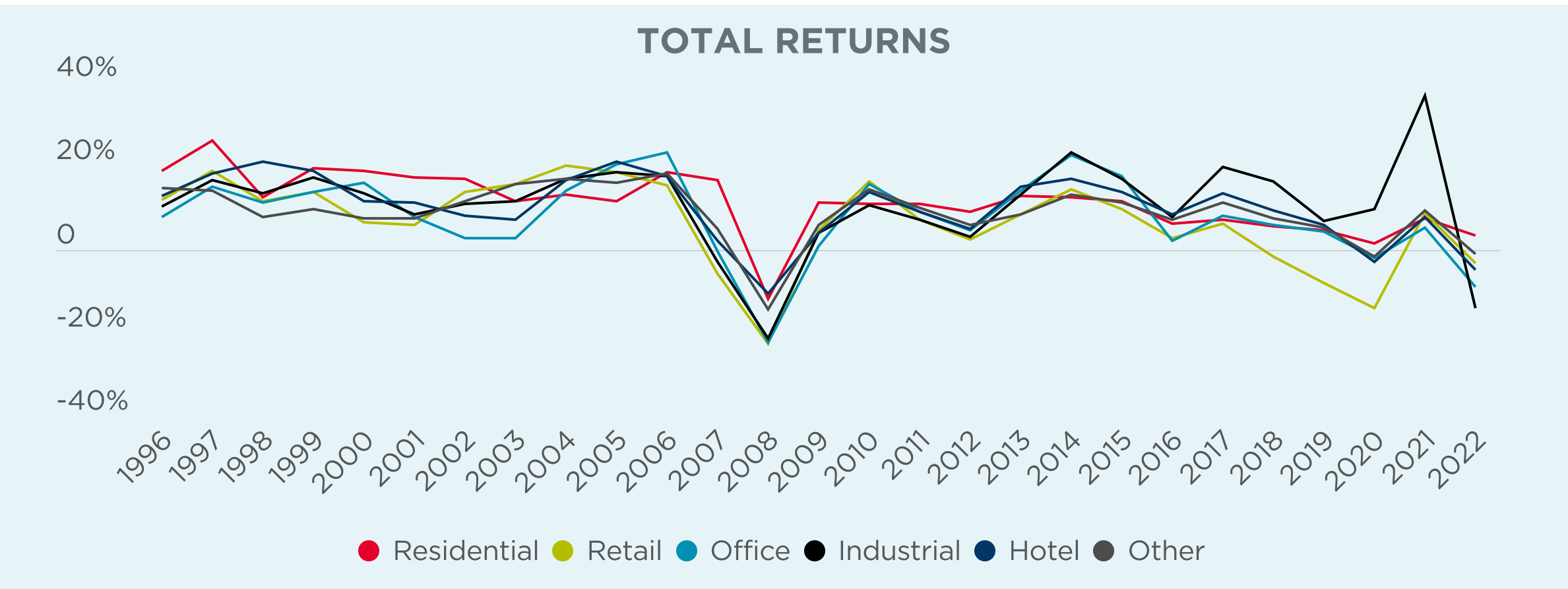
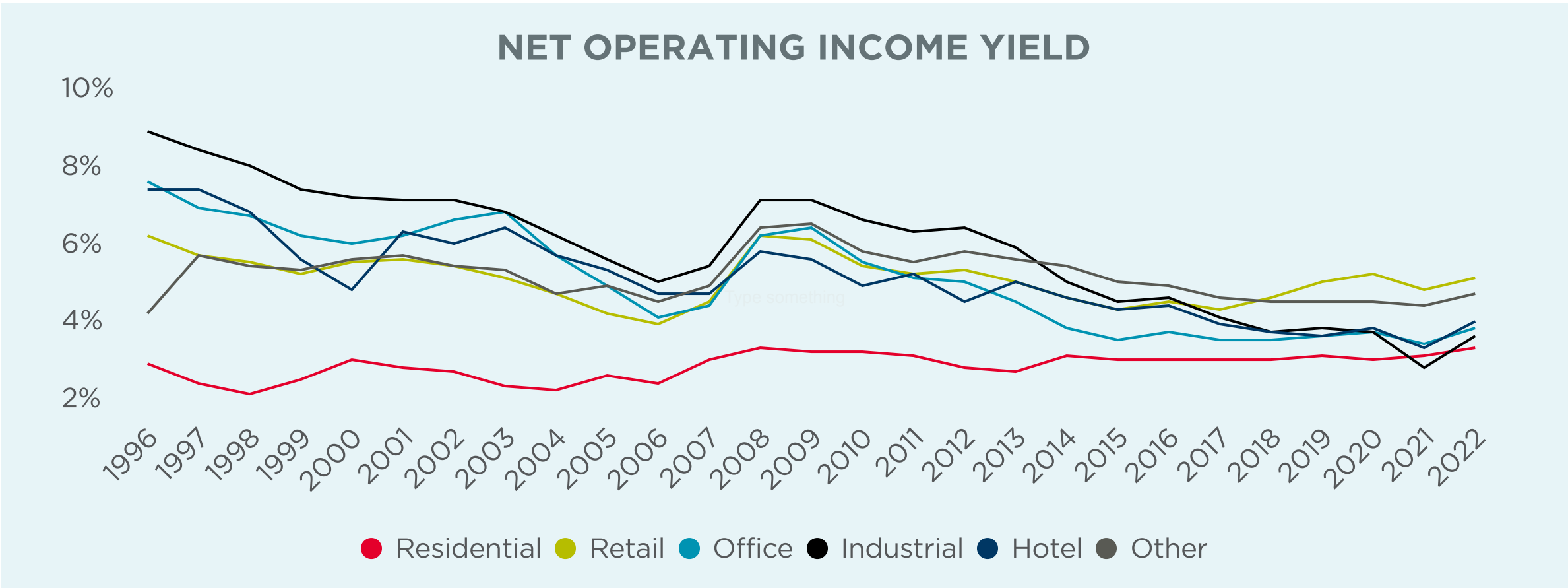
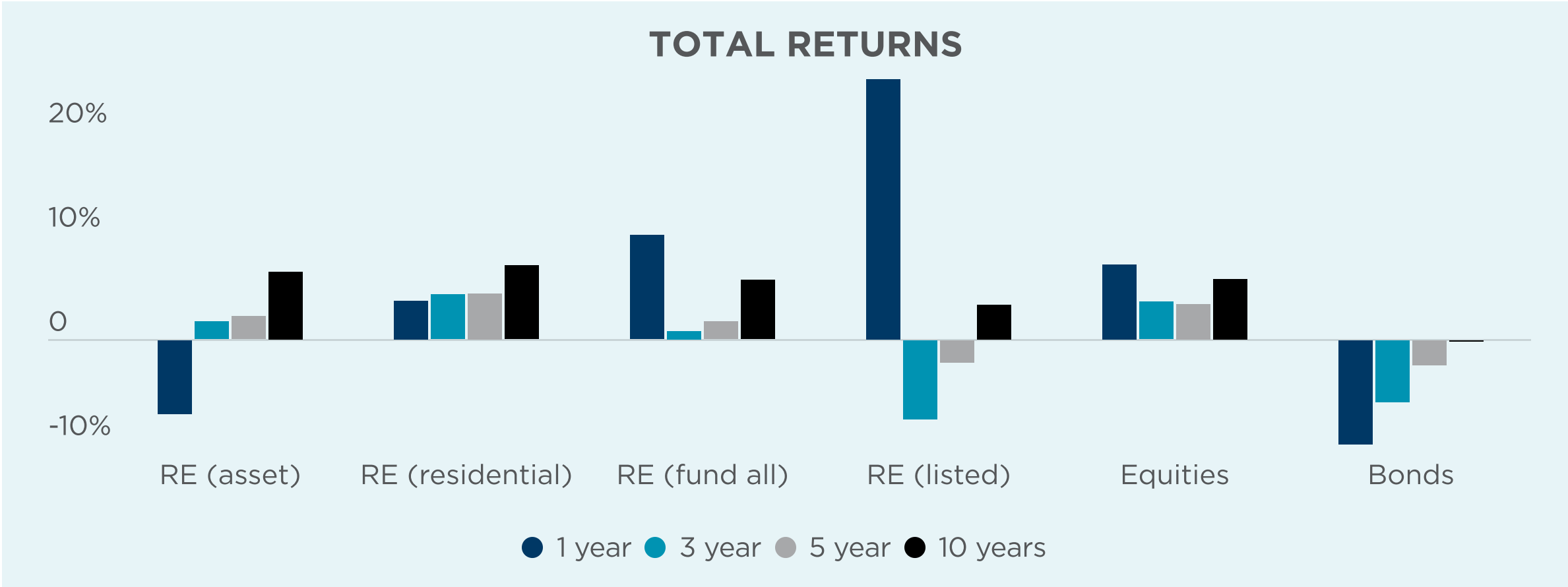
Source: Cushman & Wakefield, BPF

INVESTORS ATTRACTED TO STRONG STABLE RETURNS

While the investment market remains challenged as a result of significantly increased debt costs, we continue to see investor appetite for BTR. In fact the current environment has highlighted the defensive qualities of the sector, with a number of major investors looking to increase exposure to the residential asset class. There are a number of clear reasons as to why – with the sector outperforming equities, bonds and other real estate investment vehicles – seeing 7.1% annual total returns over the course of the last ten years compared to -0.1% in bonds and 5.8% in equities – highlighting the attractiveness to institutional and long-income investors.

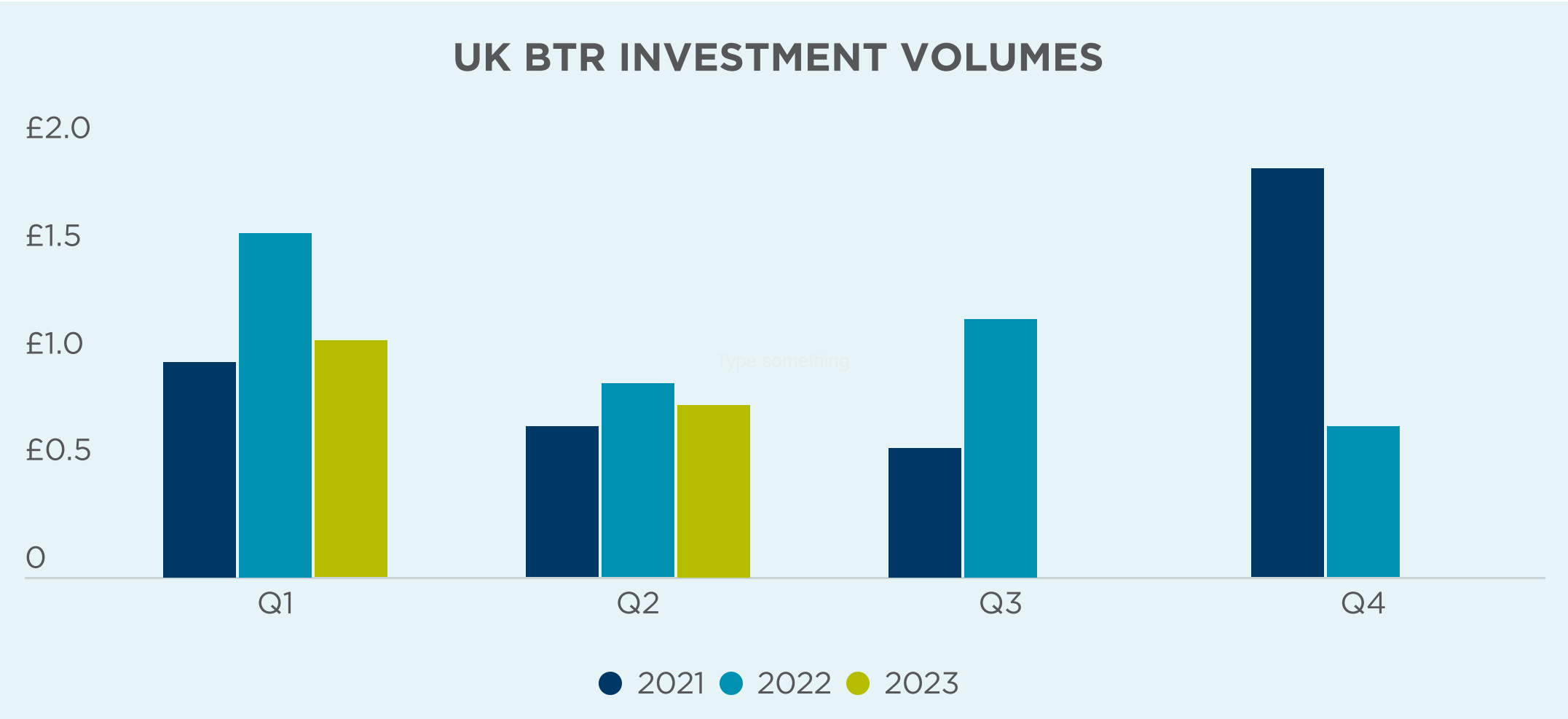
With the business environment constrained, CPI-linked, annually renewed income in the sector hedges the asset class against inflationary pressures, protecting against income security and falling values. Other asset classes are tied to longer leases and are therefore unable to rebase rents as frequently, this causes net operating yields to move out, particularly when capital values are weaker.

This has thus far protected total returns. In the year to May 2023, the MSCI monthly index shows residential being the only sector with a positive total return of 4.6%, against a track record of relatively low volatility, and quick rebounds in comparison to traditional commercial property sectors.



Source: Cushman & Wakefield, MSCI

SINGLE FAMILY HOUSING IS BOOSTING INVESTMENT VOLUMES



Source: Cushman & Wakefield & RCA

Despite the strong investor rationale, there has been a fall in investment volumes as persistent inflation continues to push interest rates. In Q2 2023, £0.8bn was invested, down from £0.9bn the same time last year. SFH accounted for 47% of investment in Q2 2023.

The cost of borrowing is at the highest level for the last 15 years, and the outlook remains uncertain, fuelled by the recent disappointing inflation figures.

While investors continue to seek exposure to the market, the increased cost of debt continues to put pressure on deal structuring, particularly in the forward funding market. While a number of forward funding deals are on the market and under offer, most of these are likely to complete in the latter part of the year, given the complex nature of these deals and the time taken to complete.

As well as the economic backdrop, discussion around increasing regulation in different forms is also continuing to cause investor uncertainty. Further regulation in the rental market is on the horizon; for example, the anticipated requirement for a secondary means of escape has meant many potential forward funding opportunities have had to revise planning consents, again causing further delays. This has particularly impacted the market for flatted led schemes whereby build cost inflation has been compounded by increased costs associated with Building Regulations and Fire Safety measures. Given the greater height and density, London is particularly impacted by the advice from the National Fire Chiefs Council that all residential buildings of 18 metres / 7 storeys should have a second stair core which impacts efficiency. Any existing consented schemes over this height, with a single stair core, is now of little interest to the majority of institutional grade investors and therefore most developers are going back into planning.

More positively, investors that paused activity following the mini-budget and its ramifications have started to return to the market, albeit tentatively. Constrained supply for the past few years has opened up opportunity for the more established and new market players as best in class funding opportunities have seen competitive bidding processes resume. There has been greater demand for stock in core cities, as existing BTR products demonstrate strong performance.

Traditional housebuilders are continuing to explore the BTR sector with a number looking to de-risk some of their existing schemes, as they see individual sales slow, by selling block opportunities to active investors. As the mortgage affordability issue continues to bite, we are likely to see more opportunities for investors with housebuilders in both the BTR and single family.

Overall, the investor rational for BTR remains strong and money remains committed to the sector. However, cost of debt and a changing construction environment, is temporarily dragging the pace of investment.

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Research

United Kingdom | June 2023

Single Family Rental

Demand for rental houses, investment trends and performance

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Executive Summary

01



Disrupting the market: from BTR to SFR

Why investors will lead the rental reform

Image credit: Present Made

Over the past decade institutional investors have transformed renting in the UK. Build-to-rent has grown to more than 82,100 homes, with new completions rising to account for 10% of annual private enterprise supply and renters snapping up stock at record levels.

Yet still, less than 1% of the UK's £8 trillion housing market is owned by institutions. Housing policy, taxes and government incentives have consistently focused on supporting homebuyers and debt to fund new supply (p8, p13).

This strategy has failed to meet the needs of a changing population. Between 2012 and 2022, the number of mortgaged households in England fell by 3%, while the number of private renting households rose by 20%.

A new era of high interest rates means equity investors will now be essential to supporting meaningful levels of new supply. Investors are expanding from a predominately multifamily focus, turning their attention to single family rental (SFR) - defined as houses for rent - as the wall of capital seeks to diversify and gain access to living assets at scale.

This is an expansion and shift in focus, but it's not completely new. The SFR model is proven in the US,

a market dealing with similar housing and population dynamics (p9, p16). And there are lessons from multifamily and the broader private rented sector (PRS) in the UK.

Government is waking up to this challenge. The Renters (Reform) Bill, published May 2023, seeks to support renters with the security that investors already offer. Further new homes standards (p17) mandating energy efficiency will be key milestones in the move to net zero carbon.

However, unlike the former policies to encourage home purchases, this approach is more focused on penalty over reward, resulting in a forecast loss of supply instead of gains.

A fit-for-purpose product requires long-term investment and ownership at scale. There is a huge opportunity for institutions and many are already responding. In Q1 2023 single family investment was higher than multifamily for the first time on record (p11). These investors are using modern technologies to produce SFR homes that dramatically outperform existing stock, government guidance and tenant expectations.

This report outlines pressures on the PRS, the scale of opportunity in SFR and how investors are creating a new standard for renters.

Key takeaways

1

In the UK, more than half of renters live in houses. There are an **estimated 3m households in rental houses**, significantly more than the 2.2m of rental flats.

2

The majority of private rented sector is owned by small landlords. Most of these are older and many need refurbishment. In England, **just 14% of rental homes have been built in the last 20 years and 23% do not meet the Decent Homes Standard**. Some 64% do not meet EPC C – this includes 75% of rental houses.

3

The PRS risks losing some 3m homes below EPC C in England alone, if small landlords fail to upgrade homes by 2028. These homes will use an additional **9.5m tonnes of CO₂ in 2023, costing renters an extra £4.8bn in energy bills**. Investors have an opportunity to tackle this challenge with new and renovated energy efficient homes.

4

Build-to-rent investors have to date focussed on multifamily flats, having built 72,700 over the past decade, accounting for 3.1% of rental flats. In contrast, the **institutional single family rental market currently makes up just 0.3% of the rental housing market**.

5

Despite its recent emergence, the UK SFR market has attracted £2.8bn in investment to date, making it the second largest institutional market after the US. There are **9,400 institutional SFR homes in the UK**, with a further 11,900 in the pipeline. Current **investor ambitions would see this rise to 50,000 by 2025**.

6

There are 500,000 investor-owned SFR homes in the US, contributing 3% of some 15m rental homes, according to John Burns Real Estate Consulting. If it proportionally matched levels seen in the US, investor-owned UK SFR would rise to **95,000 homes**.

7

The largest housebuilders are increasingly incorporating SFR investor sales into their strategies. If done at scale the impact could be staggering: **redirecting 10-30% of the top five housebuilder land banks to investors could add anywhere between 40,000 and 120,000 homes to the sector**.

8

Over the last year asking rents on new-build rental houses have risen by 12.5% or 8.5% across all rental houses. Across the broader market, including renewals, **JLL forecasts growth of 6% in 2023 for all BTR**, matching 2022 levels and slowing to historic trend rates of growth in future years.



PRS Market Trends

02

Rising demand in the suburbs

Private renting households double in two decades as tenant demands evolve

In the UK, more than half of renters live in houses. The country has one of the highest levels of households in houses in Europe at 80%, according to the OECD, and over the past two decades the number of renters has more than doubled.

There are 3m rental houses in the UK, according to analysis of figures in national housing surveys. Build-to-rent (BTR) investors have traditionally focussed on purpose-built multifamily flats in city centres, but now they are turning to the suburbs, seeking to unlock a far larger sector.

Lessons from the US

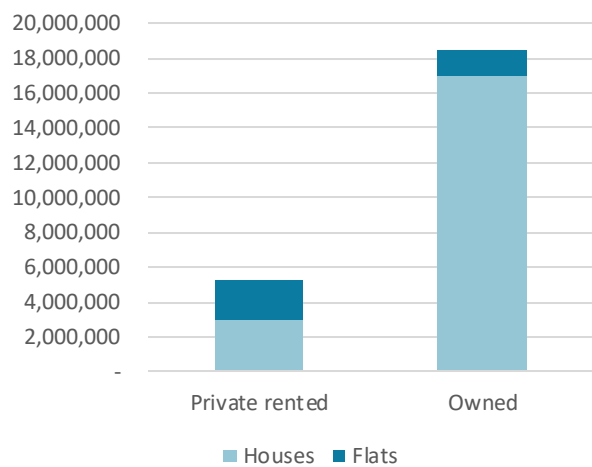
The UK has the second-highest proportion of houses in Europe, after Ireland. This is a trend of Anglosphere countries. The housing mix also closely matches that of the US, where 68% of homes are houses, and levels of ownership and renting also correlate.

The US, as the most mature BTR market, has the largest institutional market of rental houses, or single family rental. Some 500,000 SFR homes account for 3% of the country’s 15m rental houses, accounting for 3% of stock, according to John Burns Real Estate Consulting.

At the beginning of 2023 there were 1,071 different SFR communities in the US (defined as a scheme of at least 25 purpose-built houses in one area). The vast majority, 85%, had been developed within the last four years. That growth is accelerating, with the number of communities having almost doubled in 2022.

Now in the UK, the SFR market is ripe for growth – with investment committed and partnerships set to rapidly expand, following the same trajectory.

UK private market by house type and tenure



Source: JLL, English Housing Survey, Scottish Household Survey, National Survey Wales, NIHE, Census 2021

Definitions: parts of the rental market



Private rented sector
The broader private rented sector (PRS) refers to all renting households



Build-to-rent
Purpose-built rental homes funded by institutions for long-term ownership



Multifamily
Type of BTR: flats in blocks, located typically in urban areas



Single family
Type of BTR: houses in close proximity owned by a single entity in a portfolio

Small landlord exodus

Rising interest rates exacerbate private rental undersupply

Despite its scale, the UK PRS is a market dominated by small landlords. In England, 93.7% of landlords are private individuals and just 0.1% of rental homes are owned by companies with at least 100 properties (English Private Landlord Survey, 2021).

Most of these properties are older houses and many need upgrading. In England just 14% of the PRS was built in the last 20 years, 23% does not meet the standard for Decent Homes, and 64% of homes are below Energy Performance Certificate C (English Housing Survey 2021, EPC data). Rental houses are worst affected: 75% do not meet EPC C

The government has proposed all rental homes achieve EPC C by 2028, following similar bans on poorer performing homes. The Department for Levelling Up, Housing & Communities estimates upgrades to bring an EPC D to C would cost £6,472, or £13,285 for an E (EHS, 2021). The Treasury has also raised taxes, levies and restricted deductible expenses, adding further pressure.

These costs come as profits are being eroded by the rising cost of debt. Mortgage rates in 2022-2023 have risen to levels last seen during the Global Financial Crisis. Despite consistent rental growth, this means many Buy-to-Let owners will spend more servicing debt than they will make in rental income. In the scenario a landlord bought at the average house price in 2016 and achieved average rental growth, all profits would be eradicated remortgaging in 2022-23.

This is forcing many landlords to exit the market, also deterring new BTL purchases with rising prices calling for even greater debt costs.

In Q1 2023, the number of outstanding Buy-To-Let mortgages fell for the first time since 2014, down by 10,000, according to UK Finance. The banking trade body forecasts a 27% drop in new BTL mortgages and a 22% drop in remortgages in 2023.

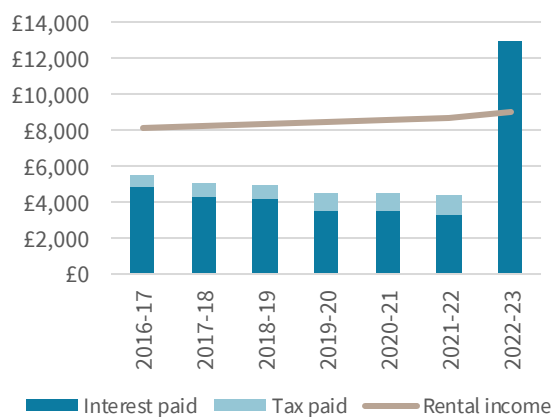
House price hikes

Interest rate rises are also forcing potential new homebuyers to delay or rethink purchases and remain in rental for longer.

Over the last decade the average house price in England has risen by 70%, nearly three times the level of the average full-time salary growth of 24%. However, rents have kept pace at 22%, according to official figures from HM Land Registry and the Office of National Statistics (ASHE, IPHRP).

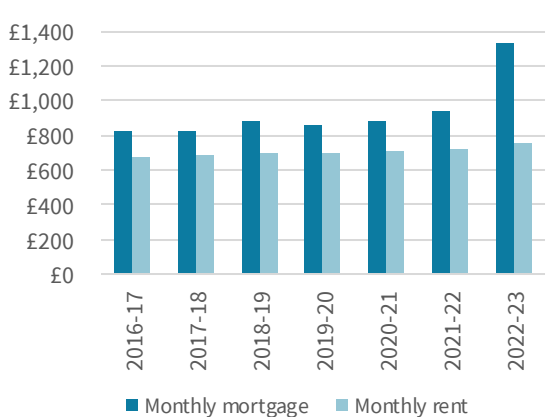
These trends are consistent in the UK and US too. In the largest institutional SFR markets in the US, monthly rents are lower than the cost of ownership. This is also true in regional England, the English Housing Survey reported a 10% discount for renters across the regions in 2021-22. Average rates for a two-year fix mid 2022-23 (see chart below) have seen monthly mortgage costs rise to almost double average monthly rental costs, making renting increasingly attractive.

Small landlord profit margins shrink as expenses rise



Source: JLL analysis, Bank of England interest only 2Y BTL mortgage rate mid-year October 25% deposit, Homelet rent in 2016, ONS house price and rental growth

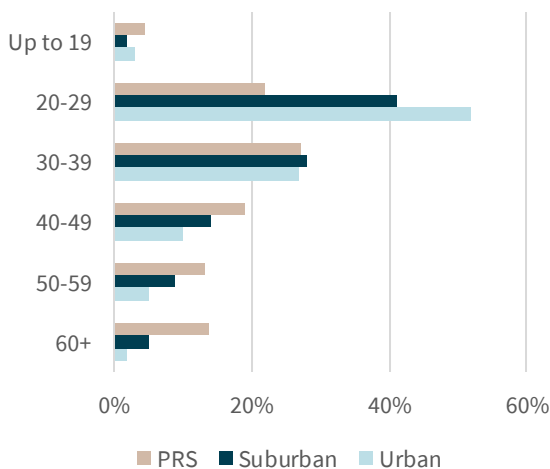
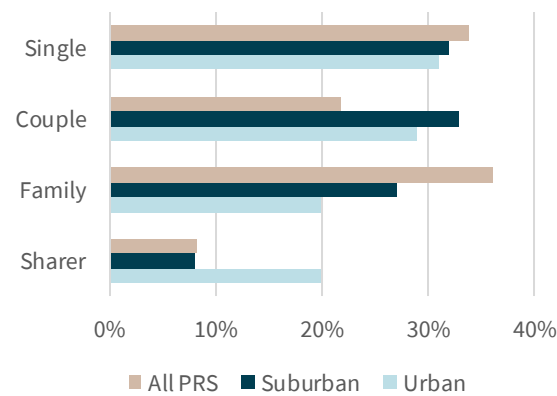
Rate hikes see mortgage costs soar for new buyers



Source: JLL analysis, Bank of England 2Y fix rate mortgage mid-year October 25% deposit, Homelet rent in 2016, ONS house price and rental growth



Tenant characteristics



Source: Urban/Suburban – Dataloft, 2020; PRS – EHS 21-22 all rental including rural, age is estimate of grouped data

What renters want

An important distinction of single family is location – this is not urban apartments, but nor is it rural housing. Rather, single family rental is in suburban locations, places that are expanding with the overspill of cities, as older renters migrate outwards.

The majority of renters in the UK’s regions live in suburban locations over city centres, according to insights from Dataloft. Excluding London, the data provider found that the largest share of renters in each region of England – between 43-58% – live in the suburbs.

Those renters are older, 28% are aged over 40, compared to 17% of urban renters. Their households are more likely to be families, 27% against 20% in urban locations.

These trends are consistent with US SFR too. John Burns Consulting reports 57% of single family tenants are between 25-64, compared to 44% in multifamily, and 37% of single family households having children versus 21% in multifamily. These tenants are less likely to move frequently, with an average stay of four years.

Suburban priorities

JLL’s 2023 Tenants Survey found most renters expect to remain in the sector for some time: 64% said their next property would be another rental home.

When asked what they would pay more for, while tenants in London prioritised public transport and on-site amenities, those outside of the capital highlighted private outside space (68% of respondents), followed by more energy efficient housing (67%).

Institutional-owned SFR answers these demands, with new supply critical to meeting housing shortages. JLL estimates continued population growth and moves to rental will see demand for over 500,000 additional rental homes in England alone over the next decade – half of this will be concentrated in regional cities and the suburbs.

As housebuilders, restricted by both the cost and low supply of land, also moving to these locations, this creates opportunities for partnerships to develop new homes suited to changing demographics.

UK Single Family Rental Landscape

03



Image credit: Casa by Moda

SFR investment breaks records

Housebuilder partnerships drive acquisitions peak in 2023

The rise in mortgage rates and the end of Help to Buy in March have exacerbated concerns over buyer affordability despite cooling house prices. With housebuilders, such as Bellway, reporting a fall in first-time buyer reservations and some, such as Redrow, actively focusing on higher end housing for home movers, demand is growing for suburban family homes to rent.

Meanwhile, investors across Europe have increasingly targeted the broader living sector, pouring €213bn (£183bn) into multifamily alone since 2020. The wall of capital, competing for a limited supply of living assets, is seeking opportunities for diversification – and UK SFR is firmly on its radar.

JLL's 2023 Investor Survey revealed that 20% of real estate investors expect single family housing to provide the greatest opportunities over the next five years – the third highest among 13 sectors and higher than multi-let industrial, student housing and offices.

Confidence in the market, despite a challenging economic backdrop, is already evident. Investment in UK SFR eclipsed multifamily for the first time in Q1 2023, totalling £597m versus £465m, excluding M&A. Driven by several significant deals, including Project Domus, the Goldman Sachs portfolio of 918 SFR homes in the North West, the sector saw a higher volume of investment in the first quarter than in the whole of 2022.

The largest single family investors in the UK plan to build portfolios of more than £12bn between them. These include Lloyds Bank’s Citra Living; Moda Living and Ares Management, through their Casa by Moda brand; Legal & General Suburban BTR; Packaged Living and Aviva Investors; and Blackstone and Regis Group via Leaf Living.

Newer entrants, such as Long Harbour, which raised a £1.5bn multifamily fund in 2021, are now looking to emulate their success with a similar commitment to single family. At the same time, an established brand like Matter Real Estate’s Placefirst, launched in 2010, secured close to £300m in debt and equity just last year, bolstering its ambition to build a £1.3bn 6,500-home portfolio by 2026.

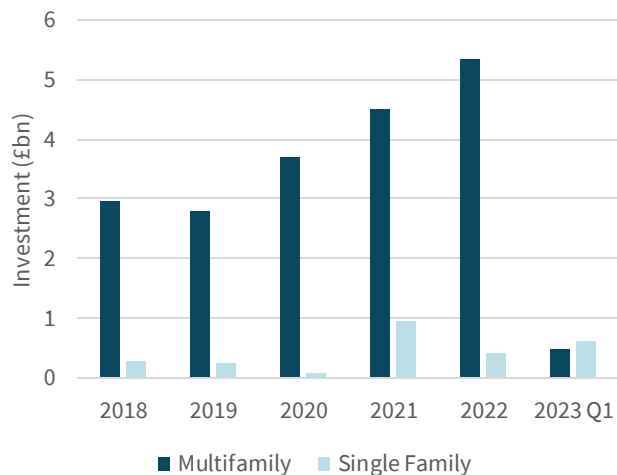
Current ambitions across the largest SFR platforms aim to grow the sector to 75,000 homes. However, this is rapidly developing. Deals in the first quarter alone will fund the development of about 1,500 new homes – equivalent to about 18% of the entire operational SFR market today. In total, the sector has attracted in excess of £2.8bn in investment to date, including corporate mergers and acquisitions, making the UK the most active market in Europe.

Sizing up the market

JLL has tracked 21,300 SFR homes across the UK, 9,400 of which have been completed, with the rest under development. Investors have built up portfolios by either acquiring schemes from housebuilders, such as Countryside, or developing them in-house (“direct development”). In some cases, an investor will do both: Legal & General, for example, is developing SFR homes at its own North Horsham development, while partnering with Countryside on a scheme in Great Haddon, Peterborough.

Three-fifths of completed homes are in the North West due to the sector originating from portfolios that Sigma Capital and PRS REIT built up in the mid-2010s largely in the region. However, as the sector has grown, so too has its geographic spread. More than a third of new homes funded in the first quarter of 2023 were in the East and South East where buyer affordability has been limited, driving demand for rental housing and, therefore, rental growth.

Investment in SFR overtook multifamily in Q1 2023



Source: JLL, excluding M&A activity

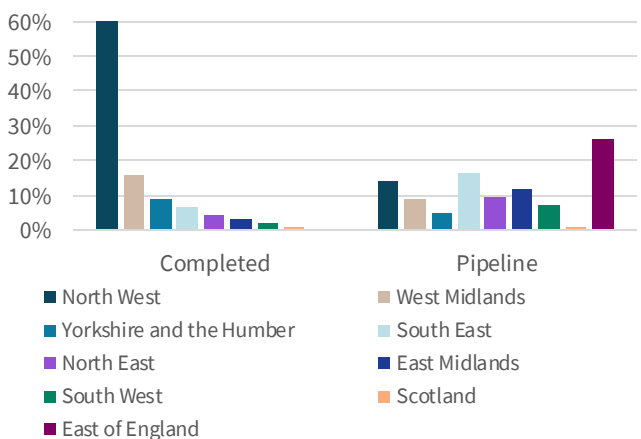
21,300

Completed and pipeline SFR homes in the UK

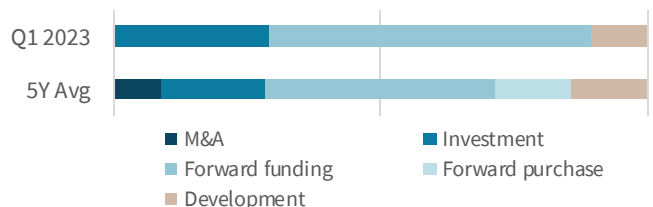
£2.8bn

Total investment in SFR to date, including M&A

Regional split: new SFR schemes are spread more evenly across the country

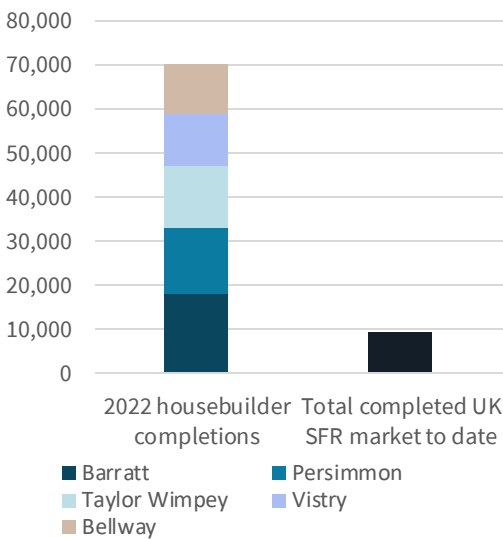


Forward funding is the most common acquisition type, but trading investment portfolios are growing



Source: JLL

Scale of opportunity: redirecting even a fraction of the top five housebuilders’ completions into SFR would transform the sector and offset any potential shortfalls from the end of Help to Buy



10-30%

Expected drop in sales due to the end of Help to Buy among most developers

398,942

Combined land banks, top five housebuilders, 2022

119,683

Number of new SFR homes those land banks could deliver if housebuilders scaled up rental delivery to 30% of completions

Source: JLL, public company reports

Housebuilders set sights on single family

Countryside has been particularly instrumental in the sector. The housebuilder has developed 86% of PRS REIT’s portfolio and half of all existing and planned SFR homes JLL has tracked.

This reflects the developer’s strategic focus. In 2021, Countryside – later acquired by Vistry – rolled back its traditional housebuilding business, focusing entirely on partnerships with other organisations to deliver a mix of tenures, including private rental homes – which accounted for 17% of its completions that year.

But the pressures ramping up demand for suburban family homes are also pushing other housebuilders to consider the sector.

A solution to housing undersupply

One of the biggest challenges will be the void left by Help to Buy, which at its peak in 2019 accounted for 29% of new homes supply in England, at 52,246 homes. JLL’s 2022 Help to Buy survey found half of developers expected to reduce pricing without the scheme. A third said they expected to increase investor BTR sales, with 17% aiming to maintain current levels. The largest share expected sales to drop by up to 10%, though some anticipate falls of more than 30%.

As a result, housebuilders like Barratt have increased multi-unit sales to institutional investors to offset risks in the sales market. Avant Homes is seeking to develop a portfolio of 400 SFR homes, while Vistry in a recent trading update said it expects to generate “superior returns” in its partnerships business in an otherwise challenging market.

Investors stepping in to address growing demand for rental give housebuilders an opportunity to embrace the sector, moving from a dual channel business – building for-sale and affordable homes – to a three channel business with the addition of SFR.

The impact could be staggering if housebuilders embraced a three-channel strategy and filled the anticipated gap in sales with SFR. The top five housebuilders alone have a combined land bank of 398,942 plots. Redirecting between 10-30% of that to rental would add anywhere between 40,000 and 120,000 homes to the sector.

At a time when the UK faces a shortage of rental homes against a backdrop of consistently missed housing targets, SFR is an opportunity for investors to not only close that gap but to do so with higher quality homes that they will own for several decades.

Performance & Pricing

04

New lets in short supply

Rental listings for houses have plummeted 20% since 2019

Despite a dominance of single family rental houses in the broader market, they account for a small proportion of new available listings.

In the regions, rental houses of three to four bedrooms account for less than a third of listings on Rightmove. Just 1.7% of these single family rental listings are for new-build homes, reflecting the prevalence of older rental stock.

The number of available properties has shrunk since the pandemic – in Q1 2023 there were 46k listings, down 20% from Q1 2019 levels. Lack of stock has seen asking rents rise 33% over the four years, including an 8.5% climb over the past year or 12.5% for new-build houses.

Across the UK, JLL forecasts rental growth – including new lets and renewals – of 4% in the broader PRS in 2023, matching 2022 levels. BTR multifamily and single family are expected to outstrip this at 6% (rental forecasts, p17).

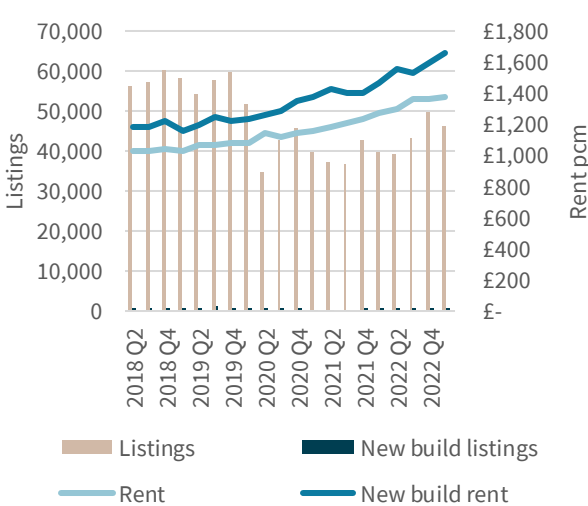
Single family yields resilient to challenges

SFR benefits from shorter construction timeframes with housebuilders able to manage costs with greater certainty. As a result, pricing has been less volatile than in multifamily, with yields resisting outward movement at the hands of inflation and debt costs over the past year.

Reflecting this, high value and in-demand locations, like the South East, have seen single family yields that are sharper than multifamily, despite the climb in rents during this period.

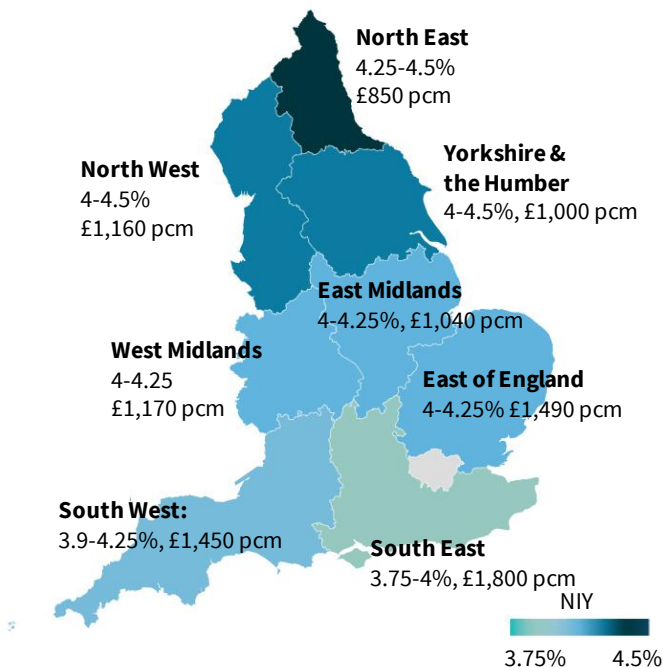
Stabilised net investment yields vary, depending on location and quality of assets. However, general trends are also reflected in Rightmove new-build pricing and rents.

Listings slump sees asking rents climb (£pcm)



Source: Rightmove, 3-4 bed houses, excludes London.

Stabilised yields and new-build rents, Q1 2023



Source: Yields JLL Living Capital Markets; Rents Rightmove, 3-bed new-build houses, excludes London.

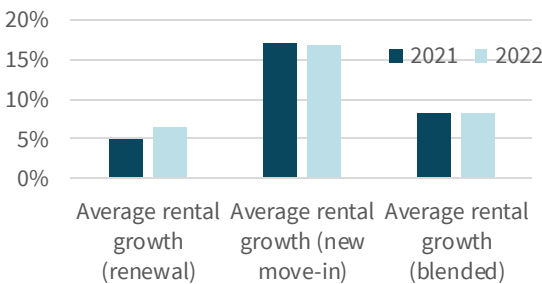
US case study: Tricon Residential

Among the largest investors in US SFR are three REITs – Invitation Homes, American Homes 4 Rent and Tricon Residential – which, between them, account for approximately 40% of the institutional market.

Out of the three, Tricon has been the most acquisitive in recent years, growing its portfolio by 23% in 2022 and 71% since 2019. Having sold its US multifamily business in October 2022, Tricon set its sights entirely on single family, aiming to take full advantage of lower resident turnover rates (15% in 2022). Despite its belief in SFR having the potential to be more profitable over time, the company slowed its acquisition programme in the latter part of the year, citing the rising cost of capital and an expectation of better opportunities when capital markets stabilise.

Tricon’s operations, based predominantly in the southern Sun Belt states, shine a light on the strength of the single family market in the US.

Tricon Residential rental growth



2022 Highlights

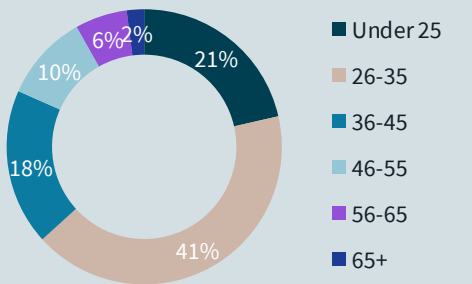
- Number of homes: 35,908 (2021: 29,149)
- Occupancy: 98.1% (2021: 97.6%)
- Gross-to-net: 31.4% (2021: 32.6%)*
- Average rent: \$1,636pcm (2021: \$1,519) (2022: £1,295; 2021: £1,203)
- Like-for-like rental growth: 8.2% (2021: 8.3%)
- Resident rent-to-income ratio: 23%

**Derived from net operating income margin*

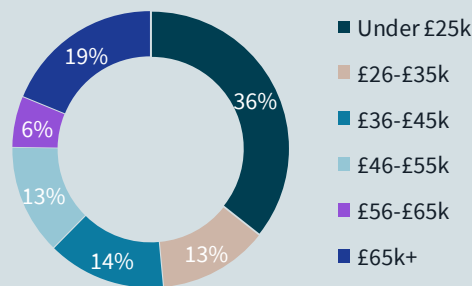
Source: Tricon Residential, 2022 Annual Report

UK case study: The PRS REIT

Age profile of customers



Household income bands



Founded by Sigma Capital, PRS REIT commenced trading in May 2017 to create a portfolio of new build family homes for rent across the UK.

With 5,010 completed homes and a further 516 in development out of a target of 5,600, the portfolio offers the clearest, albeit limited, indication of the sector’s operational performance, given its focus on the more affordable end of the market in the North West and West Midlands.

2022 Highlights

- Number of homes: 5,010 (2021: 4,489)*
- Occupancy: 98% (2021: 99%)
- Gross-to-net: 18.2% (2021: 19.5%)
- Average rent: £834 pcm (2021: £785)
- Like-for-like rental growth: 5.1% (2021: N/A)
- Resident rent-to-income ratio: 25%

**As of 31 March 2023*

Source: The PRS REIT, 2022 Annual Report

Future Outlook

SFR growth in the UK to outpace all other living sectors

The single family rental market is expected to grow to five times the current size, rising to 50,000 homes by 2025, if investors achieve stated ambitions.

This activity would see SFR account for 29% of private BTR homes in 2025, up from 11% in 2022. It would also reflect growth at twice the rate of multifamily, which took six years to achieve this scale.

If the UK SFR were to grow to see the same institutional market share as the US (3%) it would jump to 95,000 homes. Based on the current expected pace of delivery, this would take just five years to achieve.

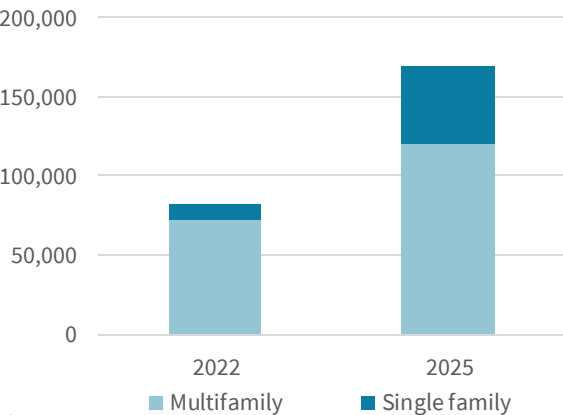
After a period of high rental growth post-pandemic, investors can expect sensible long-term growth over the next five years. This will be supported by sustainable buildings, offering optimal performance and savings in energy bills.

Technology and retrofitting the PRS

Investors are funding energy efficient homes in various ways. Packaged Living and Aviva Investors target EPC A in all new homes, others use renewables such as heat pumps and solar panels. Casa by Moda has partnered with ESG technology platform Utopi to monitor the performance of homes with environmental sensors and incentivise energy efficient practises.

There are opportunities to improve environmental impacts beyond new efficient housing – as investors look to update existing stock. This expansion would see the UK follow the US, where proptech companies specialise in identifying portfolios for retrofitting.

Institutional ownership by living sub-sector (homes)



Source: JLL

JLL rental forecasts

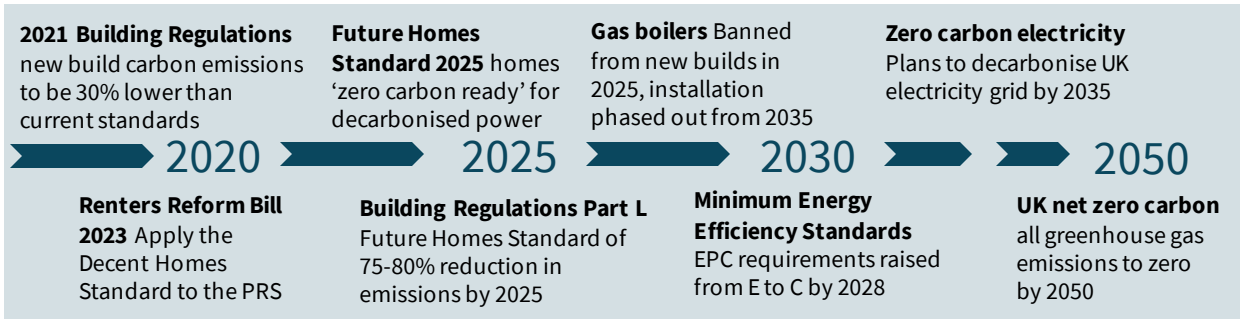
Rental growth (% pa)	2023	2024	2025	2026	2027
UK	4.0	3.5	2.5	2.5	2.5
UK BTR	6.0	5.0	4.0	3.0	3.0

Source: JLL

Upgrading the 3m rental homes that do not meet EPC C would save 9.5m tonnes of CO₂ in 2023, costing renters an average £1,575 extra a year, or £4.7bn collectively.

Investors seeking to protect asset values are delivering homes above policy requirements. In this period of rapid growth, collaboration and shared best practises will be key to ensure continued evolution at scale.

New homes and PRS ESG policy timeline



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About JLL Research

JLL's research team delivers intelligence, analysis and insight through market-leading reports and services that illuminate today's commercial real estate dynamics and identify tomorrow's challenges and opportunities. Our more than 400 global research professionals track and analyse economic and property trends and forecast future conditions in over 60 countries, producing unrivalled local and global perspectives. Our research and expertise, fuelled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions.

About JLL Living

JLL Living encompasses the full life cycle of accommodation – student housing, coliving, residential, multifamily, single family rental, affordable housing and healthcare. We combine human insight with market research to make sure financial ambitions are achieved by fulfilling changing human needs. Our team can help you uncover investment opportunities and capital sources locally and across the globe. For further information, visit <https://www.jll.co.uk/en/campaign/living>

Prime Yield Guide – June 2023

Knight Frank Intelligence

*This yield guide is for indicative purposes only
and was prepared on 21 June 2023.*



Yields are reflective of income-focussed transactions of prime, stabilised institutional-grade assets. Yields are provided on a Net Initial Yield (NIY) basis assuming a rack rented property.

	SECTOR		JUN-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	1 MONTH CHANGE	MARKET SENTIMENT
	Student Property	Prime London - Direct Let	3.50%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	4.00%	+	STABLE
		Prime Regional - Direct Let	4.75% - 5.00%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%		STABLE
		Prime London - 25 yr lease, Annual RPI	3.00%	4.00% - 4.25%	4.00% - 4.25%	4.00%	4.00%	4.00%	4.00%		STABLE
		Prime Regional - 25 yr lease, Annual RPI	3.25%	4.25% - 4.50%	4.25% - 4.50%	4.25%	4.25%	4.25%	4.25%		STABLE
	Co-Living	Prime London	3.75% - 4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE
		Prime Regional	4.50% - 4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	Build to Rent	Zone 1 London Prime	3.00% - 3.25%	3.25% +	3.25% +	3.25% +	3.25% +	3.25% - 3.50%	3.25% - 3.50%		STABLE
		Zone 2 London Prime	3.25%	3.25% - 3.50%	3.50%	3.50%	3.50% +	3.60%	3.60% +	+	STABLE
		Zones 3-4 London Prime	3.25% - 3.50%	3.50% +	3.50% +	3.60% +	3.60% +	3.70%	3.70% +	+	STABLE
		Greater London Prime	3.50% - 3.75%	3.75% +	3.75% +	3.75% +	3.75% - 4.00%	3.85% - 4.00%	3.85% - 4.00%		STABLE
		South East Prime	3.50% - 3.75%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	3.85% - 4.00%	3.85% - 4.00%		STABLE
		Tier 1 Regional Cities	3.75%	4.00%	4.00%	4.00%	4.00%	4.00% - 4.10%	4.00% - 4.10%		STABLE
		Tier 2 Regional Cities	4.25%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%		STABLE
		South East – Single Family Housing	3.75%	3.75% +	3.75% +	3.75% +	3.75% +	3.75%	3.75%		STABLE
		Regional – Single Family Housing	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%		STABLE
	Seniors Housing	Prime South East	5.00% - 5.25%	5.25% +	5.25% +	5.25% +	5.25% +	5.25% +	5.25% +		STABLE

Your partners in property.

Prime Yield Guide – June 2023

Knight Frank Intelligence

*This yield guide is for indicative purposes only
and was prepared on 21 June 2023.*



KEY RESEARCH



Knight Frank Research looks at the latest investment and development trends in the UK Student sector.

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- Ground Rents
- Trading assets
- Expert Witness
- IPOs

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We like questions. If you would like some property advice , or want more information about our research, we would love to hear from you.



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Appendix 4 – BCIS Costs

£/M2 STUDY

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

Last updated: 01-Jul-2023 07:32

Rebased to 3Q 2023 (385; forecast) and Manchester (102; sample 67)

MAXIMUM AGE OF RESULTS: DEFAULT PERIOD

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
New build								
810. Housing, mixed developments (15)	1,534	832	1,335	1,488	1,680	3,790	1254	
810.1 Estate housing								
Generally (15)	1,528	741	1,300	1,467	1,674	5,301	1417	
Single storey (15)	1,740	1,035	1,469	1,674	1,921	5,301	236	
2-storey (15)	1,469	741	1,275	1,425	1,609	3,201	1096	
3-storey (15)	1,602	952	1,334	1,520	1,834	3,128	80	
4-storey or above (15)	3,193	1,572	2,553	2,850	4,243	4,747	5	
810.11 Estate housing detached (15)	1,998	1,123	1,539	1,724	2,139	5,301	21	
810.12 Estate housing semi detached								
Generally (15)	1,538	897	1,316	1,501	1,678	3,431	355	
Single storey (15)	1,719	1,091	1,470	1,679	1,883	3,431	81	
2-storey (15)	1,483	897	1,302	1,443	1,625	2,633	262	
3-storey (15)	1,517	1,123	1,217	1,473	1,793	2,159	12	
810.13 Estate housing terraced								

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
Generally (15)	1,559	914	1,279	1,457	1,704	4,747	235	
Single storey (15)	1,783	1,153	1,484	1,833	2,100	2,511	19	
2-storey (15)	1,489	914	1,254	1,424	1,640	3,201	180	
3-storey (15)	1,630	952	1,321	1,492	1,813	3,128	34	
816. Flats (apartments)								
Generally (15)	1,795	892	1,493	1,695	2,026	6,169	850	
1-2 storey (15)	1,692	1,049	1,435	1,610	1,885	3,522	181	
3-5 storey (15)	1,772	892	1,488	1,695	2,009	3,767	568	
6 storey or above (15)	2,128	1,294	1,718	2,007	2,319	6,169	98	

Appendix 5 – EUV Yields

1	641 Hyde Rd - The Gorton Building	SOLD
Manchester Greater Manchester, M12 5PS Sale Date 2 Jun 2023 Sale Price £4,500,000 Price/SF £85.16 NI Yield 6.25% Parcels GM369194, GM588658, MAN104694 Comp ID 6470685 Comp Status Research Complete - Correction Greater Manchester Type 3 Star Retail Department Store Year Built 1980 NIA 52,842 SF Land Acres 3.63 AC		
		
2	Moorgate Retail Park	SOLD
Bury Lancashire, BL9 7AQ Sale Date 1 Jun 2023 Sale Price Not Disclosed Price/SF £113.34 NI Yield 7.40% Parcels GM707788, MAN68394 Comp ID 6448893 Comp Status In Progress Lancashire Type 3 Star Retail Freestanding (Retail Park) Year Built 1993 NIA 51,765 SF Land Acres 4.81 AC		
		
3	Hill St - B&M Bargains	SOLD
Oldham Lancashire, OL4 2AG Sale Date 14 Sept 2022 Sale Price £3,000,000 Price/SF £153.39 NI Yield 6.28% Parcels GM363256, MAN201420 Comp ID 6177867 Comp Status Research Complete Lancashire Type 2 Star Retail Storefront Year Built 1989 NIA 19,558 SF Land Acres 1.07 AC		
		
4	39-43 Stockport Rd - Marple House	SOLD
Stockport Greater Manchester, SK6 6BD Sale Date 14 May 2022 Sale Price £1,950,000 Price/SF £71.45 NI Yield 8.87% Parcels GM591058, GM632363, MAN283539 Comp ID 6079709 Comp Status Research Complete Greater Manchester Type 4 Star Retail Storefront Retail/Office Year Built 1968 NIA 27,292 SF Land Acres 0.31 AC		
		
5	Market St - 103-105 Market Street & 79A Arndale Centre	SOLD
Manchester Greater Manchester, M1 1NN Sale Date 30 Apr 2022 Sale Price £8,000,000 Price/SF £368.68 NI Yield 6.34% Parcels LA14111 Comp ID 6085782 Comp Status Research Complete Greater Manchester Type 3 Star Retail Year Built 1979 NIA 21,699 SF Land Acres 0.13 AC		
		
6	492 Bury New Rd - M&S Food	SOLD
Manchester Greater Manchester, M25 3AN Sale Date 15 Feb 2022 Sale Price £8,021,976 Price/SF £420.42 NI Yield 5.52% Parcels GM900009, GM929978 Comp ID 5890348 Comp Status Research Complete Greater Manchester Type 2 Star Retail Supermarket Year Built 2000 NIA 17,464 SF Land Acres 1.27 AC Sale Condition Bulk/Portfolio Sale		
		

7	Manchester Rd	SOLD
Bolton Lancashire, BL2 1HQ Sale Date 15 Feb 2022 Sale Price £5,411,231 Price/SF £98.53 NI Yield 7.00% Parcels GM362533, MAN194168 Comp ID 5926346 Comp Status Research Complete		
Lancashire Type 3 Star Retail Freestanding (Retail Park) Year Built 1985 NIA 43,521 SF Land Acres 2.84 AC		
		
8	3 Manchester Rd	SOLD
Bolton Lancashire, BL2 1HQ Sale Date 15 Feb 2022 Sale Price £3,113,769 Price/SF £98.53 NI Yield 7.00% Parcels GM637091, MAN219717, MAN276656 Comp ID 5926346 Comp Status Research Complete		
Lancashire Type 3 Star Retail Freestanding (Retail Park) Year Built 1985 NIA 43,000 SF Land Acres 1.38 AC		
		
9	396 Wellington Rd - Tesla Manchester	SOLD
Stockport Greater Manchester, SK4 5AD Sale Date 28 Jan 2022 Sale Price £2,350,000 Price/SF £150.25 NI Yield 5.48% Parcels GM498117, GM729173, MAN255018 Comp ID 5886537 Comp Status Research Complete		
Greater Manchester Type 3 Star Retail Auto Dealership Year Built 1999 NIA 15,641 SF Land Acres 1.18 AC		
		
10	Little 66 - The Papermill	SOLD
Bury Lancashire, BL9 8RN Sale Date 10 Jan 2022 Sale Price £1,550,000 Price/SF £135.86 NI Yield 7.45% Parcels GM807009, GM824956 Comp ID 5934109 Comp Status Research Complete - New Info		
Lancashire Type 3 Star Retail Restaurant Year Built 2000 NIA 11,409 SF Land Acres 0.53 AC		
		
11	Yew St - Williams BMW and Mini	SOLD
Stockport Greater Manchester, SK4 2JZ Sale Date 25 Oct 2021 Sale Price £8,269,634 Price/SF £201.37 NI Yield 6.70% Parcels GM438437, MAN26855, MAN99383 Comp ID 5734004 Comp Status Research Complete - Correction		
Greater Manchester Type 3 Star Retail Auto Dealership Year Built 2010 NIA 41,067 SF Land Acres 1.00 AC Zoning Retail Sale Condition Bulk/Portfolio Sale		
		

Appraisal 6 – EUV Valuations

230921 B&M Kingsway EUV Valuation_v1 - EUV Income Capitalisation

Tenancies - B&M Burnage, Kingsway, M19 1BB

Date - 12/09/2023

Inputs

Gross Internal Floor Area	3,458.00 sqm	37,222 sqft
Passing Rent	£379,500	£10.20 £ psf
All Risks Yield (ARY)	6.00%	

Calculation

Rental Income	£379,500	
YP Perp (ARY) @	6.00%	16.7
		£6,325,000
Gross Captial Value		£6,325,000
Purchasers Costs	6.80%	(402,715)
Net Capital Value (Exit Value)		5,922,285

230921 B&M Kingsway EUV Valuation_v1 - EUV DCF

Exit Valuation		
Net Rent passing at Exit	£ 436,425	
Capitalisation (ARY)	6.00%	16.67
Gross Captial Value		£ 7,273,750
Purchasers Costs	6.80%	£ 494,615
Net Capital Value (Exit Value)		£ 6,779,135

	Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
	Annually	Dec-23	May-24	Dec-24	May-25	Dec-25	May-26	Dec-26	May-27	Dec-27	May-28	Dec-28	May-29	Dec-29	May-30	Dec-30	May-31	Dec-31	May-32	Dec-32	May-33	Dec-33
Growth assumptions:																						Exit
Assumed growth																						
Rental Values			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Index																						
Rental Values		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.150	1.150	1.150	1.150	1.150	1.150	1.150	1.150	1.150	1.150	
Cashflow:																						
B&M Unit	Rent	Rent free	Rent free	189,750	189,750	189,750	189,750	189,750	189,750	189,750	189,750	218,213	218,213	218,213	218,213	218,213	218,213	218,213	218,213	218,213	218,213	
Exit Value																					6,779,135	
Overall Cash flow		-	-	189,750	189,750	189,750	189,750	189,750	189,750	189,750	189,750	218,213	218,213	218,213	218,213	218,213	218,213	218,213	218,213	218,213	218,213	6,779,135
Interest																						
pa	12.26%																					
pqtr	2.932%																					
pcm	0.968%																					
Present Value of £1		0.97151	0.94383	0.91694	0.89082	0.86544	0.84079	0.81683	0.79356	0.77095	0.74899	0.72765	0.70692	0.68678	0.66721	0.64821	0.62974	0.61180	0.59437	0.57743	0.56098	0.54500
DCF		-	-	173,990	169,033	164,217	159,539	154,994	150,578	146,288	142,121	158,782	154,259	149,864	145,595	141,447	137,417	133,502	129,699	126,003	122,414	3,694,642
NPV		6,354,383																				
Purchasers Costs	6.80%	432,098																				
Net Value		5,922,285																				
Say,		5,923,000																				



Appendix 7 – Policy Compliant Residual Appraisal

APPRAISAL SUMMARY**ASPINALLVERDI****B&M Kingsway, Burnage, M19 1BB
231002_B&M Kingsway Residual Appraisal_v6****Appraisal Summary for Phase 1**

Currency in £

REVENUE**Rental Area Summary**

	Units	m ²	Rent Rate m ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Private Market Units	90	7,856.00	224.73	19,617	1,271,152	1,765,489	1,271,152
Affordable Units	<u>22</u>	<u>1,372.00</u>	211.23	13,173	<u>208,657</u>	<u>289,802</u>	<u>208,657</u>
Totals	112	9,228.00			1,479,810	2,055,291	1,479,810

Investment Valuation**Private Market Units**

Current Rent	1,271,152	YP @	4.5000%	22.2222	28,247,824
--------------	-----------	------	---------	---------	------------

Affordable Units

Current Rent	208,657	YP @	4.5000%	22.2222	4,636,832
--------------	---------	------	---------	---------	-----------

Total Investment Valuation**32,884,656****GROSS DEVELOPMENT VALUE****32,884,656**

Purchaser's Costs	6.00%	1,973,079
Effective Purchaser's Costs Rate	6.00%	

1,973,079

NET DEVELOPMENT VALUE**30,911,577****NET REALISATION****30,911,577****OUTLAY****ACQUISITION COSTS**

Residualised Price	4,840,481
	4,840,481

CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost
Construction Costs - Houses	7,128.00	1,467.00	10,456,776
Construction Costs - Apartment	<u>2,359.55</u>	1,695.00	<u>3,999,438</u>
Totals	9,487.55 m²		14,456,214
Contingency		5.00%	722,811
External Works		15.00%	2,168,432
Site Clearance and Demolition			100,000
			17,447,457

Section 106 Costs

Section 106 Costs	105.00 un	5,250.00 /un	551,250
			551,250

PROFESSIONAL FEES

Professional Fees	8.00%	1,156,497
		1,156,497

MARKETING & LETTING

Marketing	20,000
	20,000

TOTAL COSTS BEFORE FINANCE**24,015,686****FINANCE**

Debit Rate 8.000%, Credit Rate 0.000% (Nominal)	
Land	683,369
Construction	1,060,592
Total Finance Cost	1,743,961

TOTAL COSTS**25,759,646****PROFIT****5,151,930**

B&M Kingsway, Burnage, M19 1BB**231002_B&M Kingsway Residual Appraisal_v6****Performance Measures**

Profit on Cost%	20.00%
Profit on GDV%	15.67%
IRR% (without Interest)	29.00%

B&M Kingsway, Burnage, M19 1BB 231002_B&M Kingsway Residual Appraisal_v6

Project Timescale

Project Start Date	Jul 2023
Project End Date	Apr 2025
Project Duration (Inc Exit Period)	22 months

Phase 1



B&M Kingsway, Burnage, M19 1BB**231002_B&M Kingsway Residual Appraisal_v6****NOTES**

230918 v3

Based on:

- Draft Site Layout from JA Lewis
- 105 unit BTR scheme
- Planning application reference: at pre-app stage
- Values based on AVL Value Assumptions
- Costs based on Median BCIS rebased to 3Q 2023 and Manchester, Estate & Flats generally
- 20% Affordable Housing
- 5% contingency
- 15% External Works - inc abnormals (based on greater manchester local plan viability table 4.12)
- 8% Professional Fees - LPV Table 4.15
- Marketing - £20,000 (initial allowance)
- £5,250 per unit S106 - LPV Table 4.14
- £100,000 Site clearance and demolition
- 4.5% yield - based on yield guides

- *Site preparation - £160,000 per hectare in the local plan viability...NOT INCLUDED*
- *Biodiversity net gain - brownfield £242 per dwelling*
- M4(2) Category 2 - £1,500 per unit
- Future Homes standard - £1,500 per unit for flats and £2,000 per unit for terraced

231002 v6

- Updated layout, changes to units and floor areas.
- Based on 231002 B&M Scheme Accommodation Schedule_v6

Appendix 8 – No Affordable Units Appraisals

APPRAISAL SUMMARY**ASPINALLVERDI**

B&M Kingsway, Burnage, M19 1BB
231002_B&M Kingsway Residual Appraisal_v7

Appraisal Summary for Phase 1

Currency in £

REVENUE**Rental Area Summary**

	Units	m ²	Rent Rate m ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Private Market Units	112	9,228.00	230.57	18,998	1,531,974	2,127,741	1,531,974

Investment Valuation

Private Market Units							
Current Rent	1,531,974	YP @	4.5000%	22.2222	34,043,856		

GROSS DEVELOPMENT VALUE**34,043,856**

Purchaser's Costs	6.00%	2,042,631	
Effective Purchaser's Costs Rate	6.00%		2,042,631

NET DEVELOPMENT VALUE**32,001,225****NET REALISATION****32,001,225****OUTLAY****ACQUISITION COSTS**

Residualised Price		5,605,983	
			5,605,983

CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost
Construction Costs - Houses	7,128.00	1,467.00	10,456,776
Construction Costs - Apartment	<u>2,357.67</u>	1,695.00	<u>3,996,248</u>
Totals	9,485.67 m²		14,453,024
Contingency		5.00%	722,651
External Works		15.00%	2,167,954
Site Clearance and Demolition			100,000
			17,443,629

Section 106 Costs

Section 106 Costs	112.00 un	5,250.00 /un	588,000	
				588,000

PROFESSIONAL FEES

Professional Fees	8.00%	1,156,242	
			1,156,242

MARKETING & LETTING

Marketing		20,000	
			20,000

TOTAL COSTS BEFORE FINANCE**24,813,855****FINANCE**

Debit Rate 8.000%, Credit Rate 0.000% (Nominal)			
Land		791,441	
Construction		1,062,390	
Total Finance Cost			1,853,831

TOTAL COSTS**26,667,686****PROFIT****5,333,539****Performance Measures**

Profit on Cost%	20.00%
Profit on GDV%	15.67%
IRR% (without Interest)	28.45%

B&M Kingsway, Burnage, M19 1BB
231002_B&M Kingsway Residual Appraisal_v7

Project Timescale

Project Start Date	Jul 2023
Project End Date	Apr 2025
Project Duration (Inc Exit Period)	22 months

Phase 1

B&M Kingsway, Burnage, M19 1BB**231002_B&M Kingsway Residual Appraisal_v7****NOTES**

230918 v4 - 100% Market Scheme

Based on:

- Draft Site Layout from JA Lewis
- 105 unit BTR scheme
- Planning application reference: at pre-app stage
- Values based on AVL Value Assumptions
- Costs based on Median BCIS rebased to 3Q 2023 and Manchester, Estate & Flats generally
- 5% contingency
- 15% External Works - inc abnormals (based on greater manchester local plan viability table 4.12)
- 8% Professional Fees - LPV Table 4.15
- Marketing - £20,000 (initial allowance)
- £5,250 per unit S106 - LPV Table 4.14
- £100,000 Site clearance and demolition
- 4.5% yield - based on yield guides

- *Site preparation - £160,000 per hectare in the local plan viability...NOT INCLUDED*
- *Biodiversity net gain - brownfield £242 per dwelling*
- M4(2) Category 2 - £1,500 per unit
- Future Homes standard - £1,500 per unit for flats and £2,000 per unit for terraced

231002 v7 - 100% Market Scheme

- Updated layout with changes to units and floor areas
- As per 231002 B&M Scheme Accommodation Schedule_v6

APPRAISAL SUMMARY**ASPINALLVERDI**

B&M Kingsway, Burnage, M19 1BB
231002_B&M Kingsway Residual Appraisal_v8

Appraisal Summary for Phase 1

Currency in £

REVENUE**Rental Area Summary**

	Units	m ²	Rent Rate m ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Private Market Units	112	9,228.00	230.57	18,998	1,531,974	2,127,741	1,531,974

Investment Valuation**Private Market Units**

Current Rent	1,531,974	YP @	4.5000%	22.2222	34,043,856
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GROSS DEVELOPMENT VALUE**34,043,856**

Purchaser's Costs	6.00%	2,042,631
Effective Purchaser's Costs Rate	6.00%	2,042,631

NET DEVELOPMENT VALUE**32,001,225****NET REALISATION****32,001,225****OUTLAY****ACQUISITION COSTS**

Fixed Price	5,920,000
Fixed Price	5,920,000
	5,920,000

CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost
Construction Costs - Houses	7,128.00	1,467.00	10,456,776
Construction Costs - Apartment	<u>2,357.67</u>	1,695.00	<u>3,996,248</u>
Totals	9,485.67 m²		14,453,024
Contingency		5.00%	722,651
External Works		15.00%	2,167,954
Site Clearance and Demolition			100,000
			17,443,629

Section 106 Costs

Section 106 Costs	105.00 un	5,250.00 /un	551,250
			551,250

PROFESSIONAL FEES

Professional Fees	8.00%	1,156,242
		1,156,242

MARKETING & LETTING

Marketing		20,000
		20,000

TOTAL COSTS BEFORE FINANCE**25,091,121****FINANCE**

Debit Rate 8.000%, Credit Rate 0.000% (Nominal)	
Land	835,773
Construction	1,060,367
Total Finance Cost	1,896,140

TOTAL COSTS**26,987,262****PROFIT****5,013,963****Performance Measures**

Profit on Cost%	18.58%
Profit on GDV%	14.73%
IRR% (without Interest)	26.80%

B&M Kingsway, Burnage, M19 1BB 231002_B&M Kingsway Residual Appraisal_v8

Project Timescale

Project Start Date	Jul 2023
Project End Date	Apr 2025
Project Duration (Inc Exit Period)	22 months

Phase 1



B&M Kingsway, Burnage, M19 1BB**231002_B&M Kingsway Residual Appraisal_v8****NOTES**

230918 v5 - 100% Market Scheme with reduced profit

Based on:

- Draft Site Layout from JA Lewis
- 105 unit BTR scheme
- Planning application reference: at pre-app stage
- Values based on AVL Value Assumptions
- Costs based on Median BCIS rebased to 3Q 2023 and Manchester, Estate & Flats generally
- 5% contingency
- 15% External Works - inc abnormals (based on greater manchester local plan viability table 4.12)
- 8% Professional Fees - LPV Table 4.15
- Marketing - £20,000 (initial allowance)
- £5,250 per unit S106 - LPV Table 4.14
- £100,000 Site clearance and demolition
- 4.5% yield - based on yield guides

- *Site preparation - £160,000 per hectare in the local plan viability...NOT INCLUDED*
- *Biodiversity net gain - brownfield £242 per dwellin g*
- M4(2) Category 2 - £1,500 per unit
- Future Homes standard - £1,500 per unit for flats and £2,000 per unit for terrac e

231002 v8 - 100% Market Scheme with reduced profit

- Upated layout with changes to units and floor areas
- as per 231002 B&M Scheme Accommodation Schedule_v6

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