

# Viability Assessment

Phoenix Ironworks, Ancoats, Manchester

# Executive Summary

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

We summarise the key findings of this assessment below:

|                  |                                                                                                                      |
|------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>Applicant</b> | <b>Manchester Life</b>                                                                                               |
| <b>Address</b>   | <b>Phoenix Ironworks, Ancoats, Manchester</b>                                                                        |
| <b>Scheme</b>    | The proposed development comprises 256 homes; and associated residential amenity space; and commercial retail units. |

## Appraisal Assumptions

### 100% Private Sales

|                                                    |                                     |
|----------------------------------------------------|-------------------------------------|
| <b>Gross Development Value</b>                     | <b>£87,551,085</b>                  |
| Gross Sales (OMS)                                  | £84,427,994                         |
| Gross Rent per annum (commercial)                  | £254,701                            |
| Yield (commercial)                                 | 8%                                  |
| Value (commercial)                                 | £3,123,092                          |
| Grant                                              | £1,592,000                          |
| <b>Development Costs (excl. acquisition costs)</b> | <b>£76,010,422</b>                  |
| Construction Costs                                 | £56,664,965                         |
| Contingency                                        | 3% (£1,699,949)                     |
| Professional Fees                                  | 6% (£3,399,898)                     |
| Marketing Fees                                     | 2% (£1,688,560 - private OMS units) |
| Sales Legal Fees                                   | 0.5% (£437,755 - all OMS units)     |
| Letting Agents Fees                                | 10% (£25,470 - commercial units)    |
| Letting Legal Fees                                 | 5% (£12,735 - commercial units)     |
| Finance Rate                                       | 7% (£4,887,975)                     |
| <b>Benchmark Land Value</b>                        | <b>£1,848,000</b>                   |
| Existing Use Value                                 | £1,540,000                          |
| Premium                                            | 20% (£308,000)                      |
| <b>Developer's Profit Margin</b>                   | <b>17.65% on Cost / 15% on GDV</b>  |
| Residual Land Value                                | -£306,086                           |

### 100% Private Rent

|                                                    |                    |
|----------------------------------------------------|--------------------|
| <b>Gross Development Value</b>                     | <b>£77,102,056</b> |
| Gross Rent per annum (OMS)                         | £3,134,046         |
| Gross Rent per annum (commercial)                  | £254,701           |
| Yield (residential)                                | 4.25%              |
| Yield (commercial)                                 | 8%                 |
| Value (residential)                                | £73,742,250        |
| Value (commercial)                                 | £3,123,092         |
| Grant                                              | £1,592,000         |
| <b>Development Costs (excl. acquisition costs)</b> | <b>£71,540,048</b> |

|                                  |                               |
|----------------------------------|-------------------------------|
| Construction Costs               | £56,664,965                   |
| Contingency                      | 3% (£1,699,949)               |
| Professional Fees                | 6% (£3,399,898)               |
| Sales Legal Fees                 | 0.5% ((£385,510 - investment) |
| Letting Agents Fees              | 10% (£340,805)                |
| Letting Legal Fees               | 5% (£170,403)                 |
| Finance Rate                     | 7% (£4,627,364)               |
| <b>Benchmark Land Value</b>      | <b>£1,848,000</b>             |
| Existing Use Value               | £1,540,000                    |
| Premium                          | 20% (£308,000)                |
| <b>Developer's Profit Margin</b> | <b>10% on Cost</b>            |
| Residual Land Value              | <b>-£1,772,408</b>            |

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## 1. Introduction

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## 1.1. Purpose of Report

This report has been prepared in accordance with instructions received from Manchester Life in respect of the proposed residential led mixed use development of Phoenix Ironworks in the neighbourhood of Ancoats.

We have been instructed to undertake an assessment of site viability to establish the level of affordable housing and Section 106 contributions that can reasonably be provided on the Phoenix Ironworks site at Jersey Street, Manchester. This is in relation to the redevelopment of the site to provide 256 residential dwellings across a range of heights between 5 to 10 stories, that includes ground floor commercial units including retail, food and workshop uses. This report will be submitted to Manchester City Council as part of the planning application for this development.

It will provide a brief overview of the location, site and development proposals. We will then provide an assessment of the local market to include local market trends, new build sales evidence, rental comparables, second hand sales evidence, development land market commentary and relevant land transactions. We will then assess the appraisal inputs including gross development value, standard build costs and other relevant costs in order to establish the level of affordable housing that can reasonably be provided on site.

## 1.2. Objectivity and Impartiality

In accordance with RICS Professional Standards, we can confirm that there are no conflicts of interest that affect our independent opinion being provided.

We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.

We can also confirm that no performance related or contingent fees have been agreed in respect of the provision of this report and subsequent viability advice.

## 1.3. Report

This report is dated **16 June 2023**. It has been produced by Robert Waterhouse MRICS and Adam Mirley MRICS.

The people stated above with MRICS qualifications are suitably qualified practitioners that have previously advised in respect of viability assessments across the North West.

## 1.4. Information Provided

We have been provided with and have relied upon the following information:

- Site Plan – **Appendix 1**
- Accommodation Schedule – **Appendix 2**



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## 2. Site Information

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# Viability Assessment

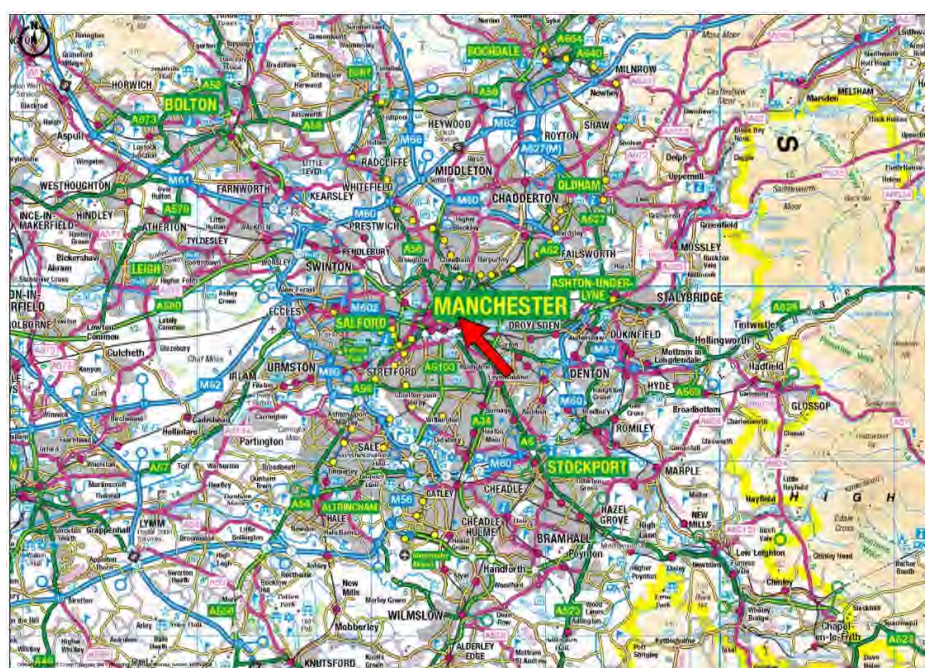
## Phoenix Ironworks, Ancoats, Manchester



### 2.1. Location

The site is located in Manchester city centre to the north of Manchester Piccadilly Station in an area known as Ancoats. Ancoats is a neighbourhood area of Manchester, in the east of the extended City Centre. The site sits within the Ancoats and New Islington Development Framework that covers approximately 50 hectares to the east of Manchester city centre, with the subject site being situated within the Ancoats neighbourhood area, at the north eastern end of the Development Framework area. Redevelopment here would further strengthen the city and link with successful regeneration already completed at Ancoats, New Islington, NOMA, the Green Quarter and Miles Platting. The site, is to the eastern edge of Ancoats and is approximately 1 mile to the north east of the town hall, 0.8 miles to the north east of the central retail district and 1.2 miles to the north east of Spinningfields, arguably the prime office location in the city. Manchester Piccadilly train station is located approximately 0.6 miles to the south west and Manchester Victoria train station is located 0.8 miles to the west of the site.

Manchester is the third largest city in England and the administrative and commercial hub of the North West region. It benefits from excellent motorway connections, including the M60 orbital motorway, which links to the M62/M6/M56/M61 and the M602, which provides a direct link into the city from the west. There are two city centre main line railway stations, Piccadilly and Victoria, providing inter-city services throughout the UK. The fastest services to London Euston currently take 1 hour and 58 minutes. Manchester Piccadilly is the fourth busiest station in the United Kingdom outside London. Both stations are integrated into the Greater Manchester Metrolink tram system. Services into the city centre from Bury to the north, Rochdale to the north east and Ashton-under-Lyne to the east are now operational. To the west there are connections to MediaCity and Eccles. To the south several extensions have been completed including the South Manchester line to East Didsbury and the Airport line, in addition to the existing line to Altrincham. In the city centre, The Ordsall Chord creates a link between Victoria, Oxford Road and Piccadilly stations which has further enhanced the city's connections.



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LANDMARK INFORMATION

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# Viability Assessment

## Phoenix Ironworks, Ancoats, Manchester



Figure 1: Site Location

### 2.2. Site Location

The site (edged blue on Figure 2) is of a broadly rectangular shape and extends to approximately 1.54 acres (0.62 ha). A copy of the site plan is included at Appendix 1. It is bordered to the north by Naval Street, and Manchester Life's proposed Eliza Yard development site to the east on Poland Street. Flint Glass Works is situated to the south of the site and Beehive Mill to the west.

At present, the site comprises a mix of industrial warehouses, and open storage/ cleared industrial land.

The site is located to the rear of the Ancoats neighbourhood. Ancoats itself is characterised by a mixture of high density residential development and commercial units. There are a number of bars and restaurants around Cutting Room Square. The Poland Street Zone in Ancoats is an emerging area with a number of vacant cleared sites being used as temporary car parking and low grade industrial uses.



Figure 2: Site Boundary Plan (Source: Manchester Life)

The surrounding area is a mixture of new build residential and industrial commercial uses.

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## 2.3. Site Description

The Site is bounded by Naval Street to the north, Poland Street to the east, Jersey Street to the south and Radium Street to the west.

The Site currently comprises hardstanding and industrial warehouses. The site is located within the Ancoats Conservation Area. The Howarth Metals Garages fronting Jersey Street and the wall bounding Jersey and Poland Street are of heritage interest.

A historic infilled canal arm, the Bengal Arm was built across the Site in the 19th Century to aid development of the site and the surrounding mills. By 1850 the Site was occupied by the historical Phoenix Iron Works, which comprised a casting shop fronting onto Poland Street, a large central courtyard and a four story office building fronting onto Jersey Street.

The Site is surrounded by a mix of industrial and residential uses. Industrial units are located to the north along Naval Street. To the east of the Site are industrial units and surface car parking. To the south of the Site is Flint Glass Works and Wharf, warehouses converted to offices and residential respectively. To the west of the site is the Grade II\* listed Beehive Mill which has been converted into co-working space and private offices.

## 2.4. Proposed Development

The proposed development comprises:

- 256 residential units, plus residential amenity space to include gym and club room ;
- A total of 12,938 sq. ft. GIA of commercial floorspace, over 3 blocks, to provide a mix of workshop and retail space.

We have been provided with accommodation schedules by Manchester Life, which we have summarised below. A copy of the accommodation schedule is at **Appendix 2**.

| Type | Style       | Beds | No. | sq.m | sq.ft | Total sq.ft. |
|------|-------------|------|-----|------|-------|--------------|
| Flat | 1B2P Type 1 | 1    | 46  | 51.0 | 549   | 25,252       |
| Flat | 1B2P Type 2 | 1    | 9   | 53.0 | 570   | 5,134        |
| Flat | 1B2P Type 3 | 1    | 1   | 51.0 | 549   | 549          |
| Flat | 1B2P Type 4 | 1    | 5   | 62.0 | 667   | 3,337        |
| Flat | 1B2P Type 5 | 1    | 11  | 54.0 | 581   | 6,394        |
| Flat | 1B2P Type 6 | 1    | 5   | 58.0 | 624   | 3,122        |
| Flat | 1B2P Type 7 | 1    | 1   | 51.0 | 549   | 549          |
| Flat | 1B2P Type 8 | 1    | 4   | 53.0 | 570   | 2,282        |
| Flat | 2B4P Type 1 | 2    | 44  | 73.0 | 786   | 34,574       |
| Flat | 2B4P Type 2 | 2    | 19  | 70.0 | 753   | 14,316       |
| Flat | 2B4P Type 3 | 2    | 5   | 76.0 | 818   | 4,090        |
| Flat | 2B4P Type 4 | 2    | 9   | 76.0 | 818   | 7,363        |

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|              |              |   |            |       |       |                |
|--------------|--------------|---|------------|-------|-------|----------------|
| Flat         | 2B4P Type 5  | 2 | 9          | 75.0  | 807   | 7,266          |
| Flat         | 2B4P Type 6  | 2 | 9          | 82.0  | 883   | 7,944          |
| Flat         | 2B4P Type 7  | 2 | 4          | 81.0  | 872   | 3,488          |
| Flat         | 2B4P Type 8  | 2 | 39         | 77.0  | 829   | 32,324         |
| Flat         | 2B4P Type 9  | 2 | 6          | 75.0  | 807   | 4,844          |
| Flat         | 2B4P Type 10 | 2 | 3          | 77.0  | 829   | 2,486          |
| Flat         | 3B6P Type 1  | 3 | 5          | 95.0  | 1,023 | 5,113          |
| Flat         | 3B6P Type 2  | 3 | 5          | 105.0 | 1,130 | 5,651          |
| Flat         | 3B6P Type 3  | 3 | 5          | 90.0  | 969   | 4,844          |
| Flat         | 3B6P Type 4  | 3 | 4          | 111.0 | 1,195 | 4,779          |
| <b>Total</b> |              |   | <b>248</b> |       |       | <b>185,699</b> |
| Townhouse    | Type 1       | 3 | 3          | 124.0 | 1,335 | 4,004          |
| Townhouse    | Type 2       | 3 | 3          | 131.0 | 1,410 | 4,230          |
| Duplex       | Type 1       | 3 | 2          | 126.0 | 1,356 | 2,713          |
| <b>Total</b> |              |   | <b>8</b>   |       |       | <b>10,947</b>  |

Figure 3: Residential Accommodation Schedule

The proposals result in a total Net residential Sales Area across all of the buildings of **196,646 sq. ft.**. The average apartment size across the 256 units is therefore is **768 sq. ft.**

| Unit             | No. | sq.m  | sq.ft | Total sq.ft.  |
|------------------|-----|-------|-------|---------------|
| Commercial 01    | 1   | 120.0 | 1,292 | 1,292         |
| Commercial 03    | 1   | 384.0 | 4,133 | 4,133         |
| Business 01      | 1   | 54.0  | 581   | 581           |
| Business 01 Mezz | 1   | 56.0  | 603   | 603           |
| Business 02      | 1   | 163.0 | 1,755 | 1,755         |
| Business 02 Mezz | 1   | 147.0 | 1,582 | 1,582         |
| Makers Shop      | 1   | 141.0 | 1,518 | 1,518         |
| Makers Space 1   | 2   | 21.0  | 226   | 452           |
| Makers Space 2   | 5   | 15.0  | 161   | 807           |
| Makers Space 3   | 1   | 20.0  | 215   | 215           |
|                  |     |       |       | <b>12,938</b> |

Figure 4: Commercial Accommodation Schedule

The total commercial space across the site is **12,938 sq. ft.**

For the purpose of this assessment, we have assumed that the development will be finished to an appropriate standard of workmanship, specification and layout commensurate with new build schemes delivered by Manchester Life and other developers in the local market.

### 2.5. Planning Policy

The Development Plan for Manchester comprises the Manchester Core Strategy (adopted July 2012) and saved policies from the Unitary Development Plan (UDP) (adopted 2004). The Supporting Planning Statement prepared by Deloitte Real Estate provides a full assessment of the proposals against all relevant policies.

The Core Strategy sets out the City Council's vision for Manchester to 2026, along with the planning policies that provide the framework for delivering that vision. It provides a spatial strategy for growth, identifying that Manchester will be the driver of the City Region economy due to the location of key assets in Manchester City Centre and the Regional Centre.

The Manchester Core Strategy divides the city into five regeneration areas in addition to the City Centre. As defined by the proposals map, the site is located within the North Manchester Regeneration Area. It is also located within the wider Manchester Regional Centre. Core Strategy Policy H3 (North Manchester) states that North Manchester, over the lifetime of the Core Strategy, will accommodate around 20% of the new residential development in Manchester. Priority will be given to family housing and other high value, high quality development where this can be sustained.

#### 2.5.1. Affordable Housing and Other Housing Requirements

Policy H8 in the Manchester Core Strategy sets out the policy position for affordable housing. The city wide target for affordable housing is 20% with 5% sought as social or affordable rent and 15% as intermediate housing. Policy H8 goes on to state that “Developers are expected to use the 20% target as a starting point for affordable housing provision”, however this level may be lowered or the site receive an exemption from affordable housing provision if a financial viability assessment demonstrates that it is unviable to achieve the 20% target.

A report was endorsed by MCC's Economy Scrutiny and Executive in December 2018 which set out proposed new affordable housing policies to create a step-change in the number and tenure of affordable homes being built across the city. The report identifies that there is a need to deliver affordable housing in the City Centre. It is also acknowledged that delivering affordable housing within the city centre is challenging.

The development has been designed to comply with the Manchester Residential Quality Guidance, which sets out requirements and standards to ensure the delivery of high quality and sustainable housing across Manchester.

#### 2.5.2. Regeneration in Ancoats & New Islington

Ancoats lies within the East Manchester Regeneration Area and is part of a strategic housing location as identified in the core strategy. The site is covered by the Ancoats and New Islington Neighbourhood Development Framework (2020) and more specifically, character area 3, The Poland Street Zone part of the framework.

The Poland Street Zone is described as an area that has the potential to accommodate a mix of residential and commercial land uses. This is to be encouraged in order to support the vitality of the neighbourhood by generating activity at different times of the day, during the week and at weekends. Within this character area it is noted that new developments will need to incorporate similar proportions and materials to the traditional, historic buildings of Ancoats. The use of brick will be appropriate to its location with subtle colour and textural variations to provide distinction from the traditional mill buildings.

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The site is covered by three key policies in the Manchester Core Strategy which was adopted in 2012. H4 covers housing in East Manchester, EC5 covers economic development in the same area and SP1 covers spatial principles of development across Manchester. The site also sits within the Ancoats Conservation Area.

The Proposed Development will continue the area's transformation into a neighbourhood of choice which is now one of the most sought-after residential neighbourhoods in Manchester City Centre.

A central element to the neighbourhood's success has been a strong vision for regeneration, embedded within the Ancoats and New Islington Neighbourhood Development Framework originally prepared by Manchester City Council in 2012 and updated in 2016 and 2020. However, another key component is partnership working to deliver maximum benefit at both a neighbourhood and city-wide scale. This joined-up approach has been a central element to the next, phase of development.

### 2.6. Planning History

We have reviewed the Manchester planning website, and the below applications are associated with the site:

| Address                                                                                        | Application No.   | Description                                                                                                                                                                                      | Status             | Date       |
|------------------------------------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------|
| 30A Poland Street<br>Manchester M4 6BH                                                         | 115291/FO/2017    | Temporary change of use (1 year) of the ground floor from warehouse with offices to a building for use as warehouse with offices, training facility and provision of hot food (Sui Generis Use). | Approved           | April 2017 |
| Land And Car Park At Corner Of Jersey Street And Poland Street<br>Ancoats<br>Manchester M4 6JG | 111450/FO/2016/N1 | Creation of temporary site compound with ancillary canteen, classrooms and offices together with 85 space car park until December 2018                                                           | Temporary Approval | April 2016 |
| Former Howarth Metals Site 109 Jersey Street<br>Ancoats<br>Manchester M4 6JG                   | 093163/CC/2010/N1 | CONSERVATION AREA CONSENT for the demolition of warehouse premises and part demolition of boundary walls along Jersey Street and Poland Street                                                   | Approved           | July 2010  |
| 95-97 Jersey Street, Ancoats                                                                   | 092499/CC/2010/N1 | CONSERVATION AREA CONSENT for demolition of existing Public House prior to redevelopment for retail and office purpose                                                                           | Refused            | April 2010 |

Figure 6: Planning History (source: Manchester City Council planning)

### 2.7. Infrastructure and Services

Section 7 provides full detail of all infrastructure and services works and associated costs for the development.

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## 2.8. Highways and Access

We have assumed that the site can be freely accessed over the existing pavements and that there is sufficient access to plant and refuse areas.

## 2.9. Tenure

The site is held on a freehold and long leasehold basis across multiple titles by Phoenix Ironworks Developments Ltd and Manchester City Council.

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## 3. Viability Methodology

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# Viability Assessment

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## 3.1. Overview

The fundamental issue in considering viability assessments in a town planning context, is whether a development is made unviable by the extent of affordable housing, planning obligations or other requirements. A proper understanding of financial viability is essential in ensuring that:

- i. land is released for development;
- ii. developers are capable of obtaining an appropriate market risk adjusted return for delivering the proposed development;
- iii. the proposed development is capable of securing funding; and assumptions about the quantum of development that can be delivered over the course of the plan period are robust.

Where planning obligation liabilities reduce the site value to the landowner and return to the developer below an appropriate level, land will not be released, and development will not take place. Whilst the RICS Guidance Note: Financial Viability in Planning, 1st Edition (August 2012) is now out-dated, it provides a useful diagram to explain how viability is assessed:

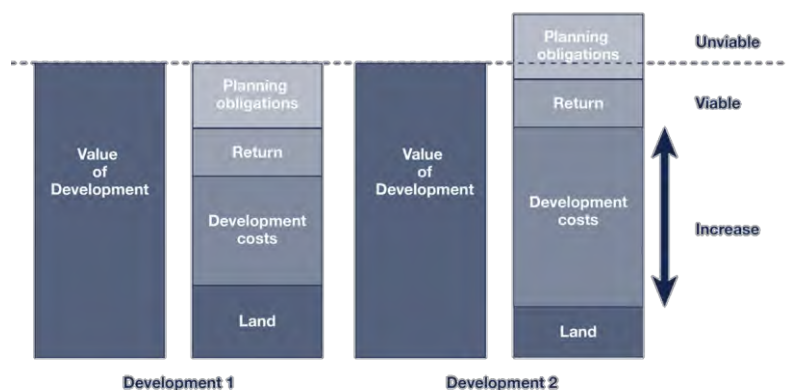


Figure 7: Development Viability Diagram (source: RICS Guidance Note, Financial viability in planning, 1st Edition, 2012)

## 3.2. National Planning Policy Framework and Planning Practice Guidance

The NPPF was updated in July 2021. It sets out the Government's planning policies for England and how these should be applied.

Paragraph 58 of the NPPF states that "all viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available".

It also states that: "where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all circumstances in the case, including whether the plan and viability evidence underpinning it is up to date, and any change in circumstance since the plan was brought into force."

The Viability Planning Practice Guidance (PPG) prioritises the assessment of viability at the plan-making and development management stages. The preferred methodology in this respect is a typology approach whereby sites are grouped by shared characteristics such as location, size and whether they are greenfield or brownfield. Plan makers can then decide on an appropriate benchmark land value, average costs, average values and the subsequent policy requirements for each typology.

The PPG also sets out a preferred methodology for assessing viability at the decision making stage. A viability assessment should incorporate standardised inputs and should also be based upon and refer to any viability that informed the development plan (subject to this being up to date). Any deviation from the figures used in the viability assessment of the plan should be explained and supported by evidence. The standardised inputs as set out in the planning practice guidance are as follows:

- Gross Development Value (GDV)
- Costs – to include build costs, abnormal costs, infrastructure costs, cost of conforming with planning policies (e.g. S.106 costs, CIL and affordable housing), finance costs, professional fees, management costs, sales / marketing costs and contingency costs
- Benchmark Land Value – to be assessed as the Existing Use Value (EUV) plus a premium or Alternative Use Value (AUV)
- Developer's return

### 3.3. Financial Viability in Planning: Conduct and Reporting (Professional Standards)

This RICS professional standards and guidance, Financial Viability in Planning Conduct and Reporting, 1st Edition, dated May 2019 states the following: “RICS members must comply with the NPPF and PPG as the primary policy and guidance on assessing viability.”

It sets out the mandatory requirements that should be adhered to when Financial Viability Assessments (FVAs) are carried out.

### 3.4. Adopted Methodology

As per the NPPF and RICS guidance, we have adopted the prescribed approach to the standardised inputs and will be assessing the residual value of the proposed development as follows:

**GROSS DEVELOPMENT VALUE less COSTS less PROFIT = RESIDUAL VALUE**

We will assess the appropriate Benchmark Land Value and compare this to the residual value associated with the development. Should the residual value fall below the Benchmark Land Value, this would deem the development unviable. We have therefore assessed what level of planning obligations can be provided whilst ensuring the Benchmark Land Value is achieved.

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## 4. Benchmark Land Value

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## 4.1. Overview

The Benchmark Land Value for developments, is calculated in accordance with the PPG and the latest RICS Guidance (2021) using the Existing Use Value Plus method.

The PPG states the following:

‘A benchmark land value should be established on the basis of the Existing Use Value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell the land for development while allowing a sufficient contribution to fully comply with policy requirements.’

*Paragraph 013: Reference ID: 10-013-20190509*

It goes on to say that:

‘EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value.’

*Paragraph: 015 Reference ID: 10-015-20190509*

It also states the following:

‘Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.’

*Paragraph: 008 Reference ID: 10-008-20190509*

We have considered these definitions in our approach to Benchmark Land Value (BLV). We have reviewed market evidence to determine the existing use value. We have also reviewed evidence to inform the minimum premium, including the Local Authority evidence base and market evidence, with additional consideration to our professional judgement. The market evidence should be policy compliant and adjustments should be made depending on the site itself and market location.

## 4.2. Existing Use Value

Based on the above guidance and discussions with Manchester City Council around the approach to valuing this site, we have explored the existing use value of the site.

## Viability Assessment

### Phoenix Ironworks, Ancoats, Manchester



The subject site includes industrial warehouses, with access points from both Jersey Street and Naval Street through the external yard area. We have reviewed nearby industrial transactions over the last 18 months which we detail below:

| Property                             | Size (sq ft) | Tenant  | Lease Type | Rent PA (£) | Rent PSF | Term             | Rent Free | Date    |
|--------------------------------------|--------------|---------|------------|-------------|----------|------------------|-----------|---------|
| Wellington House                     | 1,646        | Unknown | New Lease  | £13,826     | £8.40    | -                | -         | Mar-23  |
| Unit 7-11 Crown Industrial Estate    | 1,198        | Unknown | New Lease  | £14,000     | £11.68   | 2 Years          | -         | July-22 |
| Units 1-3, City Court Trading Estate | 5,608        | Sky     | New Lease  | £60,000     | £10.43   | 3 years 7 months | -         | Mar-21  |

Figure 8: Industrial Comparables

Henry Boot Developments purchased the portfolio of City Court Trading Estate sold in May 2021 for a reported £5,800,000 reflecting a NIY of 4.01%. The portfolio is situated on Pollard Street, in close proximity to the subject site. The site has long term development potential being situated on the fringe of Ancoats. We understand that the latest asking rents for this scheme were approximately £13.00 per sq. ft, however there is no evidence of the latest leases.

After speaking with our industrial agents, we are of the opinion that the subject property has a Market Rent of £10.00 per sq. ft.. There is limited availability in the locale for industrial units, with the majority of industrial occupiers now looking for more modern industrial accommodation. The only occupiers that hold a requirement for industrial units in a location such as Ancoats which has good accessibility into the city are the likes of Deliveroo and Uber Eats who are reportedly paying a premium over other occupiers.

We have also reviewed industrial land transactions. At present, the general tone of value is in line with £500,000 - £1.5M per acre. The peak industrial land value was set in 2022 at £2.3m per acre at Trafford Retail Park, however since then increased construction costs and finance levels have seen industrial land values reduce. There is limited transactional evidence available, however our Industrial Agents have advised likely values for industrial land akin to the size and location of the subject site to be in the region of £1M per acre. The below provides a comprehensive table of the most recent land comparables.

# Viability Assessment

## Phoenix Ironworks, Ancoats, Manchester



| Development                                   | Developer/ Land Owner             | Plot Size   | Price                             | Details                                                                                | Year |
|-----------------------------------------------|-----------------------------------|-------------|-----------------------------------|----------------------------------------------------------------------------------------|------|
| Industrial land, Ashton Old Road              | n/a                               | 4.7 acres   | Quoting £2M per acre              | Open storage land.                                                                     | 2022 |
| James Corbett Road, Salford                   | Travis Perkins                    | 3.8 acres   | £3,800,000<br>£1,000,000 per acre | Proposals to demolish buildings and use as an aggregate store.                         | 2021 |
| Hut Group – Plot 2 Icon Industrial            | THG.                              | 18.88 acres | £16,992,000<br>£900,000 per acre  | 400,000 sq ft industrial unit.                                                         | 2020 |
| Former Shearings Interchange Site, Warrington | HMRC                              | 7.28 acres  | £5,675,000<br>£780,000 per acre   |                                                                                        | 2020 |
| Gemini8                                       | Chancerygate                      | 5 acres     | £712,000 per acre                 | Proposals for 20 units between 3,500 sq ft – 12,000 sq ft. £150 capital vales quoting. | 2020 |
| Former Print Works, Trafford Park             | DTZi                              | 6.83 acres  | £1.09M per acre                   | Intention to demolish the unit and construction of new unit.                           | 2019 |
| Lingley Mere, Warrington                      |                                   | 7.83 acres  | £800,000 per acre                 | Currently in the market, bids received at over £800,000 per acre.                      | 2019 |
| Haydock, St Helens                            |                                   | 6.55 acres  | Under offer<br>£740,000 per acre. | Currently in the market, bid received reflect price state.                             | 2019 |
| Paston Road, Wythenshawe                      | Selwyns Coaches                   | 1 acre      | £500,000 per acre                 | Sold to owner occupier                                                                 | 2019 |
| Containerbase Site Trafford Park              | Williams Motor Co. (Holdings) Ltd | 14.45 acres | £14,430,000<br>£998,615 per acre  | Car Showroom                                                                           | 2018 |

Figure 9: Industrial Land Transactions

The above table outlines a number of deals, most of which are now historic due to the limited amount of industrial land opportunities available in the market. Whilst there has been up upward trend in deals, there remains few opportunities. We have reviewed all of the comparables and we believe that an EUV of £1,000,000 per acre is a fair assumption for this location.

Based on the site area (1.54 acres), this would give a value of £1,540,000 for the EUV.

### 4.3. Premium

In calculating the BLV we must consider the above positions and reflect on the amount of premium that would be appropriate. The updated PPG guidance states that the land value should reflect the “minimum return at which a reasonable landowner would be willing to sell their land”.

We have considered evidence from various sources to assess the minimum premium, including the local authority, market evidence, and applied our professional judgement based on the balance of this market evidence.

# Viability Assessment

Phoenix Ironworks, Ancoats, Manchester



Other Viability Assessments in Manchester that we have been involved with and reviewed consider a minimum premium to be in the order of 20% to 50%. We have also had regard to recent benchmark land values agreed on other sites in the city and set out below:

| Development        | Existing Use Value                                    | Agreed Benchmark Land Value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Per Plot |
|--------------------|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Victoria Riverside | £1,800,000<br>(surface car park)                      | The difference between the existing use value (£1,800,000) and the market value of the site (£9,360,000) for residential is £7,560,000. On the basis that a fair assumption would be that 50% of the uplift should be the premium to the landowner as their incentive to sell the site then the benchmark land value would be £3,780,000 (the premium) plus £1,800,000 (EUV) equating to £5,580,000 or £8,801 per plot (the BLV). This was reduced to £4,600,000 or £7,255 per plot during the negotiations. | £7,255   |
| Gould Street       | £4,500,000<br>(surface car park)                      | Assessed by taking the residential land value of £14,424,000 and the difference between this value and the existing use value. The difference of £9,924,000 could be argued to be the premium, however 50% of this (£4,962,000) was adopted as a fair reflection of an appropriate premium. When this premium is added to the existing use value it gives a value of £9,462,000 (£9,462,000). This was reduced by the reviewer and agreed at £5,600 per plot.                                                | £5,600   |
| Rochdale Road      | £1,215,000<br>(surface car park and industrial units) | A 20% premium was applied which equates to a BLV of £1,458,000 (£6,150 per plot). However, the residual fell below the EUV, so £1,215,000 was adopted as the BLV.                                                                                                                                                                                                                                                                                                                                            | £5,126   |
| Jersey Wharf       | £1,180,000<br>(industrial land value)                 | A 20% premium was considered acceptable, which results in a BLV of £1,416,000.                                                                                                                                                                                                                                                                                                                                                                                                                               | £7,255   |

Figure 10: Benchmark Land Values

There has been a general tone of BLV's in Manchester of between £5,000 and £8,000 per plot on recent schemes. Applying a 20% premium to the EUV would drive a premium of £308,000 and a BLV of £1,848,000 (£7,218 per plot). We consider this to be reasonable and in line with other viability assessments that we have undertaken and also ones that we have reviewed on behalf of MCC.

## 4.4. Benchmark Land Value

We have therefore assessed the BLV on the following basis:

= EUV + premium (20%)  
= £1,540,000 + £308,000  
= **£1,848,000**

This results in a total Benchmark Land Value of £1,848,000.

We will undertake development appraisals of the scheme, and should the residual land value fall below an acceptable level, the development would be unviable.

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### 5. Market Commentary

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### 5.1. National Residential Market Trends

A copy of the latest Savills UK Housing Market Update, dated May 2023, is enclosed at **Appendix 3**. We have also enclosed a copy of the latest Savills UK Build to Rent Market Update – Q1 2023 at **Appendix 4**.

### 5.2. Local Residential Market Trends

According to Rightmove (based on the land registry data), properties in Ancoats had an overall average price of £277,701 over the last year.

The majority of sales in Ancoats during the last year were flats, selling for an average price of £268,865. Semi-detached properties sold for an average of £348,950, with terraced properties fetching £383,167

### 5.3. New Build Sales Market

There has been a significant amount of new build activity in the Ancoats / New Islington area and we have had regard to the asking prices and sales prices confirmed by agents acting on the developments. We have also had regard to different areas on the periphery of Manchester City Centre, outside of the ring road, and similarly positioned to the subject site.

#### 5.3.1. New Little Mill

New Little Mill is a 68 unit apartment scheme providing 1, 2 and 3 bedroom apartments by Manchester Life. The development comprises a mill conversion within Ancoats, situated adjacent to the subject site on the junction of Jersey Street and Radium Street.



Figure 11: New Little Mill CGI

The development comprises 68 one, two and three bed homes, including rooftop duplexes with outdoor terraces. The site benefits from 19 secure car parking spaces which were available to purchase separately for all units except the 1 bedroom apartments, costing £17,500 and £20,000. We summarise the completed sales across the 68 units as follows:

# Viability Assessment

## Phoenix Ironworks, Ancoats, Manchester



| Beds         | Sq. Ft.     | Sold Price*         | Average Price Per Sq. Ft. |
|--------------|-------------|---------------------|---------------------------|
| 1 bed        | 544 – 636   | £195,000 - £247,500 | £354 - £401               |
| 2 bed        | 674 – 976   | £250,000 - £375,000 | £348 - £400               |
| 2 bed duplex | 770 – 1,121 | £315,000 - £450,000 | £401 - £423               |
| 3 bed duplex | 990 – 1,137 | £390,000 - £455,000 | £394 - £400               |

Figure 12: New Little Mill Sales Values (\*we have included the achieved price without car parking)

The average sales price for one bedroom flats equates to £374 per sq. ft., two bedroom units average £380 per sq. ft., two bed duplex apartments average £412 per sq. ft. and the three bedroom duplex apartments averaged £394 per sq. ft.. The average across all of these sales is £384 per sq.ft. without parking and £395 per sq. ft. with parking.

More recently a 1 bedroom unit totalling 656 sq.ft. sold in May 2023 for £240,000, equating to £365 per sq.ft. and a further 1 bedroom unit totalling 601 sq.ft, has sold in June 2023 for £250,000, equating to £416 per sq.ft.

The site is also located within Ancoats with the subject site in close proximity to the scheme, albeit slightly more towards the back of Ancoats. As evidence with the most recent sales above, there has been slight increase in the value per sq.ft achieves compared to the original sales, therefore we would expect the proposed scheme to have a similar average value to that most recently achieved at New Little Mill.

### 5.3.2. One Vesta Street

One Vesta Street is a development by Manchester Life approximately 0.5 miles to the south of the subject site fronting Old Mill Street. The site provides 169 apartments over 8 storey's and three townhouses.



Figure 13: One Vesta Street CGI

We understand the majority of sales at One Vesta were in 2020, with an average of 6 sales per month, largely at asking price. By 2022, all units had been sold, with the most recent sales from the completed scheme as follows:

| Beds     | Sq. Ft.       | Sold Price*         | Average Price Per Sq. Ft. |
|----------|---------------|---------------------|---------------------------|
| 1 bed    | 529 - 585     | £169,000 - £207,500 | £316 - £385               |
| 2 bed    | 696 – 884     | £233,000 - £312,500 | £317 - £373               |
| 3 bed    | 799 – 1,119   | £322,500 - £500,000 | £337 - £447               |
| 4 bed    | 1,236 – 1,676 | £442,500 - £610,000 | £358 - £376               |
| 4 bed TH | 2,005         | £660,000 - £690,000 | £329 - £344               |

Figure 14: One Vesta Street Sales Prices (\*we have included the achieved price without car parking)

# Viability Assessment

## Phoenix Ironworks, Ancoats, Manchester



The average sale price for one bedroom flats equates to £342 per sq. ft., two bedroom units average £347 per sq. ft., three bedroom apartments average £386 per sq. ft. and the 4 bedroom apartments average £369 per sq. ft. and 4 bedroom townhouses £334 per sq. ft.. The average across all of these asking prices is £349 per sq. ft. without parking and £358 per sq. ft. with parking. We would expect the subject site to achieve higher values than One Vesta Street due to its location in Ancoats, and an uplift in the general local market since the above scheme launched.

### 5.3.3. North Central

North Central is located adjacent to the 20 acre regeneration area NOMA and approximately 0.6 miles to the north west of the subject site. It is a development of 64 flats by Progressive Living, comprising 24 x 1 bedroom and 40 x 2 bedroom apartments.



Figure 15: North Central

The development sold out prior to 2020 and we understand the most recent re-sales achieved are as follows:

| Beds  | Sq. Ft.   | Sold Price          | Average Price Per Sq. Ft. |
|-------|-----------|---------------------|---------------------------|
| 1 bed | 538       | £156,000 - £195,000 | £290 - £362               |
| 2 bed | 656 – 850 | £190,000 - £289,000 | £292 - £405               |

Figure 16: North Central Sold Price Data

The achieved sale prices reflect an overall average of £340 per sq. ft. We would expect the subject site to achieve values in excess of that being achieved at North Central given the date of the sales transactions being prior to 2020, in which the sales market has since improved.

### 5.3.4. The Hallmark

The Hallmark is a development by Forty/8 Developments in the Green Quarter and comprises 146 x 1, 2 and 3 bedroom apartments, including a roof terrace and concierge facilities. It is located approximately 1.1 miles to the north west of the subject site, behind the AO Arena and just outside of the ring road.

# Viability Assessment

Phoenix Ironworks, Ancoats, Manchester



Figure 17: The Hallmark CGI

Sales have been at around the asking prices with some small discounts averaging to 2%. We summarise the latest completed sales over the last 12 months from Land Registry as follows:

| Beds  | Sq. Ft.   | Sold Price          | Average Price Per Sq. Ft. |
|-------|-----------|---------------------|---------------------------|
| 1 bed | 463       | £167,000 - £220,940 | £361 - £477               |
| 2 bed | 710 – 743 | £255,000 - £315,000 | £348 - £430               |
| 3 bed | 807 - 969 | £356,000 - £385,000 | £367 - £447               |

Figure 18: The Hallmark Land Registry Data

The average price agreed across the scheme is currently £401 per sq. ft. We would comment that a significant proportion of the sales have been to foreign investors and as such, the above figure is high. We would expect the subject to achieve a similar price per sq. ft. than The Hallmark given that the reservations do indicate growth in the market which will be reflected in the sales values at the subject site.

## 5.3.5. Victoria Riverside - FEC

Victoria Riverside is the development being delivered by FEC and represents a good comparable both in terms of location, scale and quality of development. It comprises 634 x apartments and townhouses. It is being developed by FEC as part of Victoria North. The first phase is anticipated to complete in 2024, with the whole scheme expected to complete in 2025.

# Viability Assessment

## Phoenix Ironworks, Ancoats, Manchester



Figure 19: Victoria Riverside CGI

Based on recent reservations the developer has reported that the scheme is achieving between average for a 1 bed £441 to £479 per sq.ft and £428 to £468 per sq.ft for 2 bed.

We would expect values at the subject site to be below those being achieved at Victoria Riverside, given the inferior location.

### 5.3.6. Meadowside - FEC

Meadowside is a development by Far East Consortium situated on the edge of the NOMA regeneration area and surrounding Angel Meadow park. The initial phases (Plots 2, 3 and 5) completed in 2021 and comprise 3 blocks providing 422 no. apartments. The scheme benefits from residents' amenities, commercial space and surrounding greenspace.



Figure 20: Meadowside CGI (The Gate and The Stile – plots 2 and 3) and Mountyard CGI (plot 5)

## Viability Assessment

### Phoenix Ironworks, Ancoats, Manchester



We are aware that the current average value achieved at this development is £428 per sq. ft. in The Gate, £407 per sq. ft. in The Stile and £413 per sq. ft. in Mountyard. Mountyard also includes a number of townhouses which have transacted at an average value of £390 per sq. ft. with an average unit size of 1,150 sq. ft. across these units.

We have also detailed current asking prices at the development below:

| Type | Beds | Size (sq. ft.) | Asking Price | Price Per sq. ft. |
|------|------|----------------|--------------|-------------------|
| Flat | 2    | 787            | £342,750     | £436              |
| Flat | 2    | 788            | £342,750     | £435              |
| Flat | 2    | 770            | £358,000     | £465              |
| Flat | 2    | 799            | £375,000     | £469              |
| Flat | 2    | 799            | £397,500     | £497              |
| Flat | 2    | 780            | £400,000     | £513              |

Figure 21: Meadowside Asking Prices

The average value across these two bedroom units is £469 per sq. ft.. We would expect the subject site to achieve sales below those being achieved at Meadowside as Meadowside is better located with closer proximity to the City Centre.

#### 5.3.7. New Cross Central - FEC

New Cross is another development by FEC that comprises 80 x 1, 2, and 3 bedroom units. It is located approximately 0.5 miles to the south of the subject in the New Cross neighbourhood of Manchester.



Figure 22: New Cross Central CGI

The scheme completed in Q1 2023 and we are aware that the current average value achieved at this development is £415 per sq. ft.. We have also detailed current asking prices at the development below:

# Viability Assessment

Phoenix Ironworks, Ancoats, Manchester



| Type      | Beds | Size (sq. ft.) | Asking Price | Price Per sq. ft. |
|-----------|------|----------------|--------------|-------------------|
| Flat      | 2    | 775            | £343,000     | £443              |
| Flat      | 2    | 777            | £347,000     | £447              |
| Flat      | 2    | 778            | £347,000     | £446              |
| Flat      | 2    | 778            | £352,500     | £453              |
| Flat      | 2    | 779            | £352,500     | £453              |
| Flat      | 2    | 777            | £357,500     | £460              |
| Flat      | 2    | 777            | £357,500     | £460              |
| Flat      | 2    | 778            | £357,500     | £460              |
| Flat      | 2    | 779            | £357,500     | £459              |
| Flat      | 2    | 780            | £357,500     | £458              |
| Flat      | 2    | 779            | £362,500     | £465              |
| Flat      | 2    | 780            | £362,500     | £465              |
| Flat      | 2    | 777            | £363,000     | £467              |
| Flat      | 2    | 779            | £368,000     | £472              |
| Flat      | 2    | 774            | £383,500     | £495              |
| Flat      | 2    | 778            | £394,000     | £506              |
| Flat      | 2    | 779            | £394,000     | £506              |
| Townhouse | 3    | 1,053          | £451,000     | £428              |

Figure 23: New Cross Asking Prices

The average value across these asking prices is £463 per sq. ft.. This is a high specification scheme in a more central location and is likely to drive greater value than the subject site

## 5.4. New Build Rental Market

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

### 5.4.1. Meadowside – FEC

Meadowside is a development by Far East Consortium situated on the edge of the NOMA regeneration area and surrounding Angel Meadows park. The initial phases (Plots 2, 3 and 5) completed in 2021 and comprise 3 blocks providing 422 no. apartments. The scheme benefits from residents' amenities, commercial space and surrounding greenspace. This scheme was designed as an open market sale development, however a number of apartments have been bought as investments and are available for rent.

# Viability Assessment

Phoenix Ironworks, Ancoats, Manchester



Figure 24: Meadowside CGI (The Gate and The Stile – plots 2 and 3)

A number of the apartments are currently being marketed as available for rent.

| Unit Type | Rent PCM        | Rent PA           |
|-----------|-----------------|-------------------|
| 1-Bed     | £1,150          | £13,800           |
| 2-Bed     | £1,300 - £1,650 | £15,600 - £19,800 |

Figure 25: Meadowside Asking Rents

We are aware that average rents that have been achieved are £23 per sq. ft. across the 1-bed and 2-bed apartments and £20 per sq. ft. across the 3-bed apartments. As mentioned above, this scheme was designed as an open market sale development. As this is not a purpose built rental scheme we expect there to be a level of discount between Meadowside and purpose build to rent schemes.

## 5.4.2. Angel Gardens – MODA

Angel Gardens is a build to rent development situated in the NOMA district of Manchester. Comprising 466 apartments, it has an extensive amenity provision including roof terraces, outside gardens, flexible workspace, resident dining space, resident events & clubs, rooftop sports court, BBQ area, gym and 24/7 concierge. The development is located 0.5 miles to the south of the subject site.

# Viability Assessment

Phoenix Ironworks, Ancoats, Manchester



Figure 26: Angel Gardens

| Unit Type | Rent PCM        | Rent PA           | Average Gross Rent Per Sq. ft. |
|-----------|-----------------|-------------------|--------------------------------|
| 1-Bed     | £1,675          | £20,100           | £31.21                         |
| 2-Bed     | £1,900 - £2,400 | £22,800 - £28,800 | £30.59                         |
| TOTAL:    |                 |                   | £30.74                         |

Figure 27: Angel Gardens Rents

The average rent per sq. ft. across the above asking prices is £30.74. We would expect the rents at the subject site to be lower than those at Angel Gardens to reflect the location further away from the city core and reduced in house facilities.

## 5.4.3. Kampus – Capital & Centric / Henry Boot Developments

Kampus is a new-build mixed-use development that completed in 2021 and comprises 533 rental units across five blocks arranged around a central landscaped courtyard area. It is located approximately 1.2 miles to the south of the subject site, near Piccadilly Station.

The development has a particular focus on placemaking with a distinctly urban village feel. The commercial units have been let to independent traders including Pollen, Beeswing, Nell's, Great Northern Pie Co. and Yum Cha with Cloudwater, Madre and General Stores coming soon.

# Viability Assessment

## Phoenix Ironworks, Ancoats, Manchester



Figure 28: Kampus

Rental prices vary across the five blocks, but we have detailed available units below:

| Unit Type | Rent PCM        | Rent PA           | Average Gross Rent per sq. ft. |
|-----------|-----------------|-------------------|--------------------------------|
| 1-Bed     | £1,305 - £1,680 | £15,660 - £20,160 | £34.71                         |
| 2-Bed     | £1,655 - £3,905 | £19,860 - £46,860 | £34.84                         |
| TOTAL:    |                 |                   | £34.81                         |

Figure 29: Kampus Rents

The average rent per sq. ft. across the above asking prices is £34.81. We would expect the subject site to achieve lower rental values to reflect the difference in the product offered.

### 5.4.4. The Astley

A 135 unit build to rent scheme delivered by Mulbury and funded by M&G. The site is located on the edge of the Northern Quarter fronting the inner city ring road, 0.3 miles to the south west of the subject. It completed in late 2018. Amenities include a residents lounge and roof garden and there is ground floor commercial space. The scheme is now fully let. Achieved rents on the completed units are as follows:

| Beds   | Range £pcm      |
|--------|-----------------|
| Studio | £830 - £860     |
| 1 bed  | £900 - £1,100   |
| 2 bed  | £1,100 - £1,535 |
| 3 bed  | £1,825          |

Figure 30: The Astley Rents

# Viability Assessment

## Phoenix Ironworks, Ancoats, Manchester



Across the scheme the average is in the order of £21.72/sq.ft but on a smaller average unit size of 622 sq.ft. This is inside the ring road, on the fringe of the established and popular Northern Quarter. We would expect similar rental values at the subject site albeit the subject is in an inferior location.

### 5.4.5. Anco & Co, Blossom Street

This is another development by Mulbury City in partnership with DTZ Investors. The scheme comprises 143 purpose built apartments and townhouses across two separate buildings and is located in the Ancoats area of Manchester, a popular destination for young professionals. The development includes extensive ground floor resident amenity space, reception and concierge areas, car parking and cycle spaces as well as a panoramic roof terrace incorporating a private dining room for residents. The development is now fully-let and achieved rents are as follows:

| Beds  | Range £pcm      |
|-------|-----------------|
| 1 bed | £930 - £1,100   |
| 2 bed | £1,270 - £1,500 |
| 3 bed | £2,130          |

Figure 31: Anco & Co Rents

The average lettings across the scheme are £23.24/sq.ft. Although located just outside of the ring road, the development is in a popular area of Manchester on the fringe of Ancoats and Northern Quarter and provides a large range of amenities. We would expect the rents at the subject site to be slightly lower to reflect its more secondary location.

### 5.4.6. Cotton Field Wharf

This is a Manchester Life scheme in neighbouring New Islington on the other side of the Rochdale Canal to the subject site. Rents are detailed below:

| Beds  | Range £pcm      |
|-------|-----------------|
| 1 bed | £720 - £1,015   |
| 2 bed | £990 - £1,450   |
| 3 bed | £1,478 - £1,790 |

Figure 32: Cotton Field Wharf Rents

The rents are currently averaging £19.35/sq.ft, exclusive of parking which is rented separately. This scheme is similar in proximity to the centre of Ancoats, albeit it is located in New Islington. It therefore has similar amenities on the doorstep.

# Viability Assessment

## Phoenix Ironworks, Ancoats, Manchester



### 5.4.7. Sawmill Court

Another Manchester Life development, in a prime Ancoats location, 0.2 miles west of the subject site. Current rents achieved at the scheme are as below.

| Beds  | Range £pcm      |
|-------|-----------------|
| 1 bed | £813 - £985     |
| 2 bed | £1,075 - £1,300 |
| 3 bed | £1,460 - £1,902 |

Figure 33: Sawmill Court Rents

### 5.4.8. Smith's Yard

Adjacent to Sawmill Court above, having been completed and let up at the same time.

| Beds  | Range £pcm      |
|-------|-----------------|
| 1 bed | £757 - £1,113   |
| 2 bed | £970 - £1,495   |
| 3 bed | £1,399 - £1,882 |

Figure 34: Smith's Yard Rents

The average across the scheme is currently £18.58/sq.ft, exclusive of parking, rented separately at £110 per calendar month. The same comments as Sawmill Court above apply.

### 5.4.9. Weavers Quay

Another Manchester Life scheme, in nearby New Islington, completed in 2019, 0.4 miles to the south of the subject site. Current rents are as follows:

| Beds  | Range £pcm      |
|-------|-----------------|
| 1 bed | £795 - £1,028   |
| 2 bed | £985 - £1,210   |
| 3 bed | £1,508 - £1,700 |

Figure 35: Weavers Quay Rents

The average across the scheme is currently £18.67/sq.ft, exclusive of parking, rented separately at £110 per calendar month. This is a fringe location, but part of a wider regeneration area now approaching completion.

# Viability Assessment

## Phoenix Ironworks, Ancoats, Manchester



### 5.4.10. Lampwick Quay

A Manchester Life developed scheme, also in nearby New Islington, 0.4 miles to the south of the subject site. Current rents are as follows:

| Beds  | Range £pcm      |
|-------|-----------------|
| 1 bed | £867 - £1,113   |
| 2 bed | £1,091 - £1,562 |
| 3 bed | £1,616 - £2,014 |

Figure 36: Lampwick Quay Rents

The average across the scheme is currently £18.93/sq.ft, exclusive of parking, available at £120 per calendar month. This building is newer than the other schemes developed by Manchester Life, and therefore rents are higher by comparison. We would therefore expect similar rents to be achieved at the subject site to reflect the growth in the rental market.

### 5.4.11. Burlington House, Tariff Street

Approximately 0.4 miles to the south west of the subject site this is a new scheme of 91 apartments completed in mid-2019, and was fully occupied by September 2019. The scheme is let-up and the latest rents are in the order of:

| Beds  | Range £pcm      |
|-------|-----------------|
| 1 bed | £985 - £1,095   |
| 2 bed | £1,095 - £1,900 |
| 3 bed | £1,775 - £1,935 |

Figure 38: Burlington House Rents

The average across the scheme is some £20.17/sq.ft per annum. This scheme is also in an evolving location, and we would therefore expect similar rents at the subject site.

There has evidently been a range of achieved rents across 1 and 2 bedroom properties. Rental values achieved can depend on factors such as location, size, specification, house type, layout, location and parking provision.

## 5.5. Local Commercial Market

We have had regard to the following letting activity in proximity to the subject site which we summarise below.

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| Property                                   | Use          | Size (sq. ft.) | Rent (pa) | Rent (per sq. ft.) | Date          | Lease                                              |
|--------------------------------------------|--------------|----------------|-----------|--------------------|---------------|----------------------------------------------------|
| Unit 1 Mansion House, New Islington Marina | Commercial   | 1,895          | £47,375   | £25.00             | n/a           | Under Offer                                        |
| Unit 2 Mansion House, New Islington Marina | Commercial   | 947            | £23,675   | £25.00             | n/a           | Under Offer                                        |
| Oxygen Tower, Great Ancoats Street         | Commercial   | 2,000          | £40,000   | £20.00             | n/a           | Available                                          |
| 76 Deansgate                               | Retail       | 7,214          | £162,000  | £22.46             | October 2022  | 20 year lease with 10 month RFP                    |
| Transmission House, Tib Street             | Retail       | 1,585          | £60,000   | £37.85             | July 2022     | 10 year lease                                      |
| 3-5 St John Street                         | Retail       | 975            | £15,500   | £15.90             | April 2022    | 15 year lease                                      |
| 103 High Street                            | Retail       | 2,510          | £50,000   | £19.92             | February 2022 | 10 year lease with 6 month RFP                     |
| Transmission House, Tib Street             | Retail       | 2,260          | £70,000   | £30.97             | January 2022  | 15 year lease                                      |
| City Tower                                 | Retail (F&B) | 1,002          | £14,379   | £14.35             | November 2021 | 10 year lease                                      |
| Unit 4, No 1 Deansgate                     | Retail       | 1,048          | £35,125   | £33.52             | October 2021  | Assignment of lease dated May 2019 – October 2024. |
| 19-25 Blossom Street, Ancoats              | Retail       | 574            | £15,000   | £26.13             | August 2021   | 10 year lease                                      |
| 19-25 Blossom Street, Ancoats              | Retail       | 1,026          | £23,000   | £22.42             | August 2021   | 10 year lease                                      |
| 19-25 Blossom Street, Ancoats              | Retail       | 3,358          | £80,000   | £23.82             | March 2021    | 15 year lease                                      |
| 19-25 Blossom Street, Ancoats              | Retail       | 761            | £16,000   | £21.02             | March 2021    | 10 year lease                                      |

Figure 39: Commercial Letting Evidence

The evidence above shows rents between £14.35 - £37.85 per sq. ft. in the local area. Rents are dependent on the location of the unit as well as its condition. We would expect the commercial units at the subject site to achieve rents in the order of **£22.00 per sq. ft.** with 3 months' rent free incentives offered. We would expect the makers workshops to achieve a lower rent as a hybrid of industrial/ commercial rents in the order of **£18.00 per sq.ft.** For the mezzanine space above the commercial units, we would expect rent to reduce by 50%.

### 5.6. Investment Market Evidence

We attach Savills latest UK Build to Rent Market Update at **Appendix 4**.

We are aware of the following relevant market evidence in Manchester and the North West:

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| Property                       | Units | Purchaser  | Transaction    | Price        | Net Yield   | Date |
|--------------------------------|-------|------------|----------------|--------------|-------------|------|
| New Victoria, Manchester       | 520   | PIC        | Forward fund   | £130,000,000 | 4.8%        | 2020 |
| Skyline, Manchester            | 129   | L1 Capital | Let investment | Undisclosed  | 4.5 – 4.75% | 2020 |
| Greengate, Salford             | 349   | Atlas      | Forward commit | £90,000,000  | 4.5%        | 2019 |
| Deansgate Square, Manchester   | 350   | L&G        | Forward commit | £110,000,000 | 4.0%        | 2018 |
| Middlewood Locks, Salford      | 277   | Delancy    | Forward commit | £55,800,000  | 4.35%       | 2018 |
| Tribe, Ancoats & New Islington | 192   | Grainger   | Let investment | £26,000,000  | 5.25%       | 2017 |
| The Rock, Bury                 | 233   | Grainger   | Let investment | £22,100,000  | 4.8%        | 2017 |
| Blossom Street, Ancoats        | 145   | DTZ IM     | Forward fund   | £30,000,000  | 4.5%        | 2017 |
| Lightbox, Media City           | 238   | Atlas      | Forward commit | £44,590,000  | 4.9%        | 2017 |

Figure 40: Build-to-Rent Yield Comparables

Target yields vary depending on the type of investor and nature of the asset but we would expect net returns in the order of 4.25% - 5.25% for stabilised assets and 4.0% - 4.9% for non-stabilised assets. The subject site is located within central Manchester and on the basis that Manchester Life will hold the asset we anticipate a yield of 4.25% at the subject.

Whilst the scheme is predominantly residential, there is a small commercial element at ground floor level. Typical yields for commercial space are in the region of 7-9% for the style and location of the proposed development. We would therefore anticipate a yield of 8%.

### 5.7. Local Market Summary

We have reviewed the new build evidence in Manchester city centre where there is a range of Build-to-Rent comparables.

There is a range of sales comparables. New Little Mill, which is a Manchester Life scheme located in close proximity to the scheme, has achieved average values of £374 per sq. ft. for 1-bedroom apartments, £380 per sq. ft. for 2-bedroom apartments, £412 per sq. ft. for 2-bedroom duplex apartments and £394 per sq. ft. for 3-bedroom apartments. This averages at £384 per sq. ft. across the scheme. At One Vesta Street, another Manchester Life scheme but one which is located on the edge of New Islington, has achieved average values of £342 per sq. ft. for 1-bedroom apartments, £347 per sq. ft. for 2-bedroom apartments, £386 per sq. ft. for 3-bedroom apartments and £369 per sq. ft. for 4-bedroom apartments. This averages at £349 per sq. ft. across the scheme. We would expect the subject site to achieve values more akin to those at New Little Mill due to the closer proximity and similar location. At North Central, which is located approximately 0.6 miles to the north west of the subject, average achieved sales prices are £340 per sq. ft.. At The Hallmark, current achieved reservations are up to £477 per sq. ft. albeit this scheme has had a high proportion of overseas buyers. We would however comment that the higher values per sq. ft. are indicative of a strong market.

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We would therefore expect average base residential sales value at the subject site to be between **£390 - £430 per sq. ft.**

Across the rental comparables, 1-bed apartments have let for values between £800 - £1,625 per calendar month, 2-bed apartments have let for values between £947 - £2,175 per calendar month and 3-bed apartments have let for values between £1,299 - £2,130 per calendar month. Across these schemes, the higher rents have been achieved central, high specification, high rise developments in well-established neighbourhoods.

We would therefore expect 1 bedroom apartments at the subject to achieve base rents of £950 - £1,100 per calendar month, 2 bedroom apartments to achieve base rents between £1,150 and £1,500 per calendar month and the 3 bedroom apartments to achieve base rents of £1,600 - £2,000 per calendar month.

For the commercial units at the subject site, we would expect values in the order of £18.00 - £22.00 per sq ft.

We anticipate a yield of 4.25% on the Build-to-Rent Apartments which is better than the evidence above and reflects a stabilised asset given it is generally Manchester Life's model to hold their BTR products.

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## 6. Gross Development Value

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# Viability Assessment

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## 6.1. 100% Private Sale Scheme

### 6.1.1. Residential GDV

Based on the market research and evidence in this report, we have undertaken unit-by-unit pricing schedules for the proposed buildings at the development.

For the for-sale units, we have increased the prices by 1% every two floors to reflect the premium that is achieved on upper floors. For the build to rent units we have increased the rent by £20 pcm every two floors to again reflect the higher rents that will be achieved on upper floors.

We summarise the pricing for the different unit types across the scheme below, both for the open market sales and build to rent dwellings:

| Type      | Style | Style   | Beds | No. | sq.ft | Value    | Value/sq.ft |
|-----------|-------|---------|------|-----|-------|----------|-------------|
| Flat      | 1B2P  | Type 1  | 1    | 46  | 549   | £232,500 | £424        |
|           |       | Type 2  | 1    | 9   | 570   | £242,500 | £425        |
|           |       | Type 3  | 1    | 1   | 549   | £235,000 | £428        |
|           |       | Type 4  | 1    | 5   | 667   | £285,000 | £427        |
|           |       | Type 5  | 1    | 11  | 581   | £245,000 | £422        |
|           |       | Type 6  | 1    | 5   | 624   | £265,000 | £424        |
|           |       | Type 7  | 1    | 1   | 549   | £235,000 | £428        |
|           |       | Type 8  | 1    | 4   | 570   | £245,000 | £429        |
| Flat      | 2B4P  | Type 1  | 2    | 44  | 786   | £335,000 | £426        |
|           |       | Type 2  | 2    | 19  | 753   | £320,000 | £425        |
|           |       | Type 3  | 2    | 5   | 818   | £345,000 | £422        |
|           |       | Type 4  | 2    | 9   | 818   | £345,000 | £422        |
|           |       | Type 5  | 2    | 9   | 807   | £340,000 | £421        |
|           |       | Type 6  | 2    | 9   | 883   | £370,000 | £419        |
|           |       | Type 7  | 2    | 4   | 872   | £365,000 | £419        |
|           |       | Type 8  | 2    | 39  | 829   | £350,000 | £422        |
|           |       | Type 9  | 2    | 6   | 807   | £340,000 | £421        |
|           |       | Type 10 | 2    | 3   | 829   | £350,000 | £422        |
| Flat      | 3B6P  | Type 1  | 3    | 5   | 1,023 | £425,000 | £416        |
|           |       | Type 2  | 3    | 5   | 1,130 | £470,000 | £416        |
|           |       | Type 3  | 3    | 5   | 969   | £405,000 | £418        |
|           |       | Type 4  | 3    | 4   | 1,195 | £490,000 | £410        |
| Townhouse |       | Type 1  | 3    | 3   | 1,335 | £500,000 | £375        |
|           |       | Type 2  | 3    | 3   | 1,410 | £525,000 | £372        |
| Duplex    |       | Type 1  | 3    | 2   | 1,356 | £510,000 | £376        |

Figure 41: Residential Sales Values

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## Phoenix Ironworks, Ancoats, Manchester



In the pricing schedule we have applied a 1% increase in sales prices every two floors. This results in a total GDV for the 256 apartments at **£84,427,994** reflecting an average price of £429.34 per sq ft.

### 6.1.2. Commercial GDV

Based on the market research and evidence in this report, we have priced the commercial units across the scheme at a rent of £22.00 per sq. ft for retail units and £18.00 per sq.ft. for workshops. We summarise the rental values below:

| Unit             | No. | sq.m  | sq.ft         | Total sq.ft. | Rent/sq.ft | Rent PA         |
|------------------|-----|-------|---------------|--------------|------------|-----------------|
| Commercial 01    | 1   | 120.0 | 1,292         | 1,292        | £22.00     | £28,417         |
| Commercial 03    | 1   | 384.0 | 4,133         | 4,133        | £22.00     | £90,933         |
| Business 01      | 1   | 54.0  | 581           | 581          | £22.00     | £12,788         |
| Business 01 Mezz | 1   | 56.0  | 603           | 603          | £11.00     | £6,631          |
| Business 02      | 1   | 163.0 | 1,755         | 1,755        | £22.00     | £38,599         |
| Business 02 Mezz | 1   | 147.0 | 1,582         | 1,582        | £11.00     | £17,405         |
| Makers Shop      | 1   | 141.0 | 1,518         | 1,518        | £22.00     | £33,390         |
| Makers Space 1   | 2   | 21.0  | 226           | 452          | £18.00     | £8,138          |
| Makers Space 2   | 5   | 15.0  | 161           | 807          | £18.00     | £14,531         |
| Makers Space 3   | 1   | 20.0  | 215           | 215          | £18.00     | £3,875          |
| <b>Total</b>     |     |       | <b>12,938</b> |              |            | <b>£254,706</b> |

Figure 43: Commercial Estimated Rental Values

We have adopted a 3 month rent free period and have capitalised the income stream at an 8% yield. This results in a GDV of **£3,123,092** for the commercial units.

### 6.1.3. Total GDV

Based on the above, we have calculated the total GDV for the residential and commercial income to be **£87,551,085**.

## 6.2. 20% Affordable Scheme

### 6.2.1. Residential GDV

We have assumed an affordable housing mix which is compliant with Policy H8 of the Manchester Core Strategy. We have therefore made 20% (51) of the units affordable, with a tenure mix of 75% (38) of the affordable units being intermediate and 25% (13) of the affordable units being let at a social / affordable rent.

In terms of GDV, we have allowed a value of 50% of the open market value for the social rent / affordable rent and 70% of the open market value for the intermediate units. This gives an affordable GDV of £214.30 per sq ft for the social rent / affordable rent and £292.60 per sq ft for the intermediate units, we have adopted a blended value of £279.42 within our appraisal. On this basis we have assessed the GDV for the 51 affordable units to be £10,796,861.

The GDV for the remaining 205 private units is £67,671,717.

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This gives a GDV of £78,467,578 for the residential income.

### 6.2.2. Commercial GDV

As in Section 6.1.2. the total value of the commercial income is **£3,123,092**.

### 6.2.3. Total GDV

Based on the above, we have calculated the total GDV for the residential and commercial income to be **£81,590,670**.

## 6.3. Built-to-Rent Scheme

### 6.3.1. Built-to-Rent Apartments – 100% Private Rent

We have also valued the scheme based on 100% Private Rent using the following base rents per calendar month:

| Type | Style | Style   | Beds | No. | sq.ft | Rent pcm |
|------|-------|---------|------|-----|-------|----------|
| Flat | 1B2P  | Type 1  | 1    | 46  | 549   | £975     |
|      |       | Type 2  | 1    | 9   | 570   | £1,000   |
|      |       | Type 3  | 1    | 1   | 549   | £975     |
|      |       | Type 4  | 1    | 5   | 667   | £1,100   |
|      |       | Type 5  | 1    | 11  | 581   | £1,000   |
|      |       | Type 6  | 1    | 5   | 624   | £1,025   |
|      |       | Type 7  | 1    | 1   | 549   | £975     |
|      |       | Type 8  | 1    | 4   | 570   | £975     |
| Flat | 2B4P  | Type 1  | 2    | 44  | 786   | £1,350   |
|      |       | Type 2  | 2    | 19  | 753   | £1,350   |
|      |       | Type 3  | 2    | 5   | 818   | £1,400   |
|      |       | Type 4  | 2    | 9   | 818   | £1,400   |
|      |       | Type 5  | 2    | 9   | 807   | £1,400   |
|      |       | Type 6  | 2    | 9   | 883   | £1,450   |
|      |       | Type 7  | 2    | 4   | 872   | £1,450   |
|      |       | Type 8  | 2    | 39  | 829   | £1,400   |
|      |       | Type 9  | 2    | 6   | 807   | £1,350   |
|      |       | Type 10 | 2    | 3   | 829   | £1,400   |

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|           |        |        |   |   |       |        |
|-----------|--------|--------|---|---|-------|--------|
| Flat      | 3B6P   | Type 1 | 3 | 5 | 1,023 | £1,900 |
|           |        | Type 2 | 3 | 5 | 1,130 | £1,950 |
|           |        | Type 3 | 3 | 5 | 969   | £1,800 |
|           |        | Type 4 | 3 | 4 | 1,195 | £2,050 |
| Townhouse | Type 1 | Type 1 | 3 | 3 | 1,335 | £2,000 |
| Townhouse | Type 2 | Type 2 | 3 | 3 | 1,410 | £1,950 |
| Duplex    | Type 1 | Type 1 | 3 | 2 | 1,356 | £2,050 |

Figure 44: Build-to-Rent Apartments

We have undertaken a unit by unit pricing exercise for the scheme using the above rents and adopting a £20 per calendar month increase every two floors. This results in a Total Rent of £4,177,920 per annum. We have accounted for 25% operational costs on the Total Rent which results in a Net Rent of £3,134,046 per annum. We have then capitalised this rent at a yield of 4.25% which is reflective of the market. This results in an estimated GDV of £73,742,250 across the 256 dwellings, which equates to a blended average of £375 per sq ft across the Build-to-Rent apartments. This level of value is aligned with Savills' view on the forward funding market in Manchester.

### 6.3.2. Built-to-Rent Commercial

Located within the Build-to-Rent Apartment block is 12,938 sq ft of commercial space. We have valued this at £22.00 per sq ft for the ground floor units, £11.00 per sq.ft for the mezzanine and £18.00 per sq.ft for the makers units and capitalised this at a yield of 8% with a 3 month rent free assumption. This results in a capital value of £3,123,092.

### 6.3.3. Total Gross Development Value

For the 100% Private Rent scheme, this results in a Total Gross Development Value of £77,102,056.

### 6.3.4. Built-to-Rent Apartments – Policy Compliant

We have adopted a policy compliant scheme assuming 20% of the units are let at discounted rate of 80% of Market Value.

This results in a GDV of £70,650,443 (£359.27 per sq. ft.) .

Across the whole scheme, including commercial units, it results in a Total Gross Development Value of £73,773,535 for the policy compliant scheme.

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## 7. Appraisals

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# Viability Assessment

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## 7.1. Overview

In order to assess the scheme viability, we have undertaken three development appraisals using ARGUS Developer. This is based on the following simplified formula:

GROSS DEVELOPMENT VALUE less COSTS less DEVELOPER'S PROFIT = RESIDUAL LAND VALUE

The calculation comprises many variables, most of which are based on estimates of cost or value. A development appraisal is therefore sensitive to changes and inputs. A change in any of the costs and values we have adopted here is likely to affect the value of the site as a development opportunity.

## 7.2. 100% Private Appraisal Inputs

### 7.2.1. Gross Development Value

As outlined in Section 6, we have assessed the GDV of the scheme to be **£87,551,085** without any affordable housing.

Manchester Life has also been allocated Brownfield Grant Funding of which £1,592,000 has been apportioned towards the subject site. We have included the grant funding as an additional revenue in the appraisal.

### 7.2.2. Build Costs

We have had reference to the cost plan provided and produced by Turner & Townsend. The cost plan has been produced in accordance with the outline plans drawn up for the scheme by CRTKL. The total build costs equate to £63,288,656, which equates to an average of approximately £232 per sq ft across the gross internal area of 272,542 sq ft. The costs are summarised as follows:

- Construction Costs: £56,664,964 (including preliminaries, OH&P and design fees)
- Contingency: £632,887
- Abnormals: £6,623,691

We are content that the above costs represent a realistic assumption for a development such as this.

### 7.2.3. Fees & Finance

We have also made the following allowances within our appraisal:

- A finance rate of 7% for the sales appraisal (normal market assumption) and 4.25% for the rental appraisal (aligned with the yield as is normal investment practice) - this allows for the cost of borrowing and opportunity cost of capital;
- Professional Fees of 6%;
- Letting Agent Fees of 10% for the commercial elements on the scheme;
- Letting Legal Fees of 5% for the commercial elements on the scheme;
- Sales Agent Fees of 1%;
- Legal Fees of 0.5%.

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## 7.2.4. Timescales

We have allowed for phased construction over 27 months. For the private sales appraisals, we have included 21 months for sales which is based on 50% being pre-sold prior to completion and the remaining selling at a rate of 6 per month. For the Build-to-Rent appraisals we have included no sales period on the assumption that the units are rented and held as an investment by Manchester Life, we have included a 6 month letting period reflecting current market absorption.

## 7.2.5. Profit

From our knowledge and experience of the development land market, it is usual for residential developers in the North West region to seek a minimum profit margin of 20% of revenue on residential developments. Additionally, 20% on GDV is typically required to secure development funding in the current market. This is also stated in the Viability Guidance as a suitable level of return:

*'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies.'*

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

A profit margin reflects site specific development issues, sales risk as well as wider macro-economic / political risks.

In terms of site specific risks, the site is located in Manchester city centre where there is wide range of national / regional house builder activity.

There are also high levels of inflation that are being seen in the build cost market at the moment due to the shortage of materials and skilled labour, this increases construction risk for the developer. Interest rates have also increased over the past 12 months in reaction to the mini budget in October 2022 as well as an attempt to curb inflation rates.

In terms of macro-economic / political risks, there is uncertainty in the markets as a result of the UK withdrawal from the EU, with concerns over slowed market activity going forward.

At the subject site, for the 100% sales scheme, we have adopted a profit margin of 15% on GDV. We have reduced this to 10% profit on cost for the BTR scheme to reflect the reduced risk. Commercial investors usually require developers to make between 10 and 15% profit on cost for a BTR scheme so this assumption is the lower end of the acceptable range.

## 7.2.6. Appraisal Summary – 100% Private Scheme (No Affordable Housing or S106)

We have appraised the site using ARGUS Developer Software, assuming no affordable housing provision or Section 106 contributions.

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Based on the GDV and costs, the appraisal results in a **negative** residual land value of **-£306,086**, which is below the Benchmark Land Value of £1,848,000. This would deem the scheme to be unviable. This is a common scenario at present and Manchester Life take a long term approach to investment in Ancoats and will explore a number of approaches to improve the viability position once planning approval is secured.

A copy of the appraisal summary is attached at **Appendix 5**.

## 7.3. Private Sales Scheme - 20% Affordable Housing

In line with the maximum policy requirement, we have undertaken a second appraisal that accounts for 20% affordable housing across the scheme.

### 7.3.1. Gross Development Value

As outlined in Section 6.2, we have assessed the GDV of this scheme to be **£81,590,670**.

We have also included the grant funding of £1,592,000.

### 7.3.2. Build Costs

We have adopted the same build costs as outlined in Section 7.2.2. of the report.

### 7.3.3. Fees & Finance

We have adopted the same assumptions within Section 7.2.3. of the report.

### 7.3.4. Timescales

We have adopted the same timescales as outlined in Section 7.3.4. of the report.

### 7.3.5. Profit

We have calculated the blended profit for the OMS units based on 15% on GDV for the private dwellings and 5% on GDV for the affordable dwellings. This equates to a blended profit of 13.6% on GDV for the OMS units.

### 7.3.6. Appraisal Summary – 20% Affordable Housing

We have appraised the site using ARGUS Developer Software, assuming a provision of 20% affordable housing in line with the maximum policy requirement.

Based on the GDV and costs the appraisal results in a residual land value of **-£4,402,639**, which is unviable.

A copy of the appraisal summary is attached at **Appendix 6**.

# Viability Assessment

Phoenix Ironworks, Ancoats, Manchester

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## 7.4. Private Rented Scheme – 100% Open Market Rent

### 7.4.1. Gross Development Value

As outlined in Section 6.2, we have assessed the GDV of this scheme to be **£73,742,250**.

We have also included Grant funding of £1,592,000.

### 7.4.2. Build Costs

We have adopted the same build costs as outlined in Section 7.2.2. of the report.

### 7.4.3. Fees & Finance

We have adopted the same assumptions within Section 7.2.3. of the report.

### 7.4.4. Timescales

We have adopted the same timescales as outlined in Section 7.3.4. of the report.

### 7.4.5. Profit

For the rental scheme, given that the assumption is that this will be a de-risked forward funding Build To Rent development we have agreed with the applicant that a profit margin of 10% on cost is appropriate for the viability assessment. This profit margin is in-line with standard assumptions for pre-let developments.

### 7.4.6. Appraisal Summary – 100% Private Rent

We have appraised the site using ARGUS Developer Software, assuming no affordable housing provision or Section 106 contributions.

Based on the GDV and costs, the appraisal results in a negative residual land value of **-£1,772,408**, which is unviable.

A copy of the appraisal summary is attached at **Appendix 7**.

## 7.5. Private Rented Scheme - 20% Affordable Rent

### 7.5.1. Gross Development Value

As outlined in Section 6.2, we have assessed the total GDV of this scheme to be **£73,773,535**.

We have also included grant funding of £1,592,000.

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## 7.5.2. Build Costs

We have adopted the same build costs as outlined in Section 7.2.2. of the report.

## 7.5.3. Fees & Finance

We have adopted the same assumptions within Section 7.2.3. of the report.

## 7.5.4. Timescales

We have adopted the same timescales as outlined in Section 7.3.4. of the report.

## 7.5.5. Profit

For the rental scheme, given that the assumption is that this will be a de-risked forward funding Build To Rent development we have agreed with the applicant that a profit margin of 10% on cost is appropriate for the viability assessment. This profit margin is in-line with standard assumptions for pre-let developments.

## 7.5.6. Appraisal Summary – 20% Affordable Rent

We have appraised the site using ARGUS Developer Software, assuming a provision of 20% affordable housing in line with the maximum policy requirement.

Based on the GDV and costs, the appraisal results in a negative residual land value of **-£4,452,868**, which is unviable.

A copy of the appraisal summary is attached at **Appendix 8**.

## **7.6. Residual Appraisal Summaries**

We summarise the three residual appraisals below:

| Appraisal                      | Residual Land Value |
|--------------------------------|---------------------|
| 1 – 100% Private Sales Scheme  | -£306,086           |
| 2 – 20% Affordable Housing     | -£4,402,639         |
| 3 – 100% Private Rent Scheme   | -£1,772,408         |
| 4 – 20% Affordable Rent Scheme | -£4,452,868         |

Figure 45: Appraisal Summaries

The four residual appraisals demonstrate that none of the options are viable as they all fall below the Benchmark Land Value. However the applicant is committed to the delivery of housing as part of the wider regeneration of Ancoats.

## Viability Assessment

Phoenix Ironworks, Ancoats, Manchester



### 7.7. Sensitivity Analysis

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

We have kept all other inputs constant for private schemes and have varied the construction rate per sq ft and sales rate per sq ft in increments and decrements of £5 sq. ft.. For the rents we have applied a 5% incremental increase and decrease. This produces a range of residual land values from a negative land value of circa **-£3.7m** to a positive land value of circa £3.0m for the private sales scheme and a range of residual land values from a negative land value of circa **-£10.0m** to a positive land value of circa £6.4m for the private rental scheme.

| Construction Rate /m² |              |              |              |            |            |
|-----------------------|--------------|--------------|--------------|------------|------------|
| Sales Rate /m²        | -10.00 /m²   | -5.00 /m²    | 0.00 /m²     | +5.00 /m²  | +10.00 /m² |
|                       | 278.16 /m²   | 283.16 /m²   | 288.16 /m²   | 293.16 /m² | 298.16 /m² |
| -10.00 /m²            | (£292,889)   | £695,876     | £1,698,140   | £2,703,810 | £3,711,693 |
| -419.34 /m²           | (£292,889)   | £695,878     | £1,698,140   | £2,703,810 | £3,711,693 |
| -5.00 /m²             | (£572,918)   | £6,352       | £1,000,349   | £2,002,673 | £3,009,879 |
| -424.34 /m²           | (£572,918)   | £6,352       | £1,000,349   | £2,002,673 | £3,009,879 |
| 0.00 /m²              | (£1,651,799) | (£676,988)   | £306,086     | £1,304,882 | £2,308,064 |
| -429.34 /m²           | (£1,651,799) | (£676,988)   | £306,086     | £1,304,882 | £2,308,064 |
| +5.00 /m²             | (£1,329,680) | (£1,355,814) | (£379,296)   | £607,886   | £1,609,415 |
| -434.34 /m²           | (£1,329,680) | (£1,355,814) | (£379,296)   | £607,886   | £1,609,415 |
| +10.00 /m²            | (£3,007,562) | (£2,033,696) | (£1,059,829) | (£80,624)  | £911,624   |
| -439.34 /m²           | (£3,007,562) | (£2,033,696) | (£1,059,829) | (£80,624)  | £911,624   |

Figure 46: Sensitivity Analysis – 100% Private Sales

| Construction Rate /m² |              |              |              |              |              |
|-----------------------|--------------|--------------|--------------|--------------|--------------|
| Rent Rate /m²         | -10.00 /m²   | -5.00 /m²    | 0.00 /m²     | +5.00 /m²    | +10.00 /m²   |
|                       | 278.16 /m²   | 283.16 /m²   | 288.16 /m²   | 293.16 /m²   | 298.16 /m²   |
| -10.000%              | £5,947,261   | £6,973,012   | £8,002,143   | £9,033,167   | £10,066,734  |
|                       | £5,947,261   | £6,973,012   | £8,002,143   | £9,033,167   | £10,066,734  |
| -5.000%               | £2,840,025   | £3,858,766   | £4,877,488   | £5,896,128   | £6,923,485   |
|                       | £2,840,025   | £3,858,766   | £4,877,488   | £5,896,128   | £6,923,485   |
| 0.000%                | £268,077     | £763,670     | £1,772,408   | £2,791,138   | £3,809,869   |
|                       | (£268,077)   | £763,670     | £1,772,408   | £2,791,138   | £3,809,869   |
| +5.000%               | (£3,308,485) | (£2,331,093) | (£1,322,744) | (£311,599)   | £704,767     |
|                       | (£3,308,485) | (£2,331,093) | (£1,322,744) | (£311,599)   | £704,767     |
| +10.000%              | (£5,409,018) | (£5,401,622) | (£4,394,214) | (£3,386,827) | (£2,378,485) |
|                       | (£5,409,018) | (£5,401,622) | (£4,394,214) | (£3,386,827) | (£2,378,485) |

Figure 47: Sensitivity Analysis - 100% Private Rents

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## 8. Conclusions

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# Viability Assessment

Phoenix Ironworks, Ancoats, Manchester

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## 8.1. Overview

This report has been prepared in accordance with the instructions received from Manchester Life in respect of the site known as Phoenix Ironworks, Ancoats, Manchester. We were instructed to undertake an assessment of site viability based on the proposed residential scheme. The development comprises 256 apartments over a variety of heights from 5 to 10 storeys with additional commercial accommodation at ground floor level.

We have calculated the EUV of the site to be £1,540,000, which has been calculated on the basis of the current use of the site with industrial units and yard area. The updated PPG guidance states that the land value should reflect the “minimum return at which a reasonable landowner would be willing to sell their land”. For this assessment, we used the EUV+ method. A 20% premium equates to £308,000 and therefore results in a BLV of £1,848,000 reflecting approximately £7,218 per plot. We consider this to be reasonable and in line with other viability assessments that we have undertaken and which we have reviewed.

We undertook a number of appraisals for the scheme for both policy compliant and non-policy compliant schemes of sales and rents to establish if the development can afford any affordable housing or s.106 contributions

Both of the policy compliant appraisals produced significantly high negative residual values and are therefore unviable. The 100% private sales scheme also produced a negative residual value of - £306,086, say -£300,000. The 100% private rent scheme was similar in that it produced a negative residual value of -£1,772,408, say -£1,775,000. These schemes are both in effect unviable as they do not deliver the benchmark land value as set out above.

Whilst both of these appraisals show a negative land value meaning that the schemes are not viable, Manchester Life take a long-term approach to investment and regeneration in Ancoats and they remain committed to redeveloping the site. In order to take the scheme forward, it will need to be viable for either a rent or sales scheme. Manchester Life will explore a number of approaches to improve the viability position once planning approval is secured.

In the current market with high build cost inflation and interest rates, we feel that the best approach for this site would be to undertake a review of the scheme's viability on completion of the scheme when values and cost are known to establish if the actual costs and values would allow for any form of financial contribution.

The scheme plays an important role in the regeneration of the back of Ancoats and Manchester Life are committed to its delivery.

# Viability Assessment

Phoenix Ironworks, Ancoats, Manchester

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## Appendices

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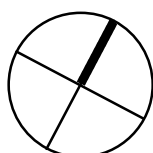
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## Appendix 1 – Site

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RED LINE BOUNDARY PLAN

SCALE: 1:200



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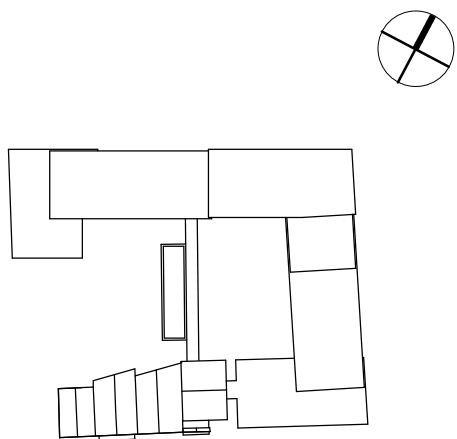
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--- PLANNING  
BOUNDARY LINE  
--- OWNERSHIP LINE

| REV | DATE     | DESCRIPTION                    | DRN | CHK |
|-----|----------|--------------------------------|-----|-----|
| P2  | 23/02/23 | Stage 3 Revision               | JO  | MP  |
| P1  | 14/09/22 | Issued for Stage 2 Information | ER  | MP  |

KEY PLAN



PROJECT

Phoenix Ironworks

Jersey Street,  
Ancotts

CLIENT

MLDC3 Ltd.  
Unit 5,  
Royal Mill,  
17 Redhill Street,  
M4 5BA



ARCHITECT

CALLISONRTKL™

CallisonRTKL Ltd.  
Suite 12A  
Manchester One  
Portland Street  
Manchester  
M1 3LF

SHEET IDENTIFICATION

TITLE

BOUNDARY PLAN

STATUS

STAGE 3

|                  |            |             |              |
|------------------|------------|-------------|--------------|
| PROJECT NUMBER   | 058-210006 | SCALE @ A1: | As indicated |
| SUITABILITY CODE | S3         | DATE DRAWN: | 04/12/22     |
| REVISION         | P2         | DRAWN BY:   | JO           |
|                  |            | CHECKED BY: | MP           |

| PROJECT                       | ORIGIN | ZONE | LEVEL | TYPE | ROLE | NUMBER |
|-------------------------------|--------|------|-------|------|------|--------|
| PIW - CRL - ZZ - ZZ - DR - AR |        |      |       |      |      | 1005   |

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## Appendix 2 – Accommodation Schedule

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**Residential**

| Type      | Style        | Style   | Beds | No. | sq.m | sq.ft | Total sq.ft. |         |
|-----------|--------------|---------|------|-----|------|-------|--------------|---------|
| Flat      | 1B2P Type 1  | Type 1  |      | 1   | 46   | 51.0  | 549          | 25,252  |
| Flat      | 1B2P Type 2  | Type 2  |      | 1   | 9    | 53.0  | 570          | 5,134   |
| Flat      | 1B2P Type 3  | Type 3  |      | 1   | 1    | 51.0  | 549          | 549     |
| Flat      | 1B2P Type 4  | Type 4  |      | 1   | 5    | 62.0  | 667          | 3,337   |
| Flat      | 1B2P Type 5  | Type 5  |      | 1   | 11   | 54.0  | 581          | 6,394   |
| Flat      | 1B2P Type 6  | Type 6  |      | 1   | 5    | 58.0  | 624          | 3,122   |
| Flat      | 1B2P Type 7  | Type 7  |      | 1   | 1    | 51.0  | 549          | 549     |
| Flat      | 1B2P Type 8  | Type 8  |      | 1   | 4    | 53.0  | 570          | 2,282   |
| Flat      | 2B4P Type 1  | Type 1  |      | 2   | 44   | 73.0  | 786          | 34,574  |
| Flat      | 2B4P Type 2  | Type 2  |      | 2   | 19   | 70.0  | 753          | 14,316  |
| Flat      | 2B4P Type 3  | Type 3  |      | 2   | 5    | 76.0  | 818          | 4,090   |
| Flat      | 2B4P Type 4  | Type 4  |      | 2   | 9    | 76.0  | 818          | 7,363   |
| Flat      | 2B4P Type 5  | Type 5  |      | 2   | 9    | 75.0  | 807          | 7,266   |
| Flat      | 2B4P Type 6  | Type 6  |      | 2   | 9    | 82.0  | 883          | 7,944   |
| Flat      | 2B4P Type 7  | Type 7  |      | 2   | 4    | 81.0  | 872          | 3,488   |
| Flat      | 2B4P Type 8  | Type 8  |      | 2   | 39   | 77.0  | 829          | 32,324  |
| Flat      | 2B4P Type 9  | Type 9  |      | 2   | 6    | 75.0  | 807          | 4,844   |
| Flat      | 2B4P Type 10 | Type 10 |      | 2   | 3    | 77.0  | 829          | 2,486   |
| Flat      | 3B6P Type 1  | Type 1  |      | 3   | 5    | 95.0  | 1,023        | 5,113   |
| Flat      | 3B6P Type 2  | Type 2  |      | 3   | 5    | 105.0 | 1,130        | 5,651   |
| Flat      | 3B6P Type 3  | Type 3  |      | 3   | 5    | 90.0  | 969          | 4,844   |
| Flat      | 3B6P Type 4  | Type 4  |      | 3   | 4    | 111.0 | 1,195        | 4,779   |
|           |              |         |      | 248 |      |       |              | 185,699 |
| Townhouse | Type 1       | Type 1  |      | 3   | 3    | 124.0 | 1,335        | 4,004   |
| Townhouse | Type 2       | Type 2  |      | 3   | 3    | 131.0 | 1,410        | 4,230   |
| Duplex    | Type 1       | Type 1  |      | 3   | 2    | 126.0 | 1,356        | 2,713   |
|           |              |         |      | 8   |      |       |              | 10,947  |

**Commercial**

| <b>Unit</b>      | <b>No.</b> | <b>sq.m</b> | <b>sq.ft</b> | <b>Total sq.ft.</b> |
|------------------|------------|-------------|--------------|---------------------|
| Commercial 01    | 1          | 120.0       | 1,292        | 1,292               |
| Commercial 03    | 1          | 384.0       | 4,133        | 4,133               |
| Business 01      | 1          | 54.0        | 581          | 581                 |
| Business 01 Mezz | 1          | 56.0        | 603          | 603                 |
| Business 02      | 1          | 163.0       | 1,755        | 1,755               |
| Business 02 Mezz | 1          | 147.0       | 1,582        | 1,582               |
| Makers Shop      | 1          | 141.0       | 1,518        | 1,518               |
| Makers Space 1   | 2          | 21.0        | 226          | 452                 |
| Makers Space 2   | 5          | 15.0        | 161          | 807                 |
| Makers Space 3   | 1          | 20.0        | 215          | 215                 |
|                  |            |             |              | <b>12,938</b>       |

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## Appendix 3 – Savills UK Housing Market Update

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# UK Housing Market Update

## A renewal of challenges in the mortgage markets puts greater pressure on prices and activity

House prices fell by -0.1% in May, now down -3.4% on an annual basis according to Nationwide. While the rate of falls has been softening in recent months, the recent spike in mortgage rates will continue to put downward pressure on pricing and activity.

New mortgage approvals fell in April, interrupting the general upward trend in activity since December. The number of approvals in April fell to 71% of the 2017-19 average for April, according to the Bank of England (BoE). It remains to be seen if the recent rate rises in May will have a further impact on the number of new approvals.

The number of completed transactions also fell in April, down to 77% of the 2017-19 average according to HMRC. This reflects the drop in mortgage approvals over the winter, which are now feeding their way into completions figures. We may well see another drop in completions later in the year from the recent drop in mortgage approvals.

Alongside this, there is a steadily widening gap between supply and demand. There had been an increase in surveyors reporting lower demand while the number reporting increased supply remained the same, according to the RICS April survey. Both indicators remain in

negative territory however. This imbalance will also act to suppress price growth.

A gradual rise in mortgage rates starting in April has been the driver for a fall in activity, and will put continued downward pressure on prices. Inflation isn't falling as quickly as anticipated, and the BoE will be under greater pressure to raise the base rate as a result. While lenders had priced in some rises to the base rate, the market reaction to the inflation data released on the 24<sup>th</sup> of May suggests that tolerance has been exceeded. Rates have therefore reversed their downward trend.

This has also caused lenders to pull some mortgage products in order to reprice them. The number of first time buyer products available at the start of June was 4.4% lower than a week earlier. While this is a sign of caution from lenders, it's a far cry from the -50% fall in products the week after the mini-budget last September.

Annual house price growth in February was strongest in Bromsgrove in Worcestershire, up 14.9%. Rochdale had the second strongest growth, at 13.7%. Aberdeen was the only place seeing annual price falls, of -2.3%, with Westminster having the lowest growth at 0.1%.

Figure 1 House price growth to Feb-23 since 07/08 peak

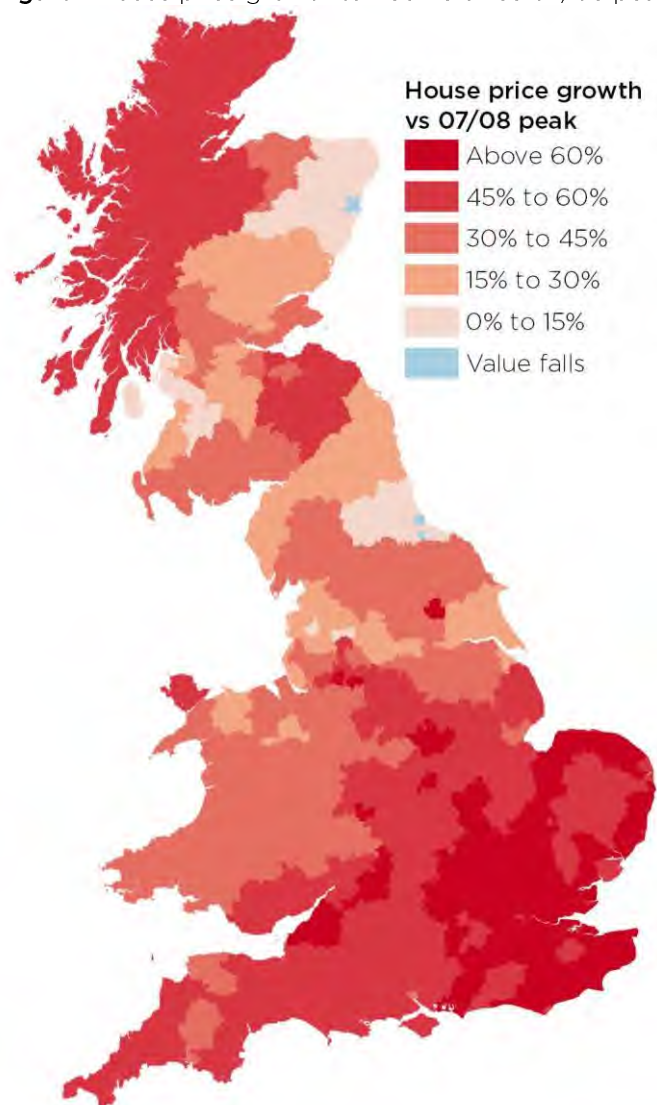


Figure 2 Annual house price growth to Feb-23

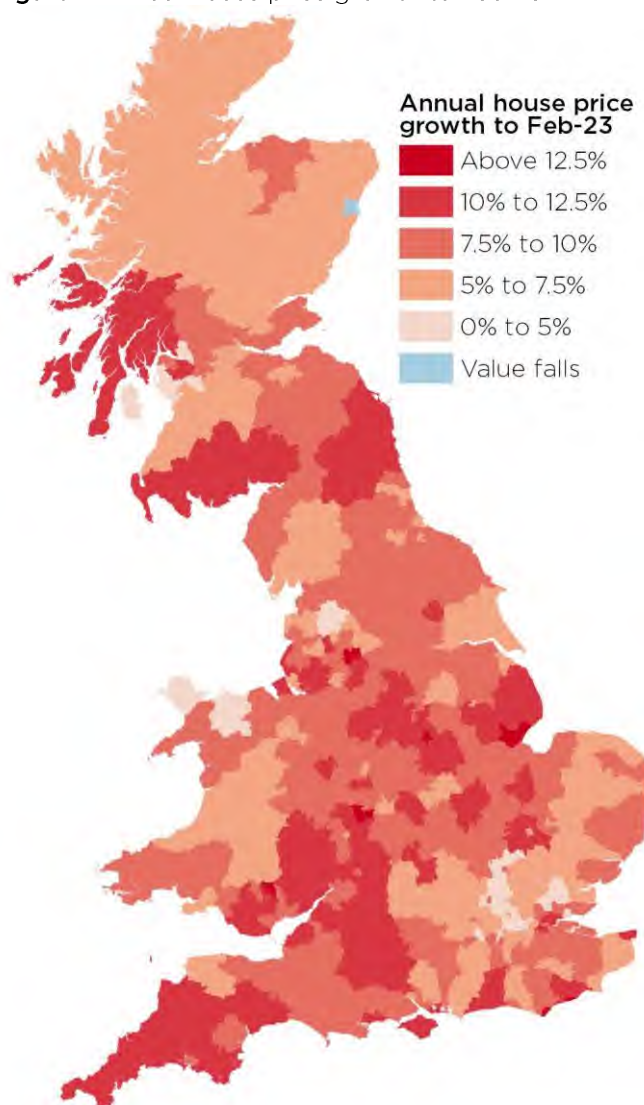


**Figure 3** New buyer demand negative for twelfth consecutive month

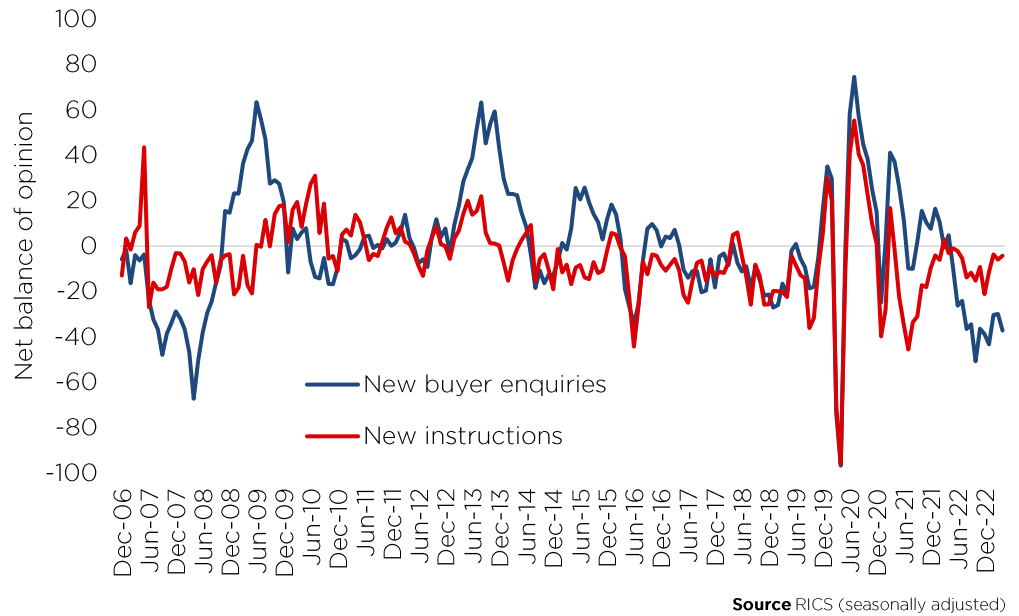


**Figure 4** Rate of house price falls slowed as sentiment improved

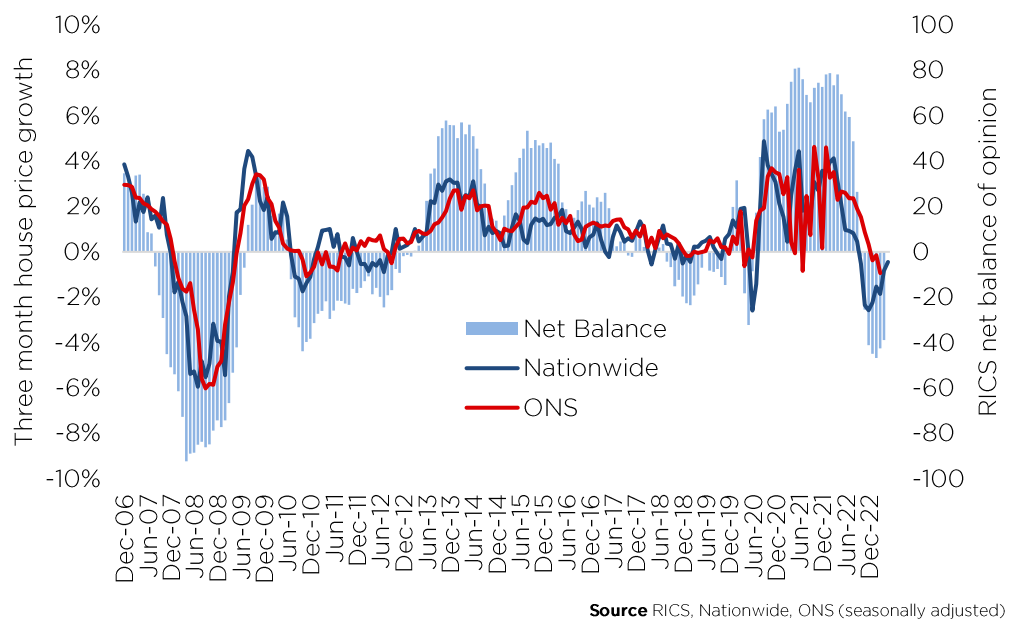
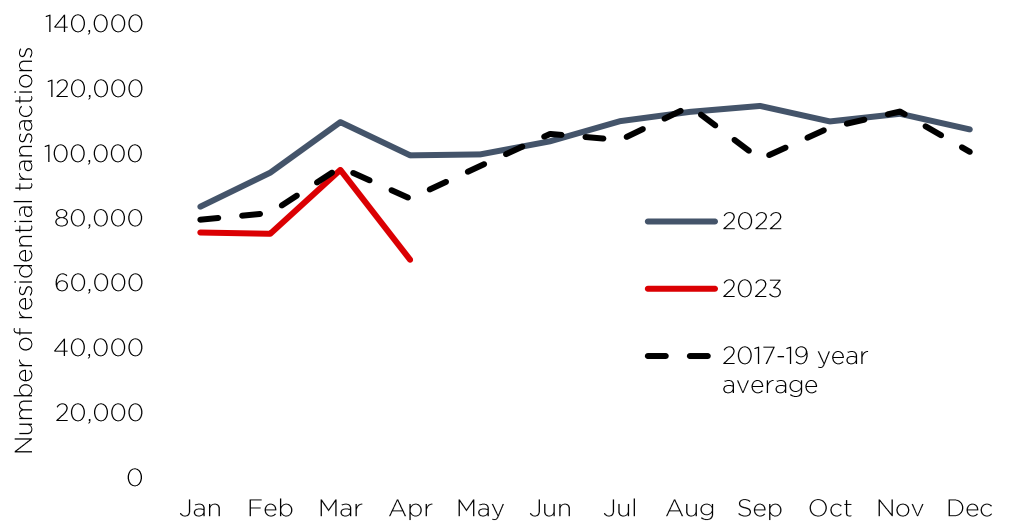


**Figure 5** Number of transactions in April below pre-Covid levels



Annual rental growth across the UK remained high at 10.4% in April, slowing by just -0.1% month-on-month. The South West and the East of England saw the biggest increases in monthly rental growth, while Scotland has seen monthly growth slow to 0.7% down from 1.2% in March, according to Zoopla. Richmondshire was the only local authority to have annual rental falls, at -4.5% to February.

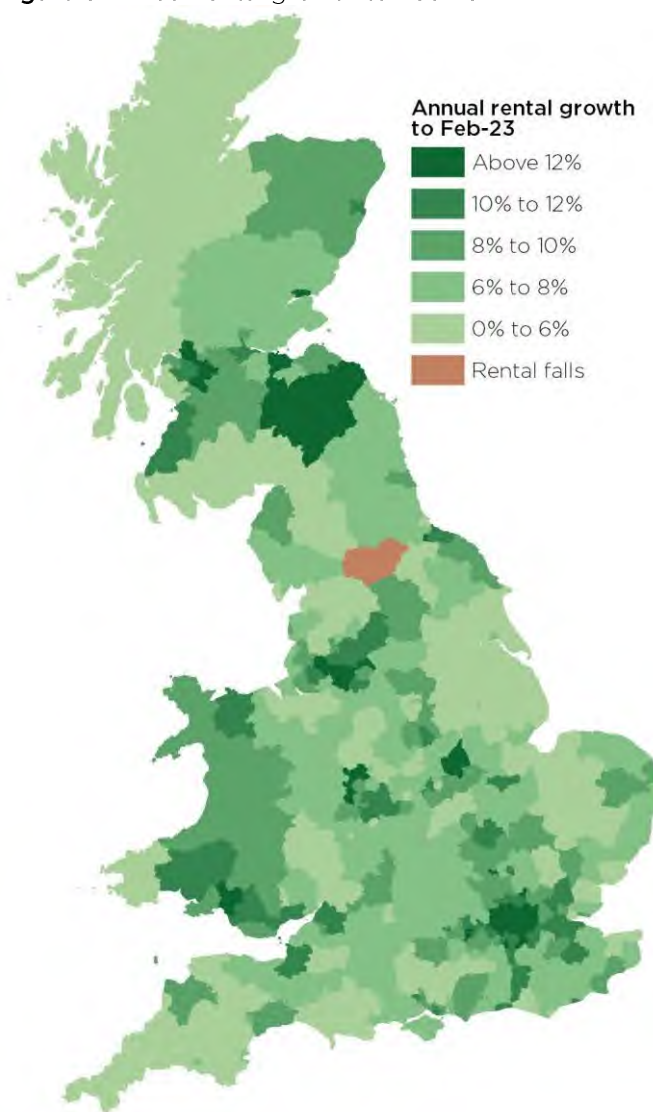
London remained the region with the greatest annual rental growth at 13.5% in April. However, when compared to the start of the pandemic in March 2020, London's growth still lags behind the UK average of 21.9%. In this time period, Wales has seen the greatest growth of 27.5% followed by the North West at 25.5%.

**Table 1** Regional rental growth to Apr-23

|                 | m/m  | q/q  | y/y   |
|-----------------|------|------|-------|
| UK              | 0.6% | 1.7% | 10.4% |
| London          | 0.5% | 1.4% | 13.5% |
| South East      | 0.7% | 1.8% | 8.8%  |
| East of England | 0.9% | 2.3% | 9.1%  |
| South West      | 0.7% | 1.4% | 7.1%  |
| East Midlands   | 0.6% | 2.3% | 8.9%  |
| West Midlands   | 0.4% | 1.7% | 9.3%  |
| North East      | 0.0% | 1.2% | 8.0%  |
| Yorks & Humber  | 0.2% | 1.2% | 8.0%  |
| North West      | 0.7% | 2.2% | 10.5% |
| Wales           | 0.8% | 2.4% | 9.6%  |
| Scotland        | 0.7% | 2.9% | 13.1% |

Source Zoopla Rental Index powered by Hometrack

**Figure 6** Annual rental growth to Feb-23

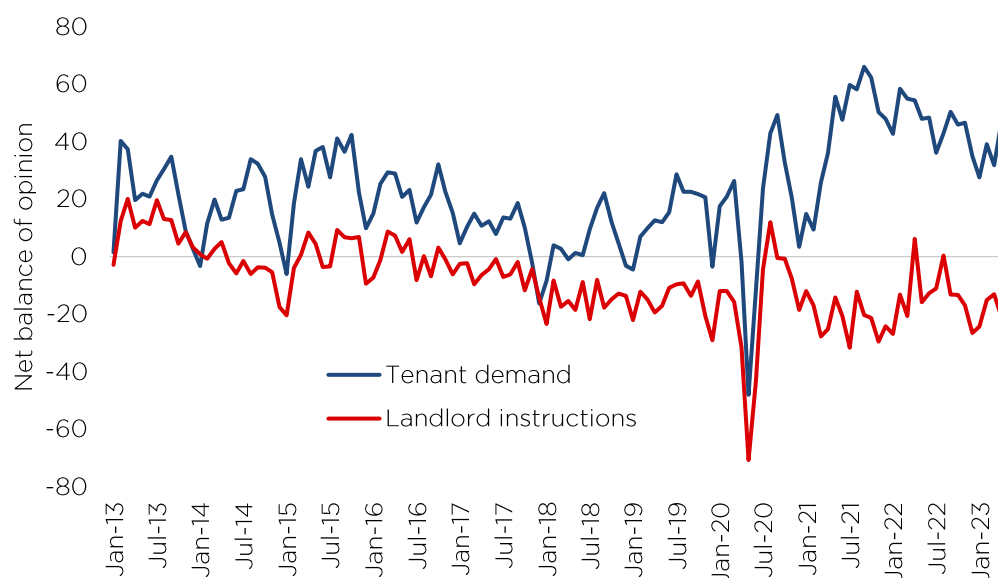


Source Zoopla Rental Index powered by Hometrack

**Figure 7** Gap between tenant demand and landlord instructions widened

The RICS survey for the lettings market showed the continued mismatch between rental supply and demand that has underpinned rental growth across the UK over the last two years.

Tenant demand increased in April as new supply decreased, widening the gap between them and putting further upward pressure on rents.



Source RICS

**Table 2** Rental forecasts (published November 2022)

| Region | 2023 | 2024 | 2025 | 2026 | 2027 | 5 years to 2027 |
|--------|------|------|------|------|------|-----------------|
| UK     | 6.5% | 4.0% | 2.0% | 2.4% | 2.3% | 18.3%           |
| London | 5.5% | 5.0% | 2.0% | 2.4% | 2.3% | 18.4%           |

**Table 3** Recent house price growth

|                           | Nationwide<br>(Regions to Q1 2023,<br>UK to May 2023) |       |       | ONS<br>(to March 2023) |       |      | Savills<br>(to February 2023) |       |       |
|---------------------------|-------------------------------------------------------|-------|-------|------------------------|-------|------|-------------------------------|-------|-------|
|                           | m/m                                                   | q/q   | y/y   | m/m                    | q/q   | y/y  | m/m                           | q/q   | y/y   |
| <b>UK</b>                 | -0.1%                                                 | -0.4% | -3.5% | -0.9%                  | -1.0% | 3.9% | -0.2%                         | 0.4%  | 8.4%  |
| <b>London</b>             | -                                                     | -2.2% | -1.3% | -0.8%                  | -2.1% | 1.4% | -0.5%                         | -0.3% | 4.8%  |
| <b>South East</b>         | -                                                     | -2.2% | -1.5% | -0.2%                  | -1.2% | 4.6% | -0.2%                         | 0.5%  | 8.2%  |
| <b>East of England</b>    | -                                                     | -3.3% | -1.8% | -1.5%                  | -1.4% | 3.8% | -0.3%                         | 0.2%  | 7.6%  |
| <b>South West</b>         | -                                                     | 0.3%  | 0.6%  | -0.2%                  | -0.3% | 5.4% | -0.3%                         | 0.6%  | 10.3% |
| <b>East Midlands</b>      | -                                                     | -0.9% | 0.5%  | -1.1%                  | -1.6% | 4.9% | -0.2%                         | 0.7%  | 9.9%  |
| <b>West Midlands</b>      | -                                                     | -0.9% | 1.5%  | -3.7%                  | -2.9% | 3.3% | 0.1%                          | 1.1%  | 9.6%  |
| <b>North East</b>         | -                                                     | -2.2% | -0.3% | -1.9%                  | -1.4% | 3.9% | -0.1%                         | 1.0%  | 8.6%  |
| <b>Yorks &amp; Humber</b> | -                                                     | -1.5% | -1.4% | -1.8%                  | -2.2% | 4.0% | -0.1%                         | 0.5%  | 8.2%  |
| <b>North West</b>         | -                                                     | -2.3% | -0.3% | -1.0%                  | -2.1% | 5.2% | 0.1%                          | 0.8%  | 9.2%  |
| <b>Wales</b>              | -                                                     | -1.7% | -0.6% | -0.8%                  | -1.9% | 4.6% | -0.4%                         | 0.2%  | 8.9%  |
| <b>Scotland</b>           | -                                                     | -2.3% | -3.1% | -0.1%                  | 0.2%  | 3.0% | -0.4%                         | -0.6% | 7.5%  |

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)\*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

**Table 4** House price forecasts (published November 2022)

| Region                    | 2023   | 2024  | 2025 | 2026 | 2027 | 5 years to 2027 |
|---------------------------|--------|-------|------|------|------|-----------------|
| <b>UK</b>                 | -10.0% | 1.0%  | 3.5% | 7.0% | 5.5% | <b>6.2%</b>     |
| <b>London</b>             | -12.5% | -1.0% | 2.0% | 6.0% | 5.0% | <b>-1.7%</b>    |
| <b>South East</b>         | -11.0% | 0.0%  | 3.0% | 6.5% | 5.5% | <b>3.0%</b>     |
| <b>East of England</b>    | -11.0% | 0.0%  | 3.0% | 6.5% | 5.5% | <b>3.0%</b>     |
| <b>South West</b>         | -10.0% | 1.0%  | 3.5% | 7.0% | 5.5% | <b>6.2%</b>     |
| <b>East Midlands</b>      | -9.0%  | 1.5%  | 4.0% | 7.5% | 5.5% | <b>8.9%</b>     |
| <b>West Midlands</b>      | -9.0%  | 1.5%  | 4.0% | 7.5% | 5.5% | <b>8.9%</b>     |
| <b>North East</b>         | -8.5%  | 2.5%  | 4.5% | 7.5% | 6.0% | <b>11.7%</b>    |
| <b>Yorks &amp; Humber</b> | -8.5%  | 2.5%  | 4.5% | 7.5% | 6.0% | <b>11.7%</b>    |
| <b>North West</b>         | -8.5%  | 2.5%  | 4.5% | 7.5% | 6.0% | <b>11.7%</b>    |
| <b>Wales</b>              | -8.5%  | 2.0%  | 4.5% | 7.5% | 6.0% | <b>11.1%</b>    |
| <b>Scotland</b>           | -9.0%  | 2.0%  | 4.0% | 7.5% | 5.5% | <b>9.5%</b>     |

Source Savills

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\*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

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### Appendix 4 – Savills UK Build to Rent Update

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# UK Build to Rent Market Update



**The first quarter** of 2023 saw £820m transacted in UK Build to Rent. Whilst this is the lowest Q1 since 2018, it is only c£240m less than Germany, the largest investment market in Europe and Single Family Housing (SFH) has enjoyed a record quarter.

The completion of Project Domus and Great Charles Street will prove pivotal in driving market liquidity in the SFH and MF sectors, respectively, with each deal supplying further transactional evidence to help investors understand where pricing sits.

Completed deals and the latest market activity in both the SFH and MF spaces support that yields have moved c25bps since their peak in Q2 2022. The supporting tailwinds in BtR have sustained interest from new and existing investors and ensured competition on actively marketed opportunities.

From a development perspective, the number of homes under construction has grown by nearly a third in the past 24 months and construction now spans 25% of local authorities.

BtR has become a key part of addressing housing need in the UK and is taking an increasing share of construction starts.



**Guy Whittaker**

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## Fresh transactional evidence is helping to drive market liquidity

In Q1 2023, 12 deals transacted, with just under two thirds coming through development-based activity. Most had been in progress since Q2/Q3 2022 given the time taken to execute development deals. Several of the operational assets that traded were the first to be openly marketed in the wake of the mini-budget and ensuing market uncertainty.

Across development and operational deals, we have generally seen pricing maintained between offer acceptance and completion. This is despite challenges in the development and debt markets, as rental growth has offset a softening in yields.

The slower than normal start to the year is also a result of fewer opportunities marketed in Q4 – particularly on the development side.

## Record level of investment into SFH despite concerns around pricing

Q1 was a record quarter for SFH- c£500m was invested. The scale of investment, alongside strong operational performance, is stabilising yield sentiment and supporting liquidity.

Goldman Sachs' sale of 918 SFH homes in the North West to PGIM (Project Domus) will help unlock further investment. The sale attracted a high level of interest from a varied pool of investors. This illustrates belief in the long-term structural tailwinds of this emerging sector particularly as bids were received in the highly uncertain aftermath of the Truss-Kwarteng "Mini-Budget".

Our recent European Investor survey showed that 'Pricing and Return' profile is the number one obstacle for Living sector investment. Project Domus has supplied the market with much-needed transactional evidence which will help investors to understand current pricing and returns, helping to drive liquidity.

## Savills European Investor Survey

In Q1 2023, Savills Research and Savills Investment Management surveyed 68 investors to gauge market sentiment. The greatest cited obstacles (major barrier) for investment were:



Pricing and return profile



Access to stock / scalability



Regulatory Risks

## Vast number of opportunities in the market for active investors

Whilst 'Access To Stock' is a concern for investors, there are a significant number of opportunities being marketed. For example, in Q1 2023, Savills marketed £1.5bn worth of assets. Latest investor interest includes a number of new entrants to the UK market and a return to the market from longer term supporters of UK BtR – some of whom paused strategies towards the end of last year. The record level of investment in 2021/22 mean there is a healthy construction pipeline (49,500 homes) with investors working hard to progress schemes.

Given challenges facing the private for sale market, we are likely to see an increase in the number of 'forward funding and forward commitment' opportunities. In 2022, 30% of investors were new entrants, showing faith in UK market fundamentals.

## Investors are well placed to navigate UK rental market reform

The third greatest obstacle revealed by our investor survey is 'Regulatory Risks'. Speculation continues as to whether the UK rental market is likely to see rental market reform, but Scottish attempts at a 'rent freeze' have had unintended consequences on housing delivery and rental growth on new lettings. Either way, we expect professional landlords will be able to operate successfully in this new environment. For example, the biggest players in the sector already increase rents in line with inflation (rebased new lets to market) and offer rolling tenancies.

**Table 1** Key Build to Rent deals completing in Q1 2023

| Scheme           | Location    | Purchaser             | Type         | SFH/MF |
|------------------|-------------|-----------------------|--------------|--------|
| Great Charles St | Birmingham  | Moda Living           | Development  | MF     |
| Latitude Blue    | Leeds       | Realstar Group        | Forward Fund | MF     |
| Grafton Way      | Ipswich     | Packaged Living/Aviva | Forward Fund | SFH    |
| Project Domus    | North West  | PGIM                  | Operational  | SFH    |
| Bow Square       | Southampton | CompassRock           | Operational  | MF     |

## UK Build to Rent Investment

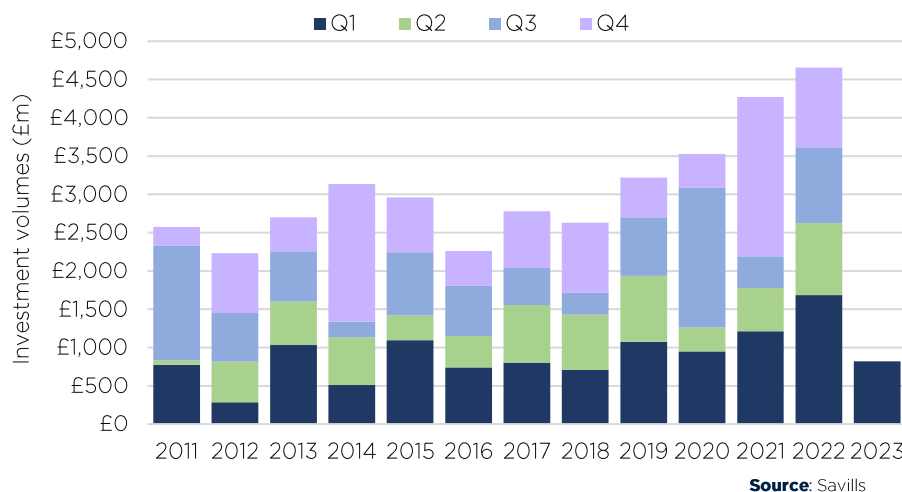
The first quarter of 2023 saw 12 deals transacting, totalling over 3,500 homes.

This was a combined £820m with just under two thirds coming through development based activity. The total is the lowest Q1 since 2018 and is likely reflective of market sentiment around the “Mini Budget”, given the time it takes for development based deals to run to completion.

More than a third (36%) of investment were to fund operational deals, up from 21% in 2022 and broadly in line with 2020 and 2021. The total has been boosted by the strong performance from Single Family Rental deals in Q1.

SFH deals made up 60% of total investment in Q1 2023, the highest proportion on record.

**Figure 1** – £820 million invested in Q1 2023, the lowest Q1 since 2018



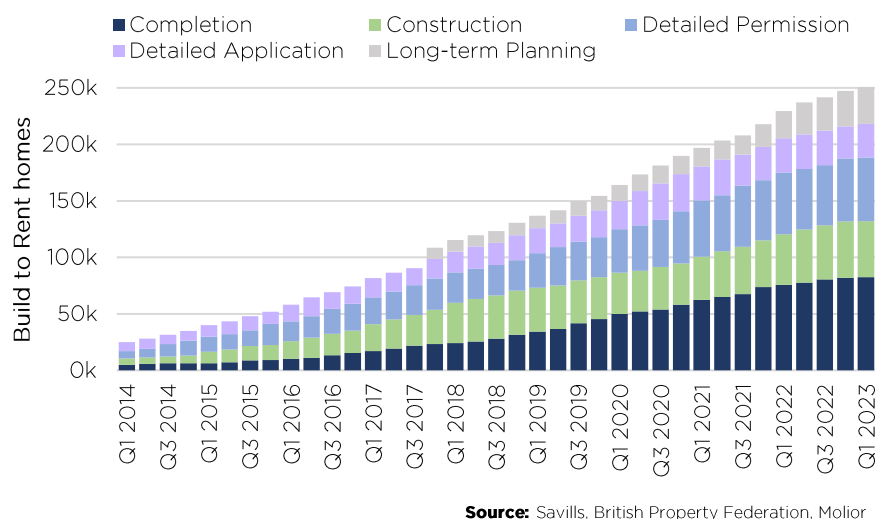
## UK Build to Rent Development

The UK's Build to Rent stock now stands at 82,500 completed homes, with a further 49,500 homes under construction. There are a further 119,300 homes in the pipeline, including those in the pre-application stage. The total size of the sector is 251,200 homes completed or in the potential pipeline.

Q1 2023 data shows that starts and completions have dropped, likely due to the economic headwinds facing the wider construction sector and residential development market. This, however, follows incredibly strong starts in 2021, especially in the regions where there are c.33,900 homes in the construction pipeline, alongside a further c.15,600 homes in London.

The latest quarter's data shows that Build to Rent delivery has begun to slow down, suggesting it is not immune to the headwinds facing the wider construction sector.

**Figure 2** – Construction pipeline remains healthy in Q1 2023



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## Appendix 5 – 100% Private Appraisal

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Phoenix Ironworks  
100% Private Sales

Development Appraisal  
Savills  
16 June 2023

**APPRAISAL SUMMARY****SAVILLS**

**Phoenix Ironworks**  
**100% Private Sales**

**Appraisal Summary for Phase 1**

Currency in £

**REVENUE**

| <b>Sales Valuation</b> | <b>Units</b> | <b>ft²</b> | <b>Sales Rate ft²</b> | <b>Unit Price</b> | <b>Gross Sales</b> |
|------------------------|--------------|------------|-----------------------|-------------------|--------------------|
| Residential            | 256          | 196,646    | 429.34                | 329,797           | 84,427,994         |

**Rental Area Summary**

|                 | <b>Units</b> | <b>ft²</b>    | <b>Rent Rate ft²</b> | <b>Initial MRV/Unit</b> | <b>Net Rent at Sale</b> |
|-----------------|--------------|---------------|----------------------|-------------------------|-------------------------|
| Commercial GF   | 1            | 9,278         | 22.00                | 204,116                 | 204,116                 |
| Commercial Mezz | 1            | 2,185         | 11.00                | 24,035                  | 24,035                  |
| Makers Workshop | <u>1</u>     | <u>1,475</u>  | 18.00                | 26,550                  | <u>26,550</u>           |
| <b>Totals</b>   | <b>3</b>     | <b>12,938</b> |                      |                         | <b>254,701</b>          |

**Investment Valuation****Commercial GF**

|                   |         |            |         |         |           |
|-------------------|---------|------------|---------|---------|-----------|
| Market Rent       | 204,116 | YP @       | 8.0000% | 12.5000 |           |
| (3mths Rent Free) |         | PV 3mths @ | 8.0000% | 0.9809  | 2,502,829 |

**Commercial Mezz**

|                   |        |            |         |         |         |
|-------------------|--------|------------|---------|---------|---------|
| Market Rent       | 24,035 | YP @       | 8.0000% | 12.5000 |         |
| (3mths Rent Free) |        | PV 3mths @ | 8.0000% | 0.9809  | 294,712 |

**Makers Workshop**

|                   |        |            |         |         |         |
|-------------------|--------|------------|---------|---------|---------|
| Market Rent       | 26,550 | YP @       | 8.0000% | 12.5000 |         |
| (3mths Rent Free) |        | PV 3mths @ | 8.0000% | 0.9809  | 325,551 |

**Total Investment Valuation****3,123,092****GROSS DEVELOPMENT VALUE****87,551,085****Additional Revenue**

|       |           |           |
|-------|-----------|-----------|
| Grant | 1,592,000 |           |
|       |           | 1,592,000 |

**NET REALISATION****89,143,085****OUTLAY****ACQUISITION COSTS**

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Residualised Price (Negative land) | (306,086) |           |
|                                    |           | (306,086) |

**CONSTRUCTION COSTS****Construction**

|             | <b>ft²</b> | <b>Build Rate ft²</b> | <b>Cost</b> |                   |
|-------------|------------|-----------------------|-------------|-------------------|
| Residential | 196,646    | 288.16                | 56,664,965  | <b>56,664,965</b> |
| Contingency |            | 3.00%                 | 1,699,949   |                   |
| Abnormals   |            |                       | 6,623,691   |                   |
|             |            |                       |             | 8,323,640         |

**PROFESSIONAL FEES**

**APPRAISAL SUMMARY****SAVILLS****Phoenix Ironworks****100% Private Sales**

|              |       |           |           |
|--------------|-------|-----------|-----------|
| Professional | 6.00% | 3,399,898 |           |
|              |       |           | 3,399,898 |

**MARKETING & LETTING**

|                   |        |           |           |
|-------------------|--------|-----------|-----------|
| Marketing         | 2.00%  | 1,688,560 |           |
| Letting Agent Fee | 10.00% | 25,470    |           |
| Letting Legal Fee | 5.00%  | 12,735    |           |
|                   |        |           | 1,726,765 |

**DISPOSAL FEES**

|                 |       |         |           |
|-----------------|-------|---------|-----------|
| Sales Agent Fee | 1.00% | 875,511 |           |
| Sales Legal Fee | 0.50% | 437,755 |           |
|                 |       |         | 1,313,266 |

**FINANCE**

|                                                 |  |           |           |
|-------------------------------------------------|--|-----------|-----------|
| Debit Rate 7.000%, Credit Rate 0.000% (Nominal) |  |           |           |
| Land                                            |  | (51,339)  |           |
| Construction                                    |  | 4,240,465 |           |
| Other                                           |  | 698,849   |           |
| Total Finance Cost                              |  |           | 4,887,975 |

**TOTAL COSTS****76,010,422****PROFIT****13,132,663****Performance Measures**

|                                     |               |
|-------------------------------------|---------------|
| Profit on Cost%                     | 17.28%        |
| Profit on GDV%                      | 15.00%        |
| Profit on NDV%                      | 15.00%        |
| Development Yield% (on Rent)        | 0.34%         |
| Equivalent Yield% (Nominal)         | 8.00%         |
| Equivalent Yield% (True)            | 8.42%         |
| IRR% (without Interest)             | 20.48%        |
| Rent Cover                          | 51 yrs 7 mths |
| Profit Erosion (finance rate 7.000) | 2 yrs 4 mths  |

## APPRAISAL SUMMARY

SAVILLS

Phoenix Ironworks  
100% Private Sales

Initial  
MRV  
204,116  
24,035  
26,550  
**254,701**

## APPRAISAL SUMMARY

SAVILLS

Phoenix Ironworks  
100% Private Sales

# TIMESCALE AND PHASING CHART

SAVILLS

## Phoenix Ironworks 100% Private Sales

### Project Timescale

|                                    |           |
|------------------------------------|-----------|
| Project Start Date                 | May 2023  |
| Project End Date                   | Jul 2027  |
| Project Duration (Inc Exit Period) | 51 months |

### Phase 1

|                  | Start Date | Duration   | End Date | May 23                                                                              |
|------------------|------------|------------|----------|-------------------------------------------------------------------------------------|
| <b>Project</b>   | May 2023   | 51         | Jul 2027 |   |
| Purchase         | May 2023   | 0 Month(s) |          |    |
| Pre-Construction | May 2023   | 3 Month(s) | Jul 2023 |    |
| Construction     | Aug 2023   | 27         | Oct 2025 |   |
| Post Development | Nov 2025   | 0 Month(s) |          |  |
| Letting          | Nov 2025   | 0 Month(s) |          |  |
| Income Flow      | Nov 2025   | 0 Month(s) |          |  |
| Sale             | Nov 2025   | 21         | Jul 2027 |  |
| Cash Activity    | May 2023   | 48         | Apr 2027 |  |
|                  |            |            |          | 1                                                                                   |

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## Appendix 6 – Private Sale 20% Affordable Appraisal

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Phoenix Ironworks  
Private Sales 20% Affordable

Development Appraisal  
Savills  
16 June 2023

**APPRAISAL SUMMARY****SAVILLS**

**Phoenix Ironworks**  
**Private Sales 20% Affordable**

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

| <b>Sales Valuation</b>  | <b>Units</b> | <b>ft²</b>     | <b>Sales Rate ft²</b> | <b>Unit Price</b> | <b>Gross Sales</b> |
|-------------------------|--------------|----------------|-----------------------|-------------------|--------------------|
| Residential Open Market | 205          | 157,186        | 430.52                | 330,106           | 67,671,717         |
| Residential Affordable  | <u>51</u>    | <u>39,460</u>  | 273.59                | 211,684           | <u>10,795,861</u>  |
| <b>Totals</b>           | <b>256</b>   | <b>196,646</b> |                       |                   | <b>78,467,578</b>  |

**Rental Area Summary**

|                 | <b>Units</b> | <b>ft²</b>    | <b>Rent Rate ft²</b> | <b>Initial MRV/Unit</b> | <b>Net Rent at Sale</b> |
|-----------------|--------------|---------------|----------------------|-------------------------|-------------------------|
| Commercial GF   | 1            | 9,278         | 22.00                | 204,116                 | 204,116                 |
| Commercial Mezz | 1            | 2,185         | 11.00                | 24,035                  | 24,035                  |
| Makers Workshop | <u>1</u>     | <u>1,475</u>  | 18.00                | 26,550                  | <u>26,550</u>           |
| <b>Totals</b>   | <b>3</b>     | <b>12,938</b> |                      |                         | <b>254,701</b>          |

**Investment Valuation****Commercial GF**

|                   |         |            |         |         |           |
|-------------------|---------|------------|---------|---------|-----------|
| Market Rent       | 204,116 | YP @       | 8.0000% | 12.5000 |           |
| (3mths Rent Free) |         | PV 3mths @ | 8.0000% | 0.9809  | 2,502,829 |

**Commercial Mezz**

|                   |        |            |         |         |         |
|-------------------|--------|------------|---------|---------|---------|
| Market Rent       | 24,035 | YP @       | 8.0000% | 12.5000 |         |
| (3mths Rent Free) |        | PV 3mths @ | 8.0000% | 0.9809  | 294,712 |

**Makers Workshop**

|                   |        |            |         |         |         |
|-------------------|--------|------------|---------|---------|---------|
| Market Rent       | 26,550 | YP @       | 8.0000% | 12.5000 |         |
| (3mths Rent Free) |        | PV 3mths @ | 8.0000% | 0.9809  | 325,551 |

**Total Investment Valuation**

**3,123,092**

**GROSS DEVELOPMENT VALUE**

**81,590,670**

**Additional Revenue**

|       |           |           |
|-------|-----------|-----------|
| Grant | 1,592,000 |           |
|       |           | 1,592,000 |

**NET REALISATION**

**83,182,670**

**OUTLAY****ACQUISITION COSTS**

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Residualised Price (Negative land) | (4,402,639) | (4,402,639) |
|------------------------------------|-------------|-------------|

**CONSTRUCTION COSTS****Construction**

|                         | <b>ft²</b>         | <b>Build Rate ft²</b> | <b>Cost</b>       |
|-------------------------|--------------------|-----------------------|-------------------|
| Residential Open Market | 157,186            | 288.16                | 45,294,281        |
| Residential Affordable  | <u>39,460</u>      | 288.16                | <u>11,370,684</u> |
| <b>Totals</b>           | <b>209,584 ft²</b> |                       | <b>56,664,965</b> |

|             |       |           |
|-------------|-------|-----------|
| Contingency | 3.00% | 1,699,949 |
|-------------|-------|-----------|

**APPRAISAL SUMMARY****SAVILLS****Phoenix Ironworks****Private Sales 20% Affordable**

|                                                 |        |           |                   |
|-------------------------------------------------|--------|-----------|-------------------|
| Abnormals                                       |        | 6,623,691 | 8,323,640         |
| <b>PROFESSIONAL FEES</b>                        |        |           |                   |
| Professional                                    | 6.00%  | 3,399,898 | 3,399,898         |
| <b>MARKETING &amp; LETTING</b>                  |        |           |                   |
| Marketing                                       | 2.00%  | 1,353,434 |                   |
| Letting Agent Fee                               | 10.00% | 25,470    |                   |
| Letting Legal Fee                               | 5.00%  | 12,735    | 1,391,639         |
| <b>DISPOSAL FEES</b>                            |        |           |                   |
| Sales Agent Fee                                 | 1.00%  | 815,907   |                   |
| Sales Legal Fee                                 | 0.50%  | 407,953   | 1,223,860         |
| <b>FINANCE</b>                                  |        |           |                   |
| Debit Rate 7.000%, Credit Rate 0.000% (Nominal) |        |           |                   |
| Land                                            |        | (645,882) |                   |
| Construction                                    |        | 4,998,479 |                   |
| Other                                           |        | 1,132,379 |                   |
| Total Finance Cost                              |        |           | 5,484,976         |
| <b>TOTAL COSTS</b>                              |        |           | <b>72,086,339</b> |
| <b>PROFIT</b>                                   |        |           | <b>11,096,331</b> |

**Performance Measures**

|                                     |               |
|-------------------------------------|---------------|
| Profit on Cost%                     | 15.39%        |
| Profit on GDV%                      | 13.60%        |
| Profit on NDV%                      | 13.60%        |
| Development Yield% (on Rent)        | 0.35%         |
| Equivalent Yield% (Nominal)         | 8.00%         |
| Equivalent Yield% (True)            | 8.42%         |
| IRR% (without Interest)             | 17.99%        |
| Rent Cover                          | 43 yrs 7 mths |
| Profit Erosion (finance rate 7.000) | 2 yrs 1 mth   |

## APPRAISAL SUMMARY

SAVILLS

Phoenix Ironworks

Private Sales 20% Affordable

|                |
|----------------|
| Initial        |
| MRV            |
| 204,116        |
| 24,035         |
| <u>26,550</u>  |
| <b>254,701</b> |

## APPRAISAL SUMMARY

SAVILLS

Phoenix Ironworks

Private Sales 20% Affordable

# TIMESCALE AND PHASING CHART

SAVILLS

## Phoenix Ironworks Private Sales 20% Affordable

| Project Timescale                  |           |
|------------------------------------|-----------|
| Project Start Date                 | May 2023  |
| Project End Date                   | Jul 2027  |
| Project Duration (Inc Exit Period) | 51 months |

### Phase 1

|                  | Start Date | Duration   | End Date | May 23                                                                              |
|------------------|------------|------------|----------|-------------------------------------------------------------------------------------|
| <b>Project</b>   | May 2023   | 51         | Jul 2027 |   |
| Purchase         | May 2023   | 0 Month(s) |          |    |
| Pre-Construction | May 2023   | 3 Month(s) | Jul 2023 |    |
| Construction     | Aug 2023   | 27         | Oct 2025 |   |
| Post Development | Nov 2025   | 0 Month(s) |          |  |
| Letting          | Nov 2025   | 0 Month(s) |          |  |
| Income Flow      | Nov 2025   | 0 Month(s) |          |  |
| Sale             | Nov 2025   | 21         | Jul 2027 |  |
| Cash Activity    | May 2023   | 51         | Jul 2027 |  |
|                  |            |            |          | 1                                                                                   |

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## Appendix 7 – 100% Private Rent Appraisal

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Phoenix Ironworks  
100% Private Rent

Development Appraisal  
Savills  
16 June 2023

**APPRAISAL SUMMARY****SAVILLS****Phoenix Ironworks  
100% Private Rent****Appraisal Summary for Phase 1**

Currency in £

**REVENUE****Rental Area Summary**

|                 | Units      | ft <sup>2</sup> | Rent Rate ft <sup>2</sup> | Initial<br>MRV/Unit | Net Rent<br>at Sale |
|-----------------|------------|-----------------|---------------------------|---------------------|---------------------|
| Residential     | 256        | 196,646         | 21.25                     | 16,323              | 3,134,046           |
| Commercial GF   | 1          | 9,278           | 22.00                     | 204,116             | 204,116             |
| Commercial Mezz | 1          | 3,940           | 11.00                     | 43,340              | 43,340              |
| Makers Workshop | <u>1</u>   | <u>1,475</u>    | 18.00                     | 26,550              | <u>26,550</u>       |
| <b>Totals</b>   | <b>259</b> | <b>211,339</b>  |                           |                     | <b>3,408,052</b>    |

**Investment Valuation****Residential**

|              |           |      |         |         |            |
|--------------|-----------|------|---------|---------|------------|
| Current Rent | 3,134,046 | YP @ | 4.2500% | 23.5294 | 73,742,250 |
|--------------|-----------|------|---------|---------|------------|

**Commercial GF**

|                   |         |            |         |         |           |
|-------------------|---------|------------|---------|---------|-----------|
| Market Rent       | 204,116 | YP @       | 8.0000% | 12.5000 |           |
| (3mths Rent Free) |         | PV 3mths @ | 8.0000% | 0.9809  | 2,502,829 |

**Commercial Mezz**

|                   |        |            |         |         |         |
|-------------------|--------|------------|---------|---------|---------|
| Market Rent       | 43,340 | YP @       | 8.0000% | 12.5000 |         |
| (3mths Rent Free) |        | PV 3mths @ | 8.0000% | 0.9809  | 531,426 |

**Makers Workshop**

|                   |        |            |         |         |         |
|-------------------|--------|------------|---------|---------|---------|
| Market Rent       | 26,550 | YP @       | 8.0000% | 12.5000 |         |
| (3mths Rent Free) |        | PV 3mths @ | 8.0000% | 0.9809  | 325,551 |

**Total Investment Valuation****77,102,056****Additional Revenue**

|       |           |           |
|-------|-----------|-----------|
| Grant | 1,592,000 |           |
|       |           | 1,592,000 |

**NET REALISATION****78,694,056****OUTLAY****ACQUISITION COSTS**

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Residualised Price (Negative land) | (1,772,408) | (1,772,408) |
|------------------------------------|-------------|-------------|

**CONSTRUCTION COSTS****Construction**

|             | ft <sup>2</sup> | Build Rate ft <sup>2</sup> | Cost       |                   |
|-------------|-----------------|----------------------------|------------|-------------------|
| Residential | 196,646         | 288.16                     | 56,664,964 | <b>56,664,964</b> |
| Contingency |                 | 3.00%                      | 1,699,949  |                   |
| Abnormals   |                 |                            | 6,623,691  |                   |
|             |                 |                            |            | 8,323,640         |

**PROFESSIONAL FEES**

**APPRAISAL SUMMARY****SAVILLS****Phoenix Ironworks****100% Private Rent**

|              |       |           |           |
|--------------|-------|-----------|-----------|
| Professional | 6.00% | 3,399,898 | 3,399,898 |
|--------------|-------|-----------|-----------|

**MARKETING & LETTING**

|                   |        |         |         |
|-------------------|--------|---------|---------|
| Letting Agent Fee | 10.00% | 340,805 |         |
| Letting Legal Fee | 5.00%  | 170,403 | 511,208 |

**DISPOSAL FEES**

|                 |       |         |           |
|-----------------|-------|---------|-----------|
| Sales Agent Fee | 1.00% | 771,021 |           |
| Sales Legal Fee | 0.50% | 385,510 | 1,156,531 |

**FINANCE**

|                                                 |  |           |           |
|-------------------------------------------------|--|-----------|-----------|
| Debit Rate 4.500%, Credit Rate 0.000% (Nominal) |  |           |           |
| Land                                            |  | (180,479) |           |
| Construction                                    |  | 3,436,697 |           |
| Total Finance Cost                              |  |           | 3,256,218 |

**TOTAL COSTS****71,540,050****PROFIT****7,154,005****Performance Measures**

|                                     |              |
|-------------------------------------|--------------|
| Profit on Cost%                     | 10.00%       |
| Profit on GDV%                      | 9.28%        |
| Profit on NDV%                      | 9.28%        |
| Development Yield% (on Rent)        | 4.76%        |
| Equivalent Yield% (Nominal)         | 4.42%        |
| Equivalent Yield% (True)            | 4.54%        |
| IRR% (without Interest)             | 13.40%       |
| Rent Cover                          | 2 yrs 1 mth  |
| Profit Erosion (finance rate 4.500) | 2 yrs 2 mths |

**APPRAISAL SUMMARY****SAVILLS****Phoenix Ironworks  
100% Private Rent**

| <b>Initial<br/>MRV</b> | <b>Net MRV<br/>at Sale</b> |
|------------------------|----------------------------|
| 4,178,728              | 3,134,046                  |
| 204,116                | 204,116                    |
| 43,340                 | 43,340                     |
| <u>26,550</u>          | <u>26,550</u>              |
| <b>4,452,734</b>       | <b>3,408,052</b>           |

## APPRAISAL SUMMARY

SAVILLS

Phoenix Ironworks  
100% Private Rent

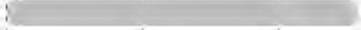
# TIMESCALE AND PHASING CHART

SAVILLS

## Phoenix Ironworks 100% Private Rent

| Project Timescale                  |           |
|------------------------------------|-----------|
| Project Start Date                 | May 2023  |
| Project End Date                   | Nov 2025  |
| Project Duration (Inc Exit Period) | 31 months |

### Phase 1

|                  | Start Date | Duration   | End Date | May 23                                                                              | May 24 | May 25                                                                              |
|------------------|------------|------------|----------|-------------------------------------------------------------------------------------|--------|-------------------------------------------------------------------------------------|
| <b>Project</b>   | May 2023   | 31         | Nov 2025 |   |        |                                                                                     |
| Purchase         | May 2023   | 0 Month(s) |          |    |        |                                                                                     |
| Pre-Construction | May 2023   | 3 Month(s) | Jul 2023 |    |        |                                                                                     |
| Construction     | Aug 2023   | 27         | Oct 2025 |   |        |                                                                                     |
| Post Development | Nov 2025   | 0 Month(s) |          |                                                                                     |        |  |
| Letting          | Nov 2025   | 0 Month(s) |          |                                                                                     |        |  |
| Income Flow      | Nov 2025   | 0 Month(s) |          |                                                                                     |        |  |
| Sale             | Nov 2025   | 1 Month(s) | Nov 2025 |                                                                                     |        |  |
| Cash Activity    | May 2023   | 31         | Nov 2025 |  |        |                                                                                     |
|                  |            |            |          | 1                                                                                   | 13     | 25                                                                                  |

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## Appendix 8 –Private Rent 20% Affordable Appraisal

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Phoenix Ironworks  
BTR 20% Affordable

Development Appraisal  
Savills  
16 June 2023

**APPRAISAL SUMMARY****SAVILLS**

**Phoenix Ironworks**  
**BTR 20% Affordable**

**Appraisal Summary for Phase 1**

Currency in £

**REVENUE****Rental Area Summary**

|                         | Units      | ft <sup>2</sup> | Rent Rate ft <sup>2</sup> | Initial<br>MRV/Unit | Net Rent<br>at Sale |
|-------------------------|------------|-----------------|---------------------------|---------------------|---------------------|
| Residential Open Market | 205        | 157,186         | 21.25                     | 16,294              | 2,505,152           |
| Commercial GF           | 1          | 9,278           | 22.00                     | 204,116             | 204,116             |
| Commercial Mezz         | 1          | 2,185           | 11.00                     | 24,035              | 24,035              |
| Makers Workshop         | 1          | 1,475           | 18.00                     | 26,550              | 26,550              |
| Residential Affordable  | <u>51</u>  | <u>39,460</u>   | 16.81                     | 13,006              | <u>497,492</u>      |
| <b>Totals</b>           | <b>259</b> | <b>209,584</b>  |                           |                     | <b>3,257,345</b>    |

**Investment Valuation****Residential Open Market**

Current Rent 2,505,152 YP @ 4.2500% 23.5294 58,944,750

**Commercial GF**

Market Rent 204,116 YP @ 8.0000% 12.5000  
 (3mths Rent Free) PV 3mths @ 8.0000% 0.9809 2,502,829

**Commercial Mezz**

Market Rent 24,035 YP @ 8.0000% 12.5000  
 (3mths Rent Free) PV 3mths @ 8.0000% 0.9809 294,712

**Makers Workshop**

Market Rent 26,550 YP @ 8.0000% 12.5000  
 (3mths Rent Free) PV 3mths @ 8.0000% 0.9809 325,551

**Residential Affordable**

Current Rent 497,492 YP @ 4.2500% 23.5294 11,705,693

**Total Investment Valuation****73,773,535****Additional Revenue**

Grant 1,592,000  
 1,592,000

**NET REALISATION****75,365,535****OUTLAY****ACQUISITION COSTS**

Residualised Price (Negative land) (4,452,868)  
 (4,452,868)

**CONSTRUCTION COSTS****Construction**

|                         | ft <sup>2</sup>               | Build Rate ft <sup>2</sup> | Cost              |
|-------------------------|-------------------------------|----------------------------|-------------------|
| Residential Open Market | 157,186                       | 288.16                     | 45,294,281        |
| Residential Affordable  | <u>39,460</u>                 | 288.16                     | <u>11,370,684</u> |
| <b>Totals</b>           | <b>209,584 ft<sup>2</sup></b> |                            | <b>56,664,965</b> |

**APPRAISAL SUMMARY****SAVILLS****Phoenix Ironworks  
BTR 20% Affordable**

|                                                 |        |           |                   |
|-------------------------------------------------|--------|-----------|-------------------|
| Contingency                                     | 3.00%  | 1,699,949 |                   |
| Abnormals                                       |        | 6,623,691 | 8,323,640         |
| <b>PROFESSIONAL FEES</b>                        |        |           |                   |
| Professional                                    | 6.00%  | 3,399,898 | 3,399,898         |
| <b>MARKETING &amp; LETTING</b>                  |        |           |                   |
| Letting Agent Fee                               | 10.00% | 325,734   |                   |
| Letting Legal Fee                               | 5.00%  | 162,867   | 488,602           |
| <b>DISPOSAL FEES</b>                            |        |           |                   |
| Sales Agent Fee                                 | 1.00%  | 737,735   |                   |
| Sales Legal Fee                                 | 0.50%  | 368,868   | 1,106,603         |
| <b>FINANCE</b>                                  |        |           |                   |
| Debit Rate 4.500%, Credit Rate 0.000% (Nominal) |        |           |                   |
| Land                                            |        | (453,421) |                   |
| Construction                                    |        | 3,436,697 |                   |
| Total Finance Cost                              |        |           | 2,983,276         |
| <b>TOTAL COSTS</b>                              |        |           | <b>68,514,116</b> |
| <b>PROFIT</b>                                   |        |           | <b>6,851,419</b>  |

**Performance Measures**

|                                     |              |
|-------------------------------------|--------------|
| Profit on Cost%                     | 10.00%       |
| Profit on GDV%                      | 9.29%        |
| Profit on NDV%                      | 9.29%        |
| Development Yield% (on Rent)        | 4.75%        |
| Equivalent Yield% (Nominal)         | 4.41%        |
| Equivalent Yield% (True)            | 4.54%        |
| IRR% (without Interest)             | 13.98%       |
| Rent Cover                          | 2 yrs 1 mth  |
| Profit Erosion (finance rate 4.500) | 2 yrs 2 mths |

**APPRAISAL SUMMARY****SAVILLS**

Phoenix Ironworks  
BTR 20% Affordable

| <b>Initial<br/>MRV</b> | <b>Net MRV<br/>at Sale</b> |
|------------------------|----------------------------|
| 3,340,203              | 2,505,152                  |
| 204,116                | 204,116                    |
| 24,035                 | 24,035                     |
| 26,550                 | 26,550                     |
| <u>663,323</u>         | <u>497,492</u>             |
| <b>4,258,226</b>       | <b>3,257,345</b>           |

## **APPRAISAL SUMMARY**

**SAVILLS**

Phoenix Ironworks  
BTR 20% Affordable

# TIMESCALE AND PHASING CHART

SAVILLS

## Phoenix Ironworks BTR 20% Affordable

| Project Timescale                  |           |
|------------------------------------|-----------|
| Project Start Date                 | May 2023  |
| Project End Date                   | Nov 2025  |
| Project Duration (Inc Exit Period) | 31 months |

### Phase 1

|                  | Start Date | Duration   | End Date | May 23                                                                              | May 24 | May 25                                                                              |
|------------------|------------|------------|----------|-------------------------------------------------------------------------------------|--------|-------------------------------------------------------------------------------------|
| <b>Project</b>   | May 2023   | 31         | Nov 2025 |   |        |                                                                                     |
| Purchase         | May 2023   | 0 Month(s) |          |    |        |                                                                                     |
| Pre-Construction | May 2023   | 3 Month(s) | Jul 2023 |    |        |                                                                                     |
| Construction     | Aug 2023   | 27         | Oct 2025 |   |        |                                                                                     |
| Post Development | Nov 2025   | 0 Month(s) |          |                                                                                     |        |  |
| Letting          | Nov 2025   | 0 Month(s) |          |                                                                                     |        |  |
| Income Flow      | Nov 2025   | 0 Month(s) |          |                                                                                     |        |  |
| Sale             | Nov 2025   | 1 Month(s) | Nov 2025 |                                                                                     |        |  |
| Cash Activity    | May 2023   | 31         | Nov 2025 |  |        |                                                                                     |
|                  |            |            |          | 1                                                                                   | 13     | 25                                                                                  |

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