

DATED

11th July

2023

THE COUNCIL OF THE CITY OF MANCHESTER

– and –

MCCARTHY & STONE RETIREMENT LIFESTYLES LIMITED

AGREEMENT

**pursuant to section 106 of the Town and
Country Planning Act 1990 (as amended)
relating to land at Jessiefield,
Spath Road, Manchester, M20 2TZ**

City Solicitor
Manchester City Council
P O Box 532
Town Hall
Albert Square
Manchester
M60 2LA

EVD3001/4012

THIS AGREEMENT is made the
BETWEEN

11th day of

July

2023

- (1) **THE COUNCIL OF THE CITY OF MANCHESTER** of PO Box 532, Town Hall, Albert Square, Manchester M60 2LA (the "**Council**"), and
- (2) **MCCARTHY & STONE RETIREMENT LIFESTYLES LIMITED** incorporated and registered in England and Wales with company number 06622231 whose registered office is at 4th Floor, 100 Holdenhurst Road, Bournemouth, BH8 8AQ (the "**Owner**")

BACKGROUND

- A The Council is the local planning authority for the purposes of the Act in relation to the Site and is the authority by whom the obligations hereby created are enforceable. The Development will be carried out on the Site.
- B The Owner is the freehold owner of the Site registered at the Land Registry with title absolute under title numbers LA298379 LA298380 and together with but subject to all matters contained or referred to in the title registers thereunder.
- C The Application was submitted to the Council for planning permission to carry out the Development in the manner set out in the plans, specifications and particulars forming part of the Application.
- D The Council as local planning authority is satisfied that the Development is such as may be approved by the Council under the Act and is minded to grant planning permission for the Development in accordance with the Application but having considered the Local Plan and the Regulations is desirous of the Owners entering into this Agreement without which planning permission would not be granted.
- E The Council has determined that the Development in order to comply with the Local Plan requires a payment of £1,064,700 (one million sixty four thousand seven hundred pounds ("**Maximum Contribution**")) as a contribution towards off-site Affordable Housing.
- F The Owner has agreed to enter into this Agreement in support of the Application so as to create planning obligations in favour of the Council pursuant to section 106 of the Act. The Owner is to be bound by and observe and perform the covenants hereinafter contained.
- G The Council has determined that in order to comply with the Core Strategy the Development should provide 20% (twenty percent) on-site Affordable Housing or an equivalent financial contribution towards Affordable Housing within the Administrative Boundaries of Manchester or a combination of both ("the Affordable Housing Policy Requirement"). However, the Owner has demonstrated that

there are viability issues affecting the development of the Site and have submitted to the Council documentation in support of this contention. The Council has accepted that at the date of this Agreement without a reduction in the Affordable Housing Policy Requirement the implementation of the Development is not viable. The Owner has agreed to enter into the planning obligations contained herein requiring them to submit a Viability Appraisal and pay any Viability Payment found to be due in accordance with the provisions contained in this Agreement.

H The Council is satisfied that the obligations in this Agreement are,

- 1 necessary to make the Development acceptable in planning terms,
- 2 directly related to the Development, and
- 3 fairly and reasonably related in scale and kind to the Development.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

1.1 The definitions and rules of interpretation set out in this Clause apply to this Agreement.

"Act" the Town and Country Planning Act 1990 as amended,

"Actual Construction Costs" means the Construction Costs incurred at the Calculation Date and any projected costs.

"Administrative Boundaries of Manchester" all the wards that together comprise the city of Manchester,

"Agreement" this agreement,

"Affordable Housing" affordable housing as defined in the NPPF that will be available to persons who cannot afford to rent or buy housing generally available on the open market,

"Application" the application to which the Council gave the reference 134946/FO/2022 erection of part two, part three storey building to provide 26 no retirement apartments with associated communal facilities, landscaping, boundary treatments and car parking following the demolition of the existing dwelling,

"Benchmark Land Value" means the sum of £2,100,000 (two million one hundred thousand pounds) established in the Original Appraisal.

"Calculation Date" shall be upon the Completion of Construction of 75% of the Dwellings,

"Chartered Surveyor" a professional expert who is a chartered member of the Royal Institution of Chartered Surveyors

"Commencement of Development" the date upon which the Development shall begin by the carrying out of a material operation in accordance with the provisions of section 56(4) of the Act PROVIDED THAT any works of or associated with site clearance, remediation works, environmental or archaeological investigations, site and soil surveys, erections of contractors work compound, erection of site office, erection of fencing to site boundaries, marking of site boundaries and laying out of access roads and services shall for the purposes of the agreement be deemed not to be material operations and **"Commence"**, **"Commencement"** and **"Commenced"** shall be construed accordingly,

"Completion of Construction" the date upon which a valid certificate of completion shall have been issued in respect of the relevant number of Dwellings for the purposes of the Building Act 1984 and the Building Regulations 2010 or any amendment or replacement of the same and **"Completed"** and **"Completion"** shall be construed accordingly,

"Construction Costs" means the construction costs associated with the Development and any such estimated construction costs remaining to be incurred at the date of the Viability Appraisal which can include the Actual Construction Costs

"Construction Period" means the period from the carrying out of the first Material Operation to the Practical Completion of the Development

"Development" the development undertaken on the Site pursuant to the Planning Permission as specified in the Application and **"Developed"** shall be construed accordingly,

"Dwelling" a unit of accommodation to be constructed on the Site as part of the Development pursuant to the Planning Permission and **"Dwellings"** shall be construed accordingly

"Expert" a professional expert in town planning, who is a Chartered Member of the Royal Town Planning Institute with a minimum of ten years post-qualification experience

"GDC" means gross development cost being the calculation of the Construction Costs incurred in the Development up to the time of preparation of the Viability Appraisal,

"GDV" means gross development value as defined in the RICS Guidance together with the value of any grant funding/public subsidy received in respect of the Development

"Gross Margin" the GDV after deducting the GDC as more particularly detailed in the Viability Appraisal,

"Index Linked" adjusted on an annual basis or pro rata per diem from the date of this Agreement to the relevant date of payment in accordance with the Retail Price Index and **"Index Linking"** shall be construed accordingly,

“Interest” interest at 4% (four per cent) above the base lending rate of the Bank of England from time to time,

“Local Plan” includes the Core Strategy adopted by Manchester City Council on 11 July 2012, the extant Unitary Development Policies and all other relevant strategic planning documents adopted by the Council,

“Management Fee” shall mean 15% of the Application fee being £1,801 80 (one thousand eight hundred and one pounds and eighty pence) to be used for the purpose of management and monitoring of this Agreement and the Planning Obligations contained herein,

“Material Operation” means material operation comprised in the Development as defined by Section 56(2) and (4) of the 1990 Act,

“Maximum Contribution” the sum of £1,064,700 (one million sixty four thousand seven hundred pounds) Index Linked,

“NPPF” means the National Planning Policy Framework issued on 1 September 2019 and revised on 20 July 2021 (as may be updated or replaced with an equivalent policy from time to time),

“Occupation” means the occupation of any part of the Development for the purposes permitted by the Planning Permission but does not include use by personnel whilst engaged in construction, fitting out or decoration of the Dwellings or occupation for marketing or display or occupation in relation to security operations,

“Original Appraisal” means the appraisal annexed to this Agreement at Annex 1

“Regulations” the Community Infrastructure Levy Regulations 2010 as amended,

“Retail Price Index” 12 (twelve) month percentage change in the All Items Retail Price Index published by the Office for National Statistics Centre and in the Monthly Digest of Statistics (or contained in any official publication substituted therefor) or such other index as may from time to time be published in substitution therefor,

“RICS” the Royal Institution of Chartered Surveyors,

“RICS Guidance” the RICS guidance note first edition March 2021 entitled “Assessing viability in planning under the National Planning Policy Framework 2019 for England” and the ‘Viability Section of the NPPF’ or any replacement, update or amendment of the same from time to time

“Site” the property described in Schedule 1 and shown for the purposes of identification only edged red on the Plan,

“Surplus” Shall be any positive figure calculated as follows

$X - Y$

Where

X is the residual land value in the Viability Appraisal as agreed being any such positive sum

Y is the Benchmark Land Value (which shall remain fixed at £2,100,000 (two million one hundred thousand pounds))

“Viability Appraisal” a written appraisal in the form set out in Schedule 4 which shall include the inputted figures shown at Schedule 4 to assess the Gross Margin required to be provided on the Calculation Date in accordance with the provisions of Schedule 2 of this Agreement and shall be in the same format as the Original Appraisal

“Viability Assessment Fee” a maximum fee of £12,0000 (twelve thousand pounds) plus VAT to cover the cost of the Council's review of the Viability Appraisal in order to determine whether and the extent to which the Development can support a requirement to provide the Viability Payment ,

“Viability Payment” a payment required to be made by the Owner to the Council if the Viability Appraisal produces a Surplus PROVIDED THAT it shall not exceed the Maximum Contribution,

“Working Day” means any day except Saturday Sunday or a bank holiday and reference to “Working Days” shall be construed accordingly

- 1 2 The Clause headings do not affect this interpretation
- 1 3 Unless otherwise indicated, references to Clauses and Schedules are to Clauses of and Schedules to this Agreement and references in a Schedule to a Part or Paragraph are to a Part or Paragraph of that Schedule
- 1 4 References to any statute or statutory provision include reference to
 - 1 4 1 all Acts of Parliament and all other legislation having legal effect in the United Kingdom as directly or indirectly amended, consolidated, extended, replaced or re-enacted by any subsequent legislation, and
 - 1 4 2 any orders, regulations, instruments or other subordinate legislation made under that statute or statutory provision
- 1 5 Except for the provisions of Clause 9 references to the Site include any part of it
- 1 6 References to any party in this Agreement include the successors in title of that party In addition, references to the Council include any successor local planning authority exercising planning powers under the Act
- 1 7 “Including” means “including, without limitation”
- 1 8 Any covenant by the Owners or the Council not to do any act or thing includes a covenant not to permit or allow the doing of that act or thing
- 1 9 If any provision is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remainder of this Agreement is to be unaffected
- 1 10 Words importing the singular meaning where the context so admits include the plural meaning and vice versa

- 1 11 Words of the masculine gender include the feminine and neuter genders and words denoting actual persons include companies, corporations and firms and all such words shall be construed interchangeable in that manner

2. PLANNING OBLIGATION

This Agreement is made pursuant to section 106 of the Act, section 111 of the Local Government Act 1972, section 1 of the Localism Act 2011 and all other enabling legislation and is a planning obligation for the purposes of section 106 of the Act, with the intent that covenants hereinafter contained shall be enforceable by the Council acting under the powers contained in section 106 or such other enabling powers against the Owners

3. CONDITION PRECEDENT

This Agreement is conditional upon the grant of the Planning Permission and Commencement of Development save for the provisions of Clauses 9, 11, 14, 15, 17, and 18 which shall have immediate effect

4. CONDITION SUBSEQUENT

If the Planning Permission for the Development has not been implemented by the carrying out of a material operation in accordance with the provisions of sections 56, 91 and 93 of the Act or is revoked or modified in whole or in part (other than in approval of an application by or on behalf of the Owner) or quashed or declared unlawful as a result of legal proceedings then this Agreement shall absolutely determine and become null and void but without prejudice to the rights of either party against the other in respect of any antecedent breach

5. THE OWNER'S COVENANTS

The Owner on behalf of themselves and any person deriving title to any part of the Site from the Owner hereby covenant with the Council so as to bind the Site to fully observe and perform the obligations on his part contained in this Agreement including the Owner's obligations set out in Schedule 2 and hereby agrees that the Site shall be permanently subject to the obligations, restrictions and provisions specified herein, such obligations being planning obligations for the purpose of section 106 of the Act

6. THE COUNCIL'S COVENANTS

The Council hereby covenants with the Owner to observe and perform the obligations on its part in this Agreement including those obligations set out in the Schedule 3

7. DISPUTE RESOLUTION

- 7 1 In the event of any dispute arising in connection with any of the terms of this Agreement other than a dispute involving the construction or interpretation of the terms of this Agreement or the enforcement of any decision pursuant to this Clause, the same shall unless the Council or the

Owner otherwise agree be referred to an Expert or in relation to the Viability Appraisal to a Chartered Surveyor to be appointed by agreement between the Council and the Owner

- 7.2 If the Council or the Owner are unable to agree on the appointment of an Expert or Chartered Surveyor within 30 (thirty) days of one party serving notice on the other calling for the appointment of an Expert or Chartered Surveyor, then an Expert or Chartered Surveyor shall be appointed on the application of either party to the President for the time being of the Royal Town Planning Institute or the Royal Institution of Chartered Surveyors as applicable
- 7.3 Any reference of a dispute to an Expert or Chartered Surveyor shall if the parties are agreed in writing be deemed to be a reference to an expert or chartered surveyor (and not to an arbitrator) whose decision shall be final and binding (save for manifest error) but shall otherwise be deemed to be a reference to an arbitrator pursuant to the Arbitration Act 1996 and any statutory amendment variation substitution or re-enactment thereof
- 7.4 Any party to this Agreement shall be entitled to submit to the Expert or Chartered Surveyor representations and cross-representations with such supporting evidence as they shall respectively consider necessary and the Expert or Chartered Surveyor shall have regard thereto in making his decision which shall be delivered in writing. The reference of any dispute shall include authority to determine in what manner all the costs of the referral shall be paid

8. WAIVER

No waiver (whether expressed or implied) by the Council of any breach or default in performing or observing any of the covenants terms or conditions of this Agreement shall constitute a continuing waiver and no such waiver shall prevent the Council from enforcing any of the relevant terms or conditions or from acting upon any subsequent breach or default

9. CHANGE IN OWNERSHIP & LIABILITY

- 9.1 The Owner agrees with the Council to give the Council immediate written notice of any change in Ownership of any of its interest in the Site occurring before all the obligations under this Agreement have been discharged such notice to give details of the transferee's full name and registered office (if a company or usual address if not) together with (unless the purchase relates to the entirety of the Site) the area of the Site or unit of occupation purchased by reference to a plan
- 9.2 No person shall be liable for any breach, non-performance and non-observance of the covenants, obligations and restrictions contained in this Agreement after it shall have parted with its entire interest in the Site but without prejudice to liability for any subsisting breach arising prior to parting with such interest nor shall this hinder or preclude the Council's rights as the Local Planning Authority to require that the breach, non-performance or non-observance be remedied after that person has parted with its interest in the Site

- 9 3 This Agreement shall not be enforceable against
- 9 3 1 the owner-occupier, tenant or mortgagee of a Dwelling, or
- 9 3 2 a statutory undertaker (within the meaning of section 262 of the Act) who acquires any interest in the Land

10 COUNCIL'S CONSENT OR APPROVAL

Where in this Agreement the consent, agreement or approval of the Council is required to be given by the Council, the Council confirms that such consent, agreement or approval shall not be unreasonably withheld or delayed provided that this shall not fetter the proper discretion of the Council

11. LOCAL LAND CHARGE AND LAND REGISTRY ENTRY

- 11 1 This Agreement is a Local Land Charge and shall be registered as such by the Council
- 11 2 The Owner will within 10 Working Days of the date of this Agreement apply to the Land Registry to register a copy of this Agreement against title numbers LA298379 and LA298380 and will provide the Council with a copy of the application. As soon as reasonably practicable following receipt the Owner will supply the Council with copies of the updated registers of title
- 11 3 The Council will upon receipt of a written request of the Owner or its successors in title, at any time after the obligations set out herein have been fulfilled in their entirety, issue written confirmation thereon and thereafter cancel all related entries in the register of local land charges
- 11 4 The costs of registration and cancellation pursuant to clauses 11 3 above shall be met by the Owner if requested by the Council

12 NON-PROHIBITION ON DEVELOPMENT

Nothing in this Agreement shall prohibit or limit the right to develop any part of the Site in accordance with a planning permission (other than the Planning Permission granted (whether or not on appeal) after the date of this Agreement

13. THE CONTRACTS ACT

Save as provided in respect of the successors in title to the Site or any successor to the relevant statutory functions of the Council this Agreement shall not be enforceable by any third party pursuant to the Contracts (Rights of Third Parties) Act 1999 and no third party shall acquire any benefit rights or claims whatsoever pursuant thereto

14. COMMUNICATION

14.1 Any notice or document to be served on or sent pursuant to this Agreement shall either be delivered personally or sent by recorded delivery service

14.1.1 To the Council and addressed to the City Solicitor at the Council's address first above written,

14.1.2 To the Owner at their address,

15. FEES

15.1 The Owner shall pay to the Council on the date hereof its legal fees reasonably and properly incurred in preparation of this Agreement,

15.2 Receipt by the Council of the payment of such sum shall not create any lawyer-client type contractual relationship between the Council and the Owner nor absolve the Owner from any liability or obligation imposed upon them by the terms of this Agreement or by statute or at common law,

15.3 The Owner shall pay to the Council on the date hereof the Management Fee

16. INTEREST

If any payment due under this Agreement is paid late Interest will be payable from the date payment is due to the date that payment is received

17. JURISDICTION

This Agreement is governed by and interpreted in accordance with the laws of England

18. COMPLETION

The provisions of this Agreement (other than this clause which shall be of immediate effect) shall be of no effect until this Agreement has been dated

19. WARRANTY AS TO TITLE

The Owner hereby warrants to the Council that the title details recited in this Agreement are complete and accurate in every respect and that no other persons have an interest in the Site who have not been disclosed to the Council prior to the date hereof

EXECUTED as a deed by the parties on the day and year first hereinbefore appearing

SCHEDULE 1

THE SITE

Land at Jessiefield, Spath Road, Manchester, M20 2TZ and shown for the purposes of identification only edged red on the Plan



REVISIONS





commercial design

architecture | building surveying | urban design

burnaby villa ■ 48 watling street road ■ fulwood ■ preston ■ pr2 8bp

tel: 01772 774510 fax: 01772 774511 email mck@mckassociates.co.uk

Our Ref.

McCARTHY STONE

Life, well lived

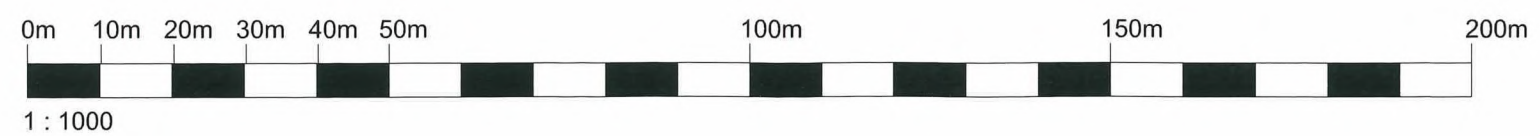
Project Title

Retirement Living
Spath Road
Didsbury

Drawing Title

Location Plan

Scale@A3	1:1000	Date	07/07/22
Drawn	AB	Checked	-
Drawing No.			
NO -2697 -3 -AC -0001			
Division	Project No.	Stage	Discipline
		Number	Revision



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all dimensions to be checked on site prior to commencement of work and any discrepancy shall be immediately reported and resolved prior to work commencing. this drawing is to be read in conjunction with all relevant drawings and specifications relating to the job whether or not indicated on this drawing.

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SCHEDULE 2
THE OWNER'S COVENANTS

The Owner hereby covenants with the Council as follows

1. Notices

To notify the Council in writing

- 1 1 At least ten (10) Working Days in advance of Commencement of Development,
- 1 2 Within five (5) Working Days following Commencement of Development,
- 1 3 At least ten (10) Working Days in advance of the first Occupation of the Development, and
- 1 4 Within five (5) Working Days of first Occupation of the Development

2. Viability Appraisal

- 2 1 Within ten (10) Working Days of the Calculation Date to commission and provide the Council with a copy of the Viability Appraisal,
- 2 2 Within twenty (20) Working Days of receipt of the Viability Appraisal the Council shall give written notice to the Owner either -
 - 2 1 1 Stating that it accepts the Viability Appraisal, or
 - 2 1 2 Correcting or challenging any of the amounts or conclusions included in the Viability Appraisal and giving details of the disputed amounts or conclusions,
- 2 3 In the event that the Council shall have served a notice on the Owner pursuant to paragraph 2 2 of this Schedule 2 the Owner and the Council shall use reasonable endeavours to reach agreement in respect of the Viability Appraisal but if the Owner and the Council shall have failed to agree the Viability Appraisal within twenty (20) Working Days of the notice served by the Council pursuant to Paragraph 2 2 of this Schedule 2, then the matter in dispute shall be referred to the Chartered Surveyor, in accordance with the provisions of Clause 7 with the Chartered Surveyor being requested that he/she should as soon as practicable issue a written determination as to the matter in dispute and a written determination of the correct Viability Appraisal, which both Parties agree will be final and binding upon them,
- 2 4 The Viability Appraisal not by way of limitation shall include and confirm

2.4.1 the GDV,

2.4.2 the GDC,

3 Viability Payment

- 3.1 Once the Viability Appraisal is agreed by the Council or determined pursuant to paragraph 2.3 of this Schedule 2 and the information contained therein shows that in accordance with the provisions of this Agreement a Viability Payment (if any) (up to the Maximum Contribution) is due then the Owner shall pay to the Council the Viability Payment and all the Viability Assessment Fee in accordance with paragraph 4.2 below,
- 3.2 The Owner shall pay to the Council the Viability Payment within twenty eight (28) days of agreement by the Council of the Viability Appraisal or if applicable within twenty eight (28) Working Days of the Viability Appraisal being determined pursuant to Paragraph 2.3 of this Schedule 2
- 3.3 In the event that the information contained in the Viability Appraisal (as agreed by the Council or determined pursuant to paragraph 2.3 of this Schedule 2) shows that a Viability Payment is not due then it is agreed by the Council that the Viability Payment shall not be payable although the Viability Assessment Fee shall still be due
- 3.4 For the avoidance of doubt, once the Maximum Contribution has been paid to the Council there will be no continuing obligation to provide further Viability Appraisal nor any liability on the Owner to make further payments under this paragraph should the Development not produce a Surplus

SCHEDULE 3

THE COUNCIL'S COVENANTS

The Council hereby covenants with the Owner as follows

- 1 At the written request of the Owner to provide written confirmation of the discharge of the obligations contained in this Agreement when satisfied that such obligations have been performed
- 2 In the event that any part of the Viability Payment has not been spent by the Council within ten (10) years of the date on which the Viability Payment was paid the Council shall on the written request of the Owner repay to the party/person which paid the Viability Payment such unspent balance (excluding any such sums in respect of which though not yet expended by the Council has contractually committed to expend) together with interest on that balance calculated from the date of payment to the Council to the date of repayment
- 3 The Council shall provide written details of any expenditure incurred by the Council using the Viability Payment within twenty (20) Working Days of a written request to do so from the party/person who paid the Viability Payment to the Council
- 4 To issue the Planning Permission within 2 Working Days of the date hereof

SCHEDULE 4 VIABILITY TEMPLATE – BASE SCENARIO

Jessiefield, Spath Road, Manchester, M20 2TZ

Open Market Gross Development Value (GDV) £10,140,000

Open Market Net Development Value (NDV) = GDV less Sales Incentives £TBC

Profit Level – based upon 10% of GDV where Pre Sale and 20% of GDV of in all other scenarios	£2,028,000
All in build cost – [Includes - House Build (Superstructure), Plot Costs (Incl Substructure), Infrastructure, Overheads and Prelims] core build cost, external costs (at 8%) FHS at £1,500 per unit)	£4,392,754
Schedule of abnormalities TBA	£120,710
Contingency on build costs and abnormalities TBA at 5%	£207,598
Professional fees on build costs and abnormalities at 8% TBA	£361,077
Sales and Marketing Costs at 5% of GDVTBA	£507,000
Sales Legal Fee at £600 per unit	£15,600
Additional Costs – EPC	£55,565
Agreed planning stage Section 106 commuted sum payment	£0
Finance cost – at the prevailing market rate (Application 6 5%)of TBA	£501,664
Interest cost on Deposits – TBA	£
Tax Relief – TBA	-£
Agreed Land Value Benchmark Land Value	£2,100,000
Agreed Stamp Duty @	£94,500
Agreed Site Legal & Agents Fees @ 1 8% of Land Value	£37,800
TOTAL GROSS DEVELOPMENT COSTS (GDC) inc BLV	£10,422,268
Surplus = NDV - GDC	(£282,268)
VIABILITY PAYMENT –	£NIL

Annex 1 – Application Stage Viability Appraisal

NB. Viability Payment Cannot Exceed the Maximum Contribution



Financial Viability Assessment

Prepared for:

**Jessiefield
Spath Road
Didsbury
M20 2TZ**

McCARTHY STONE
Life, well lived

September 2022

Prepared by: R James Mackay BSc (Hons) MRICS

Alder King Property Consultants

12 Pine Court, Kembrey Park, Swindon, SN2 8AD

Email: [REDACTED]

Tel: [REDACTED]



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Appendices

Appendix 1 – Location Plan

Appendix 2 – Proposed Site Plan and Proposed Floor Plans

Appendix 3 – Red Book Valuation

Appendix 4 – ARGUS Developer Appraisal

Appendix 5 – Empty Property Costs

Appendix 6 – Sensitivity Analysis

Executive Summary – Non-Technical

For convenience, we summarise the key features of this Financial Viability Assessment, which should nevertheless be read in full.

Site Plan



Proposed Layout Plan



Property Type/Use:

Large detached house dating from the 1930s sat in a mature plot extending to 0.47 hectares (1.15 acres) situated to the north west of Didsbury village.

Proposed Scheme:

Type	No. of Units
Retirement Living Apartments (1 bed)	13
Retirement Living Apartments (2 bed)	13
TOTAL	26

Planning Proposal:

Erection of a retirement apartment building providing 26x age restricted 'Retirement Living' units with associated communal facilities, landscaping and car parking.

Previous application (128018/FO/2020) refused and dismissed at appeal (APP/B4215/W/21/3274312).

Benchmark Land Value:

Existing Use Value (EUV): **£1,750,000**

Premium Uplift: **20%**

Benchmark Land Value: **£2,100,000**

Planning Policy :

Manchester Core Strategy (July 2012)

Policy H8

New development will contribute to the City-wide target for 20% of new housing provision to be affordable. Developers are expected to use the 20% target as a starting point for calculating affordable housing provision. It is envisaged that 5% of new housing provision will be social or affordable rented and 15% will be intermediate housing, delivering affordable home ownership options.

Either an exemption from providing affordable housing, or a lower proportion of affordable housing, a variation in the proportions of socially rented and intermediate housing, or a lower commuted sum, may be permitted where either a financial viability assessment is conducted and demonstrates that it is viable to deliver only a proportion of the affordable housing target of 20%; or where material considerations indicate that intermediate or social rented housing would be inappropriate. In the latter case, such circumstances could include:

- *There is a need for additional housing provision for older people or disabled people either as affordable or market housing dependent on the results of a financial viability assessment of the scheme.*

The requirement is therefore 20% (5.2 units) subject to viability.

Viability Assessment and Conclusion:

Appraisal 100% Market Scheme	
GDV	£10,140,000
Benchmark Land Value	£2,100,000
Total Construction Costs	£4,721,062
Professional Fees	£361,077
Marketing/Disposal Fees	£507,000
Empty Property Costs	£55,565
CIL	NIL
Finance	£501,664
Profit on GDV	20%
Residual Land Value	£1,817,732
Surplus/(Deficit):	(£282,268)

1.0 Introduction

We are instructed by The Planning Bureau Limited (TPB), acting as Planning Consultants for McCarthy Stone Retirement Lifestyles Limited (McCS), to undertake a Financial Viability Assessment (FVA) of a proposed redevelopment of the Property located at and known as: Jessiefield, Spath Road, Didsbury, M20 2TZ (the Property).

This independent FVA is to provide support to McCS in demonstrating to the local planning authority, Manchester City Council (MCC), if planning obligations, and a developer's contribution towards off-site affordable housing in particular, can be delivered and provide a viable retirement scheme development.

This FVA report has been prepared in accordance with the RICS Professional Statement 'Financial Viability in Planning: Conduct and Reporting 1st Edition (May 2019). In relation to this statement, we confirm the following:

- We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.
- In preparing this report, no performance related or contingent fee arrangements have been agreed.
- We have not provided previous advice to McCS or any other third party on this site.

We confirm that in accordance with the RICS Professional Statement Paragraph 2.2, we have no conflicts of interest in conducting this Financial Viability Assessment and have not received any specific requests by the applicants or decision-makers that contradict the mandatory requirements of the RICS Professional Statement.

We have also had regard to the Revised NPPF 2021 and Viability PPG, which provides national planning policy and guidance in respect of undertaking viability assessments.

Please note that this assessment is undertaken at a particular point in time (September 2022). Values and costs will change over time and it must be understood that our assessment is based on current estimated values and costs as at the date of this report and is not a projection of value.

This report and its contents have been prepared specifically to support the planning application in respect of the Property. No responsibility whatsoever is accepted to any third party and neither the whole of the report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it may appear.

This report is for feasibility assessment purposes only and it does not constitute a formal valuation. The advice contained in this report is exempt from the current RICS Valuation Global Standards - 31 January 2020 – (the Red Book). We reserve the right to update, amend or vary our advice should the matter progress to a planning Appeal Hearing or Inquiry.

We have produced this Viability Assessment utilising the Argus Developer residual appraisal software. Argus Developer is an established property development appraisal software program used by owners, commercial developers, house builders, land developers, agents and financial institutions. It is designed to work for all forms of property development, including commercial, single or multiphase residential, retail, office, industrial, hotels, land development and any combination for mixed-use developments. This report summarises our assumptions, inputs and outcomes of our Argus model.

2.0 Background

A Location Plan showing the extent of the 0.47 hectares (1.15 acres) site (the Property) for identification purposes is at Appendix 1.

Appendix 1 – Location Plan

The Property lies in a residential area on the north western side of Didsbury village, in a corner position fronting Spath Road with a return boundary to Lancaster Road. The immediate area is characterised by detached and semi-detached period homes on wide tree lined roads.

The Property comprises a large detached four bedroom house understood to date from the 1930s sat in a mature plot. The house is set behind a low red brick wall, mature hedgerow and mature trees. The house has a garden and driveway to the front and a large garden to the rear. The Property benefits from planning consent to remodel the existing house and add a large extension to the side and rear to include a gym, indoor pool and changing room.

A previous planning application for the redevelopment of the site to provide a retirement development of 34 apartments (128018/FO/2020) was refused and dismissed at Appeal (16 March 2022 - APP/B4215/W/21/3274312) on the basis of the character and appearance of the proposal and the effect of the proposed development on the living conditions of neighbouring occupiers. A previous viability assessment (March 2022) concluded the scheme of 34 apartments could provide total Sec.106 obligations of £275,886 towards off-site provision of affordable housing.

The new application reduces the scale of the proposed development to provide a total of 26 retirement apartments. This viability report reviews the viability of the proposal in light of the significant changes to the proposed development.

3.0 Viability in Planning – Policy Context

3.1. National Planning Policy Framework (NPPF) 2021

The National Planning Policy Framework was revised on 20 July 2021 and sets out the government's planning policies for England and how these are expected to be applied.

This revised Framework replaces the previous National Planning Policy Framework published in March 2012, revised in July 2018 and updated in February 2019.

In a section titled 'Planning conditions and obligations' the Framework states:

55. Local planning authorities should consider whether otherwise unacceptable development could be made acceptable through the use of conditions or planning obligations. Planning obligations should only be used where it is not possible to address unacceptable impacts through a planning condition.

56. Planning conditions should be kept to a minimum and only imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects. Agreeing conditions early is beneficial to all parties involved in the process and can speed up decision-making. Conditions that are required to be discharged before development commences should be avoided, unless there is a clear justification ²⁵.

57. Planning obligations must only be sought where they meet all of the following tests:

(a) necessary to make the development acceptable in planning terms;

(b) directly related to the development; and

(c) fairly and reasonably related in scale and kind to the development.

58. 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 particular 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 the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. 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.

There is thus an expectation that the majority of viability assessments will be undertaken at plan-making stage (rather than when determining applications). Plans are to set out the levels and types of affordable housing and other infrastructure that would be required from proposed developments. Viability assessments should ensure that the policy expectations are realistic and that the cumulative cost does not undermine deliverability of the plan.

The revised NPPF puts the burden on applicants to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.

3.2. Viability Planning Practice Guidance (PPG) – Published March 2014 (Updated 1 September 2019)

The Department for Communities and Local Government in March 2014 revised and updated planning guidance designed to be easily accessible on-line and user friendly. The PPG contains 50 categories; from 'Advertisements' to 'When is permission required'.

The category of relevance in context with this report is the Guidance on 'Viability' which was also updated in July 2018 to reflect the updated policies contained within the NPPF. A number of the sections have subsequently been updated again in May 2019 and September 2019.

The Viability Guidance sets out the circumstances in which site specific viability assessments should be undertaken at the planning application stage. Paragraphs 007 and 008 state:

"Should viability be assessed in decision-taking?

Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. Policy compliant in decision making means that the development fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies.

*Such circumstances could include, for example where development is proposed on **unallocated sites of a wholly different type to those used in viability assessment that informed the plan**; where further information on infrastructure or site costs is required; **where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people)**; or where a recession or similar significant economic changes have occurred since the plan was brought into force". [Our emphasis]*

(Paragraph: 007 Reference ID: 10-007-20190509; Revision date: 9 May 2019)

"How should a viability assessment be treated in decision making?

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.

The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and viability evidence underpinning the plan is up to date, and site circumstances including any changes since the plan was brought into force, and the transparency of assumptions behind evidence submitted as part of the viability assessment.

Any viability assessment should reflect the government's recommended approach to defining key inputs as set out in National Planning Guidance."

(Paragraph: 008 Reference ID: 10-008-20190509; Revision date: 9 May 2019)

With regard to Paragraph 007 and the requirement that an applicant must demonstrate whether particular circumstances justify the need for a viability assessment at application stage, in this instance the site is unallocated and the proposed development type falls under the category of 'housing for older people'. These are two specific examples referred to within paragraph 007 which provides justification for an application stage assessment.

The circumstances are thus met and a viability assessment at application stage is wholly reasonable.

Further guidance is provided in the PPG which relates to the specific inputs that are appropriate in a viability assessment. These are outlined in turn in Sections 6 and 7 of this report.

3.3. RICS Professional Statement – Financial Viability in Planning: Conduct and Reporting

The RICS published a mandatory statement in May 2019 (effective from 1 September 2019) addressing the conduct and reporting requirements of Members who act in viability matters.

The Statement sets out mandatory requirements informing the practitioner on what must be included within reports and how the process must be conducted. This is to demonstrate how a reasonable, objective and impartial outcome, without interference, should be arrived at, and so support the statutory planning process.

3.4. RICS Guidance Note - Assessing viability in planning under the National Planning Policy Framework 2019 for England

In March this year, RICS published the Assessing Viability in Planning guidance. Effective from 1 July 2021, it replaces the previous 2012 guidance note. The new guidance note supplements and gives added guidance to RICS members and other stakeholders in the planning process on undertaking and understanding financial viability assessments (FVAs) under the NPPF and PPG in both a plan-making and decision-taking context.

RICS guidance notes set out good practice for RICS members and for firms that are regulated by RICS. An RICS guidance note is a professional or personal standard for the purposes of RICS Rules of Conduct. Guidance notes constitute areas of professional, behavioural competence and/or good practice. RICS recognises that there may be exceptional circumstances in which it is appropriate for a member to depart from these provisions – in such situations RICS may require the member to justify their decisions and actions.

3.5. Local Planning Policy – Manchester City Council

The Manchester Local Plan guides development within Manchester. It was previously known as the Local Development Framework. Manchester's Core Strategy was adopted on the 11 July 2012 and is the key document in the Manchester Local Plan. It sets out the long term strategic policies for Manchester's future development and will form the framework that planning applications will be assessed against.

Policy H8 – Affordable Housing, states the following:

The following requirements for affordable housing or an equivalent financial contribution, as set out in Providing For Housing Choice, or any future published SPD and Planning Guidance, currently apply to all residential developments on sites of 0.3 hectares and above or where 15 or more units are proposed. These thresholds will be subject to amendment over the lifetime of the Core Strategy to reflect changing economic circumstances. The targets and thresholds will form part of supporting SPD and/or Planning Guidance.

- 1. New development will contribute to the City-wide target for 20% of new housing provision to be affordable. Developers are expected to use the 20% target as a starting point for calculating affordable housing provision. It is envisaged that 5% of new housing provision will be social or affordable rented and 15% will be intermediate housing, delivering affordable home ownership options.*
- 2. The proportion of affordable housing units will reflect the type and size of the development as a whole; and where appropriate provision will be made within Section 106 agreements to amend the proportion of affordable housing in light of changed economic conditions, subject to a financial viability assessment.*
- 3. Affordable housing units will be inclusively designed to reflect the character of development on the site.*
- 4. Either an exemption from providing affordable housing, or a lower proportion of affordable housing, a variation in the proportions of socially rented and intermediate housing, or a lower commuted sum, may be permitted where either a financial viability assessment is conducted and demonstrates that it is viable to deliver only a proportion of the affordable housing target of 20%; or where material considerations indicate that intermediate or social rented housing would be inappropriate. In the latter case, such circumstances could include:*

- There is a very high level of affordable housing in the immediate area;
 - There is either a high proportion of social rented (35%), or low house prices in the immediate area compared to average incomes;
 - Affordable housing would be prejudicial to the diversification of the existing housing mix.
 - The inclusion of affordable housing would prejudice the achievement of other important planning or regeneration objectives which are included within existing Strategic Regeneration Frameworks, planning frameworks or other Council approved programmes;
 - It would financially undermine significant development proposals critical to economic growth within the City;
 - The financial impact of the provision of affordable housing, combined with other planning obligations would affect scheme viability;
 - There is a need for additional housing provision for older people or disabled people either as affordable or market housing dependent on the results of a financial viability assessment of the scheme.
5. The Council will also consider the provision of affordable housing which is delivered by taking advantage of other equity based products in addition to those options identified in PPS 3.
6. The definition used for affordable housing is set out in Annex B of PPS 3.

Thus the Proposed Scheme, which is for 34 units, would be subject to 20% affordable housing or an equivalent financial contribution, subject to viability. The onsite provision would equate to 6.8 units.

3.5.1. Providing for Housing Choice - Supplementary Planning Document and Planning Guidance

As referred to in Policy H8 above, where off site contributions are sought in lieu of onsite provision, the calculation is set out in the Providing for Housing Choice SPD, adopted 2 September 2008.

The SPD states that, if accepted, commuted or in lieu payments will need to provide sufficient funds to enable the affordable housing from the site in question to be delivered elsewhere. The payments should reflect that 100% of the facilitating site will be private market accommodation (compared to 80% where there is on-site provision of affordable housing). Thus for every 8 dwellings on-site, the payment should provide for 2 off-site.

The SPD states that this method ensures that there is an equitable distribution of both private market accommodation and affordable housing to meet the housing needs of the local community.

The formula for calculating a commuted sum for each unit is set out at paragraph 5.57 as follows:

The market price of the property minus the contribution that the RSL is able to make by raising private funding supported by predicted revenue and capital income from the property, which will be made available to a household on an average income (see 4.16-17) or in the case of social rented provision at benchmark rents. To this figure will be added costs of approximately 5% of the agreed sum above, to cover the RSL management and/or maintenance liabilities for the given property. The number of housing units upon which the charge would be based would include all of the housing units sold at market cost.

In this instance, the development seeks an off-site contribution due to the specialist nature of the retirement development proposed. It is well-established that affordable housing provision cannot be provided within a single retirement apartment block with its associated management regime and high service charges.

The development economics of retirement development are distinct from general market housing and apartment development in several respects, which typically render policy compliant provision non-viable.

MCC are yet to consider the application and thus have not provided their calculation of a policy compliant off-site payment in line with paragraph 5.57 above. This FVA will establish the level of off-site contribution that can be provided, whilst ensuring a viable retirement scheme development.

3.5.2. Vacant Building Credit (VBC)

The Planning Practice Guidance (PPG) on Planning Obligations notes the following:

“National policy provides an incentive for brownfield development on sites containing vacant buildings. Where a vacant building is brought back into any lawful use, or is demolished to be replaced by a new building, the developer should be offered a financial credit equivalent to the existing gross floorspace of relevant vacant buildings when the local planning authority calculates any affordable housing contribution which will be sought. Affordable housing contributions may be required for any increase in floorspace.

See related policy: National Planning Policy Framework paragraph 63”

Paragraph: 026 Reference ID: 23b-026-20190315. Revision date: 15 03 2019

In this instance, we understand the existing house is occupied, thus VBC would not be applicable.

3.5.3. Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a levy that local authorities can choose to charge on new development in their area. The funding will be used to support the development of infrastructure that the Council, local communities and neighbourhoods deem necessary.

MCC advise that they are not charging CIL in relation to any planning permission. They may however seek contributions through relevant Section 106 agreements.

4.0 The Proposed Scheme

A planning application has been submitted by McCS for the development of a new retirement scheme comprising the erection of a three storey apartment building providing 26x age restricted 'Retirement Living' units.

All units are to be open market units in the mix as detailed below:

Type	Av. Size (Sq M)	No. of Units
Retirement Living Apartments (1 bed)	56.93	13
Retirement Living Apartments (2 bed)	72.40	13
TOTAL	1,681.31	26

In respect of the apartment building, in common with most new build Retirement Living apartment schemes the floor space of the building can be broken down into the saleable and non-saleable areas.

The saleable area of the 26 Apartments is 1,681 m². The saleable areas are the individual apartments for which capital receipts are expected from each of the occupiers. The non-saleable areas are the common parts, which in this case include:

- Entrance lobby, reception area and managers' office;
- Homeowner's lounge;
- Bin Store
- Guest Suite
- Mobility Scooter Store
- Typical circulation space (corridors, stair and lift wells) and plant and cleaners' stores on all floors.

We are advised that the Gross Internal Area (GIA) of the Retirement apartment building is 2,431 m². We have calculated that the design provides a 69.15% build efficiency.

The Proposed Scheme Proposed Site Plan together with the Proposed Floor Plans are at Appendix 2.

Appendix 2 – Proposed Site Plan, Floor Areas and Proposed Floor Plans

5.0 Viability Assessment Overview

As noted at 4.2, the Viability PPG outlines the recommended approach and standardised inputs that are expected to form the viability assessment.

Paragraph 10 states:

“Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.

This National Planning Guidance sets out the government’s recommended approach to viability assessment for planning. The approach supports accountability for communities by enabling them to understand the key inputs to and outcomes of viability assessment.

Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government’s recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.

In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.”

The usual test applied in establishing whether a planning obligations package (including Affordable Housing) is viable, is to consider whether the residual site value of the proposed scheme exceeds the benchmark Land Value of the property. If it does, there is financial headroom for planning obligations. If it does not, there is no financial headroom and thus there is no viability for planning obligations to be included.

The following sections outline the appraisal inputs that form this viability assessment, having regard to the guidance contained in the PPG and the RICS Guidance Note.

In Section 6 we review the appropriate Benchmark Land Value, reflecting on the advice provided within the separate Valuation Report dated September 2020 provided by Savills. The Savills Valuation Report is at Appendix 3.

Appendix 3 – Savills Valuation Report

In the following Section 7 we review the other key viability appraisal inputs (other than the benchmark Land Value) and determine the viability of the Proposed Scheme based on current market conditions.

In Section 8, we sensitivity test the result of the appraisal to establish the impact should values and costs rise and fall in the near future.

6.0 Benchmark Land Value

The Land Value can either be inputted into the Argus appraisal as a fixed input or can be used as a comparative benchmark against which the residual element produced by an appraisal can be compared. In this instance it forms a fixed input into the appraisal.

Paragraph 13 of the Viability PPG outlines how land value should be defined for the purpose of viability assessments.

*“To define land value for any viability assessment, 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 land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called ‘existing use value plus’ (EUV+).” [our emphasis]*

Paragraph 15 of the Viability PPG answers the question of what is meant by existing use value in viability assessment:

“Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams’ locally held evidence.”

Paragraph 16 of the viability PPG outlines how the premium to the landowner should be defined in viability assessments:

The premium (or the ‘plus’ in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

In respect of the ‘Alternative Use Value’ (AUV) approach, Viability PPG paragraph 17 states:

“Can alternative uses be used in establishing benchmark land value?”

*For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would **fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan**. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.*

*Plan makers can set out in which circumstances alternative uses can be used. This might include if **there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued**. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted."* [our emphasis]

The RICS Professional Statement (Mandatory Guidance for RICS Members) confirms at 2.7 of the Statement that in the interest of transparency, when providing benchmark land value in accordance with the PPG, members must report the:

- **Current use value:** CUV, referred to as EUV or first component in the PPG (paragraph 015).
- **Premium:** second component as set out in the PPG (paragraph 016).
- **Market Evidence** as adjusted in accordance with PPG (paragraph 16).
- **All supporting considerations, assumptions and justifications adopted** including valuation reports, where available (see PPG paragraphs 014, 015 and 016).
- **Alternative Use Value** as appropriate (market value on the special assumption of a specified alternative use (see PPG paragraph 017).

The first consideration is thus the EUV of the site, whilst the second consideration is the appropriate premium or minimum competitive return at which a reasonable landowner would sell their site based on the alternative options available to them.

6.1. Existing Use Value Plus (EUV)

The Property comprises a large detached four bedroom house set within a large mature plot extending to 0.47 hectares (1.15 acres).

Savills has considered the Existing Use Value of the Property having regard to comparable property sales in the area. They note that Spath Road is a prestigious and sought after address locally, as is Lancaster Road which runs to the side of the Property. It is well located for the amenities of both Didsbury Village and West Didsbury. Whilst the Property is dated internally, it has been subject to some relatively recent cosmetic work and in its existing guise it is perfectly habitable.

Savills consider that anyone purchasing the today would plan to either undertake substantial renovation and potentially remodelling/extension works to the existing house (or would comprehensively redevelop the Property). As noted previously, Application No. 123555/FH/2019 was granted during 2019 and permits a very substantial extension to the Property to include a gym, pool room, changing room and integrated garage.

The Property has an unusually large garden in the context of the local market, a factor which will undoubtedly add value compared to more regular plots.

Having regard to the comparable evidence, Savills consider that the subject Property has an Existing Use Value of £1,750,000. It is noted that this valuation was completed in 2020. Since this time house prices have increased by over 12% and an argument could be made to increase the Existing Use Value to £2.35M. However, for expediency and on the basis that the previous assessment was reviewed by the LPA and found to be sound we have continued to adopt £1,750,000 as the EUV.

6.2. Premium

It is widely accepted that a premium above EUV is necessary to incentivise a vendor to sell their Property for development.

In this instance, the Property has clear redevelopment potential. Savills confirm that they have not reflected the potential for an enhanced value that may result from considering redevelopment scenarios, whether that be for an additional two houses in the grounds (similar in nature to an historic 2009 planning consent granted at the Property) or the possibility to comprehensively redevelop the site for 4 to 5 houses in place of the subject. Whilst now lapsed, the historic 2009 consent establishes the development potential of the Property and as a result, there is likely to be interest from developers as well as owner occupiers. The development potential is also likely to influence the vendor's aspirations when disposing of the Property.

We consider that an uplift in the order of 20% is widely accepted in the market in such circumstances and is reasonable in this instance.

6.3. Benchmark Land Value Conclusion

In establishing the appropriate benchmark land value, the 'existing use value' equates to £1,750,000.

We consider the appropriate premium in this instance to represent 20% above EUV.

Our assessment is thus that the appropriate benchmark land value is **£2,100,000**.

7.0 Viability Assessment

As noted above, in this Section 7 we review the other key viability appraisal inputs (other than the benchmark Land Value) and determine the viability of the Proposed Scheme based on current market conditions and legislation.

Our Argus Developer appraisal summary is at Appendix 4 but our assumptions and outcomes are summarised below.

Appendix 4 – Argus Developer Appraisal – Assessment Summary

7.1. Appraisal Inputs

7.1.1. Development Programme/Timing Assumptions

In terms of timing it is assumed that construction would commence at month 7, i.e. following a 6 month lead-in period to receive all necessary consents. The construction period is assumed to be 12 months for the whole scheme with Practical Completion at the end of month 18 and the overall scheme end date is assumed to be in month 36 i.e. following a 18 month sales period.

The rate of sale adopted for the Proposed Scheme assumes the following: 7 units (25%) are sold at practical completion; with a further 13 units (50%) selling to the end of year 1, i.e. 75% of the scheme in the first 12 months. The remaining 6 units (25%) are sold over the next 6 months. The average rate of sale over the sale period is 1.44 per month.

7.1.2. Appraisal Revenue – Gross Development Value (GDV)

In respect of how GDV should be defined for the purpose of viability assessments, Viability PPG paragraph 11 states:

"Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary."

For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative."

For viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. Any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, disregarding outliers. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan."

The open market GDV figures comprise receipts from the apartment and house sales themselves together with the investment sale of their capitalised ground lease income secured.

Generally speaking, retirement development, as a small and specialist sub-sector of the overall residential market, is price sensitive to the location. There are limited new build comparable sales/sites in the immediate area.

In the absence of directly comparable evidence, we have had regard to the general housing market and values being achieved in Timperley. This is a key consideration as the majority of purchasers of Retirement Living apartments are local to the town and thus the amount of equity that they have to reinvest in a retirement apartment is impacted by the values that can be achieved for their current homes.

Retirement apartments are generally priced according to the value of the average semi-detached property in the given location. We have reviewed

The pricing for the Proposed Scheme is derived from that market research. A 1 bed Retirement Living apartment is typically valued at 75% of the value of a semi-detached property and 2 bed Retirement Living apartments are typically valued at 100% of the semi-detached figure.

We have therefore considered the average price of a semi-detached property in the M20 postcode area. A screenshot from right move confirms that the average for a semi detached property in this postcode area is £443,034:



Adopting the RHG Guidance for the valuation of retirement apartments we have valued the proposed 1 bed apartments at 70% of the semi-detached values and the 2 bed apartments at 100%. We have taken the average price for a semi-detached property and rounded this to £445,000. This provides the following average values:

- 1 Bed: £333,750 say £335,000
- 2 Bed: £445,000

The total GDV for the proposed scheme is therefore assessed at £10,140,000. This compares with the values adopted in the previous assessment at £307,500 for a 1 bed and £410,000 for a 2 bed.

7.1.3. Appraisal Outlay – Land, Residential Building, Marketing and S106 Costs

7.1.3.1. Constructions Costs

Regarding development costs, Viability PPG paragraph 12 states the following:

“Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.

Costs include:

- *build costs based on appropriate data, for example that of the Building Cost Information Service*
- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*

- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*

In line with the PPG, we have undertaken research using BCIS Review Online. The Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors (RICS) produces detailed cost information and indices and is a recognised source of assessing build costs when testing viability.

In respect of the Retirement Living Apartment block, we have adopted the median build cost figure for Supported Housing – general 3-storey. The BCIS index is rebased to the location factor for Leeds to ensure the build rate is geographically relevant. The index adopted is the 'live' dataset last updated on the 10 September 2022.

We have adopted the 10 year index to allow for a larger sample size of 29 schemes. This confirms a core build cost of £1,658 per sq m.

BCIS costs only reflect the cost to construct the building itself (foundations up) and exclude site works and external costs. It is typical to apply a rate of between 8%-15% for these costs. In this instance, due to the smaller than average scheme and external areas we have reduced the allowance to 8%.

BCIS does not currently allow for the upgrades required to meet Part L 'Future Homes Standard'. We have added a cost equivalent to £1,500 per unit (flats) to allow for these costs.

In addition, we have made the following extra-over/abnormal cost allowances:

- Demolition and Site Clearance: £20,000
- Tree Protection/Surgery: £30,000
- Sewer Diversion/Storage Tank & Hydrobrake: £5,710
- S278 Highway Works: £15,000

A contingency allowance of 5% is typically the norm for a scheme such as this and has been applied to all construction costs.

7.1.3.2. Professional Fees

Professional building design fees (Architect QS etc.) are generally assumed to be 10% of the total construction cost to include all planning and building regulation fees. In this case, due to the size of the scheme we have reduced these to 8%.

7.1.3.3. Marketing and Sales Fees

Typically, Marketing Costs (including show home, brochures etc.) for retirement schemes are in the order of 6%+ (including sale agent's fees).

Retirement housing is a specialist product aimed at elderly home owners. Generally, the purchaser funds the purchase exclusively from savings and/or proceeds from the sale of their current home. The average age of a typical purchaser is 70+ and widowed. This limits the market for the product and requires considerable resource for each sale often to both the purchaser and their extended family. Marketing involves targeting and direct contact of potential purchasers from the moment a scheme starts construction to the last sale of the scheme. Throughout this sale period, a sales office (typically one of the apartments adapted for the purpose) and several furnished 'show' apartments must be maintained on site with sales consultants employed full time 7 days a week.

Retirement housing purchasers do not typically buy apartments 'off-plan' they need to see the finished product. The requirement to buy comes from a physical need and thus are not purchased speculatively (unlike the open market). All development costs are therefore committed and incurred prior to any sale. The marketing and sales cost allowance is therefore higher than the open market equivalent and has been endorsed as appropriate at a number of Appeals including at Clacton-on-Sea (PINS Ref: PP/P1560/A/11/2161214), Hunstanton (PINS Ref: APP/V2635/A/14/2217840) and Redditch (PINS Ref: APP/Q1825/W/17/3166677) – all schemes Alder King have had a direct involvement with.

Combined Marketing (3%) and Sales costs (2%) allowances are assumed, amounting to 5% of each sale.

7.1.3.4. Disposal Fees

As noted above, sales agents' fees on the apartment sales are allowed for at 2% of GDV. Legal costs on open market sales equate to £600 per unit.

7.1.3.5. Additional Costs

Empty Property Costs (EPCs) – EPCs are an industry accepted cost of retirement apartment development and are widely accepted by third party reviewers as being a valid cost to be included within the appraisal. EPCs reflect the costs that have to be borne by the developer until the scheme is fully sold out. Retirement apartment developments are built in a single phase and the building is fully energised on practical completion.

The EPCs cover the provision of background heating to the empty apartments, the maintenance and upkeep of the communal facilities and the employment of the Estate Manager, who is onsite from first occupation. The costs are covered by the service charge once all apartments are sold.

However, until such time that the scheme is fully sold, the shortfall in service charge income must be met by the developer as the costs must be met irrespective of the number of occupiers in the building and are payable from the scheme's first occupation. In addition council tax payments will need to be met on the empty units until they are sold. The Empty Property Costs are however offset by the inclusion of ground rental income which will be received on the sale of each apartment.

An allowance for Empty Property Costs for the development has thus been made over the 24 month sales period. This equates to **£55,565** as shown on the Schedule at Appendix 5.

Appendix 5 – Empty Property Costs Schedule

7.1.4. Finance Costs

Where development finance is available (which having been available for a select number of situations is now improving) lenders are currently charging 3 - 5% above LIBOR. Arrangement fees (1-3%), monitoring fees (2-5%) and exit fees (1% of GDV) amongst other fees can be added costs dependant on the status of the borrower. These lending terms have emerged due to the bank's perceived risk of residential development in the current market.

An extract from the Investment Property Forum (IPF) 'UK Development Finance Review 2015' confirms the range of fees that banks may charge:

"Fees are a significant feature of development finance and they often pose a challenge when attempting to compare all-in financing costs because of their variation. Many lenders offering the lowest margins will demand higher fees or impose more types of fees."

The spectrum of fees a bank lender may require will include front end (i.e. arrangement) fees, exit fees, non-utilisation fees, hedging fees, booking fees for residential (as each unit is sold) and, occasionally, pre-payment fees. In addition, there may be an array of management and monitoring fees, while agency fees will be payable if the deal is a club or syndication."

In this instance we have adopted an 'all-in' debit interest rate of 6.5% together with a credit rate of 0.5%, with no additional allowance for fees, which we consider to be a realistic generic assumption for a development of this nature in the current market.

7.1.5. Developer's Return for Risk and Profit

Paragraph 18 of the Viability PPG sets out how the appropriate return to developer should be defined for the purpose of viability assessments. It states:

"Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan."

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. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types."

The typical Retirement Housing apartment schemes built by McCS (and others) differ from and have a higher risk profile compared to general needs housing in the following ways:

- Retirement Housing is specialist flatted development (Blocks of Apartments/Flats) of units for independent communal living of the older persons, usually retirees.
- Blocks of Apartments/Flats are single phase specialist housing developments.
- Mostly located on and re-use Brownfield sustainable urban sites (PDL).
- No ability to phase or stop/start – once started each flatted development has to be completed before occupation by the older person's community. General needs market housing can stop/start or reduce/increase the build-out rate dependent on market demand.
- Significant capital outlay: land purchase; planning permission; construction of the entire development before revenue receipt. Funding and Financing of each development therefore commits substantial resources before any return on investment.
- Added to significant capital outlay is the period of time the capital is employed, i.e. longer cash-flow profile over the land purchase, planning permission, construction and sales period than general market housing.
- Significant Gross/Net floorspace ratio difference adds risk, compared to non-retirement blocks of Flats/Apartments, to account for community facilities for the elderly such as house manager's office accommodation, residents lounge, guest suite (in some larger schemes), other common parts including laundry, buggy battery-recharging store, central refuse store, etc.

- Premium sales values are expected above the general needs housing market thus adding risk because of the requirement to accommodate:
 - Added levels of assistance for the older person and the disabled, i.e. hand rails, maximising level access (60% - 70% of occupants are aged 78 years or over).
 - Added levels of building and site security, including intruder alarm systems and emergency assistance alarm/help-line available to each unit.
- High level of garden landscaping appropriately designed as sitting-out areas for resident's enjoyment.
- Restricted Market – over 55's age as opposed to general needs market housing available to all-comers.
- Carefully considered purchase by the older person. Usually involving family decision making (their offspring often play a part in the decision to move) and often downsizing from a family home.
- Critical mass of 25 units or more to spread the cost and make affordable the occupational service-charge.
- No Help-to-Buy, i.e. No financial market support/intervention.
- Retirement Housing Sector Developers and their Shareholders & Lenders require adequate financial returns to carry the typical higher capital outlay and timing risks associated with specialist retirement housing.

As such, it is the current accepted norm of the marketplace that the appropriate developer profit level for specialist retirement housing represents a minimum of 20% Profit on GDV. Recent Appeal Decisions concerning retirement housing including at Cheam (PINS Ref: APP/P5870/W/16/3159137), Redditch (PINS Ref: APP/Q1825/W/17/3166677) and West Bridgford (PINS Ref: APP/P3040/W/19/3229412) have confirmed this position.

The Profit amount fixed at 20% Profit on GDV.

7.2. Appraisal Summary

The Argus Developer model has been utilised to establish whether the Proposed Scheme provides any surplus for S106 developer contributions, including an amount towards off-site Affordable Housing.

In this instance, it is evident that no surplus is available for such contributions. Having fixed the profit level at 20% on GDV, and the land value at the benchmark Land Value of £2,100,000, the appraisal produces a residual land value of £1,817,732 and a 'deficit' of (£282,268).

The summary table overleaf shows the surplus arising out of the assumptions made and inputs used for a redevelopment for 26 Retirement Living apartments:

Scenario 1 - Financial Viability Assessment

Appraisal Revenue:

1 Bed RL Apartment:	13	£335,000	
2 Bed RL Apartment:	13	£445,000	£10,140,000

Gross Development Value

Appraisal Outlay:

Fixed Price:	£2,100,000
Base Construction Cost	£4,031,254
Part L – Future Homes	£39,000
External Works	£322,500
Abnormal Costs	£120,710
Contingency	£207,598
Professional Fees	£361,077
Marketing & Agency Disposal Fees	£507,000
Empty Property Costs	£55,565
Finance	£501,664

Developers Profit : **20% on GDV** **£2,028,000**

Residualised Price: **£1,817,732**

Benchmark Land Value: **£2,100,000**

Surplus/(Defecit) for Sec.106 Obligations: **(£282,268)**

The Argus summary worksheet of this appraisal is at Appendix 4.

8.0 Sensitivity Analysis

The viability of a development scheme when calculated by the residual method can be affected by variations in Gross Development Value, Build Costs and to a lesser extent by variations in planning obligations, finance costs, phasing/build and sales rates and industry expectations as to profit margins.

We set out below a "sensitivity analysis" schedule showing the effect of percentage changes in Gross Development Value and Build Costs to the surplus/deficit that the Proposed Scheme produces for planning obligations, including offsite affordable housing commuted payment:

SENSITIVITY ANALYSIS REPORT					
ALDER KING LLP					
Didsbury - Jessiefield, Spath Road September 2022					
McCS Proposed Scheme - 26 RL Apartments					
Table of Land Cost and Profit on GDV%					
	Construction: Rate /m ²				
Sales: Sales / Unit	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
	1,492.20 /m ²	1,575.10 /m ²	1,658.00 /m ²	1,740.90 /m ²	1,823.80 /m ²
-10.000%	-£1,599,646	-£1,369,498	-£1,139,352	-£909,206	-£679,061
	20.000%	20.000%	20.000%	20.000%	20.000%
-5.000%	-£1,938,833	-£1,708,688	-£1,478,542	-£1,248,396	-£1,018,250
	20.000%	20.000%	20.000%	20.000%	20.000%
0.000%	-£2,278,023	-£2,047,877	-£1,817,732	-£1,587,589	-£1,357,440
	20.000%	20.000%	20.000%	20.000%	20.000%
+5.000%	-£2,617,213	-£2,387,067	-£2,156,922	-£1,926,776	-£1,696,631
	20.000%	20.000%	20.000%	20.000%	20.000%
+10.000%	-£2,956,403	-£2,726,257	-£2,496,112	-£2,265,966	-£2,035,820
	20.000%	20.000%	20.000%	20.000%	20.000%

The sensitivity considers an uplift and reduction in core build cost and GDV at 5% intervals. The current position shows a RLV at £1,817,732 and thus below the BLV and in deficit. The sensitivity shows that in 9 of the 25 scenarios a surplus would be provided.

Over the past 5 years (Q1 2017 – Q3 2022), the BCIS All-in Tender Price Index shows that build costs have risen by 23.25%.

Over the past 5 years, the UK House Price Index published by Land Registry demonstrates that average house prices in Manchester have increased by 42.22%.

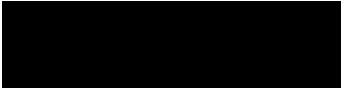
A copy of the sensitivity results are included at Appendix 6.

Appendix 6 – Sensitivity Analysis

9.0 Conclusion

Our Financial Viability Assessment and review of the proposed McC&S development for 26 Retirement Living apartments leads us to conclude there is no financial headroom available for planning obligations, after accounting for the anticipated gross sales receipts and all reasonable aspects of the outlay necessary.

We trust that this Financial Viability Assessment report is suitable for your purposes but please do not hesitate to contact us if you require any further detail or information.



.....
R James Mackay BSc (Hons) MRICS
Partner

For and on Behalf of
Alder King LLP
12 Pine Court
Kembrey Park
SWINDON
Wiltshire
SN2 8AD



Appendix 1 – Location Plan



REVISIONS



mck commercial design
architecture | building surveying | urban design
burnaby villa ■ 48 wadding street road ■ fulwood ■ preston ■ pr2 8bp
tel: 01772 774510 fax: 01772 774511 email mck@mckassociates.co.uk

Our Ref.

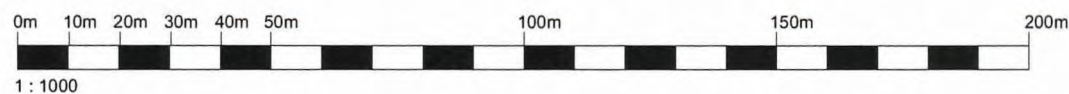
McCARTHY STONE
Life, well lived

Project Title
Retirement Living
Spath Road
Didsbury

Drawing Title
Location Plan

Scale@A3 1:1000 Date 07/07/22
Drawn AB Checked -
Drawing No.
NO -2697 -3 -AC -0001
Division Project No. Stage Discipline Number Revision

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all dimensions to be checked on site prior to commencement of work and any discrepancy shall be immediately reported and resolved prior to work commencing. this drawing is to be read in conjunction with all relevant drawings and specifications relating to the job whether or not indicated on this drawing.
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Appendix 2 – Proposed Site Plan and Proposed Floor Plans

BOUNDARIES

-  Proposed 1.8m high close boarded screen fence approx length 18m
-  Proposed 2.1m high close boarded screen fence approx length 223m
-  1.5m high trellis screen fence around patios
-  Existing boundary to be retained and enhanced where necessary

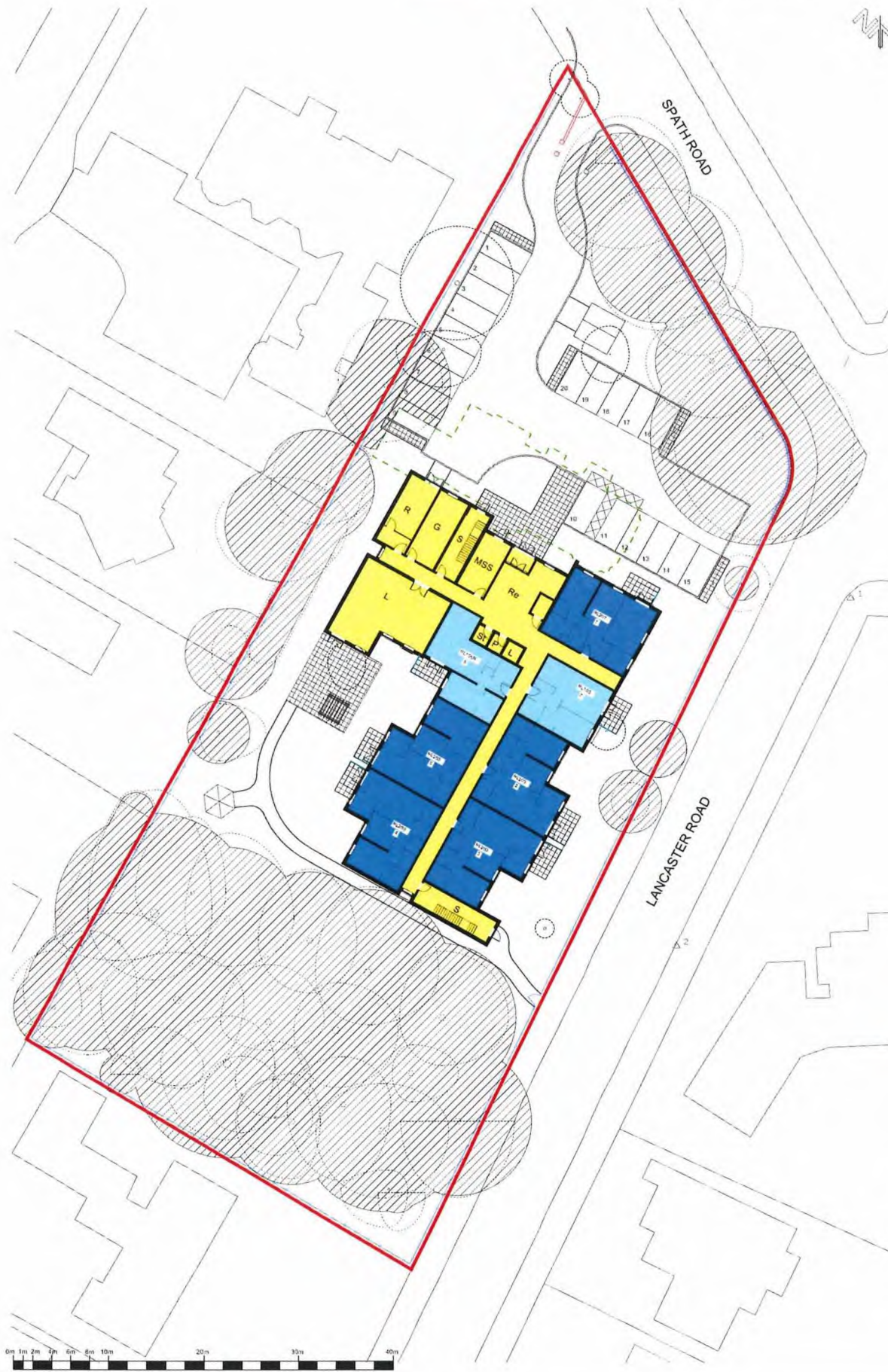
LANDSCAPING

Trees to be removed in line with arboricultural consultants method statements

Trees to be retained and protected in line with BS5837:2012. Please refer to Keen Consultants Arboricultural Survey for more information.

Root protection zone

REVISIONS			
A	12/01/22	AB	Parking layout revised
B	14/01/22	AB	Parking layout and numbers revised, paths amended to suit
C	19/01/22	AB	Subsidiary layout revised, parking layout and paths amended to suit
D	19/01/22	AB	Guest Suite and Welfare reimagined, parking and paths revised to suit
E	23/01/22	AB	Access route to gate and driveway from T2



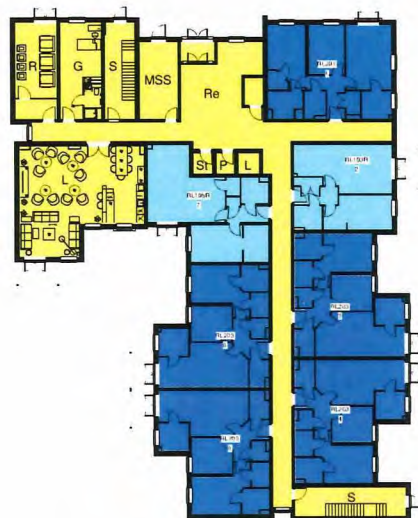
MCCARTHY STONE
Life, well lived

Project Title
Retirement Living
Spath Road
Dunstable

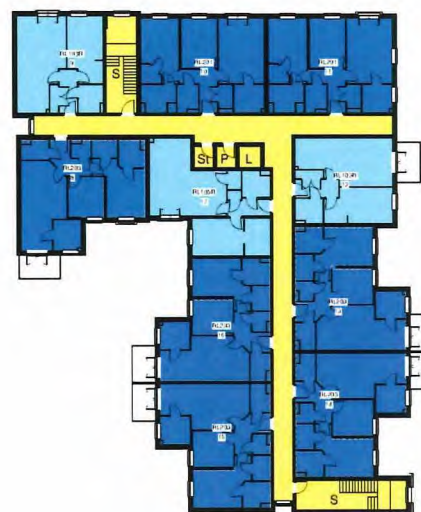
Drawing Title
Proposed Site Plan

Drawn by: **AB** Date: 19/01/22
Checked by: **AB** Date: 19/01/22
Project No: **NO-2697-3-AC-0002-D**
Revision: **01** (Issued for Construction)

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1 1020 - 00 - SSL - COM SERVICES
1 - 200



2 1021 - 01 - SSL - COM SERVICES
1 - 200



3 1022 - 02 - SSL - COM SERVICES
1 - 200



Room Key

R	Refuse
L	Lounge
Re	Reception
MSS	Mobility scooter Store
WC	Communal WC
S	Store
SI	Guest Suite
G	Guest Suite
Ra	Roof Access

Apartment Schedule	
Occupancy	Count
00 - SSL	
1 Bed	2
2 Bed	5
01 - SSL	
1 Bed	3
2 Bed	7
02 - SSL	
1 Bed	6
2 Bed	1
Grand total:	26

Apartment Mix Schedule	
Occupancy	Count
1 Bed	13
2 Bed	13
Grand total:	26



Appendix 3 – Red Book Valuation

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



1 September 2020
Ref: TON/SD/Jessiefield

McCarthy & Stone Retirement Lifestyles Limited
Unit 3 Edward Court
Altrincham Business Park
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For the attention of Ed Whalley

Dear Sirs,

PROPERTY: JESSIEFIELD, SPATH ROAD, DIDSBURY M20 2TZ

In accordance with the instructions contained in your letter to us dated 19 August 2020, as confirmed in our letter to you dated 25 August 2020, we have made such enquiries as are sufficient to provide you with our opinion of value on the basis stated below. Copies of your instruction letter and of our letter of confirmation are enclosed at **Appendix 1**.

We draw your attention to our accompanying Report together with the General Assumptions and Conditions upon which our Valuation has been prepared, details of which are provided at the rear of our report.

We trust that our report meets your requirements, however should you have any queries, please do not hesitate to contact us.

Yours faithfully

For and on behalf of Savills (UK) Limited



Tom O'Neill MRICS
RICS Registered Valuer
Director



Hayden Manifold MRICS
RICS Registered Valuer
Director

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

Savills (UK) Limited. Chartered Surveyors. Regulated by RICS. A subsidiary of Savills plc. Registered in England No. 2605138.
Registered office: 33 Margaret Street, London, W1G 0JD

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



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Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



Executive Summary

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



Front Elevation – October 2019



Boundary Plan



Street Plan

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



Address	Jessiefield, Spath Road, Didsbury M20 2TZ	
Use	Residential – single dwelling	
Location	Didsbury is an affluent and desirable residential suburb approximately 4 miles south of Manchester, with excellent communication links and vibrant social scene. The subject property is situated on Spath Road, a well-regarded suburban street to the north west of Didsbury village, well placed for local amenities and transport links.	
Description	The property comprises a large detached house understood to date from the 1930's sat just front of centre in a mature plot of approximately 1.15 acres.	
Area	2,681 Sq Ft	342 Sq M
Planning	Planning application 123555/FH/2019 was approved in June 2019 and permits a significant extension and reconfiguration of the property.	
Tenure	The property is held freehold under two separate titles, LA298379 and LA298380. It is valued on the basis of Vacant Possession.	
Existing Use Value	£1,750,000	

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



1. Instructions and Terms of Reference

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



1.1. Instructions

1.2. Instructions and Basis Of Valuation

You have instructed us to provide our opinions of value on the following basis:

- The current Existing Use Value of the freehold interest, subject to and with the benefit of vacant possession ("Existing Use Value")

1.2.1. General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Conditions set out in the relevant section towards the rear of this report.

1.2.2. Date of Valuation

Our opinions of value are as at the date of this report. The importance of the date of valuation must be stressed as property values can change over a relatively short period.

1.2.3. Definition of Existing Use Value

Existing Use Value for Planning Viability is not clearly defined. We have adopted the definition of *Value in existing use* as defined in the RICS guidance note Valuation of development property, 1st edition, October 2019, being:

"The market value, or any other appropriate basis, assuming the property continues in its existing use with no expectation of that use changing in the foreseeable future."

1.2.4. Purpose of Valuations

You instruct us that our valuations are required in connection with a viability appraisal of your proposed re-development of the site.

1.2.5. Conflicts of Interest

As previously advised, Savills (UK) Limited valued the Property in November 2019 for mortgage purposes, instructed by the owners' Bank. We have no other material connection or involvement with the subject property or any other parties and there are no other factors that could limit the valuers' ability to provide an impartial and independent valuation. Accordingly, we are reporting on an objective and unbiased basis.

1.2.6. Valuer Details and Inspection

The due diligence enquiries referred to below were undertaken by Tom O'Neill MRICS. The valuation has also been reviewed by Hayden Manifold MRICS.

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



The property was inspected on Monday 28 October 2019 by Tom O'Neill MRICS and Isobel Dimmer. We were able to inspect the whole of the property, both externally and internally, but limited to those areas that were easily accessible or visible. The weather on the date of our inspection was dry and bright. In accordance with your instructions we have not re-inspected the Property for the purpose of this valuation and have assumed that it is unchanged.

All those above with MRICS qualifications are also RICS Registered Valuers. Furthermore, in accordance with VPS 3.2, we confirm that the aforementioned individuals have sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

1.2.7. Extent of Due Diligence Enquiries and Information Sources

The extent of the due diligence enquiries we have undertaken and the sources of the information we have relied upon for the purpose of our valuation are stated in the relevant sections of our report below.

Where reports and other information have been provided, we summarise the relevant details in this report. We do not accept responsibility for any errors or omissions in the information and documentation provided to us, nor for any consequences that may flow from such errors and omissions.

1.2.8. Liability Cap

Our letter confirming instructions at **Appendix 1** includes details of any liability cap.

1.2.9. RICS Compliance

This report has been prepared in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the "Red Book".

Our report in accordance with those requirements is set out below.

1.2.10. Verification

This report contains many assumptions, some of a general and some of a specific nature. Our valuation is based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of this report.

We recommend that you satisfy yourself on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purpose of our valuation. Our valuation should not be relied upon pending this verification process.

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



1.2.11. Confidentiality and Responsibility

Finally, in accordance with the recommendations of the RICS, we would state that this report is provided solely for the purpose stated above. It is confidential to and for the use only of the party to whom it is addressed only, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

1.3. Background

We understand that the property was acquired by the vendors in April 2010 in the sum of £1,880,000. The property is held Freehold under Title Nos LA298380 and LA298379.

Subsequently, a planning application was submitted for comprehensive extension and refurbishment, and was granted in June 2019.

We understand that you propose to redevelop the site, and this valuation is required as part of your intended planning application.

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



2. The Property, Statutory & Legal Aspects

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



2.1. Location

Didsbury is an affluent Manchester suburb situated approximately 4 miles south of the city centre. The area benefits from excellent transport links with the A5103, Princess Road, providing access to the city centre and the M60 orbital motorway accessed at junction 5 approximately 1½ miles to the south west. Manchester International Airport is just beyond the M60, 5 miles to the south. The area benefits from regular bus services to Manchester city centre and has recently benefitted from the extension of the Metrolink tram network.

Didsbury is one of Manchester's most popular residential suburbs particularly amongst those in their 20s and 30s. It benefits from a host of retail and leisure amenities serving day to day needs and in particular a wide range of bars and restaurants and has a vibrant cafe scene. The area also benefits from the proximity of Manchester University campuses and a number of local hospitals.

We include below a general location map showing the location of Didsbury in its regional context.



Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



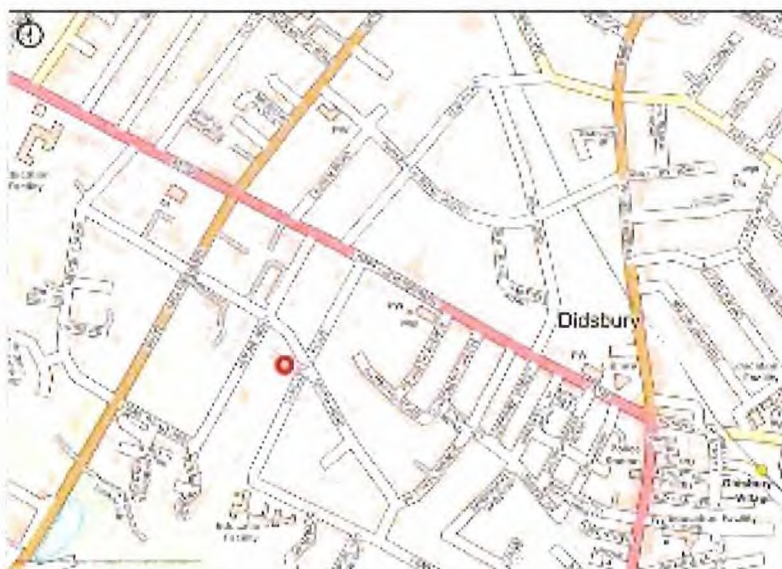
2.2. Situation

The property is situated to the south side of Spath Road, and to the west of Lancaster Road. The immediate locality is typified by detached and semi-detached period homes on wide, tree lined roads.

The property is bound to the east by Lancaster Road, and north by Spath Road. To the west and south are neighbouring properties. These are attractive residential dwellings, but the neighbouring property to the west, an apartment block, does overlook slightly.

West Didsbury Metrolink is approximately 700 metres north, and the Didsbury Village station a similar distance to the east. East Didsbury railway station is 1 mile (1.7km) to the south east, adjacent to the A34 Kingsway connecting to Manchester city centre to the north and towards Cheshire to the south.

We have provided a Local Street Map below.



2.3. Description

2.3.1. Overview

The property comprises a large detached house understood to date from the 1930's sat just front of centre in a mature plot of approximately 1.15 acres. It is arranged over two principal storeys of accommodation, with additional accommodation within the roof space.

The house is set behind a low, red brick wall, mature hedgerow and mature trees. The front garden has a good sized lawn, and a drive which sweeps from the electric gates round the front of the property. The rear garden is comprised of patio and terrace adjoining the house, with lawn, and hard and soft landscaping with trees and shrubs interspersed. There are mature boundaries around.

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



The property is of traditional construction with red brick elevations and red vertical hanging tiles at first floor level between the ground floor windows and eaves, resting beneath a pitched red tile covered roof with two chimneys. The window frames are white and wooden, with single glazed windows with leaded glass detail. The front door is set forward slightly from the front of the property.

Photographs of the property taken during our October 2019 inspection are provided below.



Spath Road



Front Elevation



Rear Elevation



Rear Garden

2.3.2. Specification

General

- Cast iron column radiators throughout the property.
- Recessed LED spot lighting throughout most of the property.

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



- White plastic light switches and plug points.

Kitchen

- Dated kitchen, with wooden cabinetry.
- Gas hob and fan above.
- Ceramic tiled splashback and flooring.

Lounges

- Fitted wood burning stoves with surrounding fireplaces.
- Parquet wooden flooring.
- Uplighting.

Family Bathroom

- Contemporary style bathroom units.
- Sanitary ware from CP Hart.
- Chrome heated towel rail (water).
- Oversized shower tray with rain-shower style shower head.
- Wall hung basins and WC (push button).
- Silent extractor fan.

Bedrooms

- Fitted walk-in wardrobes with a range of fitted shelving and hanging rails.
- Carpeted.

Doors and Internal Joinery

- Solid oak doors and architraves.

External

- Hard and soft landscaping.
- Some CCTV around the perimeter of the Property.
- Electronically operated wrought iron gate.

2.3.3. Site Area

The site of the property is roughly rectangular in shape with a curved northern boundary following Spath Road. It is largely flat. By reference to the Ordnance Survey Extract, we calculate that the property has an area of 1.15 acres. This area and the precise site boundary should be confirmed by your legal advisers.

We attach an extract below from the Ordnance Survey sheet at showing the property edged in red and its immediate vicinity.

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2.4. Accommodation

During our inspection we were able to take measurements on a Gross Internal Area (GIA) basis, in accordance with the RICS Property Measurement Second Edition published in January 2018 incorporating International Property Measurement Standards (IPMS). The Property extends to 3,681sq.ft over three storeys. It provides the following accommodation:

Ground Floor Hall, lounge, living room, dining room, kitchen / diner / living space, utility room, WC.

First Floor Landing, principal bedroom, en-suite, bedroom two, bedroom three, bedroom four, family bathroom, study.

Second Floor Attic space (no permanent staircase up to this floor).

The house provides a reasonable balance of accommodation, reasonably aligned to current living preferences. However, the provision of bathrooms is arguably inadequate given the amount of bedrooms, with three bedrooms sharing one family bathroom on the first floor.

At ground floor level, the open plan kitchen/dining/sitting room will be popular in the market, and the provision of two further separate reception rooms and a separate dining room are suitable for purchasers who may want more divided living spaces.

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The provision of a utility room separate from the open kitchen is appealing, especially given that it could act as a boot room with access to the garden.

There is no permanent staircase to the second floor, reducing the practicality of using this space as permanent accommodation.

Only the principal bedroom utilises an en-suite bathroom. The remaining bedrooms all share one family bathroom, which is arguably impractical and may deter some purchasers at this level.

2.5. Condition

2.5.1. General Condition

As instructed, we have not carried out a structural survey, nor have we tested any of the services. However, we would comment, without liability, that during the course of our October 2019 inspection for valuation purposes, we observed that the property appeared to be in appropriate structural condition.

Some wooden window frames were showing signs of damage/mould. Water damage was noted in bedroom 3, due to a leak originating in a tank in the attic space, which has since been repaired. Some paintwork, especially on the iron radiators, was in need of maintenance, and the kitchen is dated. We understand that there is no intention of retaining much of the property internally. In its existing guise it is perfectly habitable.



Single glazed window and timber window frame



Kitchen

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Damage from a leak in a bedroom



Lounge

2.6. Environmental Considerations

2.6.1. Informal Enquiries

As instructed, we have not carried out a soil test or an environmental audit. Following informal enquiries, we understand that the property has been in residential use for c.100 years, prior to which we understand that it was undeveloped. On the basis of these informal enquiries, it would appear unlikely that land contamination exists. This comment is made without liability.

2.6.2. Assumption

As our informal enquiries have suggested that land contamination is unlikely, we have valued the property on the basis that it has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. However, should it subsequently be established that contamination exists at the property, or on any neighbouring land, then we may wish to review our valuation advice.

2.6.3. Flooding

We have made enquiries with regard to potential flooding at the Environment Agency website, www.environment-agency.gov.uk and note that the Environment Agency considers that the threat of flooding is 'low'. The low risk category states that the location is in an area that is unlikely to flood except in extreme conditions. The chance of flooding as estimated by the Environment Agency each year is 0.5% (1 in 200) or less.

2.6.4. EPC

We have obtained a copy of the Energy Performance Certificate for the property which gives the property an Energy Rating of F. This certificate is dated October 2008 and they are widely regarded to have a maximum life of 10 years, i.e this is no longer valid. According to this certificate, the building was considered then to have a Potential Rating of D subject to various proposed upgrades.

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2.7. Town Planning

2.7.1. Statutory Background

We have made informal web based enquiries of the local planning authority, Manchester City Council from which we understand that the Statutory Plan covering planning policy and development control for the area is the City of Manchester Local Plan. The key document within the Local Plan is Manchester's Core Strategy which was adopted on 11 July 2012, which replaces significant elements of the UDP and sets out the long term strategic policies for Manchester's future development and forms the framework planning applications will be assessed against.

The property is not identified as being within a Conservation Area or the Green Belt. The existing property is not listed. We are not aware that the property is directly affected by any highway, town planning or other schemes or proposals.

2.7.2. Planning History

We have made web based enquiries of the Local Planning Authority, and highlight the following applications of note:

Application No.	Description	Date	Decision
123555/FH/2019	Erection of a single-storey rear extension, erection of single-storey side extension with accommodation in roof space, following demolition of existing garage, erection of front porch, installation of 3 dormers and gable to front, installation of gable with balcony to rear, together with elevational alterations and reconfiguration of driveway.	25/06/2019	Approved
089194/FO/2009/S2	Erection of two 3 storey detached dwelling houses with basement parking and associated landscaping.	29/05/2009	Approved

Application No. 123555/FH/2019 was granted during 2019 and therefore remains valid. It permits a very substantial extension to the Property, discussed further below. Our understanding is that the potential to extend the existing property, whether that be as approved here or via Permitted Development Rights is to be reflected in the valuation, as it doesn't alter the existing use of a single private dwelling.

Application No. 089194/FO/2009/S2 relates to an application dating back to 2009, for two 3 storey detached houses to be erected within the rear garden of Jessiefield, with access from Lancaster Road. The existing house would be retained, i.e three dwellings in total. The application was progressed by local developer Hillcrest Homes. This was approved subject to 10 conditions, none of which we consider particularly onerous. It has now expired, but was valid when the Borrower purchased the Property. This may reflect potential future development potential, if similar planning permission could be obtained, but this potential is ignored for the purpose of this valuation.

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2.7.3. The Approved Extension

The proposal was to create a bespoke single dwelling, with a contrast of traditional and contemporary design, including the remodelling of the existing house together with sympathetic extensions. The elevations of the existing house would remain largely similar, with new clay tile hanging, new white timber window frames, enlargement of the existing gables and a new porch. The existing garage would be demolished, and a new integral garage built in similar red brick, with additional living / entertaining accommodation below. All will rest beneath a new multi pitched red tile covered roof. The extension to the house, which will house the swimming pool will be more contemporary, with the east elevation mainly glazed, and the south elevation constructed of red brick. This extension would rest under a standing seam metal roof, with a large pitched glazed roof lantern.

The Property would be accessed via a new gated entry, with an automated oak gate, and a widened and resurfaced driveway with the remainder of the front fully landscaped. The rear would be fully landscaped.

It was granted subject to only three conditions, relating to timing, the approved plans, and the need for samples of all materials to be approved. Computer generated images of the proposed property are provided below:



Front Elevation



Rear Elevation

We have obtained floor areas for the approved development, on which we have taken check measurements. We understand that the approved property would extend to 9,000sq.ft. to include basement, second floor and garage. The proposed accommodation is as follows:

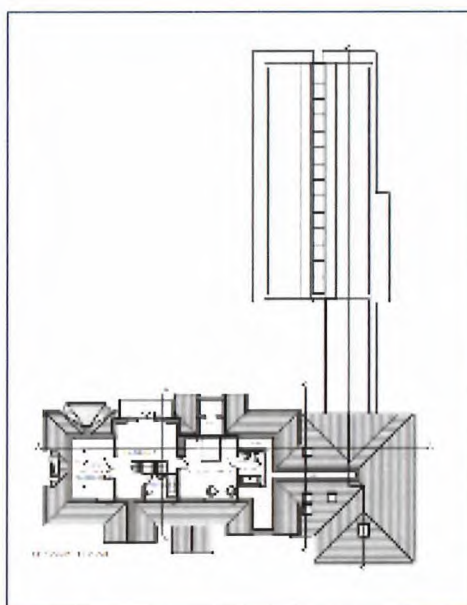
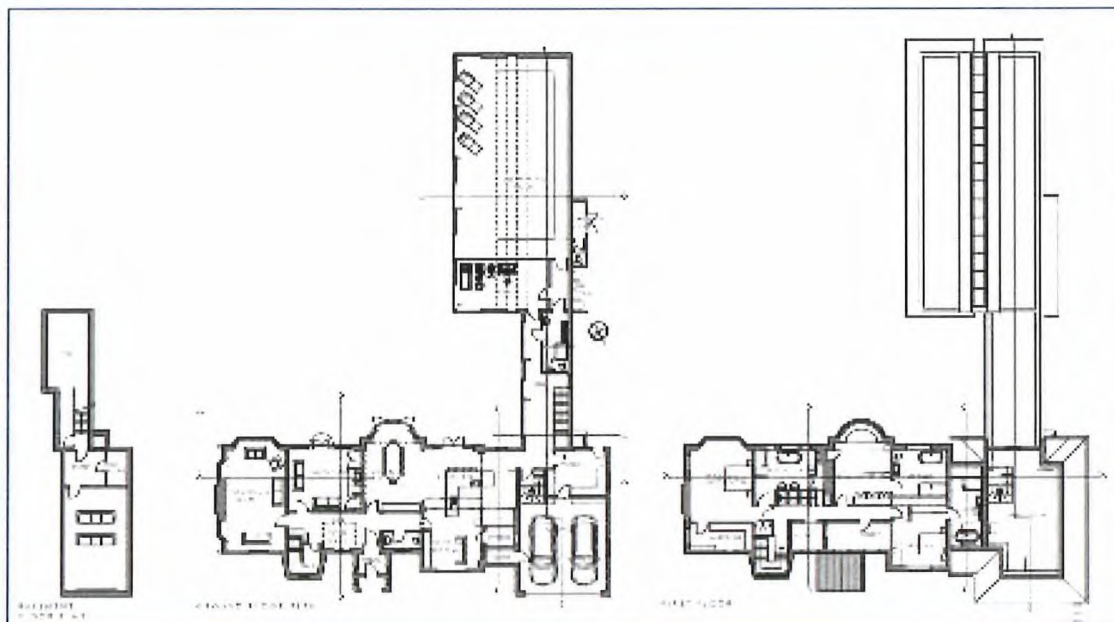
Basement	Lobby, wine cellar, media room, plant.
Ground Floor	Porch, entrance hall, large open plan kitchen / dining / family room, living room, formal lounge, WC, Utility room pantry, plant room, gym, pool room, changing room, integrated garage.
First Floor	Landing, principal suite comprising bedroom, en-suite bathroom, dressing room, bedroom 2, en-suite, bedroom 3, en-suite, games room.
Second Floor	Landing, bedroom 4 and en-suite, family bathroom, bedroom 5.

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We include below the approved layout plans:



The plans provide for well configured accommodation, well attuned for current living preferences. At ground floor level, much of the accommodation provides for open plan space and the rear of the main house is to comprise a large kitchen / breakfast, dining and family room. This area will provide an effective 'hub' of the home, a pre-requisite for most at this level of the market.

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2.7.4. Summary

During the course of our inspection of the property, we did not observe anything which would indicate that any of the above planning permissions are being contravened. In valuing the property we have assumed that the building is used in accordance with its present lawful uses and that the building complies with current planning laws and building regulations and that it is not subject to any adverse proposals or possible enforcement actions.

2.8. Tenure

We have valued the freehold interest in the property as outlined in red on the Ordnance Survey Extract at paragraph 2.3.3.

We assume that Spath Road is an adopted highway and maintained at public expense. We further assume that no third parties enjoy any rights over the subject property. Your solicitors should confirm that there are no onerous restrictions or obligations as part of the due diligence process.

The Property has a return frontage to Lancaster Road which is unmade and very potholed. We assume that this is in private ownership, but that the property has access rights over it.

At the date of our inspection, the property was occupied. Our valuation is provided on the assumption of full vacant possession.

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3. Market Commentary

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3.1. Property Market Overview

We enclose a Property Market Overview at **Appendix 2**.

3.2. Residential Occupational Market in Didsbury

The local market has broadly followed regional trends, with the North West experiencing a prolonged period of positive sentiment and activity, despite some headwinds amidst ongoing political uncertainty. Whilst the market perhaps tempered slightly in late 2019, the result of the general election seemingly provided an element of stability, and the market saw a relative bounce in early 2020. The outbreak of the COVID-19 virus did for some time effectively halt the market and it remains to be seen how the market will react fully going forwards as the COVID-19 scenario evolves, though agents are reporting very positive activity within the market since the easing of lockdown.

Didsbury has benefitted from the extension of the Metrolink tram system to the area with stops at Burton Road, West Didsbury, Didsbury Village and East Didsbury. The area has also benefitted from its relative proximity to the MediaCity development at Salford Quays and the relocation of many BBC employees. Didsbury along with neighbouring Chorlton offers a much more urban feel than the majority of higher value residential locations around greater Manchester and therefore offers a particular attraction to those relocating from the more vibrant parts of London.

Local agents are reporting positive activity within the market since the easing of the lockdown. Rightmove largely supports the views of local agents, but states that sold prices for residential property in M20 over the last year actually fell by 2% on the previous year, with an overall average price of £330,913 over the last year, but these statistics are easily distorted by variation in the houses sold. The average price is well in excess of national and regional averages. This gives a broad idea of values within the vicinity, however evidently not reflective of micro-location, size or new build versus second hand.

A Rightmove search of the subject postcode and 0.5 miles around, shows 62 no. properties have sold within the last 12 months showing a positive level of activity. In addition, within this area there are currently 14 properties on the market, showing activity, but not excessive supply at present.

There is a limited market in excess of £1,500,000. According to the Rightmove website, there are currently 12 properties priced at £1,000,000 or more in Didsbury, compared to only 5 when we reported on this property in late 2019. Four are at a new development known as Silverwood, and two are at a new development on Didsbury Park. Only two are "period" properties like the subject.

3.3. Sales Transactions

In reaching our opinion of value for the Property we have had regard to a handful of sales of broadly comparable properties in the Didsbury market and our discussions with both our own agents and local agents.

We have highlighted comparable sales and made adjustments to the comparable evidence to reflect the individual characteristics of each property, including: location, size, grounds and condition.

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Our valuations are based on market evidence which has come into our possession from numerous sources. That from other agents and valuers is given in good faith but without liability. It is often provided in verbal form. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.

21 Didsbury Park, Didsbury

This property is a 3,300sq.ft 1930s house, set in 0.48 acres of land. It was extremely dated internally when it sold for £1,400,000 in June 2017, and would require a comprehensive refurbishment throughout the house to bring it to modern standards and taste. We would expect the subject property as it stands to achieve a materially higher value than seen at 21 Didsbury Park, as it is currently in better condition both internally and externally, over 10% larger, and sits in a significantly larger plot.

It is of note that initially post-purchase the purchasers submitted a planning application for a significant extension and refurbishment (to extend to 6,000 sq.ft) including an indoor swimming pool. As such, £1,400,000 was paid for the 0.46 acre plot for a proposed 6,000 sq.ft property. In comparison, the subject plot is over double the size, on a corner plot.

Subsequently, rather than refurbish or extend the existing property, the purchasers have gone on to achieve planning permission to demolish this property, and build two detached units on the plot of 5,800 sqft each, utilising basement accommodation, but that was not the intention on purchase.

11 Lancaster Road, Didsbury

11 Lancaster Road is extremely close to the subject Property, it comprises 3,538 sq.ft of accommodation over three storeys, and was purchased in 2018 for £1,443,700, achieving £408/sq.ft. It had been relatively recently refurbished, and finished to a high standard. The open plan kitchen / dining / living area is very high specification, and provides a hub of the home which is likely to be attractive to potential purchasers. The garden is considerably smaller than seen at the subject. 11 Lancaster Road is a very similar sized house to the subject as existing. Suitably refurbished we would expect the subject property to achieve a significantly higher value than this property has achieved, to reflect a premium due to the size of the garden.

9 Elm Road, Didsbury

A 4,309sq.ft period house, refurbished to a high standard and sold in April 2017 at £1,500,000 (£348/sq.ft). It is larger than the subject, however it is on a more modest plot, and we would expect respective values to reflect the same. We would expect the subject Property to achieve a higher amount to this property in its current state, due to the larger plot, despite it being more dated than 9 Elm Road.

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41, Pine Road, Didsbury

This 3,574 sq.ft property (plus 626 sq.ft of unconverted cellars) sold for £1,537,000 in July 2018, achieving £430/sq.ft. The property was relatively dated when it sold, with most rooms needing new paintwork and new carpeting, and a new kitchen and bathrooms necessary. Although small in comparison to the subject, compared to the wider market 41 Pine Road has a large garden of 0.63 acres, but is overlooked by neighbours. We would expect the subject property as existing to achieve a value higher than this property, despite it not having the cellars, due to the superior plot.

Stenner Brow, Stenner Lane, Didsbury

A similar sized period house of 3,509sq.ft in an excellent plot of 1.2 acres with open aspects. It sold in November 2017 for £2,000,000, achieving £570/sq.ft. It was dated both internally and externally. Similarly it is a landmark property within Didsbury. Stenner Brow is potentially arguably a better location, in a Conservation Area, and with views over Fletcher Moss Park.

On balance we would expect a value somewhere in excess of the £1,537,000 paid for 41 Pine Road but below the £2,000,000 paid for Stenner Brow. With limited sales of period houses in large plots, particularly ignoring development potential, it is difficult to be more precise.

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4. Valuation Advice

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4.1. Principal Valuation Considerations

The principal matters that impact on the value of the property are as follows:

4.1.1. Location and Situation

Didsbury is a perpetually popular residential location, typically attracting a younger purchaser profile. Its popularity and reputation has continued to increase, and has arguably benefitted more than most from the BBC move to Media City and general creative industries relocating there.

The subject occupies an excellent location for a host of amenities and for transport links. Spath Road is one of the premier addresses locally, as is Lancaster Road to which the subject has a return frontage.

The area has not seen the same level of transactions as some of the prime locations, such as Alderley Edge, Hale and Bowdon and is relatively untested at in excess of £1,500,000. As a location however it is improving and we believe has many of the fundamentals to support property sales well in excess of previous levels.

4.1.2. Building Quality and Condition

As existing the property is dated, although has been subject to some relatively recent cosmetic work. Anyone purchasing now would plan to either (a) demolish the existing property and comprehensively redevelop the site, or (b) undertake substantial renovation, and potentially remodelling / extension works to the existing property.

4.1.3. Garden and Grounds

Given the suburban location the plot is a remarkable size and larger than much of what is typically available within suburban Didsbury. The gardens are mature, south facing, and the house occupies a position set back from the highway affording good privacy.

4.1.4. Town Planning

The Existing Use for the purpose of this valuation is as a single, private dwelling. It is dated in parts internally, and we would expect any incoming purchaser to plan some degree of reconfiguration, possible extension, and updating. Some extension would be allowed under Permitted Development Rights. However, in addition to PDR the Property has the benefit of a recent and live planning permission for a very substantial extension.

4.1.5. Strength of the market

The market is currently buoyant and has experienced a prolonged period of positive sentiment, increased activity and competition, and fairly aggressive price growth. The locality has been one of the best performing localities of the region of late. However, whilst it is likely to be more resilient to market fluctuations than some, it is by no means immune to negative movement.

4.2. Approach To Valuation

We have approached the valuation of the Property by adopting the comparable method of valuation.

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Spath Road is a prestigious and sought after address locally, as is Lancaster Road which runs to the side of the Property. It is well located for the amenities of both Didsbury Village and West Didsbury.

The Property has an unusually large garden in the context of the local market, a factor which will undoubtedly add value compared to more regularly sized plots, there is however limited evidence as to what that premium is, particularly in the context of excluding "hope value". In this context, we repeat that we have not reflected the potential for an enhanced value that may result from considering redevelopment scenarios, whether that be for an additional two houses in the grounds (like the 2009 consent) or the possibility to comprehensively redevelop the site for 4 to 5 houses in place of the subject. Whilst now lapsed, the historic 2009 consent establishes the development potential of the Property and as a result, there is likely to be interest from developers as well as owner occupiers. The development potential is also likely to influence the vendor's aspirations when disposing of the Property.

There is a relatively established market up to c.£1,400,000 but little transacts above that. In very recent years there have been a number of newly constructed, large, high specification houses built, but on modest plots.

We are satisfied that the value should be materially in excess of the £1,537,000 paid in July 2018 for 41 Pine Road. Although a relatively large garden, it is half that of the subject, materially narrower, and the garden is overlooked by neighbours. The house has accommodation over four floors, as opposed to the subject's predominately two.

It could arguably achieve the £2,000,000 paid for Stenner Brow in November 2017, which is closer to the subject in terms of size, layout and plot size than 41 Pine Road.

On balance we would expect a value somewhere between the two. Based on the above research from comparable transactions, and agent's comments on the current sentiment, demand and buyer profile, we consider that the subject scheme should achieve a value of £1,750,000.

4.3. Valuation

Having carefully considered the property, as described in this report, we are of the opinion that the current Existing Use Value of the freehold interest, on the Special Assumption of full vacant possession, is in the order of:

£1,750,000

(ONE MILLION SEVEN HUNDRED AND FIFTY THOUSAND POUNDS)

We consider that a period of up to 6 months is a reasonable period within which to negotiate completion of a sale by private treaty of the property at the level of our valuation, taking into account the nature of the property and the state of the market.

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5. General Assumptions & Conditions to Valuations

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Jessiefield, Spath Road, Didsbury M20 2TZ



5.1. General Assumptions and Conditions

Unless otherwise agreed in writing and / or stated in our report, our Valuation will be carried out on the basis of the following general assumptions and conditions in relation to each Property that is the subject of our Report. If any of the following assumptions or conditions are not valid, this may be that it has a material impact on the figure(s) reported and in that event we reserve the right to revisit our calculations.

1. That the Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
2. That we have been supplied with all information likely to have an effect on the value of the Property, and that the information supplied to us and summarised in this Report is both complete and correct.
3. That the building has been constructed and is used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.
4. That the Property is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice.
5. That the building is structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair. Our inspection of the Property and our Report do not constitute a building survey or any warranty as to the state of repair or refurbishment of the Property. Our Valuation is on the basis that a building survey would not reveal material defects or cause us to alter our Valuation materially.
6. That there is unrestricted access to the Property and that it is connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. Sewers, mains services and roads giving access to the Property have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.
8. That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like. We have not carried out any investigations into these matters.
9. That the Property is free from environmental hazards and has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
10. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property.
11. Our Valuation will be exclusive of VAT (if applicable).

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Jessiefield, Spath Road, Didsbury M20 2TZ



12. No allowance will be made for any expenses of realisation.
13. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
14. No allowance will be made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EU legislation, insofar that the latter is applicable.
15. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

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Appendices

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Jessiefield, Spath Road, Didsbury M20 2TZ



Appendix 1 – Instructions and Confirmation

25 August 2020
Ref: TON/SD/Jessiefield



McCarthy & Stone Retirement Lifestyles Limited
Unit 3 Edward Court
Altrincham Business Park
Broadheath
Altrincham
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WA14 5GL

Tom O'Neill MRICS
E: toneill@savills.com
DL: +44 (0) 161 244 7716

For the attention of Ed Whalley

Belvedere
12 Booth Street
Manchester M2 4AW
T: +44 (0) 161 236 8644
savills.com

Dear Sirs

PROPERTY: Jessiefield, Spath Road, Didsbury M20 2TZ

Confirmation of terms of engagement for the provision of valuation advice

1. Thank you for your letter to us dated 19 August 2020. We are grateful to you for your kind instructions to advise and now write to confirm the terms upon which Savills (UK) Limited (**Savills, we or us**) will provide McCarthy & Stone Retirement Lifestyles Limited (**you**) with a valuation report (the **Valuation or Report**) in respect of the above property (**Property**).
2. Our Valuation will be undertaken on the terms set out in this letter, including its appendices.
3. Please sign and return a copy of this letter to us to confirm your acceptance of the terms set out herein. In particular, we draw your attention to the fact that when signing this letter you are confirming your agreement to the limitation of our liability set out at paragraphs 8 -12 inclusive.
4. Please note we will be unable to formally issue our final Report to you, and you will be unable to rely upon the contents of our Report, until such time as we have received your signed copy of this letter.
5. To the extent that there is conflict or inconsistency between this confirmation of instruction letter and your letter referred to above, this confirmation of instruction letter will prevail.
6. **Conflicts of Interest**

You are aware that we valued the Property in November 2019 for Coutts. We confirm however that Savills (UK) Limited does not have any other material connection or involvement with the subject property or any other parties and there are no other factors that could limit the valuer's ability to provide an impartial and independent valuation. Therefore, the valuer will report an objective and unbiased valuation.

RICS Red Book

7. We shall prepare our Valuation in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the "**Red Book**". Accordingly, we confirm:
 - (a) Identification and status of the Valuer
 - (i) The Valuation will be the responsibility of and the Report will be signed by Tom O'Neill MRICS, Registered Valuer, Director (the **Valuer**). The Valuer will work with colleagues as appropriate, and the Report will be counter-signed by at least one other RICS Registered Valuer;
 - (ii) The Valuer has sufficient current knowledge of the particular market and sufficiently developed skills and understanding to undertake the valuation competently. We are acting as "an external valuer as defined in the Red Book and at Appendix 1 attached."

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

Savills (UK) Limited. Chartered Surveyors. Regulated by RICS.

A subsidiary of Savills plc. Registered in England No. 2805130. Registered office: 33 Margaret Street, London, W1G 0JD



(b) Identification of the client and other intended users

The client is the addressee of this letter. We will address our Report to the Addressee.

(c) Identification of the asset or liability to be valued

(i) The interest to be valued is detailed below:

Property Address	Tenure	Use
Jessiefield, Spath Road, Didsbury M20 2TZ	Freehold	Residential

(ii) The interest to be valued is freehold. The Property will be valued with vacant possession, details to be confirmed in our Report.

(iii) The interest to be valued comprises a house being considered for development.

(d) The valuation will be in pounds sterling

(e) Purpose of the valuation

The Valuation is required for your internal purposes to inform planning viability discussions. It is important that the Report is not used out of context or for the purposes for which it was not intended. We shall have no responsibility or liability to any party in the event that the Report is used outside of the purposes for which it was intended, or outside of the restrictions on its use set out at sub-paragraph (f) below.

(f) Basis of value

The basis of our Valuation will be Market Value on the Special Assumption that the property value is restricted to the Existing Use Value, as defined by Viability PPG paragraph 015. The definition of Market Value is set out at **Appendix 1** (attached).

(g) Valuation date

The Valuation date will be the date of our report.

(h) Extent of investigation

Our valuation will be on a desktop basis, informed by our inspection in October 2019.

(i) Nature and source of information to be relied upon

(i) To the extent that you have provided us with information and / or instructed us to obtain it from a third party you agree, unless it is otherwise agreed by us in writing, that we can safely rely upon the accuracy, completeness and consistency of this information without further verification and that you will not hold us responsible in the event that any dispute regarding the Valuation arises from the accuracy of such information.

(ii) Floor areas:

We will not be measuring the Property. It is agreed that we will rely on our previous Gross Internal Area (GIA) floor areas.

(iii) We will not make formal searches with local planning authorities, but shall rely on the information provided informally by the local planning authority or its officers. We recommend you instruct lawyers to confirm the position in relation to planning and that the Report is reviewed in light of advice from your solicitors in this respect.



- (iv) For the avoidance of doubt, we accept no liability for any inaccuracy or omission contained in information disclosed by you or any third party or from the Land Registry or any database to which we subscribe. We will highlight in our Report where we have relied on such information.
- (j) Assumptions and Special Assumptions

Unless otherwise agreed, our Valuation will be reported on the basis of the general assumptions attached at **Appendix 2** and, the additional assumptions set out at **Appendix 3**.
- (k) Format of Report

We will adopt the relevant Savills (UK) Limited valuation report template, adapted, as necessary, to accommodate your instructions.
- (l) Restrictions on use, distribution or publication
 - (i) Our Report shall be confidential to, and for the use only of, the Addressee and no responsibility shall be accepted to any third party for the whole or any part of its contents.
 - (ii) Neither the whole nor any part of our Report or any reference to it may be included in any published document, circular or statement, nor published, reproduced, referred to or used in any way without our prior written approval (with such approval to be given or withheld at our absolute discretion).
 - (iii) Draft reports, if provided, will be sent on the basis that they are provisional (i.e. subject to completion of our final report) and for your internal purposes only. They must not be published or disclosed and you will not be entitled to rely upon them for any purpose whatsoever. Savills neither owes nor accepts a duty of care to you in connection with any drafts and shall not be liable to you for any loss, damage, cost or expense of whatever nature caused by your use of or reliance on them. Should you choose to rely upon a draft you do so entirely at your own risk and you are responsible for carrying out your own independent investigations.
 - (iv) We confirm that our valuation will be undertaken in accordance with the RICS Valuation – Global Standards (2017) which incorporate the International Valuation Standards (IVS) and the RICS Valuation – Global Standards 2017 - UK national supplement, together the “**Red Book**”.
- (m) The basis on which the fee will be calculated
 - (i) The agreed fee for the provision of the Valuation is £1,750 plus VAT and is payable in pounds sterling. This fee is inclusive of expenses.
 - (ii) Our agreed fee and any expenses, together with any VAT (at the prevailing rate) on such amounts, shall become due and payable by you to us within 30 days of us issuing you with a valid VAT invoice in respect of such amounts. In the event that our fee is not paid by the date for payment we reserve the right to charge default interest at a rate of 4% above the Barclays Bank base rate for payment.
 - (iii) In the event of our instructions being terminated at any time prior to completion of our work, a fee will become payable on a time basis (at our prevailing rates) for work carried out up to the date of termination, subject to a minimum of 50% of the agreed fee, together with all expenses incurred.
 - (iv) If we incur any expenditure on solicitors or other third parties in order to recover the fee due, such amounts will be payable by you.
 - (v) If we perform any additional services for you, we will agree an additional fee with you in respect of such services and such fee shall be payable in the manner set out above.
 - (vi) You acknowledge that you shall not be entitled to rely upon our Report until such time as our fees have been paid as detailed here.



- (n) Savills Complaints Handling Procedure

A copy of our Client Complaints Handling Procedure can be made available to you on request.

- (o) Monitoring under RICS conduct and disciplinary regulations

Savills (UK) Limited is regulated by the RICS. Compliance with the standards set down in the Red Book may be subject to monitoring by the RICS under its conduct and disciplinary regulations.

Limitations on Liability

8. Subject to paragraph 12 below, our aggregate liability to any one, or more, or all of the Addressees or any other party who otherwise becomes entitled to rely upon the Report under or in connection with this agreement and our Valuation, however that liability arises (including, without limitation, a liability arising by breach of contract, arising by tort, including, without limitation, the tort of negligence, or arising by breach of statutory duty) shall be limited to the lower of:
- (a) 25% of the Value (as defined below) of the Property stated in our Report; and
 - (b) £75M.
9. In paragraph 8, **Value** means:
- (a) where more than one value is stated for the same Property on different bases, the highest valuation figure recorded in our Report; and
 - (b) in the case of valuations of portfolios, estates, shopping centres and other multi-unit properties within one Report, the aggregate of our valuations included in the one Report.
10. You acknowledge and agree that we shall not be liable under or in connection with this agreement and the provision of our Valuation in tort (including negligence), breach of contract, breach of statutory duty or otherwise due to, under and/or arising out of or in connection with this agreement to the extent such loss or damage is consequential, indirect, special or punitive.
11. You acknowledge and agree that none of our employees, partners or consultants individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring a claim against any such individuals personally in connection with our services.
12. Nothing in this agreement shall exclude or limit our liability for death or personal injury caused by our negligence or for any other liability that cannot be excluded by law.

Insurance

13. During the period that we are producing our Valuation and for a period of six years thereafter, we will maintain in force, with insurers or underwriters approved by the RICS, professional indemnity insurance in an amount not less than the amount of our liability cap, as calculated pursuant to clause 8 above and shall, on your request, produce confirmation of the same from our insurance broker.

Reliance

14. As stated above, we accept responsibility for our Report only to the Addressees and no third party may rely on our Report. We do not accept any responsibility to, and shall have no liability in respect of, any third parties unless otherwise agreed writing even if that third party pays all or part of our fees, or is permitted to see a copy of our Valuation. In addition, the benefit of our Report is personal and neither you nor any other Addressee may assign the benefit of our Report to any third party without our prior written consent (with such consent to be given or withheld at our absolute discretion). You acknowledge that if we agree to extend reliance on our Report to any third party or to the benefit of our Report being assigned, we will require the relevant third party or assignee to enter into a reliance



letter before such party is entitled to rely upon our Report. We will provide you with a copy of our reliance letter on request. If we agree to any such extension or assignment, we may charge you an additional fee.

Confidentiality

15. Neither party shall disclose any confidential information relating to the affairs, business, customers or clients of the disclosing party to any other party without the disclosing party's prior written consent except to those of the disclosing party's employees, officers, representatives and/or advisors who need to know the information for the purposes of carrying out the receiving party's obligations under this agreement (save to the extent that the receiving party is compelled to disclose such information by law).
16. Our Report is confidential to and for the use only of the Addressees, but the Addressees may disclose the Report on a non-reliance and without liability basis to their directors, officers, employees and professional advisers provided the relevant Addressee procures any person to whom our Report is disclosed pursuant to this paragraph 16 keeps the Report confidential and does not disclose it to any other party.

Data Protection

17. We may use your personal information in our provision of services to you. Please see our Privacy Notice for details of how your personal information will be used. Our Privacy Notice can be found at the following web address: <http://www.savills.co.uk/footer/privacy-policy.aspx>

Reinstatement Costs

18. If you have instructed us to report on the reinstatement cost of the Property for insurance purposes, we will provide you with an approximate opinion of such cost only. You acknowledge and agree that the provision of our opinion of the reinstatement cost is provided to you strictly without liability and on a non-reliance basis. If you require a reinstatement cost figure on which you may rely, please let us know and we will ask our building surveying colleagues to provide a fee estimate.

Sub-Contracting

19. We may sub-contract the provision of any services to be performed by us pursuant to this agreement (including, without limitation, to other companies that are direct or indirect subsidiaries of Savills plc) provided that we will remain responsible to you for the provision of those services and the provision of our Report. We may request that you pay any sub-contractor directly for those of our fees which relate to work carried out by the sub-contractor. In these circumstances, the fees in question are to be paid by you directly to the sub-contractor and we will be entitled to assign to the sub-contractor any rights that we have in respect of those fees.

Money Laundering

20. You shall promptly, upon request, provide us with any information reasonably required to enable us to comply with our obligations under the Money Laundering Regulations and our internal compliance policies relating to the same. For the avoidance of doubt, searches may also be conducted on your directors and "beneficial owners" as is required by the legislation. You agree that we may retain such information and documentation for these purposes and make searches of appropriate databases electronically. If such information is not provided within a reasonable time or you do not meet the requirements set out in our relevant internal policies, we may terminate this instruction immediately upon written notice to you.

Health and Safety

21. If we are undertaking physical inspections of the Property, you shall take reasonable steps to procure that the owner and/or occupier of the Property: (a) advises us of any hazards to which our staff may be exposed at the Property (b) provides us with any relevant health and safety policies and (c) arranges for any site visits to the Property to be hosted by a representative of the owner/occupier of the Property.

Jurisdiction

22. This agreement and any dispute arising from the Valuation is subject to English jurisdiction and law.



Appendices

23. Your attention is drawn to the attached appendices which form part of the agreement between us and on which our Valuation will be reported. By signing a copy of this letter you are also confirming your agreement to them.

Yours faithfully

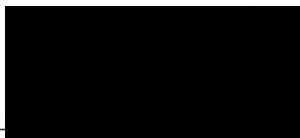


Tom O'Neill MRICS
Registered Valuer
Director

Client Acceptance

I confirm McCarthy & Stone Retirement Lifestyles Ltd's agreement to this letter and the attached appendices and, in particular, confirm that the limitation on liability set out in paragraph 8 above is acknowledged, considered reasonable and accepted:

Signed by McCarthy & Stone Retirement
Lifestyles Ltd by its duly authorised
signatory



Name in capitals

ED WHALLEY

Position

SENIOR LAND MANAGER

Date

25/09/20

Appendix 1: Definitions and Bases of Valuation

Assumption

A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, do not need to be verified by the valuer as part of the valuation process. Typically, an assumption is made where specific investigation by the valuer is not required in order to prove that something is true (RICS Valuation – Global Standards, 2020).

Depreciated Replacement Cost

The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (RICS Valuation – Global Standards, 2020).

Equitable Value

The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (IVS 104 – Bases of Value), (RICS Valuation – Global Standards 2020).

Existing Use Value

The estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost (RICS Valuation – Global Standards 2017, UK national supplement).

Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.

Existing Use Value for Social Housing (EUV-SH)

An opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:

- a) a willing seller
- b) that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest for the agreement of the price and terms and for the completion of the sale
- c) that the state of the market, level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation
- d) that no account is taken of any additional bid by a prospective purchaser with a special interest
- e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion
- f) that the property will continue to be let by a body pursuant to delivery of a service for the existing use
- g) that the vendor would only be able to dispose of the property to organisations intending to manage their housing stock in accordance with the regulatory body's requirements
- h) that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and
- i) that any subsequent sale would be subject to all the same assumptions above. (UK VPGA 7)

External Valuer

A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client or the subject of the assignment. (RICS Valuation – Global Standards 2020). Unless otherwise stated, External Valuer does



not refer to the role of an external valuer within the context of the Alternative Investment Fund Managers Directive 2011/61/EU and its implementing provisions in the United Kingdom unless agreed otherwise in writing

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (RICS Valuation – Global Standards 2020)

Gross Development Value (GDV)

The aggregate market value of the proposed development, assessed on the assumption that the development is complete at the date of valuation in the market conditions prevailing at that date

Investment Value (or Worth)

The value of an asset to a particular owner or prospective owner for individual investment or operational objectives (RICS Valuation – Global Standards 2020)

Market Rent

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (RICS Valuation – Global Standards 2020)

Market Value

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion (RICS Valuation – Global Standards 2020)

Special Assumption

An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date (RICS Valuation – Global Standards 2020)

Appendix 2: General assumptions and conditions applicable to all valuations

Unless otherwise agreed in writing and /or stated in our report, our Valuation will be carried out on the basis of the following general assumptions and conditions in relation to each Property that is the subject of our Report. If any of the following assumptions or conditions are not valid, this may be that it has a material impact on the figure(s) reported and in that event we reserve the right to revisit our calculations.

1. That the Property(ies) is/are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. Should there be any mortgages or charges, we have assumed that the property(ies) would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
2. That we have been supplied with all information likely to have an effect on the value of the Property(ies), and that the information supplied to us and summarised in this Report is both complete and correct.
3. That the building(s) has/have been constructed and is/are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.
4. That the Property(ies) is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building(s) is/are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building(s) we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the Property(ies) and our Report do not constitute a building survey or any warranty as to the state of repair or refurbishment of the Property(ies). Our Valuation is on the basis that a building survey would not reveal material defects or cause us to alter our Valuation materially.
6. That there is unrestricted access to the Property(ies) and that the site(s) is/are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. Sewers, mains services and roads giving access to the Property(ies) have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.
8. That in the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
9. That the Property(ies) is/are free from environmental hazards and has/have not suffered any land contamination in the past, nor is likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
10. That any tenant(s) is/are capable of meeting its/their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
11. In the case of a Property(ies) where we have been asked to value the site under the special assumption that the Property(ies) will be developed, there are no adverse site or soil conditions, that the Property(ies) is/are not adversely affected by the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.



12. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property(ies).
13. Our Valuation will be exclusive of VAT (if applicable).
14. No allowance will be made for any expenses of realisation.
15. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
16. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.
17. In the case of a Property(ies) where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the Property(ies) in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property(ies) in either of these scenarios.
18. No allowance will be made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EU legislation, insofar that the latter is applicable.
19. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

Appendix 3: Further General Assumptions applicable to residential valuations

The following general assumptions apply to residential property valuations and are in addition to the general assumptions at Appendix 2.

1. Where the Property comprises flats or maisonettes, unless instructed or otherwise aware to the contrary, we will assume that:
 - (a) The costs of repairs and maintenance of the building and grounds are shared equitably between the flats and maisonettes.
 - (b) There are suitable, enforceable covenants between all leaseholds, or through the landlord or the owner.
 - (c) There are no onerous liabilities outstanding.
 - (d) There are no substantial defects, or other matters requiring expenditure (in excess of the current amount or assumed amount of service charge payable on an annual basis), expected to result in charges to the leaseholder, or owner of the Property, during the next five years, equivalent to 10% or more of the reported Market Value.
2. Where the dwelling is leasehold and it is not possible to inspect the lease or details have not been provided, the following further assumptions will be made, unless instructed to the contrary:
 - (a) The unexpired term of the lease is 85 years, and no action is being taken by any eligible party with a view to acquiring the freehold or to extending the lease term.
 - (b) That there are no exceptionally onerous covenants upon the leaseholder.
 - (c) The lease cannot be determined except on the grounds of a serious breach of covenant in the existing lease agreement.
 - (d) If there are separate freeholders, head and/or other sub-head leaseholders, the terms and conditions of all the leases are in the same form and contain the same terms and conditions.
 - (e) The lease terms are mutually enforceable against all parties concerned.
 - (f) There are no breaches of covenants or disputes between the various interests concerned.
 - (g) The leases of all the properties in the building/development are materially the same.
 - (h) The ground rent stated or assumed is not subject to unreasonable review and is payable throughout the expired lease term.
 - (i) In the case of blocks of flats or maisonettes of over six dwellings, the freeholder manages the property directly or there is an appropriate management structure in place.
 - (j) There is a dutyholder, as defined in the Control of Asbestos Regulations 2012, and there are in place an asbestos register and effective management plan, which does not require any immediate expenditure, pose a significant risk to health or breach of the Health and Safety Executive (HSE) regulations.
 - (k) Where the Property forms part of a mixed residential or commercially used block or development, there will be no significant changes in the existing pattern of use

- (l) Where the Property forms part of a development containing separate blocks of dwellings, the lease terms of the Property apply only to the block. There will be no requirement to contribute towards costs relating to the other parts of the development, other than in respect of common roads, paths, communal grounds and services.
 - (m) Where the Property forms part of a larger development, the ownership of which has since been divided, all necessary rights and reservations have been reserved.
 - (n) There are no unusual restrictions on assignment or sub-letting of the Property for residential purposes.
 - (o) There are no outstanding claims or litigation concerning the lease of the Property or any others within the same development.
 - (p) Where the Property benefits from additional facilities within a development, the lease makes adequate provision for the lessee to continue to enjoy them with exceptional restriction, for the facilities to be maintained adequately, and that there are no charges over and above the service charge for such use and maintenance
3. In respect of insurance the following assumptions will be made, unless instructed otherwise:
- (a) The Property can be insured under all-risks cover for the current reinstatement cost and is available on normal terms.
 - (b) There are no outstanding claims or disputes.
 - (c) Where individuals in a block makes separate insurance arrangements, the leases make provision for mutual enforceability of insurance and repairing obligations and
 - (d) Any landlord responsible for insurance is required to rebuild the Property with the alterations that may be necessary to comply with current Building Regulations and planning requirements.

Tom O'Neill,
Savills,
Belvedere,
12 Booth Street,
Manchester,
M2 4AW.



19th August, 2020.

Dear Tom,

**INVITATION FOR THE PROVISION OF A VALUATION REPORT FEE QUOTE
IN RESPECT OF: Jessiefield, Spath Road, Didsbury, M20 2TZ**

This letter is to invite you to provide a fee quote for a valuation report in respect of the above Property.

The Property should be valued on a freehold vacant possession basis (or subject to any third party rights or occupation that may currently exist).

The purpose of the Valuation Report is to assist us in our assessment of the likely planning obligations including affordable housing for our development of the site. It may be used as the benchmark Land Value in support of our planning application and financial viability assessment to be submitted to the local planning authority.

The Valuer must be an RICS Registered Valuer and should be conversant with all relevant publications including the latest editions of:

- i) RICS professional standards and guidance, England - Financial viability in planning: conduct and reporting 1st edition, May 2019;
- ii) Planning Practice Guidance – Viability;
- iii) RICS Valuation – Global Standards 2020 (the Red Book);
- iv) RICS Financial Viability in Planning Guidance Note

The Valuer must have the relevant experience and competency in accordance with these publications.

The first basis of the valuation, as at the date of the Valuer's inspection (or a date to be agreed between us), should be **Market Value** with the **Special Assumption** that the property value is restricted to the **Existing Use Value** of the Property, as defined by Viability PPG paragraph 015.

Viability PPG paragraph 015, states:

"Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value."

Where a Property has clear refurbishment, conversion and/or redevelopment potential (including circumstances where the Property benefits from an extant planning consent) the second basis of

19/08/2020

valuation required is a **Market Value** with the **Special Assumption** of a specified **Alternative Use**, as defined by Viability PPG paragraph 017.

Viability PPG paragraph 017, states:

"For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV."

When an Alternative Use Value approach is to be considered, we request that the valuer liaises with our appointed planning consultant to ensure that the criteria set out in paragraph 017 can all be met. It will be necessary to demonstrate that the AUV fully complies with up to date development plan policies. It will also be necessary to demonstrate that the alternative use could be implemented on the site in question and that there would be market demand for that use.

Valuers may be required to attend internal Appeal Team meetings and potentially attend and provide evidence at Planning Inquiries/Hearings acting as an Expert. Valuers should be familiar with the Procedural Guide – Planning Appeals England. A separate fee agreement will be agreed accordingly in these cases.

I would be grateful if you could indicate the timetable for the provision of your Valuation Report when submitting your fee and terms of engagement proposals.

I look forward to hearing from you.

Yours sincerely,



Ed Whalley

Senior Land Manager
McCarthy & Stone Retirement Lifestyles Ltd.

Report & Valuation

Jessiefield, Spath Road, Didsbury M20 2TZ



Appendix 2 – Property Market Overview

UK Housing Market Update

The housing market remains strong for now, despite weakness in the wider economy

The housing market has continued to experience remarkably high levels of activity. In the first week of August, sales subject to contract (SSTCs) were at almost double their number the same time last year, indicating a significant release of pent up demand. The number of SSTCs in the first week of August was no higher than the previous week, after 5 weeks of strong growth, suggesting the market may have hit a high peak.

The RICS survey for July also showed high activity levels. A record 87% of surveyors reported rising levels of new enquiries, and 80% reported rising levels of new instructions.

Data on sales completions is lagged and doesn't yet reflect the surge in SSTC figures. But numbers have increased sharply and completed transaction levels in June stood at 64% of their level the same time last year. Transactions numbers are likely to be high for the rest of the year as the many of the sales agreed were likely to completion. A similar level of recovery is also evident in the number of new mortgage approvals, with the number in June back up to 60% of last year's figure.

Although mortgage volumes are recovering, lenders are limiting the speed at which transactions can progress. Many lenders are struggling to find enough capacity to process new applications, as well as dealing with high numbers of mortgage holiday requests. To help limit the number of

new applications, many lenders have imposed stricter loan-to-income or deposit requirements on their products.

The ONS has now recorded two quarters of GDP falls, putting the UK officially in a recession. House prices typically fall during a recession, usually after a period of strong growth. This time around, house price growth has been modest over recent years. House prices did fall in May and June, but have since bounced back, rising 1.7% in July, according to Nationwide. This puts annual growth at a modest, but still positive, 1.5%.

This relative strength may not last. Pent-up demand, the stamp duty holiday and extension of the furlough scheme have all supported the market in the short term, but these factors will not last indefinitely. Towards the end of the year we expect unemployment to rise along with a renewal of Brexit uncertainty as we near the end of the transition period. This may hold back activity and value growth towards the end of the year.

Rents in the UK increased by an average of 1.5% in the year to June, according to the ONS. The highest growth was in the South West (2.5%), followed by the East Midlands (2.3%). More localised rental data from Zoopla showed that Derbyshire Dales saw the strongest growth of 7.5% in the year to May, followed by Gwynedd and Blaenau Gwent, at 6.5% and 6.0% respectively.

Figure 1 Annual house price growth, year to Mar-20

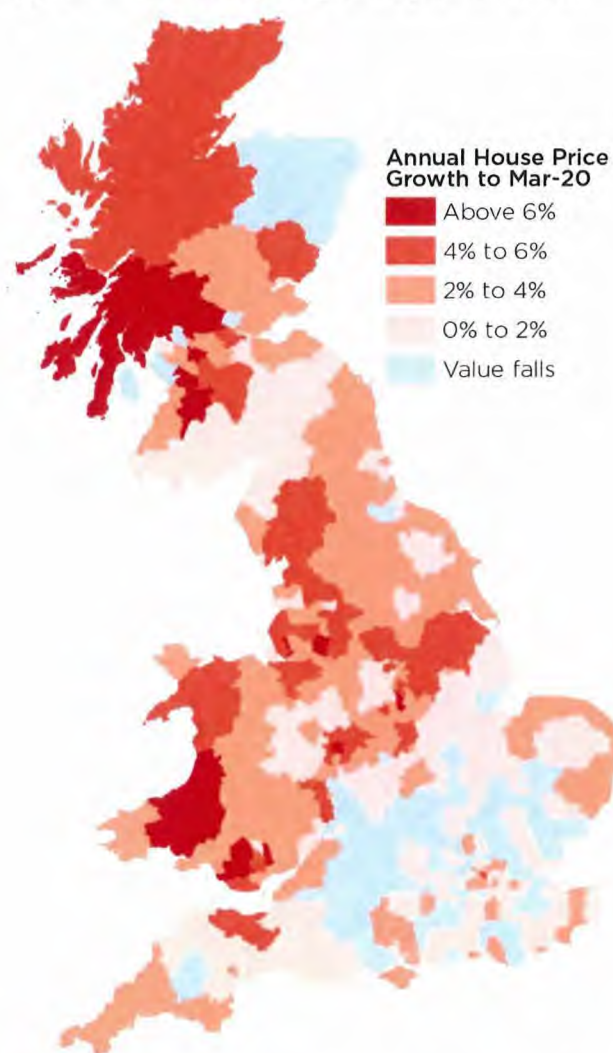
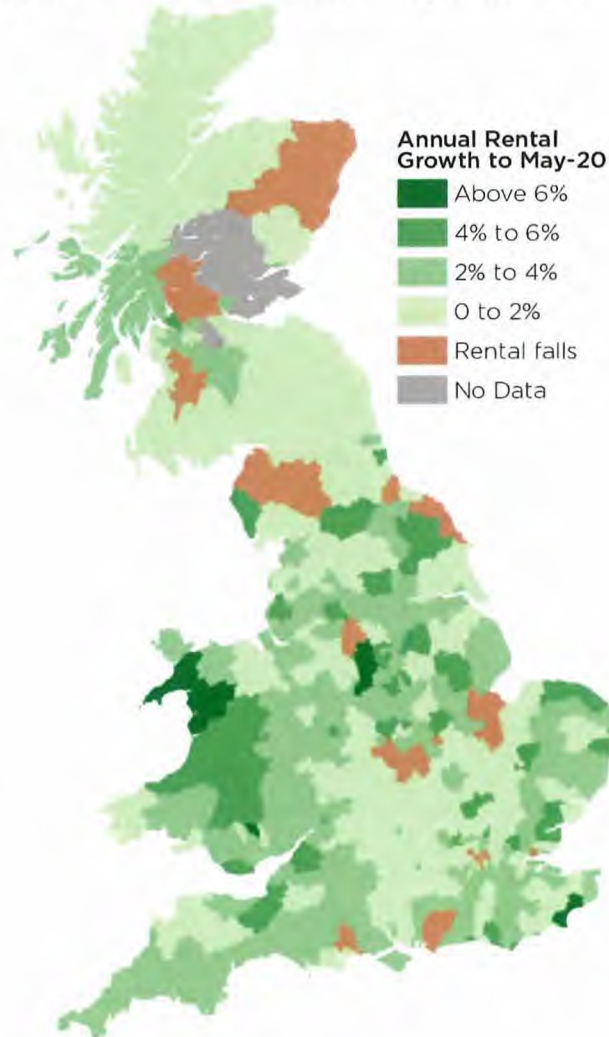


Figure 2 Average rental value growth, year to May-20



The latest RICS survey for July showed continued positivity from surveyors.

87% reported rising levels of new buyer enquiries, and 80% saw rising levels of new instructions. This puts both measures at their highest values on record.

Surveyors have been reporting the stamp duty holiday as a driver for the high level of activity.

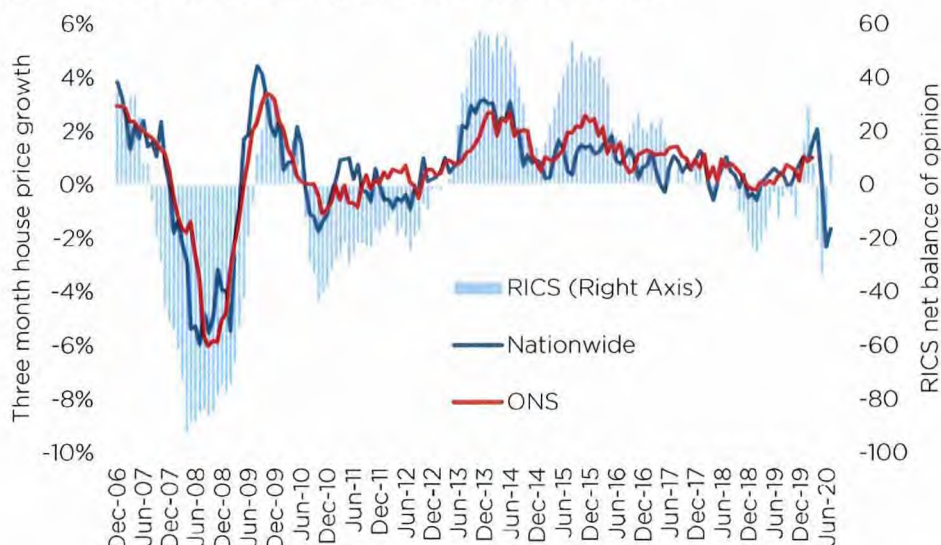
New buyer enquires have now pulled ahead of new instructions. If maintained, this suggests more demand than supply, supporting continued house price growth in the short term.

Figure 3 Surveyors continue to report strong and widespread activity



Source RICS (seasonally adjusted)

Figure 4 Value growth returns to the market after a brief drop



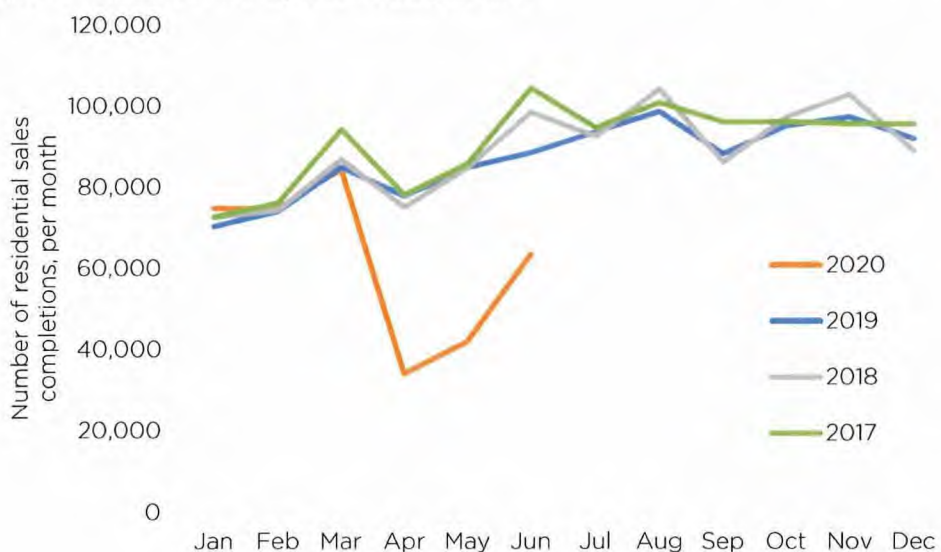
Source RICS, Nationwide, ONS

The RICS Survey can be a good indicator of house price movements, which are later picked up by other indices.

July saw the majority of surveyors reporting price rises for the first time since March, a strong rebound from the low of May.

While the three month Nationwide figure is still negative, July did see a return to growth, after two months of falls.

Figure 5 Transaction activity is recovering at pace



Source HMRC

Transactions reached their low point in April, a month into lockdown in which estate agents were prevented from opening and surveyors and valuers were unable to carry out inspections.

The April figure was just 43% of the 2019 monthly average, with many sales that completed having been agreed before lockdown.

Transactions have subsequently bounced back, and sat at 64% of average 2019 activity in June.

Early indicators from the RICS survey and SSTC figures suggest this recovery in transaction activity is likely to continue for the new few months at least.

UK Housing Market Update

Table 1 Recent house price growth

	Nationwide (to Jul-20 for UK, to Jun-20 for regions)			ONS (to Mar-20)			Savills (to Mar-20)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	1.7%	-1.6%	1.5%	0.1%	1.0%	2.0%	0.1%	0.1%	2.2%
London	-	1.4%	2.0%	1.5%	2.2%	4.6%	0.0%	-0.3%	1.5%
South East	-	0.1%	2.2%	0.9%	1.1%	1.9%	0.0%	-0.1%	0.6%
East of England	-	-0.2%	0.9%	0.7%	1.3%	1.5%	0.0%	-0.1%	0.5%
South West	-	1.2%	2.2%	2.2%	3.0%	4.0%	0.1%	0.1%	1.5%
East Midlands	-	-1.5%	1.6%	0.7%	0.8%	2.1%	0.3%	0.3%	2.8%
West Midlands	-	-0.8%	0.7%	-1.5%	0.1%	0.4%	0.0%	0.2%	2.3%
North East	-	0.3%	-0.1%	0.0%	0.8%	1.8%	-0.2%	-0.3%	1.9%
Yorks & Humber	-	-1.8%	2.2%	-3.0%	-2.0%	-1.1%	0.1%	0.0%	3.2%
North West	-	0.4%	5.1%	1.1%	2.1%	3.4%	0.2%	0.4%	4.0%
Wales	-	-2.2%	1.2%	-2.8%	-1.8%	1.2%	0.1%	0.4%	4.3%
Scotland	-	2.5%	3.7%	0.1%	1.4%	1.4%	-0.2%	-0.4%	2.7%

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

Table 2 Five year mainstream house price forecasts (first published June 2020)

	2020	2021	2022	2023	2024	5-year
North West	-7.5%	8.5%	9.0%	7.0%	6.0%	24.1%
Yorkshire & the Humber	-7.5%	3.0%	10.0%	8.0%	7.0%	21.1%
Scotland	-7.5%	7.0%	8.5%	6.0%	5.5%	20.1%
North East	-7.5%	2.0%	10.0%	8.0%	7.0%	19.9%
East Midlands	-7.5%	7.0%	7.5%	5.5%	5.5%	18.4%
West Midlands	-7.5%	2.0%	10.0%	7.0%	6.5%	18.3%
Wales	-7.5%	2.0%	10.0%	7.0%	6.0%	17.7%
South West	-7.5%	3.0%	8.0%	5.5%	4.0%	12.9%
South East & East	-7.5%	8.0%	5.5%	2.5%	2.5%	10.7%
London	-7.5%	6.0%	3.0%	1.5%	1.5%	4.0%
UK	-7.5%	5.0%	8.0%	5.0%	4.5%	15.1%

Source Savills

Savills team

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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 – ARGUS Developer Appraisal

APPRAISAL SUMMARY**ALDER KING LLP**

Didsbury - Jessiefield, Spath Road September 2022
McCS Proposed Scheme - 26 RL Apartments

Appraisal Summary for Phase 1 Retirement Living Scheme - 34 Units

Currency in £

REVENUE

Sales Valuation	Units	m²	Sales Rate m²	Unit Price	Gross Sales
1 Bedroom Apartments	13	740 15	5,883 94	335,000	4,355,000
2 Bedroom Apartments	<u>13</u>	<u>941 16</u>	6,146 67	445,000	<u>5,785,000</u>
Totals	26	1,681.31			10,140,000

NET REALISATION

10,140,000

OUTLAY**ACQUISITION COSTS**

Fixed Price	2,100,000	
Fixed Price		2,100,000
Residualised Price (Negative land)		(282,268)
		1,817,732
Stamp Duty		94,500
Effective Stamp Duty Rate	4 50%	
Agent Fee - 1%		21,000
Legal Fee - 0 8%		16,800
		132,300

CONSTRUCTION COSTS

Construction	m²	Build Rate m²	Cost
1 Bedroom Apartments	1,070 35	1,658 00	1,774,647
2 Bedroom Apartments	<u>1,361 04</u>	1,658 00	<u>2,256,606</u>
Totals	2,431 40 m²		4,031,254
Contingency		5 00%	207,598
External Works		8 00%	322,500
Part L & M Upgrade Works	26 00 un	1,500 00 /un	39,000
			4,600,352
Other Construction			
Demolition			20,000
Tree Protection/Surgery			30,000
Sewer Diversion/Storage Tank & Hydr			55,710
S278 Highway Works			15,000
			120,710

PROFESSIONAL FEES

Professional Fees	8 00%	361,077
		361,077

MARKETING & LETTING

Marketing & Disposal Costs	5 00%	507,000
		507,000

DISPOSAL FEES

Sales Legal Fee	26 00 un	600 00 /un	15,600
			15,600

Additional Costs

Additional Costs - EPC's		55,565
		55,565

FINANCE

Timescale	Duration	Commences
Pre-Construction	6	Sep 2022
Construction	12	Mar 2023
Sale	18	Mar 2024
Total Duration	36	

Debit Rate 6 500%, Credit Rate 0 500% (Nominal)

APPRAISAL SUMMARY**ALDER KING LLP****Didsbury - Jessiefield, Spath Road September 2022****McCS Proposed Scheme - 26 RL Apartments**

Land	186,572	
Construction	144,774	
Other	170,318	
Total Finance Cost		501,664

TOTAL COSTS **8,112,000**

PROFIT **2,028,000**

Performance Measures

Profit on Cost%	25 00%
Profit on GDV%	20 00%
Profit on NDV%	20 00%
Gross Margin%	24 95%

IRR% (without Interest) 25 67%

Profit Erosion (finance rate 6 500) 3 yrs 6 mths

Cost per Gross m² 3,336 36
Floor Area Ratio 0 00%

Appendix 5 – Empty Property Costs

Didsbury
Empty Property Costs
01/09/2022

Council Tax Calculation (source: Manchester City Council)

	Per Year	Per Month	Saleable No.	Total/month
1 bed apartment - Band C	£ 1,664.52	£138.71	13	£1,803.23
2 bed apartment - Band D	£ 1,872.59	£156.05	13	£2,028.64
			26	£3,831.87
			average per unit per month =	£147.38

Council Tax Exemptions/Discounts (source: Manchester City Council)

Full charge when property becomes empty
Full charge plus 100% after two years
Full charge plus 200% after five years

Service Charge (source: McCarthy & Stone)

	Per Month	Saleable No.	Total/month
1 Bed apt @ £1,625 per annum	£135.42	13	£1,760.46
2 Bed apt @ £2,440 per annum	£203.33	13	£2,643.29
		26	£4,403.75
		average per unit per month =	£169.38

Monthly Budget

				Costs			
Month	Sales Rate	Unsold Units	Service Charge	Council Tax	Electricity	TOTAL (PCM)	
	%	No. of Sales					
Assumed Cost per month			£169	£147	£20		
0			26				
1	25%	7	19.0	£3,218	£2,800	£380	£6,398.34
2			17.8	£3,018	£2,626	£356	£6,000.35
3			16.6	£2,818	£2,452	£333	£5,602.37
4			15.5	£2,618	£2,278	£309	£5,204.39
5			14.3	£2,417	£2,104	£285	£4,806.41
6			13.1	£2,217	£1,929	£262	£4,408.42
7	50%	13	11.9	£2,017	£1,755	£238	£4,010.44
8			10.7	£1,817	£1,581	£215	£3,612.46
9			9.5	£1,617	£1,407	£191	£3,214.48
10			8.4	£1,417	£1,233	£167	£2,816.49
11			7.2	£1,216	£1,058	£144	£2,418.51
12			6.0	£1,016	£884	£120	£2,020.53
13			5.0	£847	£737	£100	£1,683.77
14			4.0	£678	£590	£80	£1,347.02
15	25%	6	3.0	£508	£442	£60	£1,010.26
16			2.0	£339	£295	£40	£673.51
17			1.0	£169	£147	£20	£336.75
18			0.0	-£0	-£0	-£0	-£0.00
26			£27,947	£24,318	£3,300	£55,565	

Av Rate of Sale 1.44 per month

Appendix 6 – Sensitivity Analysis

Didsbury - Jessiefield, Spath Road September 2022
McCS Proposed Scheme - 26 RL Apartments

Table of Land Cost and Profit on GDV%

		Construction Rate /m ²				
Sales	Sales / Unit	-10 000%	-5 000%	0 000%	+5 000%	+10 000%
		1,492 20 /m ²	1,575 10 /m ²	1,658 00 /m ²	1,740 90 /m ²	1,823 80 /m ²
-10 000%		-£1,599,646 20 000%	-£1,369,498 20 000%	-£1,139,352 20 000%	-£909,206 20 000%	-£679,061 20 000%
-5 000%		-£1,938,833 20 000%	-£1,708,688 20 000%	-£1,478,542 20 000%	-£1,248,396 20 000%	-£1,018,250 20 000%
0 000%		-£2,278,023 20 000%	-£2,047,877 20 000%	-£1,817,732 20 000%	-£1,587,589 20 000%	-£1,357,440 20 000%
+5 000%		-£2,617,213 20 000%	-£2,387,067 20 000%	-£2,156,922 20 000%	-£1,926,776 20 000%	-£1,696,631 20 000%
+10 000%		-£2,956,403 20 000%	-£2,726,257 20 000%	-£2,496,112 20 000%	-£2,265,966 20 000%	-£2,035,820 20 000%

Sensitivity Analysis : Assumptions for Calculation
Construction: Rate /m²

Original Values are varied by Steps of 5 000%

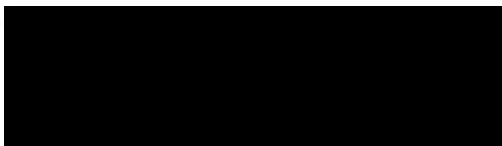
Heading	Phase	Rate	No. of Steps
1 Bedroom Apartments	1	£1,658 00	2 00 Up & Down
2 Bedroom Apartments	1	£1,658 00	2 00 Up & Down

Sales: Sales / Unit

Original Values are varied by Steps of 5 000%

Heading	Phase	Amount	No. of Steps
1 Bedroom Apartments	1	£335,000	2 00 Up & Down
2 Bedroom Apartments	1	£445,000	2 00 Up & Down

THE COMMON SEAL of THE COUNCIL OF THE
CITY OF MANCHESTER was hereunto affixed in
pursuance of an Order of the Council of the said City:



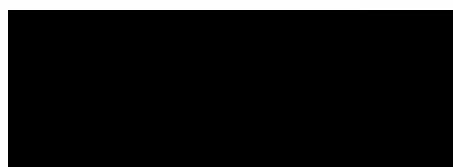
Authorised Signatory

01120881



EXECUTED by THOMAS AUBER

As attorney for MCCARTHY & STONE
RETIREMENT LIFESTYLES LIMITED under
A power of attorney dated 13 June
2016



Attorney



Witness Name: Jessica Hudson
Witness Occupation: Paralegal
Witness Address: [Redacted]

