

PLOTS NT02-04 NEW TOWN, VICTORIA NORTH

FULL PLANNING APPLICATION

Viability Assessment: Non-Technical Executive Summary

April 2023



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Plots NT02, NT03 and NT04 – Victoria North

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1.1. Non-Technical Executive Summary

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

1.2. Purpose of Report

This non-technical summary report has been prepared in accordance with instructions received from Far East Consortium (FEC) in respect of the proposed residential led mixed use development of plots NT02, NT03 and NT04 in the New Town neighbourhood of Victoria North. We have been instructed to undertake an assessment of the proposed residential led scheme and report upon its financial viability.

1.3. Objectivity and Impartiality

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

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

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

This report is dated **20 April 2023**. It has been produced by Emma Hitt MRICS and Adam Mirley MRICS.

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

1.4. Proposed Development

The proposed development comprises:

- 1,551 residential units across three plots;
- A clubhouse providing a combination of resident's amenity space and commercial uses, total quantum 23,089 sq. ft. GIA (gross internal area);
- A total of 21,894 sq. ft. GIA non-residential floorspace (including the commercial space contained within the clubhouse);
- Car and cycle parking provision comprising 100% cycle parking provision and 10% car parking provision;
- Associated hard and soft landscaping, including the introduction of a new access road, Dulwich Street;
- Improvement works to Dantzic Street.

1.5. Adopted Methodology

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

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GROSS DEVELOPMENT VALUE less COSTS less PROFIT = RESIDUAL VALUE

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

1.6. Appraisal Assumptions

Gross Development Value	£481,240,399
Gross Sales (OMS)	£294,883,000
Gross Sales (car parking)	£2,857,500
Gross Rent per annum (BTR)	£10,530,120
Operational Costs (BTR)	20%
Yield (BTR)	4.75%
Value (BTR)	£177,349,390
Gross Rent per annum (commercial)	£437,880
Yield (commercial)	7%
Value (commercial)	£6,150,510
Additional Revenue	£16,000,000
Assumed Grant Funding	£16,000,000
Development Costs (excl. acquisition costs)	£426,231,940
Construction Costs	£349,102,750
Contingency	2% (£7,141,175)
Site Wide Enabling Works	£16,212,000
Site Wide Public Realm	£7,956,000
Professional Fees	5% (£18,663,537)
Marketing Fees	2.5% (£7,372,075 - private OMS units)
Sales Legal Fees	0.5% (£1,474,415 - all OMS units)
Letting Agents Fees	10% (£29,170 - commercial units)
Letting Legal Fees	5% (£14,585 - commercial units)
Finance Rate	4.51% (£17,395,431)
Benchmark Land Value	£9,352,000
Existing Use Value	£6,680,000
Premium	40% (£2,672,000)
Developer's Profit Margin	15.45% on Cost / 13.83% on GDV
Residual Land Value	£4,455,448

1.7. Benchmark Land Value

The BLV for the site has been determined based on the Existing Use Value (EUV) plus premium methodology.

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= EUV + minimum premium
= £6,680,000 + £2,672,000
= **£9,352,000**

This results in a total BLV of £9,352,000.

1.8. Viability Assessment Results and Conclusion

We have appraised the site using ARGUS Developer Software.

We undertook a number of appraisals for the scheme to establish if the development can afford any affordable housing or s.106 contributions.

We summarise the three residual appraisals below:

Appraisal	Residual Land Value
1 – 100% Private Sales Scheme	£4,455,448
2 – 20% Affordable Housing	-£11,310,501
3 – 5% Affordable Housing	£1,053,425

The 100% private sales scheme appraisal produced a positive land value of **£4,455,448**. Whilst positive, this land value is considerably lower than the adopted BLV. We then ran a second appraisal with 20% affordable housing. This appraisal produced a negative land value of **£11,310,501**, showing that delivering 20% affordable housing as targeted by Policy H8 of the Manchester Core Strategy is unviable. FEC are committed to delivering affordable housing across the Victoria North regeneration area, so the third appraisal we ran comprised 5% affordable housing, delivered through intermediate housing on the OMS units. This appraisal produced a land value of **£1,053,425**.

The scheme plays an important role in the regeneration of Victoria North and FEC are committed to its delivery. However, clearly there are viability constraints with the development. As part of the development, FEC are delivering high quality site wide public realm set within extensive landscaping that will make significant improvements to the streetscape of the existing Dantzic Street and Dalton Street with tree planting, resurfacing, widened footpaths and new cycle lanes. In addition, it will introduce a new access route, Dulwich Street, which will provide a fully accessible pedestrian and cycle route with a gradient of 1:21 and high quality public realm with opportunities for recreation, relaxation and commercial activation. Alongside this, the base build cost is reflective of buildings that have been designed with energy efficiency measures including a 'fabric first approach' and high efficiency low carbon and renewable technologies. These measures have led to significant abnormalities at the site.

The applicant on this site, FEC are in a JV relationship with Manchester City Council for the delivery of the whole Victoria North. As the site forms a key first phase of Victoria North and in order to kick start the regeneration FEC are prepared to proceed with development on this site on the basis of a reduced benchmark profit margin for a scheme of this scale and complexity of 15% of GDV on the Open Market Sales. Nevertheless, as aforementioned FEC are committed to delivering affordable housing and are therefore willing to deliver 5% affordable housing (through intermediate housing only on the OMS units). Furthermore, FEC are taking a long-term approach to

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investment and regeneration in Victoria North and they remain committed to redeveloping the site. To bring the site forward with 5% affordable, FEC will explore a number of approaches to improve the viability position once planning approval is secured and is committed to providing 20% affordable housing across Victoria North.

1.9. Sensitivity Analysis

The RICS Professional Statement on Viability in planning requires us to produce a sensitivity analysis of the proposed development. We therefore ran two sensitivity analysis on the 100% private scheme. The first changes the construction rate per sq. ft. and sales rate per sq. ft by +/- £5 per sq. ft. and the second does the same but also includes an increase of £0.25 per sq. ft. across the rents.

This first results in residual land values between **-£14,706,787** to +£23,188,540. This second results in residual land values between **-£13,251,391** to +£24,540,290.

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