

Financial Viability Assessment Report

1292 Ashton Old Road. Openshaw, Manchester

01 EXECUTIVE SUMMARY

1. This report is submitted to Manchester City Council (MCC) to support an application for planning permission on the site known as 1292 Ashton Old Road, Openshaw, Manchester (hereafter referred to as the site) and has been prepared by Sterling Investment Projects Limited on behalf of ABP Openshaw Homes Ltd (hereafter referred to as the Applicant).

2. The planning application seeks permission for: “the demolition of an existing single-story structure formerly housing a market on Stanley Street and a butcher on the corner of Stanley Street and Ogden Lane and the construction of a new five-story building comprising 25 residential units and retail space covering the ground floor”.

3. Sterling Investment Projects Limited have been instructed by the Applicant to assess the viability of the proposals in accordance with the planning policy.

4. The report provides an overview of the scheme and presents evidence for the assumptions adopted within a residual appraisal and then compares the residual land value to an appropriate Benchmark Land Value based upon the value of the existing site (Existing Use Value).

02 INTRODUCTION

1. We set out below our Financial Viability Assessment (FVA) which has been prepared on behalf of the Applicant in support of the planning application.

2. The report has been prepared in accordance with RICS valuation guidance and with regard to relevant guidance on preparing FVAs for planning purposes.

3. We confirm that when undertaking this FVA we have acted objectively, impartially, without interference, and with reference to all appropriate available sources of information.

4. We further confirm that we are not aware of any conflicts of interest that arise from our instruction to carry out this FVA and that no performance-related or contingent fees have been agreed.

5. For planning purposes, viability is assessed by comparing the residual land value (RLV) generated by the proposed development with an appropriate benchmark land value (BLV).

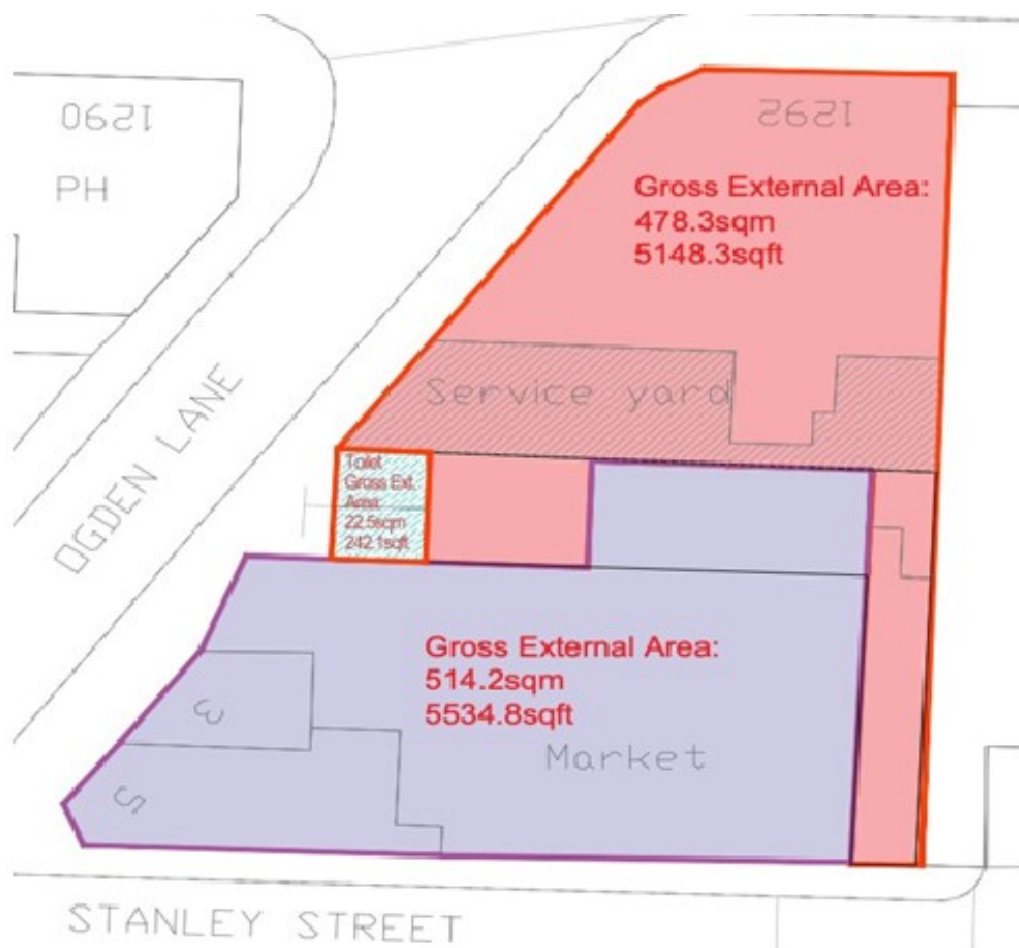
6. This report will provide a summary of development proposals, set out the assumptions and evidence used to undertake the residual appraisal, and will provide the assumptions and evidence used to arrive at a suitable BLV.

The report will then summarise the results of the residual appraisal, compare the RLV with the BLV and then provide conclusions.

03 EXISTING PROPERTY

At present the site comprises;

1. A demolished public house that has yet to be cleared and is still piled high with debris.
2. A now disused indoor market. The structure would appear to be low quality, possibly timber framed and with an array of profiled steel-clad roofs. It is completely dilapidated and requires demolition.
3. A former butcher's shop of more traditional brick construction, but again is completely dilapidated with water penetration to the roof. This has begun to affect the floors, which are rotten and on the verge of collapse.



04 DEVELOPMENT PROPOSALS

1. The proposal is for twenty-five (25) high-quality homes set on four storeys with a retail use space at ground floor. The design has been carefully thought through to fit within its surroundings, both immediate and local.
2. The proposal has a strong visual appearance along Ashton Old Road with a clear distinction between the ground floor retail space and the residential upper floor units and highlights the community use whilst stepping the overall building form in response to the existing site constraints and neighbouring buildings.
3. Each proposed residential unit meets the requirements stipulated in the Manchester Residential Quality Guidance. Provision is made for both private and public amenity space in the form of cantilevered balconies and a communal internal courtyard.

05 VALUATIONS

This property has been valued based on comparable evidence gathered from the immediate vicinity and surrounding areas. In arriving at our opinion of value we have considered the property's condition and location as well as current market forces prevailing.

Assumptions

Current Use	Comprises Vacant Land and E(a) – Retail. We assume there are no unusual or onerous restrictions relating to the use of the property.
Condition	Extremely poor. Demolition is required.
Services	Mains electricity, gas, water and foul drainage are present on site.
Highways	We assume that there is legal pedestrian and vehicular access to and from the property, and that roads, footpaths, drains and sewers are properly connected and adopted.
Environmental Matters:	Contamination - On the basis of a desktop study we have no reason to believe that there are contamination issues relating to the subject property in terms of past land use. If there is any doubt about possible contamination issues then we would

Basis of Value – Land Value (Please refer to Appendix 1)

In order to make a direct comparison between the subject site and the comparables, it is necessary to adjust the subject, by including demolition and site clearance costs. We estimate these at £50,000.

The range of evidence above shows a range of £204,000 to £754,000 per acre overall. The subject site is prominently located, with a busy frontage and useful for the proposed ground floor retail use. It extends to 0.25 acres.

Bearing in mind the obvious development angle we consider a level around £500,000 per acre to be fair, but reduced to reflect a £50,000 site clearance fee.

In our opinion, the Market Value of the property at the sum of **£75,000.00** (Seventy-Five Thousand Pounds).

Retail Comparables (Please refer to appendix 2)

The total Gross Internal Area of the retail space is 695.16 square metres, netted down by 20% to 556.13 square metres to enable a direct comparison. Of this figure 120.95 square metres is first floor space.

The range of comparables is between £610 and £2,016 per square metre, which reflects differences in the location, condition and specification of the comparables. The subject will be newly built, with good frontage, but in a relatively lower-quality location. On balance, we consider a level of **£1,325** per square metre to be appropriate. This totals **£921,087.00**

Residential Comparables (Please refer to appendix 3)

The Gross Internal Area of the flats is 1,652.53 sqm (17,787.68 sqft) and 462.48 sqm (4978.09 sqft) of external amenities. The comparables show a range of £80.52 to £243.68 per square foot. As we are dealing with new build flats on their initial sale, a price towards the top of the range is justified, say £220 per square foot overall. This totals **£3,912,700.00**

Total Gross Development Value is therefore **£4,833,787.00**

06 METHODOLOGY

Financial Viability Assessment

In line with the NPPF, site-specific FVA may be a material consideration in determining how much and what type of affordable housing should be required in residential and mixed-use developments.

As such, viability appraisals can and should be used to analyse and justify planning obligations to ensure that Section 106 requirements do not make a scheme unviable.

The RICS define financial appraisals for planning purposes as:

“An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to a developer in delivering a project.”

The logic is that, if the residual value of a proposed scheme is reduced to significantly below an appropriate viability benchmark sum, it follows that it is unviable to pursue such a scheme, and the scheme is unlikely to proceed.

If a scheme is being rendered unviable because of Section 106 requirements, it may be appropriate to look at reducing the burden of those requirements in order to facilitate viability.

In simple terms, the viability of a scheme is assessed by comparing the residual land value of the proposed development with an appropriate Benchmark Land Value (BLV). The BLV can be considered as the value below which a reasonable landowner is unlikely to release a site for development. If the residual land value is lower than the BLV then the scheme is not technically viable.

The residual land value of the proposed development is arrived at by summing the revenues derived from the development and deducting from these the costs of development (including an appropriate profit allowance).

Gross Development Value (GDV) – (Build costs + Development costs + Developer's Return + All other fees) = Residual Land Value (Kindly refer to Appendix 4)

07 BENCHMARK LAND VALUE

The Viability Planning Practice Guidance (PPG) in support of the National Planning Policy Framework (NPPF) states: “*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.*”

We have therefore assessed the BLV adopting the ‘EUV+’ approach, in accordance with the NPPF.

As set out in section 3, the site totals 0.25 acres and accommodates a demolished public house, a disused indoor market - in a completely dilapidated state and requiring demolition, and a former butcher’s shop also in a completely dilapidated state.

To assess its existing use value (EUV), we initially sought rent and yield evidence, however no relevant rental or investment evidence has been forthcoming and we have as a result, we have had regard to sales information as evidenced in appendix 2.

In accordance with the PPG it is normal viability practice to add a premium to the EUV to reflect the incentive required for the landowner to release the asset for redevelopment. This premium is normally in the range 10% - 40% but can be much higher. We have adopted a premium of 20%.

On the above basis the BLV for the site on an EUV+ basis is **£90,000.00** arrived at by applying a 20% premium to the EUV of £75,000.00

08 DEVELOPMENT COSTS

CONSTRUCTION COSTS, CONTINGENCY & PROFESSIONAL FEES

For construction costs, we have referred to the cost modelling database. We have had regard to the current figures for flats/ apartments of 3 - 5 storeys and have arrived at the following:

Average cost for constructing apartments of 3 - 5 storeys (rebased to the Manchester area is) £1,250 per sqm (£116.39 per sq ft). The current average cost for construction of a retail space (shell and core only) is £1,100 whilst the average cost of constructing an underground car park is £1000

In line with standard market practice, we have allowed for a 3.5% construction contingency and a 10.00% professional fee budget.

We have made a separate allowance of £50,000 for demolition and site clearance

MARKETING, LETTING & DISPOSAL FEES

The following costs have been allowed for in line with current market norms:

Marketing – 1.0%

Disposal Costs – 1.25%

Legal Fees – 0.25%

DEVELOPER'S RETURN

We have adopted a private profit margin of 12.5% on GDV

FINANCE

Costs have been financed over the development period at a combined finance rate of 5.0%.

09 VIABILITY RESULTS AND CONCLUSIONS

Revenue	
Residential apartments	£3,912,700.00
Retail Units	£921,087.00
Total Revenue (GDV)	£4,833,787.00
Costs	
Construction	£3,711,250.00
Contingency (3.5%)	£129,893.75
Marketing (1.0% on GDV)	£48,337.87
Disposal Fees (1.25% on GDV)	£60,422.34
Legal (0.25% on GDV)	£12,084.47
Developer's Return (12.5% on GDV)	£604,223.38
Finance (5% on GDV)	£241,689.35
Total Costs	£4,807,901.15
Residual Land Value	£25,885.85
Benchmark Land Value	£90,000.00
Viability Surplus/ Deficit	-£64,114.15

It can be seen from the above that the scheme without the applicant's proposal for affordable housing provision results in a residual land value of **£25,885.85**, representing a viability deficit of **-£64,114.15** when compared to the BLV of **£95,000**.

The applicant is however willing to enter into negotiations with for what will be a fair and a reasonable contribution of their quota to affordable housing in the Manchester area.

We trust that the above is clear but please do not hesitate to contact us should anything further be required.

A handwritten signature in black ink, appearing to read 'Jude Baiden', followed by a long horizontal flourish.

Jude Baiden

For and on behalf of

Sterling Investment Projects Ltd.

Appendix 1: Table of Comparables for Land valuation

No	Address	Size (Acres)	Sold Price (£)	Date	Comments
1	Land at Ashton Road, Oldham, OL8 3HX	0.132	99,500.00	20-Apr-21	A cleared site with no planning, but a history of consent being granted and being 0.132 acres
2	Land at 1 Peckforton Close, Sandbach, CW11 1WL	0.063	14,000.00	28-Apr-21	A small, cleared site of 0.063 acres
3	Land at Currier Lane, Ashton Under Lyme, OL6 6TW	0.25	51,000.00	09-Dec-20	A 0.25 acres cleared site, without planning consent
4	Land at Worsley Street, Oldham, OL8 2DE	0.1	£31,000.00	25-Nov-20	A 0.1 acre cleared site
5	Land at Bury Road, Rochdale, OL11 4AU	0.37	£120,000.00	21-Oct-20	A 0.37 acre cleared site, without planning consent
6	Land at Middleton Old Road, Manchester, M9 8DS	0.039	£24,000.00	25-Feb-21	A small 0.039 acre cleared site

Appendix 2: Table of Comparables for Retail valuation

No	Address	Size (m ²)	Sold Price (£)	Sold Price (£ sqm)	Date	Comments
1	7 Progress Building 491 Cheetham Road, Manchester, M8 9HJ	139	217,000.00	1,561.00	28-Jan-21	Unmodified retail space
2	426-430 Reddish Road, Stockport, SK5 7AA	245	332,000.00	1,355.00	09-Dec-20	A former Barclays Bank banking hall
3	29 York Street, Heywood, Lancashire, OL10 4NN	47	95,000.00	2,016.00	04-Jun-20	A retail shop
4	69 Long Street, Middleton, M24 6UN	89	76,000.00	852.00	04-Jun-20	A retail shop that appears to be in very poor repair
5	98 Manchester Street, Heywood. Lancashire OL10 1DW	118	72,000.00	610.00	20-Oct-20	A poor- quality retail shop

Appendix 3: Table of Comparables for Residential Valuation

No	Address	Date Sold	Sold Price (£)	Property Type	No of beds	Floor area (ft²)	£/ft²	Tenure
1	88, Buxton Lane, Droylsden, Manchester, Greater Manchester M43 6HG	12/02/2021	154,000.00	Flat	3	969	159	Leasehold
2	84, Kershaw Street, Droylsden, Manchester, Greater Manchester M43 6FZ	05/03/2021	78,100.00	Flat	1	570	137	Leasehold
3	18, Lock Keepers Court, Droylsden, Manchester, Greater Manchester M43 6GG	19/04/2021	130,000.00	Flat	2	721	180	Leasehold
4	46, Boothdale Drive, Audenshaw, Manchester, Greater Manchester M34 5JU	04/06/2021	123,000.00	Flat		579	212	Leasehold
5	30, Bridgewater House, Bridgewater Wharf, Droylsden, Manchester, Greater Manchester M43 7FW	11/06/2021	124,000.00	Flat		549	226	Leasehold
6	9, Bridgewater House, Bridgewater Wharf, Droylsden, Manchester, Greater Manchester M43 7FW	15/07/2021	133,000.00	Flat		560	238	Leasehold
7	11, Old Farm Crescent, Droylsden, Manchester, Greater Manchester M43 6EU	09/08/2021	160,000.00	Flat	2	657	244	Leasehold
8	69, Boothdale Drive, Audenshaw, Manchester, Greater Manchester M34 5JU	10/11/2021	135,000.00	Flat		603	224	Leasehold
9	16, Kent Avenue, Droylsden, Manchester, Greater Manchester M43 6BW	17/12/2021	160,000.00	Flat	3	829	193	Leasehold

10	33, Bridgewater House, Bridgewater Wharf, Droylsden, Manchester, Greater Manchester M43 7FW	01/04/2022	136,000.00	Flat		560	243	Leasehold
11	28, Bridgewater House, Bridgewater Wharf, Droylsden, Manchester, Greater Manchester M43 7FW	14/04/2022	156,000.00	Flat		721	216	Leasehold
12	Flat 7, Stuart House, King Street, Droylsden, Manchester, Greater Manchester M43 6DW	03/05/2022	55,000.00	Flat	1	657	83.8	Leasehold
13	19b, Alton Square, Openshaw, Manchester, Greater Manchester M11 1LL	02/06/2021	54,000.00	Flat	2	603	89.6	Leasehold
14	Flat 1, 1467, Ashton Old Road, Manchester, Greater Manchester M11 1HH	04/02/2022	52,000.00	Flat	2	646	80.5	Leasehold
15	22, Tinningham Close, Manchester, Greater Manchester M11 1NB	22/03/2022	61,000.00	Flat	2	549	111	Leasehold
16	Flat 7, 12, Fairfield Road, Manchester, Greater Manchester M11 1EW	29/04/2022	117,000.00	Flat	2	904	129	Leasehold

3.1 Proposed Scheme in Context

Proposed Accommodation Schedule

The proposed development would deliver a total of 25 residential units. The units meet the minimum requirements stipulated in the Department for Communities and Local Government’s Technical housing standards (March 2015). The table below provides a breakdown of the proposed accommodation schedule.

Site and Surrounding Areas

The site is a four-sided plot with access from Ashton Old Road to the north, Ogden Lane to the west and Stanley Street to the south. The western perimeter of the plot is shared with a party wall belonging to the existing building.

The area is largely residential with a mix of terraced and semi-detached housing. The plot is situated on the boundary of Openshaw and Higher Openshaw and sits on the corner of the South East block at the cross-section where Ogden Lane and Fairfield Road meet Ashton Old Road.

The area is populated with different scales of retail developments along Ashton Old Road. Notably is the Lime Square shopping precinct which was developed in 2010 as part of the East Manchester Regeneration scheme.

Most of the residential housing is clad in the traditional red brick associated with the Manchester built scenery. The housing mostly comprises two-storey terraced houses. This however, hasn’t hindered the development of buildings employing the use of modern materials alongside non-traditional masonry construction.



Level	Room	No. of Beds	No. of People	Total GIFA (m²)	External Amenity (m²)
Basement	Car Parking			871.05	
	Bike Store			61.96	
Ground	Retail Space			447.96	
	Retail Space			105.20	
	Service & Set down Area			142.05	
1st	Apartment 1	2	4	72.76	
	Apartment 2	1	2	54.76	
	Apartment 3	1	2	60.85	
	Apartment 4	2	4	76.15	
	Apartment 5	1	2	53.07	
	Apartment 6	1	2	60.89	
	Maisonette (lower level)	2	4	57.56	
	Retail Back of House			151.19	
2nd	Apartment 7	2	4	72.43	4.88
	Apartment 8	2	4	73.80	4.19
	Apartment 9	1	2	51.69	
	Maisonette (upper level)			26.95	4.16
	Apartment 10	1	2	59.04	3.86
	Apartment 11	2	4	73.85	4.23
	Apartment 12	1	2	50.03	4.23
	Apartment 13	1	2	58.43	4.56
	Communal Courtyard				283.48
3rd	Apartment 14	2	4	72.43	4.18
	Apartment 15	2	3	64.80	12.52
	Apartment 16	2	4	79.20	12.71
	Apartment 17	1	2	59.04	3.86
	Apartment 18	2	4	73.85	4.23
	Apartment 19	1	2	50.03	4.23
	Apartment 20	1	2	58.43	4.56
4th	Apartment 21	1	2	50.04	8.73
	Apartment 22	2	3	64.77	12.68
	Penthouse 1 (lower level)	2	4	50.03	4.01
	Penthouse 2 (lower level)	3	5	58.43	4.56
5th	Penthouse 1 (upper level)			33.64	38.10
	Penthouse 2 (upper level)			35.58	34.60