

Postal Street, Manchester, M1 1EE

Viability Statement

Date of report: January 2026

PREPARED FOR



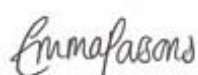
MANCHESTER
CITY COUNCIL



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1. Introduction

1.1 Purpose of the Report

- 1.1.1 This report has been prepared in accordance with instructions received from Manchester City Council to undertake a review of the viability of the proposed development at Postal Street, Manchester, M1 1EE (the Site).
- 1.1.2 This report supports a planning application for the proposed development at Postal Street, which does not align with Manchester City Council's guidance on unit mix. The assessment demonstrates the financial viability of the proposed scheme compared to an alternative mix that would comply with Council guidance.
- 1.1.3 This report has therefore been prepared to assess and comment on:
- The viability of the proposed scheme which comprises a mix of 56% 1-bed and 44% 2-bed.
 - The viability of an alternative scheme which comprises a mix of 32% 1-bed and 58% 2-bed.

1.2 Objectivity and Impartiality

- 1.2.1 In accordance with RICS Professional Standards, we can confirm that there are no conflicts of interest that affect our independent opinion being provided.
- 1.2.2 We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.
- 1.2.3 We can also confirm that no performance related or contingent fees have been agreed in respect of the provision of this report and subsequent viability advice.

1.3 Report

- 1.3.1 This report is dated 12 January 2026. It has been produced by Emma Parsons MRICS and reviewed by Adam Mirley MRICS.
- 1.3.2 The people stated above with MRICS qualifications are suitably qualified practitioners that have previously advised in respect of viability across the North West.

2. Site Information

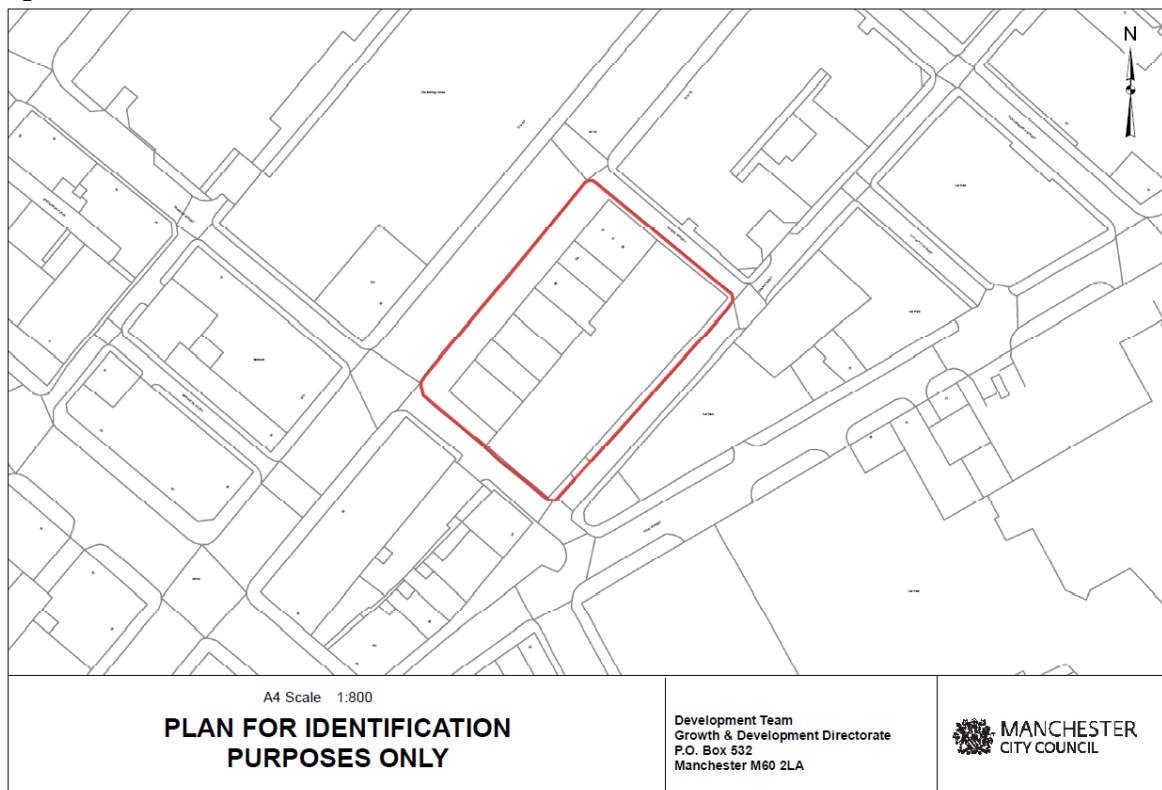
2.1 Location and Situation

- 2.1.1 The Site is located in Manchester city centre, to the north east of the city centre in the area known as the Northern Quarter.
- 2.1.2 The Site is located off Newton Street and Postal Street on the eastern fringe of the Northern Quarter, a neighbourhood within the city centre.
- 2.1.3 The Site is bordered by Newton Street along the north western boundary, Postal Street along the north eastern boundary, Dean Street along the south eastern boundary and Faraday Street along the south western boundary.

2.2 Site Description

- 2.2.1 The Site, outlined red in **Figure 3.2** below, is broadly rectangular in shape, and extends to approximately 0.41 acres (0.17 ha). The Site previously comprised a row of commercial units, however these were demolished and the Site currently comprises a cleared site with hoarding around the perimeter. A copy of the Site plan is included at **Appendix A**.

Figure 2.1 - Site Plan



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2.3 Proposed Development

- 2.3.1 The proposed development comprises:

- 126 x 1- and 2-bedroom residential homes within an 8 storey building;
- Ground floor residential entrance lobby;
- Ground floor commercial units extending to 8,202 sq. ft.

2.3.2 We have been provided with a Schedule of Accommodation for the scheme that has been prepared by Hawkins\Brown. This is included in **Table 3.1** below.

Table 2.1 - Schedule of Accommodation

	Commercial NIA		Entrance Lobby NIA		Facilities Management NIA		GF NIA		GF GIA		GF GEA	
Level	Sq M	Sq Ft	Sq M	Sq Ft	Sq M	Sq Ft	Sq M	Sq Ft	Sq M	Sq Ft	Sq M	Sq Ft
Ground	762	8,202	244	2,626	11	118	1,017	10,947	1,529	16,458	1,628	17,524
Level	1b1p	1b2p	2b3p	2b4p	Apartments per floor	Resi NIA		Resi GIA		Resi GEA		
						Sq M	Sq Ft	Sq M	Sq Ft	Sq M	Sq Ft	
1	3	7	6	2	18	1,005	10,818	1,285	13,832	1,382	14,876	
2	3	7	6	2	18	1,005	10,818	1,285	13,832	1,382	14,876	
3	3	7	6	2	18	1,005	10,818	1,285	13,832	1,382	14,876	
4	3	7	6	2	18	1,005	10,818	1,285	13,832	1,382	14,876	
5	3	7	6	2	18	1,005	10,818	1,285	13,832	1,382	14,876	
6	3	7	6	2	18	1,005	10,818	1,285	13,832	1,382	14,876	
7	3	7	6	2	18	1,005	10,818	1,285	13,832	1,382	14,876	
Total	21	49	42	14	126	7,035	75,725	8,995	96,822	9,674	104,131	
Building Total						8,052	86,672	10,524	113,280	11,302	121,655	

2.3.9 The total NIA in the building is 86,672 sq. ft. and the total GIA in the building is 113,280 sq. ft., resulting in a gross to net of 77%.

2.3.10 The split across the 1- and 2-bedroom homes is 56% 1-bed and 44% 2-bed.

2.3.11 A copy of the Schedule of Accommodation is included at **Appendix B**.

2.3.12 In addition to the above, we have also been provided with a floor plate by HawkinsBrown for the development (which is the same across the 7 residential floors). This is provided in **Table 3.2** below.

Table 2.2 - Floorplate

Apartment Type	Apartment NIA (Sq M)	Apartment NIA (Sq Ft)
1B1P-B	40	431
1B1P-A	41	441
1B1P-A	41	441
1B2P-B	50	538
1B2P-A	51	549
1B2P-A	51	549
1B2P-A	51	549
1B2P-A	51	549

1B2P-A	51	549
1B2P-A	51	549
2B3P-E	62	667
2B3P-C	63	678
2B3P-A	63	678
2B3P-A	63	678
2B3P-B	65	700
2B3P-D	66	710
2B4P-A	72	775
2B4P-B	73	786
Total	1,005	10,818

2.4 Housing Mix

- 2.4.1 The Council have a guideline that new apartment developments should not comprise more than 33% 1-bed units to promote a mix of housing types.
- 2.4.2 The proposed scheme does not align with this mix due to viability issues created by the delivery of affordable housing in the form of Manchester Living Rent (MLR) units. We have therefore assessed an alternative scheme that is set out later in this report to demonstrate why this development cannot follow these mix guidelines.

2.5 Manchester Living Rent

- 2.5.1 Manchester City Council have introduced a MLR. While not Planning Policy, the MLR is a key part of the city's plans.
- 2.5.2 The Government introduced the term 'affordable' rent that is 80% of market value for an area. However, the MLR is an amount of rent that is set at or below the Local Housing Allowance (LHA) level.
- 2.5.3 The LHA level is the rent level set by Government that will cover a person's rent if they are on housing benefit.
- 2.5.4 The MLR is a level of rent that is used by the Council's home building company, This City and Manchester City Council have made a commitment that at least 20% of all the homes built by the company will be set at the Manchester Living Rent. The current LHA rates for central areas are:
- 1-bed: £775 per calendar month
 - 2-bed: £875 per calendar month
- 2.5.5 The Site will be delivered with 20% of the homes at Manchester Living Rent at the LHA rates noted above.

3. Unit Mix Assessment

3.1 Gross Development Value

- 3.1.1 We have assessed the Gross Development Value of the proposed scheme comprising of 56% 1-bed and 44% 2-bed.
- 3.1.2 Rental values were informed by analysis of these comparable BtR schemes in the Northern Quarter, Ancoats, and New Islington, including Oxid House, The Astley, Anco&Co, Burlington House, Smith's Yard, Sawmill Court, Cotton Field Wharf, and Swan Street House.
- 3.1.3 Across the comparables reviewed, 1-bed apartments have let for values between £716 - £1,516 per calendar month, 2-bed apartments have let for values between £921 - £2,175 per calendar month and 3-bed apartments have let for values between £1,299 - £2,130 per calendar month. Across these schemes, the higher rents have been achieved central, high specification developments in well-established neighbourhoods.
- 3.1.4 We would therefore expect 1 bedroom apartments at the subject to achieve base rents between £1,200 - £1,300 per calendar month and the 2 bedroom apartments to achieve rents between £1,450 and £1,650 per calendar month.
- 3.1.5 For the MLR apartments, we have adopted £775 per calendar month for the 1B1P apartments, which is aligned with LHA rates.
- 3.1.6 We would anticipate a yield of 4.75% on the Build-to-Rent Apartments which is in line with market evidence.
- 3.1.7 For the commercial units at the subject site, we would expect values in the order of £25.00 per sq. ft., which is aligned with comparable commercial units.
- 3.1.8 We have capitalised the commercial income at 7% which is in line with market evidence.

3.2 Proposed Scheme Appraisal: 56% 1-bed and 44% 2-bed

- 3.2.1 In order to assess the scheme's viability we have undertaken a development appraisal, which is based on the following basic function:

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

Gross Development Value

- 3.2.2 Based on the detail provided in Section 4.1. above, we have calculated the total GDV for the residential and commercial income to be £34,451,216.

Costs

- 3.2.3 We have reviewed BCIS costs for flats (apartments) at 6 storeys or above.
- 3.2.4 The Upper quartile cost is £2,556 per sq. m. (£237.45 per sq. ft.) and the Median cost is £2,191 per sq. m. (£203.55 per sq. ft.).
- 3.2.5 Based on the BCIS costs and our own experience of recent schemes in Manchester, we have adopted a cost of £225 per sq. ft. for the development. This is between the Median and Upper Quartile Costs, but more akin to the Upper Quartile cost, which we consider is reflective of where the current market is.

3.2.6 We have applied a contingency of 5% to these costs.

3.2.7 We also included additional fees in our appraisal, including:

- Professional Fees at 8%;
- Purchasers' Costs at 6.8%;
- SDLT at the prevailing rate;
- Agents and Legal Fees on the site acquisition at 1% and 0.5% respectively; and
- Letting Agents Fees and Letting Legal Fees at 10% and 5% respectively.

Land Value

3.2.8 The site currently comprises a cleared site with hoarding around the perimeter, but previously comprised a row of commercial units with associated hardstanding. Based on this, we consider the site to comprise of employment land and adopted this basis to establish the Existing Use Value (EUV).

3.2.9 We have reviewed industrial land transactions. At present, the general tone of value is in line with £500,000 - £1.25M per acre. The peak industrial land value was set in 2022 at £2.3m per acre at Trafford Retail Park, however since then increased construction costs and finance levels have seen industrial land values reduce. There is limited transactional evidence available, however our Industrial Agents have advised likely values for industrial land akin to the size and location of the subject site to be in the region of £900,000 per acre.

3.2.10 We have reviewed all of the comparables and we believe that an EUV of £900,000 per acre is a fair assumption for this location. This is aligned with other BLV's that have agreed for similar sites across the city centre.

3.2.11 Based on the site area (0.41 acres), this would give a value of £369,000 for the EUV.

3.2.12 We have therefore assessed the Benchmark Land Value (BLV) for the site to be £553,500. This is based off the EUV of £369,000 plus a premium of 50%. This premium is at the upper end of the minimum premiums, however we consider it to be appropriate for the Site, given that it is prime city centre land.

3.2.13 We have adopted this BLV as a fixed land cost within our appraisal.

Residual Profit

3.2.14 Based on the GDV and Costs this produces a developer's profit of £2,472,070 which reflects a profit margin of 8.34% on Cost and can be considered to be borderline viable whilst still short of the target 12% profit on cost we would normally want to see for this type of development.

3.3 Alternative Scheme: 32% 1-bed and 68% 2-bed

3.3.1 We have also considered an alternative scheme that aligns more closely with Manchester City Council's guidelines that new apartment developments should not comprise more than 33% one-bedroom units to promote a mix of housing types. This scheme therefore includes a reduced mix of 1-bed dwellings (more aligned to 33%) and a higher proportion of 2-bed dwellings.

Gross Development Value

- 3.3.2 We have calculated the total GDV for the residential and commercial income to be £33,765,321 for the alternative scheme

Costs

- 3.3.3 We have adopted the same costs for this alternative scheme as set out in **Sections 3.2.3 – 3.2.7** above.

Land Value

- 3.3.4 We have adopted the same Land Value for this alternative scheme as set out in **Sections 3.2.8 – 3.2.13** above.

Residual Profit

- 3.3.5 Based on the GDV and Costs this produces a developer's profit of £1,837,703 which reflects a profit margin of 6.20% on Cost which is not viable when developments such as this should be targeting 12% profit on cost in the current market.

3.4 Summary

- 3.4.1 We have assessed the viability of the proposed development across two inputs: the proposed scheme that comprises 56% 1-bed and 44% 2-bed and an alternative scheme that comprises 32% 1-bed and 68% 2-bed. Both schemes include 20% affordable housing delivered as Manchester Living Rent (MLR) at the Local Housing Allowance (LHA) Rates.
- 3.4.2 Our appraisal of the proposed scheme results in a developer's profit of £2,472,070 which reflects a profit margin of 8.34% on Cost.
- 3.4.3 We have run a second scenario with an alternative scheme which has a mix aligned to Manchester's guidelines. This alternative scheme results in a developer's profit of £1,837,703 which reflects a profit margin of 6.20% on Cost. This is lower than the proposed scheme.
- 3.4.4 The inclusion of 33% 1-bedroom units and the amount of MLR units across the scheme has a significant impact on value, resulting in a reduction in profitability and rendering the development unviable. While we acknowledge the Council's aspiration for a mix that comprises of 33% 1-bedroom units, the level of MLR provision has proven unviable, and the appraisal undertaken produces a reduced profit level of 6.20%. This therefore demonstrates that the proposed scheme, which includes a higher proportion of 1-bedroom units, is the most viable option.

Appendix A – Site Layout



PLAN FOR IDENTIFICATION PURPOSES ONLY

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Appendix B – Schedule of Accommodation



Project name:

Document number:

Document name:

Revision:

Postal Street

POST-HBA-ZZ-ZZ-SH-A-000002

Schedule of Accommodation

P02 - 15.10.2025

Postal Street								
Ground Floor	Commercial NIA (sqm)		Entrance Lobby NIA (sqm)		Facilities Management NIA (sqm)	Total NIA (sqm)	GIA (sqm)	GEA (sqm)
Total	762		244		11	1,017	1,529	1,628

Level	1B1P	1B2P	2B3P	2B4P	Apartments per Floor	Resi NIA(sqm)	GIA (sqm)	GEA (sqm)
1	3	7	6	2	18	1,005	1,285	1,382
2	3	7	6	2	18	1,005	1,285	1,382
3	3	7	6	2	18	1,005	1,285	1,382
4	3	7	6	2	18	1,005	1,285	1,382
5	3	7	6	2	18	1,005	1,285	1,382
6	3	7	6	2	18	1,005	1,285	1,382
7	3	7	6	2	18	1,005	1,285	1,382
Total	21	49	42	14	126	8,052	10,524	11,302
	17%	39%	33%	11%				
Mix	56%		44%					

Note: Please be aware that the areas in the above table have been calculated as appropriate to the current stage of the project. This schedule is not to be used as the sole basis of any assessment of value, cost or areas. Please note that consultant co-ordination is ongoing, and these values are liable to change.

Note:
Please note that reveal depths to openings are subject to detailed design development and will be further progressed during Work Stage 3b. As such, see below method for calculating areas:

-EA at ground floor has been measured to the external footprint of the building, without stepping into opening reveals.

-EA at upper floors has been measured to the external footprint of the building, stepping into designed opening reveals.

-IA across all floors has been measured to the inner face of the wall lining, excluding internal reveal depths at openings.

-IA across all floors has also been measured to the inner face of the wall lining, excluding reveal depths at openings.

As we confirm the detailed design of curtain walling at ground floor and which windows require double-system acoustic treatment across Faraday Street and Dean Street at upper floors (and the design of such system is developed) it may be possible to include reveal depths within GIA and residential NIA where such acoustic requirements are not applicable. All figures are subject to revision as the design progresses.

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