

PRIVATE & CONFIDENTIAL

Financial Viability Assessment
On Behalf of McCarthy Stone

Fairways Lodge & Leisure Club
George Street
Prestwich
Manchester
M25 9WS

January 2024

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McCARTHY STONE
Life, well lived



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Notice & Limitations

The advice and opinion set out in this report is provided in the wider context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2021, the provisions of VPS1-5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation for acquisition, loan or lending purposes. The valuation date for this Viability Review is January 2024.

This report is provided for the stated purpose and for the sole use of the McCarthy Stone Retirement Lifestyles Limited. This report may not, without prior written consent, be used or relied upon by any third party. The author of this report confirms there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest.

In accordance with the RICS Professional Statement Financial Viability in Planning: Conduct and reporting dated September 2019, this report has been prepared objectively, impartially and with reference to all appropriate sources of information.



Andrew Murphy MRICS
For and on behalf of Atitlan Consulting

1. EXECUTIVE SUMMARY

Background

1.1 This report has been prepared by Atitlan Consulting on behalf of McCarthy & Stone Retirement Lifestyles Limited ("McCarthy Stone") in connection with a planning application to be submitted for a site situated at Fairways Lodge & Leisure Club, George Street, Prestwich M25 9WS.

1.2 The proposed scheme comprises 52 unit purpose build retirement living homes (Use Class C3) arranged in a single block over ground to second floor with landscaping and the provision of 38 marked surface car parking spaces, as set out within the proposed development description:

"Demolition of existing and erection of Retirement Living apartments with associated access, car parking, landscaping and ancillary development".

1.3 We have not carried out an inspection of the plot, but we are advised it is irregular in shape, and extends to approximately 0.62 hectares (1.54 acres). A 40 bedroom hotel is arranged over ground and first floor. The hotel has conference and banqueting facilities, restaurant, leisure facility (with squash courts) and a bar together with surface car parking for approximately 100 vehicles.

1.4 The purpose of this report is to provide an independent assessment and associated evidence base in line with established RICS best practice and relevant planning policy, to determine the maximum reasonable level of planning contribution(s) that are considered to be financially viable.

Methodology

1.5 In line with prevailing best practice the residual land value (RLV) of the proposed scheme has been assessed against a benchmark land value (BLV) to establish the ability of the proposal to subsidise a package of planning obligations.

Summary Inputs

1.6 The table overleaf provides a summary of the key inputs and assumptions adopted within the financial appraisal and assessment:

Table 1: Appraisal Summary

Input	Assumption
Residential Floor Area (NSA)	34,562 sq. ft
Gross Internal Area (GIA)	47,507 sq. ft
Av. Sales Value – 1 Bed	£290,000
Av. Sales Value – 2 Bed	£390,000
Demolition	£194,425
Base Construction Cost	£7,203,011
Abnormal Construction Cost	£244,427
Construction Contingency 5%	£372,372
Externals	£720,301
Professional Fees	10%
Marketing Fees	3.0%
Sales Agent fees	2.0%
Legal Sale Fees	£800 per unit
Non-recoverable outgoings	£194,022
Developer Risk Margin	20% of GDV
Finance rate	7.5% debt 2.5% treasury
Residual Land Value (RLV)	c. £2.297m
Existing use value (EUV)	£2.80m
Benchmark Land Value	£2.80m

Viability Conclusions

- 1.7 The proposed scheme has been appraised based on the above inputs, and this indicates a residual land value of c. £2.297m and after comparing with the benchmark land value of c. £2.80m. This indicates a deficit of c. **-£0.503m** which informs my opinion the development proposal is not able support the provision of affordable housing or other S106 contributions.

2. INTRODUCTION

Purpose of Report

- 2.1 This report has been prepared by Atitlan Consulting on behalf of McCarthy Stone in connection with a planning application to be submitted in respect of Fairways Lodge & Leisure Club, George Street, Prestwich M25 9WS.
- 2.2 The purpose of this report is to provide an independent assessment together with evidence to establish the level of planning contributions the proposed scheme of development can reasonably support.
- 2.3 Financial viability is material in the consideration of planning applications. The cumulative impact of planning policies on the cost of development should not undermine the delivery of the Statutory Development Plan.
- 2.4 Plans are expected to be aspirational and set out developer contributions, including:
 - Affordable housing and/or workspace expectations.
 - Infrastructure requirements; and
 - Design standards.

Planning Policy Context

- 2.5 The National Planning Policy Framework (NPPF) and Planning Policy Guidance (PPG), along with Regional and local plan policies, provide the framework within which the development proposals are embedded.
- 2.6 The NPPF is the key policy document against which financial viability should be considered, in the context of promoting sustainable development:

"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. 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"¹.

¹ National Planning Policy Framework para 58 page 16 December 2023

- 2.7 Local Planning Authorities (LPAs) are responsible for assessing housing need, including affordable housing tenure requirements:

"Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:

- Off-site provision or an appropriate financial contribution in lieu can be robustly justified; and*
- The agreed approach contributes to the objective of creating mixed and balanced communities"².*

- 2.8 PPG emphasises the requirement for transparent and robust assessments:

"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 of 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".³

- 2.9 The Local Planning Authority is Bury Council which is a metropolitan borough of greater Manchester. The Bury Unitary Development Plan (UDP) acts as a guide for the future development or protection of land in the Borough and its policies and proposals currently form the basis for the Council's decisions on planning applications.
- 2.10 The current Bury UDP was adopted by the planning authority on 29th August 1997. The Council is now working to replace the adopted UDP with a new document called the Bury Local Plan. Until the new Local Plan is produced the UDP will continue be used to make planning decisions.
- 2.11 Current planning policy states that on schemes of 10-24 dwellings a 10% affordable housing contribution will be required and on schemes of 25 plus dwellings a 25%

² National Planning Policy Framework paragraph 64 p.18 December 2023

³ Planning Practice Guidance paragraph 008 p.5 2019-11-01

affordable housing contribution will be required. It is specified that affordable houses must be discounted by a minimum of 30% against the Market Value.

- 2.12 In having regard to the foregoing and the retirement living format that is being proposed, it is not practicable to provide affordable housing on site. This FVA considers whether the scheme can support a contribution in lieu of providing affordable housing on site.

Professional Statement

- 2.13 This report has been prepared in accordance with the requirements of the RICS Valuation-Global Standards 2021 and UK National Supplement (incorporating the International Valuation Standards 2017), referred to as the Red Book.
- 2.14 Advice given by RICS members is subject to the requirements of the Red Book; under Practice Statement 1 paragraph 5.4 of the Red Book. The advice given in this report is exempt from the mandatory requirements of VPS1-5, and does not represent a formal valuation, and should not be relied upon as such.
- 2.15 Costs and values change over time and the advice contained herein remains valid for 3 months from the appropriate Valuation Date, to be taken as the date of the report unless otherwise stated.
- 2.16 It is confirmed that in preparing this report and providing advice to McCarthy Stone no fee payable is based upon a contingent or performance related basis. The report author hereby confirms they have the necessary skills and experience to undertake the instruction competently, and in doing so have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

3. Methodology

Financial Viability in Planning

- 3.1 Methods and best practice for the valuation of land and property lie in various Professional Statements, Guidance Notes, and Information Papers published by the Royal Institution of Chartered Surveyors (RICS), including but not limited to:
- RICS Valuation – Global Standards (2022).
 - RICS Financial Viability in Planning Conduct and Reporting (2019);
 - RICS Viability in Planning Guidance Note (2012); and
 - RICS Assessing Viability in Planning under the National Planning Policy Framework 2019 For England Guidance Note (2021)
 - RICS Valuation of Land for Affordable Housing Guidance Note (2016).
- 3.2 There are two recognised methods used in the valuation of development assets, both of which are relevant to the assessment of financial viability in planning.
- 3.3 The Comparable Method relies upon the analysis of comparable market transactions, whilst the Residual Method takes the assumed value of a completed scheme and deducts costs of development (including a profit-margin to a notional developer) to estimate the value of the land.
- 3.4 In practice both valuation methods should be used, with the comparable method providing a check against market conditions and sentiment.
- 3.5 The degree to which each should be relied upon depends upon site specific circumstances and the nature and complexity of the proposal being considered.

Benchmarking

- 3.6 There are two approaches to benchmarking that can be relied upon to assess site specific viability in a planning context.
- Site Value (where a market-adjusted developer's return is treated as a cost of development); and
 - Developer's Return (where an appropriate site value is treated as a cost of development).

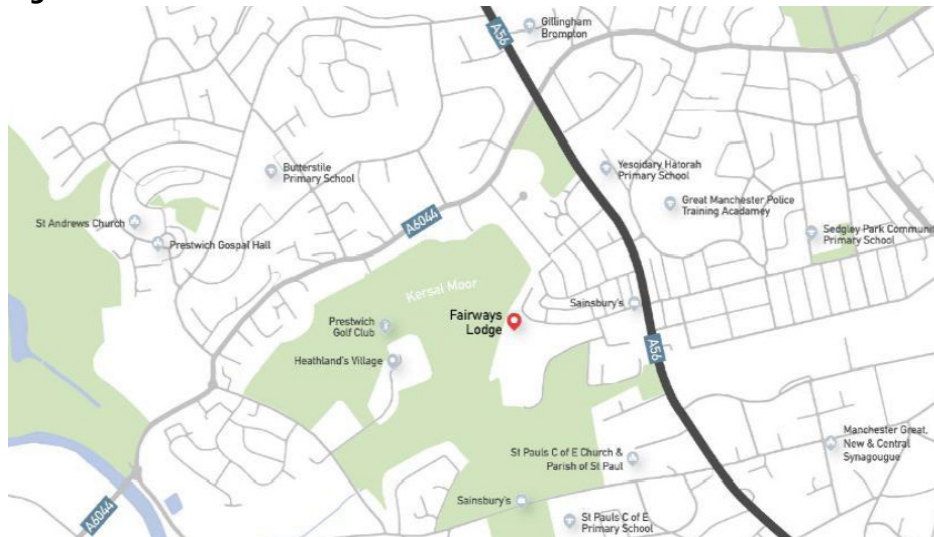
- 3.7 In adopting the Site Value approach, the Residual Land Value of the proposed scheme (assuming an appropriate market level of developer return as a cost of development) is compared to an appropriate Benchmark Land Value.
- 3.8 The Developer's Return approach adopts a fixed land value as a cost of development and compares a residual profit to an appropriate hurdle developer profit margin.
- 3.9 If the relevant metric (residual land value or hurdle profit margin) is greater than the benchmark, then the scheme can be considered viable at that level of total development costs. Although, if it is less, then the scheme is deemed to be unviable.
- 3.10 The subject assessment has been benchmarked on a Site Value basis.
- 3.11 Instances arise where the project programme of a proposal may span the usually anticipated development cycle, which may warrant the inclusion of projected cost and value assumptions. This FVA has been assessed on a present day basis.

4. PROPOSED DEVELOPMENT

Site Description

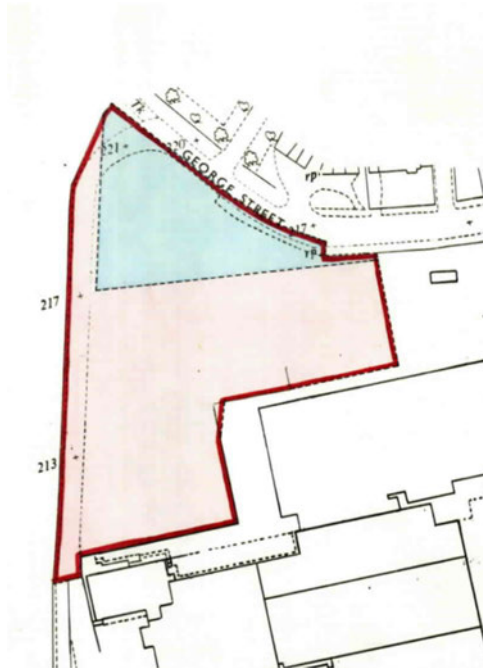
- 4.1 The Property is located in Prestwich, a town in the Metropolitan Borough of Bury, approximately four miles north west of Manchester City Centre, eight miles west of Oldham and five miles south of Bury.
- 4.2 Road communications are good with Junction 17 of the M60 Motorway being one mile north of the town. The A56 Bury New Road runs through the centre of the town and provides access to Manchester City Centre to the south and Bury and the M60 to the north. Public transport links are also good with a regular bus service running along Bury New Road and Prestwich Metrolink Station is in the town centre.

Figure 1: Site Location



Source: Fisher German

- 4.3 The development site is situated in an area that is characterised as residential and is approximately one mile south of Prestwich town centre. To the west of the Property is Prestwich Golf Club and to the south and east of the Property is a new residential development by Bellway. Slightly further afield to the east is a small industrial/trade counter estate.
- 4.4 The approximate location of the Property is indicated in the site plan set out overleaf in Figure 2.

Figure 2: OS Extract

Source: Site Plan

- 4.5 We have not visited the site, but we are advised it extends to approximately 0.62 hectares (1.54 acres).
- 4.6 We are not provided with title information, and this assessment assumes the unencumbered freehold interest in the land is held free from any onerous restrictions on title. No independent searches on title have been undertaken as part of this assessment.

Development Description

- 4.7 The planning application proposes 52 purpose built retirement living homes (Use Class C3) arranged in a single block over ground to second floor together with landscaping and the provision of 38 marked surface car parking spaces, as provided within the development description:

"Demolition of existing and erection of Retirement Living apartments with associated access, car parking, landscaping and ancillary development".

- 4.8 The scheme is serviced by a lift and three staircases for vertical circulation and in addition the block provides a communal lounge, guest suite, management office and a mobility scooter store.

- 4.9 The proposal reflects a gross density of c. 83.87 dph (c. 34 dpa), and the following residential unit mix by habitable room:

Table 2: Proposed Unit Mix & Habitable Rooms

Unit Type	Unit(s)	%	Habitable Rooms	%
1 Bed	31	59.62	62	49.6
2 Bed	21	40.38	63	50.4
Total	52		125	

Source: MCK Commercial Design/Atitlan Consulting

Table 3: Average Unit Size

Unit Type	Homes	Av. Size		Total	
		Sq. ft	Sq. m	Sq. ft	Sq. m
1 Bed	31	579	53.81	17,954	1,667.96
2 Bed	21	791	73.47	16,608	1,542.94
Total	52			34,562	3,210.90

Source: McCarthy Stone

5. FINANCIAL VIABILITY

Overview

- 5.1 The proposed scheme revenue and cost assumptions have been assessed by the professional team and further commentary in respect of each assumption is set out below alongside a review of available evidence. I attach copies of our development appraisals as Appendix A.

Gross Development Value

- 5.2 In considering retirement apartment property development, this is a restricted market product and is currently a small and specialist sub-sector of the overall residential market and is price sensitive to the location and topography. There are no new build comparable retirement sales/sites in the immediate area.
- 5.3 But despite this the capital value assumptions for the apartments have been established through the comparable method of valuation and a review of locally available sales evidence.
- 5.4 'The November 2023 RICS UK Residential Survey results point to a slightly improved outlook for market activity going forward, with sentiment supported by a modest easing in mortgage rates over recent weeks. That said, near-term sales expectations are only marginally positive at this stage, while most other indicators tracked remain in negative territory (albeit to a lesser extent than previously).
- 5.5 At the headline level, the net balance for new buyer enquiries came in at -14% in November. Although still consistent with a relatively soft trend in buyer demand at present, the latest reading does represent the least negative figure for this metric since April 2022. When viewed at a regional level, feedback regarding new buyer enquiries has now turned much less downbeat across all parts of the UK than was the case a few months ago.

- 5.6 For agreed sales, the latest national net balance of -11% compares with a reading of -23% beforehand and also suggests the downward trend in sales volumes is abating (even if activity levels remain subdued when viewed in a longer term context). Meanwhile, the average time taken to finalise a sale (from initial listing to completion) has eased back a touch from a peak of 20 weeks in September to stand at closer to 19 weeks at present.
- 5.7 Looking ahead, the near-term sales expectations series posted its first positive reading since early 2022, registering a net balance of +6% in November. Nevertheless, with this figure being only marginally positive, the expected recovery in sales volumes over the coming three months is relatively modest. At the twelve month time horizon however, a net balance of +24% of respondents foresee an improvement in sales activity, marking the most upbeat return for this forward-looking measure since January 2022.
- 5.8 With respect to supply, the flow of new instructions coming onto the market has remained broadly stable over the past couple of months, evidenced by a net balance reading of -5% being recorded in both October and November. Alongside this, survey participants continue to report that the number of market appraisals being undertaken is below that seen twelve months ago (net balance -41%).
- 5.9 Turning to house prices, the survey's headline gauge posted a net balance of -43% in November. While this continues to signal a downward trend in national house prices, the latest reading is up from -61% beforehand and has now turned slightly less negative in each of the last three months.
- 5.10 As such, this suggests the pace of house price declines has moderated to a certain extent. Disaggregating the data shows that the vast majority of regions have seen the pace of house price declines ease to some degree (in net balance terms), although the South East and East Midlands continue to return deeply negative readings.
- 5.11 Bucking the broader trend entirely, respondents have cited a clear upward move in house prices across Northern Ireland in recent months. Regarding the outlook, while near-term house price expectations point to some downward pressure remaining in place over the coming three months, longer term price projections have turned more or less stable. Indeed, the twelve-month house price expectations series returned a net balance of -10% over the last survey period, noticeably less negative than the reading of -43% seen previously. As a result, this now points to only a slender further decline in aggregate house prices being envisaged over the year to come.⁴

⁴ Extract RICS UK Residential Market Survey May 2023

- 5.12 Given the restricted market characteristics of the retirement housing sector and the cautious nature of the target buyers the general economic background and domestic geopolitical issues do have an impact upon buyer sentiment.
- 5.13 Following a review of available evidence drawn from the local area and beyond, we have identified existing retirement scheme properties that are being marketed. This evidence is augmented with a couple of properties that are sold subject to contract in Table 4 below together with copies of the marketing information attached as Appendix B.
- 5.14 The research indicates marketing prices of the one and two bed retirement apartments within the area range between £160,000 - £285,000. However, drawing a comparison is quite difficult given the mix of unit sizes, age and condition of the properties and facilities/services provided.

Table 4: Retirement Apartment Evidence

Retirement Apartments	Beds	Size		Price	Status
		Sq ft	Sq m		
Broadfield Court, Park View Road	2 Bed	831	77.20	£285,000	For Sale
Broadfield Court, Park View Road	1 Bed	613	56.95	£175,000	SSTC
Broadfield Court, Park View Road	2 Bed	906	84.17	£285,000	For Sale
Broadfield Court, Park View Road	1 Bed	648	60.20	£160,000	SSTC
Broadfield Court, Park View Road	2 Bed	818	75.99	£280,000	Sold
Broadfield Court, Park View Road	2 Bed	818	75.99	£275,000	Sold
Broadfield Court, Park View Road	1 Bed	635	58.99	£180,000	Sold
Broadfield Court, Park View Road	1 Bed	624	57.97	£188,000	Sold
Broadfield Court, Park View Road	2 Bed	840	78.04	£262,500	Sold

Source: Rightmove/Atitlan Consulting

- 5.15 I have also had regard to the marketing and agreed sale prices of unrestricted market housing set out in Table 5 overleaf. The sales prices range between £129,950 - £225,000 for one and two bed apartments which are dated in comparison and not reflective of a modern specification and layout.

Table 5: Unrestricted Market Apartment Evidence

Apartments	Beds	Size		Price	Status
		Sq ft	Sq m		
Baytree Court, Prestwich	2 Bed	tbc	-	£225,000	SSTC
Cedar Court, Longfield Centre	2 Bed	tbc	-	£200,000	SSTC
Cedar Court, Longfield Centre	2 Bed	tbc	-	£180,000	SSTC
Eagles Nest, Butterstile Lane	2 Bed	986	91.60	£180,000	For Sale
Lowther Road, Prestwich	1 Bed	546	50.73	£150,000	SSTC
Cedar Court, Longfield Centre	1 Bed	428	39.76	£129,950	For Sale
Flat 19 Eagles Nest, Butterstile Lane	2 Bed	926	86.03	£185,000	Sold

Source: Rightmove/Atitlan Consulting

- 5.16 However, both the retirement and unrestricted market apartment values, do not reflect any premium for layout, or any first occupation premium that is usually associated with the sale of new homes.
- 5.17 As an additional check and balance in the pricing of the retirement housing, I have considered, the Retirement Housing Group (RHG) approach to inform the pricing of age restricted housing.
- 5.18 The methodology assumes a 1 bed retirement apartment will have a market value that is equivalent to c. 75% of the market value of semi-detached house price locally, and a 2-bed retirement apartment has a market value that is equivalent to c. 100% of market value of a semi-detached house.
- 5.19 To inform this assessment I have had regard to a Rightmove data set and more particularly average sale values of semi-detached properties that have been sold in the last 12 months. The data set comprises a sample of 23 transactions and records an overall average price of c. £347,649 and is attached as Appendix C.
- 5.20 Therefore, in adopting the RHG approach this suggests the market value of a 1 bed apartment at c. 75% of the average sale value is c. £260,737 and a 2 bed apartment value of £347,649. But say £260,000 and £350,000.
- 5.21 Accordingly, after making allowance for a new build first occupation premium I am of the opinion the average market value of the proposed retirement apartments range between £129,950- £286,000 and £225,000 - £385,000.

- 5.22 However, in considering these values together with McCarthy Stone and after taking into consideration the local amenities I have adopted an optimistic view on value(s) and have priced the proposed scheme at £290,000 and £390,000 for the 1 and 2 bed apartments.
- 5.23 The total gross sales value for the proposed retirement scheme is therefore £17.18m.

Table 6: Gross Development Value Summary

Unit Type	Homes	Av. Unit Price	Total
1 Bed	31	£290,000	£8.990m
2 Bed	21	£390,000	£8.190m
Total	52		£17.18m

Source: Atitlan Consulting

Ground Rents

- 5.24 Legislation banning ground rents was granted assent on the 8 February 2022. Although the retirement industry has a 12 month grace period, with ground rents being prohibited no earlier than April 2023, the timing of this development with practical completion unlikely until 2025 means that ground rent will be banned. The applicant confirms they have no intention to charge ground rents on this scheme and will provide a letter confirming this, if required.

Interim Income

- 5.25 We are advised the property is occupied with a lease at a rent equivalent to £300,000 per annum which will expire 13th September 2024. Accordingly, 13th September 2024 is the earliest date demolition and construction work can commence. Although it is assumed access will be provided on-site for trial pits and surveys prior to vacant possession.
- 5.26 Accordingly, the development appraisal captures £184,110 rent receivable for the period 31st January 2024 – 13th September 2024. See Table 7 overleaf.

Table 7: Interim Site Income

Period of occupation			Days	Rent receivable
31/01/2024	-	24/03/2024	53	£43,561.64
25/03/2024	-	23/06/2024	90	£73,972.60
24/06/2024	-	13/09/2024	81	£66,575.34
Total				£184,109.59
Annual Rent		£300,000		
Daily Rent		£821.92		

Source: McCarthy Stone/Atitlan Consulting

Construction Costs

- 5.27 In determining construction costs for the proposed scheme, we have adopted a blended BCIS median for above 3 storey construction costs rebased for the location at a rate equivalent to c. £1,632 per sq. m (£151.62 per sq. ft) we attach an extract as Appendix D.
- 5.28 This is together with an allowance for external works equivalent to 10% of base construction costs, together with a construction contingency equivalent to 5% of construction cost.
- 5.29 A total cost of c. £8.478m, reflecting c. £1,920.88 per Sq. m (c. £178.46 per Sq. ft) GIA. However, given the inflationary pressures it is anticipated there will be upward pressure on construction material prices and labour and the potential volatility in construction cost prices will need to be kept under review.

Marketing, Sale and Legal Fees

- 5.30 Typically, Marketing Costs (including show home, brochures and local press advertisements etc.) for retirement schemes are in the order of 6%+ for both marketing and sales agent's fees.
- 5.31 Retirement housing is a specialist product and is age restricted, and as such it is a restricted market product with the average age of a typical purchaser being 70+ and widowed. Accordingly, this requires targeted marketing and considerable resource for each sale to meet the needs of both the purchaser and their families.

- 5.32 Throughout the 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.
- 5.33 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 general needs market housing). 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 this has been endorsed as appropriate in a number of appeal decisions and most notably:
- Clacton-on-Sea - Ref: APP/P1560/A/11/2161214
 - Hunstanton - Ref: APP/V2635/A/14/2217840
 - Redditch - Ref: APP/Q1825/W/17/3166677
- 5.34 In this instance, combined Marketing (3%) and Sales costs (2%) and legal costs of £41,600 (£800 per unit) allowances are assumed, amounting to c. 5.24% of each sale.

Project Programme

- 5.35 A project programme reflecting the assumptions set out in Table 7 below. The pre-construction period assumes a 6 month period to discharge planning conditions plus 3 months to reflect earliest vacant possession date of the site.
- 5.36 The construction period has been adopted through reference to the BCIS contract duration calculator for new build residential schemes and attach an extract at Appendix D.

Table 8: Project Programme

	Months
Pre-construction	9
Construction	19
Sale	22
	50

Source: BCIS/Atitlan Consulting

- 5.37 The implications of the changing domestic economy have yet to present themselves fully, but a slow down in sales rates is beginning to be experienced in the retirement sector. The rate of sales adopted for the proposed apartment scheme assumes the following

sales profile - 30% by value at practical completion, with a further 45% sold by the end of first year of marketing and the remaining 25% sold within the remaining sales period.

Non-Recoverable Outgoings

- 5.38 Empty property costs or non-recoverable outgoings are an industry accepted property operating cost and are widely accepted as being reasonable costs that are borne by developer and/or operators until the scheme(s) are 100% sold and/or occupied.
- 5.39 As following the practical completion of a schemes, they will incur operation, maintenance, insurance and utility costs for the buildings and common parts and facilities and the employment of an Estate Manager, who is onsite from first occupation.
- 5.40 Most often these costs are recovered by the operator(s) by way of the service charge once apartments are sold or occupied. Therefore, until the apartments are sold or occupied there remains a shortfall in the recovery of the service charge and outgoings.
- 5.41 A schedule setting out the calculation of the monthly non-recoverable costs is attached as Appendix E for this scheme which is currently anticipated to be c. £168,152.

Finance

- 5.42 Where development finance is available 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.
- 5.43 These lending terms have emerged due to the debt market's perceived risk of residential development in the current market.
- 5.44 Accordingly, we have adopted an 'all-in' debit interest rate of 7.50% together with a credit rate of 2.50%, 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.

Developers Profit (Risk Margin)

- 5.45 In line with our comments above and to reflect the risk of age restricted retirement housing development schemes we have adopted a developer's risk margin equivalent to 20% on GDV and 25% profit on cost.

Benchmark Land Value

- 5.46 Current viability guidance permits the assessment of viability in planning to be assessed by reference to a benchmark land value. This may be assessed by reference to either the EUV+ or AUV. The premium uplift to EUV is the second component of the BLV. It is the

amount above EUV that goes to the landowner and should provide a reasonable incentive for a landowner to bring forward land for development.

- 5.47 In considering AUV guidance suggests these values will be limited to those uses that 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 and do not attract a premium uplift.
- 5.48 In accordance with our instructions, I am provided with an existing use value (EUV) that has been prepared by Fisher German. A copy of the report is attached as Appendix F which indicates the Site has an EUV of £2.8m (Two Million Eight Hundred Pounds).
- 5.49 On the basis of inputs and assumptions that have been adopted in this assessment we do not currently seek to adopt a premium uplift to EUV. However, that said depending upon the outcome of the any independent 3rd party review it is possible we would seek to revisit and reserve a premium uplift to inform the benchmark land value.

Viability in Planning

- 5.50 To determine whether the scheme is viable guidance directs the scheme is compared to the adopted benchmark land value. If the residual land value is more than the benchmark the scheme is deemed to be viable in planning terms. Conversely, if the residual land value is lower than the benchmark, it is deemed unviable.

6. CONCLUSION

Viability Results

- 6.1 The proposed scheme has been appraised in line with prevailing guidance and best practice to determine whether the scheme can reasonably generate a surplus in excess of the benchmark land value to support the provision of affordable housing (and any other S106 contributions) by way of a payment in lieu of providing affordable housing on site.
- 6.2 In having regard to the inputs and assumptions that have been adopted in our assessment indicates a residual land value of c. £2.297m and after allowance for a benchmark land value of c £2.80m indicates a deficit of c. - £0.503m.
- 6.3 An evidence base has been collated, analysed, and reflected within the assessment and the residual land of the proposed scheme has been tested against a range of +/-5% on both construction cost and residential sales values, which results in the following range of value:

Table 9: Sensitivity Analysis – Construction Cost & Sales Values

Construction Rate	Sales: Sales/Unit				
	-10.00 %	-5.00 %	0.00 %	5.00 %	10.00 %
-10.00 %	c. £2.049m	c. £2.549m	c. £3.049m	c. £3.549m	c. £4.049m
-5.00 %	c. £1.673m	c. £2.173m	c. £2.673m	c. £3.173m	c. £3.673m
0.00 %	c. £1.297m	c. £1.797m	c. £2.297m	c. £2.797m	c. £3.297m
5.00 %	c. £0.921m	c. £1.421m	c. £1.921m	c. £2.421m	c. £2.921m
10.00 %	c. £0.545m	c. £1.045m	c. £1.545m	c. £2.045m	c. £2.545m

Source: Atitlan Consulting

- 6.4 In looking at the residual land values and comparing to the site's benchmark land value at £2.80m, it is clear the proposal in the majority of scenarios the scheme is not financially viable. In overall terms the sensitivity indicates a spread ranging from a deficit of c. -£2.255m and a surplus of c. £1.249m.

- 6.5 Based upon the inputs and assumptions this indicates a residual land value of c. £2.297m. After allowance of the BLV at c. £2.80m, this indicates a deficit of c. - **£0.503m**. This demonstrates the proposal is not able to support the provision of affordable housing (and any other S106 contributions) by way of a payment in lieu of providing affordable housing on site.

APPENDIX A:

APPRAISAL SUMMARY**ATITLAN CONSULTING**

Fairways Lodge & Leisure Club, Prestwich
January 2024

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
1 Bed	31	17,954	500.72	290,000	8,990,000
2 Bed	<u>21</u>	<u>16,608</u>	493.14	390,000	<u>8,190,000</u>
Totals	52	34,562			17,180,000

Additional Revenue

Rent income 31/01/2024 - 13/09/2024	184,110	
		184,110

NET REALISATION**17,364,110****OUTLAY****ACQUISITION COSTS**

Residualised Price (1.54 Acres @ 1,491,530.06 /Acre)		2,296,956	
			2,296,956
Stamp Duty		104,348	
Effective Stamp Duty Rate	4.54%		
Agent Fee	1.00%	22,970	
Legal Fee	0.80%	18,376	
			145,693

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost
Construction	47,507	151.62	7,203,011
Contingency		5.00%	360,151
Demolition			194,425
			7,757,587

Other Construction Costs

Externals Allowance	10.00%	720,301	
			720,301

PROFESSIONAL FEES

Professional Fees	10.00%	720,301	
			720,301

MARKETING & LETTING

Marketing	3.00%	515,400	
			515,400

DISPOSAL FEES

Sales Agent Fee		2.00%	343,600
Sales Legal Fee	52 un	800.00 /un	41,600
			385,200

Additional Costs

Non-recoverable Outgoings		168,152	
			168,152

TOTAL COSTS BEFORE FINANCE**12,709,590****FINANCE**

Timescale	Duration	Commences
Pre-Construction	9	Jan 2024
Construction	19	Oct 2024
Sale	22	May 2026

APPRAISAL SUMMARY**ATITLAN CONSULTING****Fairways Lodge & Leisure Club, Prestwich
January 2024**

Total Duration	50		
Debit Rate 7.500%, Credit Rate 2.500% (Nominal)			
Land		438,468	
Construction		490,775	
Other		252,454	
Total Finance Cost			1,181,697
TOTAL COSTS			13,891,288
PROFIT			3,472,822

Performance Measures

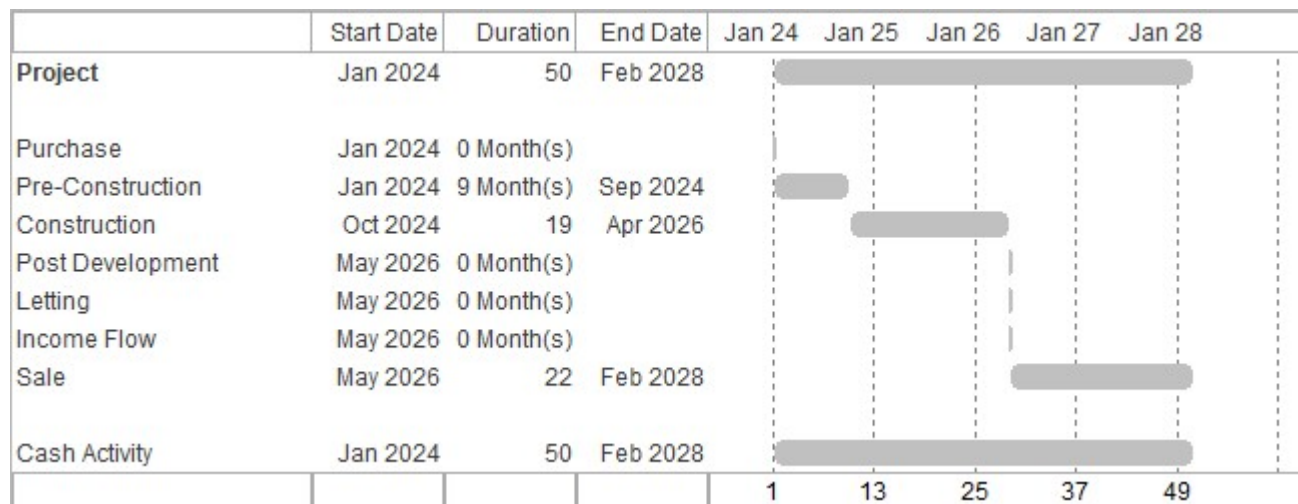
Profit on Cost%	25.00%
Profit on GDV%	20.21%
Profit on NDV%	20.21%
IRR% (without Interest)	22.39%

Fairways Lodge & Leisure Club, Prestwich
January 2024

Project Timescale

Project Start Date	Jan 2024
Project End Date	Feb 2028
Project Duration (Inc Exit Period)	50 months

Phase 1



Fairways Lodge & Leisure Club, Prestwich
January 2024

Detailed Cash flow Phase 1

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Monthly B/F	001:Jan 2024	002:Feb 2024	003:Mar 2024	004:Apr 2024	005:May 2024
	0	(2,398,997)	(2,413,991)	(2,354,550)	(2,369,266)
Revenue					
Rent income 31/01/2024 - 13/09/2024	43,562	0	73,973	0	0
Sale - 2 Bed	0	0	0	0	0
Sale - 1 Bed	0	0	0	0	0
Disposal Costs					
Sales Agent Fee	0	0	0	0	0
Sales Legal Fee	0	0	0	0	0
Unit Information					
1 Bed					
2 Bed					
Construction					
Acquisition Costs					
Residualised Price	(2,296,956)	0	0	0	0
Stamp Duty	(104,348)	0	0	0	0
Agent Fee	(22,970)	0	0	0	0
Legal Fee	(18,376)	0	0	0	0
Construction Costs					
Demolition	0	0	0	0	0
Con. - Construction	0	0	0	0	0
Externals Allowance	0	0	0	0	0
Contingency	0	0	0	0	0
Professional Fees					
Professional Fees	0	0	0	0	0
Miscellaneous Costs					
Non-recoverable Outgoings	0	0	0	0	0
Marketing/Letting					
Marketing	0	0	0	0	0
Net Cash Flow Before Finance	(2,399,087)	0	73,973	0	0
Debit Rate 7.500%	7.500%	7.500%	7.500%	7.500%	7.500%
Credit Rate 2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
Finance Costs (All Sets)	91	(14,994)	(14,532)	(14,716)	(14,716)
Net Cash Flow After Finance	(2,398,997)	(14,994)	59,441	(14,716)	(14,716)
Cumulative Net Cash Flow Monthly	(2,398,997)	(2,413,991)	(2,354,550)	(2,369,266)	(2,383,982)

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Report Date: 2/2/2024

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Report Date: 2/2/2024

Fairways Lodge & Leisure Club, Prestwich January 2024

Detailed Cash flow Phase 1

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020:Aug 2025 (7,322,837)	021:Sep 2025 (8,030,034)	022:Oct 2025 (8,730,194)	023:Nov 2025 (9,411,665)	024:Dec 2025 (10,061,011)	025:Jan 2026 (10,665,570)	026:Feb 2026 (11,213,698)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
(529,350)	(520,412)	(501,526)	(472,691)	(433,907)	(385,175)	(326,493)
(52,935)	(52,041)	(50,153)	(47,269)	(43,391)	(38,517)	(32,649)
(26,467)	(26,021)	(25,076)	(23,635)	(21,695)	(19,259)	(16,325)
(52,935)	(52,041)	(50,153)	(47,269)	(43,391)	(38,517)	(32,649)
0	0	0	0	0	0	(16,124)
0	0	0	0	0	0	0
(661,687)	(650,516)	(626,908)	(590,864)	(542,384)	(481,468)	(424,240)
7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%
2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
(45,509)	(49,645)	(54,564)	(58,482)	(62,175)	(66,660)	(69,669)
(707,196)	(700,160)	(681,472)	(649,346)	(604,559)	(548,128)	(493,909)
(8,030,034)	(8,730,194)	(9,411,665)	(10,061,011)	(10,665,570)	(11,213,698)	(11,707,608)

**Fairways Lodge & Leisure Club, Prestwich
January 2024**
Detailed Cash flow Phase 1
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027:Mar 2026 (11,707,608)	028:Apr 2026 (12,117,517)	029:May 2026 (12,431,753)	030:Jun 2026 (6,991,974)	031:Jul 2026 (6,433,109)	032:Aug 2026 (5,870,617)	033:Sep 2026 (5,303,519)
0	0	0	0	0	0	0
0	0	2,764,125	307,125	307,125	307,125	307,125
0	0	3,034,125	337,125	337,125	337,125	337,125
0	0	(115,965)	(12,885)	(12,885)	(12,885)	(12,885)
0	0	(14,040)	(1,560)	(1,560)	(1,560)	(1,560)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
(257,863)	(179,284)	0	0	0	0	0
(25,786)	(17,928)	0	0	0	0	0
(12,893)	(8,964)	0	0	0	0	0
(25,786)	(17,928)	0	0	0	0	0
(15,260)	(14,397)	(13,533)	(12,669)	(11,805)	(10,941)	(10,078)
0	0	(173,947)	(19,328)	(19,328)	(19,328)	(19,328)
(337,588)	(238,501)	5,480,764	597,809	598,673	599,537	600,400
7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%
2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
(72,320)	(75,734)	(40,986)	(38,944)	(36,180)	(32,439)	(28,692)
(409,909)	(314,236)	5,439,778	558,865	562,492	567,098	571,708
(12,117,517)	(12,431,753)	(6,991,974)	(6,433,109)	(5,870,617)	(5,303,519)	(4,731,811)

**Fairways Lodge & Leisure Club, Prestwich
January 2024**
Detailed Cash flow Phase 1
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034:Oct 2026 (4,731,811)	035:Nov 2026 (4,156,095)	036:Dec 2026 (3,575,757)	037:Jan 2027 (2,990,791)	038:Feb 2027 (2,401,605)	039:Mar 2027 (1,807,778)	040:Apr 2027 (1,209,596)
0	0	0	0	0	0	0
307,125	307,125	307,125	307,125	307,125	307,125	307,125
337,125	337,125	337,125	337,122	337,125	337,125	337,125
(12,885)	(12,885)	(12,885)	(12,885)	(12,885)	(12,885)	(12,885)
(1,560)	(1,560)	(1,560)	(1,560)	(1,560)	(1,560)	(1,560)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
(9,214)	(8,350)	(7,486)	(6,622)	(5,759)	(5,183)	(4,607)
(19,328)	(19,328)	(19,328)	(19,327)	(19,327)	(19,327)	(19,327)
601,264	602,128	602,992	603,852	604,718	605,294	605,870
7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%
2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
(25,547)	(21,789)	(18,026)	(14,666)	(10,892)	(7,112)	(3,533)
575,716	580,338	584,966	589,186	593,827	598,182	602,337
(4,156,095)	(3,575,757)	(2,990,791)	(2,401,605)	(1,807,778)	(1,209,596)	(607,259)

**Fairways Lodge & Leisure Club, Prestwich
January 2024**
Detailed Cash flow Phase 1
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041:May 2027 (607,259)	042:Jun 2027 (205,393)	043:Jul 2027 198,614	044:Aug 2027 604,029	045:Sep 2027 1,010,862	046:Oct 2027 1,419,113	047:Nov 2027 1,828,797
0	0	0	0	0	0	0
204,750	204,750	204,750	204,750	204,750	204,750	204,750
224,750	224,750	224,750	224,750	224,750	224,750	224,750
(8,590)	(8,590)	(8,590)	(8,590)	(8,590)	(8,590)	(8,590)
(1,040)	(1,040)	(1,040)	(1,040)	(1,040)	(1,040)	(1,040)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
(4,031)	(3,455)	(2,879)	(2,303)	(1,728)	(1,152)	(576)
(12,885)	(12,885)	(12,885)	(12,885)	(12,885)	(12,885)	(12,885)
402,954	403,530	404,106	404,682	405,257	405,833	406,409
7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%
2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
(1,089)	477	1,309	2,150	2,994	3,851	4,697
401,866	404,007	405,415	406,833	408,251	409,685	411,106
(205,393)	198,614	604,029	1,010,862	1,419,113	1,828,797	2,239,903

Fairways Lodge & Leisure Club, Prestwich
January 2024

Detailed Cash flow Phase 1

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048:Dec 2027	049:Jan 2028	050:Feb 2028
2,239,903	2,652,432	3,065,837
0	0	0
204,750	204,750	204,750
224,750	224,750	224,750
(8,590)	(8,590)	(8,590)
(1,040)	(1,040)	(1,040)
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
(12,885)	(12,885)	(12,885)
406,985	406,985	406,985
7.500%	7.500%	7.500%
2.500%	2.500%	2.500%
5,543	6,421	0
412,528	413,406	406,985
2,652,432	3,065,837	3,472,822

Fairways Lodge & Leisure Club, Prestwich
January 2024

Table of Land Cost and Land Cost

Sales: Gross Sales					
Construction: Rate /ft²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	(£2,049,305)	(£2,549,234)	(£3,049,163)	(£3,549,090)	(£4,049,023)
136.46 /ft²	(£2,049,305)	(£2,549,234)	(£3,049,163)	(£3,549,090)	(£4,049,023)
-5.000%	(£1,673,199)	(£2,173,130)	(£2,673,060)	(£3,172,989)	(£3,672,916)
144.04 /ft²	(£1,673,199)	(£2,173,130)	(£2,673,060)	(£3,172,989)	(£3,672,916)
0.000%	(£1,297,097)	(£1,797,025)	(£2,296,956)	(£2,796,886)	(£3,296,814)
151.62 /ft²	(£1,297,097)	(£1,797,025)	(£2,296,956)	(£2,796,886)	(£3,296,814)
+5.000%	(£920,992)	(£1,420,923)	(£1,920,851)	(£2,420,782)	(£2,920,711)
159.20 /ft²	(£920,992)	(£1,420,923)	(£1,920,851)	(£2,420,782)	(£2,920,711)
+10.000%	(£544,890)	(£1,044,816)	(£1,544,748)	(£2,044,676)	(£2,544,608)
166.78 /ft²	(£544,890)	(£1,044,816)	(£1,544,748)	(£2,044,676)	(£2,544,608)

Sensitivity Analysis : Assumptions for Calculation

Sales: Gross Sales

Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
1 Bed	1	£8,990,000	2.00 Up & Down
2 Bed	1	£8,190,000	2.00 Up & Down

Construction: Rate /ft²

Original Values are varied by Steps of 5.000%.

Heading	Phase	Rate	No. of Steps
Construction	1	£151.62	2.00 Up & Down