

Finance Viability Report

Wheatfields Former Day Centre, Victoria Avenue,
Whitefield, Manchester M45 6DP

Introduction

This report has been produced by Onward Homes to support our planning application for the proposed residential development at the former Wheatfield Day Centre, Victoria Avenue, Whitefield.

The site is currently owned by Bury Council and has been brought forward to Onward Homes for the development of affordable housing.

The site is located on the former Wheatfield Day Centre in Whitefield which has now been demolished and the site is identified as brownfield land with areas of hardstanding and overgrown vegetation. The site is surrounded by mostly residential properties and a small industrial estate with Whitefield Community Primary School opposite the site. The area is well served by public transport and is in walking distance of various local amenities.

Development Proposals

The proposed scheme consists of 30no. residential homes as detailed below.

No. of Plots	Unit Type	House Type	Beds	Size	Tenure
3	2 Bed Apartment	Ground Floor Apartment	2	55m2	Affordable Rent
3	2 Bed Apartment	First Floor Apartment	2	63m2	Affordable Rent
6	2 Bed Bungalows	Semi Detached Bungalow	2	55m2	Affordable Rent
2	3 Bed Houses	Semi Detached Houses	3	84m2	Affordable Rent
16	3 Bed Houses	Semi Detached Houses	3	84m2	Shared Ownership

Affordable rent properties will be let at 80% of the open market rent in line with Homes England guidelines. Bury Council will have 100% nomination rights for all 16 rented properties in perpetuity.

Shared Ownership properties will be sold under an Affordable Home Ownership initiative recognised by Homes England. Properties will have a first tranche sale of between 10-75% of open market value with the ability to staircase out fully to 100% ownership in the future. For equity levels less than 100%, the rent on the remaining share of the property will be charged at 2.75% of the remaining unsold equity in line with Homes England guidelines.

Development Costs

Land Value

Onward Homes have agreed to purchase the land from Bury Council for a total amount of £300,000. We have used an independent RICS accredited valuer giving a red book valuation to confirm the land value. Onward Homes will enter into a land agreement with Bury Council following validation of planning.

Build Costs

A budget estimate and value for money report for the build cost has been prepared by Wilkinson Cowan Partnership. Onward have not yet entered into a contract with a contractor, expressions of interest will be sought following validation of planning.

The build costs have been compiled assuming Onward Homes standard affordable specification with an upgraded specification for the Shared Ownership properties to include items such as white goods to ensure the properties are desirable to first time buyers.

A summary of these build costs compiled by our independent Employers Agent can be found below.

APPROXIMATE AREAS	
House sizes as referred above	
Gross internal floor area	2,196m ²
Gross site area	9,710m ²
BUDGET COST ANALYSIS	
Preliminaries	£325,765
Substructures	£335,500
Superstructures	£1,936,200
Estimated cost of Structures	£2,597,465
External works, drainage and service mains	£1,083,380
Abnormals:	
Taking up hardstandings/roads	£34,355
Contamination, Remediation & Capping Layers	£232,600
Gas Remediation	£21,960
Extra-over for Piling and Ground beams in Substructures	£94,500
Cable Protection	£25,000
Services Diversions in Footpaths	incl
Drainage attenuation System	£95,000
Building Regulations Uplift Contingency	£165,000
Estimated Cost of Construction Works	£4,349,260
Contractors Post Contract Design Fees, Overheads & Profit	£391,430
Estimated Design and Build Contract Cost (Current Cost)	£4,740,690
Estimated Cost Uplifted to Q3/22	£4,977,726
<i>Average £/m² based on GIFA at current cost</i>	<i>£2,159/ m²</i>
<i>Average cost per dwelling at current cost</i>	<i>£158,023/dwelling</i>
<i>Average £/m² based on GIFA at forecast cost</i>	<i>£2,267/ m²</i>
<i>Average cost per dwelling at forecast cost</i>	<i>£165,924/dwelling</i>

In addition to these works costs, Onward have accounted for a figure of £729,186 for fees and interest giving a total scheme cost of £5,769,876 (including the land purchase value).

The total Gross Development Value for the scheme is £5,662,500. Assuming the current costs as per the above without any uplift for current market conditions, the costs stand to outweigh the GDV and as such Onward Homes will not be operating at a profit on this development in accordance with the standard assumptions of an RICS red book valuation prior to the introduction of any Homes England grant.

Summary

This viability report has been produced using the following development assumptions:

- A scheme of 30 no. affordable homes with no S106 contributions.
- The scheme will be a mixture of 16no. Shared Ownership and 14no. Affordable Rent properties.
- The scheme will have a Gross Development Value of £5,662,500.
- The latest associated costs for this development stand at £5,769,876.

The costs above indicate that the introduction of any commuted sums would make the scheme financial unviable for the development of affordable homes and Onward would not be able to deliver the project on this basis.