

PRIVATE & CONFIDENTIAL

RESIDENTIAL VIABILITY APPRAISAL

as at August 2018

PREPARED ON BEHALF OF

PCW Developments Ltd

Shaw Farm Barn, Glossop

Stannybrook Property Consultants

Universal Square Business Centre, Universal Square, Devonshire Street North, Manchester, M12 6JH

stannybrook.co.uk

CONTENTS

	Page
1. Introduction	3
2. Methodology	4
3. Site and Development Proposals	5
4. Appraisal Assumptions	6
5. Viability Analysis	8
6. Conclusions	9
7. Disclaimer	10
Appendix 1 – Location Plan	11
Appendix 2 – Indicative Scheme Plan	13
Appendix 3 – Residential Market Research	15
Appendix 4 – Residual Appraisal – Authority Proposed Scheme	20
Appendix 5 – Residual Appraisal – Applicant Proposed Scheme	23

1. INTRODUCTION

Purpose of Report

- 1.1 The Applicant has commissioned Stannybrook Property Consultants Ltd to provide an objective assessment of the financial viability of proposed residential development options at Shaw Farm Barn, Glossop.
- 1.2 The purpose of this report is to assess the viability of the proposed development options in the current market, at the date of this report, taking into account the policy requirements set by High Peak Borough Council.

Stannybrook Property Consultants

- 1.3 Stannybrook Property Consultants are a multi-disciplinary firm of Chartered Surveyors providing professional property advice and services to a diverse range of clients across both private and public sectors.
- 1.4 This report has been prepared by Akeel Shafiq, an RICS Registered Valuer and Director of Stannybrook Property Consultants Ltd. Akeel has a First Class Honours Degree in Property Management and Investment and is a Member of the Royal Institution of Chartered Surveyors with 12 years post qualification experience.
- 1.5 Akeel has both public and private sector development experience. He has previously worked as a Development Surveyor for the Real Land Group, a specialist commercial development company based in London and Maple Grove, the development arm of the Eric Wright Group. Akeel was also employed at Oldham MBC in the Regeneration Department where he was responsible for the delivery of a wide range of regeneration and development projects.
- 1.6 Developments of note that he has managed include; two office buildings totaling 45,000 ft² at Parkland Square, 750 Capability Green, Luton; Coventry Innovation Village – a development in partnership with Coventry University Enterprises Ltd of 10 stand-alone office buildings aimed at knowledge based industries and the redevelopment of Failsworth District Centre. Akeel has also worked closely with the Planning Department at Oldham MBC where he advised on new LDF policies and assessed the viability of Planning Applications for S106 and change of use purposes.
- 1.7 With over 15 years of direct Development and Regeneration experience Akeel advises clients across all aspects of the Development and Regeneration process. Current consultancy commissions range from providing advice on viability to full development management of residential and mixed use projects. Akeel has also assessed, negotiated and agreed S106 contributions for numerous development schemes across the country.

2. METHODOLOGY

- 2.1 In order to assess the financial viability of the schemes, a residual appraisal of the development options has been produced in order to understand the impact of the planning policy requirements. In doing so the costs of undertaking the development have been deducted from the gross development value (GDV) with the residual return then benchmarked against an appropriate market return.
- 2.2 The residual appraisals have been prepared using ProDev, a commonly used appraisal software. In assessing the development options, Stannybrook Property Consultants have carried out a detailed review of the local and regional residential property market and have liaised with the applicant to determine the appropriate revenues to adopt. Cost information has been provided by the applicant and has been referenced against the Building Cost Information Service (BCIS).

3. SITE AND DEVELOPMENT PROPOSALS

Description and Location

- 3.1 The application site is located off Shaw Lane, on the southern fringe of Hadfield, Glossop. The A57 (Brookfield/Dinting Vale) is located approximately 0.4 miles to the west of the site providing direct access into Glossop and to Junction 4 of the M67 motorway situated circa 2.2 miles to the west. Dinting Train Station is within walking distance approximately 400 m to the south.
- 3.2 The subject property is currently open grassland, extending to a gross site area of approx. 0.5 Hectares (1.24 Acres). The site is bound by existing residential properties to the west and north, a train line to the east and open fields to the south. The plan contained within Appendix 1 highlights the site in red.

Planning Background

- 3.3 The site currently benefits from an outline consent for the erection of 8 dwellings with associated works (Planning Ref: HPK/2015/0524). The outline consent was approved on the 18th December 2015.
- 3.4 A Reserved Matters application has recently been submitted by the Applicant seeking approval for appearance, landscaping, layout and scale relating to HPK/2015/0524 – the Reserved Matters application was submitted in April 2018 (Planning Ref: HPK/2018/0205) and is currently awaiting determination.

The proposed schemes

- 3.5 As part of the Reserved Matters application, the Authority has suggested a scheme consisting of 4 No. two bed, 3 No. three bed and 1 No. four plus bed houses. The schedule of accommodation is set out below:

Authority Proposed Scheme					
Name	Type	Number of Beds	Number of Units	Size (ft ²)	Total Sales Area (ft ²)
A	Semi-Detached	2	4	700	2,800
B	Terraced	3	3	950	2,850
C	Detached	4+	1	1,800	1,800
Total			8		7,450

- 3.6 The Applicant is however proposing a revised scheme consisting of 2 No. three bed, 5 No. four bed and 1 No. five bed houses. The revised schedule of accommodation is set out below:

Applicant Proposed Scheme					
Name	Type	Number of Beds	Number of Units	Size (ft ²)	Total Sales Area (ft ²)
A	Semi-Detached	3	2	950	1,900
B	Detached	4	5	1,526	7,630
C	Detached	5	1	1,800	1,800
Total			8		11,330

4. APPRAISAL ASSUMPTIONS

Development Revenues

- 4.1 Stannybrook Property Consultants have carried out a detailed review of the local and regional residential property market. Details of comparable local new build and secondhand properties that are both available and have recently sold are included within the Market Research Report at Appendix 3.
- 4.2 Based on the detailed market analysis and having regard to the specification of the proposed residential units and the specific location and characteristics of the subject site, the following average values have been adopted for each house type:

Authority Proposed Scheme							
Name	Type	Number of Beds	Number of Units	Size (ft ²)	Net Sales Price	Net Sales Price (ft ²)	Total Value
A	Semi-Detached	2	4	700	£167,500	£239.29	£670,000
B	Terraced	3	3	950	£242,500	£255.26	£727,500
C	Detached	4+	1	1,800	£417,500	£231.94	£417,500
			Total	8			
						£1,815,000	

Client Proposed Scheme							
Name	Type	Number of Beds	Number of Units	Size (ft ²)	Net Sales Price	Net Sales Price (ft ²)	Total Value
A	Semi-Detached	3	2	950	£242,500	£255.26	£485,000
B	Detached	4	5	1,526	£375,000	£245.74	£1,875,000
C	Detached	5	1	1,800	£417,500	£231.94	£417,500
			Total	8			
						£2,777,500	

Build Costs

- 4.3 A base build costs of £1,260.89/m² (£117.14/ft²) has been adopted for the purposes of this appraisal.
- 4.4 The Building Cost Information Service (BCIS) lower quartile cost for High Peak is currently £1,173/m² (£108.97/ft²) for two storey general estate housing. The BCIS figures exclude the cost of external works which has been allowed for at an additional 7.5%.
- 4.5 In addition to the plot development and normal infrastructure costs, the base build cost adopted includes for standard sub and superstructure costs and builders preliminary costs but does not allow for any abnormal costs to be incurred.

Abnormal Costs

- 4.6 Following discussion with the applicant, the following abnormal costs have been allowed for each scheme:

Abnormals - Authority Scheme	
Item	Cost
E/O Single Sided Road	£50,000
Gas Protection	£8,000
Attenuation	£25,000
Extra Wide Foundations	£10,000
Retaining Walls	£10,000
Total	£103,000

Abnormals - Applicant Scheme	
Item	Cost
E/O Single Sided Road	£50,000
Gas Protection	£8,000
Attenuation	£25,000
Extra Wide Foundations	£20,000
Retaining Walls	£10,000
Total	£113,000

Professional Fees

- 4.7 In line with market practice and in consideration of the specifics of the site and proposed development, professional fees based on 7% of the construction costs have been allowed.

Contingency

- 4.8 In line with current market conditions and practice a contingency allowance based on 5% of the costs has been included.

Sales and Marketing Costs

- 4.9 An allowance of 3% of the gross development value has been allowed for sales and marketing costs. In addition, 0.50% of the sales value has been allowed for legal fees associated with selling each of the units.

Interest

- 4.10 An interest rate of 7% has been adopted. No arrangement, valuation or exit fees have been allowed for.

Land Cost

- 4.11 A Land Cost of £670,000 has been adopted for the purposes of this appraisal.

5. VIABILITY ANALYSIS

Benchmark Return

- 5.1 In this instance, the applicant intends to deliver a speculative residential scheme of 8 houses for open market sale.
- 5.2 Taking into account the specific characteristics of the proposed development and current market requirements, a Developer's Profit of 18% of the Gross Development Value has been adopted as the benchmark return for the purposes of this assessment.

Appraisal Outputs

- 5.3 Adopting the assumptions set out as part of this report, the appraisals contained with Appendices 4 and 5 assume the following scenarios:
- a) The Authority suggested scheme consisting of 4 No. two bed, 3 No. three bed and 1 No. four plus bed houses.
 - b) The applicant's scheme consisting of 2 No. three bed, 5 No. four bed and 1 No. five bed houses.
- 5.4 The Profit on GDV produced in each scenario has then been benchmarked against the benchmark return with the results summarised in the table below:

Appraisal Assumptions	Profit on GDV (%)	Benchmark Profit on GDV (%)	Surplus/Deficit
Authority Proposed Scheme	-5.37%	18.00%	-23.37%
Applicant Proposed Scheme	11.06%	18.00%	-6.94%

- 5.5 The analysis set out above illustrates that the scheme with the Authority's suggested housing mix produces a negative return for the developer demonstrating that viability is a material consideration on the subject site. In the subsequent scenarios where the mix is changed in line with the Applicant's suggested scheme, the Profit on GDV increases however it is still significantly below the benchmark return.

6. CONCLUSIONS

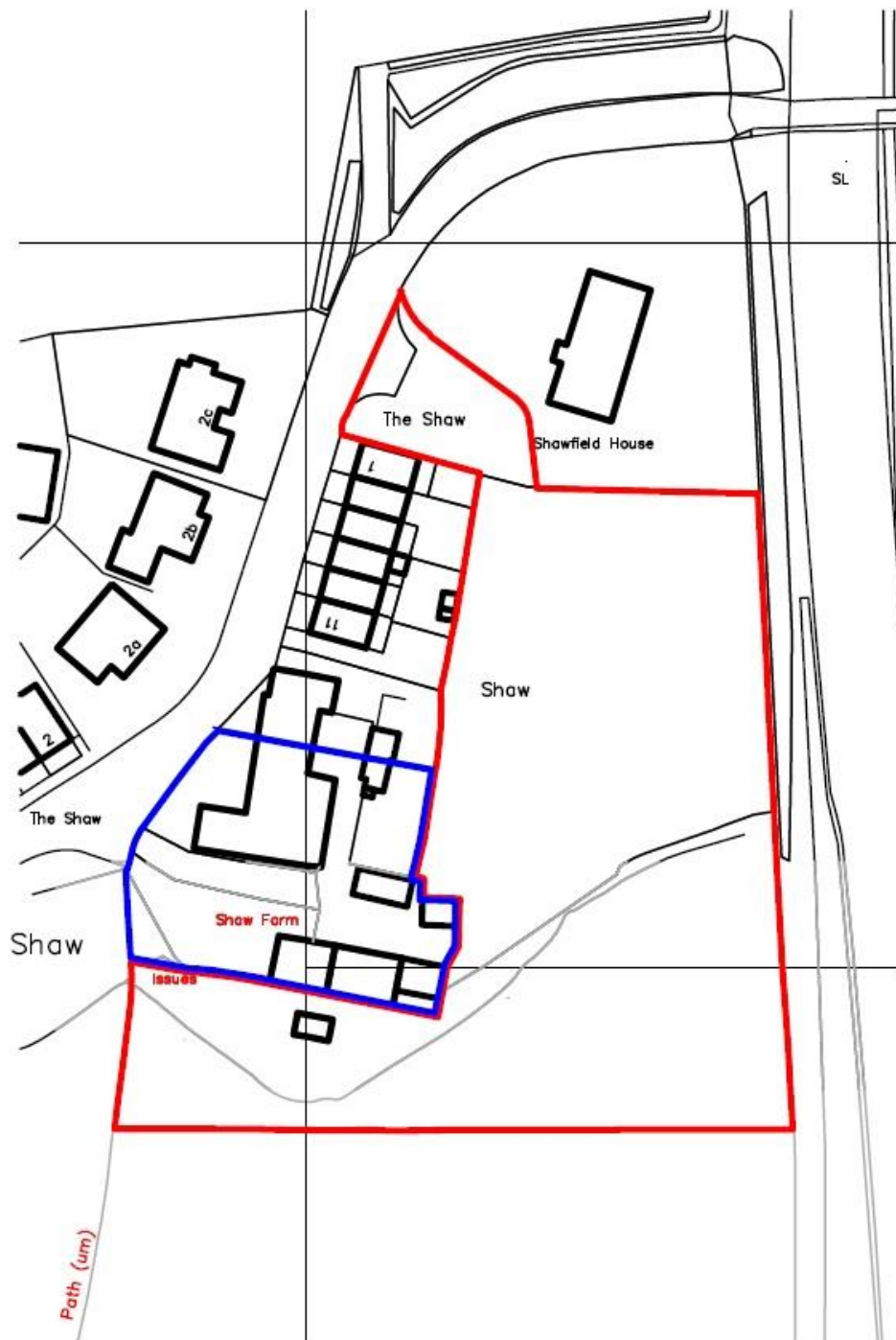
- 6.1 The Applicant commissioned Stannybrook Property Consultants Ltd to provide an objective assessment of proposed residential development options at Shaw Farm Barn, Glossop.
- 6.2 In order to assess the financial viability of the schemes, a residual appraisal of the development options has been produced in order to understand the impact of the planning policy requirements. In doing so the costs of undertaking the development have been deducted from the gross development value (GDV) with the residual return then benchmarked against an appropriate market return of 18% Profit on GDV.
- 6.3 The appraisals contained with Appendices 4 and 5 assume the following scenarios:
 - a) The Authority suggested scheme consisting of 4 No. two bed, 3 No. three bed and 1 No. four plus bed houses.
 - b) The applicant's scheme consisting of 2 No. three bed, 5 No. four bed and 1 No. five bed houses.
- 6.4 The analysis illustrates that the scheme with the Authority's suggested housing mix produces a negative return for the developer. In the subsequent scenarios where the mix is changed in line with the Applicant's suggested scheme, the Profit on GDV increases however it is still significantly below the benchmark return.
- 6.5 The appraisals demonstrate that viability is a material consideration in this instance. In order to ensure the delivery of the development, the Authority will need to be mindful of the viability concern as any onerous requirements will add a further burden to the development and may compromise the delivery of the scheme.
- 6.6 It is understood that the Authority has also suggested a revised configuration to House Type C (length of gable), whilst the impact of the suggested amendments has not been assessed as part of this appraisal it would be reasonable to assume that the requested changes would have a further negative impact on the viability of the scheme.

7. DISCLAIMER

- 7.1 This report does not constitute a valuation, in accordance with the appropriate sections of the Valuation Standards (“VS”) and United Kingdom (“UKVS”) contained within the RICS Valuation – Professional Standards 2014 (the “Red Book”).
- 7.2 This report is addressed to PCW Developments Ltd only and should not be reproduced without the prior consent of Stannybrook Property Consultants Ltd.
- 7.3 This report is provided to High Peak Borough Council on a confidential basis. The report should not be disclosed to any third parties under the Freedom of Information Act (Sections 41 and 43 (2)) and Environmental Information Regulations 2004 Regulation 12(5).

APPENDIX 1

Location Plan



APPENDIX 2

Indicative Scheme Plan



APPENDIX 3

Residential Market Research

LAND REGISTRY DATA

2018

Detached			Semi-detached		Terraced		Flat / maisonette		Total	
Postcode Sector	Average Price	Sales	Average Price	Sales	Average Price	Sales	Average Price	Sales	Overall Average	Overall Sales
SK13 6	£282,556	8	£202,408	6	£141,490	5	£0	0	£220,124	19

2017

Detached			Semi-detached		Terraced		Flat / maisonette		Total	
Postcode Sector	Average Price	Sales	Average Price	Sales	Average Price	Sales	Average Price	Sales	Overall Average	Overall Sales
SK13 6	£289,094	45	£199,223	22	£161,793	30	£0	0	£229,340	97

2016

Detached			Semi-detached		Terraced		Flat / maisonette		Total	
Postcode Sector	Average Price	Sales	Average Price	Sales	Average Price	Sales	Average Price	Sales	Overall Average	Overall Sales
SK13 6	£260,325	31	£195,852	21	£140,661	23	£87,500	1	£204,022	76

2015

Detached			Semi-detached		Terraced		Flat / maisonette		Total	
Postcode Sector	Average Price	Sales	Average Price	Sales	Average Price	Sales	Average Price	Sales	Overall Average	Overall Sales
SK13 6	£245,811	35	£186,312	17	£126,020	23	£91,000	1	£194,212	76

NEW BUILD AVAILABLE

The View - Dinting Road, Glossop, SK13 7DY

Plot Number	Asking Price	Size (ft²)	Gross Asking Price (ft²)	Net Asking Price (ft²)	Beds	Type
1	£375,000	1506	£249.00	£236.55	3	Detached
2	£345,000	1506	£229.08	£217.63	3	Semi-Detached
3	£345,000	1506	£229.08	£217.63	3	Semi-Detached
4	£495,000	1894	£261.35	£248.28	4	Detached
5	£495,000	1894	£261.35	£248.28	4	Detached
6	£495,000	1894	£261.35	£248.28	4	Detached
7	£330,000	1506	£219.12	£208.17	3	Semi-Detached
8	£330,000	1506	£219.12	£208.17	3	Semi-Detached
9	£330,000	1506	£219.12	£208.17	3	Semi-Detached
10	£330,000	1506	£219.12	£208.17	3	Semi-Detached
11	£330,000	1506	£219.12	£208.17	3	Semi-Detached
12	£330,000	1506	£219.12	£208.17	3	Semi-Detached
13	£330,000	1506	£219.12	£208.17	3	Semi-Detached
14	£330,000	1506	£219.12	£208.17	3	Semi-Detached
15	£360,000	1506	£239.04	£227.09	3	Detached
16	£250,000	882	£283.45	£269.27	2	Semi-Detached
17	£250,000	882	£283.45	£269.27	2	Semi-Detached
18	£230,000	882	£260.77	£247.73	2	Terrace
19	£230,000	882	£260.77	£247.73	2	Terrace
20	£240,000	882	£272.11	£258.50	2	Terrace
Average Net Asking Value				£230.08		

Glossop Brook View - Glossop, SK13 8AQ

Plot Number	Asking Price	Size (ft²)	Gross Asking Price (ft²)	Net Asking Price (ft²)	Beds	Type
4	£310,000	1300	£238.46	£226.54	3	Mews
5	£310,000	1300	£238.46	£226.54	3	Mews
8	£230,000	970	£237.11	£225.26	3	Mews
12	£239,950	970	£247.37	£235.00	3	Mews
13	£239,950	970	£247.37	£235.00	3	Mews
16	£239,950	970	£247.37	£235.00	3	Mews
17	£230,000	970	£237.11	£225.26	3	Mews
20	£310,000	1300	£238.46	£226.54	3	Mews
23	£310,000	1300	£238.46	£226.54	3	Mews
Average Net Asking Value				£229.08		

Laurel View - North Road, Glossop, SK13 7AX

Plot Number	Asking Price	Size (ft²)	Gross Asking Price (ft²)	Net Asking Price (ft²)	Beds	Type
150	£359,995	1,369	£262.96	£249.81	4	Detached
141	£362,995	1,369	£265.15	£251.90	4	Detached
142	£362,995	1,369	£265.15	£251.90	4	Detached
131	£374,995	1,369	£273.92	£260.22	4	Detached
132	£395,995	1,586	£249.68	£237.20	5	Detached
Average Net Asking Value (ft²)				£250.21		

SECOND HAND SALES

Houses sold within 0.5 miles of SK13 6DE over last 6 months

Address	Last sale price	Last sale date	Property type	Year built	Beds
The Barn Higher Dinting SK13 7DZ	£625 000	01 Sep 2017	Detached		4
Hilltop House Hilltop SK13 7QJ	£375 000	14 Nov 2017	Detached		3
25 Tavern Road SK13 2RB	£299 950	16 Mar 2018	Detached	1995	4
52 Tavern Road SK13 2RB	£295 000	25 Jan 2018	Detached	1996	4
2 The Sycamores SK13 2BS	£258 000	23 Mar 2018	Detached		4
8 Fernlea Close SK13 2EW	£250 000	04 Aug 2017	Detached	1970	4
64 Dinting Road SK13 7DY	£250 000	14 Aug 2017	Semi-detached	1930	3
232 Newshaw Lane SK13 2BD	£250 000	23 Jan 2018	Detached		3
5 Fernlea Close SK13 2EW	£210 000	09 Feb 2018	Detached		4
10 Fernlea Close SK13 2EW	£210 000	08 Jan 2018	Detached		4
65 Green Lane SK13 2DY	£185 000	22 May 2018	Terrace		3
10 Roundhill Close SK13 2BH	£182 500	10 Aug 2017	Terrace		3
15 Barleycroft SK13 2EX	£180 000	01 Aug 2017	Semi-detached		2
1 Burnside SK13 2DX	£230 000	23 Feb 2018	Semi-detached	1975	5
2 The Grove SK13 2BA	£225 000	10 Nov 2017	Detached		4
4 Oakfield Road SK13 2BN	£171 500	17 Nov 2017	Semi-detached	1960	3
26 Thorncliffe Road SK13 2AZ	£160 000	17 Nov 2017	Semi-detached	1969	4
19 Higher Barn Road SK13 2ET	£160 000	27 Feb 2018	Semi-detached	1960	3
55 Shaw Lane SK13 6EF	£157 500	19 Jan 2018	Terrace	1880	2
42 Newshaw Lane SK13 2AT	£152 000	31 Oct 2017	Terrace		2
14 Ashfield Road SK13 2BP	£148 000	15 Sep 2017	Semi-detached	1965	3
44 Thorncliffe Road SK13 2AZ	£142 500	21 Dec 2017	Terrace		3
50 Newshaw Lane SK13 2AT	£138 000	08 Sep 2017	Terrace		2
63 Thorncliffe Road SK13 2AZ	£136 500	08 Dec 2017	Semi-detached	1960	3
41 Green Lane SK13 2DT	£134 500	28 Feb 2018	Terrace	1880	2

SECOND HAND AVAILABLE

Houses for sale within 0.25 miles of SK13 6DE

Address	Type	Beds	Price
Ashes Lane, Glossop, SK13	Semi-detached	3	£299,950
Tavern Rd, Hadfield	Detached	4	£299,950
Beatrix Drive, Hadfield	Detached	4	£299,500
Tavern Rd, Hadfield	Detached	4	£280,000
Southbrook Close, Hadfield	Detached	3	£245,000
Higher Barn Rd, Glossop	Semi-detached	3	£245,000
Higher Barn Rd, Glossop	Detached	4	£229,950
Castle Court, Castle St, Hadfield	Mews	3	£172,000
Newshaw Lane, Hadfield	Terraced	3	£169,950
Green Lane, Hadfield	Terraced	3	£159,950
Hadfield Rd, Glossop	Terraced	2	£153,600
Church St, Glossop	Terraced	3	£150,000
Queen St, Hadfield	Terraced	2	£149,950
Thorncliffe Rd, Hadfield	Mews	3	£145,000
Brookfield, Glossop	Terraced	2	£105,000

APPENDIX 4

Residual Appraisal – Authority Proposed Scheme

REVENUE		File: App 4 Authority Scheme	
A	4 units at 167,500.00 ea.		670,000
B	3 units at 242,500.00 ea.		727,500
C			417,500
		REVENUE	1,815,000
COSTS			
Site Value		670,000	
Site Stamp Duty		23,000	
Site Legal Fees	at 0.50%	3,350	
Site Agency Fees	at 1.00%	6,700	
		Site Costs	703,050
Construct	7,450.00 sq-ft at 117.14 psf	872,693	
E/o Single Sided Road		50,000	
Gas Protection		8,000	
Attenuation		25,000	
Extra Wide Foundations		10,000	
Retaining Walls		10,000	
Contingency	at 5.00%	48,785	
Professional Fees	at 7.00%	68,299	
		Build Costs	1,092,776
Direct Sale Agents Fee	at 3.00%	54,450	
Direct Sale Legal Fees	at 0.50%	9,075	
		Disposal Fees	63,525
EQUITY FINANCE	464,838 / 25.00% of Net Cost		
	Side by Side method		
INTEREST	(See CASHFLOW)		53,141
7.00% pa	on Debt charged Quarterly and compounded Quarterly		
Site Costs	Month 1 (Jul 18)		
Construct (bld.)	Month 3 to 10 (Sep 18 - Apr 19)		
E/o Single Sided Road	Month 1 to 2 (Jul 18 - Aug 18)		
Gas Protection	Month 3 to 7 (Sep 18 - Jan 19)		
Attenuation	Month 2 (Aug 18)		

Extra Wide Foundations	Month 3 to 7 (Sep 18 - Jan 19)		
Retaining Walls	Month 3 (Sep 18)		
A (sale)	Month 8 to 15 (Feb 19 - Sep 19)		
B (sale)	Month 8 to 15 (Feb 19 - Sep 19)		
C (sale)	Month 8 to 15 (Feb 19 - Sep 19)		
PROFIT	-97,492	COSTS	1,912,492
PROFIT/SALE	-5.37%	PROFIT/COST	-5.10%

APPENDIX 5

Residual Appraisal – Applicant Proposed Scheme

REVENUE		File: App 5 Applicant Scheme	
A	2 units at 242,500.00 ea.		485,000
B	5 units at 375,000.00 ea.		1,875,000
C			417,500
		REVENUE	2,777,500
COSTS			
Site Value		670,000	
Site Stamp Duty		23,000	
Site Legal Fees	at 0.50%	3,350	
Site Agency Fees	at 1.00%	6,700	
		Site Costs	703,050
Construct	11,330.00 sq-ft at 117.14 psf	1,327,196	
E/o Single Sided Road		50,000	
Gas Protection		8,000	
Attenuation		25,000	
Extra Wide Foundations		20,000	
Retaining Walls		10,000	
Contingency	at 5.00%	72,010	
Professional Fees	at 7.00%	100,814	
		Build Costs	1,613,020
Direct Sale Agents Fee	at 3.00%	83,325	
Direct Sale Legal Fees	at 0.50%	13,888	
		Disposal Fees	97,213
EQUITY FINANCE	603,321 / 25.00% of Net Cost		
	Side by Side method		
INTEREST	(See CASHFLOW)		56,938
7.00% pa	on Debt charged Quarterly and compounded Quarterly		
Site Costs	Month 1 (Jul 18)		
Construct (bld.)	Month 3 to 10 (Sep 18 - Apr 19)		
E/o Single Sided Road	Month 1 to 2 (Jul 18 - Aug 18)		
Gas Protection	Month 3 to 7 (Sep 18 - Jan 19)		
Attenuation	Month 2 (Aug 18)		

Extra Wide Foundations	Month 3 to 7 (Sep 18 - Jan 19)
Retaining Walls	Month 3 (Sep 18)
A (sale)	Month 8 to 15 (Feb 19 - Sep 19)
B (sale)	Month 8 to 15 (Feb 19 - Sep 19)
C (sale)	Month 8 to 15 (Feb 19 - Sep 19)

PROFIT	307,280	COSTS	2,470,220
PROFIT/SALE	11.06%	PROFIT/COST	12.44%