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Chris Turner
White Peak Planning
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249 Church Street
Altrincham WA14 4DZ

Dear Chris

Land south of Dinting Vale, Glossop – HPK/2022/0456

This letter is an update of our initial review of the Applicant's FVA carried out in March 2023. It is also subsequent to our July 2023 note forming a provisional review of the Applicant's FVA Addendum issued in June 2023 that sought to revise their original appraisals to reflect the reduction in proposed unit numbers from 100 down to 92 and comment upon our March 2023 review.

Since then there have been discussions between the parties and significantly there has been a review of the abnormal development costs put forward by the Applicant which have a significant impact on the viability of the proposed scheme as they equate to a sum of £50,000 per unit.

The updated appraisal and Addendum also reflect upon deteriorating market conditions and made a number of observations on our initial review. I summarise the positions of the parties on the main elements that takes account of the parties revised positions following the June Addendum and my own July note marginally updated having considered some of the points further:

Benchmark Land Value
Applicant - £1,596,375
BK - £1,057,250
There has not been significant focus on this aspect because the Applicant's stance is that the RLV, even with no affordable housing and no Section 106 is substantially below my own figure. I am happy to maintain my position on this point however.

Residual Land Value - 0% Affordable £0 Section 106 contributions
Applicant £834,000
BK - £1,830,000

On this basis the Applicant is of the view that there is no scope to provide any affordable housing or Section 106 contributions. On the basis of our figures there is a surplus of some £773,000.

GDV
Applicant £26,995,000 (£296 per sq ft)
BK - £27,420,000 (£301 per sq ft)
The parties are now very much closer than they were previously in terms of a value per square foot but there remains a difference of some £425,000. I have updated some research and maintain the view that the Applicant is pessimistic in some of their pricing.

Base Build Costs
We have agreed that the Applicant's view of base build cost is acceptable at £135 per sq ft for the housing and £143.50 per sq ft for the apartments, although the overall figure has then been adjusted (see Abnormal costs below.

Abnormal Development costs
The T&R review has identified potential cost savings in the abnormals budget of some £773,000 but has also considered the extent to which there is a requirement to increase the base build cost in order to calculate a reasonable overall development cost. I have therefore decreased the abnormal cost allowance by £773,000 but increased base build by £513,000 in line with advice received.

Contingency
We are agreed on a 3.5% contingency applied to the base build costs and the abnormal development costs

Professional fees
We are agreed on a fee allowance of 7%.

There is a difference of opinion as to how the phasing of these fees should be reflected in the cashflow. The Applicant maintains that all professional fees are incurred by month six. We don't agree with this and have never come across this approach on other viability cases we have dealt with across the country. The usual way of dealing with fees is to assume they are incurred on an S curve basis over the development programme and that is how proprietary software defaults. We have however agreed to allow 60% of the fees to be incurred in months 1 to 9 and 40% between months 26 to 35 in an effort to come to some agreement on the point.

Sales Fees and costs
Applicant – 3.25% for agency and marketing and £750 per unit for conveyancing
BK – 2.75% for agency and marketing and £750 per unit for conveyancing
The Applicant argues that in the current market, there is more marketing and advertising to do in order to achieve sales. In our experience it is rare for combined marketing and agency fees to be in excess of 2.5% to 2.75% when carrying out viability assessments. Quantum plays a part in this discussion in that the actual monetary sum is significant in both cases.

Finance Rate
Applicant – 9%
BK – 8%
We cannot ignore the fact that interest rates have been increasing since we started to review this project but equally we cannot ignore the fact that the scale of the scheme is such that it will appeal to the larger regional developers and some of the national housebuilders. These purchasers do not normally need to

apply for bank funding for each and every scheme but make use of an overall facility across a number of sites.

We have increased our finance rate to 8.5% in order to compromise this point and try and reach agreement.

Phasing of Cost
Both parties have adopted the same development programme and the same overall phasing of costs in terms of overall timescales for each element of cost and revenue.

However there has been discussion around how front loaded the expenditure is and whether a traditional S curve cost profile is appropriate bearing in mind the sales programme adopted. We are content that our phasing is appropriate.

Profit
The parties have been discussing figures between 17.5% and 20% on the market housing GDV. We have agreed to adopt 20% as a reflection of the current market conditions and in an effort to reach agreement.

Conclusion
The Applicant should consider the various inputs in the round. Our RLV is equivalent to just £20,000 per dwelling on a blended basis which is less than the historic prices paid for sites in Glossop and Tintwistle set out in our original report.

Following a detailed review of the abnormal development costs and the other inputs we have reached a conclusion that there is a £773,000 surplus of RLV above BLV that can go towards the provision of Section 106 requirements and/or affordable housing.

Yours sincerely,

G. Emmerson

Guy Emmerson MRICS
Partner