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FAO Ms Bev Pearson
Planning Officer
Gedling Borough Council

Sent by email only

Dear Ms Pearson

PROPERTY ADDRESS: **Millbeck House, Oakdale Road, Arnold NG5 8BX**
INSTRUCTING BODY: **Gedling Borough Council**
APPLICANT: **Hockley Developments (Palm Street) Ltd**

Further to your confirmation of instruction and our Terms of Engagement dated 12 May 2020 we are pleased to report as follows.

1. Property Overview

1.1. The property is located just over half a mile north east of the town centre of Arnold, a satellite town/suburb of the greater Nottingham conurbation lying approximately 3.5 miles north of the City Centre. Road access from the property to the wider highway network is via local roads onto Coppice Road/Cross Street leading to the west to the A60, a north south route connecting Nottingham to Mansfield/Doncaster to the north. Junction 26 of the M1 is just under 5.5 miles away to the west.

1.2. More specifically, the property is situated in a mainly residential area of the town known as the Killisick Estate, a large area of social/ex-social housing (mostly built in the 1940s/1950s) to the north of Coppice Road, on the corner of Oakdale Road and Hawthorn Crescent. To the south of the property is Killisick Children's Centre, with Beacon Baptist Church to the west and semi-detached dwellings to the north and east. Much of the housing in the immediate vicinity of the subject property appears well-maintained and cared for.

1.3. The property, Millbeck House is a 2 storey purpose-built former care home believed to have been erected in the late 1980s/early 1990s. It is constructed of brick walls with a concrete tiled double pitched roof, and has a complex plan shape (2 "L" shapes joined together) all within a curtilage including a tarmac surfaced parking area to the front and a tarmac surfaced loading area accessed off Hawthorn Avenue. When built it comprised 32 single rooms, 4 of which were en-suite. At the time of inspection, it was vacant.

1.4. In terms of relevant planning history, there have been no applications of material relevance to the current scheme in the last 10 years. The current application (ref 2020/0009) is for:

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- *"Full planning application for the conversion of a disused/unoccupied residential care home (C2) into 23 apartments (C3) comprising of 16 x 1 beds and 7 x 2 beds."*

1.5. This proposes the conversion of the property into self-contained apartments, a number of which will have ground floor amenity space. The loading area will be reconfigured as car parking space for residents. The following schedule of accommodation is proposed in the Financial Viability Appraisal dated 27 February 2020 submitted by S106 Management ("S106M") on behalf of the applicant:

Dwelling	Beds	No	Sq m each	Sq m total
Apartment	1	2	39	78
Apartment	1	4	40	160
Apartment	1	2	41	82
Apartment	1	3	42	126
Apartment	1	2	43	86
Apartment	1	2	44	88
Apartment	2	1	45	45
Apartment	2	2	52	104
Apartment	2	2	57	114
Apartment	2	1	59	59
Apartment	2	2	60	120
Totals		**23**		**1,062**

2. Scope of Assessment and General Assumptions

2.1. Acting on behalf of the applicant, S106M have submitted their "Financial Viability Appraisal" dated 27 February 2020 in which they consider a single scenario for the scheme, as follows:

- 100% market for sale scheme with no affordable housing, S.106 contributions or CIL

2.2. This produces a residual land value of £316,916, which is significantly lower than S106M's opinion of the benchmark land value of £770,000. On that basis, S106M conclude that the scheme is unable to support any contributions towards affordable housing.

2.3. We have been instructed to provide an independent viability assessment of the scheme, with a view to advising the Council as to whether S106M's conclusions that the current proposal (summarised above) cannot generate any planning policy contributions due to a lack of scheme viability is reasonable or not.

2.4. In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that in completing this instruction CP Viability Ltd have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

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2.5. In accordance with the RICS Financial viability in planning: conduct and reporting 1^{st} Edition (May 2019) we can confirm that prior to accepting this instruction we undertook a conflict of interest check. It is stressed that as an organisation we only provide independent viability reviews upon the instruction of Local Authorities and therefore can guarantee that we have not provided viability advice on behalf of the applicant for this scheme. Within this context and having undertaken a review we are unaware of any conflict of interest that prevents CP Viability from undertaking this instruction. If, at a later date, a conflict is identified we will notify all parties to discuss how this should be managed.

2.6. In accordance with the RICS Financial viability in planning: conduct and reporting 1^{st} Edition (May 2019) we can confirm that the fee agreed to undertake this review is a fixed rate (covering the elements set out in our fee quote / terms of engagement) and is not performance related or a contingent fee.

2.7. In accordance with the RICS Financial viability in planning: conduct and reporting 1^{st} Edition (May 2019) we can confirm that CP Viability Ltd is not currently providing ongoing advice to Gedling Borough Council in area-wide financial viability assessments to help formulate policy.

2.8. As stated within the RICS Financial viability in planning: conduct and reporting 1^{st} Edition (May 2019) it is now a mandatory requirement to provide sensitivity analysis of the viability results. This is to demonstrate to the applicant and decision maker the impact that changes to inputs have on the viability outcome and also to help the assessor reach an informed conclusion. We have subsequently undertaken sensitivity testing as part of this review.

2.9. The property was inspected on 28^{th} May 2020.

2.10. We have assessed the viability of the scheme as at 1 June 2020.

2.11. This assessment does not provide a critique of the proposed development design (i.e. we have not commented on the efficiency of design, density etc). Our role is limited to testing the viability of the proposals as detailed on the relevant planning applications.

2.12. We have relied on the information provided to us by the instructing body and the applicant and in particular information publicly available through the Council's planning portal website. We have not met either of the Instructing Body or the applicant and subsequently have not partaken in any negotiations regarding the scheme.

2.13. In accordance with the RICS Guidance on Viability (Guidance Note 1, 2012), our appraisal assumes a hypothetical landowner and a hypothetical developer. The intention of a viability assessment is therefore to identify the approach a 'typical' or 'average' developer / landowner would take to delivering the site for development. A viability assessment does not therefore seek to reflect the specific circumstances of any particular body (whether landowner or developer).

2.14. Our appraisal also adheres to the guidance as set out in the Planning Practice Guidance for viability (as published in July 2018 and updated in May/September 2019).

2.15. In undertaking our appraisals, we have utilised ARGUS Developer. This is an industry approved cash-flow model, designed specifically residual appraisals.

2.16. This report reflects the independent views of CP Viability, based on the research undertaken, the evidence identified and the experience of the analysing surveyor.

3. S106M appraisal – summary

3.1. Please note, in seeking to summarise S106M's appraisal we have categorised the costs provided under what we consider to be the most common sections of a viability appraisal. For example, all costs which we believe relate to the basic construction of a dwelling (including a contractor's margin or developer's overhead) have been allocated under "Flat construction". Likewise, those costs which are considered to relate to typical external works, such as highways, drainage, general services etc are allocated under "Externals / infrastructure". Any unusual costs are referred to as "Abnormals", and so on. This categorisation approach allows us to undertake a comparison with other developments we have assessed.

3.2. As discussed above in Section 2.1 S106M has considered a single scenario. We have looked to summarise this scenario below:

<u>Gross Development Value (Revenue)</u>

Type	No.	Average values	Total
Apartments 1 bed	7	£2,551 per sq m	£1,697,000
Apartments 2 bed	16	£2,289 per sq m	£909,000
Ground rent		23 at £5,000	£115,000
Total	**23**		**£2,721,000**

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Gross Development Cost (Outgoings)

Type	Notes	Total
Flat conversion (GIA 1,180 sq m)	£1,033 per sqm	£1,218,940
External works costs	8.32% of build costs	£101,400
Contingency	4.62% of build/external	£60,947
Professional fees	13.18% of build/external	£173,989
Marketing and sales	3.13% of sales	£81,630
Legals	£1,043 per unit	£24,000
Finance costs	7% debit interest	£131,979
Bank fees	Arrangement etc	£37,000
Developer's profit	20% on revenue	£544,200
Site acquisition costs	Legals, SDLT	£30,000
Total		**£2,404,085**

3.3. Based on the above inputs, the scheme generates a residual land value of £316,916, which is substantially below S106M's opinion of the benchmark land value of £770,000. S106M comment that: *"If the result is negative, as it is in this case (-£453,084), the development cannot viably provide a contribution towards Affordable Housing."*

4. CP Viability's appraisal

Gross Development Value (Revenue)

4.1. We have based our assessment of value for the completed dwellings on the mix detailed above (see 1.5).

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4.2. As stated above, in their appraisal S106M have assumed an average sales rate of £2,551 per sq m for the 1 bed apartments and £2,289 per sq m for the 2 bed apartments (although the 1 bed units range from £2,533 to £2,564 per sq m, and the 2 bed units from £2,228 to £2,333 per sq m). They arrive at these figures by initially reviewing average price data for apartment sales in the NG5 postcode area from Zoopla and then comparing this with Rightmove second hand apartment sales in the same area over the last 2 years. They also review the asking prices of second hand apartments on the market in this area.

4.3. For our own review, we have initially examined Land Registry data for the NG5 postcode area for newly built / recently converted apartments. We note the following:

	Address		Pcode	Sq m	£ psm	Price	Date
FLAT 3	KINGSWOOD HOUSE, 16	VIVIAN AVENUE	NG5 1AF	35	£ 2,200	£ 76,999	05/02/2018
FLAT 7	KINGSWOOD HOUSE, 16	VIVIAN AVENUE	NG5 1AF	40	£ 2,213	£ 88,500	14/06/2018
FLAT 6	KINGSWOOD HOUSE, 16	VIVIAN AVENUE	NG5 1AF	43	£ 1,953	£ 83,999	16/03/2018
FLAT 1	KINGSWOOD HOUSE, 16	VIVIAN AVENUE	NG5 1AF	44	£ 2,205	£ 96,999	25/01/2018
FLAT 4	KINGSWOOD HOUSE, 16	VIVIAN AVENUE	NG5 1AF	50	£ 2,110	£ 105,499	26/01/2018
FLAT 8	KINGSWOOD HOUSE, 11	PELHAM ROAD	NG5 1AP	54	£ 1,889	£ 101,999	05/01/2018
FLAT 13	9	PELHAM ROAD	NG5 1AT	36	£ 2,750	£ 99,000	03/04/2019
FLAT 5	9	PELHAM ROAD	NG5 1AT	37	£ 2,003	£ 74,099	14/02/2019
FLAT 10	9	PELHAM ROAD	NG5 1AT	38	£ 2,158	£ 81,999	18/01/2019
FLAT 16	9	PELHAM ROAD	NG5 1AT	38	£ 2,237	£ 84,999	23/01/2019
FLAT 3	9	PELHAM ROAD	NG5 1AT	40	£ 1,875	£ 75,000	21/02/2019
FLAT 11	9	PELHAM ROAD	NG5 1AT	41	£ 1,827	£ 74,899	07/02/2019
FLAT 17	9	PELHAM ROAD	NG5 1AT	41	£ 1,854	£ 75,999	07/02/2019
FLAT 7	9	PELHAM ROAD	NG5 1AT	41	£ 2,085	£ 85,499	08/01/2019
FLAT 6	9	PELHAM ROAD	NG5 1AT	43	£ 2,488	£ 106,999	07/01/2019
FLAT 12	9	PELHAM ROAD	NG5 1AT	46	£ 2,283	£ 104,999	08/01/2019
FLAT 15	9	PELHAM ROAD	NG5 1AT	50	£ 2,050	£ 102,500	15/01/2019
FLAT 9	9	PELHAM ROAD	NG5 1AT	50	£ 2,400	£ 120,000	11/04/2019
FLAT 14	9	PELHAM ROAD	NG5 1AT	52	£ 2,096	£ 108,999	18/01/2019
FLAT 8	9	PELHAM ROAD	NG5 1AT	52	£ 2,308	£ 119,999	07/01/2019
FLAT 2	9	PELHAM ROAD	NG5 1AT	59	£ 1,780	£ 105,000	29/01/2019
FLAT 1	9	PELHAM ROAD	NG5 1AT	60	£ 1,817	£ 109,000	01/02/2019
FLAT 18	9	PELHAM ROAD	NG5 1AT	98	£ 1,326	£ 129,995	27/02/2019
FLAT 5	KATHERINE HOUSE, 11	ALEXANDRA STREET	NG5 1RP	46	£ 2,185	£ 100,500	16/01/2018
FLAT 2	KATHERINE HOUSE, 11	ALEXANDRA STREET	NG5 1RP	69	£ 1,812	£ 125,000	05/01/2018

4.4. However, the above schemes are all located around 3.5 miles south west of the subject site, closer to Nottingham city centre. We have subsequently looked to identify evidence of apartment sales across Arnold. Given the lack of new build evidence we have also considered 'second-hand' sales and note the following:

	Address		Sq m	£psm	Price	Date	Miles away	Descip
FLAT 2	BALMORAL HOUSE	VILLIERS ROAD	66	£ 1,420	£ 93,750	22/08/2019	2.3	Modern bespoke
FLAT 21	BALMORAL HOUSE	VILLIERS ROAD	55	£ 2,127	£ 117,000	24/01/2019	2.3	Modern bespoke
FLAT 8	BALMORAL HOUSE	VILLIERS ROAD	46	£ 1,957	£ 90,000	28/02/2020	2.3	Modern bespoke
19	FLORIMEL COURT	OXBOROUGH ROAD	56	£ 1,214	£ 68,000	10/06/2019	1.7	Modern bespoke
24	FLORIMEL COURT	OXBOROUGH ROAD	49	£ 1,296	£ 63,500	18/04/2019	1.7	Modern bespoke
FLAT 2	ELMHURST COURT	ST ALBANS ROAD	58	£ 1,897	£ 110,000	01/11/2019	1.4	Modern bespoke
FLAT 6	ELMHURST COURT	ST ALBANS ROAD	68	£ 1,618	£ 110,000	14/06/2019	1.4	Modern bespoke
11	MORLEY MILLS	MORLEY STREET	81	£ 1,111	£ 90,000	22/02/2019	1.4	Conversion
42	MORLEY MILLS	MORLEY STREET	75	£ 2,020	£ 151,500	17/05/2019	1.4	Conversion
52	MORLEY MILLS	MORLEY STREET	64	£ 2,305	£ 147,500	25/07/2019	1.4	Conversion
56	MORLEY MILLS	MORLEY STREET	79	£ 1,867	£ 147,500	25/10/2019	1.4	Conversion
59	MORLEY MILLS	MORLEY STREET	106	£ 1,358	£ 144,000	11/03/2019	1.4	Conversion
8	MORLEY MILLS	MORLEY STREET	81	£ 1,926	£ 156,000	12/04/2019	1.4	Conversion
9	MORLEY MILLS	MORLEY STREET	80	£ 1,938	£ 155,000	13/09/2019	1.4	Conversion
	71	EDISON WAY	63	£ 1,746	£ 110,000	01/02/2019	0.7	Modern bespoke
	58	EDISON WAY	60	£ 1,525	£ 91,500	23/05/2019	0.7	Modern bespoke
	74	EDISON WAY	53	£ 1,755	£ 93,000	26/11/2019	0.7	Modern bespoke

4.5. The average value achieved is therefore typically sub £2,000 per sq m for 'second-hand' apartment sales in the area. For a new build product we would typically expect a premium uplift of at least 10% (as a purchaser would benefit from the full 10 year building warranty, the latest specification / Building Regulations and also the prestige of the property not having been 'lived-in' before). Please note, the only converted scheme identified (at Morley Mills) is considered to be more attractive than the subject scheme, so a deduction needs to be take into consideration for this when analysing the subject scheme.

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4.6. Finally, we have also considered a potential investment approach, whereby the flats are retained and rented (to establish whether this would generate a higher overall revenue). Based on asking rents currently in the local Arnold market for apartments, we would antipcate an average rental of £825 per calendar month for a 2 bed and £650 per calendar month for a 1 bed. This equates to a gross aggregate rental income of £194,100 per annum. Applying a 7% yield and deducting purchaser's costs of 5.75% would generate an overall scheme revenue of £2,613,418. This is therefore broadly in line with S106M's adopted value based on individual owner occupier sales.

4.7. Having considered all of the above, we conclude that there is no compelling evidence to justify a departure from S106M's adopted scheme revenue (which is equivalent to an average of £2,454 per sq m). We have subsequently adopted the same in our appraisal.

4.8. We note that S106M have included ground rents within their assessment. However, we would raise a strong note of caution on relying on this income for the following reasons:

- On 21st December 2017 the Government announced measures to remove the practice of charging ground rents on new dwellings, to include both houses and flats.

- A consultation on the proposals was published on 15th October 2018. This proposed capping ground rents on all dwelling types (including apartments) to £10 per unit per annum.

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- The outcome of the consultation was published on 27th June 2019. This stated that "Ground rents on future leases will be reduced to a peppercorn of £0, meaning leaseholders will no longer be charged a financial sum for which they receive no material benefit".

- On 17th October 2019 the government published a briefing paper entitled "Leasehold and commonhold reform". This summarised the progress to date.

- The new arrangements are yet to be enshrined in law, although it is anticipated that this will come into effect in 2020.

4.9. Whilst at the current time a developer has the right to charge ground rents at £250 per unit per annum (as per S1M's assessment) there is a strong likelihood that this practice will be made unlawful in the coming months. In light of this we consider it prudent for a viability assessment of this nature to remove the ground rent revenue from the assessment (and have adopted this approach in our appraisal).

Build costs

4.10. With respect to the proposed conversion costs, S106M initially refers to the Build Cost Information Service ("BCIS"), which is a database for construction costs regularly used in the development industry. S106M adopt the lower quartile apartment rehabilitation / conversion rate for 1-2 storey properties, which is shown to be £1,033 per sq m. Additional external costs are added, which total £101,400 (equivalent to 8.32% of the BCIS rate). A further allowance is made for contingency, which is equivalent to 4.62% of the BCIS rate and external allowance.

[redacted]

4.11. Given the nature of the scheme, it is considered reasonable to refer to the BCIS as an indication of the likely costs involved in the conversion works. The use of the lower quartile rate is also deemed reasonable. We have subsequently reviewed the BCIS data and can confirm that an allowance of £1,033 per sq m (applied to the gross internal area of the entire building) is reasonable here.

4.12. The additional allowance of £101,400 to cover external works (landscaping, service connections, parking etc) is considered to be reasonable here and has been accepted in our appraisal.

4.13. The contingency allowance is considered to be slightly above expectations. We consider an adjustment to 3% of the conversion cost / externals to be consistent with other schemes we have appraised.

Professional fees

4.14. With regards to professional fees S106M has allowed the equivalent to 13.18% of the construction costs (excluding the contingency).

4.15. From our experience of undertaking viability assessments for a conversion scheme this allowance is considered to be above our expectations. We consider an adjustment to 10% to be appropriate here.

Planning Policy Contributions

4.16. The Council has indicated that, other than affordable housing, there is a requirement of £3,000 for local bus stop improvements, which we have applied to the modelling.

[redacted]

Marketing / legal costs

4.17. S106M has allowed 3.13% of revenue to cover marketing and sales.

4.18. This is considered only marginally above expectations. However, for consistency with other schemes we have appraised, we have adjusted this to 3% in our appraisal. For legal costs we have allowed £800 per dwelling.

Finance

4.19. For finance costs S106M has allowed a debit rate of 7% per annum. This is above our expectations for a scheme of this nature. We consider an adjustment to 6.5% to be appropriate for a scheme of this nature.

4.20. Various additional allowances have also been made for arrangement fees, exit fees, legal costs, valuations and monitoring fees. These total £37,000 For a scheme of this size and nature (and particularly the level of borrowing) this is considered to be broadly in line with expectations and as such we have adopted the same in our appraisal.

4.21. To calculate the finance we have inputted our appraisal data into ARGUS, which is an industry approved discounted cash flow model.

Developer's profit

4.22. In their assessment S106M has indicated that a minimum 20% on revenue would be necessary to incentivise a developer to implement this scheme. Reference is made to the Council's CIL viability testing in 2014.

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4.23. For a scheme of this size and nature we believe it is appropriate to apply a profit margin expressed as a percentage of the revenue.

4.24. In our experience profit margins fluctuate depending on the nature of the scheme and the type of developer implementing the project. However, and only as a broad guide, we tend to see profit margins in the region of 15% to 20% of revenue. This range is referred to in the Planning Practice Guidance on viability (albeit within the context of area wide testing).

4.25. The latest guidance, which was published in July 2018 (therefore after the Gedling CIL viability testing), suggests that profit can fluctuate from site to site dependent on the risks involved. In this particular instance, we are of the view that some flexibility in the level of profit is reasonable here in light of this guidance. We have subsequently run our model at a reduced profit of 17.5% on revenue, which remains within the parameters as set out in the Planning Practice Guidance.

Benchmark Land value

4.26. The benchmark land value ("BLV") attempts to identify the minimum price that a hypothetical landowner would accept in the prevalent market conditions to release the land for development. This is a distinct concept from market value (and market value is not appropriate when assessing scheme viability). Whilst a relatively straight forward concept in reality this is open to interpretation and is generally one of the most debated elements of a viability appraisal.

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4.27. The approach we have adopted is to run an initial appraisal based on all of the above fixed inputs to arrive at a site value. In accordance with the RICS guidance, this residual site value can then be compared to the (separately assessed) benchmark land value ('BLV'), which is the minimum price that a hypothetical landowner would accept and a hypothetical developer would pay for the scheme to be delivered. If the residual site value is above this BLV then the scheme is viable. If the residual site value falls below this figure then the scheme is deemed to be unviable.

4.28. The Planning Practice Guidance on viability sets out clear guidance on how to establish a benchmark land value, which can be summarised as follows:

4.28.1. To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land.

4.28.2. The EUV should disregard any hope value.

4.28.3. Benchmark land value should reflect the implications of abnormal costs, site specific infrastructure costs and professional site fees.

4.28.4. Benchmark land value should be informed by market evidence including current uses, costs and values wherever possible.

4.28.5. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

4.28.6. Under no circumstances will the price paid for land be a relevant justification for failing to accord with the relevant policies in the plan.

4.28.7. Alternative Use Value of the land may be informative in establishing benchmark land value. However, these should be limited to those uses which have an existing implementable permission for that use. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.

4.29. In other words, the Council should not subsidise (through a loss of planning policy contributions) any overbid made when acquiring the site. Any overbid (or indeed underbid) for a site should therefore be disregarded when considering the BLV. As part of the process of reviewing viability it is down to the assessor to determine whether a price paid is an appropriate figure (or not) to use as a BLV.

4.30. In their assessment the applicant adopts a benchmark land value of £770,000, which they state is based on a recent marketing exercise and the eventual purchase price.

4.31. We do not agree with this approach, for the following reasons:

- The guidance states that under no circumstances can the price paid be used as a justification for departing from planning policies.

- The bids that were received following the marketing process are likely to have incorporated ‘hope value’ for the future redevelopment of the site. The guidance states that no hope value should be reflected when seeking to establish the existing use value (which in turn is used to determine the benchmark land value).

4.32. Instead, to establish the existing use value we have reviewed care homes currently being marketed for sale across the wider Nottingham area and note the following:

- **Brookside House, 35 Wagstaff Lane:** described at a ‘turn key’ care home providing 23 bedrooms. The asking price is currently £500,000, which is equivalent to £21,739 per bedroom.

- **Former Care Home, Sutton in Ashfield:** providing 36 bedrooms. The asking price is currently £695,000, which is equivalent to £19,306 per bedroom.

- **The Gables, Beeston:** closed former care home providing 22 bedrooms. The asking price is currently £675,000, which is equivalent to £30,682 per bedroom. Advertised as having development potential (i.e. to include hope value in bids).

4.33. Based on the above, to establish the existing use value an allowance of £20,000 per bedroom appears reasonable (when hope value for development is excluded). For the subject property, which has 32 bedrooms, this would equate to £640,000. However, it is likely that significant capital expenditure would be required to achieve a value at this level based on a care home use (either by the vendor or an incoming purchaser). We have assumed a budget of £100,000, which would reduce the existing use value to £540,000.

4.34. From this, in order to establish the benchmark land value, the guidance requires that a premium uplift is applied (as an incentive for a landowner to release the property for development). We consider a premium uplift of circa 15% to be reasonable here.

4.35. Adopting the existing use value plus premium approach method outlined above we have arrived at a benchmark land value of (rounded) £620,000. We have subsequently applied this to our appraisal.

5. Appraisal results and conclusions

5.1. As per the mandatory requirements of the RICS to consider sensitivity testing we have undertaken a 'base' appraisal in line with the above assumptions (please see our attached Scenario 1). In addition, we have also considered a Scenario 2 (also attached), where the assumed revenue is increased by 5% and also reduced the developer's profit to 15% on revenue (i.e. the lower end of the range suggested in the Planning Practice Guidance).

5.2. For Scenario 1, without any affordable housing (only £3,000 towards bus stop improvements) the scheme shows a residual land value of £403,329. As this is below our benchmark land value of £620,000 the scheme is unviable. Under this scenario the scheme is therefore unable to provide any affordable housing contribution.

5.3. For Scenario 2, without any affordable housing (only £3,000 towards bus stop improvements) the scheme shows a higher residual land value of £550,006. However, as this is still below our benchmark land value of £620,000 the scheme is unviable. Under this scenario again the scheme is therefore unable to provide any affordable housing contribution.

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5.4. In summary, even adopting a bullish approach to both sales revenue and developer profit the scheme can be regarded as being, at best, marginally viable even without any affordable housing contribution applied. On this basis, we concur with the applicant and agree that the scheme is unable to viably support any affordable housing contribution.

5.5. Our conclusions remain valid for 6 months beyond the date of this report. If the implementation of the scheme is delayed beyond this time-frame then market conditions may have changed sufficiently for our conclusions on viability to be adjusted. Under this scenario we would strongly recommend the scheme is re-appraised.

Yours sincerely

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