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Wrexham County Borough Council
The Guildhall
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Ref :

25 July 2013

Dear Sir/Madam,

Affordable Housing / Overall Viability Appraisal in respect of Gladman Development's scheme at Johnstown Wrexham

My client, Gladman Development Ltd has asked me to write to you setting out information relevant to the delivery of affordable housing from his proposed development in Johnstown in Wrexham.

As I understand it, the site is to comprise some 300 homes, an element of commercial space and associated infrastructure on a former industrial site with significant contamination. I am conscious that the Council has recently withdrawn its emerging plan and that the relevant local plan therefore remains the UDP – which requires the provision of 25% affordable housing except where a lower percentage is justified on the basis of economic viability. I do not intend to make a detailed examination of the basis and evidential underpinnings of the extant policy at this point, instead, my intention is to set out, in a broad brush manner the economic circumstances of the site and the level of affordable housing that might be delivered under current conditions.

There remain considerable uncertainties as to some of the inputs to this process and consequently the outputs too are somewhat inexact at this time. This cannot be avoided. However, my hope is that this document, and the viability report which accompanies it, will form the framework for a discussion which can be refined as more detailed information emerges.

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At present, I estimate that this development could reasonably be expected to deliver 10% of the total number of homes in the form of affordable housing.

Model and Approach

The economic information I present takes the form of the Economic Appraisal Tool (EAT) – an assessment tool originally developed by Bespoke Property Group and GVA Grimley for the Homes and Communities Agency. Whilst more sophisticated models exist for the assessment of economic viability such models are often very complex and yet (in the case of the market leading Argus software) were not designed to deal with affordable housing.

I therefore consider the EAT model to provide a proportionate degree of control and sophistication given the information available at this time.

The essential process of the modelling is common to most other assessments of viability. An estimate is made of the Gross Development Value (GDV) arising from the completed development. The assessed costs of development are then subtracted from the GDV. In order for the development to be considered viable, what is left over after this subtraction must be sufficient to leave competitive returns to the developer and the landowner.

In practice, the level of a competitive return for the developer is treated as a fixed cost – generally 20% of GDV for open market housing and a much lower 6% of cost for affordable homes (reflecting their lower risk profile). The residual that the model produces is therefore a Residual Land Value (RLV). In order to determine whether the scheme is presently viable then, the RLV is compared to a hurdle value – assumed to be the minimum value at which one could reasonably expect the landowner to bring the land forward.

The determination of this hurdle value is not always straightforward. Where the land is in a current use and has a value associated with that use then, clearly, the hurdle must exceed the current value and include a premium in order to encourage the developer to bring it forward. However, when the site is either not in use or in a low value use such as agricultural use, then the matter becomes more complex. Clearly, it is not reasonable to expect that landowners will bring forward well located land in sustainable locations at values which reflect their unused state or agricultural use.



Guidance has been published however which suggests that, in such cases, a minimum land value might be in the order of £250,000/ha or 10-20x agricultural value. Since agricultural values are typically in the order of £20,000/ha, this would suggest a range of £20,000-400,000/ha.

For the purposes of this assessment and in view of the relatively low values observed in Wrexham I would consider that a figure at the lower end of the range would be appropriate – in the region of £250,000. This hurdle has not been reached but the figure is above the absolute minimum of £200,000/ha and I therefore consider the viability of the development to be just about acceptable.

Overall Scheme

I understand that the proposal is for some 300 homes on a site with a total extent of 17.3ha (42.85acres). On the basis outlined above, the total hurdle value for the site would be £4,325,000. Of the total area, 7.0 ha (17.3acres) are developable, giving a net density of 43dph – quite a high figure.

In carrying out my assessment, I have assumed the following mix of units and sizes:

Type	Size (m2)	Total Units	Private	Affordable
2 bed house	75	30	10	20
3 bed house	83	105	96	9
4 bed house	95	165	164	1
		300	270	30



Open Market Values

Values in Wrexham are relatively low by the standards of England and Wales. The Land Registry's HPI reports that, in May 2013, the average transaction price in the County Borough was £117,948 compared with an England and Wales average of £161,969.

These values have been relatively stable for at least the past two years.

If we assume that the average property in Wrexham is perhaps 80m² in extent then this would suggest that the average value per square metre would be in the order of £1,474 (£137psqft). However, the properties to be provided here would, of course be new and new build homes should attract somewhat higher values.

The relatively low levels of development in the vicinity of the site make the assessment of how much higher these values should be somewhat difficult.

We have conducted a search for new homes currently available within 5 miles of the site and found four bed homes with values between £240,000 for a c.1,300sqft home offered by Taylor Wimpey to £192,000 for a c. 1,100sqft home offered by Redrow. This would suggest a range of values between £175-185/sqft

For three bedroom homes we have found values between £199,000 and £145,000 but floor plans were not available. Applying the sizes reported above would suggest a range of values between £223/sqft and £162/sqft.

We have found only two 2 bedroom homes offered for sale – both offered through the Governments Help to Buy. With the 15% equity loan added on, the prices were £152,000 and £145,000. Again, on the assumption that these units would be of a comparable size to those on the present scheme this would suggest values of between £188/sqft and £180/sqft.

However, all of these values are asking prices – before discounts or incentives. It is not uncommon for the gulf between the asking price and the completion price to be between 5



and 10%. I therefore consider that £180/sqft (£1,951/m²) might reasonably be used as an estimate of value across all units.

Affordable Housing Values

For the purposes of this exercise I have assumed that 100% of all homes are for Affordable Rent. With a relatively low level of affordable housing provision, there are grounds to ensure that the Council's highest priority needs are met and I understand that the Council's preference is for rented housing.

I have set rents are the maximum rate allowable under the Local Housing Allowance as follows

	Gross Weekly Rent
2 bed	£103
3 bed	£121
4 bed	£159

These rents represent the maximum normally chargeable although, in order to constitute affordable rent, the cost should not exceed 80% of the open market rent. On the basis of our initial research, these rents may be a little higher than this. In practice, the actual rents may be a little lower than this level.

I have also allowed 10% for management costs including service charge (which must be deducted from the maximum rent instead of being additional to it as with social rent) I have allowed 0.5% For Voids and Bad debts and 2% for the Major Repairs fund. I have then capitalised the net rent at 6%.

Build Costs

As an estimate of build costs, we have had regard to the Build Cost information Services cost index. We have used the most recent figures available (Q4 2012) and linked them to the appropriate location multiplier for Wrexham (94%). This gives a figure for construction including prelims of £817/m².



Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Housing, mixed developments (5)	816	471	695	817	916	1,371	167
Estate housing							
Generally (5)	865	384	729	835	971	1,715	266
Single storey (5)	947	583	811	974	1,103	1,341	55
2-storey (5)	835	384	713	817	934	1,536	195
3-storey (5)	958	639	743	921	1,105	1,715	15
4-storey or above (5)	812	-	-	-	-	-	1
Estate housing detached (5)	872	-	-	-	-	-	1

From this table, it can be seen that, although we have used the median figure for estate housing on mixed developments, this is the lowest estimate we could have used.

This cost is based upon results from the last five years only. The reason for this is to ensure that the effect of increased building standards is captured. Although not all the homes built over the past five years would have been built to current standards, the values thus obtained would be more representative of current standards than those over the past 15 years. Were we to use costs from the past 15 years (the default period) it would be necessary to make an additional allowance for the Code for Sustainable Homes (or at least the carbon standards associated with it which have been adopted into building regulations).

If the Council were to seek the provision of this scheme to a higher standard such as Code 4/40% carbon reduction relative to Part L, then a further uplift would be appropriate.

Since the foregoing represents the allowance for base constructions costs, it is necessary to add in allowances for a number of other items.

	Rate	Quantity	Cost
External landscaping	No Allowance		
Site Roads	£180/m ²	1,100m ² /net ha	£1,389,000
Servicing	£2,500/plot	300	£750
Electrical substation	£35,000 each	2	£70,000
Pumping Station	£60,000 each	1	£60,000
Demolition/Remediation	£1,500,000	Estimated	£1,500,000
Ecological Mitigation (newts)	£250,000	Estimated	£250,000
SUDS	£250,000	Estimated	£250,000

Other Costs

I have made a set of fairly standard allowances for professional fees (10% of construction costs), contingencies (5% of construction costs).

Other allowances – for marketing, legals on sales etc are either at or below the typical allowances made by models of this type.

Commercial Uses

It is my understanding that the development will include five employment units of approximately 100m² each. It is my understanding that they will cost a total of approximately £500,000 to provide, including construction and all fees. However, I also understand that the capital value of the completed units is unlikely to be more than half of that - £250,000. Because the units are so dramatically loss making, I have not sought to include any allowance for profit.

Of course, affordable housing would not be sought from affordable housing would not be sought from commercial development even if they were profit making but, the contribution that they made to the *overall* viability of the development would be rolled in. It is therefore only reasonable to ensure that the impact of this loss making element of the scheme is taken into account.



In adding the commercial elements to the viability appraisal I have sought only to show the above cost and value relationship. The rents and yields assumed are means to an end rather than an indication of the state of the market.

Other Contributions

I am aware that the Council has adopted Supplementary Planning Guidance on the subject of education contributions. However, my client has carried out research on the availability of spaces in local schools and is of the view that capacity exists within local schools to accommodate the number of children arising from this development. I am not in a position to confirm or deny this but I have not taken the impact of any education contribution into account in carrying out this appraisal. In the even that such a contribution is sought then it may be necessary to reduce further the level of affordable housing provided in order to maintain economic viability.

I have made an allowance for the cost of sprinkler systems at the cost of £6,000/plot for a total of £1,800,000 across the development. Although this cost will, of course be encountered as an increase in build costs and will therefore be more like an increase in build costs, I have included it as an obligation in order to make clear the impact that this standard will have on development cost. Because the cost of provision remains uncertain, disaggregating the cost in this way also makes it easier to adjust in the light of any more accurate information which may come to light. I have split this cost into two payments and spread the cost throughout the build period in order to minimise cashflow effects.

Aside from the site roads themselves, it will be necessary to provide a new access. Again, the specification of this access is not yet known but I have allowed £500,000 to cover this cost which will be experience early in the build programme.

I have also allowed £1,000,000 to the cost of creating and maintaining public open space. This cost is also an estimate and remains subject to change as is its timing, which I have placed in the middle of the build programme.



Timing and cashflow

Appraisals of this type need to take account of the effects of time and the cost of capital funding. For this purpose, a cashflow is used to calculate interest and to examine the timing of receipts in relation to outgoings.

The EAT model was built prior to the advent of the “credit crunch” and its note that development finance is generally available at a premium of 3-5% above 3 month LIBOR reflects the circumstances of that time when LIBOR might have been around 4-5%. Clearly, development finance has become more difficult to obtain since that time (rather than tracking the Bank of England Base rate down to 0.5% and LIBOR even lower). In practice, finance is likely to be made up of a series of tranches with lower rates on the senior debt and far higher rates on the riskier tranches. For the purposes of this exercise I have applied a rate of 7%

In respect of timing, I have assumed that there is a 12 month lead in period following the grant of planning permission. I then assume that the first sales take place 9 months afterwards and continue for 39 months until month 60. This means an effective rate of open market sales of 83 per annum. I assume that, in order to keep financing costs down, developers will align construction to sales as closely as possible and I therefore assume that construction will not be completed until six months before the final sale in month 54.

Conclusions

In carrying out the foregoing appraisal I have had to accept that a considerable degree of uncertainty continues to surround important aspects of this development and its precision is consequently limited. However, the overall picture it paints that, because values are low and particular costs (particularly those associated with the fitment of sprinkler systems) are substantial, the overall capacity of development to support the provision of new affordable homes is limited.

I conclude that it is likely to be possible to deliver around 10% affordable housing on the basis of the mix noted above but more is likely to render development uneconomic. If the



Council seeks a significant contributions towards the provision of new education facilities then the level of affordable housing delivered would need to be further reduced in order to ensure delivery.

Yours Sincerely

George Venning

Director

Note

Whilst every effort has been made to ensure the accuracy of the assessment based on the information currently available, it does not constitute a formal valuation and should not be relied upon for such purposes.

Economic Appraisal Tool

[click here to proceed](#)

Version 2.0 July 2009



GVA GRIMLEY & BESPOKE PROPERTY GROUP

HCA ECONOMIC APPRAISAL TOOL

(Worksheet 1)

INPUT SHEET 1 - RESIDENTIAL MIX ASSUMPTIONS

Basic Site Details

Site Address
Site Reference
File Source
Scheme Description

Johnstown initial assessment

Date
Site Area (hectares)
Author & Organisation
HCA Investment Manager

Residential Mix Assumptions

Affordable Housing Tenure 1:

Social Rented

	2 bed	3 bed	4 bed				
Unit Size (sq m) - NIA	75	83	95				
Habitable Rooms per Unit	3	4	5				
Persons per Unit	4	5	6				
Total Number of Units	20	9	1				

Affordable Housing Tenure 2:

Flats - Shared Ownership

Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 3:

Intermediate - Discounted Market Sale

Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 4:

Houses Shared Ownership

Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 5:

Social rented flats

Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

* Other = User-defined

Open Market Housing Type 1:

	2 bed						
Unit Size (sq m) - NIA	75						
Habitable Rooms per Unit	3						
Persons per Unit	4						
Total Number of Units	10						

Open Market Housing Type 2:

	3 bed						
Unit Size (sq m) - NIA	83						
Habitable Rooms per Unit	4						
Persons per Unit	5						
Total Number of Units	96						

Open Market Housing Type 3:

	4 bed						
Unit Size (sq m) - NIA	95						
Habitable Rooms per Unit	5						
Persons per Unit	6						
Total Number of Units	164						

Open Market Housing Type 4:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Open Market Housing Type 5:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Parking spaces (see handbook for correct definition)

Total number of residential car parking spaces

(Open Market and Affordable)

Value of each residential car parking space

(See user manual for correct definition)

GVA GRIMLEY & BESPOKE PROPERTY GROUP
HCA ECONOMIC APPRAISAL TOOL

(Worksheet 2)

INPUT SHEET 2 - RESIDENTIAL VALUE & COST ASSUMPTIONS

BUILDING PERIOD (month 0 = date of planning consent, allow for lead in period to start on site)

	Timing (month)	
Construction Start	12	(whole number, minimum of 0, maximum of 60)
Construction End	54	(whole number, minimum of 0, maximum of 60)

Overall Scheme End Date (this must be completed)

	Month	
Final End Date of Scheme (scheme built and fully let/sold)	60	(whole number, minimum of 0, maximum of 60)

RESIDENTIAL VALUE ASSUMPTIONS

Base Value

Affordable Housing Tenure 1:

Social Rented

Type of Unit	Rent per Unit per Week (£)	Total Annual Rent (£ per Unit)
2 bed	£103.00	£5,356
3 bed	£121.00	£6,292
4 bed	£159.00	£8,268
0		
0		
0		
0		
Management Costs (% of rent)	10.00%	(% of gross rent per annum)
Voids / bad debts (% of rent)	0.50%	(% of gross rent per annum)
Repairs Fund (% of rent)	2.00%	(% of gross rent per annum)
Yield (%)	6.00%	(to capitalise the net rent, currently circa 6% but please seek i

	Start Month	End Month	
Timing of Affordable Housing Tenure 1 Purchase Payment	21	54	(whole number, minimum o

Affordable Housing Tenure 2:

Flats - Shared Ownership

Type of Unit	Total Unit Capital Value (£ psm, NIA)	Rent per Unit per week of rented share (£)	Total Annual Rent (£ per Unit)
0		£0	£0
0		£0	£0
0		£0	£0
0		£0	£0
0		£0	£0
0		£0	£0
0		£0	£0
Owner-occupied share (%)			
Unsold Equity Rent Per Annum (%)		(HCA Limit of 2.75%)	
Management Costs (% of rent)			(% of gross rent per annum)
Voids / bad debts (% of rent)			(% of gross rent per annum)
Repairs Fund (% of rent)			(% of gross rent per annum)
Yield (%)			(to capitalise the net rent, c
	Start Month	End Month	
Timing of Affordable Housing Tenure 2 Purchase Payment			(whole number, minimum o

Affordable Housing Tenure 3:Intermediate - Discounted Market Sale

Type of Unit
0
0
0
0
0
0
0

Capital Value
pre-discount (£ psm, NIA)

% of Open Market Value

(ie discounted value)

Timing of Affordable Housing
Tenure 3 Purchase Payment

Start Month

End Month

(whole number, minimum 0)

Affordable Housing Tenure 4:Houses Shared Ownership

Type of Unit
0
0
0
0
0
0
0

Total Unit
Capital Value (£ psm, NIA)

Rent per Unit per
week of rented share (£)

Total Annual Rent
(£ per Unit)

£0
£0
£0
£0
£0
£0
£0

£0
£0
£0
£0
£0
£0
£0

Owner-occupied share (%)

Unsold Equity Rent Per Annum (%)

Management Costs (% of rent)

(% of gross rent per annum)

Voids / bad debts (% of rent)

(% of gross rent per annum)

Repairs Fund (% of rent)

(% of gross rent per annum)

Yield (%)

(to capitalise the net rent, c

Timing of Affordable Housing
Tenure 4 Purchase Payment

Start Month

End Month

(whole number, minimum 0)

Affordable Housing Tenure 5:Social rented flats

Type of Unit
0
0
0
0
0
0
0

Rent per Unit per Week (£)

Total Annual Rent (£ per Unit)

Management Costs (% of rent)

(% of gross rent per annum)

Voids / bad debts (% of rent)

(% of gross rent per annum)

Repairs Fund (% of rent)

(% of gross rent per annum)

Yield (%)

(to capitalise the net rent, currently circa 6% but please seek i

Timing of Affordable Housing
Tenure 5 Purchase Payment

Start Month

End Month

(whole number, minimum 0)

Open Market Values

Capital Value (£ psm)

Average value of unit

Open Market Housing Type 1:	-	£1,951	£146,325
Open Market Housing Type 2:	-	£1,951	£161,933
Open Market Housing Type 3:	-	£1,951	£185,345
Open Market Housing Type 4:	-		
Open Market Housing Type 5:	-		

	Month	
Timing of First Open Market Housing Sale	21	(whole number, minimum 0)
Timing of Last Open Market Housing Sale	60	(whole number, minimum 0)

Ground rents

		Average ground rent per unit per annum (£)	(where applicable)
Affordable Housing Tenure 1:	Social Rented		
Affordable Housing Tenure 2:	Flats - Shared Ownership		
Affordable Housing Tenure 3:	Intermediate - Discounted Market Sale		
Affordable Housing Tenure 4:	Houses Shared Ownership		
Affordable Housing Tenure 5:	Social rented flats		
Open Market Housing Type 1:	-		
Open Market Housing Type 2:	-		
Open Market Housing Type 3:	-		
Open Market Housing Type 4:	-		
Open Market Housing Type 5:	-		

Yield (%) (to capitalise the ground rents)

Timing of ground rent payment (Month) (whole number, minimum of 0, maximum of 60)

Social Housing Grant & Other Funding

		Grant per unit (£)	
Affordable Housing Tenure 1:	Social Rented		
Affordable Housing Tenure 2:	Flats - Shared Ownership		
Affordable Housing Tenure 3:	Intermediate - Discounted Market Sale		
Affordable Housing Tenure 4:	Houses Shared Ownership		
Affordable Housing Tenure 5:	Social rented flats		
Timing Social Housing Grant Paid		Timing of 1st Payment	Timing of 2nd Payment

Other sources of funding

	Value (£)	Timing of Payment	(whole number, minimum 0)
			(whole number, minimum 0)
			(whole number, minimum 0)
			(whole number, minimum 0)
			(whole number, minimum 0)
			(whole number, minimum 0)

BUILDING COST, MARKETING COST & SECTION 106 ASSUMPTIONS

		Building Costs - Gross (£ / sq m)	Net to Gross Ratio for Building Costs (%)*
Affordable Housing Tenure 1:	Social Rented	£817	100%
Affordable Housing Tenure 2:	Flats - Shared Ownership		
Affordable Housing Tenure 3:	Intermediate - Discounted Market Sale		
Affordable Housing Tenure 4:	Houses Shared Ownership		
Affordable Housing Tenure 5:	Social rented flats		
Open Market Housing Type 1:	-	£817	100%
Open Market Housing Type 2:	-	£817	100%
Open Market Housing Type 3:	-	£817	100%
Open Market Housing Type 4:	-		
Open Market Housing Type 5:	-		

* The ratio is typically 70% - 85% in blocks of flats to reflect the difference between GIA & NIA (ie common parts such as lifts, stairs, corridors etc) and 100% in houses which have no common parts

Residential Car Parking Building Costs (average cost / car parking space)

Building Costs
(£ / car parking space)

Building Design Fees % (Architects, QS etc)
Building Contingencies (% of Building Costs)

% of Building Costs**10.00%***(typically around 10%)***5.00%***(typically around 5% for ne***Section 106 Payments (£) ***

Education

Highways

Sprinkler system 1

Sprinkler system 2

Public Open Space

Other 3

Cost (£)**Month of Payment**

£500,000

12

£900,000

26

£900,000

40

£1,000,000

30

* This section excludes Affordable Housing section 106 payments

Site Abnormals (£)

Roads

Services

Prelims

Remediation

Ecological mitigation

SUDS

Pumping Station

Substation

Cost (£)**Month of Payment**

£1,386,000

20

£750,000

20

£1,500,000

11

£250,000

40

£250,000

30

£60,000

15

£35,000

15

Building Cost Percentage Increase (if any)

Site Specific Sustainability Initiatives (%)

Lifetime Homes (%)

Code for Sustainable Homes (%)

Other (%)

%

OTHER COSTS**SITE ACQUISITION COSTS**

Agents Fees (% of site value)

Legal Fees (% of site value)

Stamp Duty (% of site value)

%

1.00%*(typically around 1%)***0.75%***(typically around 0.75%)***4.00%**

Other Acquisition Costs (£)

Cost (£)**Month of Payment****FINANCE COSTS**

Arrangement Fee (£)

Interest Rate (%)

Misc Fees - Surveyors etc (£)

7.00%*(typically around 3-5% above***£5,000****Marketing Costs**Affordable Housing Marketing Costs

Developer cost of sale to RSL (£)

RSL on-costs (£)

Intermediate Housing Sales and Marketing (£)

Cost (£)**Timing (month)**Open Market Housing Marketing Costs

Sales Fees (agents fees & marketing fees) - %

Legal Fees (per Open Market unit) - £

1.50%*(typically around 6%)***£600***(typically around £600 per t***DEVELOPER'S RETURN FOR RISK AND PROFIT (before taxation)****% of Housing
Capital Value**

Open Market Housing (%)

Affordable Housing (%)

20.00%*(typically 17.5-20%)***6.00%***(typically around 6%. profit only taken on the capital value of £*

GVA GRIMLEY & BESPOKE PROPERTY GROUP HCA ECONOMIC APPRAISAL TOOL

(Worksheet 3)

INPUT SHEET 3 - COMMERCIAL & NON-RESIDENTIAL

OFFICE ASSUMPTIONS

Size of office scheme (gross sq m)
Size of office scheme (net lettable sq m)

Values

Rent (£ psm)
Yield (%)
Purchaser's costs (% of value) *(typically around 5.75% assuming a 4% stamp duty)*

Building Costs

Office Building Costs (Gross, £ psm)
Office Building Professional Fees (% of building costs) *(typically around 10% - 15%)*
Building Contingencies (% of building costs) *(typically around 5%)*

Timing

Start of Building Period (month)
End of Building Period (month)
Timing of Letting / Sale (month) *(whole number, minimum of 0, maximum of 60)*
(whole number, minimum of 0, maximum of 60)
(whole number, minimum of 0, maximum of 60)

Letting, Advertising & Sale fees

Letting fees (% of annual income) *(typically around 10% for sole agent and 15% for joint agents)*
Advertising fees (% of annual income) *(typically around 1%)*
Sale fees (% of sale price) *(typically around 1.75%)*

Return for risk / profit (% of value)

(typically around 20%)

RETAIL ASSUMPTIONS

Size of retail scheme (gross sq m)
Size of retail scheme (net lettable sq m)

Values

Rent (£ psm)
Yield (%)
Purchaser's costs (% of value) *(typically around 5.75% assuming a 4% stamp duty)*

Building Costs

Retail Building Costs (Gross, £ psm)
Retail Building Professional Fees (% of building costs) *(typically around 10% - 15%)*
Building Contingencies (% of building costs) *(typically around 5%)*

Timing

Start of Building Period (month)
End of Building Period (month)
Timing of Letting / Sale (month) *(whole number, minimum of 0, maximum of 60)*
(whole number, minimum of 0, maximum of 60)
(whole number, minimum of 0, maximum of 60)

Letting / sale fees

Letting (% of income) *(typically around 10% for sole agent and 15% for joint agents)*
Advertising (% of annual income) *(typically around 1%)*
Sale (% of sale price) *(typically around 1.75%)*

Return for risk / profit (% of value)

(typically around 20%)

INDUSTRIAL ASSUMPTIONS

Size of industrial scheme (gross sq m)

500

Values

Rent (£ psm)
Yield (%)
Purchaser's costs (% of value) *(typically around 5.75% assuming a 4% stamp duty)*

£27
6.00%

Building Costs

Industrial Building Costs (Gross, £ psm)
 Industrial Building Professional Fees (% of building costs)
 Building Contingencies (% of building costs)

£1,000

(typically around 10% - 15%)
 (typically around 5%)

Timing

Start of Building Period (month)
 End of Building Period (month)
 Timing of Letting / Sale (month)

**Timing
(month)****12**

(whole number, minimum of 0, maximum of 60)

24

(whole number, minimum of 0, maximum of 60)

40

(whole number, minimum of 0, maximum of 60)

Letting / sale fees

Letting (% of income)
 Advertising (% of annual income)
 Sale (% of sale price)

(typically around 10% for sole agent and 15% for joint agents)
 (typically around 1%)
 (typically around 1.75%)

Return for risk / profit (% of value)

(typically around 20%)

LEISURE ASSUMPTIONS

Size of Leisure scheme (gross sq m)
 Size of Leisure scheme (net lettable sq m)

Values

Rent (£ psm)
 Yield (%)
 Purchaser's costs (% of value)



(typically around 5.75% assuming a 4% stamp duty)

Building Costs

Leisure Building Costs (Gross, £ psm)
 Leisure Building Professional Fees (% of building costs)
 Building Contingencies (% of building costs)

(typically around 10% - 15%)
 (typically around 5%)

Timing

Start of Building Period (month)
 End of Building Period (month)
 Timing of Letting / Sale (month)

**Timing
(month)**

(whole number, minimum of 0, maximum of 60)

(whole number, minimum of 0, maximum of 60)

(whole number, minimum of 0, maximum of 60)

Letting / sale fees

Letting (% of income)
 Advertising (% of annual income)
 Sale (% of sale price)

(typically around 10% for sole agent and 15% for joint agents)
 (typically around 1%)
 (typically around 1.75%)

Return for risk / profit (% of value)

(typically around 20%)

COMMUNITY USE ASSUMPTIONS

Size of Community-use scheme (gross sq m)
 Size of Community-use scheme (net lettable sq m)

Values

Rent (£ psm)
 Yield (%)
 Purchaser's costs (% of value)

(typically around 5.75% assuming a 4% stamp duty)

Building Costs

Community-use Building Costs (Gross, £ psm)
 Community-use Building Professional Fees (% of building costs)
 Building Contingencies (% of building costs)

(typically around 10% - 15%)
 (typically around 5%)

Timing

Start of Building Period (month)
 End of Building Period (month)
 Timing of Letting / Sale (month)

**Timing
(month)**

(whole number, minimum of 0, maximum of 60)

(whole number, minimum of 0, maximum of 60)

(whole number, minimum of 0, maximum of 60)

Letting / sale fees

Letting (% of income)
 Advertising (% of annual income)
 Sale (% of sale price)

(typically around 10% for sole agent and 15% for joint agents)
 (typically around 1%)
 (typically around 1.75%)

Return for risk / profit (% of value)

(typically around 20%)

GVA GRIMLEY & BESPOKE PROPERTY GROUP HCA ECONOMIC APPRAISAL TOOL

(Worksheet 4)

SUMMARY

Site Address Johnstown initial assessment
 Site Reference
 File Source
 Scheme Description
 Date
 Site Area (hectares)
 Author & Organisation
 HCA Investment Manager

Housing Mix (Affordable + Open Market)

Total Number of Units	300	units
Total Number of Open Market Units	270	units
Total Number of Affordable Units	30	units
Total Net Internal Area (sq m)	26,640	sq m
Total Habitable Rooms	1,335	habitable rooms
% Affordable by Unit	10.0%	
% Affordable by Area	8.8%	
% Affordable by Habitable Rooms	7.6%	
% Social Rented within the Affordable Housing	100.0%	by number of units
% Social Rented within the Affordable Housing	100.0%	by area
% Social Rented within the Affordable Housing	100.0%	by habitable rooms
Total Number of A/H Persons	131	Persons
Total Number of Social Rented Persons	131	Persons
Total Number of Intermediate Persons	0	Persons
Total Number of Open Market Persons	1,504	Persons
Total Number of Persons	1,635	Persons
Site Area	0.00	hectares
Net Internal Housing Area / Hectare	-	sq m / hectare

Residential Values

Affordable Housing Tenure 1:

Social Rented

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
2 bed	£93,730	6.00%	£1,562,167
3 bed	£49,550	6.00%	£825,825
4 bed	£7,235	6.00%	£120,575
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
Total	£150,514	-	£2,508,567

Total Capital Value of Affordable Housing Tenure 1

£2,508,567

Affordable Housing Tenure 2:

Flats - Shared Ownership

Type of Unit	Capital Value (£ psm)	Total Floorspace (sq m)	Total Capital Value (£)
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
£0	-	-	-
£0	-	-	-
Total	-	-	-

Owner-occupied / rented % share

-

Capital Value of owner-occupied part

-

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
£0	-	-	-
£0	-	-	-
Total (full capital value if sold at OMV)	-	-	-

Total Capital Value of Affordable Housing Tenure 2

£0

Affordable Housing Tenure 3:**Intermediate - Discounted Market Sale**

Type of Unit	Capital Value (£ psm)	Total Floorspace (sq m)	Total Capital Value (£)
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
£0	-	-	-
£0	-	-	-
£0	-	-	-
Total	-	-	-

% of Open Market Value

-

Total Capital Value of Affordable Housing Tenure 3**£0****Affordable Housing Tenure 4:****Houses Shared Ownership**

Type of Unit	Capital Value (£ psm)	Total Floorspace (sq m)	Total Capital Value (£)
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
£0	-	-	-
£0	-	-	-
£0	-	-	-
Total	-	-	-

Owner-occupied / rented % share

-

Capital Value of owner-occupied part

-

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
£0	-	-	-
£0	-	-	-
Total (full capital value if sold at OMV)	-	-	-

Total Capital Value of Affordable Housing Tenure 4**£0****Affordable Housing Tenure 5:****Social rented flats**

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
Total	-	-	-

Total Capital Value of Affordable Housing Tenure 5**£0****TOTAL CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING SHG & OTHER FUNDING)****£2,508,567****Social Housing Grant**

	Grant per unit (£)	Number of Units	Grant (£)
Social Rented	£0	30	£0
Flats - Shared Ownership	£0	0	£0
Intermediate - Discounted Market Sale	£0	0	£0
Houses Shared Ownership	£0	0	£0
Social rented flats	£0	0	£0
SHG Total	-	30	£0

Social Housing Grant per Affordable Housing Person

£0

Social Housing Grant per Social Rented Person

£0

Social Housing Grant per Intermediate Person

-

TOTAL VALUE OF SOCIAL HOUSING GRANT**£0**

0

£0

0	£0
0	£0
0	£0
0	£0
0	£0

OTHER SOURCES OF AFFORDABLE HOUSING FUNDING £0

TOTAL CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING SHG & OTHER FUNDING) £2,508,567

Open Market Housing

Type of Open Market Housing	Net Area (sq m)	Revenue (£ / sq m)	Total Revenue (£)
-	750	£1,951	£1,463,250
-	7,968	£1,951	£15,545,568
-	15,580	£1,951	£30,396,580
-	-	-	-
-	-	-	-
Total	24,298	-	£47,405,398

	Average value (£ per unit)
-	£146,325
-	£161,933
-	£185,345
-	
-	

TOTAL CAPITAL VALUE OF OPEN MARKET HOUSING £47,405,398

Car Parking

No. of Spaces	Price per Space (£)	Value
-	-	-

TOTAL VALUE OF CAR PARKING £0

Ground rent

		Capitalised annual ground rent
Affordable Housing Tenure 1:	Social Rented	£0
Affordable Housing Tenure 2:	Flats - Shared Ownership	£0
Affordable Housing Tenure 3:	Intermediate - Discounted Market Sale	£0
Affordable Housing Tenure 4:	Houses Shared Ownership	£0
Affordable Housing Tenure 5:	Social rented flats	£0
Open Market Housing Type 1:	-	£0
Open Market Housing Type 2:	-	£0
Open Market Housing Type 3:	-	£0
Open Market Housing Type 4:	-	£0
Open Market Housing Type 5:	-	£0

TOTAL CAPITALISED ANNUAL GROUND RENT £0

TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME £49,913,965

Non-Residential Values

Office	£0	
Retail	£0	
Industrial	£225,000	
Leisure	£0	
Community-use	£0	£225,000

TOTAL CAPITAL VALUE OF NON-RESIDENTIAL SCHEME £225,000

TOTAL VALUE OF SCHEME £50,138,965

Residential Building, Marketing & Section 106 Costs

Affordable Housing Build Costs	£1,913,414	
Open Market Housing Build Costs	£19,851,466	£21,764,880

Cost Multipliers

Site Specific Sustainability Initiatives (%)	0.0%	£0
Lifetime Homes (%)	0.0%	£0
Code for Sustainable Homes (%)	0.0%	£0
Other (%)	0.0%	£0

Residential Car Parking Build Costs		£0
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Other site costs

Building Contingencies	5.0%	£1,088,244
Building Cost Fees (Architects, QS etc):	10.0%	£2,285,312
Other Acquisition Costs (£)		£0

Site Abnormals

Roads		£1,386,000
Services		£750,000
Prelims		£0
Remediation		£1,500,000
Ecological mitigation		£250,000
SUDS		£250,000
Pumping Station		£60,000
Substation		£35,000

Total Building Costs		£29,369,436
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Section 106 Costs (£)

Education		£0
Highways		£500,000
Sprinkler system 1		£900,000
Sprinkler system 2		£900,000
Public Open Space		£1,000,000
	0	£0
	0	£0
Other 3		£0

Section 106 costs		£3,300,000
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Marketing (Open Market Housing ONLY)

Sales Fees:	1.5%	£711,081
Legal Fees (per Open Market unit):	£600	£162,000

Marketing (Affordable Housing)

Developer cost of sale to RSL (£)		£0
RSL on-costs (£)		£0
Intermediate Housing Sales and Marketing (£)		£0

Total Marketing Costs		£873,081
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Non-Residential Building & Marketing Costs**Building Costs**

Office	£0	
Retail	£0	
Industrial	£500,000	
Leisure	£0	
Community-use	£0	£500,000

Professional Fees (Building, Letting & Sales)

Office	£0	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	£0

Total Non-Residential Costs		£500,000
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TOTAL DIRECT COSTS:		£34,042,517.37
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Finance and acquisition costs**(finance costs are only displayed if there is a positive residual site value)**

Arrangement Fee	£0
Misc Fees (Surveyors etc)	£5,000
Agents Fees	£41,053
Legal Fees	£30,789
Stamp Duty	£164,210
Total Interest Paid	£2,118,551

Total Finance and Acquisition Costs	£2,359,602
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Developer's return for risk and profit**Residential**

Open Market Housing Operating 'Profit'	£9,481,080
Affordable Housing 'Profit'	£150,514

Non-residential

Office	£0
Retail	£0
Industrial	£0
Leisure	£0
Community-use	£0

Total Operating Profit	£9,631,594
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(profit after deducting sales and site specific finance costs but before allowing for developer overheads and taxation)

Residual Site Value

SITE VALUE TODAY	£4,105,251
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EXISTING USE VALUE

DIFFERENCE BETWEEN SITE VALUE AND EXISTING USE VALUE	£4,105,251
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Checks:

Site Value as a Percentage of Total Scheme Value	8.2%
Site Value per hectare	#VALUE!

Notes & Calculation Sheet

(Worksheet 5)