S106 MANAGEMENT

Financial Viability Assessment

Address:	Roxburgh House, 12 Hill Street, Wrexham, LL11 1SN
LPA:	Wrexham County Borough Council
Planning ref:	P/2025/0833
Client:	M1 Trade Limited
Date:	24/08/2026



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Executive Summary

This report provides a Financial Viability Appraisal (FVA) of proposed development at Roxburgh House, 12 Hill Street, Wrexham. The process involves utilising Market Comparison and Residual Methods following professional requirements including RICS Guidance Valuation of Development Property (2019), Assessing Viability in Planning under the NPPF Framework (2026), and Development Plans Manual v3 (2020), Planning Policy Wales, Newport's guidance on the use of the DVA, and complies with RICS professional standards and guidance Financial Viability in Planning: Conduct and Reporting.

Following the relevant professional guidance, wherever possible this FVA utilises assumptions used in the underlying local plan evidence base including the Affordable Housing SPG, the CIL Viability Study, Local Plan Viability Study, and DVM User Manual. Where changes have been made, these are fully supported by market evidence demonstrating current local circumstance.

The key outputs of this FVA are summarised in the below table:

GDV	[redacted]
Costs exc land and profit	[redacted]
Finance	[redacted]
Return	[redacted]
BLV	[redacted]
RLV	[redacted]
RLV-BLV	[redacted]
Target profit	17.50%
Actual profit	1.64%

Target developer return includes a risk-adjusted rate for market residential. Sensitivity analysis demonstrates this is the minimum return necessary to offset the current risk environment.

Benchmark Land Value (BLV) is assessed via the EUV+ and AUV method where relevant in line with national policy.

As such, this FVA demonstrates that, on a 100% open market basis, the benchmark land value exceeds the residual land value of the scheme. Therefore, the development cannot viably provide the targeted contributions. Full appraisal inputs and evidence are found in the Schedules, referred to throughout.

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Introduction

S106 Management is instructed by M1 Trade Limited to produce a Financial Viability Appraisal (FVA) to determine the level of Affordable Housing contribution that can be viably delivered on proposed development at Roxburgh House, 12 Hill Street, Wrexham, LL11 1SN.

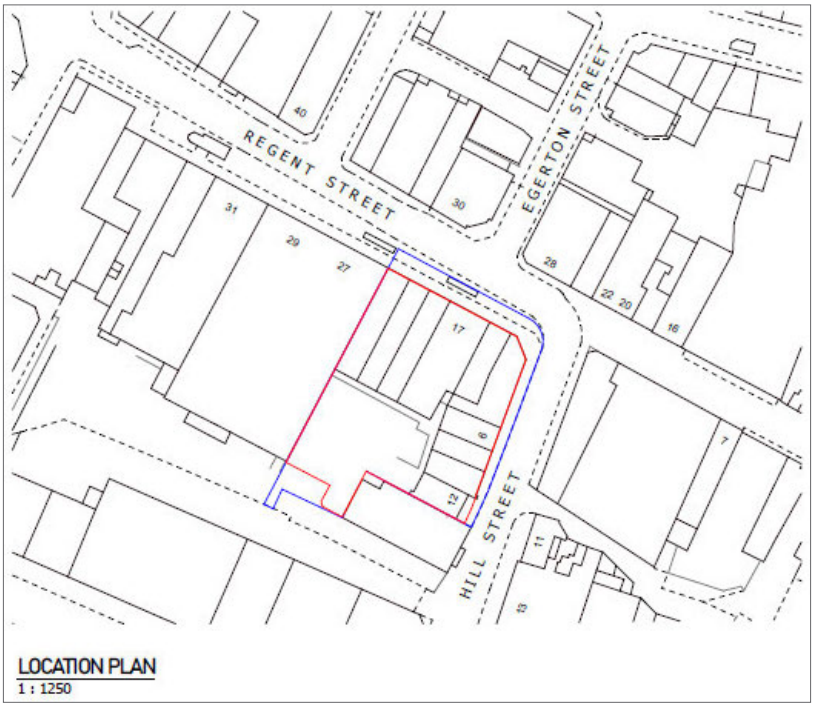
The existing site comprises the second and third storeys at 12 Hill Street which are currently being used as office space. The total GIA of the existing space is 1,710m2.

This FVA is to be viewed in conjunction with a new planning application. The proposed development seeks change of use and conversion of the existing space to create 30 x C3 apartments. In total the project will provide 1,443.7m2 of residential accommodation.

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Location Plan



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S106 Management

S106 Management is a viability consultancy established in 2011. Formed initially to capitalise on 35 years of specialist experience in planning law, viability assessment and development, the company has expanded over the last 10 years and now benefits from the expertise of chartered surveyors, town planners, solicitors, architects and an extensive network of planning professionals.

With over a decade of experience in creating expert financial viability appraisals, advising on complex planning obligations, and negotiating with local authorities, **S106 Management** has often been at the forefront of planning viability matters. The company is now one of the most effective and experienced specialist viability consultancies in the UK, combining expertise from all corners of the industry and benefiting from a considerable evidence base of several thousand development appraisals countrywide.

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Planning Policy

By virtue of section 38 (6) of the Planning and Compulsory Purchase Act 2004, planning applications must be determined in accordance with the adopted plan of the Local Authority, unless material considerations indicate otherwise.

Therefore, the policy starting point is Policy H7 of the Unitary Development Plan (adopted 2005):

> **Policy H7** Where there is a proven lack of affordable housing to meet local needs, the Council will negotiate with developers to provide an element of affordable housing in new proposals of 25 or more homes. The initial benefit of discounted prices will be retained for subsequent and future occupants through the scheme's management by a suitable local housing body with the aid of legal agreements.

Consequently, we are to assess the viability of the scheme as proposed.

Viability Assessment

The purpose of this FVA is to determine whether the development is capable of supporting the targeted contribution.

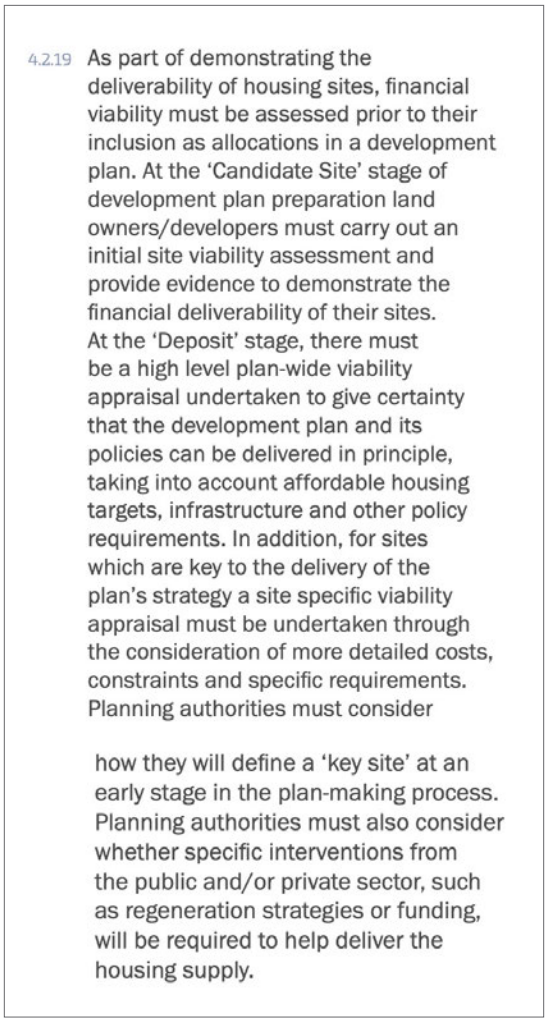
This policy has been informed by the local plan viability study.

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National Guidance

National guidance on the viability is provided by the Planning Policy Wales:



4.2.19 As part of demonstrating the deliverability of housing sites, financial viability must be assessed prior to their inclusion as allocations in a development plan. At the 'Candidate Site' stage of development plan preparation land owners/developers must carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites. At the 'Deposit' stage, there must be a high level plan-wide viability appraisal undertaken to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements. In addition, for sites which are key to the delivery of the plan's strategy a site specific viability appraisal must be undertaken through the consideration of more detailed costs, constraints and specific requirements. Planning authorities must consider

how they will define a 'key site' at an early stage in the plan-making process. Planning authorities must also consider whether specific interventions from the public and/or private sector, such as regeneration strategies or funding, will be required to help deliver the housing supply.

The recommended approach to viability is set out in a number of professional sources including *Development Plans Manual v3* and RICS standards *Assessing Viability in Planning*. Torfaen County have provided their own viability guidance in the form of recommending the use of a standard DVA toolkit. We have complied with the relevant recommendations.

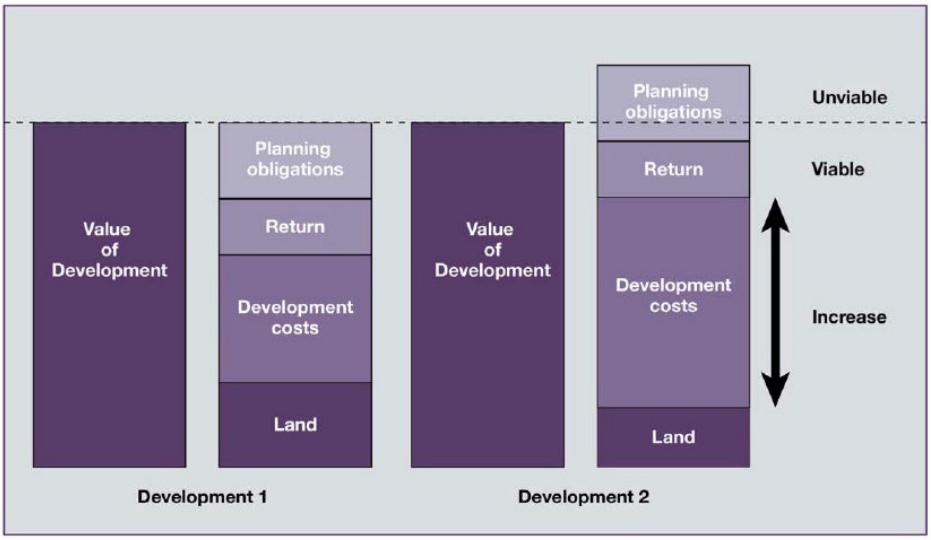
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The standard approach to viability is well explained at para. 5.87 of the DPM:

> **What is Viability?**
>
> Development can be considered viable if, after taking account of all known costs including: Government policy/regulations, all construction and infrastructure costs, the cost of and availability of finance, other costs such as fees and a contingency sum, the value of the development will generate a surplus sufficient to provide both an adequate profit margin for the developer and a land value sufficient to encourage a land owner to sell for the proposed use. Development can also be made viable through the availability of Government grants.

This is summarised well in the below figure from RICS guidance:



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The DPM outlines the relevant inputs to be reported, aligning with the Affordable Housing SPG (2021) Viability Checklist at Appendix 6:

Table 25: Core Inputs: Site Appraisals

Input	Information Requirements
Open Market Dwellings	• Number of homes and house type (to include gross internal floor areas (GIAs) and the number of stories for each house type, where available) • Estimated sale price of homes at the time of the viability assessment
Affordable Dwellings	• Number of homes and house type (to include gross internal floor areas (GIAs) and the number of stories for each house type, where available) • Estimated sale price of homes / ACG band • RSL information / grant availability, if known
Site Layout Plan	• Based on latest information available (i.e. outline or full application stage, or broad design principles • Phasing plan / broad development areas • Gross and net developable area after key constraints and layout principles have been taken into account
Timing and Phasing	• Timing and phasing of construction of units • Where is the site in the development process? • How advanced are discussions?
Land Ownership Details	• Who owns the land, the developer, if not when will the developer purchase the land? • Price paid / agreed for the land.
Planning Costs	• Costs/fees in progressing to planning application stage.
Build Costs	• Construction costs including regulatory requirements that will impact now and in the immediate future
Physical Infrastructure Costs	• Drainage (including required hydraulic modelling assessments/feasibility studies and associated development costs) • Highways • Opening up and general external costs such as road access to dwellings and landscaping) • Abnormal Costs (where relevant) e.g. contamination
Profession Fees	• All relevant professional fees
Contingency	• Percentage allowance or sum
S106 / CIL / Policy	• Specific S106 obligations/CIL Requirements • Incorporating known costs and cumulative policy requirements
Sales and Marketing	• Fees associated with sales and marketing
Finance Costs	• Fees influencing borrowing capacity and return

Our report has been written in accordance with the principles set out in both the PPW, and the relevant professional guidance.

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Toolkit Inputs

Proposed Development

The development is summarised by the table below (plans are shown at **Schedule 2** to this report):

Unit	Area (m2)	Type
Apartment 101	52.73	1-bed
Apartment 102	50.69	1-bed
Apartment 103	47.71	1-bed
Apartment 104	48.81	1-bed
Apartment 105	49.11	1-bed
Apartment 106	49.47	1-bed
Apartment 107	49.25	1-bed
Apartment 108	52.37	1-bed
Apartment 109	47.54	1-bed
Apartment 110	49.94	1-bed
Apartment 111	47.5	1-bed
Apartment 112	40.69	1-bed
Apartment 113	47.75	1-bed
Apartment 114	40.84	1-bed
Apartment 115	47.45	1-bed
Apartment 201	52.73	1-bed
Apartment 202	50.69	1-bed
Apartment 203	47.71	1-bed
Apartment 204	48.81	1-bed
Apartment 205	49.11	1-bed
Apartment 206	49.47	1-bed
Apartment 207	49.25	1-bed
Apartment 208	52.37	1-bed
Apartment 209	47.54	1-bed
Apartment 210	49.94	1-bed

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Apartment 211	47.5	1-bed
Apartment 212	40.69	1-bed
Apartment 213	47.75	1-bed
Apartment 214	40.84	1-bed
Apartment 215	47.45	1-bed
Total	**1,443.70**	

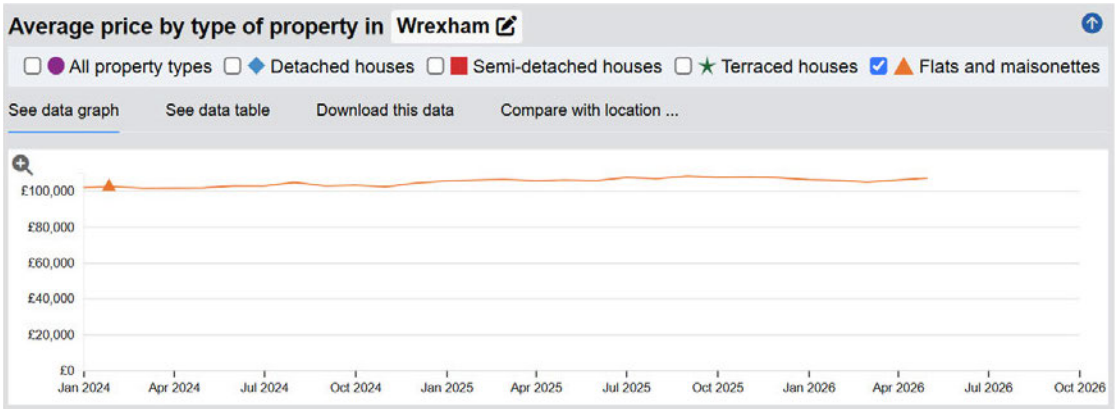
The unit mix comprises 30 x 1-bedroom apartments.

Affordable Housing Values

We approach this issue by firstly modelling a scheme with no Affordable Housing; if the Residual Value of this model exceeds the Benchmark Value of the site (as described below) producing a surplus profit, then we produce a second model to illustrate the maximum level of Affordable Housing that can viably be delivered by the development.

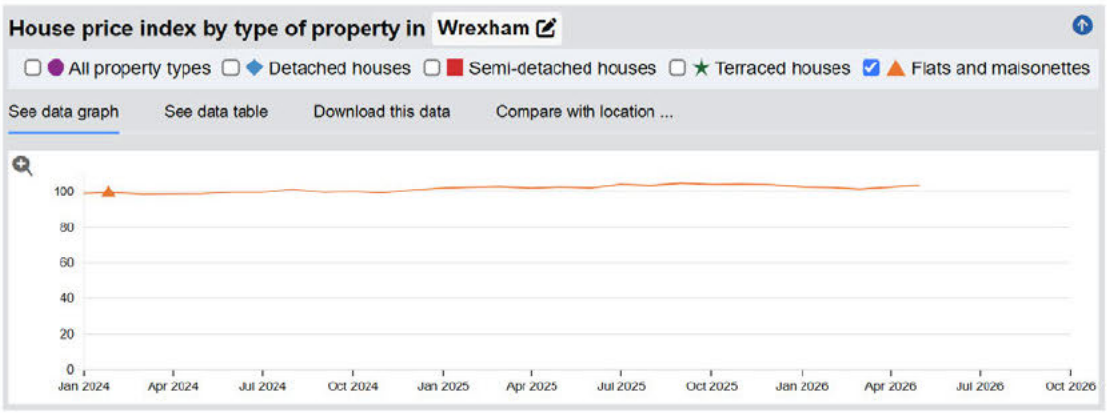
Open Market Housing Values

Land Registry data for Wrexham suggests the following average values for flats:



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This suggests marginal growth in the last 30 x months.

Transactional Data

We have compared this data to relevant recent 'sold' transactions extrapolated from Rightmove (see **Schedule 3**). Values are extremely sensitive to small changes in search area; therefore, we have limited our transactional search to within 2 years and 1/4 mile of the scheme:

Flats Sold within 1/4 Mile, Last 2 Years					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
Apartment 207, Caxton Place, Wrexham LL11 1PA	Large 2 x bed, 2 x bath. Mid / low spec	10/04/2026	78.4	[redacted]	[redacted]
Apartment 7, Tuttle Street Brewery, Tuttle Street, Wrexham LL13 7AA	2-bed, 1-bath, mid spec. Attractive building.	13/02/2026	58.9	[redacted]	[redacted]
33, Y Werddon, Pentre Felin, Wrexham LL13 7LT	Low spec, 3-bed, 1 bath	30/01/2026	86	[redacted]	[redacted]
4, St Giles Court, Wrexham LL13 7NR	Modern, 2-bed, 2-bath	11/12/2025	69.8	[redacted]	[redacted]
Apartment 6, Tuttle Street Brewery, Tuttle Street, Wrexham LL13 7AA	High spec finish, 1-bed, 1-bath	30/10/2025	50.24	[redacted]	[redacted]

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39, Y Werddon, Pentre Felin, Wrexham LL13 7LT	mid floor flat (no photos available)	29/09/2025	48	[redacted]	[redacted]
Apartment 12, Tuttle Street Brewery, Tuttle Street, Wrexham LL13 7AA	High end, 1-bed, 1-bath, with parking	17/09/2025	48	[redacted]	[redacted]
Apartment 217, Caxton Place, Wrexham LL11 1PA	2-bed, 1-bath, low spec	18/07/2025	77	[redacted]	[redacted]
Apartment 118, Caxton Place, Wrexham LL11 1PA	Ground floor flat	14/07/2025	39	[redacted]	[redacted]
			Avg. £/m2 value	[redacted]	

A clear inverse correlation is evident, meaning that we would expect to see the smaller flats achieve higher £/m2 values than the larger properties.

We have also studied properties which are currently on the market:

Flats For Sale within 1/2 Mile					
Address	**Type**	**Status**	**Area m2**	**£/m2**	**Price**
St. Giles Court, Wrexham, LL13	Good spec. 2-bed, 1-bath. Tenant in situ paying £900pcm	For sale	58	[redacted]	[redacted]
St. Giles Court, Wrexham, LL14	2-bed, 2-bath. Mid spec	For sale	64	[redacted]	[redacted]
Caxton Place, Wrexham, Clwyd, LL11	Low / mid spec, 2-bed, 1-bath	For sale	68	[redacted]	[redacted]
Llys Nantgarw, Wrexham, LL13	2-bed, 1-bath, mid spec	For sale	53.1	[redacted]	[redacted]
Ruabon Road, Wrexham	mid spec. 2-bed, 1-bath	For sale	40	[redacted]	[redacted]
Eagles Court, Wrexham	2-bed, 2-bath. Mid spec above commercial	For sale	68.4	[redacted]	[redacted]

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Meadow Court, Wrexham, LL13	2-bed, 2-bath. Spacious apartment	For sale	77.8	[redacted]	[redacted]
Tuttle Street, Wrexham, LL13	Recently modernised 2-bed maisonette	For sale	56.9	[redacted]	[redacted]
Eagles Court, Eagles Meadow, Wrexham	2-bed, 2-bath.	For sale	55.9	[redacted]	[redacted]
			Avg. £/m2 value	[redacted]	

We also reviewed new build data, however there is a lack of data within the immediate vicinity. To locate useful comps we would have had to extend the search radius to 3+ miles. Two developments in this wider search radius are shown; one at Holt Road, and one at Gateway Road. Flats are available with the lowest price being c. [redacted].

It is worth noting that the proposed units will not be 'new build', rather they will be created from a modern conversion in an older building. Although we do take into consideration that newly converted units will also attract a premium.

The average £/m2 values and GIAs from the data sets above are summarised below:

	Sold	For Sale	New Build
Avg. £/m2 Values - Flats	[redacted]	[redacted]	N/A
	Sold	For Sale	As Proposed
Avg. GIA m2 - Flats	61.7	60.2	48.12

Average asking prices are generally inflated when compared to wider achieved values and the dataset supplied by Nimbus, suggesting asking prices are unlikely to be achieved. Consultation with local agents suggests prices are often being discounted 5-10% in the current market.

The unit which sold on 6 Tuttle Street provides a useful comparable. This 1-bedroom flat has been finished to a high spec and provides 50.24m2 of modern living space. It sold for [redacted]

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We have had regard to this transaction when valuing the proposed units.

We have valued the scheme as per the below:

Unit	Area m2	Type	£/m2	Price
Apartment 101	52.73	1-bed	[redacted]	[redacted]
Apartment 102	50.69	1-bed	[redacted]	[redacted]
Apartment 103	47.71	1-bed	[redacted]	[redacted]
Apartment 104	48.81	1-bed	[redacted]	[redacted]
Apartment 105	49.11	1-bed	[redacted]	[redacted]
Apartment 106	49.47	1-bed	[redacted]	[redacted]
Apartment 107	49.25	1-bed	[redacted]	[redacted]
Apartment 108	52.37	1-bed	[redacted]	[redacted]
Apartment 109	47.54	1-bed	[redacted]	[redacted]
Apartment 110	49.94	1-bed	[redacted]	[redacted]
Apartment 111	47.5	1-bed	[redacted]	[redacted]
Apartment 112	40.69	1-bed	[redacted]	[redacted]
Apartment 113	47.75	1-bed	[redacted]	[redacted]
Apartment 114	40.84	1-bed	[redacted]	[redacted]
Apartment 115	47.45	1-bed	[redacted]	[redacted]
Apartment 201	52.73	1-bed	[redacted]	[redacted]
Apartment 202	50.69	1-bed	[redacted]	[redacted]
Apartment 203	47.71	1-bed	[redacted]	[redacted]
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Apartment 210	49.94	1-bed	[redacted]	[redacted]
Apartment 211	47.5	1-bed	[redacted]	[redacted]
Apartment 212	40.69	1-bed	[redacted]	[redacted]

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Apartment 213	47.75	1-bed	[redacted]	[redacted]
Apartment 214	40.84	1-bed	[redacted]	[redacted]
Apartment 215	47.45	1-bed	[redacted]	[redacted]
Total	**1443.70**		[redacted]	[redacted]

The proposed valuation above has been reached following extensive market research, consideration of comparable characteristics in recent transactions, new build and external amenity premiums and advice from local agents and therefore should be considered robust. The figures represent the very top end of what can be achieved in today's market and considering current trends should be considered optimistic.

Freehold Ground Rent

The capital value of the Freehold Ground Rents from the project is therefore included at zero for the purposes of this viability appraisal. The Leasehold Reform (Ground Rent) Bill received Royal Assent on 8 February 2022 meaning it is now an Act of Parliament (law).

The Act limits ground rent to a 'peppercorn rent.'

As such, all viability assessors are currently including ground rent at either a zero or nominal rate as this income will not be realised.

Timing

This FVA is to be read in conjunction with a detailed planning application which we expect to be granted within 3 months. There will be a 3-month period following this to produce building regs. drawings and obtain all fixed price quotations. We therefore allow a 6-month pre-commencement period.

Construction is projected over an 18-month period with sales expected between months 16 and 24.

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Construction Costs

Construction costs in 2021-26 have been turbulent, with significant variations occurring due to supply/demand imbalances post Covid, increased building regulations and energy crises. The BCIS notes the cost of building surged 24% between 2020 and 2023, following supply chain disruption via the Covid pandemic and Ukraine war's impact on energy costs. We may expect a similar impact in the following months due to the Iran War. We commonly see costs associated with detailed Quantity Surveyor's site-specific assessment at a level c.10-20% above the Median BCIS average data (or higher for custom specifications).

This is likely because this database is based on voluntarily reported data and therefore may be skewed by the cost efficiencies associated with volume housebuilders compared with SME builders and developers, who are less likely to participate in reporting such statistics or have accurate cost breakdowns readily available. The above issues can be mitigated by consideration of the 'one-off' category set against the Estate building category in BCIS. While this is labelled rather arbitrarily as 'up to 3' units, it is a useful proxy to show the cost differential between small schemes and volume building, and therefore should be taken into account for schemes of up to 10 units.

Due to the above we currently favour the Upper Quartile Estate or Median One-off BCIS costs for schemes up to 10 units, and Median for schemes over 10 units. In higher value areas where a higher specification is required, we adopt Upper Quartile costs.

We have consulted the BCIS data for the subject area rebased to Q4 2026 to provide an estimated build cost in the first instance:

MAXIMUM AGE OF RESULTS: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
Rehabilitation/Conversion							
816. Flats (apartments)							
Generally (15)	1,928	417	1,062	1,508	1,856	6,716	74
1-2 storey (15)	2,727	830	1,256	1,585	3,684	6,716	12
3-5 storey (15)	1,661	417	1,043	1,414	1,818	6,220	45
6 storey or above (15)	2,138	648	1,054	1,527	2,502	5,571	16

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The above notwithstanding, we have adopted the median quartile costs of [redacted] for rehabilitation and conversion of flats generally.

The NIA of the apartments equates to 84% of the total proposed residential space. We have run our modelling with the corresponding correction factor.

Non-BCIS Costs

As mentioned previously, the BCIS data makes no allowance for all external works and associated infrastructure costs, and as it is reported in retrospect will not account for newer policy and legislation such as biodiversity enhancement.

In our experience 15%-20% is adopted for more complicated sites, while 5% - 10% is adopted for less complex sites or conversions. In this instance we allow 5% for all external works and associated infrastructure.

Fees

Professional fees are often quoted on a range of 8-12%, with separate allowances for planning fees.

This will vary according to the size and complexity of the scheme. We normally adopt 6-8% for large sites (with repetitive designs and no complicating factors), 10-12% for more differentiated sites (with a variety of different house types or areas) and 10-15% for small sites, where the scale of the fees is often larger due to the lower overall cost of build and lack of potential efficiencies.

We have adopted a figure of 10% for this scheme.

Contingency

PPG Viability para 012 notes:

> ▪ *Explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return.*

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Prudent developers often adopt a standard contingency allowance of 10-20% to account for contingency. We more commonly see an allowance of c. 5% for viability assessment, although in the recent past when inflation has increased a higher allowance has been made.

In this case we adopt 5% on the basis of a 17.5% target return. If the target return is reduced, then the contingency allowance must likewise be adjusted to compensate.

Planning Obligations (S106 Contributions & CIL)

Wrexham have not yet adopted their CIL Charging Schedule; thus no allowance is made in this regard.

This is subject to confirmation by the Charging Authority.

Site Acquisition Costs

We have included acquisition costs comprised of SDLT at the prevailing rate, legal fees at 0.75% and agency fees of 1%.

Finance Costs

Given the macro-economic context, lenders have become increasingly risk adverse and therefore funding is becoming harder to acquire.

While the Bank of England provisionally reduced the base rate to 3.75% in Q4 2025 after a series of increases to 5.25% following the advent of the Iran War swap rates have increased rapidly and traders are now pricing in at least 2 base rate increases to the end of 2026. The prevailing finance environment is considered higher risk and therefore commercial rates are heading considerably higher than the low rates seen in recent years. This is reflected in a majority of viability assessments.

Vision Finance, a development finance broker, has noted that rates of 10-12% 'all-in' on 100% are currently considered optimistic. More broadly in terms of viability assessments, we note the following recent viability cases where an 8+ rate has been agreed.

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LPA	Ref	Rate
Hackney	2023/1240	8%
Hackney	2023/1231	8%
Basildon	23/00212/FUL	9%
Tonbridge & Malling	22/01237/FUL	8%
South Holland	H11-0383-23	8%

Therefore, a minimum interest figure of 8% is appropriate, and has been used in the toolkit. In reality finance deals are now significantly exceeding this level, but as an all-in rate 8% accommodates all fees and is applied to all costs.

Sales/Marketing Costs

Generally, we would assume sales agents fees at 1.5%, legal fees at 0.5% and marketing/promotion at 2% for housing schemes including a show home and 1% for marketing without a show home.

We have adopted a sales/marketing cost of 2% and legal fees of [redacted].

Developer Profit (Input Sheet 2)

The DPM contains the following advice in relation to profit:

Developer Profit	The model will need to include an average profit margin to ensure a realistic developer profit is embedded within the model. The normal range of profit expected by developers and necessary to meet most lenders' requirements is between 15% and 20% of Gross Development Value (GDV) for developments that will be let or sold on the open market. A lower profit margin, based on 6% of cost is normally applied to the provision of affordable housing. It is important to understand the types of developers operating in an area and how land is brought forward. In rural areas smaller developers work on a different model to large, volume house builders. Larger sites can carry more risk where they take a long time to build out and an increased profit margin may be required, whereas smaller sites being developed quickly may not. Developer profit margin is also linked to interest rates charged for finance.

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The RICS guidance similarly notes the test laid out in the PPG as a starting point.

> **Return to the developer**
>
> **4.2.27** In paragraph 018, under the heading of 'Standardised inputs to viability assessment', the PPG provides some guidance on how a return to developers is defined for the purposes of the FVA. The paragraph's focus is on a suitable return for plan making, rather than individual returns for scheme-specific decision taking. It identifies a standardised input of 15% to 20% of GDV as a suitable return for the purpose of plan making, but is silent on a decision-taking developer return. However, PPG paragraph 008 states that where a site-specific FVA accompanies a specific planning application, it 'should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then'. This implies, in addition to other inputs, a similar test regarding developer's profit to that used at the plan-making stage.

Our experience is that for the previously assumed finance terms to be offered by commercial lenders, a minimum of 17.5% is generally required, up to a maximum of 25% on riskier proposals. Development finance will generally therefore set the expectations for return on investment.

Recent appeal decision ref APP/Y3615/W/22/3298341 noted the following:

> 68. Although it refers expressly to plan making, I also see no good reason why the profit range of 15-20% identified in the Government's planning practice guidance (PPG) should not reasonably be applied to a scheme of this type in order to assess viability, particularly when read in the context of para 58 of the Framework. Given the fairly difficult and comparatively uncertain economic circumstances for the construction sector at present and regardless of what profit margin the appellant has worked to in the past, it is reasonable to assume developer risk is greater now than at other more economically stable times. Consequently, notwithstanding the evidence regarding house prices and demand for housing in the area, and in respect to programming and sales revenue, a profit target to the higher end of the range, up to 20% of gross development value, is reasonable.

Taking into account the risk profile of the development we consider 17.5% to be an appropriate level. This is supported by our sensitivity analysis, which further demonstrates the relative risk profile of the development (see below).

The appraisal has been run accordingly.

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Benchmark Land Value

The DPM notes the following in relation to benchmarking site value:

Land Owner Sale Value / Benchmarking	The evidence should be clear as to what financial return (or benchmark land value) would realistically entice a land owner to sell for the proposed use in an area or sub-market area. Evidence of prices paid for comparable land will be a suitable starting point, adjusted where necessary to take account of any difference between past and proposed planning policy and / or infrastructure requirements. It is expected that land values may vary across an LPA's administrative area, reflecting amongst other things, residential values between housing markets.

RICS guidance Assessing Viability in Planning under the NPPF Appendix B lays out the appropriate approach to assessing existing use value, including relevant data sources:

5.2.5 The assessment of the BLV requires the assessment of five components. They should be calculated and reported to the plan-maker/decision-maker **separately** to counter circularity arguments that BLVs from one method of valuation have been used as an input into another method, in order to reduce developer contributions.

5.2.6 The components that need assessing are:

- EUV
- premium
- AUV, where appropriate
- policy-compliant site value assessed by the residual method and
- policy-compliant site value assessed by the comparative method.

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B.1.3 The PPG paragraph 015 identifies the type of evidence base that can be used to support the determination of the EUV and the sources of that evidence. At the plan-making stage, this should be accomplished with collaboration between the plan-makers, developers and landowners, and can use published sources of information on rental and capital values of land and property, such as:

- land registry records of transactions
- real estate licensed software packages
- real estate market reports
- real estate research
- estate agent websites
- property auction results
- Valuation Office Agency data and
- public sector estate/property teams' locally held evidence.

The existing site comprises the second and third storeys at 12 Hill Street which are currently being used as B1 office space. The total GIA of the existing space is 1,710m2.

To determine an appropriate BLV / EUV, we have obtained advice from John Carter (RICS):

> *'I have been commissioned to carry out a Benchmark Valuation on a premises at Roxborough House, 12 Mill Street, LL11 1SN.*
>
> *The property comprises a second and third floor premises which has been used as offices but have not been occupied for some time.*
>
> *According to the Ratable Value assessment, the premises extends to some 18,400 ft.² in total.*
>
> *I have established that lettings of Town Centre Office accommodation in Wrexham are fairly weak at the current time and I have taken this issue into account in carrying out my valuation.*
>
> *Office accommodation set on the various business parks around Leamington produce rentals of between* [redacted] *per square foot. I am advised that Town Centre rentals are at a lower level.*
>
> *I have spoken to a representative from Leggett Owen who lease several Office suites in and around the town and they have in fact previously considered letting the subject property at some time in the recent past. They believe that it will need to be refurbished to a reasonable standard, and once this is achieved, then it could be marketed at a rate at* [redacted] *per square foot. In this instance I have settled on a rental value per square foot at* [redacted] *sq. foot resulting in a rental value of* [redacted]

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Furthermore, I am advised by the agent that the offices will need to be significantly upgraded to allow it to be put into the market at a competitive rental level. We refer to the BCIS data set for conversion / rehabilitation of office space generally:

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
Rehabilitation/Conversion							
320. Offices							
Generally (15)	1,414	255	945	1,176	1,632	4,764	61
Air-conditioned							
Generally (15)	1,417	338	973	1,176	1,522	4,764	41
1-2 storey (15)	1,183	338	858	1,044	1,429	3,075	17
3-5 storey (15)	1,585	396	987	1,197	1,674	4,764	16
6 storey or above (15)	1,657	973	1,171	1,354	2,120	2,778	6
Not air-conditioned							
Generally (15)	1,434	255	602	1,164	2,035	3,997	18
1-2 storey (15)	1,293	255	450	1,090	1,873	3,364	10
3-5 storey (15)	1,665	492	628	1,386	2,264	3,997	7
6 storey or above (25)	566	519	-	-	-	613	2

We apply the lowest quartile cost for non-air conditioned space (generally), of [redacted] *This produces a refurb cost of* [redacted]

I have then used a yield at 12% to reflect the fact that the market is not strong and that there will be a high cost involved in upgrading the building. In addition, I have deferred the income for a period of two years to allow for the substantial upgrading to take place and for a marketing exercise to be carried out which would lead to an effective letting.

The capital value having regard to the above is at a figure of [redacted]*.*

Taking the cost of the upgrading into account produces a capital value of [redacted]*.*

My Benchmark Valuation is in the sum of [redacted]*.'*

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PPG Paragraph 017 requires that a premium should be added to the EUV (EUV +) to incentivise the landowner to bring the site forward for development:

> *'The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.*
>
> *Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

D.2.4 The circumstances underpinning the assessments of the EUV and premium, and which may require adjustment, could include:

- the date of the determination of the BLV
- landowner optionality, i.e. the range of options open to the landowner
- state of the property, obsolescence and compliance with environmental and building regulations
- site constraints such as ground conditions, contamination, ransom issues, planning factors, third-party rights and covenants
- uniqueness of opportunity, such as 'one-off' site assembly
- competition from alternative sites
- the weighting of individual BLV/premium evidence relative to the subject property, and
- adjustments made by the plan-maker in arriving at an adopted premium, if any.

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D.2.5 Information on BLVs and premiums in other FVAs can be requested but, if it cannot be provided, the practitioner will need to make assumptions and this will have an impact on the quality of that evidence. It is up to the decision-maker how much weight to accord to that evidence.

D.2.6 Where the EUV part of the benchmark is a substantial element of the overall assessed value, the premium is usually stated as a percentage increase of the EUV. This is typical in urban and brownfield sites.

D.2.7 In the case of greenfield, cleared brownfield or some *sui generis* (unique) sites outside of the normal planning use classes, where the EUV is a small proportion of the BLV, the premium is more likely to be stated as a multiplier or could be stated as an actual amount.

The guidance is clear that the premium associated with a benchmark can be variable but must provide some incentive, when set against maintaining the site's existing use or doing nothing, for the landowner to release the land for development. Without this premium the land will not be released for development.

In this instance no premium has been included, however we reserve the right to revisit this matter if necessary.

Paragraph 018 allows the BLV to be determined by an alternative Use Value (AUV):

> *'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.*
>
> *Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. 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.'*

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The professional guidance sets out the requirements for an AUV approach to determining land value. Largely this will be most appropriate where an existing extant or implementable consent is in place and there are accurate drawings on which to base the AUV:

> **C.1.5** Extant consents also need to meet the tests set out in C.1.1. above. But, as the extant consent is capable of being implemented, assessment of the residual value of the consent as permitted should be provided.
>
> **C.1.2** The AUV approach should be based on accurate floor plans and elevations for the alternative scheme. This is essential so that accurate gross to net assumptions can be made and for a detailed cost plan to be prepared.

Further where an existing use will be refurbished or redeveloped this will constitute an AUV. However, the guidance makes a distinction between refurbishment and repair as below:

> **B.1.7** PPG paragraph 017 states that 'where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV'. Where any assumption regarding the use of the property involves any alterations, including refurbishment or redevelopment, BLV will be based on AUV with no premium.
>
> **B.1.8** What constitutes a repair versus an alteration will be determined by professional judgement as to whether the works bring the building up to standard within the existing use, or whether they go beyond that and fall into the category of refurbishment. In many circumstances, the expenditure in proportion to the building value may be a material consideration in informing this professional judgement. Each case needs to be considered on its merits but a building or site in need of substantial repair would be expected to have a lower EUV than a building or site in good repair, subject to any dilapidations claims. Furthermore, a landowner should not profit from their failure to maintain the building or site.
>
> **B.1.9** Works undertaken to comply with building regulations or statutory requirements, such as the *Disability Discrimination Act* 1995 or the need to provide Energy Performance Certificates (EPCs), would generally constitute repairs, as these are required for the continued use of the building. Such works could of course represent a significant cost. If the property cannot be legally used for its current use at the date of valuation, that should be reported, even if the EUV is based on the assumption that remedial works will be carried out.
>
> **B.1.10** All relevant repair and maintenance costs should be reflected in the valuation, and all assumptions made underpinning the assessment of the EUV should be reported.

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Policy Compliant Appraisal

In this instance we have not completed a policy-compliant residual calculation as the outcome of the 100% open market appraisal demonstrates this is not viable.

The standard approach to viability is to compare the BLV of the development site with the Residual Value calculated by the viability toolkit. It is only if the Residual Value of the development exceeds the Market Value (Benchmark), that it will be viable for a contribution to be made towards Affordable Housing.

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Conclusions

The full toolkit appears at **Schedule 1**, and the key conclusions are set out in the summary section. They are also repeated for convenience below:

Sales	[redacted]
Less Costs	
Construction Costs (Resi)	[redacted]
Commercial Costs (Build & Fees)	[redacted]
Other Site Costs	[redacted]
Marketing	[redacted]
Finance Costs	[redacted]
Developer Return	[redacted]
Residual Site Value	[redacted]
Benchmark Land Value	[redacted]
Result	[redacted]

To determine the viability of targeted affordable housing provision, the Benchmark Value of the site as stated above, is deducted from the Residual Value calculated by the viability model. If the result is negative, as it is in this case, the development does not achieve the target return on a 100% open market basis and therefore is unlikely to be able to viably deliver the targeted contributions.

The following table summarises the above conclusions.

Spreadsheet Residual Value	[redacted]
Plus Target Developer Return	[redacted]
Less Benchmark Value	[redacted]
Actual Profit	[redacted]
Percentage actual profit	1.64%

This presents a return which is significantly lower than the 17.5% target identified previously.

Any planning obligations would further reduce this level.

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Sensitivity Matrix

Following RICS guidance we have provided a sensitivity analysis of the assumptions in this report, demonstrating the impact on developer profit of +/-5-10% changes in build costs and sales values. This is particularly important to inform assessment of risk.

Sensitivity testing conclusions are included below.

Testing the variance associated with changes in sales and build costs of +/- 5-10% results in the below matrix:

Developer Profit %	Sales Values					
Build Costs		-10%	-5%	0%	5%	10%
	-10%	-1.21%	3.79%	8.79%	13.79%	18.79%
	-5%	-4.79%	0.21%	5.21%	10.21%	15.21%
	0%	-8.36%	-3.36%	1.64%	6.64%	11.64%
	5%	-11.94%	-6.94%	-1.94%	3.06%	8.06%
	10%	-15.51%	-10.51%	-5.51%	-0.51%	4.49%

This demonstrates that in 24 out of 25 scenarios, the achieved return is below the targeted 17.5%, suggesting a high-risk development.

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T&Cs and Compliance

1.1 S106M has been instructed by the applicant to review the viability of the proposed development and engage with the local authority and their representatives on this matter.
1.2 Scope of instruction extends to provision of 1 report document and schedules for submission as part of a planning application.
1.3 S106M has not inspected the property.
1.4 This report is prepared as an assessment of the Planning Financial Viability of a proposed development for the purposes of agreeing appropriate Section 106 planning obligations and affordable housing contributions. It is not a valuation of the subject site or scheme. It is exempted from the RICS Red Book on the basis of the parties negotiating and agreeing the planning obligations and the authoritative requirement of the NPPF and PPG. It does not constitute a Red Book valuation report, and should under no circumstances be relied upon as such, although it may refer to the conclusions of third parties in this regard for which no liability is accepted. The date of the report can be viewed on the front page and will require updating for market uncertainty after a reasonable time period has elapsed.
1.5 The report is assumed to be made publicly available for transparency purposes unless otherwise stated. The Executive Summary can be considered a Non-Technical Summary for the purposes of the guidance.
1.6 S106M accepts responsibility only to the commissioning party named at the start of this report alone that this report has been prepared with the skill, care and diligence reasonably to be expected of a competent consultant but accept no responsibility whatsoever to any other person or entity.
1.7 S106M confirm that any RICS members involved in this reporting have complied with the mandatory requirements of RICS Professional Statement Financial Viability in Planning: Conduct and Reporting May 2019, including the following:
We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information (para 2.1).

- We have identified no conflicts of interest or risk of conflicts in preparing this report (para 2.2).
- We are not working under a contingent or performance related fee agreement basis (para 2.3).
- We support positive, proactive, transparent and appropriate engagement between all parties in the planning process. This report is prepared on the basis that it will be made publicly available, except in specifically agreed exceptional circumstances (para 2.4).
- We have not been involved in the preparation of the Council's Local Plan Area Wide Viability Assessment (para 2.5); however we have regard to this in line with PPG Viability para 002 and the statutory development plan.
- All inputs are reasonably justified by market and supporting evidence including but not limited to the local plan viability study which justifies the adopted planning policy in line with para 009 PPG Viability (para 2.6-2.7).
- The status of this report is Final as of the dated front page subject to any further reasonable, proactive and constructive negotiations to resolve reasonable professional differences of opinion in line with para 2.6, 2.8 and 2.10 of the Professional Statement.
- Our report includes sensitivity testing in line with the para 2.9.
- Where there are professional differences of opinion over inputs we seek to resolve these during negotiations following submission of the original report in line with para 2.8-2.10. Where differences of opinion cannot be resolved this is stated clearly.

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- The Executive Summary complies with the Non-Technical Summary requirement of para 2.11.
- Any sub-consultants contributing to this report have been made aware of the Professional Statement and its requirements, and confirm compliance with it (para 2.13).
- We have been allowed sufficient time since instruction to carry out this FVA bearing in mind the scale of the development and the status of the information as at the date of this report (para 2.14).
- Appropriate regard has also been had to RICS Guidance Note: Assessing Viability in Planning under the NPPF 2019 (2021).

Material Uncertainty

In respect of the planning and development sector as at the report date where unprecedented sets of circumstances are highlighted, including for example COVID-19, the Ukraine and Iran Wars and subsequent Energy Crises, creating an absence of relevant/sufficient market evidence on which to base our judgements, our report will be reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of the report less certainty – and a higher degree of caution – should be attached to that report than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the report cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which said report may have been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in market conditions we highlight the importance of the valuation date and any reporting material uncertainty.

Quality Control

This report is provided for the stated purpose and for the sole use of the named clients. In line with para 2.12 the following quality control pathway has been taken, with all parties involved in the compilation of this report and history of previous viability discussions noted:

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