Interim Viability Report

Little Stanion, Corby

JME Civils

12th April 2022

Private and Confidential

1 Introduction

1.1 AspinallVerdi have been instructed to prepare a Financial Viability Assessment (FVA) in respect of the proposed residential scheme at Little Stanion, Corby. This short report sets out the interim position with respect to the viability of the scheme so that this can discussed with the Council before we finalise our FVA.

1.2 Within this report we provide a summary of the key inputs which will be adopted in our FVA, these are as follows;

- Scheme details
- Cost Assumptions
- Benchmark Land Value
- Gross Development Value (GDV)
- Viability conclusions.

1.3 The evidence which forms the basis of our assumptions with regards to the costs, land value and GDV will be set out fully in our FVA. We discuss each of the items in turn below.

2 Scheme Details

2.1 The consented scheme which now has detailed planning permission (17/00702/DPA) comprises 66 apartments, 4 retail units and a village hall. There is a further outline planning permission for no less than 99 dwellings and no more than 135 dwellings (17/00703/OUT).

2.2 Section two of our FVA will provide scheme details, including; layout plans and accommodation schedules for each parcel. A summary of the accommodation is provided below.

Table 2.1 - Accommodation Schedule

Use	Total Area (sqft)
Apartment – 4 blocks	52,248
Retail units – 4 units	6,405
Village Hall	4,575
Houses – Parcel 5	149,424
Houses – Parcel 6	17,997

Source: ARC ID, March 2022

3 Cost Assumptions

3.1 We set out below the key assumptions which we have adopted in our financial appraisals. The assumptions were all agreed with the Local Authority in July 2019.

3.2 The build costs are currently based on BCIS (rebased to Corby over a 5 year period). However, given that the implementation of the scheme has commenced we are awaiting a cost plan which will include the hard build costs (based on actual costs incurred), external works, open space, infrastructure costs and the village hall. These are likely to be higher than the figures presented in the table below. These costs will be reported and evidenced fully in our FVA at section five.

Item	Assumption
Build Rate (£ psf) - houses	£122.63 psf (£20,530,837)
Build Rate (£ psf) - apartments	£133.96 psf (£6,999,142)
Build Rate (£ psf) - retail units	£200.67 psf (£1,285,291)
Village Hall	£226.00 psf (£1,035,300)
External Works	10%
Contingency	5%
Infrastructure Costs	£6,613 per unit (£1,190,340)
Open Space	£750,000
Professional Fees	7%
Development Management Fees	1%
Section 106	£11,000 per unit (£1,980,000)
Disposal Costs - Residential	
Marketing	2% of GDV
Sales Agent Fees	1% of GDV
Sales Legal Fees	0.5% of GDV
Disposal Costs - Retail	
Letting Legal Fee	10%
Letting Agent Fee	5%
Purchasers Costs	5.8%

Finance costs	6.25%
Profit on GDV – (Market)	20%

Source: AspinallVerdi and JME Civils, March 2022

4 Benchmark Land Value

4.1 Section six of our FVA will provide full details on our approach to the Benchmark Land Value. The National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG) provide guidance on viability and decision taking. In July 2018 the revised NPPF and updated PPG were published with minor adjustments being made to the PPG in May 2019.

4.2 The PPG is clear that the appropriate basis for calculating the benchmark land value is Existing Use Value (EUV) + a premium. We have therefore adopted this approach.

4.3 We consider an Existing Use Value for agricultural land in Corby is £10,000 per acre (c. £25,000 per ha) (Gross). Therefore, the Existing Use Value of the site (13.42 acres / 5.44 ha) equates to £134,200 / £136,000.

4.4 Given that part of this site has a full planning permission and a further part of the site has outline planning consent, it is reasonable to assume that the premium would be towards the higher end of the premium range. However, to assist viability, we have only adopted 10 times the EUV; we reserve our position in respect of this matter.

4.5 We have therefore adopted a benchmark land value of £1,342,000 which was agreed with the Local Authority in July 2019.

5 Gross Development Value

5.1 Section five of our FVA will provide our full assessment of the local residential property market. The Gross Development Value (GDV) has been based on achieved values for units which have already sold on this scheme and asking prices in the locality for new build properties.

5.2 Two out of the four apartment blocks (30 Units) have already sold:

- Block A consists of 11 units and has sold for a total of £2,005,000 which equates to £182,273 per unit.
- Block B consists of 19 units and has sold for a total of £3,305,000 which equates to £173,947.
- For Block C and D we have taken the average achieved value across Block A and B which equates to approximately £180,000 per unit.

5.3 With regards to Parcel 5, we have based the GDV on asking price data for new build properties in the locality.

5.4 With regards to Parcel 6, we have based the GDV on the 11 units which have been sold within this parcel.

5.5 With regards to the retail unts (4 in total) we have adopted £16 psf and a Yield of 7% in addition to a 3 month market rent free period.

5.6 The total GDV for the scheme can be found in the table below.

Use	Total GDV (£)
Apartment – 4 blocks	£11,790,000
Retail units – 4 units	£1,851,945
Houses – Parcel 5	£29,750,000
Houses – Parcel 6	£4,167,300

5.7 Within our FVA we will provide robust assessment of the local property market for the units in Parcel 6 and will be able to provide completion statements for the units which have sold, if this evidence is deemed necessary.

6 Conclusion

6.1 Based on the assumptions of values and costs set out above, we have prepared financial development appraisals for the proposed scheme using Argus Developer software. These our appended to this report.

6.2 The first appraisal is based on a fixed land value whereby the output is the profitability of the scheme. This appraisal also includes the non-housing s106 contribution which amounts to £1.98m. On this basis the scheme generates a deficit of circa £7m which clearly demonstrates that the scheme cannot afford to deliver any affordable housing on site or even the £11,000 per dwelling as previously agreed.

6.3 The second appraisal shows that if we exclude the land value of £1.34m from the equation and also deduct the S106 costs of £2.079m (i.e. £11,000 per dwelling), then the deficit falls to £2,862,228. Under this scenario, the net profit of the scheme equates to 12.65%, which is below the target profit rate of 20%.

6.4 To move discussions forward, we would welcome the opportunity to engage with the Local Authority and/or their viability advisors so that any specific areas of concerns can be discussed and so that we can move forwards and reach an agreed position on viability matters.

Authorisation

6.5 Should you have any questions or queries in respect of any aspect of this report, please do not hesitate to contact AspinallVerdi.

6.6 For and on behalf of Aspinall Verdi Ltd:

Yours faithfully,

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Appendix 1 - Financial Appraisal - Land Value & s106

Aspinall Verdi

Appendix 2 - Financial Appraisal - No Land Value or s106

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