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Our Ref 191EJJ00

26 September 2019

Dear Jo

**MOUNT VERNON HOSPITAL, MOUNT VERNON ROAD, BARNSELY, S70 4DP**

We refer to our report titled 'Financial Viability Assessment - Mount Vernon Hospital, Mount Vernon Road, Barnsley, S70 4DP' dated 12 November 2019.

We understand that Barnsley Metropolitan Borough Council have requested revisions to the proposed scheme at the subject site upon which our report was based.

You have provided us with a revised scheme with the significant differences listed below. The revised scheme:

- Has 68 no. units, whereas the scheme appraised within our FVA report comprised 65 no. units
- Comprises entirely 2-storey units, whereas the scheme appraised within our FVA report contained 20 no. 2.5-storey units
- Has a total net sales area of 74,779 sq ft, which is a reduction of 3,646 sq ft on the scheme appraised within our FVA report

As requested, we have run an appraisal based on the revised scheme to assess its viability in respect of S.106 contributions and affordable housing delivery. We have appended the appraisal to this letter (Appendix A).

For the avoidance of doubt, this letter should be read as an addendum to and in conjunction with our report dated 12 November 2019.

The appraisal is based on similar assumptions to those made within our FVA report, with any variations detailed below.

Due to the removal of 2.5-storey units, this has resulted in an increase in the average revenue of the scheme, which is now **£190.43 per sq ft** for the private units and £95.22 per sq ft for the affordable units (equating to 50% of the average private revenue). This equates to a total Gross Development Value of **£13,665,802**.

We have applied the same build cost of £91.79 per sq ft, however due to the decrease in net sales area, the build cost equates to **£6,863,964**, with the external and garage costs equating to **£824,396**.

In accordance with policy we have assumed 10% of the units to be affordable (7 no. units) and have allocated 2-bed Edinburgh and 3-bed Preston units as affordable. The total net sales area of the affordable units is 6,036 sq ft.

We have utilised the same methodology as within our report to assess a reasonable developer's profit, by applying 8% of GDV to the affordable units and 20% of GDV to the private units, equating to a blended profit of **19.50% of GDV**.

Due to an increase of 3 no. units, we have extended the build and sales period by one month.

The residual land value of the policy compliant revised scheme equates to **£768,528, reflecting £146,000 per net developable acre**.

This is below our opinion of Benchmark Land Value which was established within our report as £1,580,000, indicating that delivery of 7 no. (10%) affordable units is not viable.

### Sensitivity Analysis

We have therefore run a sensitivity exercise to measure the residual land output of the revised scheme against our opinion of BLV, to test the level of affordable housing the scheme can viably deliver

We have fixed the S.106 costs of £457,496 within the appraisal and varied the level of affordable housing until the residual land value output broadly equals our opinion of BLV.

To be clear, we have only adjusted the following variables within each scenario.

- Mix of affordable and private units (assuming 50% intermediate and 50% social-rented based on transfer values previously identified)
- Profit (based on a blend of 20% profit for private housing and 8% profit for affordable housing).

% Affordable	Private		Affordable		Combined GDV	Residual Land Value	Blended profit	Difference between RLV and BLV (£1.58m)
	No.	Floor Area (sq ft)	No.	Floor Area (sq ft)				
<b>11%</b>	61	68,743	7	6,036	£13,665,802	£768,528	19.50%	<b>-£811,472</b>
<b>0%</b>	68	74,779			£14,240,534	£1,082,046	20.00%	<b>-£497,954</b>

We have run a sensitivity exercise to demonstrate the impact on viability of adjusting the level of affordable housing delivery when measured against our opinion of BLV. Please note average revenues fluctuate depending on the level of private housing required.

On this basis we conclude the scheme is unable to deliver the full policy requirements of the Council based on information provided by the Applicant and our own market-facing assumptions.

The residual land value output for the 0% affordable housing scenario lies below our opinion of BLV.

**Our findings based on the revised scheme therefore remain consistent with those of our report, in that the scheme is unable to viably deliver any level of affordable housing. The Applicant is offering a policy compliant S.106 contribution of £457,496 but is unable to viably deliver any affordable housing.**

We trust that the contents of this letter are sufficient for your purposes. Should you have any queries or require further assistance please do not hesitate to contact me.

Yours sincerely



**Phil Roebuck FRICS**  
Partner, Residential  
**Cushman & Wakefield Debenham Tie Leung Limited**

**Appendix A - Revised Scheme - Policy Compliant**

<b>APPRAISAL SUMMARY</b>				<b>CUSHMAN &amp; WAKEFIELD</b>	
<b>Mount Vernon Hospital (1) (3)</b>					
<b>Mount Vernon Road</b>					
<b>Barnsley</b>					
<b>Summary Appraisal for Phase 1</b>					
Currency in €					
<b>REVENUE</b>					
<b>Sales Valuation</b>	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Sales Rate ft<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
7 x Affordable	7	6,036	95.22	82,105	574,733
61 x Private	<u>61</u>	<u>68,743</u>	190.43	214,608	<u>13,091,069</u>
<b>Totals</b>	<b>68</b>	<b>74,779</b>			<b>13,665,802</b>
<b>NET REALISATION</b>				<b>13,665,802</b>	
<b>OUTLAY</b>					
<b>ACQUISITION COSTS</b>					
Residualised Price (5.26 Acres 146,107.99 pAcre)			768,528		
				768,528	
Stamp Duty			27,926		
Agent Fee		1.00%	7,685		
Legal Fee		0.50%	3,843		
				39,454	
<b>CONSTRUCTION COSTS</b>					
<b>Construction</b>	<b>ft<sup>2</sup></b>	<b>Build Rate ft<sup>2</sup></b>	<b>Cost</b>		
7 x Affordable	6,036	91.79	554,044		
61 x Private	<u>68,743</u>	91.79	<u>6,309,920</u>		
<b>Totals</b>	<b>74,779</b>		<b>6,863,964</b>	<b>6,863,964</b>	
Contingency		3.00%	230,651		
Abnormals Contingency		5.00%	35,751		
Externals and Garage Costs			824,396		
Abnormals			715,014		
				1,805,812	
<b>Other Construction</b>					
S.106			457,496		
				457,496	
<b>PROFESSIONAL FEES</b>					
Professional Fees		6.00%	461,302		
				461,302	
<b>MARKETING &amp; LETTING</b>					
Marketing		3.00%	392,732		
				392,732	
<b>DISPOSAL FEES</b>					
Sales Legal Fee	68 un	500.00 /un	34,000		
				34,000	
<b>FINANCE</b>					
Debit Rate 6.00%, Credit Rate 0.00% (Nominal)					
Land			90,819		
Construction			87,504		
<b>Total Finance Cost</b>				<b>178,322</b>	
<b>TOTAL COSTS</b>				<b>11,001,610</b>	
<b>PROFIT</b>					

**APPRAISAL SUMMARY**

**CUSHMAN & WAKEFIELD**

Mount Vernon Hospital (1) (3)  
Mount Vernon Road  
Barnsley

2,664,192

**Performance Measures**

Profit on Cost%	24.22%
Profit on GDV%	19.50%
Profit on NDV%	19.50%
IRR	55.06%
Profit Erosion (finance rate 6.000)	3 yrs 8 mths

**Revised Scheme – 0% Affordable**

<b>APPRAISAL SUMMARY</b>	<b>CUSHMAN &amp; WAKEFIELD</b>
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Mount Vernon Hospital (1) (3) (1)  
Mount Vernon Road  
Barnsley

**Summary Appraisal for Phase 1**

Currency in €

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Sales Rate ft<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
68 x Private	68	74,779	190.43	209,420	14,240,534

**NET REALISATION** **14,240,534**

**OUTLAY**
**ACQUISITION COSTS**

Residualised Price (5.26 Acres 205,712.18 pAcre)		1,082,046	
Stamp Duty		43,602	1,082,046
Agent Fee	1.00%	10,820	
Legal Fee	0.50%	5,410	
			59,833

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>ft<sup>2</sup></b>	<b>Build Rate ft<sup>2</sup></b>	<b>Cost</b>	
68 x Private	74,779	91.79	6,863,964	6,863,964
Contingency		3.00%	230,651	
Abnormals Contingency		5.00%	35,751	
Externals and Garage Costs			824,396	
Abnormals			715,014	
				1,805,812
<b>Other Construction</b>				
S.106			457,496	457,496

**PROFESSIONAL FEES**

Professional Fees		6.00%	461,302	461,302
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**MARKETING & LETTING**

Marketing		3.00%	427,216	427,216
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**DISPOSAL FEES**

Sales Legal Fee	68 un	500.00 /un	34,000	34,000
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**FINANCE**

Debit Rate 6.00%, Credit Rate 0.00% (Nominal)				
Land			128,916	
Construction			71,843	
Total Finance Cost				200,759

**TOTAL COSTS** **11,392,427**

**PROFIT**

**2,848,107**

**Performance Measures**

Profit on Cost%		25.00%	
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**APPRAISAL SUMMARY**

**CUSHMAN & WAKEFIELD**

**Mount Vernon Hospital (1) (3) (1)**  
**Mount Vernon Road**  
**Barnsley**

Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	50.72%
Profit Erosion (finance rate 6.000)	3 yrs 9 mths