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Our Ref 191EJJ00

18 February 2020

Dear Jo

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

We refer to our previous 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 requested that we update our FVA to reflect the revised scheme. This letter should be read in conjunction with and regarded as an addendum to our report dated 12 November 2019.

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

- Has 70 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 76,104 sq ft, which is a reduction of 2,321 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).

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 **£192.80 per sq ft** for the private units and £96.40 per sq ft for the affordable units (equating to 50% of the average private revenue). The total Gross Development Value of the policy compliant scheme is **£14,057,248**.

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 **£6,985,586**, with the external costs equating to **£698,559** and garage costs equating

to **£98,000**.

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 6,066 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 5 no. units, we have extended the build and sales period by two months.

The residual land value of the policy compliant revised scheme equates to **£935,000, reflecting £180,000 per net developable acre**.

This is below our opinion of Benchmark Land Value of £1,580,000, which was established within our previous report, 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.

For the avoidance of doubt, 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)				
10%	63	70,038	7	6,066	£14,057,248	£935,000	19.50%	-£645,000
0%	70	76,104			£14,672,500	£1,275,000	20.00%	-£305,000

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 the basis of the sensitivity analysis, we conclude the scheme is unable to deliver the full policy requirements of the Council.

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

APPRAISAL SUMMARY

LICENSED COPY

Mount Vernon Hospital - Feb 2020
Mount Vernon Road
Barnsley

Summary Appraisal for Phase 1

Currency in €

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
Affordable	7	6,066	96.40	83,535	584,748
Private	<u>63</u>	<u>70,038</u>	192.36	213,849	<u>13,472,500</u>
Totals	70	76,104			14,057,248

NET REALISATION 14,057,248

OUTLAY

ACQUISITION COSTS

Residualised Price (5.26 Acres 178,207.70 pAcre)		937,373		937,373
Stamp Duty		36,369		
Agent Fee	1.00%	9,374		
Legal Fee	0.50%	4,687		
				50,429

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost	
Affordable	6,066	91.79	556,798	
Private	<u>70,038</u>	91.79	<u>6,428,788</u>	
Totals	76,104		6,985,586	6,985,586

Contingency	3.00%	233,464		
Abnormals Contingency	5.00%	35,751		
Externals		698,559		
Garage Costs		98,000		
Abnormals		715,014		
				1,780,788

Other Construction				
S.106		457,496		457,496

PROFESSIONAL FEES

Professional Fees	6.00%	466,929		466,929
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MARKETING & LETTING

Marketing	3.00%	404,175		404,175
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DISPOSAL FEES

Sales Legal Fee	70 un	500.00 /un	35,000	35,000
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FINANCE

Debit Rate 6.00%, Credit Rate 0.00% (Nominal)				
Land			111,409	
Construction			86,783	
Total Finance Cost				198,192

TOTAL COSTS 11,315,968



APPRAISAL SUMMARY

LICENSED COPY

Mount Vernon Hospital - Feb 2020
Mount Vernon Road
Barnsley
PROFIT

2,741,280

Performance Measures

Profit on Cost%	24.22%
Profit on GDV%	19.50%
Profit on NDV%	19.50%
IRR	51.62%
Profit Erosion (finance rate 6.000)	3 yrs 8 mths

Revised Scheme – 100% Private Sale
APPRAISAL SUMMARY
LICENSED COPY

Mount Vernon Hospital - Feb 2020
Mount Vernon Road
Barnsley

Summary Appraisal for Phase 1

Currency in €

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
70 x Private	70	76,104	192.80	209,607	14,672,500

NET REALISATION 14,672,500

OUTLAY
ACQUISITION COSTS

Residualised Price (5.26 Acres 242,300.84 pAcre)			1,274,502		
				1,274,502	
Stamp Duty			53,225		
Agent Fee		1.00%	12,745		
Legal Fee		0.50%	6,373		
				72,343	

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost	
70 x Private	76,104	91.79	6,985,586	6,985,586
Contingency		3.00%	233,464	
Abnormals Contingency		5.00%	35,751	
Externals			698,559	
Garage Costs			98,000	
Abnormals			715,014	
				1,780,788

Other Construction

S.106			457,496	
				457,496

PROFESSIONAL FEES

Professional Fees		6.00%	466,929	
				466,929

MARKETING & LETTING

Marketing		3.00%	440,175	
				440,175

DISPOSAL FEES

Sales Legal Fee	70 un	500.00 /un	35,000	
				35,000

FINANCE

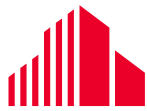
Debit Rate 6.00%, Credit Rate 0.00% (Nominal)				
Land			150,868	
Construction			74,314	
Total Finance Cost				225,182

TOTAL COSTS 11,738,001

PROFIT

2,934,499

Performance Measures



APPRAISAL SUMMARY

LICENSED COPY

Mount Vernon Hospital - Feb 2020

Mount Vernon Road

Barnsley

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%

IRR	48.29%
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Profit Erosion (finance rate 6.000)	3 yrs 9 mths
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