

*Important  
details*

HRT Ref	Date	Contact
MMW/1156-23	26 <sup>th</sup> May 2023	Matthew Wright Tel: 02922 671555 <a href="mailto:matthewwright@hrt.uk.com">matthewwright@hrt.uk.com</a>
Your Ref:		<a href="http://hrt.uk.com">hrt.uk.com</a>

**hrt**  
herbert r thomas

*Professional,  
but personal*

Attn: Mr Phil Worthing  
Oak Ridge House  
44 Castle Oak  
Usk  
NP15 1SG

Dear Sirs,

**Re: LECKWITH QUAYS  
DVM VIABILITY APPRAISAL – VALE OF GLAMORGAN COUNCIL**

We refer to your request for Herbert R Thomas to consider the Financial Viability of the proposed scheme at the above land in support of a candidate site submission to Vale of Glamorgan Council (VoGC).

In accordance with the RICS Professional Statement entitled Financial Viability in Planning: conduct and reporting (May 2019), Herbert R Thomas confirms that the financial viability assessment referred to in this letter has been undertaken impartially, in an objective way and without interference, taking into account all relevant and available sources of information.

The financial viability assessment has relied on market-based, rather than client-specific, evidence wherever possible/available and in accordance with best practice.

Planning Policy Wales (PPW 10/11) directs that “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, landowner/developers must carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites.”

The process of making a financial viability assessment for a development proposal involves deducting all estimated costs for that development from the total estimated gross revenue (usually known as the scheme’s Gross Development Value, or “GDV”).

As stated in the Development Plans Manual, “development can be considered viable if, after taking account of all known costs including:

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[cardiff@hrt.uk.com](mailto:cardiff@hrt.uk.com)

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59 High Street,  
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01446 772911  
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01656 660036  
[bridgend@hrt.uk.com](mailto:bridgend@hrt.uk.com)

○ **Neath Office**

33 Alfred Street,  
Neath, SA11 1EH

01639 639541  
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**hrt** Est. 1926



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”.

It is necessary to understand the limitations of any financial viability assessment undertaken at this early stage in the candidate site process. Whilst it is important to establish that a potential development site is likely to be financially viable before that site is allocated for development in an LDP; the extent and reliability of information connected with site-specific works and costs is usually of a preliminary nature at this stage.

It must be stressed that the assessments included herein are headline in nature, and that further discussions at the appropriate time with VoGC and the planning applicant would be welcomed.

### **Background to the Instruction**

We were initially approached by Robert Lankshear at VoGC to provide a fee quote to undertake “an appraisal of development viability for an outline residential development of circa 250 dwellings and full application for new highway infrastructure”.

Subsequently, our instructions changed and we were required to liaise directly with the planning applicant, confirmed as being Mr Gareth Davies and Mr Phil Worthing, rather than the local authority.

Upon confirmation of our instruction, TC Consult were instructed to initiate a cost checking exercise, to ensure that the indicative costs for the proposed scheme were fair and reasonable. Of principal concern to our preparation of the DVMs was the proposed cost of replacing the Leckwith Road bridge and the associated highways works.

The TC Consult Cost Estimate Assessment was finalised and sent to us on Monday 22<sup>nd</sup> May 2023. Only upon receipt of that document were we able to commence the construction of the Burrows-Hutchinson Limited Development Viability Model (DVM), for the proposed scheme.

The planning applicants have previously submitted a DVM to the local authority proposing an affordable housing contribution of c. 10%, below the policy compliant provision of 40%. That DVM was prepared by Peter Thomas Consulting Ltd on 30<sup>th</sup> September 2022.

It was asserted by them that this lower contribution to affordable

housing was a fair deduction, due to the costs of providing a replacement for Leckwith Bridge.

### **Existing Site**

The subject site is situated alongside the River Ely on the boundary between the Vale of Glamorgan and Cardiff Councils. It is currently occupied by a number of commercial buildings and light industrial buildings.

To the south and west of the site are areas of woodland including a Site of Importance for Nature Conservation and the Ely Valley and Ridge Slopes Special Landscape Area (SLA).

The site is concealed in part by dense tree cover and also in part because the A4232 flyover runs along the site across the river.

The development site is currently only accessible via the Leckwith Old' Bridge which is designated as a Scheduled Ancient Monument and is Grade II Listed. Given the current use of the site for commercial/light industrial activity, many of the movements over the bridge are by vans or HGV's.

Alongside the listed bridge, is the Leckwith Road river bridge and viaduct which connects the Vale of Glamorgan to Cardiff and which is a busy thoroughfare into/out of Cardiff city centre.

Photographs of the site are included at Appendix 1.

### **Proposed Scheme**

It is proposed that the site will be redeveloped to provide a new residential scheme that will see the removal of the existing commercial/light industrial buildings and in their place will provide a residential scheme of up to 228 dwellings, of varying types including houses, duplexes and apartments.

In addition, the proposed scheme will deliver a new road to replace the part of the B4267 that runs through the site, to include a replacement bridge and associated highways improvements.

Our understanding of the proposed accommodation that will be provided by the development is set out on the layout plan ref 1822/s.102 included at Appendix 2.

### **Ownership**

We have undertaken a brief search of Land Registry and note that the area forming the proposed development site currently falls within a

number of different Land Registry titles.

We have not examined these titles further and our viability appraisals have been compiled on the assumption that there would not be an onerous cost implication or undue delay in obtaining the necessary ownership of the various titles to bring the proposed scheme forward.

We would further note that, as shown in the photographs at Appendix 1, the subject site is currently in use as an industrial estate with numerous commercial buildings and former dwelling houses situated on both the North and South Plateaus. Our appraisals have been compiled on the assumption that vacant possession of all of these buildings can be delivered.

### **Market Commentary**

The results of the April 2023 RICS UK Residential Survey remain indicative of a market struggling for momentum, with higher borrowing costs and a cautious economic outlook still the main challenges. Having said that, most of the survey's indicators have edged up at least somewhat from the lows hit towards the end of last year, while twelve-month expectations continue to signal a more stable backdrop coming through further ahead.

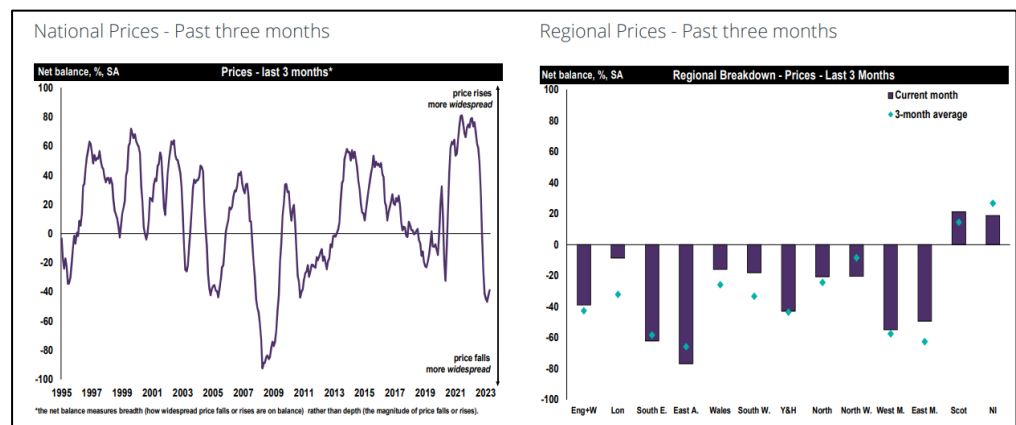
Starting with new buyer demand, the headline net balance came in at -37% in April, down from a reading of -30% in each of the last two reports when captured on a seasonally adjusted basis. Even so, the latest return, while being consistent with a renewed drop in buyer enquiries, is not quite as downbeat as the figure of -43% posted back in January. When disaggregated, virtually all parts of the UK recorded either a negative or flat trend in home buyer demand, with the exception of Northern Ireland (where a marginal rise was reported).

Alongside this, the agreed sales indicator returned a net balance of -19% in April, up modestly from a figure of -30% last month. In fact, this represents the least negative reading since July 2022, albeit the latest result remains subdued on a longer term historical comparison. Going forward, near-term sales expectations are still in negative territory, but have turned progressively less downcast in each of the last four months (moving from a net balance of -52% in December 2022 to stand at -20% this time around). Furthermore, on a twelve month view, expectations are pointing to a largely stable trend in sales activity emerging.

Although most sales market metrics have turned somewhat less negative over the past couple of months, the average sales time (from listing to completion) has continued to lengthen. Indeed, respondents report that sales are now taking close to 20 weeks to finalise at the

national level, up from nearer to 17 weeks this time last year. With respect to supply, respondents cited a generally flat picture for new instructions coming onto the market during April.

The latest feedback on house prices remains in negative territory at the headline level, posting a net balance of -39% in April. That said, the current reading for this indicator is marginally less negative compared to net balances of -43% and -47% seen in March and February respectively. Disaggregating the data shows some interesting variations at a regional level.



Looking more specifically at the Welsh housing market, the Principality Building Society House Price Index Wales, Q1 2023 notes that *“The average price of a home in Wales has fallen from a record high of just over £249,000 in Q4 2022 to just over £245,000 in Q1 2023. Quarterly prices decreased by 1.6% in Q1 – the first dip since the Covid pandemic – and this dragged annual price growth down to 5%, around half the rate of three months earlier.”*

Transaction levels were hit significantly following last Autumn’s mini-Budget, and by the resulting increase in mortgage rates. Activity in Q1 was the weakest since the pandemic, with sales down 17% year on year and 26% quarterly.

Shaun Middleton, Head of Distribution at Principality Building Society is quoted in the report as saying *“Much like the rest of the UK, housing market conditions in Wales are more subdued than in previous quarters. We are at a point in the housing market cycle where wider economic factors are weighing more heavily on, and affecting the existing underlying demand for homes. Future prices will be determined by key variables such as; the movement of interest rates, inflation, and cost of living burden. The radical shift in mortgage rates over the last year cannot be disregarded, moving from a decade at*

*around 2% to closer to 5% in the space of 12 months."*

According to property listings website Rightmove, properties around Leckwith Road had an overall average price of £244,459 over the last year. The majority of sales around Leckwith Road during the last year were terraced properties, selling for an average price of £264,885. Flats sold for an average of £153,092, with semi-detached properties fetching £292,271. Overall, sold prices around Leckwith Road over the last year were 10% up on the previous year and 15% up on the 2020 peak of £213,156.

### **Gross Development Value**

With regards the Gross Development Value (GDV) for the open market dwellings at the subject scheme, we have examined market evidence of other sales at new build residential schemes in reasonable proximity to the subject site.

We note that previous iterations of the planning applicant's viability models targeted a blanket GDV capital value of c. £375/ft<sup>2</sup> for all types of open market dwellings.

We are of the opinion that this could be increased slightly and we have adopted GDV capital values of between £378 /ft<sup>2</sup> and £395 /ft<sup>2</sup> when constructing our DVMs.

### **Costs**

As noted herein, we have been provided with two documents outlining cost estimates for the proposed scheme. These are;

- Order of Cost Estimate prepared by Gleeds – July 2022
- Cost Estimate Assessment prepared by TC Consult – May 2023

These two documents form the basis of the costs included within the DVMs. Initially, our main area of concern in relation to the proposed scheme was the cost of providing a replacement bridge.

Both cost documents provide estimated costs for these works that are within small tolerances of each other. This allows us to include the costs of the replacement bridge and highways works within our DVMs and robustly test them, with confidence that the figures used are reliable as at the date of the respective reports.

There is, however, a discrepancy between the two cost estimates regarding the proposed development cost for the proposed scheme.

TC Consult have raised a concern regarding the proposed development costs. The Gleeds Order of Cost Estimate proposed a

development cost of £36,590,000, which TC Consult claim is “significantly lower” than their own benchmarking and as a result have recommended adding c. £9m to the overall development cost, raising it to a sum of £45,929,052.

When the gross sum of £45,929,052 is inserted into cell D10 on the “Resi 1” tab of the DVM model, it reflects a figure of over £2,100 per sq m.

We would comment that this is a notably higher rate/m<sup>2</sup> than the recommended sums from either BCIS or the planning applicant’s previous cost exercise prepared by Gleeds. It is also considerably higher than indicative prices on BCIS or other schemes with which we have had involvement.

Both Gleeds and TC Consult are companies of long standing and of good repute, with experience of costing such schemes. Herbert R Thomas are not qualified to decide which cost estimate is accurate nor do we have sufficient experience or skills to provide an opinion on what the correct development cost should be.

Because there is such a large difference between the estimated cost to develop the site, and in order to be as thorough as possible, we have provided additional DVMs to demonstrate the impact that the two cost estimates have on the viability of the scheme.

### **Viability Appraisals**

In order to appropriately assess the proposed scheme, we have undertaken three high-level viability appraisals using the Burrows-Hutchinson Limited Development Viability Model (DVM).

In order to expand this point, our three DVMs are based upon different assumptions, set out below;

- 1) **The First DVM**, assumes a Policy compliant level of Affordable Housing (40%, with a ratio of 70% social rented tenure and 30% intermediate tenure) and adopts the higher proposed development costs provided by TC Consult. In this DVM we have utilised our own opinion of GDV. Because of the way that the DVM is formatted, we have had to utilise the pre-set house types in order to raise SDT Codes. These SDT Coded house types for affordable dwellings also have pre-set gross internal areas, which differ from the proposed scheme. We have applied £3,000 per dwelling for SUDS and a further £3,000 per dwelling for Part L. The DVM includes a pre-set 15% cost for External Site Costs which deducts an additional £6,889,358. For the avoidance of doubt we have not altered this pre-set factor.

Adopting these inputs shows an unviable, loss making scheme. This is entirely expected. The additional costs levied against the subject scheme in order to provide a new bridge and highways improvements, are too great to allow other policy compliant contributions to be made and still return a profitable, deliverable scheme.

- 2) **The Second DVM**, is configured to reflect an affordable housing contribution of 10% affordable housing (adopting a ratio of 70% social rented tenure and 30% intermediate tenure). The DVM uses the higher proposed development costs provided by TC Consult. In this DVM we have utilised our own opinion of GDV. Because of the way that the DVM is formatted, we have had to utilise the pre-set house types in order to raise SDT Codes. These SDT Coded house types for affordable dwellings also have pre-set gross internal areas, which differ from the proposed scheme. We have applied £3,000 per dwelling for SUDS and a further £3,000 per dwelling for Part L. The DVM includes a pre-set 15% cost for External Site Costs which deducts an additional £6,889,358. For the avoidance of doubt we have not altered this pre-set factor.

Adopting these inputs shows a profitable scheme, although the level of profit is 7.7% which is below the threshold likely to allow a scheme to be deliverable. To reiterate, this Second DVM utilises the development costs put forward by TC Consult which are some £8,979,052 higher than the costs prepared by the planning applicant and Gleeds.

Because of the wide discrepancy in costs, we set out a third DVM below.

- 3) **The Third DVM**, is configured to reflect an affordable housing contribution of 10% affordable housing (adopting a ratio of 70% social rented tenure and 30% intermediate tenure). The DVM uses the original proposed development costs as set out in the DVM prepared by Peter Thomas Consulting in September 2022, of £1,758 / m<sup>2</sup> reflecting a gross of £38,343,738. This gross sum falls between the sums set out by Gleeds and TC Consult.

In this DVM we have utilised our own opinion of GDV. Because of the way that the DVM is formatted, we have had to utilise the pre-set house types in order to raise SDT Codes. These SDT Coded house types for affordable dwellings also have pre-set gross internal areas, which differ from the proposed scheme.



We have applied £3,000 per dwelling for SUDS and a further £3,000 per dwelling for Part L. The DVM includes a pre-set 15% cost for External Site Costs which deducts an additional £6,889,358. For the avoidance of doubt we have not altered this pre-set factor.

Adopting these inputs, the Third DVM shows a viable, profitable and deliverable scheme with a profit of 19.6%. The scheme would provide 10% affordable housing and would see the replacement bridge and highways works.

All DVM's are based on delivery of a 228 unit residential scheme comprising a mixture of 2 and 3 bedroom flats and duplexes, and 3 and 4 bedroom houses. Our understanding of the proposed scheme is derived from the layout plan attached at Appendix 2.

All of our DVMs have retained the pre-set, default percentages, deductions and costs that are included within the default Burrows-Hutchinson Limited Development Viability Model.

We have included open market house types and sizes as described in the plans for the proposed scheme, however when factoring in any affordable housing, the model has forced us to use pre-set house types reliant upon SDT Codes. These SDT Coded house types for affordable dwellings also have pre-set gross internal areas. As a result, there is some discrepancy between the gross areas across the DVMs. However this cannot be avoided.

### **Conclusion**

It is clear from the three DVMs appended to this letter that, if a policy compliant 40% provision of affordable housing is demanded at the proposed scheme, in addition to the replacement of Leckwith Bridge and the associated highways improvements, then the proposed scheme is not financially viable and would not be deliverable.

The Cost Estimate which was provided to us by TC Consult confirms that the estimated cost of the replacement bridge and highways works that had previously been submitted by the planning applicant are fair and reasonable.

There is a wide discrepancy between the proposed development costs put forward by Gleeds and TC Consult in their respective reports. We have noted this elsewhere in this letter, but it is worth repeating, that both Gleeds and TC Consult are companies of long standing and of good repute, with experience of costing such schemes.

Herbert R Thomas are not qualified to decide which cost estimate is accurate nor do we have sufficient experience or skills to provide an opinion on what the correct development cost should be.

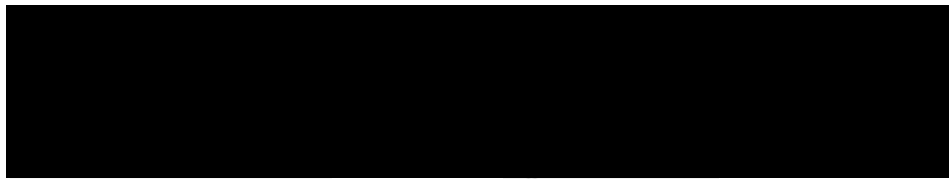
The Second DVM illustrates that by reducing the affordable housing contribution to 10%, but adopting the proposed development costs put forward by TC Consult, the proposed scheme is profitable but not at a level sufficient to deem it viable.

The Third DVM, which utilises the development costs put forward by the planning applicant as part of their prior viability work and which are supported by the Gleeds Order of Cost Estimate, demonstrates that if a reduced affordable housing contribution of 10% is permitted, then a **deliverable, financially viable and profitable scheme** could be produced, which would also provide a replacement bridge at Leckwith Road and improvements to the surrounding highways.

Whilst the discrepancy between the proposed development costs remains so wide, it is impossible to draw any further conclusions at this stage.

A more detailed viability appraisal can be undertaken in due course as the scheme proposals are further developed and a consensus around the proposed build costs becomes available.

Yours faithfully,



Matthew Wright, LL.B, MSc (Surv) MRICS,  
Director, Chartered Surveyor and  
RICS Registered Valuer  
For and on behalf of Herbert R. Thomas

James Mordecai, BSc, MRICS  
Director, Chartered Surveyor and  
RICS Registered Valuer  
For and on behalf of Herbert R Thomas

Appendix 1: Photographs  
Appendix 2 Site Layout Plan  
Appendix 3 Letter of Instruction



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## Appendix 1: Photographs



Existing Leckwith Quay Bridge to remain



Existing Leckwith Quay Bridge to remain



Existing Buildings & Uses on South Plateau



Existing Buildings & Uses on South Plateau



Existing Buildings & Uses on South Plateau



Existing Buildings & Uses on North Plateau



Existing Buildings & Uses on North Plateau



Existing Buildings & Uses on North Plateau



Leckwith Road / Leckwith Bridge

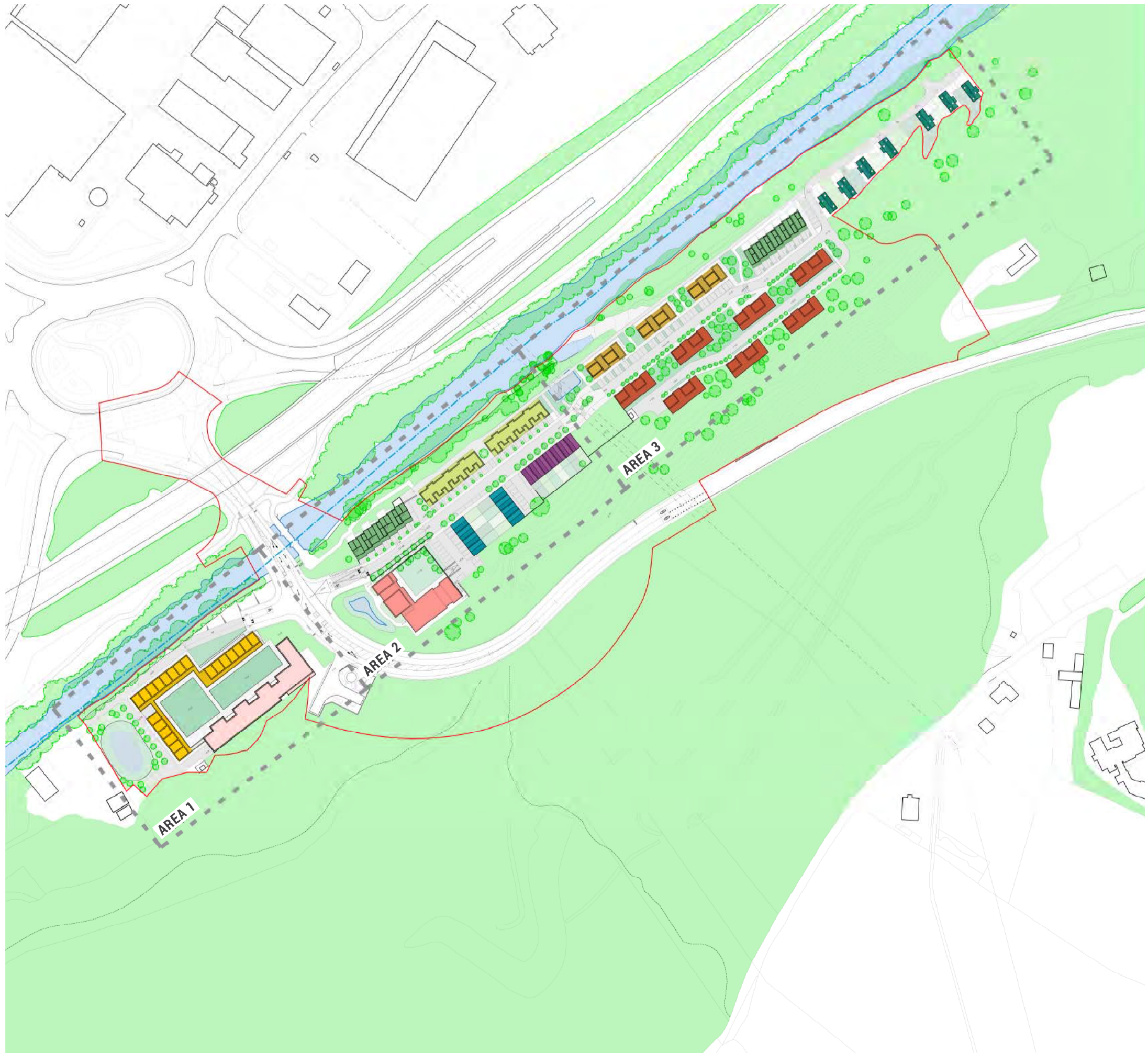


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## Appendix 2 Site Layout Plan

# PROPOSED MASTERPLAN

1:2500



**BLOCK A**  
50no. 2B 4P apartments.  
Dwelling size average: 70m<sup>2</sup>



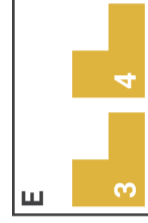
**BLOCK B**  
19no. 3B 5P houses (House Type B)  
Dwelling size average: 116m<sup>2</sup>  
18no. 2B 4P apartments (Duplex Apt Type 7)  
Dwelling size average: 73m<sup>2</sup>



**BLOCK C**  
31no. 2B 4P apartments.  
Dwelling size average: 70m<sup>2</sup>



**BLOCK D**  
28no. 2B 4P Duplex Dwellings  
(Duplex Apt Types 1 + 2)  
Dwelling size average: 94m<sup>2</sup>



**BLOCK E**  
18no. 3B 5P Duplex Dwellings  
(Duplex Apt Types 3 + 4)  
Dwelling size average: 113m<sup>2</sup>



**BLOCK F**  
14no. 2B 4P apartments  
(Duplex Apt Type 5)  
Dwelling size average: 81m<sup>2</sup>  
14no. 3B 5P Duplex Dwellings  
(Duplex Apt Type 6)  
Dwelling size average: 118m<sup>2</sup>



**HOUSE TYPE A**  
7no. 3B 5P houses  
Dwelling size average: 125m<sup>2</sup>



**HOUSE TYPE C**  
8no. 3B 5P houses  
Dwelling size average: 96m<sup>2</sup>



**HOUSE TYPE D**  
7no. 4B 7P houses  
Dwelling size average: 165m<sup>2</sup>



**HOUSE TYPE E**  
14no. 3B 5P houses  
Dwelling size average: 178m<sup>2</sup>

**DWELLING MIX:**

Apartments	95
Duplex Dwellings	78
Houses	55

**TOTAL**      **228**



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## Appendix 3 Letter of Instruction



*Important  
details*

HRT Ref	Date	Contact
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Your Ref		

**hrt**  
herbert r thomas

incorporating  
**rawlins  
& madley**

*Professional,  
but personal*

Attn: Mr Phil Worthing  
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By email only: [phil.worthing@tiscali.co.uk](mailto:phil.worthing@tiscali.co.uk)

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[neath@hrt.uk.com](mailto:neath@hrt.uk.com)

**hrt** Est. 1926

Dear Mr Worthing,

**RE: Independent Financial Viability Appraisal  
Land at Leckwith Quays, Vale of Glamorgan**

Thank you for our recent instructions to conduct an Independent Financial Viability Appraisal (the Appraisal) in respect of the above site.

We confirm that the Appraisal will be prepared in accordance with RICS Professional Statement entitled Financial Viability in Planning; Conduct and Reporting (May 2019) and the RICS Practice Statement and Guidance Note for Surveyors acting as Expert Witnesses for the purpose of a Viability Submission to the Vale of Glamorgan County Council Planning Authority as part of the Planning Application.

We confirm that the Appraisal will be undertaken impartially, in an objective way and without interference, taking into account all relevant and available sources of information. The appraisal will rely on market based, rather than client-specific, information wherever possible/available, in accordance with best practice.

It is further confirmed that the fees payable for this work, whilst borne by you as the site applicant, are not performance-related or in any way contingent on the outcome of the Appraisal or on the conclusions reached.

In order to prepare the Development Viability Model (DVM) using the Burrows-Hutchinson Model we would require the following:

- Full Development & Abnormal Build Costs (to be reviewed and provided by TC Consult);
- Affordable Housing percentage and tenure;
- S.106 Costs;
- Full proposed development plans/drawings and schedule of dwellings;
- An open and macro enabled copy of Burrows-Hutchinson DVM.



We confirm that the Viability Appraisal will be the responsibility of James Mordecai MRICS and Matthew Wright, LL.B, MSc (Surv) MRICS; both of whom are RICS Registered Valuers and Surveyors acting as Expert Witnesses

We also confirm that James Mordecai and Matthew Wright have the knowledge, skills and understanding to undertake the Viability Appraisal competently.

The purpose for which this valuation is required is governed by the RICS Valuation – Professional Standards.

Our fee for undertaking this work will be £4,500 plus VAT which is payable by you and would include all initial discussions with the client and professional team. Our time spent (if required) with all follow up work post issuing of the Appraisal would be charged at an hourly rate of £250 plus VAT.

As discussed, we agree to instruct TC Consult as a sub-consultant based on Paul Tambini's fee quote email (dated 05/04/2023 10:38).

We will require full funds to be deposited into our client account at the outset of our instruction and these will be drawn upon to settle our fee account prior to the issuing of our Appraisal. We therefore enclosed our pro forma Invoice with payment details as requested.

In the event that our instruction is ended for any reason before we deliver our final Appraisal, we would seek to charge a fair and reasonable fee based on the amount of work undertaken.

Subject to written confirmation by return that our Terms of Engagement are agreed, we will endeavour to supply you with our Viability Appraisal as soon as possible and we anticipate 10 working days from receipt of the TC Consult outputs. For the avoidance of doubt, the outputs from TC Consult are integral to building the DVM and will be required in advance to complete our Appraisal.

Until such time as we receive the signed letter, these terms apply to the provision of our services.


The date of the Appraisal will be the date of the report unless otherwise stated. The report will be addressed to you and is for your use only. We particularly draw your attention to the comment in our Standard Terms about our liability to third parties and publication.

You are advised that compliance with the Professional Standards may be investigated by RICS for the purpose of the administration of the Institution's conduct and disciplinary regulations.

We confirm that, to the best of our knowledge and belief, we have had no material involvement with the subject property or yourselves. We are, therefore, not aware of any current conflicts of interest and have no current or recent fee earning relationship with the property, yourselves or any other party connected with this matter.

We believe that we have fully set out your requirement but if we have omitted any matter, please let us know.

Yours sincerely,



**James Mordecai, BSc (Hons) MRICS  
Director, Chartered Surveyor and  
RICS Registered Valuer RICS No. 1205139  
For and on behalf of Herbert R. Thomas**

Encs:

We agree to the terms as set out in this letter and the standard terms of business attached.

Signed..........

Name.....Gareth Davies on behalf of Phil Worthing

Dated ..... 12/04/2023.....