



Parc Busnes Porth Cymru

**Airport Business Park, Port Road, Cardiff Wales
Airport, Rhoose**

May 2020

Contents

1.	Introduction and Terms of Reference.....	3
2.	The Property.....	4
3.	Proposed Development.....	6
4.	Viability Review.....	7
5.	Conclusions.....	14
Appendix 1	RPS Cost Plan Summary of Costs	
Appendix 2	Argus Developer Appraisal (without interest charges)	
Appendix 3	Argus Developer Appraisal (with interest charges)	

Prepared By: D S Gibbon FRICS

Date: May 2020

For and on behalf of Avison Young (UK) Limited

1. Introduction and Terms of Reference

Background

- 1.1 Avison Young is instructed by the Vale of Glamorgan Council to undertake a viability review of the proposed redevelopment of Model Farm, Port Road, Rhoose (adjacent to Cardiff Wales Airport) currently owned by Legal & General.
- 1.2 Legal & General submitted a planning application (2019/00871/OUT) for the demolition of the existing buildings and the development of a 44.79 ha Class B1, B2, B8 business park including car parking, landscaping, drainage infrastructure, biodiversity provision and ancillary works. All matters are reserved aside from access. Our viability appraisal is required in order to establish what level of Section 106 financial contributions are appropriate in connection with the proposed development.
- 1.3 We have been provided with a copy of a cost plan report dated 3 October 2019 prepared by RPS and RPS's delivery report dated 4 October 2019. The viability report contained within the delivery report was prepared by Sutton Consulting. We have recently held meetings with Chris Sutton and have been provided with a Schedule of Assumptions and evidence used in the viability appraisal.

Confidentiality

- 1.4 This report has been prepared for the Vale of Glamorgan Council. It provides a viability review of the proposed development and contains detailed cost information and analysis. All the information contained within this report must be treated in strict confidence and is provided to the person who is directly involved in reviewing the information on behalf of the Council for planning purposes.

Impartiality

- 1.5 In undertaking this viability review Avison Young has acted impartially and with objectivity. We have referenced all appropriate available sources of information including a viability appraisal and cost analysis prepared by RPS/Sutton Consulting on behalf of L & G.

Conflicts of Interest

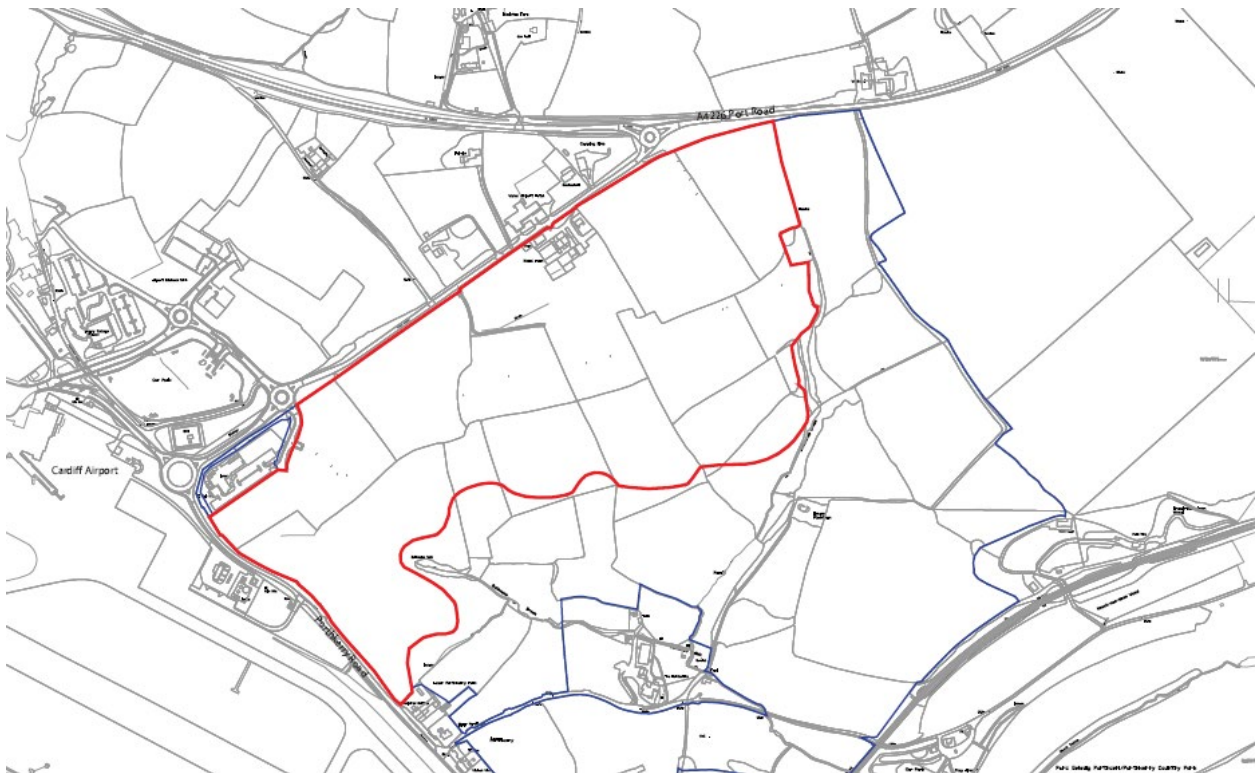
- 1.6 We are not aware of any conflict of interest that would prevent us from providing impartial advice in this matter.

Contingencies

- 1.7 In preparing this report on behalf of the Council we confirm that no performance or contingent fees have been agreed.

2. The Property

- 2.1 Legal & General (Strategic Land) Limited own a significant parcel of land with a gross area of circa 269 acres (108.9 ha) adjacent to Cardiff Airport, Rhoose. A planning application was submitted in August 2019 to develop circa 110 acres (44.79 ha) for the creation of a business park, offering up to 1.7m sq ft of Class B1, B2, B8 uses.
- 2.2 The site is located within the Cardiff Capital Region and within the Gateway Development Zone of the St Athan/Cardiff Airport Enterprise Zone. The Enterprise Zone has been designated for aerospace and defence related investment. The site is also allocated within the Vale of Glamorgan Local Development Plan for employment uses.
- 2.3 The property comprises predominantly open agricultural land to the east of Cardiff Airport. The property is bounded to the north by Port Road and to the south and east by Porthkerry Country Park.
- 2.4 A plan showing L & G's site ownership (blue and red) and the planning application boundary (edged red) is shown below:



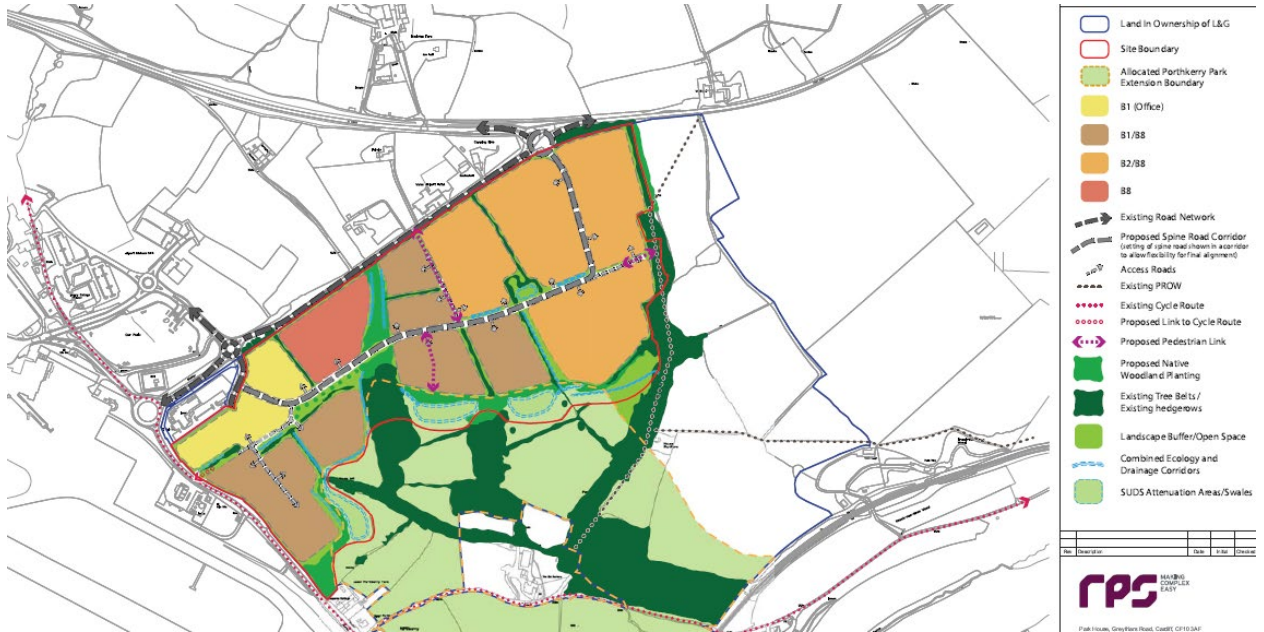
- 2.5 The subject property is located approximately 2 miles west of Barry town centre, and approximately 12 miles south west of Cardiff city centre and approximately 12 miles south of Junction 33 of the M4 motorway via Culverhouse Cross and the A4232. A number of business parks are located more conveniently for access to the M4 (e.g. at Junction 30 Cardiff Gate, Junction 32 Green Meadow Springs, Junction 28 Celtic Springs and Imperial Park and Junction 24 Langstone/Celtic Manor).

2.6 Welsh Government has recently launched a major new business park at Brotathan (the former St Athan airbase and army camp). Brotathan has a ready to use commercial airfield on site and is accessed via the recently constructed £15m Northern Access Road. The site has already attracted Aston Martin who is currently manufacturing its new SUV at the plant.

- Y Porth is the gateway to the park and has the capacity to deliver 200,000 sq ft of office, hotel, retail and showroom type uses.
- Brotathan West is to be developed to suit businesses requiring air-side access. A planning application has recently been submitted to deliver 400,000 sq ft adjacent to the Aston Martin plant.
- Brotathan East has the capability of developing over 2,000,000 sq ft of floor space. A planning application is to be developed shortly.
- Brotathan South is currently home to Bristow Helicopters and the National Police Air Service. A variety of development opportunities exist for similar operations.
- Further significant development opportunities exist at Brotathan North.

3. Proposed Development

3.1 L & G has submitted an outline planning application for the demolition of the existing buildings, the development of a 110 acre (44.79 ha) business park capable of accommodation 1,700,000 sq ft of business space. The net developable area is estimated to be 77 acres (31.2 ha). A copy of the masterplan is shown below:



4. Viability Review

Scale of Development and Take-up

- 4.1 The RPS/Sutton Consulting report appraises a development of 480,000 sq ft GIA of B1, B2, B8 uses within Phase 1 of the development over an eight year period. The appraisal assumes an annual take-up of 50,000 sq ft GIA of manufacturing/warehouse space per annum and a take-up of 8,500 sq ft NIA of office space per annum. The report also assumes the disposal of 6 acres (5 acres B1, B2, B8 and 1 acre of frontage land) per annum of serviced land in the first two years falling to 4 acres (3 acres B1, B2, B8 and 1 acre of frontage land) per annum for the remaining six years.
- 4.2 A density of 17,500 sq ft per acre results in a total development of circa 146,000 sq ft of commercial development (plus 1 acre of roadside development) per annum for the first two years, falling to 111,000 sq ft of commercial development (plus 1 acre of roadside development) for the remaining six years.
- 4.3 We think it unlikely that this level of demand exists in this location. We are of the opinion that the take up rate proposed is unachievable as evidenced below. Competition from existing business parks and the recently launched Brotathan Development will undoubtedly have a detrimental impact on take-up.
- 4.4 Celfic Business Park at Llanwern in Newport was purchased in 2005 by St Modwen and has capacity to accommodate up to 1.3 m sq ft of commercial space on 100 acres. There have been two lettings over the last 5 years – Amazon took a new 48,500 sq ft unit in 2016 (construction commenced in 2015) and CAF opened their new 165,000 sq ft train manufacturing facility in February 2020. St Modwen are now speculatively building a further 130,000 sq ft. The site offers rail access, Grant Funding and is located within 2 miles of the M4. Average take-up equates to 43,000 sq ft per annum over the last 5 years.
- 4.5 Gwent Europark is located just 1 mile from J23 of the M4 at Magor with over 1.8m sq ft of distribution floorspace built or committed to out of a total 2.6m sq ft consented on 200 acres. The site has been marketed since 1995 and is occupied by Tesco (650,000 sq ft over 2 units) and Wilkinson (850,000 sq ft). Planning permission was granted for Lidl (323,500 sq ft) but this has not been taken forward. The lettings to Tesco and Wilkinson were completed prior to 2000. More recently a 47 acre parcel of land was acquired by Stud Welders in November 2018.
- 4.6 Llantarnam Industrial Estate in Cwmbran is a major Business Park on the southern outskirts of Cwmbran with good access to the M4. Industrial lettings / sales totalling circa 385,000 sq ft have been recorded over the last 8 years, an average take-up of 48,250 sq ft per annum. All transactions have been on existing buildings with no new development carried out over this period.
- 4.7 Vale Business Park is a small industrial estate on the outskirts of Cowbridge in the Vale of Glamorgan. Industrial lettings totalling circa 29,000 sq ft have been recorded over the last 8 years, an average take-up of 3,625 sq ft per annum. All transactions have been on existing buildings with no new development carried out.
- 4.8 Bocam Park is located to the south of J35 of the M4. There have been a total of 6 office lettings in 2018 and 2019 totalling 30,000 sq ft, an average take-up of 15,000 sq ft per annum over this period. The average take-

up figures reduce if taken over a longer time period. Again, all transactions have been on existing buildings which date from the 1990s.

- 4.9 Pencoed Technology Park (to the north of J 35) is home to Sony Technology. The last letting on the estate was in 2009 to Invacare (37,000 sq ft). The only recent activity on this estate was the development of a new 80,000 sq ft office developed by South Wales Police in 2016.
- 4.10 The most recent major activity in the area relates to the purchase of 14 acres adjacent to the Ford plant in Bridgend by Ineos to manufacture its new 4x4 Grenadier vehicle. The unit is being developed with financial assistance from Welsh Government and will provide a brand new 250,000 sq ft facility scheduled to open in 2021.
- 4.11 NHS Wales are shortly due to commit to 46,600 sq ft of offices /research space at The Maynard Centre, Coryton (Junction 32 of M4).
- 4.12 In conclusion, annual take-up across the above major Business Park typically range from 15,000 – 50,000 sq ft per annum. Most of the above estates have excellent links to the M4 and are likely to be more attractive than the subject site for distribution occupiers who tend to occupy larger units of 50,000 sq ft plus. **We have applied an annual take-up rate at the top end of this range, which we consider to be optimistic.** In our opinion, such take up rates are in doubt and if not achieved will impact negatively on viability.

Industrial – 50,000 sq ft per annum (assuming all 65 acres are developed over a 23 year timeline)

Office – 4,000 sq ft per annum (assuming all 5 acres are developed over a 23 year timeline)

Roadside – assuming all 7 acres are developed over a 21 year timeline (ie, 1 acre every 3 years)

Rents / Yields and Disposal of serviced Development plots

- 4.13 The RPS/Sutton Consulting report references the following rents and yields:-

Use	Floor Space	Rent	Rent Free	Yield	GDV
B2, B8 Manufacturing Warehouse	400,000 sq ft	£7.50 psf Rising to £8.00 psf in Year 4	12 months	6.5%	£44,142,649
B1 Office	68,000 sq ft	£15 psf	12 months	7.5%	£12,214,656
					£57,357,305

In addition the RPS/Sutton Consulting report assumes the disposal of 36 acres of serviced land over 8 years, comprising 5 acres employment land in Year 1 and 2 at £150,000 per acre falling to 3 acres of employment land from Year 3 at £200,000 per acre, together with 1 acre of frontage land at £600,000 per acre per annum.

Total 36 acres

£9,900,000

4.14 The report shows a loss of **£6.157m** based on total costs in the order of £72.872m.

Comments on Rents and Yields - Industrial

- 4.15 Sutton Consulting have provided some evidence of comparable lettings of Industrial / warehouse space in South East Wales, which shows lettings of new build space of up to 15,000 sq ft at £8.00 psf. These are all at prime Business Park locations with excellent access to the M4. We are of the opinion that units of a similar size at the subject property are unlikely to achieve rentals at this level. We have applied **£7.00 psf** on industrial space, which, again we consider to be optimistic.
- 4.16 Road access is of paramount importance to most occupiers. The current infrastructure serving Cardiff Airport and the proposed Airport business is unlikely to support development on the scale proposed. Improvements have recently been made to Five Mile Lane (single carriageway) and there are plans for a new trunk road from Bonvilston to J34 of the M4. Following completion of this proposed link (which must be in doubt, at least in the short term) access to the motorway network will not, in our opinion, be comparable to other major UK airport business parks. Birmingham, for example, is located off J6 & 7 of the M42 and close to the National Exhibition Centre and Birmingham International railway station.
- 4.17 Demand in and around Birmingham airport is strong and probably achieves the highest industrial rents in the Midlands. Prologis speculatively developed 2 units of circa. 220,000 sqft and 75,000 sqft approx. 0.5 miles from the airport which were let at £7.50 psf and £7.75 psf respectively. These facilities serve the main Land Rover plant, which is also located close by. Smaller units have also been developed close to the airport by L&G who are quoting £8.00 - £8.50psf. This is above the general Midlands rental levels by circa £0.50 psf.
- 4.18 Welsh Government's land holding at Bro Tathan (St Athan) extends to 1,200 acres. Marketing of this development has recently commenced. Welsh Government is targeting the aerospace sector in the form of new hangarage to make use of its access to the adjoining private runway. This type of building is fairly specialist and the cost to build is significantly in excess of standard industrial / distribution warehouse units. Welsh Government is hoping to achieve rents of £7.50 per sq ft which is in line with other similar new aerospace facilities in other parts of UK. While they acknowledge difficulties in financial viability, Welsh Government are focussed on job creation. Further grant funding may be required.
- 4.19 At Bro Tathan, the marketing agents are expecting limited office demand, probably ancillary to and in support of the target industries as well as spin off/support services to major occupiers such as Aston Martin. Welsh Government is anticipating demand for office space will come at a later stage as park matures.
- 4.20 The Sutton Consulting report does not provide evidence to support the adopted yield of 6.5%. We have had regard to the following industrial transactions;

Amazon HQ, Ffordd Amazon, Swansea – Amazon's main 835,000 sq ft warehouse operation located within easy access of both Swansea and the M4. The investment sold in December 2019 for £40.9m, reflecting a Net Initial Yield of 7%. The property was built in 2008 and sits on a site of 35 acres.

Unit 1, Celtic Business Park, Queen's Way, Newport - Sold in May 2017 for £3,900,000, equating to £81 per sqft and reflecting a Net Initial Yield of 6.33%. Tilstone Investments LLP purchased the freehold interest from St Modwen Properties plc. The property extends to approximately 48,149 sqft (4,473

sqm) and is let to Amazon on a 10 year lease producing a total annual rental of circa £250,000, equating to a rental of £5.20 per sq ft.

Yields of 6.0 – 6.5% have been achieved on industrial stock in Cardiff. These tend to be smaller multi-let schemes in established locations with good access. We have applied a yield of **6.75%** in respect of this appraisal.

Comments on Rents & Yields – Offices

- 4.21 The Sutton Consulting appraisal assumes an office development of 8,500 sq ft NIA per annum over the 8 year period. We are of the opinion that demand for office space in this location is likely to be limited to ancillary / support businesses to the industrial units / Airport uses. The poor road access and lack of amenities for staff are the main reasons for the lack of tenant demand. The office market in the Vale of Glamorgan is limited. Ty Verlon in Barry offers serviced office space to smaller businesses. The Goods shed development at Barry Waterfront is due to be completed this year. Shipping container style accommodation will be made available on flexible terms.
- 4.22 The Sutton Consulting report provides no comparable evidence of office transactions to support the rent of £15 per sq ft. The report states that rents for second hand stock in Cardiff now stands at £10 – 15 per sq ft. The report assumes the top end of this range for new-built accommodation could be achieved. Rents at Cardiff Gate Business park (J32 of M4) and Greenmeadow Springs are currently £12 – 15 per sq ft. Cardiff Gate and Greenmeadow Springs are circa 20 years old.
- 4.23 We are in agreement with the figure adopted in the Sutton Consulting report and have applied a rent of **£15 psf** to reflect a premium for new stock.
- 4.24 The Sutton Consulting report applies a yield of 7.75% (assuming a 12 month rent-free period at lease commencement) but has provided no transactional evidence to support this yield rate. Office investment yields have levelled off recently, partly due to a lack of stock. Prime Cardiff city centre yields remain at circa 5.5 – 5.75%.
- 4.25 We have had regard to the following transactions;

Imperial House, Newport – Detached unit of 22,875 sq ft let to Go Compare on a lease to . Property sold in March 2019 for £4.66m, reflecting a Net Initial Yield of 8.06% and a capital value of £204 per sq ft. The property was originally constructed in 1990 but substantially refurbished in 2016

Cedar House, Cardiff Gate Business Park, Cardiff – Detached 3 storey unit built in 1997 of 3,504 sq ft was sold in November 2019 for £575,000, equating to £164 per sq ft.

Leslie Court, Lon-y-Llyn, Caerphilly – detached 2 storey office building built in the early 1990s and measuring 4,644 sq ft was sold in April 2018 for £685,000, a 7.28% yield and reflecting £148 per sq ft.

Unit 10 Village Way, Greenmeadow Springs Business Park, Coryton, Cardiff – Detached, modern 2 storey office building of 4,090 sq ft sold with vacant possession in January 2018 for £575,000, reflecting £140 per sq ft.

- 4.26 We are in agreement with the yield adopted by Sutton Consulting and have applied a rate of **7.75%** on the office element.

Comment on Serviced Plots sales- Land values

- 4.27 Sutton Consulting have quoted serviced employment land sales at Celtic Business Park, Newport at £225,000 per acre, Imperial Park, Newport at £175,000 per acre and Pencoed at £150,000 per acre.
- 4.28 Our residual calculations support a serviced land value for the industrial / office element of the proposed scheme to be in the order of £170,000 per acre.
- 4.29 With regards to frontage / roadside uses such as hotel, restaurant, leisure, Sutton Consulting has applied £600,000 per acre based on the sale of a site to Holiday Inn Express adjacent to the Airport for £350,000 per acre in 2006.
- 4.30 The Premier Inn in Barry was sold for circa £500,000 per acre in 2013/14 and drive-thrus also typically achieve £500,000 per acre in South Wales, on the assumption there is significant passing traffic and within close proximity to a large resident population. Avison Young are currently promoting a 0.8 acre site in Brynmawr to food operators, seeking offers of £500,000 (£628,000 per acre) and a site in Cross Hands, Carmarthenshire sold to KFC in 2016 for £440,000 (£733,000 per acre) – both sites are significantly more prominent than the subject site.
- 4.31 We have therefore valued frontage sites at **£500,000 per acre**, which we consider optimistic and based on a total of 7 No parcels of 1 acre each being sold every 3 years.

Development Costs

- 4.32 The RPS/Sutton Consulting Report assumes a site servicing and groundwork cost of £15m and a cost of £6m in relation to the cost of constructing the on-site roads.

The landowner has engaged the services of RPS, who have provided a Schedule of remediation/Abnormals and Site Infrastructure Works. These are summarised in Appendix 1.

- 4.33 The Sutton Consulting appraisal includes an overall Abnormal / Site Infrastructure cost of £21m. We do not believe these costs include professional fees and so have therefore applied an additional 10%. This brings the total Abnormal /Site Infrastructure cost to **£23.1m**. We have adopted this figure in our Appraisal.

Further clarification on costings and supporting evidence will be sought at the earliest opportunity.

- 4.34 The RPS/Sutton Consulting report has inputted construction costs as follows:-

Industrial Accommodation	£65.00 psf GIA
Office Accommodation	£135.00 psf GIA

- 4.35 The RPS/Sutton Consultancy report adopts a 5% contingency. Professional fees have been inputted at 10%.

BCIS suggest build costs for industrial accommodation to be **£71 psf** and for office accommodation to be **£145 psf**. We have adopted these figures in our appraisal. We are in agreement with the percentage allowances for contingencies and professional fees.

A further allowance of £81,000 has been made in respect of planning fees. A £50,000 marketing budget has been provided for and letting agent and legal fees have been inputted at 10% and 5% respectively of the rental value. These appear reasonable and have been adopted in our appraisal. We have allowed for Sales Fees of 1% and Legal Fees of 0.5% on sale of the serviced sites.

Profit

- 4.36 The Sutton Consulting report shows a negative profit figure of £6,157,073 (minus 8.45% profit on cost).
- 4.37 We are of the opinion that the required profit should be shown within the appraisal. In our opinion this would demonstrate the true level of the funding gap. Having regard to the likely risks involved in this project, we think it unlikely that a developer would accept a profit on cost of less than 15%.

Finance Costs

- 4.38 The RPS/Sutton Consulting report makes no allowance for finance costs. We are of the opinion this is a significant omission. Most developers would require bank funding in order to undertake a development of this scale. We have undertaken two appraisals assuming:-
- a. No finance costs (in line with the Sutton Consulting report); and more realistically
 - b. A finance cost based on a borrowing rate of 5%.

Planning Obligations

- 4.39 RPS have summarised the planning policy setting in their Delivery Report. In particular they have highlighted Policy 32 – Cardiff Airport in the Draft National Development Framework. A key part of this policy is that any new development around the Airport should be carefully managed to ensure future expansion and change at the airport is not constrained. It is noted that Cardiff Airport have responded to the submission of the subject planning application and while broadly supportive of the development, they have reservations about the lack of train link (or reference to) through the subject site. A train link to the Airport will be an important part of the Airport's expansion plan and the lack of consideration to this point in the planning application should be carefully considered. If land is required within the subject site for a future train link, this could further affect the viability of any development.
- 4.40 RPS have also highlighted Planning Policy Wales 10 which was revised in 2018 to take account of the Well-Being of future Generations (Wales) Act 2015 and in particular the reference to airports and their potential as centres of economic activity.
- 4.41 Within the local context, the Vale of Glamorgan Local Development Plan was adopted on 28th June 2017 covering 2011 – 2026. The subject site is allocated (one of several) for the development of strategic employment land as part of the St Athan – Cardiff Airport Enterprise Zone.

4.42 Specifically regarding S106 financial contributions, the Supplementary Planning Guidance published in December 2019 for Cardiff Airport and Gateway Development Zone states that the Council is likely to seek planning obligations for development proposals within the Cardiff Airport and Gateway Development Zone covering the following:

- Sustainable Transport
- Travel Plan
- Public Open Space including Porthkerry Park Allocation & off site road improvements
- Training and Development
- Public Art

There are no formula published for calculating the extent of required financial obligations and are likely to be heavily linked to overall viability of the proposed scheme.

Sutton Consulting have concluded that there is no scope for any S106 financial contributions or any off site / on site works. Given our Viability Appraisal shows a significant financial loss, we agree with this conclusion.

Benchmark Land Value

4.43 The RPS/Sutton Consulting report assumes a land value of £8.8m without providing any evidence to support this level of value.

4.44 The residual valuations provided by both Sutton Consulting and ourselves do not support a land value at this level. Disposal of individual serviced plots at £150,000-£200,000 per acre as stated in the Sutton Consulting report are in our opinion realistic. The cost of providing the infrastructure and dealing with the site abnormalities and allowing for holding costs over time will mean the current day value (or benchmark land value) cannot be £8.8m.

4.45 Based on the above we are of the opinion that the current land value is in the order of £2.2m. We consider the current land value should be calculated on its current agricultural value (say, £10,000 per acre) plus an element of hope value to reflect its allocation for employment uses. We have therefore applied a 100% premium to the agricultural land value, resulting in an overall value of £20,000 per acre on the 110 acre site.

5. Conclusions

5.1 We have attached our appraisal at Appendix 1. In summary, our approach is to;

A) Firstly appraise the individual serviced parcels adopting the following development variables:

Industrial land (per acre)

GDV - 17,500 sq ft let at £7.00 psf = £122,500 pa

£122,500 pa @ 6.75% Yield = £1,814,815.

Overall capital value = £103.70 per sq ft

Build Cost - 17,500 sq ft @ £71 psf plus 15% fees/cont = £1,428,875

Developer's profit @ 15% of cost = £214,331

Total build cost = £1,643,206

Overall build cost = £93.90 psf

Surplus (land value) £171,500, say £170,000 per acre.

Office land (per acre)

GDV - 15,750 sq ft NIA let at £15.00 psf = £236,250 pa

£236,250 pa @ 7.75% Yield = £3,048,387

Overall capital value = £174.20 psf

Build Cost - 17,500 sq ft @ £145 psf plus 15% fees/cont = £2,918,125

Developer's Profit @ 15% of cost = £437,719

Total build cost = £3,355,844

Overall build cost = £191.76

The cost to build office space is greater than the value generated. The surplus (land value) is therefore negative. Assuming demand for office use is established it would be reasonable to assume the office developer will have to pay a price equal to industrial land value (ie, £170,000 per acre).

Summary of Sales Receipts

65 acres Industrial at £170,000 per acre = £11,050,000 (sold in 5 acre parcels)

5 acres Office at £170,000 per acre = £850,000 (sold in 1 acre parcels)

7 acres Roadside at £500,000 per acre = £3,500,000 (sold in 1 acre parcel)

TOTAL SALES RECEIPTS = **£15,400,000**

B) Secondly we have inputted the resultant serviced plot development values into an overall site appraisal.

We have assumed a take-up of 4 acres (56,000 sq ft) per annum and assumed a sale of 1 acre of roadside development land at a rate of 1 acre every 3 years. Site servicing and abnormal costs, together with finance charges have been factored into this element of the appraisal.

The site servicing and abnormal costs used in Sutton Consulting's appraisal total £21m, which include Contractors overheads and profit. We have added 10% professional fees to arrive at a total cost of £23.1m. Using RPS's report, the various inputs are listed below together with approximate costs for each (NB – most of these costs are spread evenly over the entire construction period, except where separately stated);

Site Clearance	£	331,200	
Topsoil	£	676,200	
Earthworks	£	1,794,000	
Ground Abnormals	£	27,600	
Retaining Structures	£	1,656,000	
Drainage Abnormals	£	621,000	
Utility Services Abnormals (Years 1 & 2)	£	2,600,000	
Utility Services Abnormals	£	2,713,400	
S278 Works (Years 1 & 2)	£	800,000	
S278 Works	£	800,000	
Landscaping	£	662,400	
Onsite Primary Highways (Years 1 & 2)	£	2,000,000	
Onsite Primary Highways	£	1,987,200	
Onsite Secondary Highways	£	2,484,000	
Onsite Utility Service Dist (Years 1 & 2)	£	1,325,000	
Onsite Utility Service Dist	£	1,380,000	
Stormwater Attenuation	£	1,242,000	
			£ 23,100,000
Planning Fees	£	81,000	

MARKETING & DISPOSAL FEES

Marketing	£	50,000	
Sales Agent Fee (1% of GDV)	£	154,000	
Sales Legal Fee (0.5% of GDV)	£	77,000	
			£ 281,000

Finance charges are inputted at 5%. Given the negative profit levels generated, we believe it is important to demonstrate that the inclusion of finance charges can further adversely impact the viability. The table below shows the level of gap funding required assuming a £2.2m benchmark land value (both with and without finance charges):

Land Value	Overall Loss (if no interest costs)	Overall Loss (if interest costs payable)
£2.2m (ie £20,000 per acre)	£10,405,000	£34,508,455

- 5.2 The loss is shown as £10.4 m (assuming no interest charges) and £34.5m (assuming interest is charged at 5%). These figures understate the funding gap. A Developer's Profit of 15% on Costs (land purchase costs and Infrastructure Costs) is not shown in the appraisal and will be required in order for this scheme to be delivered. This reports demonstrates that this scheme is not viable and that without Government/public sector intervention by way of gap funding it is unlikely to be delivered and will not be able to support the level of Section 106 contributions required for off-site road improvements, improvements to sustainable transport, and improvements to Porthkerry Park (as described above). There are no S106 obligations factored into this appraisal. Any additional costs will adversely affect the viability. The prospect of Government gap funding (possibly through the City Deal) will obviously improve viability. Primary infrastructure (believed to be in excess of £15m) was made available by the Welsh Government for the Bro Tathan development. We understand grant aid was also made available for the proposed Ineos development at Brocastle. Upfront public sector funding for primary infrastructure and offsite works will have a significant positive impact on the (currently negative) viability appraisal.

Appendix 1

RPS Cost Plan Nr 3A dated 3rd October 2019 – Summary of Costs

Site Abnormals

(Refer to Appendix A)

Site Clearance	£338,100	
Topsoil (Provisional)	£741,419	
Earthworks (Provisional)	£1,887,600	
Ground Abnormals	£27,500	
Retaining Structures	£1,690,146	
Drainage Abnormals	£635,885	
Utility Services Abnormals	£4,899,300	
S278 Works	£1,488,973	
Landscape Work Outside Development Plots (Provisional)	£683,456	£12,392,380

Development Infrastructure

(Refer to Appendix B)

Onsite Primary Highways	£3,739,809	
Onsite Secondary Highways	£2,588,482	
Onsite Utility Service Distribution	£2,505,206	
Stormwater Attenuation	£1,315,471	£10,148,967

Construction Cost (4Q 2019) £22,541,347

Other Costs

All Fees, Surveys & Reports
(Included in Client's Appraisal) 0% £0

£22,541,347

Less

Client Required VE (Cost TBC) £1,000,000

Total Cost (4Q 2019) £21,541,347

Cost Option (To be verified)

Optimised Earthworks With Limited Retaining Walls £1,108,542 extra cost

Appendix 2

Argus Developer Appraisal (without interest charges)

REVENUE

Sales Valuation

	Units	Unit Price	Gross Sales
Industrial land - Plot 1	1	£ 850,000	£ 850,000
Industrial land - Plot 2	1	£ 850,000	£ 850,000
Industrial land - Plot 3	1	£ 850,000	£ 850,000
Industrial land - Plot 4	1	£ 850,000	£ 850,000
Industrial land - Plot 5	1	£ 850,000	£ 850,000
Industrial land - Plot 6	1	£ 850,000	£ 850,000
Industrial land - Plot 7	1	£ 850,000	£ 850,000
Industrial land - Plot 8	1	£ 850,000	£ 850,000
Industrial land - Plot 9	1	£ 850,000	£ 850,000
Industrial land - Plot 10	1	£ 850,000	£ 850,000
Industrial land - Plot 11	1	£ 850,000	£ 850,000
Industrial land - Plot 12	1	£ 850,000	£ 850,000
Industrial land - Plot 13	1	£ 850,000	£ 850,000
Office land - Plot 1	1	£ 170,000	£ 170,000
Office land - Plot 2	1	£ 170,000	£ 170,000
Office land - Plot 3	1	£ 170,000	£ 170,000
Office land - Plot 4	1	£ 170,000	£ 170,000
Office land - Plot 5	1	£ 170,000	£ 170,000
Roadside land - Plot 1	1	£ 500,000	£ 500,000
Roadside land - Plot 2	1	£ 500,000	£ 500,000
Roadside land - Plot 3	1	£ 500,000	£ 500,000
Roadside land - Plot 4	1	£ 500,000	£ 500,000
Roadside land - Plot 5	1	£ 500,000	£ 500,000
Roadside land - Plot 6	1	£ 500,000	£ 500,000
Roadside land - Plot 7	1	£ 500,000	£ 500,000
Totals	25		£ 15,400,000

NET REALISATION

£ 15,400,000

OUTLAY

ACQUISITION COSTS

Land Price		£ 2,200,000	
			£ 2,200,000
Stamp Duty	5.00%	£ 110,000	
Agent Fee	1.00%	£ 22,000	
Legal Fee	0.50%	£ 11,000	
			£ 143,000

CONSTRUCTION COSTS

Other Construction

Site Clearance	£ 331,200
Topsoil	£ 676,200
Earthworks	£ 1,794,000
Ground Abnormals	£ 27,600
Retaining Structures	£ 1,656,000
Drainage Abnormals	£ 621,000
Utility Services Abnormals - 1	£ 2,600,000
Utility Services Abnormals - 2	£ 2,713,400
S278 Works - 1	£ 800,000
S278 Works - 2	£ 800,000
Landscaping	£ 662,400
Onsite Primary Highways - 1	£ 2,000,000
Onsite Primary Highways - 2	£ 1,987,200
Onsite Secondary Highways	£ 2,484,000
Onsite Utility Service Dist - 1	£ 1,325,000

Onsite Utility Service Dist - 2	£	1,380,000	
Stormwater Attenuation	£	1,242,000	
			£ 23,100,000
PROFESSIONAL FEES			
Planning Fees	£	81,000	
			£ 81,000
MARKETING & LETTING			
Marketing	£	50,000	
			£ 50,000
DISPOSAL FEES			
Sales Agent Fee	1.00%	£ 154,000	
Sales Legal Fee	0.50%	£ 77,000	
			£ 231,000
TOTAL COSTS			£ 25,805,000
PROFIT			-£ 10,405,000
Performance Measures			
Profit on Cost%		-40.32%	
Profit on GDV%		-67.56%	
Profit on NDV%		-67.56%	
IRR		-9.84%	
Profit Erosion (finance rate 0.000%)		N/A	

Appendix 3

Argus Developer Appraisal (with interest charges)

REVENUE

Sales Valuation	Units	Unit Price	Gross Sales
Industrial land - Plot 1	1	£ 850,000	£ 850,000
Industrial land - Plot 2	1	£ 850,000	£ 850,000
Industrial land - Plot 3	1	£ 850,000	£ 850,000
Industrial land - Plot 4	1	£ 850,000	£ 850,000
Industrial land - Plot 5	1	£ 850,000	£ 850,000
Industrial land - Plot 6	1	£ 850,000	£ 850,000
Industrial land - Plot 7	1	£ 850,000	£ 850,000
Industrial land - Plot 8	1	£ 850,000	£ 850,000
Industrial land - Plot 9	1	£ 850,000	£ 850,000
Industrial land - Plot 10	1	£ 850,000	£ 850,000
Industrial land - Plot 11	1	£ 850,000	£ 850,000
Industrial land - Plot 12	1	£ 850,000	£ 850,000
Industrial land - Plot 13	1	£ 850,000	£ 850,000
Office land - Plot 1	1	£ 170,000	£ 170,000
Office land - Plot 2	1	£ 170,000	£ 170,000
Office land - Plot 3	1	£ 170,000	£ 170,000
Office land - Plot 4	1	£ 170,000	£ 170,000
Office land - Plot 5	1	£ 170,000	£ 170,000
Roadside land - Plot 1	1	£ 500,000	£ 500,000
Roadside land - Plot 2	1	£ 500,000	£ 500,000
Roadside land - Plot 3	1	£ 500,000	£ 500,000
Roadside land - Plot 4	1	£ 500,000	£ 500,000
Roadside land - Plot 5	1	£ 500,000	£ 500,000
Roadside land - Plot 6	1	£ 500,000	£ 500,000
Roadside land - Plot 7	1	£ 500,000	£ 500,000
Totals	25		£ 15,400,000

NET REALISATION

£15,400,000

OUTLAY

ACQUISITION COSTS

Land Price	£	2,200,000	
			£ 2,200,000
Stamp Duty	5.00%	£ 110,000	
Agent Fee	1.00%	£ 22,000	
Legal Fee	0.50%	£ 11,000	
			£ 143,000

CONSTRUCTION COSTS

Other Construction

Site Clearance	£	331,200
Topsoil	£	676,200
Earthworks	£	1,794,000
Ground Abnormals	£	27,600
Retaining Structures	£	1,656,000
Drainage Abnormals	£	621,000
Utility Services Abnormals - 1	£	2,600,000
Utility Services Abnormals - 2	£	2,713,400
S278 Works - 1	£	800,000
S278 Works - 2	£	800,000
Landscaping	£	662,400
Onsite Primary Highways - 1	£	2,000,000
Onsite Primary Highways - 2	£	1,987,200
Onsite Secondary Highways	£	2,484,000
Onsite Utility Service Dist - 1	£	1,325,000

Onsite Utility Service Dist - 2	£	1,380,000	
Stormwater Attenuation	£	1,242,000	£23,100,000
PROFESSIONAL FEES			
Planning Fees	£	81,000	£ 81,000
MARKETING & LETTING			
Marketing	£	50,000	£ 50,000
DISPOSAL FEES			
Sales Agent Fee	1.00%	£ 154,000	
Sales Legal Fee	0.50%	£ 77,000	£ 231,000
FINANCE			
Debit Rate 5.000%, Credit Rate 2.000% (Nominal)			
Debit and Credit Rates varied throughout the Cash Flow			
Land	£	4,943,618	
Construction	£	19,159,837	£24,103,455
Total Finance Cost			
TOTAL COSTS			£49,908,455
PROFIT			-£34,508,455
Performance Measures			
Profit on Cost%		-69.14%	
Profit on GDV%		-224.08%	
Profit on NDV%		-224.08%	
IRR		-9.84%	

Contact Details

Enquiries

D S Gibbon FRICS
029 2024 8907
steve.gibbon@avisonyoung.com

Visit us online

avisonyoung.co.uk