

Friday 17th June 2022

Mr David Loosemore
Portabella
Nickel Yard
Bakers Row
Cardiff
CF10 1AL

Dear David,

RE: Viability Appraisal Exercise – Bolston House, Bonvilston, Vale of Glamorgan CF5 6TR

Pursuant to instructions received, I have constructed two development appraisals to demonstrate the viability (or otherwise) of;

1. The proposed 14 unit residential scheme including on-site affordable housing provision and s.106 payments assuming a sale of the units in the open market following completion of construction works. A copy of this appraisal is appended to this letter (**appendix 1**).
2. The proposed 14 unit residential scheme excluding affordable housing and s.106 payments and assuming a sale of the units in the open market following completion of construction works. A copy of this appraisal is appended to this letter (**appendix 2**).

N.B. This is NOT a Formal Valuation.

The appraisal was built using Argus Developer development appraisal software using the following common inputs;

Sales Revenue (Gross Development Value)

Open Market Units

The appraisal of the open market private residential units was provided by locally based estate agents and chartered surveyors Watts & Morgan using comparable sales evidence. Watts & Morgan have a Land & New Homes department that are expert in the pricing, sale and marketing of New Homes within the Vale of Glamorgan and Bridgend area. Their advice is appended to this letter (**appendix 3**).

A sales period of 8 months has been allowed for the private units.

Affordable Units

With reference to the affordable housing revenue in Appraisal 1 (appendix 1), reference has been made to the Vale of Glamorgan Affordable Housing Supplementary Planning Guidance

and Welsh Government's ACG Schedule dated January 2018 and accordingly the 2no. 1b2p flats, 2no. 2b3p flats and 1no. 3b5p house which would form the on-site affordable housing provision have been set at 42% of ACG Band 5.

Land Price, LTT and Legal Costs

The price paid for the land by you and the resultant legal costs and disbursements paid by you, as evidenced. Land Transaction Tax calculated at the prevailing rate as of the date of this letter.

Although this viability appraisal exercise is not a formal valuation (and therefore should not be relied upon as such), in terms of Land Price i.e. the price that is being paid for the land, it is our opinion that the Price is representative of Market Value;

The property was marketed via private treaty in an arms-length marketing campaign, with the property benefitting from full market exposure, undertaken by Rawlins & Madley of Cardiff, Chartered Surveyors who specialize in the disposal of development land and property.

The first marketing campaign which commenced mid 2018 resulted in an abortive sale to another developer following lengthy and protracted negotiations. The second marketing campaign, following the abortive sale, undertaken between Sept 2019 and Jan 2020 resulted in the outcome of a successful purchase by Portabella where it is understood that both parties acted willingly, prudently and without compulsion. Sales particulars attached **(appendix 4)**.

Town Planning & Survey Costs

Costs incurred up to date as well as a budget allowance for reasonable costs anticipated to be incurred in relation to the planning application in relation to planning, design, SAB and supporting technical documentation as required as part of the planning process, as advised by you. The total expenditure as of the date of this letter stands at £79,492 with total expenditure envisaged to reach £114,373.

Construction Costs

Dwelling construction costs have been calculated using Royal Institution of Chartered Surveyors (RICS) Build Cost Information Service (BCIS) average build cost data. A hybrid of median and upper quartile costs for residential new-build construction rebased to South Glamorgan at 17th June 2022 has been adopted **(appendix 5)**.

External Works, Abnormal Costs and Garage Construction costs **(appendix 6)** have been calculated by Expedite a locally based firm of Chartered Quantity Surveyors and Chartered Project Management Surveyors who specialize in residential development.

A Developers contingency of 5% has been allowed which falls at the lower end of the range usually adopted by the DVS.

Construction Timescale

15 months with costs applied over an 'S' curve.

Section 106 Contributions

- Public Open Space contribution £2,668 per unit (£24,012)
- Public Art contribution at 1% of construction costs at £57,100

Professional Fees Associated with Construction

The fees allowed for Architecture, planning, engineering, building regulations, surveys and Project Management fees post planning and during construction at 8%.

Disposal Fees & Marketing Budget

1% selling agent fees and £800 per unit selling conveyancing fees have been included. A £25,000 figure has been allowed for marketing and advertising.

Debt Rate for Development Finance

4.55% debit interest per annum on 100% of costs (which equates to 6.5% per annum of 70% of costs including land) which is at the lower end of what is typically encountered by developers. As development surveyors and agents we are typically experiencing between 6% per annum to 1% per month.

Costs of Finance

Finance arrangement and exit fees of 1.5% of 70% of costs have been included.

Viability Outcomes

Proposed 14 unit scheme including section 106 and on-site affordable housing

The appraisal demonstrates the scheme is not viable. The appraisal produces a negative profit margin of -£463,587 which equates to -5.84% of the Gross Development Value (GDV).

Proposed 14 unit scheme excluding s.106 contributions and on-site affordable housing

The appraisal demonstrates that the proposed scheme creates a positive profit outcome. The appraisal produces a profit figure of £715,187 which equates to 7.92% of the Gross Development Value (GDV).

This demonstrates that the removal of the section 106 contributions and on-site affordable housing is required to improve viability to create a positive profit outcome.

Whilst this margin is significantly below the widely and generally accepted 20% profit on GDV viability threshold (as adopted by the DVS in the valuation of development land), I understand that this is an acceptable profit level for you to undertake the project, on the basis that you are committed to the project in so far as you legally contracted in to purchase the property subject to the receipt of planning permission for the proposed scheme and as such you are prepared to closely manage the construction project and accept the risk of deferring your profit-take until late in the development programme when the scheme is completed and sold off.

Relevant Experience

NP Linnells Property Consultants were established in 1961 and are Gwent's largest firm of Chartered Surveyors and Property Advisors. We specialize in the valuation of commercial, residential and development property and the sale, letting and acquisition of commercial and development property. We also specialize in the development sector advising private developers and housing associations on development and acquisition strategy. Our clients include Hale Homes, National Bank of Kuwait, Bron Afon HA, Melin HA, Linc-Cymru HA, Hafod HA, Your Space, Project Three Developments Ltd, Swansea Building Society, Handelsbanken, Lloyds Bank, Llanover Estate, Coldbrook Estate amongst others.

Yours sincerely,



Matt Tyler
Partner
RICS Registered Valuer
NP Linnells LLP

Enc.

Appendices

1. Viability Appraisal – with s.106 & affordable housing
2. Viability Appraisal – excluding s.106 & affordable housing
3. Watts & Morgan Sales Appraisal letter & comparable evidence
4. Rawlins & Madley Sales Particulars
5. BCIS Construction Costs
6. Expedite External Works Costs

Appendix 1

Appendix 2

Appendix 3

Appendix 4

Appendix 5

Appendix 6