# Scraptoft North

Financial Viability Statement |
**Non-Technical Executive Summary**

CBRE Limited | National Planning & Development report for:
Parker Strategic Land Ltd

December 2023



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# Declaration

A declaration of conformity with the RICS Professional Statement Financial Viability in Planning, September 2019, 1st Edition[1], is set out within the following sub-sections.

## Instruction and Purpose of Report

In accordance with email correspondence and an instruction dated 23 November 2023, CBRE has been instructed by Parker Strategic Land Ltd (hereafter 'the Applicant') to objectively assess, and report upon, the financial viability of a proposed residential development at Scraptoft Golf Club, Beeby Road, Scraptoft, Leicestershire LE7 9SJ (hereafter referred to as 'the Site' or 'Scraptoft North') for the following (constituting 'the Proposed Development'):

*"Outline application for: residential development (up to 1,200 dwellings); construction of local centre with retail (A1, A3, A4, A5), healthcare (D1) and community (D2) uses; care accommodation (C2); two form entry primary school; multifunctional green infrastructure network; creation of nursery (D1) within Nether Hall Cottage; provision of open space including sport and recreational facilities, parks, play areas and other open space; landscaping; formation of surface water storage ponds; means of access into the site (not internal roads) and associated highway works; with all other matters (relating to appearance, landscaping, scale and layout) reserved."*

A planning application was submitted in October 2019 (ref: 19/00700/OUT) seeking permission from Harborough District Council ('HDC' or 'the Council') for the Proposed Development of the Site. Since submission, there have been numerous consultation responses received and additional technical work undertaken to address these comments. CBRE understands that an addendum planning application pack has been submitted to the Council in December 2023.

The purpose of the viability assessment is to test the financial viability of the proposed development of the site in the current market, taking into account the policy requirements set by the Council as well as national planning policy and guidance.

## Objectivity, impartiality and reasonableness

CBRE places the utmost importance on the integrity, impartiality, and potential conflicts of interests in carrying out its services and seeks to identify and assess all relationships which may result in a conflict of interest or pose a threat to impartiality. CBRE aims to inspire confidence by being open and impartial, offering transparency of process, being fair and maintaining the confidentiality of our clients.

In undertaking this instruction and carrying out the viability assessment, CBRE always confirms that we have acted impartially, with objectivity, without interference and with reference to all appropriate available sources of information.

CBRE confirms that adequate time has been provided to produce this report.

CBRE confirms that there is no instruction in place to undertake an Area-Wide viability assessment concerning existing and future planning policies against which the proposed development scheme will, in due course be considered.

CBRE has set out a full explanation of the evidence provided with reasoned justification.

[1] *RICS (May 2019) Financial viability in planning: conduct and reporting, 1st Edition*


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## Conflict(s) of interest

CBRE confirms, to the best of its knowledge, that no conflict or risk of conflict of interest exists in undertaking this viability assessment on behalf of the Applicant(s) and in respect of the Site.

## Contingent Fee

In preparing this report, no performance related or contingent fees have been agreed between CBRE and the Applicant.

## Status

This report does not constitute a formal valuation and cannot be regarded, or relied upon, as such.

This report provides a guide for feasibility in line with the purpose for which the assessment is required, in accordance with the National Planning Policy Framework ('NPPF')[2] and national Planning Practice Guidance for Viability ('PPGV')[3], and as stated within the relevant guidance published by the RICS[4].

The conclusions of this report are based upon the input assumptions as stated herein and as available at the time of production. The input assumptions and conclusions of this report are valid at the date of publication and should be subject to review should further information be made available or in the event of material economic or property market change, or in respect of relevant legislative and policy changes.

## Publication

This viability assessment has been prepared on the basis that it is expected to be made publicly available, other than in exceptional circumstances.

Where information may compromise delivery of the Proposed Development or infringe other statutory and regulatory requirements, these exceptions will be discussed and agreed with the Local Planning Authority ('LPA') and documented early in the process. Commercially sensitive information will be presented in aggregate form following these discussions. Any sensitive personal information will not be made public.

## Personnel

This report has been prepared and approved by the following personnel:

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[2] *MHCLG (2021) National Planning Policy Framework (NPPF)*

[3] *MHCLG (2019) National Planning Practice Guidance – Viability*

[4] *RICS (2021) Assessing viability in planning under the National Planning Policy Framework 2019 for England RICS guidance note, England 1st edition, March 2021 (effective from 1 July 2021) ('RICS Viability Guidance')*


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# Executive Summary

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## Assessment Methodology

The viability model is conducted on a residual basis using industry standard Argus Developer software. A cashflow is provided for full transparency.

The key viability modelling input assumptions adopted by CBRE for the viability appraisal of the Proposed Development are summarised in Table ES1.

**Table ES1: Viability Assessment Inputs Summary**

| Input | Rate | Comment |
|---|---|---|
| Total Residential Dwellings | 1,206 | Incorporates 40% of total dwelling units as affordable tenures |
| Open Market Sales Values | £370/ft² | Based on local market comparable evidence collated by CBRE |
| Affordable Housing Values | £158/ft² | Blended affordable housing sales value. Calculated using industry benchmarks and relevant market information and reflecting an affordable tenure mix of:<br>- Affordable Rent: 75%<br>- First Homes: 25% |
| Serviced Land Value \| Supported Living Units | £2,145,614 | Serviced Land Value sale assumed, based on residual appraisal undertaken in Argus Developer for plot for 70no. supported living units |
| On-Plot Construction Costs \| Houses | £124.12/ft² | Cost benchmarked against RICS BCIS lower quartile rate, reweighted to Leicestershire |
| On-Plot Construction Costs \| Apartments | £143.72/ft² | Cost benchmarked against RICS BCIS lower quartile for flats, reweighted to Leicestershire |
| On-Plot External Works | 10.00% | Of on-plot construction cost |


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| Input | Rate | Comment |
|---|---|---|
| Contingency | 3.00% | Of construction cost |
| Infrastructure and Abnormals | £94,103,216 | Cost Plan prepared by Tustain Associates Ltd. Inclusive of policy costs, professional fees, statutory fees and contingency |
| Single Garages | £10,000 | 100% of 4-bed units |
| Double Garages | £18,000 | 100% of 5-bed units |
| Section 106 Contributions | £26,602,464 | Estimated S106 package, equating to £20,848 per proposed unit (including Supported Living units) |
| Professional Fees & Insurances | 7.00% | Estimated as a % of total construction costs. Incorporating all surveys, statutory fees and professional fees |
| Sales & Marketing Fees | 2.50% | Of open market residential GDV |
| Sales Legal Fees | 0.50% | Of open market residential GDV |
| Affordable Transfer Legal Fees | 0.50% | Of affordable housing GDV |
| Purchaser's Costs (Land) | - | SDLT (HMRC rate), agent's fee (1.0%) and legal fees (0.50%) |
| Finance (Debit) | 8.00% | Total estimated blended cost of capital for financing the Proposed Development in the current market, which takes into account arrangement, monitoring and related fees/credits. The 5-year SONIA rate stands at c.4.5% and the BoE base rate increased to 5.25% on 3rd August 2023 and is likely to remain at this rate until mid-2024. This has significantly driven up the cost of securing development finance.<br>CBRE therefore considers an 8.0% debit rate on 100% of land and development costs the absolute minimum representative in the current market (i.e., circa 3% premium over the BoE base rate). |
| Developer's Return (Blended Rate) | 20.00% | Of open market GDV, commensurate with the heightened construction and sales risk involved in the delivery of the Proposed Development in the current market, which is expected to prevail for the foreseeable future. |
| | 6.00% | Of Affordable Rent GDV |
| | 15.00% | Of First Homes GDV |

## Benchmark Land Value ('BLV')

By way of analysis set out within chapter 5 of this document, the BLV for the Site has been determined based on the Existing Use Value ('EUV') plus premium. The BLV represents CBRE's conclusion as to the minimum level of value at which the landowner would be suitably incentivised to release the Site.

It is CBRE's professional opinion that the BLV for the Site equates to £34.6m.


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# Viability Assessment Results & Conclusion

The policy compliant viability appraisal demonstrates that, when incorporating 40% affordable housing provision (with a tenure mix comprising 75% Affordable Rent and 25% First Homes units), the estimated S106 financial contributions and the risk-adjusted developer's return on GDV, the residual land value generated equates to *-£40,525,218*. The scheme is unviable on this basis.

CBRE has scenario tested the implications on financial viability of reducing the level of affordable housing and S106 financial contributions sought from the Proposed Development to return it to a financially viable position.

This scenario test (Scenario Test 1) demonstrates that when reducing the affordable housing provision to nil (0%) and the estimated S106 financial contributions to approximately £3,327,000, the outturn RLV meets the BLV and the Proposed Development is considered viable on this basis.

Given the current challenges to financial viability and commercial risk to the developer, it would be CBRE's recommendation that the Proposed Development provides a reduced S106 package (up to £3,327,000) and it would be at the Council's discretion whether this comprises affordable housing provision and/ or financial contributions.

Ultimately, the commercial decision whether to proceed with the Proposed Development will be at the discretion of the Applicant.


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