



PRIVATE AND CONFIDENTIAL

VIABILITY REPORT & FINANCIAL VIABILITY ASSESSMENT

**579 – 583 UXBRIDGE ROAD
HAYES
UB4 8HP**

PLANNING REFERENCE: 72470/APP/2016/4648

PREPARED FOR: THORNEY FARM DEVELOPMENTS LTD

DATE: MARCH 2023

1. Introduction

The information contained within this report is believed to be correct as at March 2023 but affordable housing 106 give notice that:

all statements contained within this report are made without acceptance of any liability in negligence or otherwise by affordable housing 106;

none of the statements contained within this report are to be relied upon as statements or representations of fact or warranty whatsoever without referring to affordable housing 106 in the first instance and taking appropriate legal advice;

references to national and local government legislation and regulations should be verified with affordable housing 106 and legal opinion sought as appropriate;

affordable housing 106 does not accept any liability, nor should any of the statements or representations be relied upon, in respect of intending lenders or otherwise providing or raising finance to which this report as a whole or in part may be referred to;

any estimates of values or similar, other than specifically referred to otherwise, are subject to and for the purposes of discussion and are therefore only draft and excluded from the provisions of the RICS Valuation - Professional Standards (January 2020).

We confirm that no known conflict of interest exists between AH106 and the London Borough of Hillingdon Council (LBH).

We confirm our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment.

2. Background

The application site is 579 – 583 Uxbridge Road, Hayes (“the site”).

On 30 September 2019, LBH granted planning consent on the site for:

“Demolition of 3 dwellinghouses and redevelopment of site to provide 21 (3 x studio, 4 x 1 bed, 10 x 2 bed and 4 x 3 bed) units within 2 new buildings with associated access, parking, landscaping and amenity space.”

The scheme comprises 21 flats within 2 blocks, comprising 11 units in Block H, and 10 units in Block A3.

The LBH planning application reference is 72470/APP/2016/4648.

The planning consent is subject to a S106 Agreement, attached – Appendix 1.

Paragraph 1 of Schedule 2 of the S106 Agreement, “Affordable Housing Review Mechanism” states:

“Should the Development not be Substantially Complete at the Review Date the Council may serve written notice upon the Owners requiring that they provide to the Council a Viability Report using the Viability Assessment Mechanism, at the Owner’s own expense. in order to establish whether the Development would be Financially Viable if the Initial Quantum of Affordable Housing is increased”.

The Review Date is stated in the S106 Agreement as being 24 months from the date of planning consent i.e., 29 September 2021.

Substantial Completion is defined in the S106 Agreement:

“means being completed to Practical Completion also so as to be ready for occupation and Substantially shall be construed accordingly”.

We are advised by CNA, the applicant’s cost consultant, that works commenced on Block H in February 2020 and completed in March 2022. Works commenced on Block A3 in July 2022 and are scheduled to complete in October 2023.

The applicant has advised that Substantial Completion has not been achieved within 24 months of the date of planning consent and LBH have requested a Viability Report (VR) from the applicant in order to establish whether the development would be financially viable if the initial quantum of £151,600 for affordable housing is increased.

Financially Viable is defined in the S106 Agreement as:

“means that the Residential Development has (or as at the Review Date is predicted to have) upon completion of the Development a gross development value that results in not less than 20% developer’s profit on sales and “Financial Viability” shall be construed accordingly”.

The applicant has also advised that they will shortly be submitting a S73 planning application to LBH for a revised unit mix in Block A3, comprising 12 flats instead of the extant 10 flats.

A schedule of accommodation for the extant scheme (21 units) and the proposed S73 scheme (23 units) is attached – Appendix 2.

The purpose of this report is therefore to provide a VR of the extant scheme (21 units) and a Financial Viability Assessment (FVA) of the proposed scheme (23 units) in order to determine what level of affordable housing contribution can be reasonably and viable provided within the development proposals. This accords with National, Regional and Local affordable housing planning policy and guidance.

In the first instance we have completed the VR for the extant scheme of 21 units, and then completed the FVA for the proposed scheme of 23 units.

3. Viability Report (Extant scheme – 21 units)

3.1 Introduction

Paragraph 010 of the PPG on Viability states:

Standardised inputs to viability assessment

What are the principles for carrying out a viability assessment?

Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return. Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available.

Underline my emphasis.

This VR reports the key elements of a viability assessment, including the gross development value, build costs, land value, landowner premium, and developer return.

3.2 Executive Summary

This VR demonstrates that it is not viable for the scheme to provide any additional affordable housing contribution as the Residual Land Value (RLV) of the proposed scheme is lower than the Benchmark Land Value (BLV) without any additional affordable housing contribution.

We have evidenced the viability inputs and assumptions used in this FR to establish whether it is viable or not for the scheme to provide any additional affordable housing contribution. These inputs/assumptions have been compared to the District Valuer Services review of May 2018 which formed the basis of the viability assessment and S106 requirements at the time of planning consent - Appendix 3.

The Development Appraisal Inputs adopted in this FVA are:

Development Appraisal Input	DVS Planning Ref: 72470/APP/2016/4648	AH106 Planning Ref: 72470/APP/2016/4648	Notes
	21 Units (May 2018)	21 Units (March 2023)	
Existing Use Value (EUV)	£1,478,084	£1,478,084	Agreed
Premium	20%	20%	Agreed
Benchmark Land Value (BLV)	£1,773,700	£1,773,700	Agreed
Residual Land Value (RLV)	£1,773,700	£45,000	Not viable

Development Appraisal Input	DVS Planning Ref: 72470/APP/2016/4648	AH106 Planning Ref: 72470/APP/2016/4648	Notes
	21 Units (May 2018)	21 Units (January 2023)	
Scheme Mix	Block H: 1 x 1b Flats 8 x 2b Flats 2 x 3b Flats Block A3: 3 x Studios 3 x 1b Flats 2 x 2b Flats 2 x 3b Flats	Block H: 1 x 1b Flats 8 x 2b Flats 2 x 3b Flats Block A3: 3 x Studios 3 x 1b Flats 2 x 2b Flats 2 x 3b Flats	Agreed
GDV Sales	£7,542,001	£7,970,000	Updated
Acquisition Costs Agent Legal	1% 0.8%	1% 0.8%	Agreed Agreed
Build Cost	£3,485,760	£4,779,075	Updated
Contingency	Included	Included	Agreed
Professional Fees	10%	10%	Agreed
CIL	£205,285	£232,461	Actual CIL Charge
S106 Contributions	£0	Affordable Housing - £164,587 Air Quality - £24,817 CO2 - £30,290 Local Park - £5,428 Monitoring Fee - £11,256 (Total £236,378)	As per S106 Agreement and S106 Demand Notice
Sales and Marketing Fees	Total 2% Sales:1% Marketing: 1%	Total 2% Sales:1% Marketing: 1%	Agreed Agreed Agreed
Legal Fees (Sales)	£1,000/unit	£1,000/unit	Agreed
Finance	7%	7%	Agreed
Profit	17.5% of GDV	20% of GDV	As per S106 Agreement

3.3 Methodology

This FR has been compiled giving full consideration to the NPPF, National Planning Guidance, Regional and Local planning policies.

In particular, this FVA complies with RICS professional Guidance Note “Assessing viability in planning under the National Planning Policy Framework 2019 for England” (March 2021) which states:

“This and other RICS guidance notes are intended to assist practitioners in applying the government’s required approach and should be referenced as appropriate.”

The financial viability of a development can be assessed in principle by producing a Development Appraisal (DA) and associated Discounted Cash Flow (DCF) noting the income and expenditure of a particular scheme; we have employed the HCA Development Appraisal Tool (HCA DAT) to model this.

3.4 Development Proposal

In February 2020, the applicant commenced works on site in relation to the extant planning consent.

The scheme comprises 2 new blocks providing a total of 21 units as noted in the schedule of accommodation.

Schedule of accommodation

	Studio	1b Flat	2b Flat	3b Flat
Ground				90.0
				95.0
First			67.0	
			64.0	
			71.0	
Second			67.0	
			64.0	
			71.0	
Third		51.0		
			64.0	
			71.0	
Total	0.0	51.0	539.0	185.0
Average	0.0	51.0	67.4	92.5
Ft²	0	549	725	996
Number	0	1	8	2

	Studio	1b Flat	2b Flat	3b Flat
Ground				134.0
				123.0
First			57.0	
			69.0	
			70.0	
	47.0			
Second	43.0			
		52.0		
		50.0		
	37.0			
Total	127.0	159.0	139.0	257.0
Average	42.3	53.0	69.5	128.5
Ft²	456	571	748	1,383
Number	3	3	2	2

Parking (21 spaces)

Associated external works.

Enabling works.

The extant site location, site layout and floor plans are attached – Appendix 4.

3.5 Development Appraisal Inputs

The inputs are recorded in the HCA DAT, a development appraisal toolkit used by Homes England, and accepted by Local Planning Authorities and the Planning Inspectorate.

The Development Appraisal shows the RLV of the extant scheme and compares that against the BLV of £1,773,700.

The Development Appraisal shows a RLV of £45,000 indicating that it is not viable for the scheme to provide an affordable housing contribution - Appendix 5.

3.6 Development Programme

The extant consent was granted in September 2019.

The applicant and the applicant's project team have advised:

April 2015 – September 2016	-	Acquisition of existing properties
September 2019	-	Planning consent
February 2020	-	Start on site (Block H)
March 2022	-	Practical completion (Block H)
July 2022	-	Start on site (Block A3)
October 2023	-	Practical completion (Block A3)
March 2022 – November 2022	-	Sales (Block H)
November 2023 – May 2024	-	Sales (Block A3)

For the purpose of this VR we have assumed an acquisition date of October 2019, and actual dates where known.

3.7 Income

i) Private Residential Units (21) - £7,970,000

Block H (Hydrangea Court) achieved practical completion in March 2022.

Of the 11 units in Block H, 5 x 2b flats have been sold. The remaining 6 properties have been retained by the developer. All properties benefit from 1 allocated parking space.

There are limited new build flat sales comparables, therefore we have extended our search to include suitable properties within 1.5 miles of the application site. We have noted the sale of the 5 units at Hydrangea Court in our comparable sales evidence – Appendix 6.

The comparable evidence for new build studio flats is very limited and much smaller in size than the proposed scheme studio units. The values range from £139,950 to £185,000 with sales/asking rates from £538/ft² to £734/ft².

In our opinion, the most relevant comparable is a modern first floor studio @ 27.6 m² (297 ft²) GIA at Willenhall Drive. The property is sold STC currently being marketed @ £160,000. This would represent a sales rate of £538/ft² if sold for the full asking price. The property benefits from allocated off street parking.

The comparable evidence for new build 1b flats in the immediate area is also very limited. The comparable values range from £235,000 to £375,000 with sales/asking rates from £536/ft² to £694/ft².

In our opinion, the most relevant 1b flat comparables are those in the Fairview/Network Homes development of 333 flats/commercial units in The Beat, Pump Lane. A 1b flat @ 52.0 m² GIA is available on a shared ownership basis @ £305,000 (100% share). The property is available. This would represent a sales rate of £544/ft² if sold for the full asking price. The property benefits from allocated off street parking and is situated approximately 660 m north of Hayes & Harlington mainline railway station.

The comparable values for new build 2b flats range from £325,000 to £440,000 with sales/asking rates from £435/ft² to £640/ft².

There have been 5 sales of new build 2b flats in Hydrangea Court, within the extant development.

The 5 flats range from 64 m² – 71 m² GIA and have sold from £391,480 - £405,320 (£526 ft² - £568/ft²). Each property benefits from 1 allocated parking space.

The comparable evidence for new build 3b flats in the immediate area is very limited. The comparable values range from £482,500 to £500,000 with sales/asking rates @ £500/ft².

In our opinion, the most relevant 3b flat comparable is in the Fairview/Network Homes development of 333 flats/commercial units in The Beat, Pump Lane. A 3b flat @ 92.9 m² GIA is available @ £500,000. This would represent a sales rate of £500/ft² if sold for the full asking price. The property benefits from allocated off street parking and is situated approximately 660 m north of Hayes & Harlington mainline railway station.

Taking all the comparable evidence available to us, and making allowances and adjustments for asking/sold prices, location, size, number of bedrooms, parking, amenities, age, competition from other properties etc, we have adopted the following values in our viability appraisal:

Block H

Unit	M ² GIA (Ave)	Ft ² GIA (Ave)	Sales Value (Ave)	£/Ft ² (Ave)
1b Flat	51.0	549	£300,000	£546
2b Flat	67.4	725	£395,000	£544
3b Flat	92.5	996	£465,000	£467

Block A3

Unit	M ² GIA (Ave)	Ft ² GIA (Ave)	Sales Value (Ave)	£/Ft ² (Ave)
1b Studio	42.3	456	£250,000	£549
1b Flat	53.0	571	£310,000	£543
2b Flat	69.5	748	£400,000	£535
3b Flat	128.5	1,383	£550,000	£398

ii) **Ground Rent - £0**

On 30 June 2022, the Leasehold Reform (Ground Rent) Act 2022 came into force.

The new legislation means that any ground rent cannot be charged at more than one peppercorn per year (effectively setting the rate to nil).

No ground rents have been charged on the completed flats in Block H.

Accordingly, we have assumed there will be no ground rent income.

3.8 Expenditure

i) **Benchmark Land Value (BLV) - £1,773,700**

We agree with the DVS.

ii) **Stamp Duty (Acquisition) - £125,933**

Effective SDLT rate @ 7.1%

iii) **Legal Fees (Acquisition) - £14,190**

0.80% of acquisition

Agree with DVS

iv) **Works – £4,710,332 (Ex contingency)**

We have been provided with a copy of the Final account sum analysis by CAN, the cost consultants acting for the developer.

The final account total for the extant scheme is £4,710,332 (Block H - £2,418,906, Block A3 - £2,291,426) – Appendix 7.

v) **Contingency - £68,743**

We have included a contingency of 3% of construction costs for the works on block A3 which are not completing until October 2023.

vi) **Professional Fees - £477,907**

Agree with DVS @ 10%.

vii) **CIL Contributions - £232,461**

CIL has been paid to LBH.

viii) S106 Contributions - £236,378

Actual values

- Affordable Housing - £164,587
- Air Quality - £24,817
- CO2 - £30,290
- Local Park - £5,428
- Monitoring Fee - £11,256

ix) Sales & Marketing – £159,400

We have assumed 2% of GDV.

Agree with DVS

x) Legal Fees (Sales) – £21,000

We have assumed £1,000/unit.

Agree with DVS.

xi) Interest - £421,770

We have adopted 7%

Agree with DVS

xii) Profit

20% of GDV – as per S106 Agreement

4. Financial Viability Assessment

We have carried out a Financial Viability Assessment (FVA) to accompany the planning application for the proposed scheme of 23 units, by inputting the actual/proposed Development Appraisal inputs for the scheme and then comparing the RLV of the scheme against the BLV.

The proposed plans for the 23 units are attached – Appendix 8.

The proposed schedule of accommodation for the S73 application of 23 units is attached – Appendix 2.

The FVA inputs and assumptions for this FVA have been compared to the District Valuer Services review of May 2018 which formed the basis of the viability assessment and S106 requirements at the time of planning consent - Appendix 3.

The FVA demonstrates that it is not viable for the scheme to provide any additional affordable housing contribution as the Residual Land Value (RLV) of the proposed scheme is lower than the Benchmark Land Value (BLV) without any additional affordable housing contribution.

The Development Appraisal Inputs adopted in this FVA are:

4.1 Executive Summary

Appraisal Input	DVS Planning Ref: 72470/APP/2016/4648 21 Units (May 2018)	AH106 Planning Ref: S73 TBA 23 Units (March 2023)	Notes
Existing Use Value (EUV)	£1,478,084	£1,478,084	Agreed
Premium	20%	20%	Agreed
Benchmark Land Value (BLV)	£1,773,700	£1,773,700	Agreed
Residual Land Value (RLV)	£1,773,700	£214,000	Not viable
Scheme Mix	Block H: 1 x 1b Flats 8 x 2b Flats 2 x 3b Flats Block A3: 3 x Studios 3 x 1b Flats 2 x 2b Flats 2 x 3b Flats	Block H: 1 x 1b Flats 8 x 2b Flats 2 x 3b Flats Block A3: 4 x Studios 4 x 1b Flats 2 x 2b Flats 2 x 3b Flats	Agreed
GDV Sales	£7,542,001	£8,350,000	
Acquisition Costs			
Agent	1%	1%	Agreed
Legal	0.8%	0.8%	Agreed
SDLT	SDLT	SDLT	
Build Cost	£3,485,760	£4,815,125	
Contingency	Included	Included	Agreed
Professional Fees	10%	10%	Agreed
CIL	£205,285	£232,461	As per CIL Charge
S106 Contributions	£0	Affordable Housing - £164,587 Air Quality - £24,817 CO2 - £30,290 Local Park - £5,428 Monitoring Fee - £11,256 (Total £236,378)	As per S106 Agreement
Sales and Marketing Fees	Total 2% Sales:1% Marketing: 1%	Total 2% Sales:1% Marketing: 1%	Agreed Agreed Agreed
Legal Fees (Sales)	£1,000/unit	£1,000/unit	Agreed
Finance	7%	7%	Agreed
Profit	17.5% of GDV	20% of GDV	As per S106 Agreement

4.2 Proposed Scheme

Schedule of Accommodation

Block H

	Studio	1b Flat	2b Flat	3b Flat
Ground				90.00
				95.0
First		67.0		
		64.0		
		71.0		
Second		67.0		
		64.0		
		71.0		
Third		51.0		
		64.0		
		71		
Total	0.0	51.0	539.0	185.0
Average	0.0	51.0	67.4	92.5
Ft²	0	549	725	996
Number	0	1	8	2

Block A3

	Studio	1b Flat	2b Flat	3b Flat
Ground				75.4
				75.9
		56.8		
	44.3			
First		57.0		
			69.0	
			70.0	
	47.0			
Second	43.0			
		52.0		
		50.0		
	37.0			
Total	134.3	165.8	139.0	151.3
Average	42.8	54.0	69.5	75.7
Ft²	461	581	748	814
Number	4	4	2	2

The only difference between the extant scheme and the proposed scheme is the ground floor of Block A3.

Block A3 will now provide 12 units comprising 4 x studios, 4 x 1b flats, 2 x 2b flats and 2 x 3b flats.

The proposed scheme floor plans for Block H and A3 are attached – Appendix 8.

4.3 Development Appraisal Inputs

The inputs are recorded in the HCA DAT, a development appraisal toolkit used by Homes England, and accepted by Local Planning Authorities and the Planning Inspectorate.

The Development Appraisal shows the RLV of the extant scheme and compares that against the BLV of £1,773,700.

The Development Appraisal shows a RLV of £214,000 indicating that it is not viable for the scheme to provide an affordable housing contribution - Appendix 9.

4.4 Development Programme

As per extant scheme

4.5 Income

i) Private Residential Sales – £8,350,000

We have considered comparable sales evidence for sales on the proposed scheme with reference to the sales comparables attached – Appendix 6.

Taking all the comparable evidence available to us, and making allowances and adjustments for asking/sold prices, location, size, number of bedrooms, parking, amenities, age, competition from other properties etc, we have adopted the following values in our viability appraisal:

Block H

Unit	M ² GIA (Ave)	Ft ² GIA (Ave)	Sales Value (Ave)	£/Ft ² (Ave)
1b Flat	51.0	549	£300,000	£546
2b Flat	67.4	725	£395,000	£544
3b Flat	92.5	996	£465,000	£467

Block A3

Unit	M ² GIA (Ave)	Ft ² GIA (Ave)	Sales Value (Ave)	£/Ft ² (Ave)
1b Studio	42.8	461	£250,000	£543
1b Flat	54.0	581	£315,000	£542
2b Flat	69.5	748	£400,000	£535
3b Flat	75.7	814	£450,000	£552

On 30 June 2022, the Leasehold Reform (Ground Rent) Act 2022 came into force.

The new legislation means that any ground rent cannot be charged at more than one peppercorn per year (effectively setting the rate to nil).

No ground rents have been charged on the completed flats in Block H.

Accordingly, we have assumed there will be no ground rent income.

4.6 Expenditure

i) Benchmark Land Value (BLV) - £1,773,700

We agree with the DVS

ii) Stamp Duty (Acquisition) - £295,133

Effective SDLT rate @ 7.1%

iii) Legal Fees (Acquisition) - £19,198

0.8% of acquisition

iv) Works – £4,745,332 (Ex contingency)

We have been provided with a copy of the priced specification from the applicant's project manager – Landpeak Ltd.

The priced specification total is £4,745,332 (Block H - £2,418,906, Block A3 - £2,326,426) – Appendix 7.

v) Contingency - £69,793

We have included a contingency of 3% of construction costs for the works on block A3 which are not completing until October 2023.

vi) Professional Fees - £481,513

10% - Agreed with DVS

vii) CIL Contributions - £232,461

CIL has been paid to LBH.

viii) S106 Contributions - £236,378

ix) Sales & Marketing – £167,000

We have assumed 2% of GDV.

Agree with DVS

x) Legal Fees (Sales) – £23,000

We have assumed £1,000/unit.

Agree with DVS.

xi) Interest - £490,747

We have adopted 7%

Agree with DVS.

xii) Profit

20% of GDV – as per S106 Agreement

5. Conclusion

The Financial Review of the extant scheme for 21 units computes a Residual Land Value of £45,000, compared to the Benchmark land Value of £1,773,700.

The Financial Viability Assessment of the proposed S73 scheme for 23 unit computes a Residual Land Value of £214,000, compared to the Benchmark land Value of £1,773,700.

We therefore conclude from the FR and the FVA that it is not viable for the applicant/developer to provide any additional affordable housing financial contribution.

Prepared by:



Mark Smith

Director

For and on behalf of: affordable housing 106

Appendices

Appendix 1	Extant consent 21 units (72470APP20164648) – Signed S106 Agreement
Appendix 2	Schedule of accommodation – Extant (21 units), S73 proposed (23 units)
Appendix 3	DVS Development Appraisal (May 2018)
Appendix 4	Extant plans – 21 units
Appendix 5	HCA DAT Model – Extant scheme – 21 private residential units
Appendix 6	Proposed residential comparables
Appendix 7	CNA – Final account analysis
Appendix 8	S73 proposed plans – 23 units
Appendix 9	HCA DAT Model – S73 proposed scheme - 23 private residential units

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