FORMER B&Q SITE, GREAT STONE ROAD, STRETFORD M32 0YP

PROOF OF EVIDENCE OF

STEPHEN MILES, MRICS MRTPI

14th December 2021

On Behalf of:	Accrue (Forum) LLP
PINS Reference:	APP/Q4245/W/20/3258552
LPA Ref:	100400/OUT/20

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1. Introduction

Purpose of the Proof

1.1. This Proof of Evidence has been prepared on behalf of Accrue (Forum) LLP (the 'Appellant') in support of its appeal in respect of the proposed residential led mixed use development of the former B&Q warehouse on Great Stone Road in Stretford, Trafford (planning application ref: 100400/OUT/20). The purpose of this Proof is to present viability evidence in support of the appellant's case.

1.2. Trafford Council failed to determine the application made in respect of the proposed development. Nevertheless, one of the putative reasons for refusal identified by the Council is non-compliance with adopted Policy L2.12 of the Core Strategy (2012) with regard to the provision of affordable housing. The Appellant's position is that 10% affordable housing plus S106 contributions save for education represents compliance with Policy L2.12, and that there is no requirement for a financial viability assessment. However, should the Inspector consider that bullet 4 of Policy L2.12 is engaged then there would be a requirement for a financial viability assessment determining the appropriate contribution of affordable housing to represent policy compliance. This proof has been prepared to address this eventuality should it be necessary.

1.3. The proof contains an updated Financial Viability Assessment (FVA) as compared to the version prepared by Cushman Wakefield in June 2020 in support of the Appellant's case. It has been updated to take account of changes to build costs and revenues, and also the representations and challenges made by the Council's viability advisor Trebbi Continuum to the original FVA and subsequent common ground discussions between Trebbi and CW that have since taken place.

Qualifications & Experience

1.4. I, Stephen Miles, am a dual qualified Chartered Surveyor and Town Planner, a Member of the Royal Institution of Chartered Surveyors and a Member of the Royal Town Planning Institute. I am a Partner of Cushman and Wakefield ('CW'), based within the Development and Strategic Advisory Service and I head the Land, Development and Planning teams for Yorkshire and the North East which I combine with a national role as head of Service Excellence for the skill. I have been with the firm for 19 years, specialising in development consultancy and advisory work on behalf of a mix of public and private sector clients. The focus of my work is on the structuring, financial modelling, procurement and delivery of strategic development and regeneration schemes, and Financial Viability Assessments (FVAs) represent a key element of my experience.

1.5. I hold an undergraduate honours degree in Urban Planning (first class) and Advanced Diploma in Environmental Planning, both attained at Liverpool John Moores University, and a real estate qualification from the University College of Estate Management.

1.6. I have considerable experience of advising on Financial Viability Assessments for planning purposes, including site specific and area wide viability studies to support Local Plan and CIL examinations, reviews of viability assessments submitted in support of planning applications and enabling development viability cases (both for applicants and local authorities in a review capacity). I advise on both residential and commercial schemes, and have acted as an expert witness at numerous planning inquiries and Local Plan / CIL examinations. I act for both public and private sectors, with the majority of my experience acting for local authorities.

I have prepared viability evidence to inform Local Plans and CIL examinations for the following local authorities:

- Bradford (Area Action Plan, Local Plan and CIL)
- Wakefield (CIL and Local Plan)
- Kirklees (CIL and Local Plan)
- Warrington (Local Plan)
- East Riding of Yorkshire (CIL)
- South Tyneside (CIL and Local Plan)
- Walsall (CIL)

I have prepared viability evidence in support of planning applications and appeals for the following clients:

- Leeds City Council
- Commercial Estates Group
- Jones Homes/Emerson Group
- Fitzwilliam Malton Estate

I have also carried our reviews of viability studies for the following:

- Historic England
- City of Bradford Metropolitan District Council
- Wakefield Council

1.7. My employer, Cushman and Wakefield, is a global consultancy which deals with all major aspects of commercial and residential property consultancy including Red Book valuation, development consultancy, development economics, cost consultancy, strategic land assembly, compulsory purchase, investment and development funding, S106 negotiations and affordable housing policy and provision, landlord and tenant advice, regeneration, building surveying, acquisition, disposal, agency and property management.

Novel Coronavirus (COVID-19)

1.8. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Market activity is being impacted in many sectors.

1.9. As at the date of this proof, I consider that I can attach less weight to previous market evidence for comparison purposes, to inform viability, pricing and related recommendations and advice. Indeed, the current response to COVID-19 means that I am faced with an unprecedented set of circumstances on which to base a judgement.

Structure of Proof

1.10. This proof is structured as follows:

- Section 2 – RICS Financial Viability in Planning: Conduct and Reporting (May 2019)
- Section 3 – Justification for approach to Financial Viability Assessment
- Section 4 – Summary of Agreed and Not Agreed Issues
- Section 5 – Justification of outstanding viability assumptions
- Section 6 – Viability results and Conclusions
- Section 7 – Disclaimer
- Section 8 – Declaration and Statement of Truth

2. Financial Viability in Planning: Conduct and Reporting (1st Edition, May 2019) - RICS Professional Statement

2.1. This proof and updated FVA has been prepared in accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition), by professionally qualified Chartered Surveyors, led by myself and as recommended in Trafford Council's *SPD1 – Planning Obligations.*

2.2. The RICS Professional Statement sets out the mandatory requirements on conduct and reporting in relation to FVAs for planning in England to demonstrate how a reasonable, objective and impartial outcome should be arrived at. It also aims to support and complement the government's reforms to the planning process announced in July 2018 and any subsequent updates.

2.3. The Professional Statement has been informed by the NPPF, PPGV and a High Court decision *(Parkhurst Road Limited v Secretary of State for Communities and Local Government & Anor [2018] EWHC 991),* as well as practitioner experience. It aims to:

- provide consistency regarding the application of policy and guidance and;
- assist the practitioner in individual cases.

2.4. As set out in the Chair's Statement to the RICS Professional Statement, where planning obligations and other costs are introduced during the planning process, ascertaining the viability of a development involves a number of valuation judgements in both the inputs and outcomes of an appraisal of a scheme. In arriving at these judgements, it is a question of whether they are rational, realistic and reasonable in the circumstances. Parties may of course reasonably disagree.

2.5. Sections 2.1 to 2.14 of the Professional Statement set out the 14 mandatory reporting and process requirements for all FVAs prepared on behalf of, or by applicants, reviewers, decision-makers and plan-makers.

2.6. I confirm that this proof and updated FVA has been carried out in accordance with Sections 2.1 to 2.14. The mandatory reporting requirements are set out under the sub-headings below and expanded on where relevant in this proof.

<u>Section 2.1: Objectivity, Impartiality and Reasonableness Statement</u>

2.7. I confirm that this proof and updated FVA has been carried out by myself, as an RICS member, acting with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

2.8. I further confirm that I am a suitably qualified practitioner with sufficient skills, expertise and knowledge to provide a robust and objective FVA.

2.9. I have extensive experience in advising on FVAs across the North of England and up-to-date knowledge of the planning system gained through previous viability experience and work alongside our local and national Planning Teams.

Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

2.10. CW's formal terms of engagement for the preparation of the FVA are appended to this proof.

2.11. I do not consider there to be any conflict of interest, or risk of conflict of interest affecting my ability to act objectively and impartially in respect of this FVA.

Section 2.3: No Contingent Fee Statement

2.12. In preparing this proof and updated FVA, no performance-related or contingent fees have been agreed.

Section 2.5: Confirmation Where the RICS Member is Acting on Area-Wide and Scheme-Specific FVAs

2.13. CW recently acted on behalf of Redrow Homes in respect of the Warburton Lane appeal against Trafford Council's planning refusal. An employee of CW acted as an expert witness on viability matters at the associated planning inquiry.

2.14. CW are advising the following LPAs in respect of the area-wide FVA to assist in formulating policy in their emerging Local Plans:

- Warrington Borough Council
- Wakefield Council

2.15. The firm is also advising developers in respect of representations to the following area-wide FVAs:

- Halton Local Plan Viability Assessment
- Greater Manchester Spatial Framework Viability Assessment
- Salford Local Plan Viability Assessment
- Medway Local Plan Viability Assessment

2.16. Further, CW have recently submitted representations in respect of the affordable housing policy requirements in the emerging Lancaster Local Plan.

2.17. I do not consider that any conflict of interest, or risk of conflict of interest, arises as a result of the interests which I have disclosed.

Section 2.6: Justification of Evidence

2.18. All inputs in the updated FVA have been reasonably justified as explained in further detail throughout this proof.

2.19. These inputs have been determined based on my market experience and by having regard to the assumptions adopted in expert witness decisions and other area-wide and site-specific FVAs as reviewed by myself and the other members of the CW.

2.20. As is the case for every FVA myself and my team prepare, I have adopted the same objective and impartial approach to preparing this proof and updated FVA for the subject site, using Argus Developer and robust appraisal assumptions based on market-facing evidence, my extensive professional experience as a qualified surveyor and the assumptions adopted in expert witness decisions. I always seek to ensure that the assumptions I adopt are rational, realistic and reasonable as the guidance suggests.

Section 2.7: Benchmark Land Value

2.21. I have assessed the benchmark land value in accordance with the requirements of Section 2.7 of the Professional Statement in that I have reported the following:

- Existing Use Value (EUV)
- Premium
- All supporting considerations, assumptions and justifications adopted

2.22. Full justification for the adopted benchmark land value is provided later in this proof.

Section 2.9: Sensitivity Analysis

2.23. Various sensitivity analyses including on the residential sales values and the base build costs are provided in this proof.

Section 2.10: Engagement

2.24. I confirm that I have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.

Section 2.11: Non-technical Summaries

2.25. A non-technical executive summary is provided as a separate summary of this proof which includes the key figures and issues that support the conclusions drawn from the updated FVA.

Section 2.14: Timescales

2.26. I confirm that adequate time had been allowed to produce the proof and updated FVA having regard to the scale of this particular project.

2.27. I further confirm that this proof and updated FVA has been carried out in accordance with Section 4 - Duty of Care and Due Diligence of the Professional Statement and that full consideration has been given to the matters referenced in Section 4.

3. Justification of Approach to Financial Viability Assessment

Approach to Viability Assessment

3.1. In preparing this proof and updated FVA, I have adopted the residual approach which is an accepted methodology for assessing site viability, and a model which is used by developers when preparing bids for residential development sites.

3.2. The residual method involves subtracting the total development costs from the GDV to arrive at a residual land value which is then compared to the benchmark land value to determine the surplus or deficit position, and thus the viability of the site.

3.3. My residual appraisal has been prepared using Argus Developer software which is the cashflow model extensively used by key practitioners across the industry to ensure a robust and consistent approach to the cash flow modelling.

Standardised Inputs to FVA

3.4. The NPPF and PPGV advocate the use of "standardised inputs" to viability assessments which include the Gross Development Value (GDV), build costs, abnormal and extra over costs, the total cost of all relevant policy requirements, professional fees, developer's profit and the benchmark land value.

3.5. I have followed these principles within this proof (as did CW in the submitted FVA) whilst maintaining a market-facing approach to assessing viability using inputs which are based on robust evidence. This is to ensure the proof and updated FVA are realistic and reflect the actual market and economic realities at the assessment date.

3.6. In determining the GDV, I have utilised up-to-date, market evidence from existing developments to inform the assessment as endorsed in the PPGV (Paragraph 11) and which will stand up to public scrutiny.

3.7. In respect of development costs, information is based on a cost report prepared by specialist cost consultant Edmund Shipway, which is appended to this proof and also subject to a separate proof of evidence.

Local Plan Viability Assessment

3.8. When preparing a site-specific FVA, the PPGV states that this should be based upon and refer back to the viability assessment that informed the Local Plan (Paragraph 8). In this particular case the LPVA is a dated document and many of the assumptions are deemed to be out of date, therefore where appropriate alternative assumptions have been utilised when preparing this site-specific FVA. My original FVA made reference to the assumptions contained in the Local Plan FVA, but given that this has been superseded by the advice provided by the Council's own viability expert and subsequent common ground discussions, I have not made further references in this proof.

<u>Information Relied On</u>

3.9. In preparing this FVA, I have relied on the information in the SOCG and made available by the Appellant as detailed in this report, including the site layout plan and accommodation schedule. I have also relied on the cost plan prepared by Edmund Shipway which is set out in a separate proof of evidence in support of the appeal.

3.10. If there are changes to the proposed scheme and/or the information relied on, this could impact on the assumptions adopted in the FVA and the resultant conclusions. I request that any changes are made known to me for review at the earliest opportunity and I reserve the right to amend my assumptions in the event of such changes.

Benchmark Land Value

3.11. A key input into the FVA is the benchmark land value ('BLV'). In the PPGV, the question pertaining to BLV is; *"how should land value be defined for the purpose of viability assessment?"*.

3.12. To define land value for any viability assessment, the PPGV (Paragraph 13) states that:

> *"A benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land.*
>
> *The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)."*

3.13. Within the submitted FVA, I assessed the BLV to compare to the present-day residual land value of the subject site by adopting the 'Existing Use Value Plus' ('EUV+') approach in accordance with Paragraphs 13 – 17 of the PPGV. I also assessed it based on an Alternative Use Value methodology.

3.14. In assessing the BLV, I allowed a sufficient premium above the EUV to incentivise the landowner to release their land for development whilst also allowing a sufficient contribution to fully comply with policy requirements. This supports the approach to viability advocated in the PPGV, which aims "*to strike a **balance** between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission*" (PPGV, Paragraph 10).

4. Summary of Agreed and Not Agreed Issues

Financial Viability History

4.1. As described above, I prepared an initial Financial Viability Assessment published in June 2020 on behalf of the appellant in support of their planning application. Trebbi Continuum reviewed this assessment and in their report of September 2020 (Continuum Viability Report September 2020) highlighted a number of viability input assumptions which they did not agree with. These points of difference were highlighted in the Appellant's Statement of Case on Viability (Exhibit 6: Viability Report, November 2020), which I prepared. I acknowledged within that submission that there were certain viability assumptions that I was prepared to review and revisit. In the Council's viability statement of case (Continuum Viability Report August 2021), the key points of difference were further highlighted. A summary of the points of difference is as follows:

Item	C&W original viability June 2020	Trebbi August 2021
Scheme development	• 333 residential units • Average net area 655 sq ft • Total net sales 218,261 sq ft • Retail 1,550 sq ft • Café 1,937 sq ft • 98 car parking spaces • Total gross floor area 320,747 sq ft	State that this is 69.1% gross/net, and that it should be 80-85%, although Trebbi retained 69.1% in appraisal in their August 2021 submission
Residential revenue OMV	£340 psf / £222,854 per unit	£360 psf
Affordable revenue	AR 55% SO 65%	AR 50% SO 70%
Car parking revenue	£10,000 per space	£15,000 per space
Retail revenue	£10 psf / £15,550 Yield 7%	Adopt same assumption although caveat that they don't agree and require more evidence
Café	£14 psf / £27,118 Yield 7%	Adopt same assumption although caveat that they don't agree and require more evidence
Purchaser's costs on land	Agent 1.2% Legal 0.6% SDLT	Agent 1.2% Legal 0.6% SDLT

Item	C&W original viability June 2020	Trebbi August 2021
Build cost	£43.6million Equates to £135.82 sq ft in total, inclusive of external works and abnormals	Adopt same assumption
Contingency	5%	5%
CIL	£4437	£4437
S106 costs	• Spatial green infrastructure £316,558 • Sports facility £330,333 • Health contribution £399,307 • Off site highways £23,072 • Total £1,069,270	• Primary ed £739,639 • Secondary ed £721,776 • Local Open Space £252,837 • Sports provision £121,110 • Highways £30,000 • Total £1,865,362
Professional fees	8%	8%
Disposal fees	Marketing 1.5% Sales agent 1% Sales legal £650 per unit	Marketing 1.5% Sales agent 1% Sales legal 0.5%
Finance	6% debit / 0 % credit	6% debit / 0 % credit
Profit	17.5% on market units 6% on affordable units Blended rate of 16.78% also applied to commercial units	17.5% on market units 6% on affordable units 15% of cost for commercial elements and parking
Benchmark land value	EUV – RV at 7% = £2.4m + 50% premium = £3.6m AUV - £10 psf @ 7% yield discounted to allow for extended rent free period to reflect costs of bringing to standard = £3.5m	EUV £1,219,973+30% = £1,585,965
Cashflow assumptions		
Phasing	Built as single phase	Disagree
Affordable sales	Sold 1 month post pc	• 25% on commencement of construction

Item	C&W original viability June 2020	Trebbi August 2021
		• 50% throughout construction period • 25% practical completion
S016 costs	Single instalment after PC	Phased approach required – proposal by CW (see in right column), accepted by Trebbi.

Agreed Viability Inputs

4.2. Since preparing the previous reports, I have worked closely with Trebbi Continuum to review the points of difference and share opinions of how changes to market conditions affect the viability assumptions. As a result, we have been able to establish a greater level of common ground than indicated by the previous assessments.

4.3. As detailed in the Statement of Common Ground on Viability completed and issued to PINS on Monday 29th November 2021 (SOCG), the following key assumptions and viability appraisal inputs are agreed in relation to the FVA:

- Viability methodology;
- Development and floor area schedules as provided by OConnell Architects, provided at Appendix 1 of this proof of evidence. Trebbi have qualified their acceptance of the scheme assumptions with the proviso that they require justification for the gross to net ratio generated by the designs.
- A two-phase approach to the development of the scheme and the number of units incorporated into each phase is agreed
- Method of translating floor areas into cashflow via use of average unit sizes for both market and affordable units
- Affordable housing transfer values – 60% of open market value, reflecting the blended position of affordable rent and social rent given the 50/50 split between the two affordable tenure typologies
- Car parking revenue – capital value of £20,000 per space, benchmarked from No 1 Old Trafford comparable apartment scheme
- Retail and café revenue – £15 psf, at an investment yield of 7.5% and a combined void / incentive allowance of 12 months rent free
- Purchaser's costs on land and investment purchase – 1.8% plus SDLT
- Contingency – 5% of construction costs
- Professional fees – 8% of construction costs
- Community Infrastructure Levy - £4,513 based on an assumed application of the 'leisure' tariff rate to the retail and café floor area.

- Residential disposal fees – marketing and sales agent 2.5% of market sales, legal fees £650 per unit
- Commercial rental and disposal fees – letting agent 10% of ERV, letting legal 5% of ERV, sales agent 1% of NDV, sales legal 0.5% of NDV
- Finance – 6% pa debit, 0% credit rate
- Developer's profit on residential units – 17.5% if GDV for market sale, 6% of GDV for affordable sales

Not Agreed Viability Inputs

4.4. There are various assumptions and viability appraisal inputs which have not been agreed with Trebbi Continuum, which are summarised below:

- Open market revenues;
- Construction costs;
- Benchmark land value;
- Development programme and cashflow;
- Profit on car parking and commercial revenue.

4.5. The remainder of this proof is therefore structured as follows:

- Section 5 – provides justification for the outstanding viability assumptions I have used;
- Section 6 – presents the results and conclusions of my updated viability assessment
- Section 7 – disclaimer confirming that the FVA does <u>not</u> constitute a valuation in accordance with RICS reporting requirements
- Section 8 – provides my declaration and statement of truth.

5. Justification of Outstanding Viability Inputs

Development assumptions

5.1. I have adopted the updated scheme information provided by O'Connell East Architects. The drawings and full area schedules are provided at Appendix 1 of this Proof of Evidence. There are two differences between the scheme information provided to inform my original FVA and the updated details on which my updated FVA is now based.

5.2. Firstly, following review and consultation with O'Connell East Architects and the appellant's cost consultants and project managers, a phased approach to the development has been provided. My original assumptions were that the scheme would be delivered as a single phase. Following this review, it has been established that the scheme could be delivered in two distinct phases, with the first phase being in the form of the first of the three buildings at the back of the site, and the two connected buildings at the front of the site comprising the second phase. The drawings at Appendix 1 illustrate the two phases. I have adopted this revised delivery approach, and amended the build period which has resulted in a different cashflow which I present later in this proof.

5.3. The second difference represents a correction by O'Connell East Architects to the previous floor area schedules, which has reduced the gross and net floor areas marginally, and reduced the number of apartments from 333 to 332 on site. The reason for this correction was an error in the previous schedules involving a wrongly attributed 2 bedroom apartment.

5.4. The updated development schedules are provided at Appendix 1 and summarised below:

Table 5.1: Floor area schedule and unit numbers

	GIA	Residential Net Sales Area	Retail	Café	Ancillary (parking, refuse, cycle store, residential amenity space)	Residential unit numbers
Sq m						
Phase 1	9,342	7,441	-	-	181	116
Phase 2	20,287	12,791	153	180	3,436	216
Total	29,629	20,232	153	180	3,617	332
Sq ft						
Phase 1	100,556	80,094	-	-	1,948	116
Phase 2	218,367	137,681	1,647	1,938	36,985	216
Total	318,924	217,775	1,647	1,938	38,933	332

Justification for Gross to Net ratio

5.5. Trebbi has requested justification for the gross to net ratio which they assert is unusually low compared to typical apartment schemes. Trebbi has quoted a gross to net percentage of 68% interpreting the net residential sales area of 20,232 sq m divided by the gross floor area of 29,629 sq m as the gross to net ratio.

5.6. The net/gross of an typical residential floor plate is around 80%, which represents a reasonably efficient floorplate for an apartment scheme. This figure is a ratio of the 'saleable' area of a typical usable floorplate against its gross area which includes all circulation, service risers and smoke vents.

5.7. The gross to net ratio presented by Trebbi does not take account of other saleable spaces such as the retail unit and café, and nor does it take account of the basement parking (which generates a revenue for the development) and the ancillary spaces of refuse, cycle store and amenity space. Taking these spaces into consideration, the useable space totals 24,182 sqm - which gives an efficiency of 81.6%, which I regard as efficient.

Table 5.2: Floor area schedule highlighting total usable floor space (sq m)

	GIA sq m	Residential Net Sales Area	Retail	Café	Ancillary (parking, refuse, cycle store, residential amenity space)	Residential unit numbers
Sq m						
Phase 1	9,342	7,441	-	-	181	116
Phase 2	20,287	12,791	153	180	3,436	216
Total	29,629	20,232	153	180	3,617	332
		Total usable = 24,182 sq m				

5.8. The car parking is the main contributor to the reduction in efficiency when presented in the way that Trebbi has presented the information. Because the car parking is under the building, it is included in the GIA. The inclusion of underground car parking on this scheme is considered optimum given the constraints of the site, with the parking decked over and a landscaped courtyard sits above it, creating an attractive amenity space for residents rather than a sea of cars, whilst simultaneously creating a secure car park. The car parking carries a capital value in the viability based on the common ground assumption of £20,000 per space. I also consider that it drives value benefits for the scheme by supporting a premium sale value to be achieved, which I have reflected in my revenue assumptions detailed below.

Revenue assumptions

5.9. I have revisited the revenue assumptions made in my original FVA of June 2020 to take account of market changes and new evidence since this date. The original revenue assumption I made equated to a blended average of £340 per sq ft (£222,854 per unit). In Trebbi's viability assessment reports of September 2020 and August 2021, they applied a revenue £360 per sq ft, and sought to justify this revenue on the basis of comparison with schemes with much smaller average unit sizes thus not providing a suitable comparator for the appeal scheme. I explained in my Statement of Case (Exhibit 6: Viability Report, November 2020) the valuation principle that there is generally an inverse relationship between the size of apartments and the rate of revenue when expressed on a per sq m / sq ft basis; that is, the larger the amount of floor space the lower rate of revenue on a per sq m / sq ft basis. I also explained that the revenue of £340psf provided a robust and realistic assessment of the revenues achievable, taking into account the individual characteristics of the appeal scheme and comparison with the available evidence of transacted schemes.

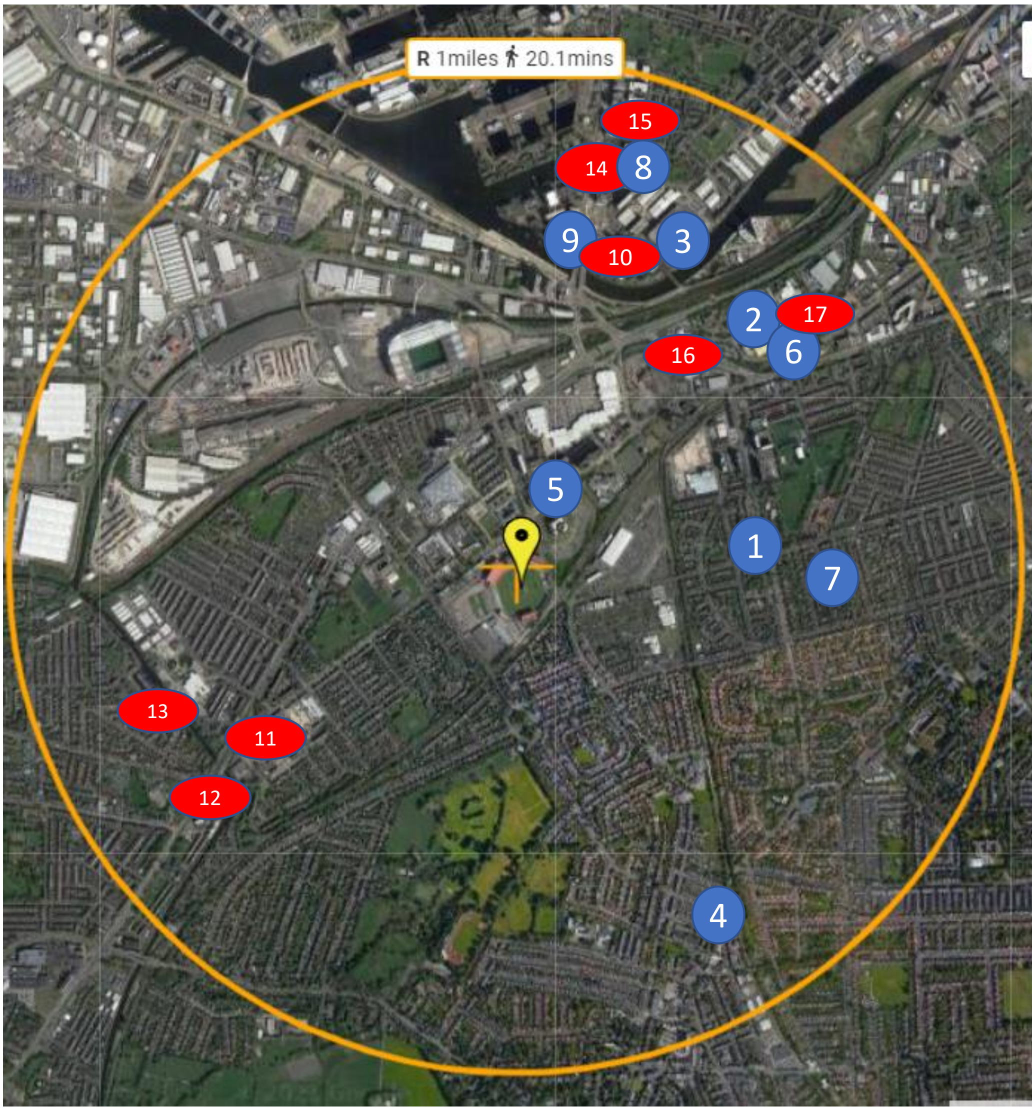
5.10. Acknowledging that a significant amount of time has elapsed since my original FVA and the comparable transaction information on which my analysis was based, I have updated my assessment and set out in the following paragraphs the conclusion of this analysis, supported by evidence in the form a Zoopla House Price Index report provided at Appendix 2 and HM Land Registry transaction evidence of recent new build schemes at Appendix 3 which have been indexed to August 2021.

5.11. In updating my revenue assumptions I have had regard both to the wider residential market's performance as well as examining in detail the granular evidence of comparable transactions within close proximity of the appeal site.

5.12. Zoopla published their UK House Price Index report on 29th November 2021 which provides a useful summary of the UK and regional housing market. This report highlighted the strong growth in house prices over the last year at 6.9% (albeit apartment sale value growth recorded as only 1.6%), and the strong regional performance of the Manchester area enjoying 8.7% growth in average house prices, above the national average. It underlined the strength of the market's performance over the last 12 months and in relation to the outlook for 2022, states "House price growth is starting to ease, although the path over the next year will not be linear. We expect UK average house price growth to end 2022 firmly in positive territory at 3%".

5.13. In reassessing comparable transaction data locally, my approach was to draw a 1-mile radius around the appeal site to establish the broad parameters for geographical search, and then to identify the transaction evidence within the circumference of this area. The 1-mile radius is considered to represent a suitable basis for my assessment approximating to a 15-20 minute walk time. However, I would acknowledge that within this area there are significant differentials in market performance particularly to the north where the area encompasses part of Manchester which is a significantly stronger market. Therefore, I have considered these variations in the interpretation of the evidence and application of suitable adjustment to the appeal scheme. A plan showing the market area together with the location of comparable transaction evidence, both new build and second hand, is illustrated in Figure 5.1 below.

Figure 5.1: Location of comparable transactions



5.14. The focus of my assessment is on the new build evidence, of which there are nine schemes illustrated in blue above as follows:

1. Trafford Plaza, on Park Rise/Seymour Grove, an apartment development by MCR Developments, converted from a former commercial building for 87 apartments, the majority of which sold through 2018.
2. Metropolitan House, on Brindley Road, a development of 81 apartments by Mandale Construction converted from a former office building. The majority of unit sales were through 2018.
3. Manchester Waters, on Pomona Strand, an apartment development by X1 Developments and Vermont, with the majority of sales through 2020.
4. Chorlton Plaza, Manchester Road, Chorlton-Cum-Hardy, an apartment development by New Park Commercial which had unit sales in 2019 and 2020

5. Kinetic, Talbot Road, an office to residential conversion in close proximity to the appeal site, with sales registered through 2020
6. 501 West Point, Chester Road, a collection of 317 apartments with sales registered in 2019
7. Celestia Court, Upper Chorlton Road, a relatively small apartment development with larger unit sizes, selling in 2019/2020
8. Apartment 1901, 15 Trafford Road, a new build apartment scheme by X1/Vermont with sales in 2020
9. Apartment 911, Abito, 4, Clippers Quay, an apartment development in the Salford Quays area.

5.15. Transactional evidence for each of these schemes has been sourced from Landinsight which pulls data from Land Registry on sold prices on a per unit and per sq ft/m price. Where necessary, further research has been carried out from Energy Performance Certificates from Rightmove/Zoopla, to determine the floor areas to reach a revenue per sq ft. The time period parameters for my review are January 2018 to the present day, thus providing over three years' worth of data. Schedules detailing the sales evidence are set out in Appendix 3, with the average figures summarised in the tables below.

5.16. The revenues achieved on the new build schemes evidenced range from £99,393 to £233,750 per apartment and £260 to £396 psf. The closest comparable scheme geographically to the Appeal site is Kinetic, which is an office to residential conversion on Talbot Road, which achieved an average sale value of £142,000 per apartment or £341 psf. However, this scheme is comprised of significantly smaller unit sizes (average unit size 427 sq ft compared with the appeal scheme average unit size of 663 sq ft) and thus the rate of revenue psf is not directly comparable with the appeal scheme with its larger unit sizes. The new build apartment schemes of comparable sizes include Manchester Waters (average unit size 666 sq ft), averaging £293 per sq ft / £190,000 per apartment, and Trafford Road (average unit size 624 sq ft), £341 per sq ft / £213,000 per apartment. The average revenue across all the schemes identified is £163,000 per apartment and £319 per sq ft. This underlines the fact that the revenue assumption made in my original FVA of £340 psf and £222,854 per unit, was at the upper end of the range of achieved revenues in the local market. Those schemes with higher revenues per square foot were 501 West Point and Manchester Road, although they have a much smaller average unit size than the appeal scheme and are therefore not comparable.

Table 5.3: Sale transaction evidence

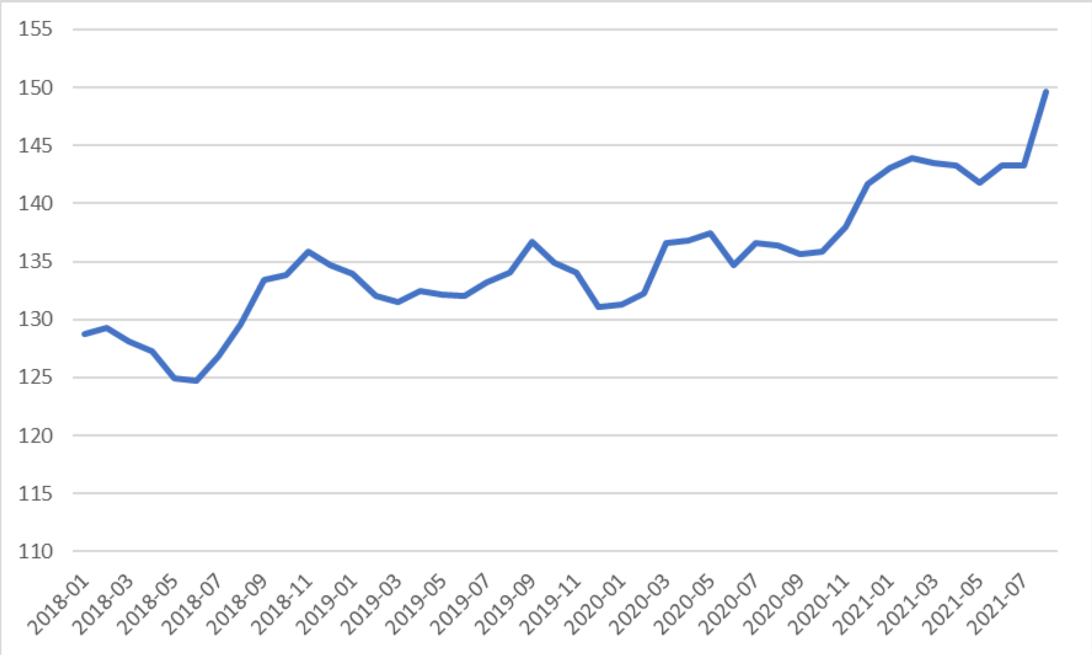
Reference (for figure 6.1)	Development Name	Average Price	Average Size sq ft	Average size sqm	Average Price per sq ft	Average Price per sqm
New build						
1	Trafford Plaza	£159,532	559	52	£289	£3,113
2	Metropolitan House	£135,967	525	49	£260	£2,797

Reference (for figure 6.1)	Development Name	Average Price	Average Size sq ft	Average size sqm	Average Price per sq ft	Average Price per sqm
3	Manchester Waters	£190,370	666	62	£293	£3,159
4	Manchester Road	£187,079	525	49	£362	£3,899
5	Kinetic	£142,326	427	40	£341	£3,669
6	501 West Point	£99,393	271	25	£396	£4,266
7	Celestia Court	£233,750	813	76	£288	£3,099
8	15 Trafford Road	£212,995	624	58	£341	£3,672
9	4 Albito	£107,000	355	33	£301	£3,242
Second hand						
10	Q7 Building	£170,700	642	58	£267	£2,871
11	Wardle Close	£116,063	678	63	£171	£1,844
12	New Belvedere Close	£113,673	638	59	£178	£1,914
13	Marland Way	£136,800	656	61	£209	£2,246
14	Elmira Way	£153,309	622	57	£250	£2,693
15	The Exchange	£152,108	580	54	£266	£2,865
16	Grove House	£105,000	570	53	£184	£1,985
17	50 Manchester Street	£114,122	570	53	£201	£2,169
18	Albito	£104,634	369	34	£289	£3,110

Source: Landinsight and Land Registry

5.17. In order to determine the most appropriate present-day revenues for the appeal scheme, I acknowledge that consideration is required to the growth in values achieved since the transactions summarised above took place. I have therefore supplemented my assessment of transactional evidence through applying the Land Registry House Price Index (HPI) for Flats and Maisonettes for Trafford to the above listed transaction evidence. The HPI for flats and maisonettes tracks all sales and converts the changes in average prices into an index which can be applied to bring revenues to the present day. Figure 5.2 below illustrates the trend from January 2018 to the last month of data available August 2021.

Figure 5.2: House Price Index for flats and maisonettes, Trafford, 2018-2021



Source: Land Registry

5.18. This graph shows that the index has increased from 128 to 149 between January 2018 and August 2021, which represents a growth in average values of flats and maisonettes of 16%. I have applied the index to bring all the new build/converted transaction revenues in Table 6.3 above up to the most recent available date of August 2021. I have indexed each sale to August 2021 based on the month in which the sale took place. I have reproduced the table of comparable transaction evidence with the indexed revenues in Table 5.4 below:

Table 5.4: New Build sale comparables Indexed to August 2021

Reference (for figure 6.1)	Development Name	Average Price	Average Size sq ft	Avrage size sqm	Average Price per sq ft	Average Price per sqm	Indexed £per sq ft	Indexed £ per unit
New build								
1	Trafford Plaza	£159,532	559	52	£289	£3,113	£336	£185,230
2	Metropolitan House	£135,967	525	49	£260	£2,797	£310	£162,009
3	Manchester Waters	£190,370	666	62	£293	£3,159	£326	£210,959
4	Manchester Road	£187,079	525	49	£362	£3,899	£405	£209,790
5	Kinetic	£142,326	427	40	£341	£3,669	£374	£156,483
6	501 West Point	£99,393	271	25	£396	£4,266	£449	£112,583
7	Celestia Court	£233,750	813	76	£288	£3,099	£322	£261,183
8	15 Trafford Road	£212,995	624	58	£341	£3,672	£360	£224,995
9	4 Albito	£107,000	355	33	£301	£3,242	£336	£119,446
						Average	£358	£182,520

Source: Landinsight and Land Registry

5.19. As a result of indexing, the average revenue increases from £319 psf / £163,000 per unit to £358 psf / £182,500 per unit. In relation to specific comparables, the present-day value of Kinetic is increased from £341 psf / £142,326 per unit to £374 psf / £156,483, and the

Manchester Waters and Trafford Road comparables which have a similar average unit size to the Appeal scheme have increased from £293 psf to £326 psf and £341 psf to £360 psf respectively.

5.20. Alongside this transactional evidence, I have considered asking prices within the local area. No 1 Old Trafford is a new build apartment scheme in two tall buildings at Victoria Place, overlooking Old Trafford football ground and benefiting from waterfront views over the Manchester Ship Canal and Salford Quays. Obtaining transactional evidence for this scheme is difficult as it is not yet available on Land Registry or national agency websites. However, I have research asking prices on Rightmove.co.uk and have noted similar sized apartments to the average unit size of the appeal scheme on the market with asking prices of between £360psf and £380psf. I consider that No 1 Old Trafford represents a useful comparator albeit it enjoys a superior location to the appeal scheme given its combined view over Manchester United FC's football stadium as well as waterside views.

5.21. Taking the range of evidence into account, and in consideration of the specific locational attributes, the mix of unit sizes, and the specification of the appeal scheme and related amenity benefits, I consider a maximum open market revenue achievable to be £380psf, which equates to an average apartment price of just over £250,000. This is a blended average across the various unit sizes. I have considered the likely differential in revenues across the different unit sizes in arriving at this blended average position, as summarised below:

Table 5.5: Target revenues on appeal scheme

		Total net sales floor area			
	Units	Sq m	Sq ft	Average floor area per unit (sq ft)	Target revenue per sq ft
Studio	2	53	570	285	£450
1 bed	108	4,943	53,206	493	£400
2 bed	189	12,355	132,988	704	£380
3 bed	33	2,883	31,032	940	£340
				Blended average:	**£380**

5.22. I consider this revenue to be at the top end of the range of what could be achieved in the present day based on the evidence that is available and reflective of the premium potential of the appeal scheme given the proposed outlook over Old Trafford Cricket Ground and the scheme's attributes such as secure parking and amenities at ground floor level.

5.23. Finally, I have undertaken a cross check of this figure by applying the HPI index used above to my previous revenue assumption of £340psf. As a result of indexing from June 2020 (the publication date of my original FVA), to August 2021, I arrive at a revenue figure of £378psf, marginally less than the figure of £380 psf. Therefore, **I have applied a**

revenue of £380 psf to the floor space – which represents a blended average open market revenue.

Construction costs

5.24. Construction costs have changed markedly over the last 18 months as a consequence of a wide range of factors impacting on the building industry. Specialist cost consultant Edmund Shipway has produced a revised cost plan that takes into account changing market conditions and also the revised approach to phasing the development explained above. The cost plan is provided at Appendix 4. The cost plan includes costs of demolition and site preparation, construction and external works. It also includes projections of build cost inflation to the anticipated start date and construction period of the proposed works. However, I have omitted the inflationary uplift on account of the agreement as documented in the SOCG to use present day cost and value figures and as such, the figures presented are based on Q4 2021.

5.25. The summary of the total construction cost is as follows:

Table 5.6: Revised Cost Plan

	Phase 1	Phase 2	Total
Base cost	£16,321,000	£35,672,000	£51,993,000
Estimate uplift 1Q2020 to 4Q2021	£731,000	£1,598,000	£2,329,000
Estimate location index uplift 97 to 99	£343,000	£749,000	£1,092,000
Total present day cost	**£17,395,000**	**£38,019,000**	**£55,414,000**
Sq ft	100,556	218,368	318,924
Cost psf	£173	£174	£174

Source: Edmund Shipway, Appendix 4.

5.26. The above cost plan includes adjustments to the base costs from the cost plan produced as part of original FVA, alongside inflationary adjustments. These amendments have been made to take account of the revised/phased scheme and the general shift in construction market conditions since the original assessment. Further details to explain the differences between the original and new cost plan are provided by way of separate proof evidence from Edmund Shipway.

5.27. The resultant costs are in line with BCIS median/mean levels re-based for Trafford. As specified at page 8 of the Cost Plan at Appendix 4, the build cost excluding facilitating and external works equates to £1787 per sq ft (£166 pf), which is within the range of the BCIS median and mean costs for apartments of six floors +, rebased for Trafford, October 2021. Based on my understanding of prevailing build costs for comparable inner urban / city centre apartment schemes, and in view of National Planning Practice Guidance reference to the role of BCIS data in informing FVAs (Paragraph: 012 Reference ID: 10-012-20180724), I consider these costs to represent a sound and robust basis for this updated FVA. This said, I would caveat that construction cost is a specialist area for which I am not qualified to provide expert opinion and therefore have relied on the cost plan provided by Edmund Shipway.

Benchmark Land Value

5.28. As part of my original FVA, I set out both Existing Use Value + premium and Alternative Use Value assessments of Benchmark Land Value. My EUV assessment was based on the capitalisation of the rateable value of the subject property using an investment yield approach, and my AUV assessment assumed a refurbishment of the existing property to a position to enable a letting to a new retail operator with a strong covenant. In respect of the EUV assessment, I applied a premium of 50%. The resultant figures indicated a benchmark land value range of £3.5-£3.6million.

5.29. Since this earlier analysis and following the response provided by Trebbi, I have reviewed the basis of the benchmark land value taking account of both market changes and the specific points made by Trebbi. I have also taken into consideration the update to RICS Financial Viability in Planning 2nd Edition, which has been published since the earlier FVA. In relation to the AUV assessment, I have taken further advice on the stringency of the pre-existing planning restriction as regards the ability to permit non DIY based operations and, in consideration of the availability of demand evidence, conceded that the AUV position I had set out does not fully meet all of the tests set out in NPPG.

5.30. Given the potential for a significant difference in position between Trebbi and myself on this particular assumption and the high level of sensitivity of the benchmark land value to different capitalisation rate assumptions, I have sought a third opinion from the CW valuation team based in my Manchester office. The valuation team produce a wide range of formal valuation work for secured lending and other purposes specialising in the Manchester market and surrounding geography. A summary of this assessment is provided with this Proof of Evidence at Appendix 5, but in summary, it indicates an EUV for the Appeal property of **£1.3million**. This assessment is based on a comprehensive review of comparable evidence, taking account of the existing condition and planning restriction affecting the existing property, adjusted where appropriate with appropriate market judgements.

5.31. A key piece of evidence cited in this valuation is the 2020 sale of a vacated Homebase store on Manchester Road in Bolton, for a sum of £1.7million, equating to £42.16 psf. Applying this capital value rate to the appeal scheme floor area (32,616 sq ft) generates a comparable value of £1.375million. The valuation makes a further adjustment and concludes an EUV value of £1.3million is appropriate for the appeal site. This is slightly above Trebbi's assessment which places the EUV at £1,219,973.

5.32. National Planning Practice Guidance makes clear that a premium over and above EUV is appropriate when benchmarking land value. In relation to the premium that should be applied to the appeal scheme, although I previously applied an uplift of 50% on EUV, I have further reviewed case evidence on the subject and accept that a range of 20% to 30%, as argued in Trebbi's viability assessment, is appropriate for benchmarking the appeal scheme. I have therefore adopted a consistent premium range to that provided in Trebbi's FVA contained in their Statement of Case of August 2021. This produces an overall Benchmark Land Value range of **£1.56million to £1.69million,** which is at a similar level to Trebbi's benchmark land value of £1,585,965.

S106 Assumptions

5.33. In respect of affordable housing, the starting point for my assessment is the appellant's stated position of the Local Plan policy requiring 10% of the units being affordable, which totals 34 affordable homes (the reason that the number of units is 34 and not 33 is due to the rounding up in apportioning the units to each phase). As agreed in the Statement of Common Ground, affordable units are modelled consistently with the market homes as a single average unit size. This accords with Trafford Council's Supplementary Planning Document on planning obligations (SPD1) which explicitly states that affordable units should match the mix of market units on sites – as the market units are modelled as an average size, so too are the affordable units. This approach also accords with the initial Financial Viability Assessment that I prepared and the Financial Viability Assessments produced by Trebbi in their viability reports in September 2020 and August 2021.

5.34. The affordable units have been proportionately distributed with 10% of the units in each phase being affordable, equating to 12 in the first phase, and 22 in the second phase.

5.35. In respect of other S106 contributions, I have been advised by the appellant to include the following items:

- Spatial green infrastructure £252,837
- Sports facility £121,100
- Off-site highways £30,000
- Total £ 403,937

5.36. In respect of education contributions, it is the appellant's current position that developer contributions are not necessary or justified. In recognition of the fact that this is a disputed matter, I have also modelled a scenario to demonstrate the effect of the Council's requested education contributions of the following sums: Education £1,461,415 (based on £739,639 primary and £721,776 secondary), the effect of which is to reduce the quantity of affordable homes that the scheme can viably support.

Development programme and cashflow assumptions

5.37. I have assumed a phased delivery in accordance with the phasing plan set out at Appendix 1. This assumes that the first phase can be completed with unit sales commencing whilst the construction of the second phase is underway. The development programme milestones I have assumed are as follows:

- Six-month lead in from purchase to allow for construction procurement and preparation
- First phase construction period 20 months
- Second phase construction period commences 1 month after practical completion of first phase, taking 23 months

5.38. The construction programme is based on advice from Edmund Shipway cost consultants derived from the BCIS construction programme calculator. The construction costs for each phase are modelled as a single cost programme in the industry standard S-curved methodology.

5.39. The sales programme is as follows for each phase:

- 75% of market units are either pre sold or sold during construction, with the income being distributed into the month immediately following practical completion
- 25% of market units are sold following practical completion at a rate of 8 sales per month.

5.40. The affordable housing sales programme is based on timescales agreed with Trebbi which are:

- 25% on commencement of construction
- 50% at throughout construction period
- 25% practical completion

5.41. Sales income follows a flat line distribution on a month-by-month basis.

5.42. S106 costs are profiled in accordance with advice from Trafford Council and are as follows:

- 50% on commencement of construction
- 50% before first occupation

5.43. All other cost items are profiled in an industry standard way with sales and legal costs aligning with income, and finance being calculated on the cumulative balance in each period in the cashflow. Land value is residualised and brought to the beginning of the cashflow in a single payment.

Developer's profit on commercial and car parking revenue

5.44. Trebbi has argued that the rate of return to the developer for the commercial revenue (relating to the retail unit and café) and car parking spaces, should be attributed a different profit rate to the rest of the scheme on account of the different industry standard benchmarks applied to residential and commercial schemes respectively. As I have stated in response to this point through my Viability Statement of Case, I do not agree with this argument, and as a mixed-use development project, I consider that a developer will seek an overall blended profit rate for commercial elements at 17.5% of GDV given the risk profile of the scheme. That said, I am of the view that this does not materially impact on the overall results of the viability assessment and have agreed to model these elements at a reduced rate of profit. Following discussion with Trebbi, I have agreed to represent 15% profit on cost on these elements at 13% of GDV thus enabling an overall blended profit on GDV to be efficiently generated within the Argus based appraisal.

Summary

5.45. Table 5.6 below provides a complete summary of the input assumptions to my updated FVA together with a reference to where the assumptions are agreed with the Council and where not, brief comments on the source/basis of the updated assumption:

Table 5.6: Updated FVA assumptions

Item	C&W	Comments
Viability methodology	Residual development appraisal utilising period by period cashflow, with viability determined via reference of residual land value against benchmark land value.	Common ground
Indexing	Current day costs and values	Common ground
Scheme design. development appraisal	Scheme and updated floor area schedules provided by O'Connell East Architects, set out at Appendix 1. Summary: • 332 residential units (116 units in phase 1, 216 units in phase 2) • Total net sales 217,775 sq ft (20,232 sq m) • Retail unit 1,647 sq ft (153 sq m) • Café 1,938 sq ft (180 sq m) • 98 car parking spaces • Total gross floor area 318,924 sq ft (29,629 sq m)	Common ground, although Trebbi requested justification for the gross to net ratio.
Residential revenue OMV	Average revenue 380 psf	• £340psf in previous viability indexed to August 2021 is £378psf • Indexed tone of values within local market on comparable transacted schemes is circa £358psf / £180,000 per unit • Asking prices for similar sized units at No 1 Old Trafford are £360-£380 psf.
Affordable revenue	All affordable units at blended transfer value of 60%	Common ground
Car parking revenue	£20,000 per space based on No 1 Old Trafford	Common ground
Retail revenue	£15 psf, yield 7.5%, 12 months rent free	Common ground
Café	£15 psf, yield 7.5%, 12 months rent free	Common ground
Purchaser's costs on land & commercial investment	Agent 1.2% Legal 0.6% SDLT	Common ground
Build cost	Total build cost £174psf /	Updated cost plan prepared by

Item	C&W	Comments
	£55,414,000	Edmund Shipway provided at Appendix 4
Contingency	5%	Common ground
CIL	£4513 (indexed to 2021)	Common ground
S106 costs	• Spatial green infrastructure £252,837 • Sports facility £121,100 • Health contribution £0 • Off-site highways £30,000 • Total £ 403,937	Based on advice from WSP.
Professional fees	8%	Common ground
Disposal fees	Marketing 1.5% of market GDV Sales agent 1% of market GDV Sales legal £650 per unit Commercial • Letting agent 10% of ERV • Letting agent 5% of ERV • Sale agent 1% of NDV • Sale legal 0.5% of NDV	Common ground
Finance	6% debit / 0 % credit	Common ground
Profit	17.5% on market units 6% on affordable units 13% of GDV on parking and commercial	17.5% of GDV on market units and 6% of GDV on affordable units is common ground. 13% of GDV for parking and commercial uses aligns with Trebbi position.
Benchmark land value	EUV of £1,300,000 + premium of 20%-30% = £1,560,000 - £1,690,000	EUV based on assessment prepared by CW North West Valuation team – set out at Appendix 5.
Phasing	To be delivered in two phases in accordance with attached plan and floor area schedule Construction timescales: 6 month lead in Phase 1 20 months Phase 2 23 months	Phasing strategy based on advice from O'Connell East Architects. Construction programme based on advice from Edmund Shipway cost consultants.
Market sales	• 75% pre / during construction (paid for 1 month after pc) • 25% after PC at rate of 8 units per month	CW market assumption
Affordable sales	• 25% on commencement of construction • 50% at throughout construction period • 25% practical completion	Common ground
S016 costs	The following based on advice from Trafford Council:	Common ground

Item	C&W	Comments
	• 50% on commencement of development • 50% before first occupation	

5.46. The results of my updated FVA and conclusions are set out in the following Section.

6. Results and Conclusions to Financial Viability Assessment

Results

6.1. The results of the updated Financial Viability Assessment of the appeal scheme are summarised in Table 6.1 below. Full output appraisal summaries and cashflows are provided at Appendix 6.

6.2. The first scenario incorporates 10% affordable housing (34 affordable units), and all S106 costs except the primary and secondary education school contributions that are disputed by the appellant. This appraisal produces a residual land value of £746,311, which is significantly below the benchmark land value range of £1,560,000-£1,690,000, indicating that this scenario is not viable.

6.3. The second scenario includes a reduced affordable housing contribution of 5% (17 affordable units). This appraisal produces a residual land value of £1,450,883, which is below the identified benchmark land value range, but only by c. 7%. At only this percentage below the benchmark, I consider it to be within the range of tolerance and thus I judge this scenario to be viable.

Table 6.1 FVA results

S106 scenario	Residual land value	Benchmark land value range
• **10% AH (34 units)** • Spatial green infrastructure £252,837 • Sports facility £121,100 • Off-site highways £30,000 • Total £ 403,937	£746,311	£1,560,000-£1,690,000 (EUV £1.3m plus 20-30% premium)
• **5% AH (17 units)** • Spatial green infrastructure £252,837 • Sports facility £121,100 • Off-site highways £30,000 • Total £ 403,937	£1,450,883	£1,560,000-£1,690,000 (EUV £1.3m plus 20-30% premium)

Sensitivity analysis

6.4. Table 6.2 below illustrates the impact on residual land value of £5psf incremental changes in sale values in the 5% affordable housing scenario. This underlines the sensitive nature of residual land value to relatively small changes in sales revenue. A revenue reduction of just £10psf (2.6%), results in a land value of just £45,528; conversely a £10psf increase in revenue to £390psf doubles the residual land value to over £2.8million.

Table 6.2: Sales revenue sensitivity

£370psf	£375psf	£380psf	£385psf	£390psf
£45,528	£753,146	£1,450,833	£2,147,478	£2,843,426

6.5. Table 6.3 displays the impact of changes in construction costs in 2.5% increments plus and minus. This also shows the potential for significant variation in the residual land value as a result of small changes in construction cost. An increase of just 5% in build cost would translate into a negative residual land value of £932,520, and conversely a 5% cost saving would increase residual land value to £3,724,070.

Table 6.3: Build cost sensitivity

+5%	+2.5%	0	-2.5%	-5%
-£932,520	£311,368	£1,450,833	£2,587,815	£3,724,070

6.6. Whilst this sensitivity analysis demonstrates the potential for significant upside as well as down-side risk associated with small variations in cost and revenue, the key message is that residual land value is highly sensitive to these adjustments and thus there is significant risk around viability. I consider there to be a greater likelihood of downside than upside risk given the optimistic revenue assumptions made in my base appraisal (£380psf against an average of closer to £360psf in the tone of local evidence), and the reality that construction costs are currently exposed to significant inflationary pressures. Overall though, I consider that this sensitivity analysis further reinforces the robustness of my assessment and justifies a pragmatic and reasonable approach be taken to judging the planning requirements required of the appeal scheme.

Education contributions

6.7. As a final scenario, I have modelled the impact of introducing the education contributions sought by Trafford Council in addition to the other S106 costs already incorporated into my base viability assessment. The combined cost of these additional education contributions is £1,461,415, and the impact is to remove all potential for affordable housing. As demonstrated by Table 6.4 below, with zero affordable housing (100% of homes being market sale), the scheme generates a residual land value of £867,230, significantly below the benchmark land value range of £1.56m-£1.69m. Thus, not only does the introduction of these additional costs remove the headroom for an affordable housing contribution, it produces an unviable scheme.

Table 6.4: Introduction of education contributions

S106 scenario	Residual land value	Benchmark land value range
• 0% AH • Spatial green infrastructure £252,837 • Sports facility £121,100	£867,230	£1,560,000- £1,690,000 (EUV £1.3m plus

S106 scenario	Residual land value	Benchmark land value range
• Off-site highways £30,000 • Primary Ed £739,639 • Secondary Ed £721,776 • Total £ 1,865,352		20-30% premium)

6.8. Full appraisal summaries and cashflows are provided at Appendix 6 of all of the scenarios I have modelled. One of the criticisms made by Trebbi to my original FVA was that finance costs were high at over £4million – this being driven by the single phase delivery assumption originally adopted. As a result of the revised phasing approach and adjusted programme and cashflow assumptions, the finance costs incurred range from £2.4million to £2.8million across the scenarios, which represents between 3.5% and 4% of total costs. I consider this to provide an appropriate level of finance costs for the appeal scheme given the phasing assumptions adopted.

Conclusion

6.9. The conclusion of my updated Financial Viability Assessment is that the appeal scheme can deliver approximately 5% of its homes as affordable alongside a package of other S106 costs totalling £403,937.

6.10. In producing this updated assessment, I have taken account of changes in market conditions and updated both revenues and costs, the updates of which I believe are market facing and fully justified based on the evidence presented. I have also taken into account criticisms made to my original Financial Viability Assessment by the Council, and in response have carried out further research and procured additional advice to reinforce my assumptions base. Where appropriate, I have made adjustments to my viability assumptions. I have done so only where I have considered such adjustments to be justified by improving the robustness of my assessment of the scheme’s viability.

6.11. I acknowledge that the residual land value on which my assessment is based is highly sensitive to small variations in key input assumptions. However, as a result of the further work that has been carried out to reinforce the robustness of these assumptions, and the large number of these assumptions being common ground, I believe the results and conclusions are sound and justified.

7. Disclaimer

7.1. The contents of this proof do not constitute a valuation, in accordance with the appropriate sections of the Valuation Technical and Performance Standards ('VPS')) contained within the RICS Valuation – Global Standards (the 'Red Book') and the RICS Valuation – Global Standards 2017 – UK National Supplement.

8. Declaration and Statement of Truth

8.1. I, Stephen Miles MRICS, MRTPI, declare that:

8.1.1. I understand that my duty in providing written reports and giving evidence is to help the Inquiry, and that this duty overrides any obligation to the party to whom I am engaged or the person who has paid or is liable to pay me. I confirm that I have complied and will continue to comply with my duty.

8.1.2. I confirm that I have not entered into any arrangement where the amount or payment of my fees is in any way dependent on the outcome of the case.

8.1.3. I know of no conflict of interest of any kind, other than any which I have disclosed in my report.

8.1.4. I do not consider that any interest which I have disclosed affects my suitability as an expert witness on any issues on which I have given evidence.

8.1.5. I have shown the sources of all information that I have used.

8.1.6. I have exercised reasonable care and skill in order to be accurate and complete in preparing this proof.

8.1.7. I have endeavoured to include in my proof those matters, of which I have knowledge or of which I have been made aware, that might adversely affect the validity of my opinion. I have clearly stated any qualifications to my opinion.

8.1.8. I have not, without forming an independent view, included or excluded anything which has been suggested to me by others, including my instructing lawyers.

8.1.9. I will notify those instructing me immediately and confirm in writing if, for any reason, my proof requires any correction or qualification.

8.2. I understand that;

8.2.1. My proof will form the evidence to be given under oath or affirmation;

8.2.2. Questions may be put to me in writing for the purposes of clarifying my proof and that my answers shall be treated as part of my proof and covered by my statement of truth;

8.2.3. The Inquiry may at any stage direct a discussion to take place between the experts for the purpose of identifying and discussing the expert issues in the proceedings, where possible reaching an agreed opinion on those issues and identifying what action, if any, may be taken to resolve any of the outstanding issues between the parties;

8.2.4. The Inquiry may direct that following a discussion between the experts that a statement should be prepared showing those issues which are agreed, and those issues which are not agreed, together with a summary of the reasons for disagreeing;

8.2.5. I may be required to attend Inquiry to be cross-examined on my proof by a cross-examiner assisted by an expert.

8.2.6. I am likely to be the subject of public adverse criticism by the Inspector if the Inquiry concludes that I have not taken reasonable care in trying to meet the standards set out above.

8.2.7. I am aware of the practice direction on pre-action conduct. I have acted in accordance with the Code of Practice for Experts.

8.2.8. I confirm that this proof complies with the requirements of RICS – Royal Institution of Chartered Surveyors, as set down in the RICS practice statement *'Surveyors Acting as Expert Witnesses'.*

Statement of Truth

8.3. I confirm that I have made clear which facts and matters referred to in this proof are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

Signed by Stephen Miles MRICS MRTPI

[redacted]

Date: 14th December 2021