Financial Viability Assessment

Former Northaw Greyhound Kennel
Potters Bar
EN6 4BY

Swing Limited

December 2023

Table of Contents

List of Tables

Appendices

4 December 2023

Our Ref: 2023-309

PRIVATE AND CONFIDENTIAL

Planning Department,
Welwyn Hatfield Council,
The Campus,
Welwyn Garden City,
AL8 6AE

To whom it may concern

**Financial Viability Assessment in Respect of: -
Land at the former Northaw Greyhound Kennel**

Non-Technical Summary

This Financial Viability Assessment (FVA) has been prepared in support of a planning application submitted to Welwyn Hatfield Council for the proposed redevelopment of land at the former Northaw Greyhound Kennel. The application seeks planning permission for the following development:

> *"Outline planning application with all matters reserved except for primary means of access for C2 (extra care) dwellings, ancillary community facilities, extensive landscaping, and access from Coopers Lane Road."*

This report considers the financial viability of the proposals and provides justification in economic viability terms for the level of affordable housing and other planning benefits included within the planning application.

Paragraph 010 of the Planning Policy Guidance sets out the FVA framework for undertaking such assessments and states the following:

'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'

The Key metrics in arriving at our opinion of the Viability of the scheme proposals are as follows:

Gross Development Value	£109,063,668
Development Cost (Total Costs excl. Profit and Land Value)	£96,515,240
Fixed Land Value	£2,612,500
Profit	£9,935,929
Profit on Cost (%)	10.02%
Profit on GDV (%)	9.11%
IRR (%)	10.95%

Based upon the findings herein the proposed scheme contained within the application produces a developer's profit below what would be considered appropriate for this type of development whilst adopting an appropriate site value for the landowner in accordance with published guidance on the financial viability in planning process. This is on the assumption of the following planning contributions:-

- 0% Affordable housing;
- Other benefits delivered by the scheme including much needed later living housing.

Notwithstanding the above viability position, the applicant is prepared to make an offer of 10% affordable housing, in the form of 20% discounted market values.

It should be noted that the Benchmark Land Value is not a price to be paid in the marketplace; it is a mechanism by which the viability of the site to provide developers' contributions can be assessed. It should be set at a level that provides the minimum return at which a reasonable landowner would be willing to sell.

1 Introduction

1.1 Newsteer have been instructed to prepare this Financial Viability Assessment (FVA) on behalf of the applicant – Swing Limited – in order to consider the profitability resulting from the proposed development and demonstrate the ability of the scheme proposals to provide affordable housing taking account of the scheme revenue and costs together with the other planning benefits outlined above. This report constitutes a financial viability assessment of the proposed scheme for planning purposes.

1.2 It is confirmed that we have carried out our standard conflict check procedure and that no conflict or risk of conflict of interest exists in this case.

1.3 It is confirmed that in preparing this assessment, no performance related or contingent fees have been agreed.

1.4 This FVA is provided on a private and confidential basis to support the planning application submitted to Welwyn Hatfield Council (hereafter "the Council"). We understand that the assessment will made available to the Council's advisors and are happy for this to occur however, we do not offer the Council or your advisors and or any third parties a professional duty of care.

1.5 This report must not be recited or referred to in any document or copied or made available (in whole or in part) to any other person without our express prior written consent.

1.6 This FVA for planning purposes has been carried out under the NPPF/PPG; this is regarded as the 'authoritative requirement' in the Red Book. This means that the UK government's technical requirements on the assessment of viability take precedence, but Red Book professional standards still apply. RICS members undertaking this work must adhere to the following:

- statutory and other authoritative requirements (including the NPPF and the PPG)
- the Financial viability in planning: conduct and reporting RICS professional statement (1st edition 2019); it provides the mandatory requirements for the conduct and reporting of valuations in the FVA, and has been written to reflect the requirements of the PPG
- PS 1 and PS 2 of the Red Book

1.7 This report has been prepared in line with RICS valuation guidance and regarding relevant guidance on preparing financial viability assessments for planning purposes. While FVA's are not valuations as such, there is significant valuation content within an FVA. For that reason, these valuation aspects are within the jurisdiction of the Red Book and other RICS mandatory statements and professional guidance. All RICS members carrying out FVAs must adhere to these provisions. However, it does not constitute a formal "Red Book" valuation and should not be relied upon as such.

1.8 This report has been prepared having regard to relevant planning policy applicable to the Site at the date of writing and generally accepted principles of undertaking (site specific) FVAs. It has been written adhering to the RICS Guidance note Financial Viability in Planning (2021) and the RICS Professional Statement on Conduct and Reporting in viability that supports the RICS Guidance Note (2019) (the "RICS Professional Statement").

1.9 It is confirmed that the valuer undertaking this assessment has acted:

- with objectivity

- impartially
- without interference and
- with reference to all appropriate available sources of information

1.10 The scheme will be assessed using standard residual valuation methodology as follows:

Gross Development Value of the residential and commercial elements of the scheme

Less

Build costs, Section 106 costs, CIL, cost of sale, finance costs

Less

Developers Profit

=

Residual Land Value

1.11 This report inverts the above formula by inserting a specific benchmark value in order to obtain a residual profit which may be compared to the level that a reasonable developer would require to proceed with the project.

1.12 We have undertaken development appraisals using the industry recognised ARGUS Developer Model.

1.13 The report will give a brief overview of the scheme; set out the Viability Benchmark Value considered appropriate in this case; detail the assumptions made in relation to the scheme residual appraisal and detail the appraisal results. This will allow conclusions to be drawn in respect of the level of contributions which the scheme is able to support.

2 Development Proposals

2.1 The scheme is continuing to evolve through a design process being undertaken with the Swing Limited's development partner and the future operator of the scheme, Inspired Villages Group (IVG). An illustrative masterplan showing the sites potential for an Integrated Retirement Community (IRC) development is shown below for context.

Accommodation Summary

2.2 We do not have detailed plans for the scheme at present but have been provided with floor areas by G&T, cost consultants for IVG, details and a summary of which are attach as Appendix A. We detail a summary of the proposed accommodation below: -

Table 1: Village Centre (Net:Gross 42%)

No. Units	NIA Sq m	NIA Sq Ft	GIA Sq m	GIA Sq Ft
24	1,492	16,060	3,551	38,223
Average size	-	669	-	-

Table 2: Village Apts and Cottages (Net:Gross 87%)

No. Units	NIA Sq m	NIA Sq Ft	GIA Sq m	GIA Sq Ft
126	13,656	130,937	13,986	150,545
Average size	-	980	-	1,195

Scheme History & Design Progression

2.3 The scheme will provide 150 later living units within an Integrated Retirement Community development. There will be a Village Centre which is home to the facilities, and, 24 apartments. The facilities include a restaurant, communal areas and a wellness suite of swimming pool, sauna and steam rooms and will be built out within the first phase of the development.

2.4 Based upon our experience of other schemes we have been involved in with both IVG and other operators we have made the assumption that the scheme will be delivered in three phases delivering circa 50 units per phase depending on the exact design details. Usually developments of this type and scale are built out in phases given the requirement of the developer/operator to take on the cost of the start up costs once the units are completed within each phase and to reduce the exposure to risk which on such developments is considerable given that phases have to be completed prior to sales in order to attract purchasers in this market to the development.

3 Viability Benchmark Land Value

3.1 We attach as Appendix B, policy guidance, to be adopted in arriving at an appropriate Benchmark Land Value.

Methodology

3.2 In summary, we have adopted an Existing Use Value Plus basis as being the most appropriate in this case to arrive at a Benchmark Land Value against which to consider the scheme's viability.

3.3 We include below a red line plan we have drawn using the mapping tool Edozo. We note that the overall site extends to 40.19 acres / 16.26 ha.

3.4 By way of a further review, we also include a screenshot of the land via Google's satellite mapping layer. As you will note the land is mostly amenity land / woodland. We have included on this an approximation of the developable area to assist in arriving at our opinion of the land value

3.5 We have reviewed amenity and woodland land values within the surrounding areas in order to understand what level of Existing Use value should be applied for the site. We would note that we have applied the EUV value to the entire area of the site given this is required for the development but have then applied the landowners uplift in respect of the change of use to the developable area, and therefore across 25 acres / 10.12 ha of the site, rather than the entirety.

- **Roehyde Farm, Colney Heath, St Albans** – the site is currently occupied by a fire damaged house which we anticipate would have little to no value attributed to it given it is not even a built structure. The site extends to 47.57 acres and is currently available for an asking price of £500,000, which reflects £10,510 per acre / c£26,000 per ha. The majority of the land is covered by woodland and vegetation. The land is marketed as having development potential for mixed use development, however this is subject to necessary consents.

- **Land At Whytegates Farm, Cottered, Buntingford, Hertfordshire, SG9 9QZ** – the site extends to 59.03 acres / 23.89 ha and is Grade 2 arable land. The asking price for the land is £560,000, reflecting £9,500 per acre / £23,475 per ha.

- **Stevenage Road, Walkern, Stevenage** – This is a piece of historic woodland measuring at 1 acre. Box Wood is protected as it is designated green belt and ancient natural woodland on the outskirts of Stevenage. The guide price is £4,500.

3.6 Having regard to the above and discussions with local agents, we have adopted an Existing Use Value of £7,500 per acre / £18,500 per ha to the site. This reflects a total EUV of £301,425, say, £300,000.

Landowner's Premium

3.7 It is widely accepted that viability should be considered against the EUV plus a landowner's premium. The premium is applied to represent the incentive a landowner would require to release the land for development.

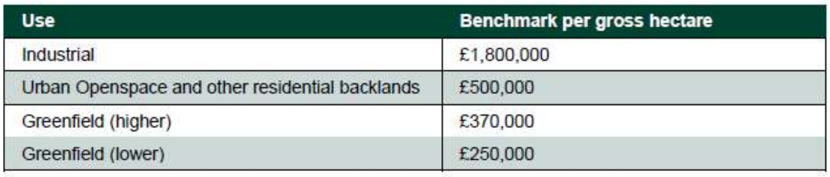
3.8 We are of the opinion that the premium should be more reflective of the amount that a reasonable landowner would seek to achieve in order for the site to be purchased for development.

3.9 We have referred to BNPP's CIL Viability Assessment (Feb 2020) in order to understand what level of value they have places against similar land. In paragraph 4.37 of the report BNPP state: "*Given the scale of the housing sites that the council anticipate bringing forward, a majority will be brought forward on land that has not been previously developed. Open, greenfield or other forms of previously undeveloped or unused land have very low existing use values (typical agricultural land values are in the region of £23,500 per hectare*". BNP's assumption would reflect c£9,500 per acre. We are of the opinion that this is on the low side and tend to see agricultural sites achieve in the region of £10,000 to £20,000 per acre / £25,000 to £50,000 per hectare, albeit with pony paddocks achieving the higher end of the range, rather than typical agricultural values.

3.10 BNPP then go on to discuss the landowners premium and in paragraph 4.41 state: "Ultimately, landowners cannot crystallise an uplift in the value of their land in the absence of planning permission; if planning can only be granted if developments contribute towards the cost of supporting infrastructure, and this impacts on land values, then this adjustment would need to be accepted by landowners. The alternative is that the sites remain undeveloped in their existing (low value) use."

3.11 BNPP state the following levels:

Table 4.44.1: Benchmark Land Values



Use	Benchmark per gross hectare
Industrial	£1,800,000
Urban Openspace and other residential backlands	£500,000
Greenfield (higher)	£370,000
Greenfield (lower)	£250,000

3.12 Adopting the lower level of Greenfield, this reflects an EUV Plus of £250,000 per hectare / £100,000 per acre. This is at the lower end of landowner premium levels we have agreed elsewhere for greenfield sites, albeit given the woodland / amenity typology of the subject site, we believe adopting the lower end is appropriate. This value we have applied to the 25 acres as opposed to the overall site.

3.13 Over overall BLV for the site is therefore:

3.14	Net Developable are 25 acres at £100,000 per acre =	£2,500,000
	Plus EUV of remaining site say 15 acres at £7,500 per acre =	£112,500
	Total BLV of overall site	£2,612,500

BLV Conclusion

3.15 Our assessment of the Benchmark Land Value based upon the EUV plus a premium is therefore **£2,612,500** which on the overall area equates to £160,624 per hectare or £65,000 per acre.

4 Viability Appraisal Inputs & Assumptions

4.1 We consider below the various inputs and assumptions contained within the attached appraisal.

Development Phasing & Timescales

4.2 Our development appraisal assumes a project timescale that is considered appropriate for this type and size of development based upon our experience of projects we have worked on across the retirement village industry which are now being developed out. The detailed timings can be seen within the appraisal summary and are summarised briefly below: -

Table 3: Phasing and Timescales

Phase	Number of Months
Pre-Construction	9
Construction	24 Ph1, 18 Ph2+3
sales	75
TOTAL	104

4.3 We have allowed 9 months for pre-construction timings to allow for working up, submitting and securing the reserved matters, tendering the scheme and agreeing terms with the contractor in advance of commencing construction. This is ambitious having regard to recent experience, one of IVG 's most recent schemes to go on site having taken in excess of 2 year from receipt of planning to start on site.

4.4 Our clients will phase developments of this size in order to minimise start-up costs and reduce cash out given that units in this market are very unlikely to sell off plan and have to be completed to encourage buyers who will be seeking to buy in to a new way of life. In general 40-60 units will be built out within a phase on the assumption that the size of the site allows that. In this case it is assumed there will be three equal phases in terms of unit numbers and in view of the nature of the development and our clients experience elsewhere, we have assumed a 24 month (phase 1) which includes the communal facilities and 18 month (Phases 2 & 3) build periods for the scheme.

4.5 By their nature, age restricted developments are limited to those over the age of 55 or indeed often older – 65+. As a result this significantly limits the market for potential purchasers in comparison to general needs housing which carries no age restrictions whatsoever. Considering moving away from the family home is a sizeable decision and because of a prospective purchaser's age and care needs, any sale is likely to involve additional family members, predominately their children, who will also need convincing that a property provides the best place for their parent(s) to live out their remaining years (and as importantly without eroding any inheritance(s). Accordingly, the sales rates of age restricted developments are much slower which increases their finance costs and decreases the Internal Rate of Return. Extra Care developments are further impacted as such schemes are limited to purchasers with care needs. The average sales rate across the IRC industry is circa 2 units per month which we have adopted within our appraisal.

4.6 In addition given the importance of the decision and often the involvement of the whole family buyers will want to see the finished product and the quality of the community facilities being provided. This means that the facilities must be available prior to sales and that off plan sales are not commonly achieved at such developments. Also given the age of buyers and the fact that when they make the decision to move their need is likely to be immediate this means that a future off plan purchase is often not a suitable option for consideration. Our clients build out programme will ensure that there is a constant supply of finished units but the phases will not overlap. Hence the build of the second and third phases will be timed to complete in line with the sale of the last unit in the previous phase.

4.7 In contrast general needs residential schemes are not restricted by age or care requirements and are open to all who can afford them; including the elderly who often resist a move to specialist housing despite their existing homes becoming increasingly inappropriate to their needs. Consequently these developments are able to sell at a much faster rate providing another competitive edge that age and care need restricted developments struggle to match.

4.8 We have allowed for a 71 month sales period in total which commences on completion of the first phase of construction. This reflects 2 sales per month. Albeit that we note above that off plan sales are very difficult to achieve, it is likely that the properties will be marketed from circa 12 months into the build of the first phase and we have allowed for some sales being achieved within this period which based on experience elsewhere is an optimistic assumption. We have assumed 10 units or 20% of the first phase are sold in this initial marketing period prior to the completion of phase 1. As later phases will effectively be an extension of the existing sales we do not believe it is appropriate to assume off plan sales for these as they will not sell off plan when other completed units are available to buy.

4.9 Based upon the above timings a total period of circa 104 months has been assumed for development which is consistent with our experience of similar schemes across the country.

Market Residential Values

4.10 We have undertaken a review of local IRC and retirement led properties in the local area. We have found that there is no IRC evidence in the immediate locality so have relied on retirement living evidence locally and widened our search slightly to include the Mayfield (Audley) scheme at Watford as this is closer in product type and facilities to the IRC product that will be brought forward on the subject site.

4.11 We have had regard to the following schemes and further details of sales evidence is included as Appendix C:

- Eleanor House, London Road, St Albans, AL1 1NR – This is a extra care McCarthy Stone retirement living Plus scheme with 50 1 and 2 bedroom flats. The development was built out in 2017. The scheme is for over-70s and offers a bistro dining room, communal gardens, conservatory, minibus service in to the city centre and laundry service. There are no units available to buy at the scheme, however we have referred to previous sales. A 1 bedroom flat measuring at c592 sq. ft. sold in March 2023 for £325,000, reflecting £549 per sq. ft. Flat 33 sold in September 2022 for £370,000, this is a 1 bedroom flat that measures at c635 sq. ft. reflecting £583 per sq. ft. 12 Eleanor House is a 2 bedroom flat that sold for £530,000, the property measures at 840 sq. ft. reflecting £631 per sq. ft.

- Goldwyn House, Studio Way, Borehamwood, Hertfordshire, WD6 – Goldwyn House is a McCarthy Stone retirement living plus scheme which went on sale in 2018. It comprises 53 one and two bedroom flats, situated on Studio Way, and is currently 85% sold. The site is designed exclusively for the over 70's and features a 24/7 call system, library, landscaped gardens, camera entry system and guest parking. 1-bedroom flats are currently available from £295,000 to £355,000, which reflects between £493 and £611 per sq ft and 2-bedroom flats are available from £430,000 to £440,000, reflecting between £498 to £533 per sq ft. The service charge per week is £165.74 for a 1-bedroom flat and £221.90 for a 2-bedroom flats. This equates to £8,618 and £11,533.

- Highclere House, Great North Road, Hatfield, Hertfordshire, AL9 5DB – Highclere House is a McCarthy Stone retirement living development situated in Hatfield within walking distance to Hatfield Station. The development is exclusively for over 60's and features a 24/7 call system, camera entry system, communal lounge, guest suite, house manager and wheelchair access. McCarthy Stone have stated that sales have been slow over the summer months and believe that the high service charge put people off from purchasing. There are three 2 bedroom flats which range from £371,916 to £489,895, reflecting £406 to £484 per sq. ft. The service charge for a 2-bedroom flat at the scheme is £100.82 per week which equates to £5,242 per annum.

- Samuel House, Westpole Avenue, Oakwood, EN4 – Samuel House is a McCarthy Stone is a Retirement Living development located in Oakwood, close by to the underground station. The site is designed exclusively for over 60's and features a 24/7 call system, camera entry system, communal lounge, guest suite, house manager and wheelchair access. There are five 1 bedroom flats that have asking prices ranging from £449,999 to £574,000. The units we have had regard to range from £550psf to £755psf. The 2 bedroom flats asking prices range from £589,999 to £684,999. The service charge per week is £80.90 for a 1-bedroom flat and £121.35 for a 2-bedroom flats. This equates to £4,206 and £6,310.

- Mayfield,Watford - Mayfield is an IRC offering similar facilities to this being proposed here albeit that this is a more urban higher density type of scheme. The scheme is selling at circa £550-£600psf albeit these units are smaller than those at the subject scheme will be which will have an effect on the price achievable on a £per sq ft. basis.

4.12 Taking the above evidence into account, it appears that the £ per sq. ft. rates vary from approximately £495 per sq. ft. to £755 per sq. ft. albeit these are all schemes with smaller units, where we might expect to see lower value levels on a unit price basis, and higher £ per sq. ft. due to the unit sizes.

4.13 Having regard to the above evidence at retirement schemes plus that at Mayfield and our knowledge of other IRC across the country we would estimate that the average rate per square foot achievable on the proposed scheme is likely to be approximately £700 per sq. ft. resulting in total sales revenue of £102,895,229. We not that this is a significant increase over C3 residential properties which are generally trading at figure in the region of £550-£600psf.

4.14 In addition we also see the need to account for Deferred Management Fees (DMF) or Event Fees. These are discussed further in Appendix D and an excel spreadsheet is included as Appendix E which calculates the addition we believe appropriate in this case. Including the DMF addition the total GDV value equates to **£741.96 per sq. ft.** totalling at **£109,063,668.**

4.15 Notwithstanding the above, the applicant is prepared to make an offer of 10% affordable housing, in the form of 20% discounted market values.

Development Costs

4.16 We are aware that IVG are in the process of preparing detailed budget construction costings with their cost consultants, Gardiner & Theobald, however for the purposes of this report, our Client has requested that we adopt their own views on the abnormal costs for the site which have been worked up by their internal cost consultant and apply a level of £300 per sq. ft. for the units and allow 10% addition to account for external works. The total estimated construction cost (including the externals and abnormal costs at £5.7m) is £67,993,440. This equates to £360 per sq. ft. We are of the opinion that this is a reasonable estimate for a development of this nature, considering the quality of specification required in order to achieve the sales values detailed above.

4.17 We are aware of a number of tender returns on similar developments the most recent of which was at a site in West Sussex where the lowest tender return reflected £366 per sq. ft. A previous return in South Oxfordshire represented a rate of £364 per sq.ft. We are therefore happy that at £360 per sq ft the client is taking an optimistic view on current costs.

4.18 Notwithstanding the need to build a larger scheme to achieve the same sales space, age restricted developments are more expensive to construct than general residential housing. Firstly any flatted development is more expensive to construct than a housing scheme due to the proportionally higher costs of a larger structure, noise insulation, incorporating car, cycle and bin storage, and higher proportion of bathrooms and kitchens which cost more to fit out. Secondly, age restricted developments cost more to construct compared to general developments as they will include a number of lifts (even if only two storey), specially adapted bathrooms, fitted out treatment rooms and amenity areas. Also the units themselves will be include fittings behind the plasterboard walls to allow for future care needs, underfloor movement sensors and other specialist fittings.

4.19 It should be noted that the BCIS Costs for 'Supported Housing' include homes for those with learning difficulties which do not require the same level of care facilities. Likewise BCIS do not provide a separate cost for Sheltered / Retirement Living developments in comparison to Assisted Living / Extra Care which require additional expensive facilities. Also as noted, here, along with many other local authority areas there have been very few IRC's of this type constructed and therefore there will be no IRC data within the BCIS figures. Accordingly the BCIS figures do not form a reliable basis for arriving at development costs as they do for standard housing.

4.20 We have made an allowance of 10% for professional fees. These tend to be higher for Extra Care Schemes than General needs housing as unlike a housing estate, which will be designed around a standard set of house types, extra care schemes tend to be individual bespoke products requiring significantly greater design team input and therefore increasing costs. The market norm is between 8%-12% and we are of the opinion that 10% reflects a fair rate for the type of product seen here.

Community Infrastructure Levy (CIL)

4.21 We understand that the CIL schedule is currently in draft and is not adopted, therefore we have not made any allowance for CIL. Any future requirement for CIL would only make the scheme less viable.

Marketing, Acquisition and Sales Fees

4.22 Details of the estimated marketing, acquisition and sales fees are contained within our appraisal (attached as Appendix G). The fees have been applied having regard to industry standards for a development of this nature.

4.23 A significant cost in any development is the cost of sales. Only the smallest developments can rely solely upon an estate agent to sell the units at an acceptable rate. Most schemes will require a significant degree of marketing including a manned sales office and show home. The increased sales period faced by age restricted developments means that the sales office has to be manned for longer which increases its cost relative to general needs housing.

Similarly marketing material and advertising costs run for an extended period. Furthermore, to secure the support of family members, additional time will need to be spent with each family which also increases staffing and admin costs. Additionally less mobile purchasers will be met at their home further increasing the time and expense required to sell each unit relative to general needs housing developments. On average a typical market housing scheme might cost circa 2-3% of the developed value to sell compared to up to 5% for an age restricted development. In this case we have adopted what is considered a minimal cost for a scheme of this type of 4%

Start Up Costs – Empty (Void) Property Costs

4.24 The facilities within an age restricted development assist in residents' well-being and, in the case of Extra Care, their day to day care needs these must be fully operational before the scheme can be occupied. The facilities also need to be operation to attract buyers willing to pay the premium price reflecting these facilities. Once completed any facilities within a development will need their operational costs covering. This is achieved through a service charge paid by residents. However, the amount chargeable to any one owner is only proportionate to the development at full occupation. Accordingly the developer has to cover the void cost of any unsold units which can be significant.

4.25 Based on evidence from other IRC scheme we have worked on we have adopted a preliminary service charge at £9,000. In addition to covering the service charge developers have to cover the costs of Council tax. Based on band E Council tax for this location would currently be £2,629, and Band F at £3,107. We have adopted a conservative average of £3,000. We believe that that the majority of units will sit within these bands and have therefore taken an estimated cost at £12,000 per unit per annum.

4.26 As most general residential schemes do not have additional facilities, developers of such schemes do not face the same cost burden. Even where schemes do include additional facilities their operational start can be delayed until a certain level of occupation is achieved. We have considered the start-up costs on this development using an excel model attached as appendix F. The total costs are then included cash flowed within our Argus model.

Finance Rate

4.27 In recent viability assessments in view of increasing base rates and the knock on effects on debt finance for Development we have agreed finance rates of circa 8-8.5%. In this case our client has asked us to take an optimistic view and therefore we have adopted a reduced rate of 7%, however we reserve the right to review this further if necessary.

Development Profit

4.28 Any profit requirement that a developer seeks is carefully balanced between the need to secure highly competitive and limited development sites and the risks of a potential project. Expected profit margins range for residential schemes range from 15% to 20% of Gross Development Value with housing estates normally at the bottom of this range, standard flatted developments in the middle and age restricted or other complex developments (e.g. tower developments) at the top. In the current market, an acceptable return for an Integrated Retirement Community development of this nature which has high risks due to the extended sales period and cash sums invested up front prior to sales would be approximately 20% of the gross development value.

4.29 The reason that Integrated Retirement Community developments sit at the higher end of the profit range is due to the reasons set out above which affect viability – the large amount of cash out upfront before a receipt is gained, the lengthily sales period, the high build costs and sale costs etc. We note that BNPP have undertaken the CIL Viability Review for Welwyn Hatfield Council, and in this they note that they applied a profit level of 18% in order to test residential scenarios. They also refer to Paragraph 018 of the PPG which indicated that Planning Authorities should consider profit margins between 15 and 20%. Further to the above, and based on our extensive experience on this type of scheme, we would expect to see a profit of **20% on GDV** in our appraisal. In terms of presentation of the appraisal, we have included the BLV as a fixed price in place of the Residual Land Value, which is resulting in a low profit level / percentage of **9.11% on GDV**.

5 Viability Appraisal Results

5.1 Attached as Appendix G is an Argus Developer development appraisal summary considering the proposed redevelopment on the assumption of a fully policy compliant scheme based upon the submitted application drawings. We detail below the results of this appraisal, based upon the inputs detailed above: -

Table 4: Viability Appraisal Results

Gross Development Value	£109,063,668
Construction Costs	£56,630,400
Contingency @ 5%	£2,831,520
Professional Fees @ 10%	£6,021,480
Planning Obligations/CIL	£0
Marketing & Disposal Fees	£4,362,547
Finance @ 7%	£11,228,940
Development Cost (Total Costs excl. Profit and Land Value)	£96,515,240
Benchmark Land Value	£2,612,500
Profit	£9,935,929
Profit on Cost (%)	10.02%
Profit on GDV (%)	9.11%
IRR (%)	10.95%

5.2 It is evident from the above that the profit generated from the proposed development is below what would be considered as a commercially acceptable level for this type of development. This shows that it is not viable to provide any on site affordable housing or financial contributions in lieu of such affordable housing. Any requirements to provide such contributions would further impact on viability.

6 Sensitivity Testing

6.1 We have run a sensitivity analysis demonstrating the Residual Land Value (RLV) based on the proposed tenure mix within the application.

6.2 We have tested the impact that a £20 per sq. ft. increase or decrease in build costs will have on the profit when compared with the Fixed Land Value of £2,375,000.

6.3 We have tested the impact that a £20 per sq. ft. increase or decrease in GDV will have on the profit when compared with the Fixed Land Value of £2,375,000.

6.4 Our sensitivity analysis is attached with our appraisal at Appendix F of this report.

7 Conclusions

7.1 The profit generated from the proposed development based upon the Viability Benchmark Land Value, the expected development cost and achievable values is below what would be considered as a commercially acceptable level. This is based on the following planning contributions:

- 0% provision of affordable housing.
- Other benefits delivered by the scheme, such as delivering much needed later living properties in the area.

7.2 Notwithstanding the above, the applicant is prepared to make an offer of 10% affordable housing, in the form of 20% discounted market values.

7.3 The Council might wish to question why the applicant would proceed with a scheme which is less viable than the market would wish to see at the outset. Development of IRC's in the current market is very difficult with their build costs at an all time high. This is the same for all the operators currently but, notwithstanding this, they are seeking to deliver new schemes and while not at the expected levels of profitability a developer would require to make it technically viable the scheme does deliver profit of some and an improvement in values achieved or reduction in costs could improve this profit further.

7.4 Also as noted the applicant is in the process of bringing an operator partner on board for the scheme and it should be noted that an operator can take a different view on profit to the developer as their modus operandi is to deliver a scheme which they can run for the foreseeable future and build up their main business which is in running schemes rather than making development profit. For this reason, while the scheme isn't sufficiently profitable to deliver a contribution towards affordable housing the profit shown will be sufficient to ensure that this scheme can be delivered which will assist the Council in delivering on a property typology which is much in need. There will also be the positive effect on the local housing market of opening up often underoccupied larger residences to purchasers as previous occupiers move into the new village.

8 Third Parties and Publications

8.1 This report contains commercially sensitive information and is private and confidential. Neither the whole nor any part of this report or any reference thereto may be included in any published document, circular or statement, nor published, reproduced or referred to any way without our prior written approval of the form and context in which it may appear.

8.2 This report has been prepared for the purposes of assessing the financial viability of the project and should not be relied upon by any third party. It does not constitute a formal valuation report and under no circumstances should be relied upon as such. Any figures contained within this report are specifically excluded from the provisions of the RICS Valuation Standards (The Red Book).

8.3 This document is confidential to those to whom it is addressed. This document, in whole, or in part and any specific information contained within is not to be provided to or discussed with any third parties other than the Welwyn Hatfield (Council) and their independent financial advisor. Should the Council wish to provide any of the information contained within to a third party, the third party will be required to enter into a written agreement with Newsteer, prior to the issue or discussion about such information.

8.4 Where we have relied upon information provided by third parties the accuracy of the report will depend upon on the accuracy of the information supplied by them. Should the information provided be inaccurate or incomplete then we would reserve the right to amend our report accordingly.

Yours sincerely,

[redacted]

Dated 28th November 2023

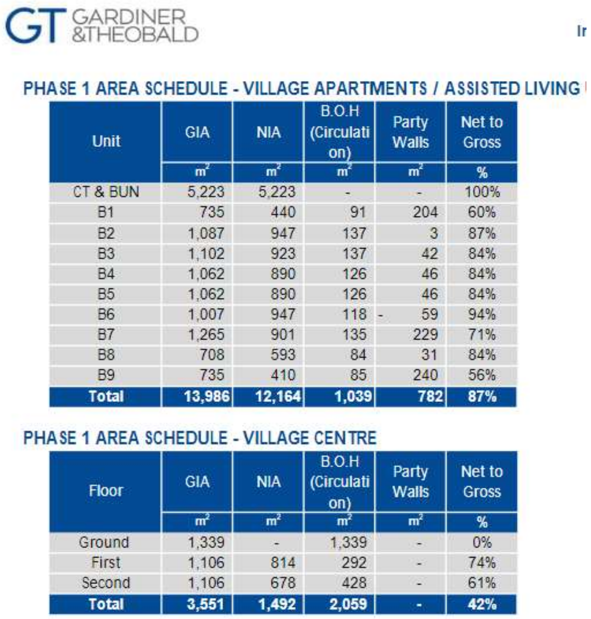
For and on Behalf of

Newsteer

APPENDIX A: Accommodation Schedule Assumptions

Adopted Areas
Northhaw

	Units	NIA		GIA	
	Nos.	**Sq m**	**Sq Ft.**	**Sq m**	**Sq Ft.**
Village Centre					
Units	24	1,492	16,060	3,551	38,223
Average Size			669		1,593
Net:gross					42%
Village Apts and Cottages					
Units	126	12,164	130,933	13,986	150,545
Average Size			1,039		1,195
Net:gross					87%
Overall					
Units	150	13,656	146,993	17,537	188,768
Average Size			980		1,258
Net:gross					78%
P1 Assumtions					
Centre	24	1,492	16,060	3,551	38,223
Village Apts	26	2,510	27,018	2,886	31,065
	50	4,002	43,078	6,437	69,288
P2 & 3 Assumtions					
Village Apts	50	4,827	51,958	5,550	59,740
Total	150	13,656	146,993	17,537	188,768



GT GARDINER &THEOBALD

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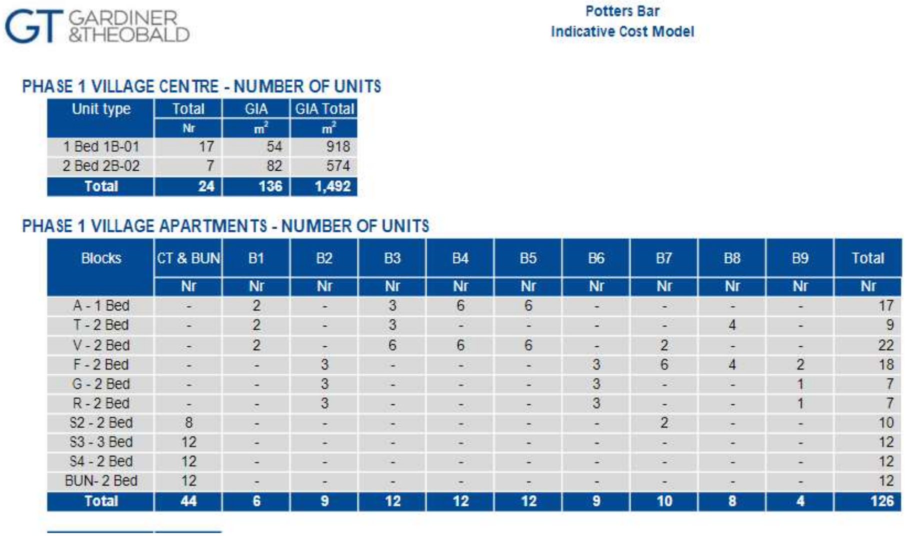
PHASE 1 AREA SCHEDULE - VILLAGE APARTMENTS / ASSISTED LIVING

Unit	GIA	NIA	B.O.H (Circulation)	Party Walls	Net to Gross
	m²	m²	m²	m²	%
CT & BUN	5,223	5,223	-	-	100%
B1	735	440	91	204	60%
B2	1,087	947	137	3	87%
B3	1,102	923	137	42	84%
B4	1,062	890	126	46	84%
B5	1,062	890	126	46	84%
B6	1,007	947	118	- 59	94%
B7	1,265	901	135	229	71%
B8	708	593	84	31	84%
B9	735	410	85	240	56%
Total	**13,986**	**12,164**	**1,039**	**782**	**87%**

PHASE 1 AREA SCHEDULE - VILLAGE CENTRE

Floor	GIA	NIA	B.O.H (Circulation)	Party Walls	Net to Gross
	m²	m²	m²	m²	%
Ground	1,339	-	1,339	-	0%
First	1,106	814	292	-	74%
Second	1,106	678	428	-	61%
Total	**3,551**	**1,492**	**2,059**	**-**	**42%**



GT GARDINER &THEOBALD

Potters Bar
Indicative Cost Model

PHASE 1 VILLAGE CENTRE - NUMBER OF UNITS

Unit type	Total	GIA	GIA Total
	Nr	m²	m²
1 Bed 1B-01	17	54	918
2 Bed 2B-02	7	82	574
Total	**24**	**136**	**1,492**

PHASE 1 VILLAGE APARTMENTS - NUMBER OF UNITS

Blocks	CT & BUN	B1	B2	B3	B4	B5	B6	B7	B8	B9	Total
	Nr	Nr	Nr	Nr	Nr	Nr	Nr	Nr	Nr	Nr	Nr
A - 1 Bed	-	2	-	3	6	6	-	-	-	-	17
T - 2 Bed	-	2	-	3	-	-	-	-	4	-	9
V - 2 Bed	-	2	-	6	6	6	-	2	-	-	22
F - 2 Bed	-	-	3	-	-	-	3	6	4	2	18
G - 2 Bed	-	-	3	-	-	-	3	-	-	1	7
R - 2 Bed	-	-	3	-	-	-	3	-	-	1	7
S2 - 2 Bed	8	-	-	-	-	-	-	2	-	-	10
S3 - 3 Bed	12	-	-	-	-	-	-	-	-	-	12
S4 - 2 Bed	12	-	-	-	-	-	-	-	-	-	12
BUN- 2 Bed	12	-	-	-	-	-	-	-	-	-	12
Total	**44**	**6**	**9**	**12**	**12**	**12**	**9**	**10**	**8**	**4**	**126**

APPENDIX B: Viability Benchmark Value Policy & Guidance

In order to examine the economic viability of the proposed development the scheme is tested against a base land value known as the Viability Benchmark Land Value (VBV).

In arriving at an appropriate VBV there are a number of documents that provide guidance on viability appraisals for planning purposes:

- National Planning Policy Framework (February 2019);
- Planning Practice Guidance on Viability (2018, updated September 2019); and
- RICS - Assessing Financial Viability in planning under the National Planning Policy Framework for England Guidance Note

National Planning Policy Guidance and Context

Published in February 2019 government guidance set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) states that where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable.

PPG on Viability, most recently updated in September 2019, sets out that a benchmark land value should:

- be based upon existing use value;
- allow for a premium to landowners (including equity resulting from those building their own homes); and
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees.

EUV is subsequently defined as follows:

> *"EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types... EUV can be established… by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development)."*

It is recommend that the EUV should be informed by market evidence of current uses, costs and values. It is of note that market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value.

It is recommended that evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

PPG sets out that 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".*

In short, the premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).

PPG also states that for the purpose of a viability assessment and Alternative Use Value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing VBV.

It is further required that under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

RICS Guidance

Since the NPPF and subsequent PPG updates in 2018 and 2019 the RICS has published two documents responding to changes to relevant policies:

1. Financial viability in planning: conduct & reporting, RICS professional statement (May 2019); and
2. A guidance note entitled 'Assessing financial viability in planning under the National Planning Policy Framework for England'.

The RICS acknowledges that in determining an appropriate EUV, Stakeholders are often presented with a variety of valuation figures that are not always easy to understand. In particular it recognises that they will wish to reconcile figures included in FVAs with figures reported in the market.

In the interest of transparency, the professional statement requires that when providing VBV in accordance with the PPG for an FVA, RICS members must report the following:

- Current Use Value – CUV, referred to as EUV or first component in the PPG;
- Developers' Premium – the second component as set out in the PPG;
- Market evidence as adjusted in accordance with the PPG;
- All supporting considerations, assumptions and justifications adopted including valuation reports, where available; and
- Alternative use value as appropriate (market value on the special assumption of a specified alternative use).

The statement acknowledges that it is not appropriate to report an alternative use value where it does not exist. A statement must be included in the FVA or review of the applicant's FVA or area-wide FVA that explains how market evidence and other supporting information has been analysed and, as appropriate, adjusted to reflect existing or emerging planning policy and other relevant considerations.

The document further states that price paid is not allowable evidence for the assessment of VBV and cannot be used to justify failing to comply with policy.

The RICS Draft guidance note confirms that PPG prescribes the EUV plus a premium (EUV+) as the starting point for assessing BLV, but that the Alternative Use Value (AUV) can also be used in some circumstances.

The guidance states that the valuation process set out for the VBV does not accord directly with the valuation process adopted for the market valuation of the development property, and that therefore it may not accord with the market value of the property.

In the case of development valuation, RICS guidance suggests that two valuation methods should normally be applied: the market comparison approach and the residual method. In the case of development property, unlike some other property types, applying the market comparison approach only is rarely adequate. The two valuations are set out in Valuation of development property, RICS guidance note. In the case of the BLV in FVAs, these two methods are not the primary approach, which is the EUV plus a premium. They are therefore cross-checking mechanisms only.

The RICS confirms that it is "clear and unambiguous" that the Valuation Standards and PPG are compatible and that the EUV for the purposes of FVAs is the value in its existing use, ignoring any prospect of future change to that use. Market Value may, however include that prospect where it exists. They conclude that the assessment of EUV for FVA purposes does not involve a departure from the Red Book and does not formally need to be declared as such.

However they note that the following issues can arise in the determination of EUV within the context of FVAs:

- Analysis of transactional evidence;
- Repair and improvement;
- Buildings run down in anticipation of development;
- A partially completed development; and
- A specialised property.

The RICS recognises that for the purpose of defining land value for any FVA, PPG requires 'a benchmark land value should be established on the basis of the EUV of the land, plus a premium for the landowner' and that 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'. The premium is therefore a minimum return that would persuade a reasonable landowner to sell the land.

The RICS states that an important difference between market value and VBV is the weighting of the evidence base. While the evidence base for the market value is grounded in transactions, and in comparative values and costs of the developed property in a residual valuation, the PPG reduces the status of comparable land transactions to that of a cross-check of the BLV, which may be undertaken to help inform the VBV established by reference to the EUV plus a premium.

The premium should provide a reasonable incentive for a landowner to bring forward land for development, while allowing a sufficient contribution to fully comply with policy requirements. The BLV will normally be equal to or greater than the EUV.

The RICS notes that PPG allows VBVs from other FVAs to be used as evidence. Any data used should be adjusted to comply with policy levels of planning requirements and reflect differences in the timing of the assessments, quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. They state that there is no standard amount for the premium, and each assessment needs to be properly evidenced.

APPENDIX C: Market Evidence of Gross Development Values

Comparable Evidence – Market Values

Address	Description	Value / Date	Agent
1 bed flats			
Property 5, Samuel House, Westpole Avenue, Oakwood, EN4	*1 bedroom flat* *Retirement living scheme* *McCarthy Stone* *1 bathroom* *Over-60s* *636 sq. ft.*	*£479,999 (£755psf)* *Asking Price November 2023*	*McCarthy and Stone*
Property 12, Samuel House, Westpole Avenue, Oakwood, EN4	*1 bedroom flat* *Retirement living scheme* *McCarthy Stone* *1 bathroom* *Over 60's* *24 hour call system* *Patio area* *636 sq ft*	*£449,999 (£708psf)* *Asking Price November 2023*	*McCarthy and Stone*
33, Eleanor House, 232, London Road, St Albans, Hertfordshire AL1 1NR	*1 bedroom flat* *Retirement Living Plus* *McCarthy and Stone* *Over-70s* *Assumed 1 bathroom* *EPC Register 635 sq ft*	*£370,000 (£583psf)* *Sold September 2022*	*Land Registry*
Goldwyn House, Studio Way, Borehamwood, Hertfordshire, WD6	*1 bedroom flat* *New build* *Retirement Living Plus* *1 bathroom* *McCarthy Stone scheme* *Over 70's* *581 sq ft*	*£355,000 (£611psf)* *Asking June 2023*	*McCarthy Stone*
Mandeville Court, 261 Darkes Lane, Potters Bar	*1 bedroom flat* *Retirement Property* *1 bathroom* *24 hour emergency call systems* *Ground floor* *Patio area* *571sq ft*	*£350,000 (£613psf)* *Asking Price July 2023*	*McCarthy Stone*
1, Eleanor House, 232, London Road, St Albans, Hertfordshire AL1 1NR	*1 bedroom flat* *McCarthy and Stone* *Assumed 1 bathroom* *EPC register 592 sq ft*	*£325,000 (£549psf)* *Sold March 2023*	*Land Registry*
Mandeville Court, 261 Darkes Lane, Potters Bar	*1 bedroom flat* *Retirement Property*	*£320,000 (£552psf)*	*McCarthy Stone*

Address	Description	Value / Date	Agent
1 bed flats			
	• 1 bathroom • 24 hour emergency call systems • Patio area • 580q ft	*Asking Price* *July 2023*	
Mandeville Court, 261 Darkes Lane, Potters Bar	• 1 bedroom flat • Retirement Property • 1 bathroom • 24 hour emergency call systems • Patio area • 564q ft	*£310,000 (£550psf)* *Asking Price* *June 2023*	*Hobdays*
Goldwyn House, Studio Way, Borehamwood, Hertfordshire, WD6	• 1 bedroom flat • New build • Retirement Living Plus • 1 bathroom • McCarthy Stone scheme • 2 balconies • Over 70's • 598 sq ft	*£295,000 (£493psf)* *Reduced* *June 2023*	*Winkworth*
Mandeville Court, 261 Darkes Lane, Potters Bar	• 1 bedroom flat • Retirement Property • 1 bathroom • 24 hour emergency call systems • Patio area • 590q ft	*£295,000 (£500psf)* *Asking Price* *June 2023*	*Hobdays*
Darkes Lane, Potters Bar, EN6	• 1 bedroom flat • Retirement Property • 1 bathroom • 24 hour emergency call systems • Residents garden • Care packages available • 574 sq ft	*£250,000 (£436psf)* *Reduced* *July 2023*	*Home Counties*
Mandeville Court, 261 Darkes Lane, Potters Bar	• 1 bedroom flat • Retirement Property • 1 bathroom • 24 hour emergency call systems • Patio area • 550q ft	*£229,500 (£417psf)* *Reduced* *July 2023*	*Hobdays*
Darkes Lane, Potters Bar, Hertfordshire, EN6	• 1 bedroom flat • Retirement Property • 1 bathroom • Resident and visitor parking	*£210,000 (£315Psf)* *Asking Price* *September 2023*	*Duncan Perry*

Address	Description	Value / Date	Agent
1 bed flats			
	First floor *Communal gardens* *667sq ft*		
Darkes Lane, Potters Bar, Hertfordshire, EN6	*1 bedroom flat* *Retirement Property* *1 bathroom* *Resident and visitor parking* *First floor* *Communal gardens* *591sq ft*	*£187,500 (£317psf)* *Under Offer August 2023*	*Hobdays*
Seabrook Court Station Close, Potters Bar, Hertfordshire, EN6	*1 bedroom flat* *Retirement Property* *1 bathroom* *Communal grounds* *Over 55s* *Residents and visitor parking* *475sq ft*	*£175,000 (£368sf)* *Under Offer July 2023*	*Hobdays*
Mayfield, Watford, 116 Heron Place	*1 bedroom flat* *255 1 and 2 beds* *Communal gardens* *Pool, sauna, steam room, gym* *Café bistro and beauty treatment* *612 sq ft*	*£349,950 (£572Psf)* *Janaury 2023*	*Mayfield*

Address	Description	Value / Date	Agent
2 bed flats			
Property 7, Samuel House, Westpole Avenue, Oakwood, EN4	*2 bedroom ground floor flat* *Retirement Living scheme* *2 bathrooms* *Over-60s* *904 sq ft*	*£599,999 (£664psf)* *Available November 2023*	*McCarthy and Stone*
Property 2, Samuel House, Westpole Avenue, Oakwood, EN4	*2 bedroom ground floor flat* *Retirement Living scheme* *2 bathrooms* *Over-60s* *795 sq ft*	*£589,999 (£742psf)* *Available November 2023*	*McCarthy and Stone*
Samuel House, Westpole Avenue, Oakwood, EN4	*2 bedroom flat* *Retirement living scheme* *McCarthy Stone*	*£539,999* *Reduced June 2023*	*Winkworth*

Address	Description	Value / Date	Agent
2 bed flats			
	• *2 bathroom* • *Over 60's* • *24 hour call system* • *Patio area*		
12, Eleanor House, 232, London Road, St Albans, Hertfordshire AL1 1NR	• *2 bedroom flat* • *Retirement living scheme* • *McCarthy Stone* • *Assumed 2 bathroom* • *Over 70s* • *EPC Register 840 sq ft*	*£530,000 (£631psf)* *Sold* *August 2022*	*Land Registry*
Highclere House, Great North Road, Hatfield, Hertfordshire, AL9 5DB	• *2 bedroom flat* • *New build* • *2 bathroom* • *McCarthy Stone scheme* • *Over 60's* • *1012 sq ft*	*£489,895 (£484psf)* *Asking Price* *August 2023*	*McCarthy Stone*
Highclere House, Great North Road, Hatfield, Hertfordshire, AL9 5DB	• *2 bedroom flat* • *New build* • *2 bathroom* • *McCarthy Stone scheme* • *Over 60's* • *797 sq ft*	*£439,895 (£552psf)* *Asking Price* *August 2023*	*McCarthy Stone*
Goldwyn House, Studio Way, Borehamwood, Hertfordshire, WD6	• *2 bedroom flat* • *New build* • *Retirement Living Plus* • *2 bathroom* • *McCarthy Stone scheme* • *2 balconies* • *Over 70's* • *864 sq ft*	*£430,000 (£498psf)* *Reduced* *June 2023*	*Winkworth*
Darkes Lane, Potters Bar, Hertfordshire, EN6	• *2 bedroom flat* • *Retirement Property* • *1 bathroom* • *Resident and visitor parking* • *First floor* • *Communal gardens* • *766sq ft*	*£380,000 (£496Psf)* *Asking Price* *August 2023*	*Hobdays*
Highclere House, Great North Road, Hatfield, Hertfordshire, AL9 5DB	• *2 bedroom flat* • *New build* • *2 bathroom* • *McCarthy Stone scheme* • *Over 60's* • *915 sq ft*	*£371,916 (£406psf)* *Asking Price* *August 2023*	*Country Properties*

Address	Description	Value / Date	Agent
2 bed flats			
Darkes Lane, Potters Bar, EN6	• *1 bedroom flat* • *Retirement Property* • *1 bathroom* • *24 hour emergency call systems* • *Residents garden* • *815 sq ft*	*£325,000 (£399psf)* *Reduced September 2023*	*Home Counties*
Mandeville Court, 261 Darkes Lane, Potters Bar	• *2 bedroom flat* • *Retirement Property* • *1 bathroom* • *24 hour emergency call systems* • *Patio area* • *807q ft*	*£350,000 (£434psf)* *Asking Price September 2023*	*McCarthy Stone*
Darkes Lane, Potters Bar, EN6	• *1 bedroom flat* • *Retirement Property* • *1 bathroom* • *24 hour emergency call systems* • *Residents garden* • *815 sq ft*	*£325,000 (£399psf)* *Reduced September 2023*	*Home Counties*
Hudsons Court, Potters Bar, EN6 1DH	• *2 bedroom flat* • *1 bathroom* • *Retirement Property* • *Communal gardens* • *24 hour emergency call system* • *Guest suite and lift* • *642sq ft*	*£310,000 (£483psf)* *February 2021*	*Retirement Homesearch*
Station Close, Potters Bar, Hertfordshire, EN6	• *2 bedroom flat* • *Resident and visitor parking* • *Retirement Property* • *Resident lounge* • *Overnight guest suite* • *673sq ft*	*£299,995 (£446psf)* *Asking Price May 2023*	*Hobdays*
Darkes Lane, Potters Bar, Hertfordshire, EN6	• *2 bedroom flat* • *Retirement Property* • *1 bathroom* • *Resident and visitor parking* • *First floor* • *Communal gardens* • *661sq ft*	*£299,995 (£454Psf)* *Asking Price February 2023*	*Hobdays*
Mandeville Court, 261 Darkes Lane, Potters Bar	• *2 bedroom flat* • *Retirement Property* • *1 bathroom* • *24 hour emergency call systems*	*£250,000 (£314psf)* *Reduced July 2023*	*Hobdays*

Address	Description	Value / Date	Agent
2 bed flats			
	- *Patio area* - *797sq ft*		
Mayfield, Watford, 116 Heron Place	- *2 bedroom flat* - *255 1 and 2 beds* - *Communal gardens* - *Pool, sauna, steam room, gym* - *Café bistro and beauty treatment* - *821 sq ft*	*£454,950 (£554Psf)* *Janaury 2023*	*Mayfield*
Mayfield, Watford, 116 Heron Place	- *2 bedroom flat* - *255 1 and 2 beds* - *Communal gardens* - *Pool, sauna, steam room, gym* - *Café bistro and beauty treatment* - *791 sq ft*	*£424,950 (£537Psf)* *Janaury 2023*	*Mayfield*

Goldwyn House is a McCarthy Stone retirement living plus scheme which went on sale in 2018. It comprises 53 one and two bedroom flats, situated on Studio Way, and is currently 85% sold. The site is designed exclusively for the over 70's and features a 24/7 call system, library, landscaped gardens, camera entry system and guest parking.

The scheme is located in the eastern side of Borehamwood and benefits from having a close access to the train station. It also offers an on-site restaurant, a wellness suite, landscaped gardens and a once a week mini bus service to the town centre.

The agent reported to us that the apartments in this development have a considerably longer selling period compared to the typical flats in the area, primarily due to limited demand and their high cost. The agent said the location of the subject scheme is comparable to Borehamwood. We would therefore expect to see similar price points at the subject scheme to reflect the new build specification.

1-bedroom flats are currently available from £295,000 to £355,000, which reflects between £493 and £611 per sq ft and 2-bedroom flats are available from £430,000 to £440,000, reflecting between £498 to £533 per sq ft. The service charge per week is £165.74 for a 1-bedroom flat and £221.90 for a 2-bedroom flats. This equates to £8,618 and £11,533.

Highclere House is a McCarthy Stone retirement living development situated in Hatfield within walking distance to Hatfield Station. The development is exclusively for over 60's and features a 24/7 call system, camera entry system, communal lounge, guest suite, house manager and wheelchair access.

2-bedroom flats range from £355,916 to £489,895, reflecting between £447 and £552 per sq ft. Plot 16 has recently had a significant price reduction to £e355,916 and is available with their Smooth Move scheme, which includes £2,500 towards estate agency fees and £1,000 towards legal fees and a full removals package a including handyman service.

McCarthy Stone have stated that sales have been slow over the summer months and believe that the high service charge put people off from purchasing. The service charge for a 2-bedroom flat at the scheme is £100.82 per week which equates to £5,242 per annum.

Samuel House is a McCarthy Stone is a Retirement Living development located in Oakwood, close by to the underground station. The site is designed exclusively for over 60's and features a 24/7 call system, camera entry system, communal lounge, guest suite, house manager and wheelchair access. The service charge per week is £80.90 for a 1-bedroom flat and £121.35 for a 2-bedroom flats. This equates to £4,206 and £6,310.

Mandeville Court, McCarthy Stone currently have a number of re-sales on the market at Mandeville Court. We have spoken an agent who has stated that the ground floor flats demand a higher price as they are the most popular.

Mandeville Court commands higher values compared to other age-related schemes in Potters Bar, primarily due to its newer build construction in 2014. Additionally, it holds the distinction of being a retirement plus property, which offers an elevated level of service. This includes amenities such as an onsite restaurant, access to clinical staff, the presence of trained doctors, and 24/7 assistance on hand if anything happens, making it the more premium choice in the local market.

Mayfield Villages is a new retirement village in Watford which consists of 255 one and two bedroom apartments, all with access to communal gardens, a pool, sauna and steam room, gym and classes, beauty treatment rooms and a cafe-bistro. The village is circa 1 mile to Watford town centre and 0.7 miles from Bushy Station. The development is for ages 55+.
Mayfield are marketing a number of 1 and 2 bedrooms flats at the scheme, 1 beds are currently available from £349,950 (£642psf) and 2 beds are available from £424,950 - £454,950 (£537 -to £554psf).

The agent informed us that sales have been going well and that the majority of units are selling for asking price, with incentives being offered minimally on a case by case basis. They are of the opinion that Northaw is a slightly more affluent area than Watford, however the values at retirement schemes in the locality will depend on the facilities provided. They believe people buy more into the facilities and the lifestyle at Mayfield, as well as the maintenance.

Service charge is £5,400 pa based upon a deferred management fee of up to 15%.

Stamp Duty offers have been available at the scheme with Mayfield paying up to £13,000 of stamp duty.

APPENDIX D: Deferred Management Fee (DMF) Calculation

1. The business models of many of the retirement village operators now require those taking a lease to agree that a Deferred Management Fee (DMF) is paid when their flat is eventually vacated, normally after their death.

2. The inspector in the Gondar Gardens Case (Appeal Ref: APP/X5210/W/18/3198746 Gondar Gardens Reservoir, Gondar Gardens, London NW6 1QF) considered the need to include the DMF within the value of the scheme and concluded that an element of the DMF could be reflected in the value of the scheme when deciding how much it could afford towards affordable housing.

3. The average fees charged across the market are up to 10% of the sale price when an occupier decides to sell their home. This ramps up to this level over the first five years of occupation at 2% per annum and after that the occupier would pay the full amount. In the Gondar case the inspector references a report by a firm specialising in finance for healthcare and retirement living (Conaghan Healthcare and Corporate Finance: Retirement Communities and 'Event Fees', June 2016). The report confirms that event fees are becoming commonplace within the 'retirement community' sector and suggests that the majority of these are set at 10% or less.

4. However only a proportion of this fee can be taken into account in consideration of the GDV of the scheme at the outset as it is designed to cover a number of costs. Retirement villages require long term investment which will not be covered by the service charge. Service charges will pay for repainting corridors, communal areas, landscaping etc and the sinking fund included within the service charge means that if roof needs replacing, there is money for that. However longer term investment needed to maintain the villages value and attractiveness as a place to live in retirement will be required which cannot be covered by this service charge. For example; at some point in future every car will be electric and will need additional electricity sub-stations and electric charging points installations. This is just one example of the sort of costs retirement villages built in recent decades will face and it cannot be known now what similar challenges will be faced over the term of a long lease and beyond.

5. The communal services which have to be provided upfront are a considerable cost to the development in terms of both the provision and the interest thereon until units can be sold. This is not covered by the sale price of the properties and the DMF helps to pay towards these and thus an element of the fee can be included reflected in the GDV value. The operation of the amenities and services within retirement villages are not materially profit-making, being either based on a cost-recovery service charge model or a management fee model with minimal profitability. Given the operational risks associated, which are far in excess of those for a standard portfolio of managed rental accommodation, an additional role of the DMF is to offset this risk which would otherwise be commercially insupportable.

6. It is clear that as yet there is no common market practice which can be referred to in valuing the DMF and RICS guidance makes it clear that benefits or disbenefits unique to the

applicant should be disregarded other than in exceptional circumstances. Whatever we add in has to be appropriate to the market as a whole and also has to be in line with the evidence from which the base value for the unit is drawn – so if we have a comparable that includes no DMF it might be expected that the operator could charge more for that unit and this would need to be reflected in any addition made. Indeed if the evidence is from a scheme with no DMF we would say that there would be no adjustment made to value for DMF.

7. In this case we have had regard to all of the evidence from competing retirement schemes adjusting appropriately for location size and other physical factors as the base value for the subject scheme and then make an addition for a proportion of the value of the future cash flow from DMF or Event Fees.

8. Conaghan Healthcare and Corporate Finance have produced a later report (Retirement Communities in the UK dated January 2018) in which they consider the valuation of the DMF. They suggest a cash flow model which includes an appropriate rate for market value growth which they set at 3% and an appropriate discount rate which they believe should initially be set at 15% but which may reduce to 10% as a market in the valuation and lending against DMF emerges. They also recognise that a proportion of the DMF will be held for future investment in the village which will be required to ensure the value growth and will not be covered by service charges. However they don’t comment on this percentage other than giving an example under which they suggest an operator may wish to realise a third of the fee.

9. We have discussed the approach with our various retirement village clients and are aware of the approach that their valuers and valuers to a number of the other village operators are taking to the valuation of DMF. As a result we are in agreement that the correct approach is a discounted cash flow which we have run over 40 years.

10. There follows in Appendix E an excel sheet in which we have valued the DMF element. We have assumed the following:

- Scheme planning and build out to first sales takes 28 months in line with development appraisal.
- DMF – 2% in yr 2 and then increases at 2% to a max of 15%.
- Average length of tenancy – 10 years at scheme maturity. This is an industry average based on discussions with our clients and other operators
- Maturity is reached at 10 years from the first sales based on the current industry averages across the our retirement village operator’s portfolios building up to this rate on an even basis.
- Deferred Management Fee – these vary across the industry from circa 1% up to about 30%. However for the purposes of viability we believe it is correct to use an industry average and having spoken with a number of clients believe that 15% reflects a fair average across the industry.

- Market Growth - 2.5% backed up by the rate adopted in Savills, Knight Frank and other Residential forecasts.

- A discount rate of 10% based upon the Conaghan Healthcare report is considered reasonable in the light of the current risk as the market is not established sufficiently to give a guide on returns. This rate is also being adopted by valuers considering the valuation of Extra Care property.

- Having discussed the approach to reinvestment with our clients the approach taken by most operators is to allow a sum of money per unit which we have assumed on average to commence at £750 per annum for a new build scheme but increase up to £1,000 per annum in years 8-14 and £1,500 per annum thereafter. This amount is then increased by the expected RPI rate. In addition it is usually the case that operators will reinvest a sum in properties once the become available for resale in order to maintain the value of the scheme. We have included an average sum in this respect.

11. The above calculation, and following spreadsheet, show that a 5.99% increase in the GDV can be justified to reflect the DMF or Event Fees. This gives total GDV's for the units of £741.96 psf which are included within the Gross Development figures that have been included within our development appraisal

APPENDIX E: Calculation of DMF

Consideration of DMF

Number of units	150	
Av. Value per Unit	685,968	
Total GDV	102,895,229	
Total NSA sq ft	146,993	
GDV £psf	700	
Development Period - yrs	4.00	
Av length of stay @ maturity	10	
Discount Rate	10.0%	
Growth Rate - market value	2.5%	
Reinvestment in village per unit	£750	Yrs 1-7
	£1,000	Yrs 8-14
	£1,500	Yr 15 onwards
Unit Refurbishment on resale	£15,000	
RPI applied to reinvestment cost	2.50%	
Years to maturity	10.00	

Year from first sales	1	2	3	4	5	6	7	8	9
Event Fee Level	0%	2%	4%	6%	8%	10%	12%	14%	15%

Nb. Event fees increase at 2% pa from the end of the first year of occupation up to a max of 10%

Nb Development takes 4 yrs so Sales assumed from yr 5 onwards

Nb this helps cover various items including FF&E - General, Restaurant,Wellbeing,AV, External

Also covers upgardes such as intallation of Elctirc parking points or other new technology required over time

Year	0	1	2	3	4	5	6	7	8	9	10	11
Sales Year	-	-	-	-	-	1.00	2.00	3.00	4.00	5.00	6.00	7.00
Growth rate		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Average Unit Value	685,968	703,117	720,695	738,713	757,181	776,110	795,513	815,401	835,786	856,680	878,097	900,050
GDV	102,895,229	105,467,610	108,104,300	110,806,907	113,577,080	116,416,507	119,326,920	122,310,093	125,367,845	128,502,041	131,714,592	135,007,457
Events pa. at maturity		15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Event build up		0.00%	0.00%	0.00%	0.00%	10.00%	20.00%	30.00%	40.00%	50.00%	60.00%	70.00%
Number of events pa.		0.0	0.0	0.0	0.0	1.5	3.0	4.5	6	8	9	11
Value of Units Sold		-	-	-	-	1,164,165	2,386,538	3,669,303	5,014,714	6,425,102	7,902,876	9,450,522
Event Fee Level		0%	0%	0%	0%	0%	2%	4%	6%	8%	10%	12%
Event Fee Revenue		-	-	-	-	-	47,731	146,772	300,883	514,008	790,288	1,134,063
Less Unit refurbishment on resales		-	-	-	-	24,836	50,913	78,279	106,982	137,070	168,597	201,613
Less Reinvestment in scheme				118,195	121,150	124,179	127,283	130,466	133,727	137,070	187,329	192,013
Net Income		-	-	- 118,195	- 121,150	- 149,015	- 130,466	- 61,973	60,174	239,868	434,362	740,437
Present Value	**6,168,204**	-	-	- 88,802	- 82,747	- 92,526	- 73,645	- 31,802	28,072	101,727	167,465	259,519
PV as a % ofGDV	**5.99%**											
NB modelled over 40 years												
Total GDV including DMF element	**109,063,433**	**£741.96**										

12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
8.00	9.00	10.00	11	12	13	14	15	16	17	18	19	20	21	22	23
2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
922,551	945,615	969,255	993,486	1,018,324	1,043,782	1,069,876	1,096,623	1,124,039	1,152,140	1,180,943	1,210,467	1,240,728	1,271,747	1,303,540	1,336,129
138,382,643	141,842,209	145,388,265	149,022,971	152,748,545	156,567,259	160,481,441	164,493,477	168,605,814	172,820,959	177,141,483	181,570,020	186,109,270	190,762,002	195,531,052	200,419,329
15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
80.00%	90.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
12	14	15	15	15	15	15	15	15	15	15	15	15	15	15	15
11,070,611	12,765,799	14,538,826	14,902,297	15,274,855	15,656,726	16,048,144	16,449,348	16,860,581	17,282,096	17,714,148	18,157,002	18,610,927	19,076,200	19,553,105	20,041,933
14%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
1,549,886	1,914,870	2,180,824	2,235,345	2,291,228	2,348,509	2,407,222	2,467,402	2,529,087	2,592,314	2,657,122	2,723,550	2,791,639	2,861,430	2,932,966	3,006,290
236,176	272,340	310,165	317,919	325,867	334,014	342,364	350,923	359,696	368,689	377,906	387,354	397,037	406,963	417,137	427,566
196,813	201,733	206,777	211,946	217,245	334,014	342,364	350,923	359,696	368,689	377,906	387,354	397,037	406,963	417,137	427,566
1,116,897	1,440,797	1,663,882	1,705,479	1,748,116	1,680,481	1,722,493	1,765,556	1,809,695	1,854,937	1,901,310	1,948,843	1,997,564	2,047,503	2,098,691	2,151,158
355,878	417,347	438,152	408,278	380,441	332,474	309,806	288,682	269,000	250,659	233,568	217,643	202,804	188,976	176,092	164,085
			0.7629604	0.7629604	0.71555248	0.71555248	0.71555248	0.71555248							

28	29	30	31	32	33	34	35	36	37	38	39	40
24	25	26	27	28	29	30	31	32	33	34	35	36
2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
1,369,532	1,403,770	1,438,865	1,474,836	1,511,707	1,549,500	1,588,237	1,627,943	1,668,642	1,710,358	1,753,117	1,796,945	1,841,868
205,429,812	210,565,557	215,829,696	221,225,438	226,756,074	232,424,976	238,235,601	244,191,491	250,296,278	256,553,685	262,967,527	269,541,715	276,280,258
15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
15	15	15	15	15	15	15	15	15	15	15	15	15
20,542,981	21,056,556	21,582,970	22,122,544	22,675,607	23,242,498	23,823,560	24,419,149	25,029,628	25,655,368	26,296,753	26,954,172	27,628,026
15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
3,081,447	3,158,483	3,237,445	3,318,382	3,401,341	3,486,375	3,573,534	3,662,872	3,754,444	3,848,305	3,944,513	4,043,126	4,144,204
438,255	449,211	460,442	471,953	483,752	495,845	508,241	520,947	533,971	547,320	561,003	575,029	589,404
438,255	449,211	460,442	471,953	483,752	495,845	508,241	520,947	533,971	547,320	561,003	575,029	589,404
2,204,937	2,260,061	2,316,562	2,374,476	2,433,838	2,494,684	2,557,051	2,620,977	2,686,502	2,753,664	2,822,506	2,893,069	2,965,395
152,898	142,473	132,759	123,707	115,273	107,413	100,089	93,265	86,906	80,981	75,459	70,314	65,520

APPENDIX F: Start up Cost Calculation

Calculation of Start Up Costs

Total Units	150	
Service Charge	£9,000	
Council Tax	£3,000	The majority if units will fall within - Northaw & Cuffley Band E £2629.63 Band F £3107.75 Band G £3585.85.. We adopt a conservative average of £3000.
Total Costs per Vacant unit	£12,000	per unit per annum
Phase 1	50	
Phase 2	50	
Phase 3	50	
Phase 4		
Total Units	150	

Total sales period from appraisal 5.92 years equates to 2.11 per month

Units sold	Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Phase 1		10	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Phase 2																
Phase 3																
Phase 4																
Units sold pm		10	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Total units sold		10	12	14	16	18	20	22	24	26	28	30	32	34	36	38
Unsold Units for Service Charge		140	138	136	134	132	130	128	126	124	122	120	118	116	114	112
Service charge cost		105000	103500	102000	100500	99000	97500	96000	94500	93000	91500	90000	88500	87000	85500	84000
Unsold Units for Council Tax		40	38	36	34	32	30	28	26	24	22	20	18	16	14	12
Council Tax Cost		10000	9500	9000	8500	8000	7500	7000	6500	6000	5500	5000	4500	4000	3500	3000
Total Costs		115000	113000	111000	109000	107000	105000	103000	101000	99000	97000	95000	93000	91000	89000	87000

Total Cost	£3,920,000
Cost per Phase	
Phase 1	£1,995,000
Phase 2	£1,450,000
Phase 3	£475,000
Phase 4	

16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
2	2	2	2	2	2															
						2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
40	42	44	46	48	50	52	54	56	58	60	62	64	66	68	70	72	74	76	78	80
110	108	106	104	102	100	98	96	94	92	90	88	86	84	82	80	78	76	74	72	70
82500	81000	79500	78000	76500	75000	73500	72000	70500	69000	67500	66000	64500	63000	61500	60000	58500	57000	55500	54000	52500
10	8	6	4	2	0	-2	-4	-6	-8	-10	-12	-14	34	32	30	28	26	24	22	20
2500	2000	1500	1000	500	0	-500	-1000	-1500	-2000	-2500	-3000	-3500	8500	8000	7500	7000	6500	6000	5500	5000
85000	83000	81000	79000	77000	75000	73000	71000	69000	67000	65000	63000	61000	71500	69500	67500	65500	63500	61500	59500	57500

37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57
2	2	2	2	2	2	2	2	2	2											
										2	2	2	2	2	2	2	2	2	2	2
2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
82	84	86	88	90	92	94	96	98	100	102	104	106	108	110	112	114	116	118	120	122
68	66	64	62	60	58	56	54	52	50	48	46	44	42	40	38	36	34	32	30	28
51000	49500	48000	46500	45000	43500	42000	40500	39000	37500	36000	34500	33000	31500	30000	28500	27000	25500	24000	22500	21000
18	16	14	12	10	8	6	4	2	0	-2	-4	-6	-8	-10	-12	-14	-16	-18	-20	28
4500	4000	3500	3000	2500	2000	1500	1000	500	0	-500	-1000	-1500	-2000	-2500	-3000	-3500	-4000	-4500	-5000	7000
55500	53500	51500	49500	47500	45500	43500	41500	39500	37500	35500	33500	31500	29500	27500	25500	23500	21500	19500	17500	28000

58	59	60	61	62	63	64	65	66	67	68	69	70	71
2	2	2	2	2	2	2	2	2	2	2	2	2	2
2	2	2	2	2	2	2	2	2	2	2	2	2	2
124	126	128	130	132	134	136	138	140	142	144	146	148	150
26	24	22	20	18	16	14	12	10	8	6	4	2	0
19500	18000	16500	15000	13500	12000	10500	9000	7500	6000	4500	3000	1500	0
26	24	22	20	18	16	14	12	10	8	6	4	2	0
6500	6000	5500	5000	4500	4000	3500	3000	2500	2000	1500	1000	500	0
26000	24000	22000	20000	18000	16000	14000	12000	10000	8000	6000	4000	2000	0

APPENDIX G: Argus Developer Viability Appraisal Summary

Former Northaw Greyhound Kennels, Potters Bar
FVA Appraisal

Development Pro Forma
Newsteer
December 4, 2023

PROJECT PRO FORMA **NEWSTEER**

Former Northaw Greyhound Kennels, Potters Bar
FVA Appraisal

Project Pro Forma for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Pavillion & Village Apts	50	43,078	741.96	639,243	31,962,153
Phase 2 Village Apts	50	51,958	741.96	771,015	38,550,758
Phase 3 Village Apts	50	51,958	741.96	771,015	38,550,758
Totals	**150**	**146,994**			**109,063,668**

TOTAL PROJECT REVENUE				**109,063,668**
DEVELOPMENT COSTS				
ACQUISITION COSTS				
Fixed Price		2,612,500		
Fixed Price (25.00 Acres @ 104,500.00 /Acre)			2,612,500	
				2,612,500
Land Transfer Tax			118,125	
Effective Land Transfer Tax Rate		4.52%		
Agent Fee		1.00%	26,125	
Legal Fee		0.50%	13,063	
				157,312
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Pavillion & Village Apts	69,288	300.00	20,786,400	
Phase 2 Village Apts	59,740	300.00	17,922,000	
Phase 3 Village Apts	59,740	300.00	17,922,000	
Totals	**188,768 ft²**		**56,630,400**	
Contingency		5.00%	2,831,520	
				59,461,920
Other Construction Costs				
Abnormals/Utilities			5,700,000	
Externals		10.00%	2,078,640	
Externals		10.00%	1,792,200	
Externals		10.00%	1,792,200	
				11,363,040
PROFESSIONAL FEES				
Professional Fees		10.00%	6,021,480	
				6,021,480
DISPOSAL FEES				
Sales Marketing & Legal Fees		4.00%	4,362,547	
				4,362,547
MISCELLANEOUS FEES				
Start Up Costs - P1			1,995,000	
Start up Costs - P2			1,450,000	
Start Up Costs - P3			475,000	
				3,920,000
TOTAL COSTS BEFORE FINANCE				**87,898,799**
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				11,228,940
TOTAL COSTS				**99,127,740**
PROFIT				
				9,935,929
Performance Measures				
Profit on Cost%		10.02%		
Profit on GDV%		9.11%		
Profit on NDV%		9.11%		
IRR% (without Interest)		10.95%		

SENSITIVITY ANALYSIS REPORT **NEWSTEER**

Former Northaw Greyhound Kennels, Potters Bar
FVA Appraisal

Table of Profit Amount and Profit on GDV%

	Construction: Rate /ft²						
Sales: Rate /ft²	-60.00 /ft²	-40.00 /ft²	-20.00 /ft²	0.00 /ft²	+20.00 /ft²	+40.00 /ft²	+60.00 /ft²
	240.00 /ft²	260.00 /ft²	280.00 /ft²	300.00 /ft²	320.00 /ft²	340.00 /ft²	360.00 /ft²
-60.00 /ft²	£18,924,290	£12,669,763	£6,243,148	(£363,302)	(£7,037,789)	(£13,712,277)	(£20,386,765)
681.96 /ft²	18.878%	12.639%	6.228%	-0.362%	-7.021%	-13.679%	-20.337%
-40.00 /ft²	£22,157,815	£15,975,946	£9,631,772	£3,113,842	(£3,547,980)	(£10,222,468)	(£16,896,956)
701.96 /ft²	21.474%	15.483%	9.335%	3.018%	-3.439%	-9.907%	-16.376%
-20.00 /ft²	£25,362,427	£19,248,682	£12,979,604	£6,545,788	(£58,172)	(£6,732,659)	(£13,407,147)
721.96 /ft²	23.899%	18.138%	12.231%	6.168%	-0.055%	-6.344%	-12.633%
0.00 /ft²	£28,541,899	£22,491,149	£16,291,812	£9,935,929	£3,416,792	(£3,242,850)	(£9,917,338)
741.96 /ft²	26.170%	20.622%	14.938%	9.110%	3.133%	-2.973%	-9.093%
+20.00 /ft²	£31,699,399	£25,706,891	£19,572,372	£13,287,998	£6,848,427	£246,959	(£6,427,529)
761.96 /ft²	28.302%	22.952%	17.475%	11.864%	6.114%	0.220%	-5.739%
+40.00 /ft²	£34,835,353	£28,897,175	£22,822,529	£16,605,617	£10,240,085	£3,719,743	(£2,937,720)
781.96 /ft²	30.307%	25.140%	19.855%	14.447%	8.909%	3.236%	-2.556%
+60.00 /ft²	£37,953,598	£32,065,181	£26,046,666	£19,892,014	£13,595,492	£7,151,067	£552,089
801.96 /ft²	32.196%	27.201%	22.095%	16.874%	11.533%	6.066%	0.468%

Sensitivity Analysis : Assumptions for Calculation

Construction: Rate /ft²
Original Values are varied in Fixed Steps of £20.00

Heading	Phase	Rate	No. of Steps
Pavillion & Village Apts	1	£300.00	3.00 Up & Down
Phase 2 Village Apts	2	£300.00	3.00 Up & Down
Phase 3 Village Apts	3	£300.00	3.00 Up & Down

Sales: Rate /ft²
Original Values are varied in Fixed Steps of £20.00

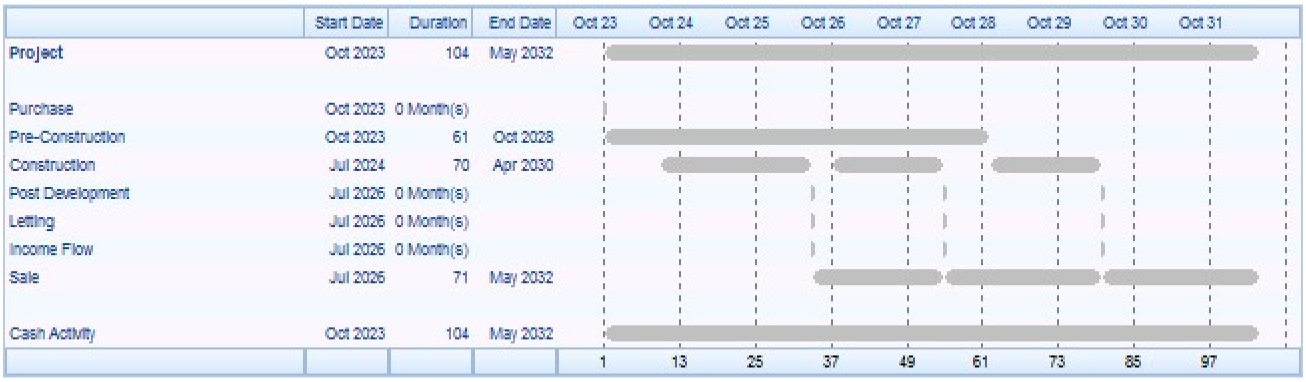
Heading	Phase	Rate	No. of Steps
Pavillion & Village Apts	1	£741.96	3.00 Up & Down
Phase 2 Village Apts	2	£741.96	3.00 Up & Down
Phase 3 Village Apts	3	£741.96	3.00 Up & Down

TIMESCALE AND PHASING CHART NEWSTEER

Former Northaw Greyhound Kennels, Potters Bar
FVA Appraisal

Project Timescale	
Project Start Date	Oct 2023
Project End Date	May 2032
Project Duration (Inc Exit Period)	104 months

All Phases

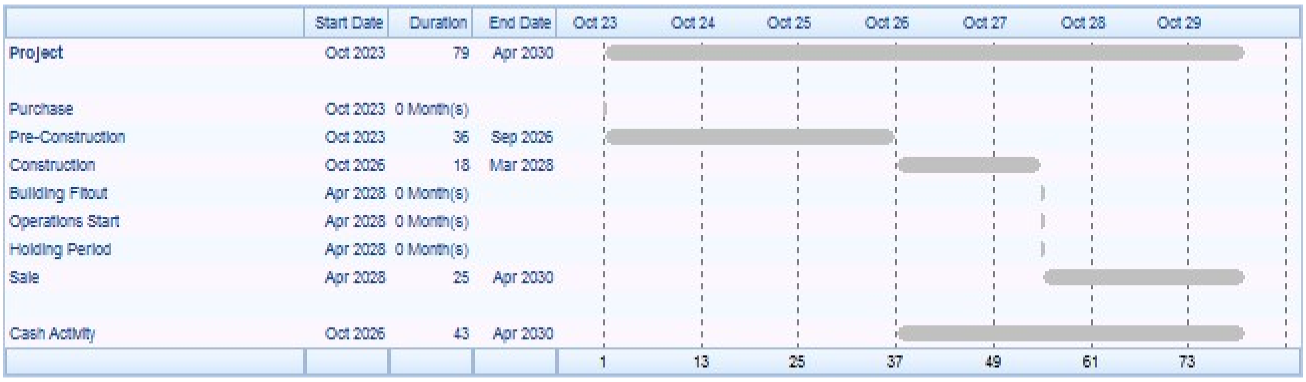


	Start Date	Duration	End Date
Project	Oct 2023	104	May 2032
Purchase	Oct 2023	0 Month(s)	
Pre-Construction	Oct 2023	61	Oct 2028
Construction	Jul 2024	70	Apr 2030
Post Development	Jul 2026	0 Month(s)	
Letting	Jul 2026	0 Month(s)	
Income Flow	Jul 2026	0 Month(s)	
Sale	Jul 2026	71	May 2032
Cash Activity	Oct 2023	104	May 2032

1. Phase 1

	Start Date	Duration	End Date
Project	Oct 2023	54	Mar 2028
Purchase	Oct 2023	0 Month(s)	
Pre-Construction	Oct 2023	9 Month(s)	Jun 2024
Construction	Jul 2024	24	Jun 2026
Post Development	Jul 2026	0 Month(s)	
Letting	Jul 2026	0 Month(s)	
Income Flow	Jul 2026	0 Month(s)	
Sale	Jul 2026	21	Mar 2028
Cash Activity	Oct 2023	54	Mar 2028

2. Phase 2

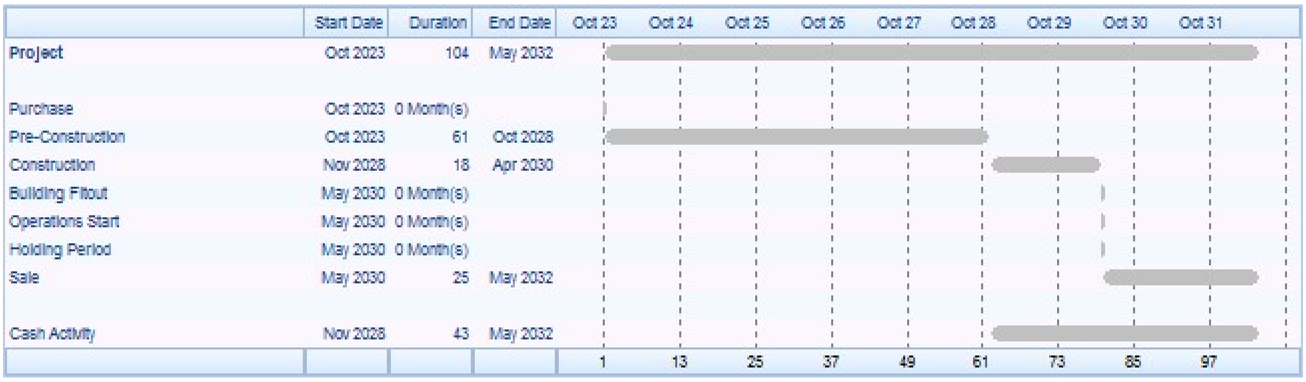


	Start Date	Duration	End Date
Project	Oct 2023	79	Apr 2030
Purchase	Oct 2023	0 Month(s)	
Pre-Construction	Oct 2023	36	Sep 2026
Construction	Oct 2026	18	Mar 2028
Building Fitout	Apr 2028	0 Month(s)	
Operations Start	Apr 2028	0 Month(s)	
Holding Period	Apr 2028	0 Month(s)	
Sale	Apr 2028	25	Apr 2030
Cash Activity	Oct 2026	43	Apr 2030

TIMESCALE AND PHASING CHART NEWSTEER

Former Northaw Greyhound Kennels, Potters Bar
FVA Appraisal

3. Phase 3



	Start Date	Duration	End Date
Project	Oct 2023	104	May 2032
Purchase	Oct 2023	0 Month(s)	
Pre-Construction	Oct 2023	61	Oct 2028
Construction	Nov 2028	18	Apr 2030
Building Fitout	May 2030	0 Month(s)	
Operations Start	May 2030	0 Month(s)	
Holding Period	May 2030	0 Month(s)	
Sale	May 2030	25	May 2032
Cash Activity	Nov 2028	43	May 2032