Northampton Borough Council

Abington Street East Site Feasibility Study

Final Report
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CONTENTS

1 INTRODUCTION .................................................................................................................... 1
   Site Description .................................................................................................................. 1
   Approach .......................................................................................................................... 3
   Important Caveats ............................................................................................................. 4
   Report Structure ............................................................................................................. 4

2 THE SITE & ASSUMED DEVELOPMENT SCENARIO ......................................................... 5
   Introduction ....................................................................................................................... 5
   Northern Parcel ................................................................................................................ 5
   Southern Parcel .................................................................................................................. 6

3 MARKET DATA AND APPRAISAL ASSUMPTIONS ............................................................. 9
   Introduction ....................................................................................................................... 9
   Market Factors ................................................................................................................... 9
   Cost Factors ..................................................................................................................... 10

4 PROPERTY COST ESTIMATE ............................................................................................ 13
   Introduction ...................................................................................................................... 13
   Assumptions .................................................................................................................... 13
   Working Method .............................................................................................................. 13
   Other costs ....................................................................................................................... 14
   Notes on Individual Properties ....................................................................................... 16
   Conclusion ....................................................................................................................... 17

5 APPRAISAL FINDINGS & SENSITIVITY ANALYSES ....................................................... 19
   Introduction ....................................................................................................................... 19
   Northern Parcel ............................................................................................................... 19
   Southern Parcel ............................................................................................................... 19
   Abington Street East Site ................................................................................................. 20
   Sensitivity Analyses ........................................................................................................ 20

6 DELIVERABILITY ISSUES ................................................................................................. 23
   Introduction ....................................................................................................................... 23
   Flood Risk ......................................................................................................................... 23
   Archaeology and Conservation ...................................................................................... 23
1 INTRODUCTION

1.1 Roger Tym & Partners, along with Gerald Eve LLP, were appointed by Northampton Borough Council to assess the development potential of the Abington Street East site in Northampton Town Centre. In particular, this study seeks to establish whether the development of the site is viable and deliverable in the context of prevailing and likely future property market characteristics and the costs associated with developing the site.

Site Description

1.2 The Abington Street East Site contains two distinct parcels of land to the north and south of The Ridings – a small access/service road for shops fronting on to Abington Street and St Giles Street.

1.3 The Northern Parcel fronts onto Abington Street and contains the Northampton Central Library, which is Grade II listed, and the buildings immediately east of the library. Our instruction is to assume that, at some point in the plan period, the library will become surplus to requirements at its current scale and in its current location. We have assumed that it will therefore be available for redevelopment/re-use, subject to heritage planning considerations discussed later in this report.

1.4 The Southern Parcel fronts onto St Giles Street and comprises a Family Planning Clinic, surface car park and 71 St Giles Street. These buildings sit within a conservation area designation and are adjoined by listed or locally listed buildings.

1.5 In total, the two parcels comprise approximately 1.02ha of land. Figure 1.1 below shows the boundaries of the two parcels that comprise the Abington Street East site.
Figure 1.1 Abington Street East Site Plan
Approach

1.6 This feasibility study follows our 2010 report, the Northampton Central Area Sites Feasibility Study, which assessed the development feasibility of seven sites within Northampton Town Centre. Our methodology is in line with that previously applied.

1.7 In summary, our approach is to assess the potential residual worth from the development of the site and compare this to the indicative potential site acquisition costs. If the assessed residual site worth is greater than the estimated site acquisition costs, development is likely to be viable. However, if indicative residual site worth is less than the indicative level of site acquisition costs, development may be unviable.

1.8 This ‘development appraisal’ has been undertaken using specialist appraisal software known as Argus Developer. The software enables the costs and values of complex, mixed use developments to be calculated using a ‘discounted cash-flow’ model.

1.9 We have been asked specifically to test the potential for the development of additional comparison retail floorspace. Details of the amount of floorspace we estimate that a redevelopment of the site could deliver are set out in Section 2.

1.10 The assessment of the worth of the development relies on a number of assumptions with respect to local property market circumstances. For the purposes of this study, we have applied the same assumptions to those used in the 2010 study. For ease of reference, these are summarised in Section 3. However, we note that development appraisals are very sensitive to the quality and accuracy of the information inputted into them and therefore suggest that this data, and the assessments that rely on it, are fully updated and revised prior to any Examination.

1.11 Estimating land assembly costs across sites in multiple ownerships, such as those to be considered as part of this study, is particularly complex. The most robust approach is to assume that a Compulsory Purchase Order (CPO) will be required, as there is an established approach to assessing the value of land interests and compensation payments. Specialist CPO advisors from Gerald Eve LLP - who also provided advice on these matters in the 2010 study – provide a cost estimate for acquiring the necessary properties in Section 4.

1.12 Section 5 of this report sets out the findings of our assessment, bringing together the outcomes of the assessment of the balance between development costs and values and that of the CPO property cost estimate, to establish whether redevelopment of the site will generate an adequate financial surplus to enable the assembly of the sites. Sensitivity analyses on key variables are also provided.

1.13 Finally, this report investigates whether there are any other practical impediments to bringing the Abington Street East site forward for development in the way envisaged.
Important Caveats

1.14 There are a number of important caveats that must be made clear in respect of the indicative viability assessment set out in the report, as follows:

*Development appraisals are highly sensitive to the assumptions*

1.15 Assessments of the financial viability of developments are highly sensitive to the assumptions made on key issues such as rental/sales values, investment yields, development density, mix of uses, developer contribution requirements and site acquisition costs.

*We have had to make a large number of assumptions*

1.16 Design options and layouts with floor areas have not been produced to inform this study. We have therefore needed to make a large number of assumptions with regard to the size, type and form of development in order to assess the broad viability of the sites.

*Calculations used here are not based on, and do not constitute, “Red Book” valuations*

1.17 It is very important to note that any figures reported from this exercise need to be treated as indicative. They are a general assessment of viability, on the basis of provisional assumptions and made for strategic policy purposes only. They do not constitute, “Red Book” valuations (RICS Valuation Standards 7th Edition). It is not our intention in this work (nor is it possible with the information available) to attempt to provide such a detailed site viability assessment. In particular we would caution that the conclusions reached should not be relied upon or used for any commercial purposes.

Report Structure

1.18 The remainder of this report is structured as follows:

- Section 2: The site and Assumed Development Scenario
- Section 3: Market Data & Appraisal Assumptions
- Section 4: Property Cost Estimate
- Section 5: Appraisal Findings & Sensitivity Analyses
- Section 7: Deliverability Issues
- Section 8: Conclusions and Recommendations
2 THE SITE & ASSUMED DEVELOPMENT SCENARIO

Introduction

2.1 This section of the report provides additional information on the characteristics of the Abington Street East site and the two parcels that it comprises. It goes on to set out the scale and use-mix of development that we envisage could be accommodated on the site.

2.2 The Abington Street East site is split into two parcels by The Ridings - a narrow access/service road – with the Northern Parcel fronting on to Abington Street and the Southern Parcel fronting on to St. Giles Street.

Northern Parcel

2.3 The Northern Parcel is bounded by Abington Street to the north and The Ridings to the south, as shown in Figure 2.1 below. It contains the existing library and the buildings at 78-82 Abington Street and extends to 0.49ha. It is located within the Primary Shopping Area (as defined in the pre-submission draft Central Area Action Plan, November 2010) and on the pedestrianised part of Abington Street. The frontages to Abington Street also form part of the primary shopping frontages. We therefore consider that the site forms a natural extension to Northampton’s retail core.

Figure 2.2.1: Northern Parcel
2.4 Northampton Central Library is a two-storey building located at the western boundary of the parcel. It is understood that a Library of this scale and in this location may not be required in the medium term and as such it may be available for alternative uses. The building has two storeys of c865 sq.m, along with a basement that is not assessed as part of this study as it could only be effectively used for storage and therefore has relatively minimal value.

2.5 The Library building is Grade II listed. Consultations with Northampton Borough Council’s Heritage Team have been undertaken and based on these discussions we have assumed that the library building will be retained and re-used for comparison retailing, which will require both internal and external alterations. The building was built in 1910 as a public library and has a very imposing character as a result. Internally, it still contains the original staircase, which is likely to have to be retained. To enable comparison retail use of both ground and first floors, a detailed understanding of the layout of the interior would need to inform any proposed works. We understand that limited alterations to the Abington Street frontage may also be possible to enable retailers to better display their goods than would currently be the case, subject to listed building consent.

2.6 It is likely that the configuration of the building will mean that not all of the space is usable and as such we estimate that the building could provide a net lettable floorspace1 of 1,380 sq.m/14,860 sq.ft of new comparison retail floorspace.

2.7 To the east of the library along Abington Street are several small properties of varying size and quality, some of which make a positive contribution to the streetscene. However, none are listed or make effective use of the site given that much of the rear of the parcel is under-used. It is therefore proposed that these buildings be demolished and replaced with a comprehensive development of comparison retail floorspace over two storeys. This could provide 3,310 sq.m/35,670 sq.ft of new net lettable comparison retail floorspace and meet the demand for high quality, modern and larger floorplate spaces sought by the majority of national multiple retailers.

2.8 Taking both the conversion of the Library and the redevelopment of the remainder of the parcel together, the Northern Parcel could provide some 4,690 sq.m/50,500 sq.ft of net lettable comparison retail floorspace.

Southern Parcel

2.9 The Southern parcel is a 0.53ha site bounded by St. Giles Street to the south and The Ridings to the North as shown in Figure 2.2 below. It currently contains a family planning clinic, buildings at 71 St Giles Street and an area of surface car parking. Existing properties front on to St Giles Street, part of which is located within the defined secondary shopping frontage. It comprises mainly of smaller local and independent traders and additional development of comparison retail use can be easily envisaged in this location, although demand is likely to be for smaller and single-storey units.

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1 Net lettable floorspace is defined as the floor area for which rent can be charged (including staff rooms and storage areas) and is distinct from net sales area which is defined as those areas of a shop to which the public have access and is used for the sale of goods.
2.10 The existing Clinic and landscaped areas around it occupy much of the site. It is likely that the Clinic is owned by the Department for health and as such cannot be acquired compulsorily. We have therefore sought to incorporate the provision of a new medical centre as part of our assumed redevelopment scenario.

2.11 Given that the kind of retailers likely to be attracted to any new development in this location are likely to seek smaller and single storey units, there is an opportunity to utilise an upper storey to re-provide a medical centre. In addition, the scale of the site means that it may also be possible to accommodate a small and more modern library facility on the upper floor of the development.

2.12 The redevelopment scenario assumed therefore proposed demolition of existing buildings and comprehensive redevelopment of the site to provide ground floor comparison retail floorspace extending to 2,130 sq.m/22,945 sq.ft (net lettable) with the upper floor used as a medical centre of 1,065 sq.m net, and library of 1,065 sq.m net.

2.13 The redevelopment of the Southern Parcel could also include an area of surface car parking to serve staffing needs at the library and Clinic facilities, most likely to be located in the north eastern part of the parcel from which there is no access or visibility from St. Giles Street. It is estimated that this area could accommodate up to 30% of the spaces currently provided by The Ridings Car Park.
3 MARKET DATA AND APPRAISAL ASSUMPTIONS

Introduction

3.1 For the purposes of this study we have utilised the same base assumptions applied in the 2010 study to the assessment of the Abington Street East site, in line with our brief. In this section we summarise these assumptions in respect of market factors such as rental values and yields, costs including build costs, professional fees and the like and other key variables.

3.2 It should be noted that the data on which the appraisals are based reflect the market conditions at the time of the 2010 study in terms of key factors including build costs, the cost of development finance and levels of yields and property values. Over the plan period, however, these factors may well have changed since then and are likely to change in future. Therefore, the sensitivity analyses on key variables are provided in Section 5 and are particularly relevant in considering the viability of development in the longer term.

Market Factors

Commercial Rents and Yields

3.3 Our assumptions for commercial rents and yields follow the data reported in the 2010 study which was based on data from a number of published data sources including the Valuation Office Agency (VOA), Estates Gazette Interactive (EGi), Focus as well as discussions with local agents. For uses not covered by the 2010 study, we were advised by specialist surveyors from other practices, most notably Gerald Eve.

3.4 The assumed rental values and yields are as follows:

- Comparison retail parcel one - £269 per sq.m (£25 per sq.ft) and 7 per cent yield
- Comparison retail parcel two - £226 per sq.m (£21 per sq.ft) and 7 per cent yield
- Health centre - £175 per sq.m (£16 per sq.ft) and 6 per cent yield
- Library - £97 per sq.m (£9 per sq.ft) and 6 per cent yield

Void and Rent Free Periods

3.5 We have allowed for both a void and rent free period on the comparison retail floorspace totalling 18 months. There is no rent free or void period for the replacement health centre and library.

Interest Rates

3.6 Our appraisals assume a debit interest rate of 7.50 per cent on costs incurred and a credit interest rate of 3.5 per cent on income, reflecting current credit markets.

Developers Profit

3.7 We have assumed a developers profit of 20 per cent on the development appraisal. We consider this to be an appropriate margin for town centre development in the current climate. We note however that this may change as the market recovers and demand for sites increases.
3.8 In the medium term, if the economy recovers and confidence returns to the development and occupier market, it is possible (but by no means certain) that developers will accept lower levels of profit (as a proportion of costs). An optimistic view is that profit expectations might reduce to 15% of cost.

3.9 It is very difficult to assess if or when such confidence will return to the UK development market and if and when any such confidence will be reflected in Northampton. Indeed the economy as a whole and property market conditions across the country have not seen any significant improvement since the 2010 study. Nonetheless, the AAP which this study seeks to inform has a 15 year life-span and the demand that these sites are seeking to accommodate are intended to be developed in the mid-latter part of this period. As such, it is likely that a period of market confidence, where 15% developers profit is acceptable to the market, will occur.

**Cost Factors**

**Build Costs**

3.10 We have utilised both Building Costs Information Service (BCIS) data and our own indicative costs for commercial development for the purposes of these appraisals. These costs cover the ‘base build costs’ and exclude items such as site preparation and external works which are assessed separately.

3.11 These costs are as follows:

- Comparison retail floorspace (two storey) - £721 per sq.m (£67 per sq.ft)
- Comparison retail floorspace with development above (2 storey) – £829 per sq.m (£77 per sq.ft)
- Conversion cost for comparison retail floorspace (listed building) – £700 per sq.m (£65 per sq.ft)

3.12 The conversion cost for the Library building takes an average of the median and upper quartile build costs for conversions to retail use, given that it is a listed building and some additional costs are likely to be incurred in ensuring suitable materials and designs are applied.

3.13 There may be additional build costs if specific environmental standards need to be met. BREEAM (Building Research Establishment Environmental Assessment Method) sets standard best practice for sustainable design and environmental performance. BREEAM assesses buildings against a set of criteria and provides an overall score which will fall within one of the following bands: pass, good, very good, excellent or outstanding. Information from the Chartered Institute of Building (CIOB) indicates that the additional cost to achieve very good on offices is 3 – 5 per cent on build costs and an additional 1 per cent on build costs for retail.

**Other Construction Costs**

3.14 We have made an allowance of £100,000 for demolition costs, which are recorded as ‘other construction costs’.
**Professional Fees**

3.15 We have assumed a professional fees rate of 12 per cent on build costs, which includes for architects, quantity surveyors, mechanical and electrical engineers, project managers and the like. This is a typical assumption in development appraisals.

**External Works**

3.16 Construction costs from BCIS do not include for works outside of the envelope of the building – i.e. service yards, public realm, parking and the like. We have therefore included an allowance for external works of 10\% of build costs, based on experience of similar schemes.

**Contingency**

3.17 We have assumed an overall contingency of 10 per cent of build costs at this stage. This is at the top of the range that might normally be assumed, reflecting the indicative nature of the proposals and the potential for costs that are currently unknown to arise.
4 PROPERTY COST ESTIMATE

Introduction

4.1 Gerald Eve LLP have prepared this Property Cost Estimate (PCE), dated September 2011, for Northampton Borough Council, in order to provide an estimate of the likely cost of assembling the library site for potential development in Northampton Town Centre using Compulsory Purchase Orders (CPO). The site is identified on a plan attached to this report. This estimate has been prepared for the purpose of an initial assessment of viability for this site, and should not be relied upon for any other purpose.

4.2 This PCE is our initial opinion, taking into account the assumptions set out below. The date of assessment of actual compensation will, however, usually be the date when possession is taken of the property. It is likely that both property values and other compensation figures will have changed, perhaps significantly, by that date due to additional information becoming available or through property market fluctuations over time.

Assumptions

4.3 The PCE includes an estimate of property values, an estimate of business and other occupiers’ disturbance compensation, associated statutory loss payments (where it is possible to estimate these) and professional fees incurred by claimants’ professional advisers. These costs form part of the budget that should be allocated for site acquisition. The plan attached to this report identifies the property interests which are affected by this potential development proposal.

4.4 No allowance for compensation has been made for interests owned by Northampton Borough Council.

4.5 For the purposes of this estimate, we have assumed that all property value is held in the freehold interest except where explicitly stated otherwise.

4.6 The individual interests within the PCE include comments with respect to those interests and the assumptions made in each case. These individual assumptions should be read in conjunction with the general assumptions made in this report.

4.7 Limited site inspection has been undertaken but we have had regard to information available from publicly available sources. Currently, the disturbance element has been calculated using our experience of similar cases but this may need to be substantially amended in the future to reflect more detailed information becoming available.

Working Method

Valuation of Property Interests

4.8 We initially identified individual property interests within the potential development site, marked these on a plan and prepared a schedule which set out each property interest. We have not obtained any ownership information from the Land Registry or elsewhere.

4.9 Following the preparation of the schedule, we then obtained the 2011 rating list information for each property, including rateable values and property areas where available. We then
investigated market evidence of sales and lettings in the area over the preceding 12 months.

4.10 Using this information, we capitalised the rateable values to provide estimates of property values.

4.11 We have made an assumption that the market value of a property lies within the freehold and that the leasehold interest has no market value unless specifically stated.

**Compensation for Disturbance**

4.12 We have carried out our assessment as a desktop exercise without any site visit or inspection of the properties.

4.13 We have made our estimates of the disturbance element of claims predominately based on our experience of similar cases. The key elements of any business disturbance claim are as follows:

- Any temporary or permanent loss of profits
- Relocation and move costs
- Special adaptation/compensation for fixtures and fittings
- Acquisition costs of new premises
- Any other reasonable costs incurred

4.14 Disturbance estimates have been based on the current situation. Where this changes between now and the date of possession, this may substantially affect the disturbance compensation payable.

4.15 Disturbance estimates have been based on all businesses relocating except where noted otherwise. This assumes adequate time will be made available for occupiers to find alternative premises and that there will be sufficient stock available. In practice, it may not be possible for some occupiers to relocate and in these instances our estimates may need to be adjusted to reflect a total extinguishment of their operation.

**Other statutory payments**

4.16 Allowance has been made for Basic and Occupiers Loss Payments and Home Loss payments where appropriate.

**Other costs**

**Property Cost Estimate Contingency**

4.17 This is an initial estimate of compensation based on limited information. It is also based on August 2011 information and values, which are likely to have altered significantly by the time any development is commenced. You may wish to make an allowance of 5-10% of the total within any development appraisal to reflect this risk item.

**Other Rights**

4.18 Whilst it is not part of the PCE it is advised that an amount be allowed for in respect of rights of light, party wall, crane over sailing and potential Part 1 claims. Based on the
limited information currently available, we suggest an allowance of £75-100,000 to reflect this issue.

**Statutory Interest**

4.19 Statutory interest accrues daily on a simple rather than compound basis, at a rate of 0.5% below the substantive base rate from the date of vesting or entry on outstanding compensation until settled with the claimant.

4.20 It should be noted that interest rates are likely to vary as will the time taken to settle claims which will depend on the nature of those involved. Settlement of claims prior to vesting or entry will reduce the risks of this liability. From experience it is not unusual for a small proportion of claims to be settled in advance of the vesting date; the proportion of settled claims is reliant on the negotiations that have taken place.

4.21 The current rate of statutory interest is 0% and therefore no allowance has been made within this PCE for this item. However, as the base rate varies, so will the statutory interest rate. This item should be re-considered closer to the date of making any CPO.

**CPO Process**

4.22 If Northampton Borough Council resolve to use their compulsory purchase powers to facilitate any of these potential development sites, it is likely that this will be based on s.226 Town and Country Planning Act 1990 which allows local planning authorities to use compulsory purchase powers for development or redevelopment as long as they think this will benefit the economic, social and environmental wellbeing of their area. In order to demonstrate a strong basis for using these powers the adopted planning policy for the area will need to provide for increases in both quantity and quality of retail and other developments within the town centre. This policy will need to be carefully worded to reduce future risk in making and implementing any future CPO.

4.23 It is difficult at this early stage to be certain of the likely time required for the preparation, making and confirmation of a CPO, including service of notices to take possession of the land. Our previous experience indicates that it will be necessary to allow a minimum of 18 months for the process. However, it will be sensible to allow 24-30 months for the whole process.

4.24 Whilst not part of the PCE it may be appropriate to allow for the likely cost of the entire CPO process within the development appraisal. It is difficult to estimate these costs at an early stage, as the total will depend on a number of factors outside the control of the acquiring authority. However, our previous experience indicates that if a single CPO is made for this site, an estimate of £500,000 for the preparation and making of the CPO, dealing with objectors and any Public Inquiry would be reasonable.

**Lands Tribunal Costs**

4.25 It is not possible to identify claimants who are unlikely to agree settlement at this stage. However, taking into account the number of interests affected by these proposals, it is unlikely that agreement on compensation will be reached in all cases without reference to the Lands Tribunal.
4.26 In this context it may be appropriate to allow for, say, one Lands Tribunal hearing, which would take place after negotiations have broken down, with a budget of, say, £75,000.

**Special Categories of Land**

4.27 This category includes Crown Land, land used for operational purposes by Statutory Undertakers, common land and open space.

4.28 Acquiring Authorities do not have the power to compulsorily acquire land owned or occupied by the Crown. Crown interests include Governmental Departments such as DWP and DEFRA and Non-Governmental Organisations (NGOs). These property interests must be acquired by agreement.

4.29 Statutory Undertakers include the bodies running railways, roads transport and water transport or those responsible for supplying electricity, gas or water. Their interests can only form part of the compulsory purchase order if the minister responsible for its affairs certifies that the land can be taken without serious detriment to the carrying on of the undertaking, or if purchased, it can be replaced by other land without serious detriment to the undertaking.

4.30 Common or open lands are subject to special procedures.

**Notes on Individual Properties**

4.31 We have set out below some further commentary on individual properties or occupiers which should be considered when making decisions about land assembly for the sites.

**Northampton Library**

4.32 We understand that the library building is owned by Northamptonshire County Council and they currently operate the main library from there. An assumption has been made that the library building will be purchased and the operational service moved into the new development scheme with no break in operation.

4.33 Given the listed nature of the building, and the unusual use, the freehold value has been calculated on the basis of redevelopment / refurbishment and a spot figure included for disturbance (relocation into the new development) based on experience. If the library use cannot be relocated into the scheme, we will need to reconsider the likely compensation, including a consideration of compensation based on equivalent reinstatement.

**St Giles Clinic**

4.34 We have no information on the ownership of the Clinic (family planning), but our experience indicates that the freehold of similar clinics and health centres is often owned by the Department of Health. In that situation, the Clinic would benefit from immunity from compulsory purchase as it would be designated as ‘Crown Land.’ In this situation, any acquisition of the site would need to be by negotiation rather than via a compulsory purchase. Once ownership is confirmed, it may be necessary to review our compensation estimates.

4.35 For the purposes of preparing our estimates, an assumption has been made that the Clinic will be relocated into the scheme. The freehold value has been derived based on the
property being used for secondary office space and comparable evidence applied. A spot figure has been applied for disturbance based on our experience, but if the Clinic cannot be relocated into the scheme, we would need to reconsider our estimate.

*Ann Bonham and Son Funeral Directors - 71 St Giles Street*

4.36 The freehold value of this unit has been based on the likely use as a garage / light industrial unit and ancillary office accommodation. We have based our estimates of compensation on the assumption that all the property occupied by the company at 71 St Giles Street will be acquired. A spot figure has been applied for the disturbance based on our experience, and this spot figure makes an allowance for the risk that this business, due to its unusual nature and property requirements, may not be able to relocate.

**Conclusion**

4.37 This initial report and estimate will need to be reviewed prior to the decision to make any CPO in order to ensure it is accurate and up to date. This is an initial property cost estimate carried out with limited information as stated above. The estimated cost of acquisition of the library site including claimants’ professional fees is £6,443,055.

4.38 If allowances for all other potential costs to the Council (enquiry and tribunal costs, and payments for other rights), then this total rises to c£7million, although it is not normal practice to load such costs on to development proposals for land assembled by the public sector.
5 APPRAISAL FINDINGS & SENSITIVITY ANALYSES

Introduction

5.1 This section of the report sets out the findings of the development appraisals for each parcel, and the site as a whole, setting the costs of the assumed development scenario against the value it will generate to show the residual value of the site and the parcels that comprise it. These residual values are then compared against the estimated acquisition costs for each to establish whether the residual value is able to fund site acquisition and whether, based on this, the development is viable.

Northern Parcel

5.2 The development appraisal of Parcel One of the site shows a gross development value of £16.8m and a net development value (after purchasers costs) of £15.8m. This compares with total costs (excluding developer’s profit at 20% of costs) of £13.2m. After developer’s profit of £2.6m is taken account of there is a residual site value (land cost) of £5.7m based on the assumptions set out above.

5.3 The property cost estimate for the Northern Parcel gives a total acquisitions cost in the region of £5.0m. It is clear, therefore, that the value of development will cover the estimated land assembly costs under this development scenario and with prevailing property market conditions. The surplus is some £0.7m which suggests that development under this indicative scenario may be viable.

5.4 The table below presents a summary of the appraisal findings for the Northern Parcel of the Abington Street East Site.

<table>
<thead>
<tr>
<th></th>
<th>Residual Land Value (£m)</th>
<th>Acquisition Costs (£m)</th>
<th>Surplus/Deficit (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Parcel</td>
<td>£5.7m</td>
<td>£5.0m</td>
<td>£0.7m</td>
</tr>
</tbody>
</table>

Southern Parcel

5.5 The development appraisal of Parcel Two of the site shows a gross development value of £11.2m and a net development value (after purchasers costs) of £10.5m. This compares with total costs (excluding developer’s profit at 20% of costs) of £8.8m. After developer’s profit of £1.8m is taken account of there is a residual site value (land cost) of £1.5m based on the assumptions set out above.

5.6 The property cost estimate for the Southern Parcel gives a total acquisitions cost in the region of £1.4m. Therefore, the value of development will cover the estimated land assembly costs under this development scenario and with prevailing property market conditions. The assessment shows a very small surplus of just £0.1m, which suggests any revenues to the council for the sale of the car park are likely to be very limited.

5.7 The table below presents a summary of the appraisal findings for the Southern Parcel of the Abington Street East site.
It should be noted, however, that some £735,000 of the identified acquisition cost for the Southern Parcel relates to the funeral parlour at 71 St Giles Street. It is our view that the Council should consider excluding this property from the proposed development site. This would have a limited effect on the development value of the parcel, but would reduce the acquisition costs by over 50% and thereby significantly increasing the viability of the scheme and the likelihood of the Council achieving a reasonable return from the sale of the car park.

Abington Street East Site

The development appraisal of the Abington Street East site as a whole shows a gross development value across the two parcels proposed for development of £28.0m and a net development value (after purchasers costs) of £26.4m. This compares with total costs (excluding developer’s profit at 20% of costs) of £22.0m. After developer’s profit of £4.2m (20% of cost) is taken account of there is a residual site value (land cost) of £7.2m based on the assumptions set out above.

The property cost estimate for the two parcels proposed to be developed under this scenario gives a total acquisitions cost in the region of £5.8m. It is clear, therefore, that the value of development will cover the estimated land assembly costs under this development scenario and with prevailing property market conditions. The surplus is some £1.4m which suggests that development under this indicative scenario may be viable.

The table below presents a summary of the appraisal findings for the Abington Street East Site. A more detailed summary of the appraisal findings can be found in Appendix One.

<table>
<thead>
<tr>
<th>Residual Land Value (£m)</th>
<th>Acquisition Costs (£m)</th>
<th>Surplus/Deficit (£m)</th>
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</thead>
<tbody>
<tr>
<td><strong>Southern Parcel</strong></td>
<td>£1.5m</td>
<td>£1.4</td>
</tr>
</tbody>
</table>

The surplus shown above is large enough to cover the allowances suggested for CPO enquiry/Lands Tribunal costs and payments for other rights. If the acquisition costs of the funeral parlour at 71 St Giles Street are excluded, then the surplus would also cover a 5% contingency on all of the acquisition costs, even if the value of development is reduced somewhat by its exclusion from the development.

Sensitivity Analyses

As mentioned above, much of the data on which the appraisals are based reflect the somewhat depressed market conditions of 2010. The sensitivity analyses set out below,
which is based on the approach taken in the 2010 Study, show the impact on development value of marginal changes to development yields, rental values and sales values.

5.14 The variations modelled are an increase in rental value of an increase and decrease of £11 per sq.m (£1 per sq.ft) and £22 per sq.m (£2.00 per sq.ft); and an increase and decrease in yields of 0.25% and 0.50%.

5.15 For the purposes of this exercise the sensitivity analysis is only undertaken on the comparison retail elements of the proposed development as the library and clinic uses are not subject to the same fluctuations experience in the commercial property market.

5.16 As set out above, the residual value of the parcels to be developed under the indentified scenario is assessed to be £7.2m. If confidence returns to the development industry and in the robustness of high street retailing then yields may fall, reflecting this reduced risk. A decrease in yield of 0.25% would increase the residual value of the site to £7.6m, whilst a 0.5% decrease gives a residual value of £8.3m. This would increase the surplus of site value over acquisitions costs to £1.2m and £1.9m respectively.

5.17 Conversely a double dip recession and additional business failures on the high street could lead yields to rise. Rise in yields of 0.25% and 0.5% would decrease the residual site value to £6.7m and £6.2m respectively and the surplus of value over site acquisition costs to just £0.3m in the former scenario and a deficit of value over acquisition costs in the latter scenario of £0.2m.

5.18 If rental values increase by £22 per sq.m (£2.00 per sq.ft) the sensitivity analysis gives a residual of £8.6m, some £2.2m above the property cost estimate. A decrease of the same order reduces the residual value to £7.0m, just £0.6m above the property cost estimate.

5.19 Combining these factors, the worst case scenario whereby yields fall by 0.5% and rents reduce by £22 per sq.m/£2 per sq.ft would result in a residual value for the site of £5.1m, some £1.3m below the estimated site acquisition costs. A best case scenario with 0.5% rise in yield and an increase in rents of £22 per sq.m would result in a residual value of the site of £9.6m – some £3.2m above the site assembly cost.
6 DELIVERABILITY ISSUES

Introduction

6.1 In addition to the viability of development, there are a number of other factors that could affect whether development of the Abington Street East site is feasible and, more importantly in PPS12 terms, deliverable. Common constraints on development include issues such as:

- Flood risk;
- Archaeological and/or conservation requirements;
- Ground conditions and contamination; and
- Title constraints such as covenants or wayleaves.

6.2 We address these issues, based on our knowledge of the site and publically available information below.

Flood Risk

6.3 The site is not within an area of elevated flood risk.

Archaeology and Conservation

6.4 The study team is not aware of any likelihood for significant archaeological remains to be present at the site. As mentioned, previously in this report, however, the site does contain a listed building – Northampton Central Library and the Southern Parcel is covered by conservation areas.

6.5 In consultation with the Council’s heritage team, we have established that a comprehensive internal refurbishment of the library to enable its reuse for comparison retailing will need to take into account the impacts on its character and original use, but is not unrealistic. Alterations to the frontage to provide window display areas were also discussed with heritage officers who said that such changes may be possible, but any proposed alterations will be considered in terms of their impacts on both the character and/or appearance of the building.

6.6 Clearly, several other buildings have some limited local merit and given that two conservation areas overlap with the site, there is a clear need for high quality design that is respectful of its context. Any new development of the Abington Street East site should serve to sustain and enhance its character. It is not considered that this requirement precludes development of the scale and nature proposed.

Ground Conditions and Contamination

6.7 The study team is not aware of any problems with ground conditions or contamination in this location. In addition, we have no reason to believe there is any potential for such problems to exist undiscovered to date.
Title Constraints

6.8 The study team is not aware of any covenants or wayleaves that would affect the ability of the site to be brought forward for development of the scale and nature envisaged. As set out above, however, it is possible that the existing Clinic is owned by the Department for Health and is therefore part of the Crown Estate and not capable of being acquired compulsorily. To mitigate against this, a sum has been included in the Property Cost Estimate for the acquisition of the premises by agreement and the assumed development scenario provides for an enhanced replacement facility. Similarly, a replacement library is also included in the development scenario, albeit on a smaller scale than the current library.
7 SUMMARY AND CONCLUSIONS

Summary

7.1 In line with our brief, we have undertaken this feasibility study on the Abington Street East site applying the same approach and the same assumptions used in our previous feasibility studies for the Council in 2010.

7.2 In testing the development potential of the Abington Street East site, we have sought to establish the quantum of comparison retail floorspace that can be accommodated. At the Northern Parcel, the conversion of the library could provide some 1,380 sq.m of net lettable floorspace over two storeys, whilst a new two-storey development of the reminder of the site could realise a further 3,310 sq.m of net lettable space.

7.3 The Southern Parcel is likely to attract demand for smaller units at ground floor, giving an opportunity to accommodate replacement medical and library facilities within an upper floor. This kind of scheme could deliver a further 2,130 sq.m net lettable comparison retail floorspace with a medical centre and library of 1,065 sq.m each above. In total, therefore, the redevelopment of the Abington Street site could provide 6,820 sq.m of comparison retail floorspace.

7.4 Applying the assumptions set out in terms of the composition of development and its associated costs and values, our development appraisal suggest that the assumed development scenario could realise a residual site value available to cover the cost of site acquisition of £7.2m.

7.5 Our estimate of the likely cost of acquiring all of the properties within the site is £6.4m including the funeral parlour at 71 St Giles Street or £5.7m if it is excluded from the development site. This former leaves a surplus of site value over acquisition costs of £0.8m and the latter £1.3m. This surplus could cover the all costs associated to the CPO and allow for a contingency.

7.6 The assumptions that underpin this assessment reflect market conditions at the time of our previous report in 2010. These assumptions are cautious and take account of the impacts of the economic downturn with its detrimental effects on the property market. A return to more healthy economic and property market conditions, or changes to the composition of the development, such as not making provision for library and/or health facilities to be re-provided on site, may well increase the projected level of surplus.

7.7 The sensitivity analysis undertaken on rental values and yields suggests that if market conditions considerably worsened with rental values falling by £2 per sq.m and yields rising by 0.5%, then the residual value of the site would fall to £5.1m, below the costs of acquiring the land. That would render the site unviable and unlikely to come forward for development. Conversely, if market conditions improve by the same margins then the residual site value is projected to rise to £9.6m, generating a surplus over acquisition costs of £3.2m (or up to £3.7-£3.9m if the funeral parlour is excluded from the site).
Conclusions and Recommendations

7.8 On the basis of our assessment as set out in this report, we believe that the Abington Street East site is likely to be viable for redevelopment to provide additional comparison retail floorspace of approximately 6,800 sq.m, or marginally less if the funeral parlour is to be excluded.

7.9 We are not aware of any other development constraints that call into question the deliverability of the assumed development scenario at this site. It will be necessary to ensure that heritage planning considerations are fully taken into account in the design process of any proposals for the site and, in particular, for the listed library building.

7.10 We therefore consider that the site is likely to be ‘deliverable’ in PPS 12 terms.

7.11 As mentioned in this report, however, development appraisals are highly sensitive to the assumptions on which they are based. Our assumptions have been made using the best available information, but without the benefit of a drawn up development scheme; without a details construction cost plan; and based on research undertaken in early 2010 and data from 2009.

7.12 We strongly recommend that market inputs and the appraisals that rely on them are fully updated prior to any examination in the CAAP, should this site be proposed to be allocated for development. We also suggest that indicative scheme layouts and cost plans are procured and fed into the appraisals to add further robustness to the assessments.
APPENDIX 1: PROPERTY COST ESTIMATE
<table>
<thead>
<tr>
<th>Prop. Ref</th>
<th>Property Address</th>
<th>Occupier/owner</th>
<th>2010 RV (actual/estimated)</th>
<th>Area (sq.ft)</th>
<th>Area (sq.m)</th>
<th>Freehold Value</th>
<th>Disturbance (including s.10a for FH)</th>
<th>Basic Loss Payment</th>
<th>Occupier's Loss Payment</th>
<th>Home loss payment</th>
<th>Legal Fees</th>
<th>Surveys Fees</th>
<th>Total CPO Compensation (inc fees)</th>
<th>PCE Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Northampton Library</td>
<td>Council</td>
<td>91,000</td>
<td>9,200.00</td>
<td>860</td>
<td>Library</td>
<td>1,300,000</td>
<td>250,000</td>
<td>75,000</td>
<td>25,000</td>
<td>0</td>
<td>6,500</td>
<td>31,000</td>
<td>1,687,500 Assume the library is moved to the scheme and therefore no temporary relocation is required. Freehold value is on a redevelopment basis and disturbance is a spot figure based on experience.</td>
</tr>
<tr>
<td>2</td>
<td>78 Abington Street</td>
<td>Melody Maker Ladies Wear</td>
<td>31,750</td>
<td>1,800.00</td>
<td>170</td>
<td>Retail</td>
<td>381,000</td>
<td>108,000</td>
<td>28,575</td>
<td>9,525</td>
<td>0</td>
<td>1,905</td>
<td>9,780</td>
<td>538,785</td>
</tr>
<tr>
<td>3</td>
<td>80 Abington Street</td>
<td>Watts Furniture and Flooring</td>
<td>75,000</td>
<td>7,300.00</td>
<td>680</td>
<td>Retail</td>
<td>900,000</td>
<td>438,000</td>
<td>67,500</td>
<td>22,500</td>
<td>0</td>
<td>4,500</td>
<td>26,760</td>
<td>1,459,260</td>
</tr>
<tr>
<td>4</td>
<td>82 Abington street</td>
<td>Brighthouse Home Entertainment</td>
<td>54,000</td>
<td>2,000.00</td>
<td>180</td>
<td>Retail</td>
<td>648,000</td>
<td>120,000</td>
<td>48,600</td>
<td>16,200</td>
<td>0</td>
<td>3,240</td>
<td>15,360</td>
<td>851,400</td>
</tr>
<tr>
<td>5</td>
<td>82A Abington Street</td>
<td>Jenny's Restaurant</td>
<td>28,500</td>
<td>900.00</td>
<td>80</td>
<td>Restaurant</td>
<td>342,000</td>
<td>90,000</td>
<td>25,650</td>
<td>8,550</td>
<td>0</td>
<td>1,710</td>
<td>8,640</td>
<td>476,550</td>
</tr>
<tr>
<td>6</td>
<td>Car Park</td>
<td>The Ridings Pay and Display Car Park (60 spaces)</td>
<td>57,500</td>
<td>538.20</td>
<td>50</td>
<td>Car Park</td>
<td>-</td>
<td>-</td>
<td>0</td>
<td>No allowance has been made as owned by Northampton Borough Council (Nil value)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Health Centre, 69 St Giles Street</td>
<td>St Giles Street Clinic (NHS Foundation Trust)</td>
<td>5,100</td>
<td>3,552.00</td>
<td>330</td>
<td>Health Centre</td>
<td>390,720</td>
<td>250,000</td>
<td>29,304</td>
<td>9,768</td>
<td>0</td>
<td>1,954</td>
<td>12,814</td>
<td>694,560 Area derived from measurements of GOAD plan. Freehold value based on potential use as office space. Assume relocation into scheme and therefore the calculation is on a relocation basis. The disturbance is a spot figure based on experience.</td>
</tr>
<tr>
<td>8</td>
<td>71 St Giles Street</td>
<td>Funeral Directors Ann Bonham &amp; Son</td>
<td>34,750</td>
<td>6,300.00</td>
<td>589</td>
<td>Garages and premises</td>
<td>200,000</td>
<td>500,000</td>
<td>15,000</td>
<td>5,000</td>
<td>0</td>
<td>1,000</td>
<td>14,000</td>
<td>735,000 Spot figure Freehold value based on potential use as light industrial unit and ancillary premises. Assuming all premises acquired. Disturbance is a spot figure based on experience and makes allowance for risk of relocation not being possible and also unusual fit out / fixtures and fittings.</td>
</tr>
<tr>
<td>Prop. Ref</td>
<td>Property Address</td>
<td>Occupier/Owner</td>
<td>2010 RV (actual/estimated)</td>
<td>Area (sq.ft)</td>
<td>Area (sq.m)</td>
<td>Freehold Value</td>
<td>Disturbance (including s.10a for FH)</td>
<td>Basic Loss Payment</td>
<td>Occupier's Loss Payment</td>
<td>Home loss payment</td>
<td>Legal Fees</td>
<td>Surveyors Fees</td>
<td>Total CPO Compensation (inc fees)</td>
<td>PCE Comments</td>
</tr>
<tr>
<td>----------</td>
<td>------------------</td>
<td>----------------</td>
<td>---------------------------</td>
<td>--------------</td>
<td>-------------</td>
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<td>----------------------</td>
<td>----------------</td>
<td>-----------</td>
<td>--------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,161,720</td>
<td>1,756,000</td>
<td>289,629</td>
<td>96,543</td>
<td>-</td>
<td>29,805</td>
<td>118,354</td>
<td>6,443,055</td>
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</tr>
</tbody>
</table>
APPENDIX 2: APPRAISAL SUMMARY
Abington Street Library

Summary Appraisal for Merged Phases 1 & 2

REVENUE

<table>
<thead>
<tr>
<th>Rental Area Summary</th>
<th>ft²</th>
<th>Rate ft²</th>
<th>Gross MRV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparison Retail (Parcel 1)</td>
<td>35,678</td>
<td>£25.00</td>
<td>891,955</td>
</tr>
<tr>
<td>Comparison Retail (Library Building)</td>
<td>14,864</td>
<td>£25.00</td>
<td>371,600</td>
</tr>
<tr>
<td>Comparison Retail (Parcel 2)</td>
<td>22,946</td>
<td>£21.00</td>
<td>481,858</td>
</tr>
<tr>
<td>Library</td>
<td>11,473</td>
<td>£9.00</td>
<td>103,255</td>
</tr>
<tr>
<td>Health Centre</td>
<td>11,473</td>
<td>£16.00</td>
<td>183,565</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>96,433</strong></td>
<td></td>
<td><strong>2,032,233</strong></td>
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</tbody>
</table>

Investment Valuation

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<tr>
<th>Comparison Retail (Parcel 1)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rent</td>
<td>891,955</td>
<td>YP @ 7.0000%</td>
<td>14,2857</td>
<td>12,742,214</td>
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<td></td>
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<tr>
<td>Re-Letting Void &amp; Rent Free</td>
<td>(891,955) YP 1yr 6mths @ 7.0000%</td>
<td>PV 5yrs @ 7.0000%</td>
<td>0.7130</td>
<td>(878,777)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comparison Retail (Library Building)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rent</td>
<td>371,600</td>
<td>YP @ 7.0000%</td>
<td>14,2857</td>
<td>5,306,571</td>
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<td></td>
</tr>
<tr>
<td>Re-Letting Void &amp; Rent Free</td>
<td>(371,600) YP 1yr 6mths @ 7.0000%</td>
<td>PV 5yrs @ 7.0000%</td>
<td>0.7130</td>
<td>(365,277)</td>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>Comparison Retail (Parcel 2)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Rent</td>
<td>481,858</td>
<td>YP @ 7.0000%</td>
<td>14,2857</td>
<td>6,883,680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Re-Letting Void &amp; Rent Free</td>
<td>(481,858) YP 1yr 6mths @ 7.0000%</td>
<td>PV 5yrs @ 7.0000%</td>
<td>0.7130</td>
<td>(473,656)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Library

| Current Rent | 103,255 | YP @ 6.0000% | 16,6667 | 1,720,920 |

Health Centre

| Current Rent | 183,565 | YP @ 6.0000% | 16,6667 | 3,059,413 |

GROSS DEVELOPMENT VALUE

Purchaser's Costs 5.76% (1,613,475) 27,999,087

NET DEVELOPMENT VALUE

26,385,612

NET REALISATION

26,385,612

OUTLAY

ACQUISITION COSTS

<table>
<thead>
<tr>
<th>Residualised Price</th>
<th>7,205,774</th>
</tr>
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<tbody>
<tr>
<td>Stamp Duty</td>
<td>4.50%</td>
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<tr>
<td>Agent Fee</td>
<td>1.00%</td>
</tr>
<tr>
<td>Legal Fee</td>
<td>0.50%</td>
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<tr>
<td>Town Planning</td>
<td></td>
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</table>

7,686,120

CONSTRUCTION COSTS

<table>
<thead>
<tr>
<th>Construction</th>
<th>ft²</th>
<th>Rate ft²</th>
<th>Cost</th>
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</thead>
<tbody>
<tr>
<td>Comparison Retail (Parcel 1)</td>
<td>37,556</td>
<td>£87.00</td>
<td>2,516,252</td>
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<tr>
<td>Comparison Retail (Library Building)</td>
<td>18,580</td>
<td>£65.00</td>
<td>1,207,700</td>
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<td>Comparison Retail (Parcel 2)</td>
<td>28,662</td>
<td>£77.00</td>
<td>2,208,514</td>
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<tr>
<td>Library</td>
<td>14,341</td>
<td>£77.00</td>
<td>1,104,257</td>
</tr>
<tr>
<td>Health Centre</td>
<td>14,341</td>
<td>£77.00</td>
<td>1,104,257</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>113,500</strong></td>
<td></td>
<td><strong>8,140,980</strong></td>
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</tbody>
</table>

Developers Contingency 10.00% 814,098

814,098

Other Construction

File: J:\25384-002 Northampton TC additional site viability\Appraisals\Abington Street Library (15-08-11)\2, wcf
ARGUS Developer Version: 4.05.001 Date: 15/08/2011
## APPRAISAL SUMMARY

**Abington Street Library**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition (Parcel 1)</td>
<td>50,000</td>
</tr>
<tr>
<td>External Works (Parcel 1)</td>
<td>10.00%</td>
</tr>
<tr>
<td>Demolition (Parcel 2)</td>
<td>50,000</td>
</tr>
<tr>
<td>External Works (Parcel 2)</td>
<td>10.00%</td>
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</table>

**PROFESSIONAL FEES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architect</td>
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**MARKETING & LETTING**

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<th>Description</th>
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<tr>
<td>Marketing</td>
<td>20,000</td>
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<tr>
<td>Letting Agent Fee</td>
<td>10.00%</td>
</tr>
<tr>
<td>Letting Legal Fee</td>
<td>5.00%</td>
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</table>

**DISPOSAL FEES**

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<tbody>
<tr>
<td>Sales Agent Fee</td>
<td>1.00%</td>
</tr>
<tr>
<td>Sales Legal Fee</td>
<td>0.50%</td>
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**FINANCE**

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<tr>
<th>Description</th>
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<tr>
<td>Multiple Finance Rates Used (See Assumptions)</td>
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<tr>
<td>Land</td>
<td>848,204</td>
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<tr>
<td>Construction</td>
<td>459,431</td>
</tr>
<tr>
<td>Letting Void</td>
<td>1,524,310</td>
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<td>Total Finance Cost</td>
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**TOTAL COSTS**

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<tr>
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**PROFIT**

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**Performance Measures**

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<tr>
<td>Profit on Cost%</td>
<td>20.00%</td>
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<tr>
<td>Profit on GDV%</td>
<td>15.71%</td>
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<tr>
<td>Profit on NDV%</td>
<td>16.67%</td>
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<tr>
<td>Development Yield% (on Rent)</td>
<td>9.24%</td>
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<tr>
<td>Equivalent Yield% (Nominal)</td>
<td>6.84%</td>
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<tr>
<td>Equivalent Yield% (True)</td>
<td>7.13%</td>
</tr>
<tr>
<td>Gross Initial Yield%</td>
<td>7.26%</td>
</tr>
<tr>
<td>Net Initial Yield%</td>
<td>7.26%</td>
</tr>
<tr>
<td>IRR</td>
<td>17.83%</td>
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<tr>
<td>Rent Cover</td>
<td>2 yrs 2 mths</td>
</tr>
<tr>
<td>Profit Erosion (finance rate 7.500%)</td>
<td>2 yrs 5 mths</td>
</tr>
</tbody>
</table>