



Independent Viability Experts

FAO Mr Adam Ward
Team Leader – North East Team
Leeds City Council

Sent by email only

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Dear Mr Ward

PROPERTY ADDRESS: Land at Wetherby Road, Bardsey, Leeds

INSTRUCTING BODY: Leeds City Council

APPLICANT: Bramham Park Estate & Sandby (Bardsey) Ltd

Further to our initial report dated 9th May 2017 and a meeting between ourselves, the Council and the applicant (and their representatives) on 21st May 2017. At the meeting, and following our report, Savills (acting on behalf of the applicant) agreed to revisit their conclusions with regard to The Biggin, Bramham Estate and the main site at Wetherby Road, Bardsey.

Savills have now completed their review and have forwarded updated appraisals dated 28th June 2017. This letter report provides a summary of Savills updated position and our subsequent comments / recommendations regarding their revised appraisals.

The Biggin, Bramham Estate

In their initial appraisal, assuming the proposed conversion works to apartments had been completed, Savills adopted a gross revenue of £975,000. As for the costs of delivering this scheme, including building works, professional fees, marketing and finance (but no profit allowance) this totalled £2,288,426. This therefore left a deficit of circa £1.31million.

In our report dated 9th May 2017, given the attractive location and nature of the property, we concluded that the gross revenue was too low. Within our assessment we subsequently adopted an adjusted figure of £1,232,000. We also took the view, based on the BCIS benchmark, that the costs of delivering the scheme were above expectations. Our appraisal showed a reduced cost liability of £2,152,248. This left a reduced deficit of circa £920,000.

In short, we agreed that The Biggin was unviable, predominantly due to the Listed status of the building and the extensive repair works required. However, we concluded that the amount of 'deficit' that would result from the proposed works was lower than predicted by Savills.

In their amended assessment (dated 28th June 2017, attached as Appendix 1) Savills have adopted an increased revenue of £1.155million, plus adjusted costs of £2,148,246 (therefore marginally below the figure we applied in our assessment). This results in a deficit at circa £980,000, therefore within £60,000 of our original assessment.

The remaining difference between the Savills updated appraisal and our assessment is with regards to the investment yield. We originally adopted 7.5%, whilst Savills have again adopted 8%. This is a relatively small difference in valuation terms.

Having reconsidered the position we would be willing to accept the slightly higher yield of 8%. This is reasonable given the nature of the scheme.

On this basis, we would be willing to accept the Savills appraisal, dated 28th June 2017, as representing the agreed position regarding the viability of The Biggin.

Land at Wetherby Rd, Bardsey

In their initial appraisal, Savills assessed a scheme of 140 dwellings, arriving at a gross aggregate revenue of £42,436,925. The costs for delivering the scheme totalled £31,857,391, which gave a residual land value of £10,579,533.

In our initial assessment, we concluded that the end values were slightly below expectations. Our appraisal subsequently included a slightly higher gross aggregate revenue of £42,912,624. Furthermore, we also made adjustments within the developer costs, giving a reduced total of £31,183,747. This resulted in a higher residual land value of £11,728,877. In other words, we concluded that site would generate a higher land receipt than predicted by Savills in their initial assessment.

Since this time, we have also identified an adjustment in how transfer values should be calculated for affordable units (using the Council's "Leeds Affordable Housing Benchmark 2017-18").

Furthermore, Savills have identified an increase in demand within the regional market for this type of opportunity.

In light of the above, Savills have submitted an updated appraisal (dated 28th June 2017 – attached as Appendix 2) which is again based on 140 dwellings, but adopts a slightly higher density scheme. This increase in density, together with the amended transfer values, results in an increased revenue of £45,549,035. The adopted construction costs are slightly increased to £32,308,119 (in part due to a higher profit that would result from the increased revenue). This generates a residual land value of £13,240,916.

Even allowing for the adjustment in the transfer values, the residual land value now being shown in Savills' appraisal is in excess of our assessment. On this basis, we would be happy to accept this position and use the Savills report dated 28th June 2017 as the agreed position on viability for the land at Wetherby Road, Bardsey.

Other matters

In our initial report, we concluded that, with some savings identified in the appraisals, the urgent heritage works at Bramham Estate could be reduced from £10.871million to £10.526 million.

We also noted that this did not factor in the capital value of the 3 converted properties (The Biggin, College Farm and Wothersome Barns). With a combined capital value of circa £2million, theoretically this could serve to reduce the land receipt that needed to be generated from the land at Wetherby Rd, Bardsey, potentially to around £8.5million.

However, it was acknowledged that the combined capital values may ultimately be offset by the Capital Gains Tax ("CGT") liability, which had also been excluded from the urgent calculation and had also been estimated at £2million. This would effectively increase the sum that needed to be generated from the land receipt back to £10.5million (or higher).

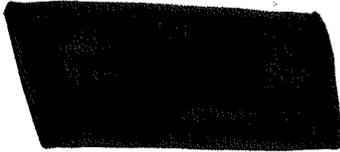
We previously provided advice in this regard and it was accepted that it was likely that some level of CGT should be included within the calculation, although what this level is remains unconfirmed.

However, even at the 'worst case' CGT liability of £2million, the uplifted residual land value of £13.24million would ensure that enough capital would be comfortably generated from the land sale to meet the urgent heritage works, and pay for all professional fees and costs. If a surplus was generated, we are advised the additional revenue would be put towards non-urgent heritage works at the Bramham Estate.

Final comments

In summary, we accept the revised appraisals prepared by Savills (and appended to this report) as being the agreed positions on viability for The Biggin and the Land at Wetherby Rd, Bardsey.

Yours sincerely



David Newham MRICS
Director
CP Viability Ltd