

## **FINANCIAL VIABILITY ASSESSMENT**

### **Conversion of Farm Outbuildings – Three Unit Scheme**

**WEST NAB FARM  
BOLSTERSTONE ROAD  
HIGH BRADFELD  
S6 6LJ**

On behalf of

**DISTINFIELDS PROPERTIES LTD**



**PREPARED BY:**  
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**Financial Viability Appraisal - Excel**

## EXECUTIVE SUMMARY

<b>PLANNING REFERENCE</b>	<b>NP/S/0823/0973</b>
<b>APPLICANT</b>	<b>DISTINFIELDS PROPERTIES LTD</b>
<b>CONSULTANT</b>	<b>PETER H MILNER FRICS</b>
<b>PROPOSED DEVELOPMENT</b>	<b>Conversion of barns to 5 dwellings, external alterations to the buildings, parking, works of hard and soft landscaping and associated works</b>
<b>PLANNING GAIN REQUIREMENTS</b>	<b>None</b>
<b>Net Sales Area</b>	392 sq m
<b>Net developable area</b>	Not applicable
<b>Average private revenues</b>	£4000 per sq m
<b>Acquisition costs</b>	SDLT, 2% agent and legal fees
<b>Build costs</b>	£905,956
<b>Abnormal costs</b>	NIL
<b>Contingency</b>	10% of build cost
<b>Professional fees</b>	7.7% of total build cost
<b>Disposal fees</b>	2%
<b>Finance</b>	9.5%
<b>Developer's Profit</b>	14.42% measured against GDV
<b>Build and Sales Rate</b>	Build period– over 12 months Sales period – over 11 months
<b>RESIDUAL LAND VALUE</b>	<b>£116,714</b>
<b>BENCHMARK LAND VALUE</b>	<b>£151,000</b>
<b>CONCLUSION</b>	<b>The Development cannot financially support any form of Affordable Housing provision.</b>

## 1.0 INTRODUCTION

Milner Commercial Chartered Surveyors have been instructed by Distinfields Properties Limited to undertake a Financial Viability Assessment (FVA) in respect of the proposed redevelopment of redundant farm buildings located at West Nab Farm for the purpose of conversion into to 5 dwellings, external alterations to the buildings, parking, works of hard and soft landscaping and associated works.

This appraisal has been undertaken in accordance with the requirements of the PPG 2019, the RICS Financial Viability in Planning: Conduct and Reporting 2019 (mandatory requirements for all Chartered Surveyors undertaking Financial Viability Assessments) and RICS Guidance Note "Assessing Financial Viability in Planning" 2021.

The appraisal is based on an accepted industry methodology, which has been tested by key stakeholders from both the private and public sectors. It is based on up-to-date information, which will stand up to public scrutiny.

In preparing this report, Milner Commercial Chartered Surveyors confirm that we have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.

Milner Commercial Chartered Surveyors confirm that that no conflict or risk of conflict of interest exists. We also confirm that no performance related, or contingent fees have been agreed in respect to the outcome of this report.

The National Planning Policy Framework (NPPF) was revised in July 2018, with further updates published in 2021 and 2023.

## **1.1 METHODOLOGY**

Milner Commercial's methodology for assessing the total affordable housing provision that could be viably supported by the proposed scheme follows RICS and planning policy guidance and normally has three key stages unless Stage Two confirms the level of viability.

**STAGE ONE:** Establish appraisal input parameters based on a residual approach, including revenues, costs and developer's profit.

**STAGE TWO:** Identify a Benchmark Land Value based on the EUV+ approach in accordance with current NPPF guidance. This establishes a minimum land value which must reasonably incentivise a landowner to release the site for development.

**STAGE THREE:** Run a scenario-testing exercise to assess the level of affordable housing that could be delivered by the proposed scheme. We will also run a sensitivity analysis to demonstrate how viability is impacted by an adjustment to the level of affordable housing and developer's profit.

We outline below each of these stages and undertake a robust assessment of the viability of the proposed scheme.

## **2.0 SITE DESCRIPTION**

### **2.1 Location and description**

West Nab Farm – so named as it sits just below West Nab prominence (395m) – midway along Bolsterstone Road and approximately one-mile north of High Bradfield. The farm sits in isolation, enjoying a far reaching panoramic to the south-east with Oughtibridge in the far distance.

The two-storey gritstone and stone tiled farmhouse (which does not form part of the project or application) is attached to a continuous and linear two storey range of farm outbuildings of similar gritstone and stone tiled construction and it is this range that forms the subject of the scheme.

The range, which is in poor and neglected condition, enjoys a highly prominent position set back from Bolsterstone Road. To the rear is a redundant modern low level open barn structure that will be removed and the area re-purposed for car parking.

The range of outbuildings are set into the rising hillside creating potential issues of damp and flooding in severe and adverse conditions. Excavation is required to both protect the rear elevation and provide accessible pedestrian access from the parking area.

## **2.2 Proposal Summary**

The Applicant proposes a residential scheme consisting of five two storey residential units, formed within the farm outbuilding. When complete the scheme will provide:

3 x 3 Bedroom Houses

Total Gross Internal Floor Area – 392 sq m

## **3.0 PLANNING**

Relevant planning policies, both national and local, are set out in detail in the application documents.

West Nab Farm is not included in the Bradfield Conservation Area nor does the site appear on the Historic England schedule of listed buildings and monuments.

## **4.0 RESIDENTIAL MARKET OVERVIEW**

### **4.1 LOCAL HOUSING MARKET**

West Nab Farm is a former working farm that typified the Peak District National Park, particularly the more exposed gritstone areas. There are few – if any – direct and recent comparable sales or schemes that might provide market evidence of both demand and sales yield that would be reflective of current market conditions.

I have therefore researched sale yields achieved in the nearby villages and hamlets in order to provide the basis of a realistic value tone. I am mindful that the high location may deter potential purchasers who will be aware of potential weather related difficulties during winter months. Those dependent upon all year round access to work, schools or other amenities are less likely to be attracted to West Nab Farm. Nevertheless, the outstanding and panoramic views from the site has considerable market appeal.

The more active market is nearby Bradfield – High and Low – and for the purposes of arriving at a realistic view of likely sales yield, relevant data has been downloaded and the results are incorporated in the FVA.

The strongest influence for residential demand is undoubtedly the nearby (8 miles east of the subject site) City of Sheffield. For comparable purposes, I have drawn down data for the main conurbations having the Sheffield influence, including the village that, traditionally and consistently sets the bar for the most expensive housing in the National Park – Hathersage.

In analysing sales evidence we have relied upon HM Land Registry data and floor areas contained within the EPC Register and/or Agents and Developers Sales Brochures. As such, we are reliant upon the accuracy of this data. While there may be some margin of error, the

comparable transactions do provide good evidence for likely achievable values at the subject site and are in-line with our expectations of value based upon our market knowledge.

## **5.0 DEVELOPMENT COST PLAN & ASSUMPTIONS**

### **5.1 Build Costs**

A Project Cost Plan has been independently prepared by :

Richard Wood BSc (Hons) MRICS C.Build.E FCABE LETAPEWE ICIOB IMA PS  
Chartered Building Surveyor and Chartered Building Engineer of Walker Wood, Chartered Building Surveyors, Bethell House, 70 Clarkehouse Road, Sheffield S10 2LJ

The Cost Plan forms an integral part of this appraisal and the conclusions flowing from the Cost Plan are relied upon.

### **5.2 Professional Fees & Other Costs**

Professional fees typically range from 6-10% of the standard build cost (excluding garages), depending on site complexity and design challenges. We have adopted Professional Fees and other costs totalling **£69,357** equating to **7.7%** when measured against build cost.

### **5.3 Contingency**

A Project/Design Contingency provision of **10%** has been included to reflect the level of risk inherent in the restoration and conversion of farm buildings of this age and method of construction.

### **5.4 Finance**

We have adopted a finance rate of **9.5%** inclusive of all arrangement, monitoring and exit fees. Current Bank of England base rate is **5.25%** and development finance is commonly arranged at between 4% & 6% over base.

### **5.5 Marketing and Sales Costs**

Marketing and sales cost follow usual convention.

## 5.6 Land Acquisition Costs

We have assumed standard acquisition costs, comprising Stamp Duty Land Tax at the prevailing rate (if relevant), together with 1% surveyors fee and 1% legal fees.

## 5.7 Sales and Build Rate

The total build period, including mobilisation and set up, is estimated at 12 months with final sales being achieved in the last six months of a 21/24 month programme.

### 5.11 Developers Profit

The majority of guidance and appeal precedents point to an acceptable development profit measured against GDV in the range 15% to 20% dependant upon the nature of the development and risk attached.

The redevelopment of 200 year old (or more) stone built farm outbuildings bring a heightened risk of structural failure during the reconstruction process.

The FVA shows a DP of **14.45%**.

## 6.0 RESIDUAL LAND VALUE

We have established appropriate appraisal input parameters to inform a residual appraisal calculation using Microsoft Excel software able to be understood with complete transparency.

The standard approach to viability is to compare the Benchmark Land Value of the development site with the Residual Value calculated by the viability spreadsheet. It is only if the Residual Value of the development exceeds the Benchmark Value, that it will be viable for a contribution to be made towards Affordable Housing.

We have adopted market-facing inputs based on our market research and experience, and abnormal costs provided by the Applicant. Our inputs are supported by evidence and are considered robust and appropriate.

## 7.0 BENCHMARK LAND VALUE

This is referred to in the NPPF as EUV+. The + represents the Hope Value margin and is influenced by the probability of gaining a planning consent for development for open market housing when the proposal may be contrary to Local Plan provisions.



Hope Value is defined by the RICS as “**any element of open Market Value of a property in excess of the current use value**, reflecting the prospect of some more valuable future use or development”.

In this case, the site has only recently been acquired (test of market value) and the purchase included the existing farmhouse together with some 6 acre of land at a cost of £350,000.

Having stripped out the value of the additional elements, I conclude that the application site acquisition cost is £115,000 to which I have added Sunk Costs benefitting the development in respect of a sewage and drainage system, replacement fenestration and essential infrastructure in order to arrive at the Benchmark Land Value without further adjustment.

## 8.0 LOCAL PLAN COMPLIANCY

The FVA produces a residual land value substantially less than the Benchmark Land Value.

Residual Land Value - **£116,714** assuming a conventional developers return of 18% to reflect the higher risk of developing 200 year (plus) stone farm buildings, remote and untested location plus the associated difficulties of a site with bedrock having little soil cover.

Benchmark Land Value - **£151,000**

PPG 2019/RICS Guidance confirms that, in such instances, the scheme cannot be expected to incorporate any affordable housing provision.

For that reason, the Third Test is not appropriate nor is the applicant required to provide within the appraisal any contribution towards the provision of off-site affordable housing.

## 9.0 Housing Market Overview - RICS Residential Market Survey, March 2024

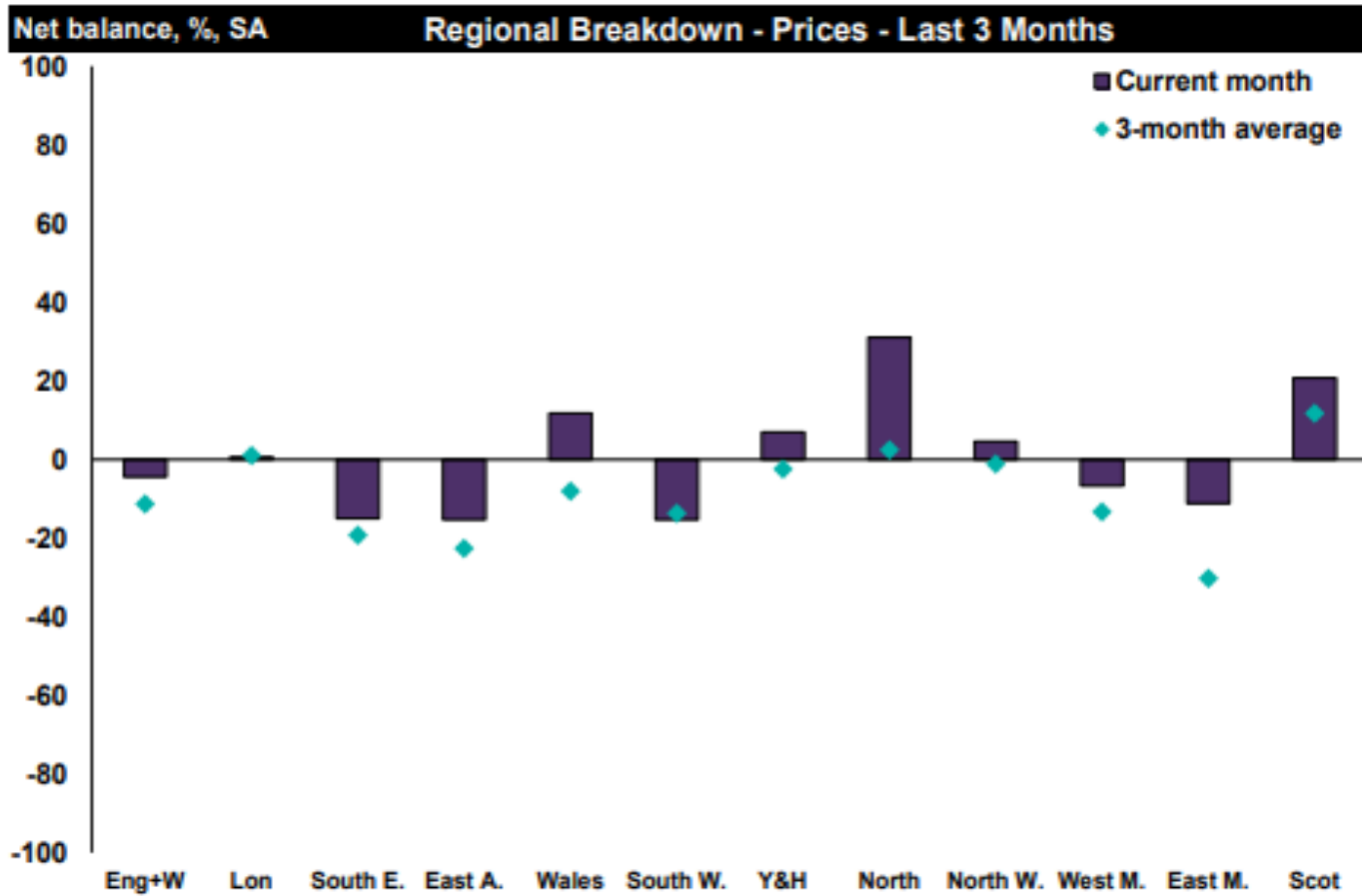


### ECONOMICS

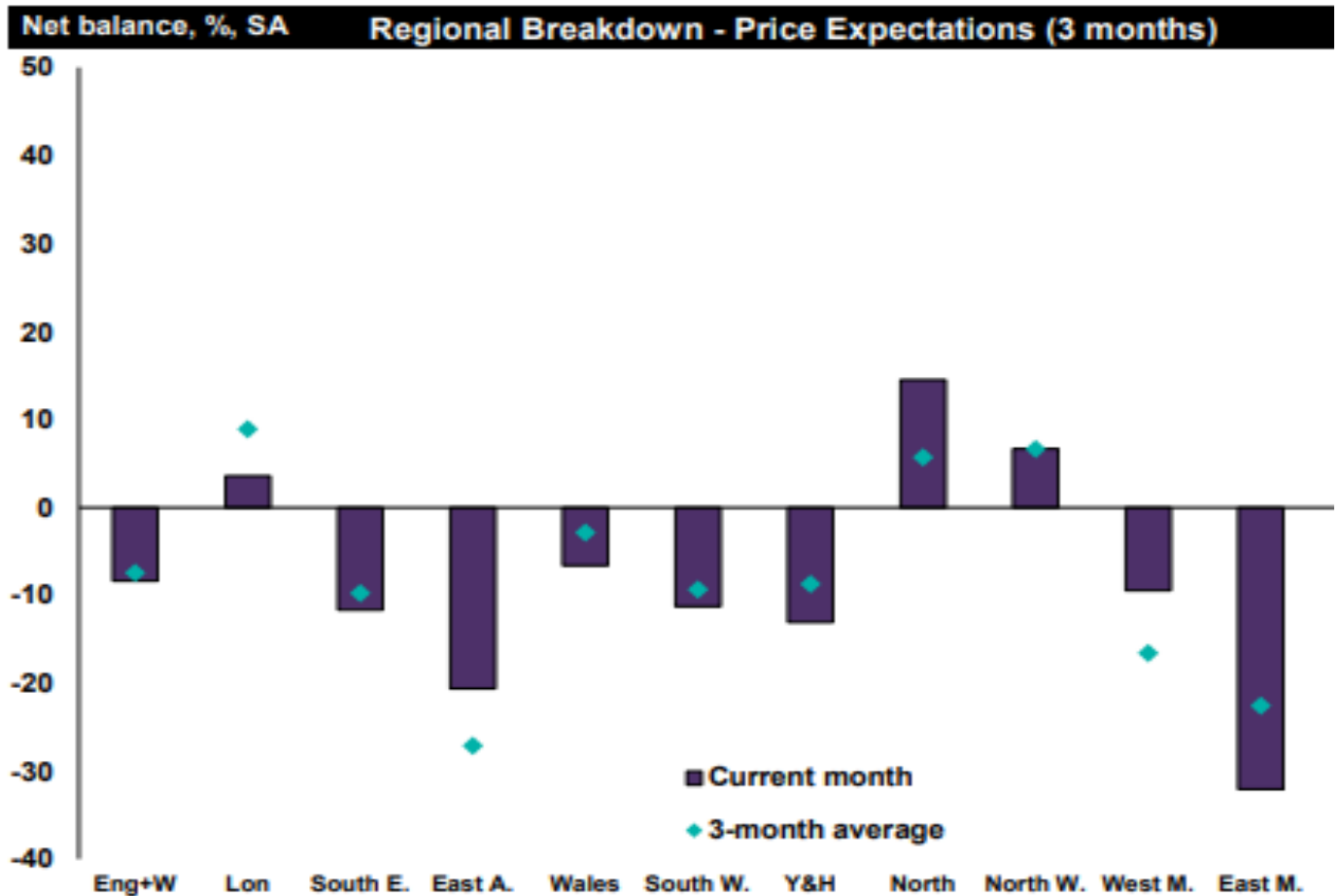
## Outlook for sales volumes continues to improve with enquiries and listings up modestly over the month

- Sales expectations improve slightly at both the three and twelve-month time horizons
- New buyer enquiries continue to rise at a gentle pace, with new listings activity also picking up
- House price indicator moves into neutral territory while twelve-month expectations point to an upward trend emerging

## Regional Prices - Past three months



## Regional Price Expectations - Next three months



The RICS indicators point to a sluggish residential housing market going forward with the East Midland sale yields continuing to fall back slightly and little suggestion of increases.

This overview relates equally - but to a lesser extent - to the Yorkshire and Humberside region. Both regions are relevant to the location of the subject property.

## 9.0 FINANCIAL VIABILITY APPRAISAL

**The FVA (Residual Land Value and Benchmark Land Value) is attached as a pdf but is available on request as a working Excel programme for full transparency.**

The FVA has the following sections:

### **Background Worksheets**

Cash Flow  
Sales Yield (with new housing construction cost)  
Build Costs

### **Front End Worksheets – ATTACHED AS PDF**

FVA - Residual Land Value  
FVA - Benchmark Land Value  
FVA – Local Plan Compliant

### **FVA - Residual Land Value**

This feeds in all the relevant data for a full open market housing development without any land value to arrive at a Gross Development Surplus out of which, a reasonable Developers Profit (20% measured against GDV) is assumed and the remaining balance becomes the Residual and Value.

### **FVA - Benchmark Land Value**

As above, all relevant data feeds to the appraisal and the estimated Benchmark Land Value of £151,000 is introduced which is, once acquisition costs are taken into account, greater than the Residual Land Value.

The FVA does not carry any Affordable Housing provision.

The impact of introducing BLV is to reduce the Development Surplus to a DP of 14.42% measured against GDV.

## 10.0 SENSITIVITY TESTING

Sensitivity testing is a standard requirement of preparing a FVA in order to establish the degree of vulnerability of the scheme to market changes. Such changes could affect profitability should costs rise against a static market background and conversely, should sale yields rise against static costs, the project improves profitability and create the opportunity to compensate for any planning gain concessions made.

It is of course, highly conjectural as no one can – or should – predict movements in cost, yield or interest charges beyond that of reasoned forecasting.



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BCIS provides consistently reliable Cost Plan forecasting and is reviewed on a much greater frequently than in the past. Assuming a construction start on site in Q2 2024 (six month lead time) and completion of construction by Q1 2027 the BCIS General Building Cost Index forecast for that period points to a potential Cost Plan annual increase over that period of circa 3%. Given that the impact of any Cost Plan increase will only have any significant effect during the first half of the programme, this potential level of building cost inflation is expected to be manageable.

### BCIS All-in TPI [?](#)

Base date: **1985 mean = 100**

Updated: **Mar-2024**

Series number: **#301**

Recent changes			
Date	Index	Status	On year
2022	365	Provisional	8.6%
2023	384	Provisional	5.2%
2024	392	Forecast	2.1%
2025	403	Forecast	2.8%
2026	418	Forecast	3.7%
2027	434	Forecast	3.8%
2028	450	Forecast	3.7%

Of greater concern would be a significant reduction in market demand in the residential sector created by the economic uncertainty, inflation and increasing interest rates as identified above.

I have considered the impact of any decrease in sales yield. A downward movement of 10% would reduce DP to just 4.29% - ignoring any increase in construction cost. Such a margin is regarded as breakeven.



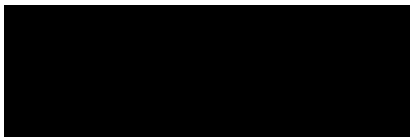
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## 11.0 CONCLUSION

The Financial Viability Appraisal clearly demonstrates that:

- Residual Land Value is less than the Benchmark Land Value
- The scheme is capable of restoring the redundant building to a sustainable and viable alternative use.
- The development cannot justify any contribution whether on site or off, towards the provision of affordable housing.

SIGNED



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<b>WEST NAB FARM</b>										
<b>FINANCIAL VIABILITY ASSESSMENT</b>										
Apr-24										
<b>RESIDUAL LAND VALUE</b>										
<b>Land</b>										
Acquisition Cost									£0	
SDLT		0.00%							£0	
Purchasers Costs		0.00%							£0	
Total Land Cost									£0	
<b>Development Costs</b>										
Conversion & Build Cost	4219	£233							£899,212	
Pre Tender Inflation Adjustment - 6 months	BICS	1.50%							£6,744	
Adjusted Conversion & Build Cost									<b>£905,956</b>	
<b>Fees &amp; Costs</b>										
Design Fees	5%								£45,298	
Engineer	1%								£4,530	
QS	1%								£4,530	
Planning Consultant									£3,000	
Planning & Buildg Regs Fees									£12,000	
Total Fees & Costs	7.71%								<b>£69,357</b>	
<b>Total Fees &amp; Build Cost</b>									<b>£975,314</b>	
<b>Gross Development Value</b>										
									<b>£1,568,000</b>	
Agents Fees	1%	£15,680								
Legal Costs	1%	£15,680								
Total Sales Costs									£31,360	
<b>Total Development Cost</b>									<b>£975,314</b>	
Net Sales Yield									<b>£1,536,640</b>	
Project Contingency	10%								£97,531	
Funding Costs	9.50%								£64,841	
<b>TOTAL DEVELOPMENT COST</b>									<b>£1,137,686</b>	
Development surplus/loss									£398,954	25.44%
<b>DEVELOPER PROFIT</b>	18% GDV								£282,240	
									<b>RESIDUAL LAND VALUE</b>	<b>£116,714</b>



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<b>WEST NAB FARM</b>									
<b>FINANCIAL VIABILITY ASSESSMENT</b>									
Apr-24									
<b>BENCHMARK LAND VALUE</b>									
								Site Acquisition Cost	£350,000
<b>Land</b>				£151,000				less	
SDLT		0.00%		£0				Farmhouse	£175,000
Purchasers Costs		2.00%		£3,020				6 acres	£60,000
Total Land Cost								£154,020	
								<b>EUV</b>	<b>£115,000</b>
<b>Development Costs</b>								<b>Add Sunk Costs</b>	
Conversion & Build Cost	4219	£233		£899,212				Foul Drainage system	£12,000
Pre Tender Inflation Adjustment - 6 months	BICS	1.50%		£6,744				Window frames	£12,000
Adjusted Conversion & Build Cost				<b>£905,956</b>				Infrastructure	£12,000
									<b>£36,000</b>
<b>Fees &amp; Costs</b>									
Design Fees	5%			£45,298				<b>BLV</b>	<b>£151,000</b>
Engineer	0.5%			£4,530					
QS	0.5%			£4,530				<b>Residual LV</b>	<b>£116,714</b>
Planning Consultant				£3,000					
Planning & Buildg Regs Fees				£12,000					
Total Fees & Costs	7.71%			<b>£69,357</b>					
<b>Total Fees &amp; Build Cost</b>								<b>£975,314</b>	
<b>Gross Development Value</b>								<b>£1,568,000</b>	
Agents Fees	1%	£15,680							
Legal Costs	1%	£15,680							
Total Sales Costs								£31,360	
<b>Total Development Cost</b>								<b>£1,129,334</b>	
Net Sales Yield								<b>£1,536,640</b>	
Project Contingency	10.00%							£97,531	
Funding Costs	9.50%							£83,663	
<b>TOTAL DEVELOPMENT COST</b>								<b>£1,310,528</b>	
Development surplus/loss								<b>£226,112</b>	
<b>DEVELOPER PROFIT</b>	14.42%	GDV							