

Kirklees Council
Wesley House, WF17 9EJ
(2024/62/92105/E)

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1. Introduction

- 1.1. Kirklees Council ('the Council') have appointed Altair Consultancy and Advisory Services Ltd ('Altair') to review a Financial Viability Assessment (FVA) completed by Development Consultancy on behalf of Medipharm Bradford Ltd ('the Applicant') for a proposed residential development project (2024/92015) at Wesley House, Birstall, Batley, WF17 9EJ ('the Site').
- 1.2. The proposed development is for the conversion of a 4 storey office building, which was previously a Grade 2 listed chapel, into 21 residential apartments with associated on-site car parking spaces, ancillary cycle and waste management stores and amenity space.
- 1.3. The site has been subject to two previous planning permissions; applications 2018/90207 and 2018/90206 were both granted for the conversion of the existing multi storey offices to residential flats.
- 1.4. The Applicant submitted an FVA for the Site in February 2025. The report concludes that the scheme is unable to provide a policy compliant level of affordable housing.
- 1.5. The purpose of this report is to review the FVA submitted by the Applicant and determine whether the conclusion made about the level of affordable housing contribution is reasonable. To reach that conclusion, we have reviewed and benchmarked the assumptions made within the Applicant's assessment against, for example, industry benchmarks and current market values.
- 1.6. Through the preparation of this report Altair can confirm it has acted with objectivity, impartiality, without interference and with reference to all appropriate sources of information required to reach its conclusions and recommendations.
- 1.7. There are no conflicts of interest or known risk of conflicts which would otherwise prevent us from providing advice, and we confirm that in providing our advice Altair is not retained on a performance-related or contingent fee basis.

2. Policy Context

- 2.1. This section of the FVA sets out the relevant extracts of national, regional and local policy and guidance, which has informed the amount, type and mix of affordable housing proposed and supported by the scheme.

National Planning Policy

- 2.2. The revised National Planning Policy Framework (NPPF), updated December 2024,¹ sets out the government's planning policies for England and how these are expected to be applied.
- 2.3. Paragraph 59 of the policy 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. It is up to the Applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage."
- 2.4. Paragraph 59 goes on to state that: "all viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available."
- 2.5. The National Planning Policy Guidance (NPPG) for Viability, updated December 2024,² sets out guidance on the requirements of FVAs and the accountability of those providing them. A key element of the guidance is 'standardised' inputs, which provides independent assessors with guidelines on what inputs and evidence base should be provided by Applicants. Throughout this assessment, the NPPG for Viability will be referred to and benchmarked against as a best practice guide for viability assessments.

Local Planning Policy

Kirklees Local Plan (2019)

- 2.6. The 2019 Kirklees Local Plan sets out a range of policies including their approach to the provision of affordable housing within the district. Policy LP11: Housing Mix and Affordable Housing sets out that for developments of 10 homes or more 20% affordable housing should be provided on site.

¹ www.gov.uk/government/publications/national-planning-policy-framework--2

² www.gov.uk/guidance/viability

2.7. Kirklees have recently had a period of early engagement for a new local plan to inform the period of 2024-2043, which ended on 28 February 2025.

Kirklees Viability Guidance Note (2020)

2.8. In 2020, Kirklees Council produced a guidance note primarily intended for use in relation to applications for new housing development and the provision of affordable housing. This document is intended to help applicants needing to commission or undertake viability assessment to minimise delays in processing and determining planning applications.

2.9. This report will give regard to the note as relevant throughout.

Kirklees Affordable Housing and Housing Mix SPD (March 2023)

2.10. This document provides guidance on the implementation of the Housing Mix and Affordable Housing Policy LP11 in the Kirklees Local Plan. It is underpinned by evidence from the Kirklees Strategic Housing Market Assessment (SHMA), and is utilized within this report to determine whether the Applicant's Income and Cost assumptions are deemed to be appropriate.

- 3.5. The model structure provides a sound basis on which to test scheme viability and to determine the developer subsidy available from the development to deliver the maximum reasonable proportion of affordable housing in accordance with national, regional and local policy. Along with this report we can provide an electronic version of the appraisal which can be fully tested and interrogated.

4. Income Assumptions

- 4.1. This section summarises the key income assumptions provided in the Applicant's viability assessment and concludes whether these are considered reasonable.
- 4.2. The Viability NPPG (2018) states that: "for viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. Any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, disregarding outliers."
- 4.3. NPPG para 008 states that: "*Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.*"
- 4.4. We have taken this approach when reviewing the Applicant's FVA and wider policy and guidance in reaching our conclusions.

Unit Mix

- 4.5. Table 1 sets out the proposed residential unit mix. The development consists of 20 one-bedroom flats and 1 two-bedroom flat.

Unit	No. of Bedrooms	Sqm	Sqft
Unit 1	1	65.0	700
Unit 2	1	58.8	633
Unit 3	1	54.4	586
Unit 4	1	53.6	577
Unit 5	1	56.7	610
Unit 6	1	59.0	635
Unit 7	1	53.0	570
Unit 8	1	59.0	635
Unit 9	1	51.3	552
Unit 10	2	87.2	939
Unit 11	1	60.2	648
Unit 12	1	54.2	583
Unit 13	1	57.2	616
Unit 14	1	59.4	639
Unit 15	1	68.8	741
Unit 16	1	52.0	560
Unit 17	1	59.6	642
Unit 18	1	57.7	621
Unit 19	1	52.4	564
Unit 20	1	59.7	643
Unit 21	1	52.5	565
Total	22	1,232	13,258

Table 1 - Proposed Unit Mix

Private Sale Income

- 4.6. To establish the likely income for the 21 new flats once developed, the Applicant has researched sold and asking prices of properties located near to the subject site.
- 4.7. The Applicant makes specific reference to three resale one bedroom apartments at Blakeridge Mill Village, Batley which is approximately 2 miles from the site. The Applicant notes that the properties benefit from onsite parking, as well as gym and pool facilities, which although having the potential to increase the level of service charge residents are required to pay, will also increase the value the properties could achieve on the open market.
- 4.8. Based on this research exercise, the Applicant has adopted sales values of between £1,376 sq.m2 (£128 per sq. ft) and £1,790 sq. m2 (£166 per sq. ft) which derives GDV of £2,000,000 for a 100% private sale scenario.

Unit	No. of Bedrooms	Sqm	Sqft	Applicant's Value	Applicant's £/sqft
Unit 1	1	65.0	700	£105,000	£150
Unit 2	1	58.8	633	£95,000	£150
Unit 3	1	54.4	586	£90,000	£154
Unit 4	1	53.6	577	£89,000	£154
Unit 5	1	56.7	610	£92,000	£151
Unit 6	1	59.0	635	£95,000	£150
Unit 7	1	53.0	570	£89,000	£156
Unit 8	1	59.0	635	£100,000	£157
Unit 9	1	51.3	552	£88,000	£159
Unit 10	2	87.2	939	£120,000	£128
Unit 11	1	60.2	648	£95,000	£147
Unit 12	1	54.2	583	£90,000	£154
Unit 13	1	57.2	616	£92,000	£149
Unit 14	1	59.4	639	£95,000	£149
Unit 15	1	68.8	741	£102,000	£138
Unit 16	1	52.0	560	£88,500	£158
Unit 17	1	59.6	642	£95,000	£148
Unit 18	1	57.7	621	£92,000	£148
Unit 19	1	52.4	564	£93,500	£166
Unit 20	1	59.7	643	£100,000	£156
Unit 21	1	52.5	565	£94,000	£166
Total	22	1,232	13,258	£2,000,000	£151

Table 2 - Applicant OMVs

- 4.9. Altair has also carried out research into the likely GDV that could be generated for the proposed new homes. Our research has considered other comparable developments locally both that have sold or are currently being marketed.

- 4.10. The site is the former Church of St John which is Grade 11 listed and is part of a larger complex of buildings including an adjacent Chapel building. The inside of the building has been recently renovated and converted into Office accommodation with any original features having been removed or hidden.
- 4.11. The site is situated within Birstall Town Centre, 7 miles from both Bradford and Leeds, offering excellent connectivity for commuters. The proximity to major roads networks like the M62 motorway enhances its appeal for those seeking convenient access to urban centres.
- 4.12. The area boasts good educational institutions. Birstall Primary Academy, located across the road has been rated 'Good' by Ofsted. For secondary education, Batley Girls High School, approximately 0.6 miles from the postcode, holds an 'outstanding' and Batley Grammar School, rated Good, is 1 mile from the subject site. Residents benefit from a variety of local amenities. Essential services such as Tesco Express are 400 ft away, ensuring daily necessities are easily accessible.
- 4.13. More broadly, over the past 12 months, house prices in the Kirklees district have experienced notable growth. According to the UK Land Registry's Price Paid Data, the average property price in Kirklees increased by approximately 4.6% over the past year. Extending the analysis to a 24-month period, the cumulative growth in average property prices in Kirklees stands at around 9.2%. This sustained appreciation underscores the area's resilience and attractiveness to both homeowners and investors.
- 4.14. With this considered, Altair has undertaken research into comparable one and two bedroom flats sold and currently on the market in the local area.
- 4.15. Altair have paid particular attention to chapel conversions in the area and found that there are a number of relevant properties that are currently on the market.
- 4.16. Of particular relevance are the two flats at Kirkgate. Although these are 3 bedroom flats, a unit type not being delivered by the Applicant, they are located within a chapel conversion in the town of Birstall itself, 0.4 miles from the subject site.
- 4.17. The £/sqft rate of these flats are significantly higher than the rate proposed by the applicant. Although Altair acknowledges that the values provided are asking prices which can be higher than what the property ultimately achieves on the market, both of these units indicate the values that could be expected to be achieved within converted chapels similar to the Applicant's.

4.18. Similarly, the 2 bedroom property flat currently being marketed within Fountain Hall in Morley, 2.5 miles from the Applicant's development, is situated within a converted primary school building. With similar period features as Wesley House, the unit indicates a strong market for converted properties within the area. The £/sqft for this property is again higher than the rate proposed by the development. This can in part be attributed to the smaller square footage of the property although may indicate that the applicant has slightly underestimated the rate that can be achieved.

Location	Bedrooms	Sqft	Asking Price	£/Sqft	Image
Kirkgate, Birstall	3	905	£235,000	£260	
Kirkgate, Birstall	3	840	£199,950	£238	
Flat, Fountain Hall, Fountain Street, Morley, Leeds LS27	2	553	£105,000	£190	

Table 3 - Converted Properties currently on the market

4.19. Twenty 1-bedroom flats are proposed within the development. The Applicant has assumed a range of values for the different sized 1 bedroom units - ranging from £88,000 to £105,000.

4.20. Within our research, we identified that there has been limited sales of 1-bedroom flats sold in Birstall in the past 24 months. One of the properties that has sold was on Carr Street. Located 0.1 miles away from the subject site, the property is relevant as it is in a similar central location, therefore benefitting from the same set of services as the Applicant's development. It is also a similar size to the smaller of the 1-bedroom units proposed within the Applicant's development. That said, the typology of the property is different as it is located within a purpose-built 20th century block and given the finish of the property has limited relevance to the overall value of the subject development.

Location	Bedrooms	Sqft	Sold Price	£/Sqft	Sold Date	Image
94, Carr Street, Batley - WF17 9HS	1	581	£65,000	£112	20/12/2023	
3, Cavendish Court, Bradford - BD11 1DA	1	527	£100,000	£190	24/05/2024	

Table 4 - One Bedroom Flats Sold within Birstall

4.21. Similarly, the property at Cavendish Court is relevant as it is located within a mill conversion in Drighlington, 1.7 miles from the subject site. Generally, it is slightly smaller than the flats proposed within the Applicant's development however the £/sqft rate achieved is significantly higher than proposed by the applicant.

4.22. In relation to 2-bedroom flats proposed as part of the development the applicant has applied a rate of £128/sqft. Altair's research has identified that there were more 2-bedroom flats located within converted properties that have sold within Birstall and the surrounding area in the past 18 months.




Location	Bedrooms	Sqft	Sold Price	£/Sqft	Sold Date	Image
31, Cavendish Court, Bradford - BD11 1DA	2	818	£145,000	£177	21/11/2024	
86b, Moor Top, Bradford - BD11 1BX	2	656	£130,000	£198	31/01/2025	
3, Burnleys Mill Road, Cleckheaton - BD19 4PH	2	721	£127,500	£177	23/05/2024	

Table 5 - Comparable 2 Bedroom Units

4.23. Of particular relevance is the 2 bedroom property sold within Cavendish Court; a converted mill building. Although slightly smaller than the 2 bedroom unit proposed within the Applicant's development, this unit sold for a higher value at a higher £/sqft rate.

4.24. Both the properties at Moor Top and Burnleys Mill Road are situated within purpose built blocks rather than converted buildings. They are however of a

similar size to the 2-bedroom units within the proposed development and again have higher £/sqft rates than proposed by the applicant.

4.25. A further example of the achievable value in this location comes from a 2 bedroom flat sold STC at College St, Birstall for £155,000 - £228/sqft. The property, though not new build, does benefit from a garden and off road parking like the subject. The property again indicates that flats in this location again achieve higher values than proposed by the applicant.

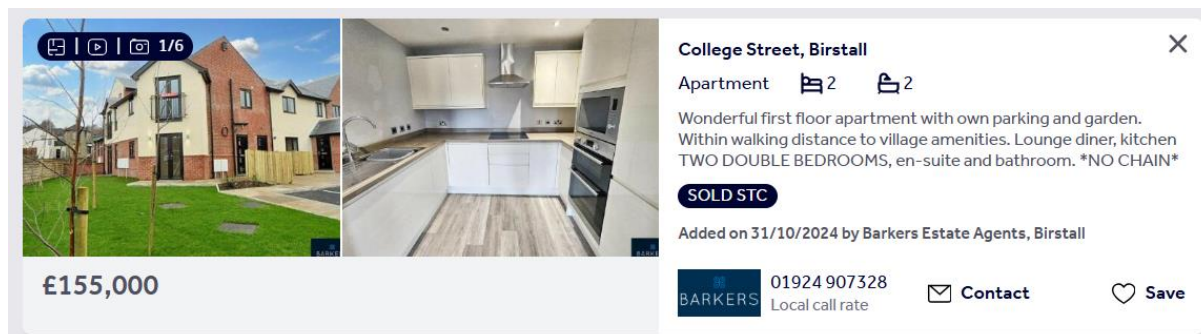


Figure 2 - College St, Birstall (For Sale)

Summary OMVs

4.26. The below table summarises our the OMVs for our appraisal of this application. Given the premium associated with a new build development plus a converted period property and the £/sqft rates achieved locally our appraisal will apply a 100% private sale GDV of £2,550,000 based upon the evidence above.

Unit	No. of Bedrooms	Sqm	Sqft	Applicant's Value	Applicant's £/sqft	Altair's Value	Altair's £/sqft
Unit 1	1	65.0	700	£105,000	£150	£135,000	£193
Unit 2	1	58.8	633	£95,000	£150	£115,000	£182
Unit 3	1	54.4	586	£90,000	£154	£115,000	£196
Unit 4	1	53.6	577	£89,000	£154	£115,000	£199
Unit 5	1	56.7	610	£92,000	£151	£115,000	£188
Unit 6	1	59.0	635	£95,000	£150	£120,000	£189
Unit 7	1	53.0	570	£89,000	£156	£115,000	£202
Unit 8	1	59.0	635	£100,000	£157	£120,000	£189
Unit 9	1	51.3	552	£88,000	£159	£115,000	£208
Unit 10	2	87.2	939	£120,000	£128	£165,000	£176
Unit 11	1	60.2	648	£95,000	£147	£120,000	£185
Unit 12	1	54.2	583	£90,000	£154	£115,000	£197
Unit 13	1	57.2	616	£92,000	£149	£120,000	£195
Unit 14	1	59.4	639	£95,000	£149	£120,000	£188
Unit 15	1	68.8	741	£102,000	£138	£140,000	£189
Unit 16	1	52.0	560	£88,500	£158	£115,000	£205
Unit 17	1	59.6	642	£95,000	£148	£120,000	£187
Unit 18	1	57.7	621	£92,000	£148	£120,000	£193
Unit 19	1	52.4	564	£93,500	£166	£115,000	£204
Unit 20	1	59.7	643	£100,000	£156	£120,000	£187
Unit 21	1	52.5	565	£94,000	£166	£115,000	£204
Total	22	1,232	13,258	£2,000,000	£151	£2,550,000	£192

Table 6 - OMV Comparison

Affordable Housing Income

Policy Compliant Scheme

4.27. When modelling the Policy Compliant Scheme, based on assessments of similar schemes, Altair will apply the following discounts to market value to reflect a policy compliant level of affordable housing (within grant funding).

- Affordable Rented (AR) – £891/sqm
- Shared Ownership (SO) – 20% discount to market value
- First Homes (FH) – 30% discount to market value

5. Cost Assumptions

Overview

5.1. This section summarises the key cost assumptions provided in the Applicant's viability assessment and concludes whether these are considered reasonable.

Developer's Return

- 5.2. The NPPF states that viability should consider competitive returns to a willing developer to enable the proposed scheme to be deliverable. The NPPF recognises that: *"this return will vary significantly between projects to reflect the size and risk profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible."*
- 5.3. The NPPG assumes the following standard benchmark developer's returns:
- 15 – 20% on open market housing GDV;
 - 15% on commercial GDV; and
 - 6% on affordable housing cost.
- 5.4. The SPG references profit on GDV or profit on cost, adjusted for risk depending on the nature of the scheme. Guidance is therefore clear that the proposed margin should be a risk adjusted return to reflect the risk attached to a proposed development.
- 5.5. The Applicant has adopted a profit margin of 17.5% on GDV for private sale.
- 5.6. As set out above, a developer's return should be reflective of: *"the risk profile of the development and the risks to the project"*. The current macro-economic environment, is not considered to be significantly high risk which is reflected in the following factors.
- 5.7. Firstly, declining borrowing costs. The Bank of England has reduced its base interest rate to 4.25% as of May 2025, marking the second cut this year. This move has led to a decrease in mortgage rates, with some fixed-rate deals now available below 4%. The reduction in borrowing costs enhances affordability for buyers and reduces financing expenses for developers, thereby lowering overall project risk.
- 5.8. In addition there is a robust housing market in Kirklees. As set out previously, Kirklees has experienced significant house price growth, with the average property price reaching £199,000 in February 2025, an 8.5% increase from the

previous year. This growth outpaces the regional average in Yorkshire and The Humber, indicating strong demand and a resilient local market.³

- 5.9. This is reflected in mortgage approvals. The latest Bank of England data indicates that mortgage approvals for house purchases rose to over 62,000 in March 2025, marking the highest level since mid-2022 and continuing a positive trend since late 2024.
- 5.10. With this in mind and considering the typical profit range of 15-20% of GDV for private sale units, we consider a risk-adjusted return as appropriate for this application – 17.5%.
- 5.11. We will also be applying a profit margin of 6% for the affordable housing scenarios, a rate which is widely accepted across other applications in Kirklees and in other Local Authorities.

Build Costs

- 5.12. The Applicant has adopted a base build cost of £1,364,075.
- 5.13. This is based on Building Cost Information Service (BCIS) lower quartile rate for Rehabilitation/Conversion for flats, dated 08 February 2025 and rebased to Kirklees. This equates to £1,002/sqm including a 5% contingency.
- 5.14. In addition, the Applicant has listed a schedule of anticipated abnormal development costs, totalling £118,000, including the disconnection of existing services to the existing building, external works (car park spaces and drainage connections), an elevator, sprinkler systems and structural works.
- 5.15. To assess the accuracy of these costs, Quantity Surveyor firm Potter Raper (PR) have carried out a review of the costs, benchmarking them against key data sources such as the Building Cost Information Service (BCIS) and other comparable tendered developments.
- 5.16. Potter Raper found that the abnormal costs applied by the Applicant sit within their expected range and will therefore be applied within our appraisal.
- 5.17. Potter Raper also found that the overall build costs were within an acceptable range. Given this we will continue to apply this total amount of £1,482,075.

Professional Fees

- 5.18. The Applicant has assumed professional fees of 8.00% of the build cost. This is a mid-point of the typical 6.00% - 10.00% range. Given the scale of the project,

³ <https://www.ons.gov.uk/visualisations/housingpriceslocal/E08000034>

and our own benchmarking exercise we consider this to be an acceptable allowance and will apply it as an all in allowance as part of our appraisal of the application.

Sales and Marketing Fees

- 5.19. For Sales and Marketing costs, the Applicant has assumed a rate of 1.5% on GDV for agent's fees and marketing costs for the private units, plus £1,000/pu legal fees.
- 5.20. We have benchmarked this against rates that have been agreed as part of other viability assessments undertaken within the borough, including planning applications 2022/62/93154/W, 2021/62/93567/E and 2023/62/92191/E. We have concluded that the Applicant's assumptions are reasonable and therefore will be applying a rate of 1.0% in our appraisal.
- 5.21. We have accepted the £1,000/ pu legal fees as we consider this to be in line with other applications that have been agreed in the borough.

S106 Costs

- 5.22. We have been informed by the LPA that a S106 contribution of £50,393 will be required as part of the application for public open space. We have included this within our appraisal of the application.

Finance Costs

- 5.23. The Applicant has assumed that the 100% OMV development will be debt financed, at a debit rate of 7.5% and a credit rate of 0%.
- 5.24. The Kirklees Planning Viability Guidance Note sets out that: "when considering finance costs as part of the viability process, it will typically be assumed that all developers will incur generic average finance costs based on 'standard' market rates." Our experience of carrying out FVAs within other boroughs across the Country is that this approach is accepted widely.
- 5.25. An example of this was the agreement as part of planning application 2023/62/92191/E where a finance rate of 2.5% above base rate was agreed. The Applicant's assumption as part of this report is greater than this at 3.5% above base rate at the time of writing (Feb 2025), and the base rate has since been decreased.
- 5.26. Whilst it is unlikely that a 100% debt finance position could be raised, with equity likely to be required within the range of 30 – 40%, it is typical for viability assessment to be considered on the basis of 100% debt finance. However, that 100% rate should be reflected of a blended market scenario.

5.27. Following this, we consider a rate of 6.75% to be more reasonable and is the assumption applied within our appraisal of the application.

Programme

5.28. The Applicant has assumed a build period of 11 months including a demolition period. The Applicant has then assumed a sales period of 3 months commencing at the completion of the build period.

5.29. We accept the programme put forward by the applicant and will apply these assumptions in our appraisal of the application.

6. Benchmark Land Value

- 6.1. The FVA is in place to determine the viability of a development. To do so, the process must compare the RLV with the BLV.
- 6.2. THE NPPG for Viability (2018) states that: "to define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land."
- 6.3. Wesley House is a former Methodist Chapel which is Grade II Listed and was converted to office accommodation several years ago. Internally the accommodation is arranged across four levels with galleried office space designed above both the ground floor and first floor with internal spiral staircases.



Figure 3 - Image of Wesley House

- 6.4. The Applicant notes that the property was let as a number of fully serviced offices with limited success. The Applicant has provided marketing information evidenced by Holroyd Miller. This sets out that there were there was 17 offices marketed and if fully let the annual rent roll would have been £85,140. This would equate to £8 per sq. ft including all utilities. However, the applicant recognises that the property was never fully let with a maximum letting of 5 out of 17 offices (30%).
- 6.5. The Applicant has researched comparable office spaces currently being marketed and found that there was limited comparable office spaces but that there were a large number of serviced offices within 3 miles that range from

£150 per desk to £15 per sqft. However, this evidence is not specific to the subject site where direct evidence shows a maximum occupancy rate of 30%.

- 6.6. The Applicant notes that they feel the best evidence is the lettings on the existing scheme from the past 24 months as they note that the property is still in good condition and could achieve these rates again.
- 6.7. The Applicant has applied an 8% yield, capitalising only 50% of the annual value of the rent as they note that it is likely that the property will only ever be at 50% occupancy.
- 6.8. However, based upon the evidence provided there is no evidence the unit has achieved 50% occupancy. From this value the Applicant has taken off the SDLT and the purchaser's costs.
- 6.9. Given the evidence provided we have assumed a 30% occupancy rate alongside 6.8% purchasers costs to derive an EUV of £287,986 which we will apply within our appraisal of the application.

	Applicant	Altair
Gross Valuation (based on 8% yield)	£532,125	£319,275
SDLT	£16,106	£9,578
Purchaser's Costs	£7,981	£21,711
Net Valuation	£508,038	£287,986

Table 7 - EUV Calculation

7. Viability Output

- 7.1. This section summarises the outputs of the viability appraisal. For this assessment, we have considered the viability of a 20% affordable housing scenario across three profit levels – 15.0%, 17.5%, 20.0% of private sale GDV. The LPA should however note that we consider a rate of 17.5% to be the reasonable assumption for this application.
- 7.2. Based on the revised assumptions, as set out above, our appraisals demonstrate that the RLV of the proposed scheme exceeds the BLV indicating that a 20% affordable housing contribution is not financially viable based upon a range of profit assumptions between 15-20% on private sale GDV. This is summarised in table 8 below. The full argus appraisal for the 17.5% profit scenario can be found in appendix 1.
- 7.3. If the cost of the lift (£31,000) is removed, the development remains unviable when considering a 17.5% profit margin on private sale GDV with a 20% affordable housing obligation.

20% Affordable Housing	15.0% Profit on PS GDV	17.5% Profit on PS GDV	20.0% Profit on PS GDV
Private Sale Income	£2,070,000	£2,070,000	£2,070,000
Affordable Housing Income	£282,806	£282,806	£282,806
Gross Development Value	£2,352,806	£2,352,806	£2,352,806
Construction Costs	£1,482,075	£1,482,075	£1,482,075
Professional Fees	£118,566	£118,566	£118,566
Marketing Fees	£31,050	£31,050	£31,050
Sales Legal Fees	£17,000	£17,000	£17,000
S106 Fees	£50,393	£50,393	£50,393
Finance	£57,155	£53,802	£50,448
Profit	£330,958	£382,708	£434,458
Total Costs	£2,087,197	£2,135,594	£2,183,990
Residual Land Value	£265,609	£217,212	£168,816
Benchmark Land Value	£287,986	£287,986	£287,986
Surplus / (Deficit)	-£22,377	-£70,774	-£119,170

Table 8 – 20% AH RLV Summary

- 7.4. Given this we have considered what level of affordable housing would be financially viable at a 17.5% profit on private sale GDV assumption. The following table (appendix 2) shows that a 15% affordable housing contribution would be viable as part of the application (3 x first homes).

15% Affordable Housing - First Homes	17.5% Profit on PS GDV
Private Sale Income	£2,185,000
Affordable Housing Income	£255,500
Gross Development Value	£2,440,500
Construction Costs	£1,482,075
Professional Fees	£118,566
Marketing Fees	£32,775
Sales Legal Fees	£18,000
S106 Fees	£50,393
Finance	£51,145
Profit	£399,384
Total Costs	£2,152,338
Residual Land Value	£288,162
Benchmark Land Value	£287,986
Surplus / (Deficit)	£176

Table 9 - 15% AH RLV Summary

7.5. In addition, we have considered the maximum level of affordable rented housing that is viable as part of the application. Based upon the assumptions set out previously, 1 affordable rented unit alongside 1 intermediate unit is viable as part of the application. This is summarised below.

9.5% Affordable Housing	17.5% Profit on PS GDV
Private Sale Income	£2,320,000
Affordable Housing Income	£140,470
Gross Development Value	£2,460,470
Construction Costs	£1,482,075
Professional Fees	£118,566
Marketing Fees	£34,800
Sales Legal Fees	£18,000
S106 Fees	£50,393
Finance	£52,101
Profit	£416,208
Total Costs	£2,172,143
Residual Land Value	£288,327
Benchmark Land Value	£287,986
Surplus / (Deficit)	£341

Table 10 - 9.5% AH RLV Summary

8. Summary

- 8.1. Kirklees Council, via its Local Plan, requires this development to provide 20% of all units as affordable housing, subject to the financial viability of the project.
- 8.2. The Applicant has supplied a viability assessment for the scheme which concludes that it is not viable for them to provide an affordable housing contribution in line with this policy. We reviewed the submitted viability assessment which has drawn conclusions upon the accuracy of the Applicant's assumptions.
- 8.3. In performing this assessment, we have considered what assumptions have been used within the Applicant's RLV calculation and how they compare to industry benchmarks along with current economic factors and evidence. We have made appropriate adjustments and conclude the scheme can viably provide an affordable housing contribution.
- 8.4. The following table illustrates the key assumptions within this report and how they compare to the applicants.

Assumption	Applicant	Altair
Open Market Values (PS)	£2,000,000	£2,550,000
Build Costs	£1,482,075	£1,482,075
Developer's Return (Private Sale)	17.50%	17.50%
Developer's Return (Affordable Housing)	6.00%	6.00%
Professional Fees	8.00%	8.00%
Sales & Marketing Fees	1.50%	1.50%
Sales Legal Fees	£1,000 pu	£1,000 pu
S106 Fees	£0	£50,393
Finance Costs	7.50%	6.75%
Programme	Construction: 11 months Sales: 3 months	Construction: 11 months Sales: 3 months
Benchmark Land Value	£450,000	£287,986

Table 11 - Summary of Assumptions

- 8.5. With these changes, as set out within section 7, our report concludes that the application can viably support a 15% affordable housing contribution (3 x first homes) when considering a 17.5% profit return on market sale GDV which we consider to be reasonable and reflective of market conditions as part of this application. An alternative viable mix would be 1 x affordable rented unit and 1 x intermediate unit which would equate to 9.5% affordable housing.
- 8.6. This report is based upon current day income and cost assumptions. To capture any change in economic conditions, and profitability to the scheme, we recommend that the Council applies the viability review mechanisms at early

and late stages of development in line with the National Planning Policy Guidance for Viability document (Paragraph: 009 Reference ID: 10-009-20190509) where local policy allows.

Appendix 1 Argus Appraisal – 20% AH (17.5% Profit)

Wesley House
20% Affordable Housing (17.5% Profit)

Wesley House
Birstall
Batley
WF17 9EJ
United Kingdom

Development Pro Forma
Prepared by Altair Ltd
ARGUS Software
June 5, 2025

Wesley House

20% Affordable Housing (17.5% Profit)

Project Pro Forma for Merged Phases 1 2 3 4

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
Private Sale	17	10,763	192.33	121,765	2,070,000
Affordable Rent	2	1,333	82.75	55,153	110,306
Intermediate	1	586	157.00	92,000	92,000
First Homes	<u>1</u>	<u>577</u>	139.51	80,500	<u>80,500</u>
Totals	21	13,259			2,352,806

TOTAL PROJECT REVENUE 2,352,806

DEVELOPMENT COSTS

ACQUISITION COSTS

Residualized Price	266,518
Residualized Price (Negative land)	(49,305)
	217,212

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost
Private Sale	10,763	111.47	1,199,775
Affordable Rent	1,333	105.89	141,150
Intermediate	586	120.44	70,575
First Homes	<u>577</u>	122.31	<u>70,575</u>
Totals	13,259 ft²		1,482,075

1,482,075

Section 106 Costs

Section 106 Costs	50,393
	50,393

PROFESSIONAL FEES

Professional Fees	8.00%	118,566
		118,566

DISPOSAL FEES

Sales Agent Fee	1.50%	31,050
Sales Legal Fee	17 un 1,000.00 /un	17,000
		48,050

TOTAL COSTS BEFORE FINANCE 1,916,296

FINANCE

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)	
Total Finance Cost	53,802

TOTAL COSTS 1,970,098

PROFIT

382,708

Performance Measures

Profit on Cost%	19.43%
Profit on GDV%	16.27%
Profit on NDV%	16.27%
IRR% (without Interest)	47.29%
Profit Erosion (finance rate 6.750)	2 yrs 8 mths

Appendix 2 Argus Appraisal – 15% AH (17.5% Profit on GDV)

Wesley House
15% Affordable Housing (17.5% Profit)

Wesley House
Birstall
Batley
WF17 9EJ
United Kingdom

Development Pro Forma
Prepared by Altair Ltd
ARGUS Software
June 5, 2025

**Wesley House
15% Affordable Housing (17.5% Profit)**

Project Pro Forma for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private Sale	18	11,396	191.73	121,389	2,185,000
First Homes	3	1,862	137.22	85,167	255,500
Totals	21	13,258			2,440,500

TOTAL PROJECT REVENUE 2,440,500

DEVELOPMENT COSTS

ACQUISITION COSTS

Residualized Price	288,162	288,162
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CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Private Sale	11,396	111.47	1,270,350
First Homes	1,862	113.71	211,725
Totals	13,258 ft²		1,482,075

1,482,075

Section 106 Costs

Section 106 Costs	50,393	50,393
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PROFESSIONAL FEES

Professional Fees	8.00%	118,566	118,566
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DISPOSAL FEES

Sales Agent Fee	1.50%	32,775	
Sales Legal Fee	18 un 1,000.00 /un	18,000	50,775

TOTAL COSTS BEFORE FINANCE 1,989,971

FINANCE

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)		
Total Finance Cost		51,145

TOTAL COSTS 2,041,116

PROFIT

399,384

Performance Measures

Profit on Cost%	19.57%
Profit on GDV%	16.36%
Profit on NDV%	16.36%
IRR% (without Interest)	49.86%
Profit Erosion (finance rate 6.750)	2 yrs 8 mths

