

FINANCIAL VIABILITY ASSESSMENT

SG1 DEVELOPMENT STEVENAGE

10 February 2020

DEVELOPMENT COSTS

Construction Costs

13 We have been provided with a Masterplan Cost Model by Mace Cost Consultancy (see **Appendix 5**) which attributes total construction costs of £281,630,000 to the project, which we have adopted in our appraisal. We have summarised the costs this reflects on a £ per sq ft GIA basis for each plot in the table below. [NB these figures include allowances for prelims, and contractor's overheads and profit, but exclude all professional fees and risk allowances (contingency)].

Plot	Max Storey Height	Base Construction Costs (psf GIA)
A	10	£201
K	19	£200
B	8	£195
F	8	£207
G	9	£209
D (Commercial only)	NA	£200
C	8	£213
E	8	£211
H	15	£212

14 In addition to the above base costs we have been advised to include a separate allowance of £500,000 per phase (£2,000,000 in total) for site wide works.

15 For completeness we have sense-checked the construction costs provided by the Applicant against current RICS Build Cost Information Services (BCIS) figures for construction in Stevenage. We have considered both the BCIS mean and upper quartile figures. Given the envisaged quality and end sales values being targeted, which will set a new benchmark for the locality, we consider the upper quartile BCIS cost figures to be the most relevant.

16 We have added an industry-standard 15% allowance for external works to the BCIS figures, which these figures exclude. We illustrate our findings in the table below.

Description	BCIS Mean (psf GIA)	BCIS Mean (Plus 15% External Works, psf GIA)	BCIS Upper Quartile (psf GIA)	BCIS Upper Quartile (Plus 15% External Works, psf GIA)
Flats (6+ Storeys)	£177	£204	£190	£219

17 Based on the BCIS data above, we consider the Applicant's costs, which range from £195 - £213 per sq ft on an equivalent basis, to be reasonable, and potentially on the conservative side given the proposed storey heights and the end sales values being targeted.

Professional Fees & Construction Contingency

18 We have allowed for a professional fee budget of 10.00% which we consider is reasonable for a scheme of this scale and complexity.

19 We have been advised by Mace Cost Consultancy to include a construction contingency allowance of 2.50% of all base construction costs and site wide costs for the detailed elements (Phase 1) and a higher allowance of 5.00% against the outline elements (Phases 2-4). We consider the 2.50% allowance for Phase 1 to be bullish, and would more usually expect an allowance of 5.00% for all phases and therefore reserve the right to revisit this should negotiations proceed in this regard.

Phase	Plot	Areas				Residential units				
		GIA	Resi NIA	Commercial GIA	Commercial Lettable	Studio	1B	2B	3B	Total
1	Plot A	179,553	131,503	1,625	1,475	74	121	69		264
2	Plot B	145,410	94,615	15,931	14,381	42	70	49	11	172
4	Plot C	130,243	87,532	11,668	9,967	36	64	42	14	156
3	Plot D	106,821		4,306	4,306					0
4	Plot E	134,021	89,943	11,001	9,171	32	64	50	12	158
3	Plot F	65,466	50,138	-	-	21	23	23	15	82
3	Plot G	85,078	66,467	-	-	24	27	26	26	103
4	Plot H	304,220	225,428	-	-	89	228	98	21	436
1	Plot K	322,669	238,259	-	-	79	313	104		496
Totals		1,473,481	983,884	44,531	39,299	397	910	461	99	1,867