



REPORT ON AFFORDABLE HOUSING & VIABILITY

SITE: LAND OFF STATION ROAD

GREAT SHELFORD

CB22 5LR

CHURCHILL RETIREMENT LIVING

CHURCHILL HOUSE

PARKSIDE

RINGWOOD

BH24 3SG

NOVEMBER 2021

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APPLICATION BY:

CHURCHILL RETIREMENT LIVING LIMITED

SITE: Land off Station Road, Great Shelford

LOCAL PLANNING AUTHORITY REFERENCE: TBC

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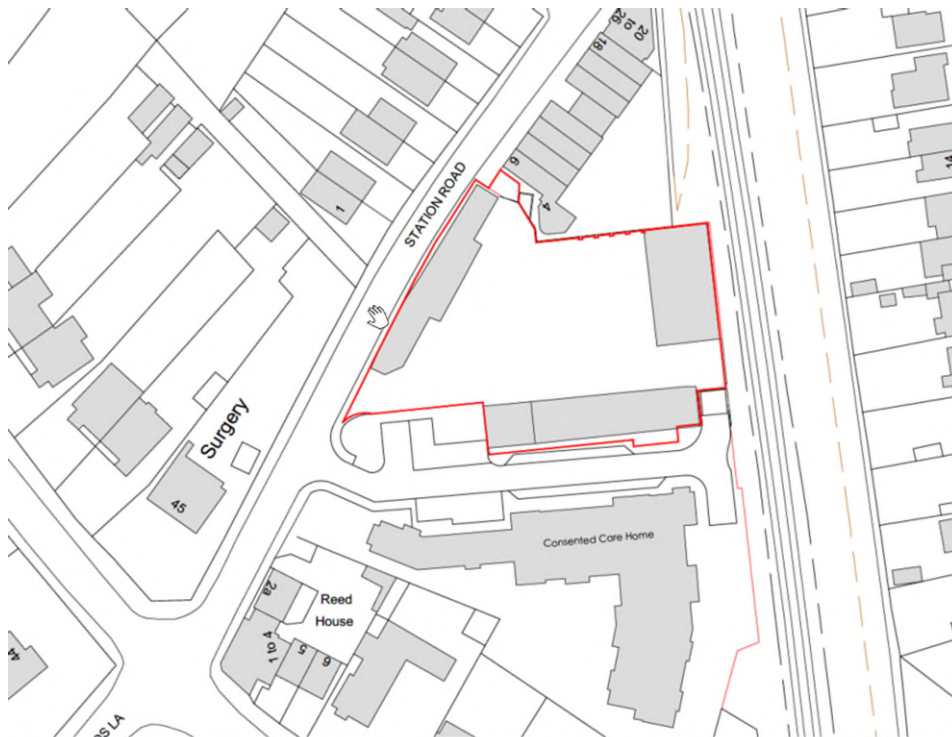
This report or its findings do not constitute a formal valuation under the RICS Valuation – Global Standards 2017. This report has been prepared for Churchill Retirement Living (“the client”) with advice provided expressly in preparation, or during the course of negotiations.

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1. NON TECHNICAL SUMMARY

- 1.1 This statement provides an assessment of the financial viability of the proposal to build 39 retirement living apartments on the site at 2 Station Road, Great Shelford. The site is made up of existing but largely vacant office space which was previously converted from warehouse uses.



Site Location

- 1.2 Demand for ongoing office use on the site has fallen and local agents suggest that the location of the site together with the rise of home working has had a negative impact on take up. As such, the Stables element of the building has been vacant since 2017. Granary House has been vacant since December 2020 and Link House since February 2021. The remaining element, 'The Maltings' will be vacated imminently following the current tenant's decision to vacate.
- 1.3 The proposal is for 39 retirement living units. The South Cambridgeshire Local Plan (2018) identifies a pressing demand for specialist housing for older people. The plan sets out that the population of the district is ageing and often older people need or prefer smaller properties that are easier to manage than their original home, with people often looking to 'downsize' to a smaller property.

- 1.4 The October 2021 Housing Needs of Specific Groups¹ demonstrates that within South Cambridgeshire, there is likely to be an overall shortfall of specialist housing for older people units of 1,610 units of which 1,477 (91% of total net requirement) should be leasehold housing with support. A surplus of rented housing with support is shown within the same analysis.
- 1.5 The Local Plan affordable housing requirement is set out within Policy H10 and requires all developments of 11 dwellings or more to provide 40% affordable housing, in line with an agreed mix of affordable housing tenures to be determined at the time of the application. Exceptions to the 40% requirement include evidence of viability or additional affordable housing being achieved through off site provision.
- 1.6 Local Plan policy states that contributions provided in lieu of on site or off site provision should be of 'broadly equivalent value' to that which would have been provided on site.
- 1.7 Vacant building credit is also a consideration here, with over 1,100 m² of vacant floorspace on the site, the revised affordable housing policy position would be 31.8% or 12.4 affordable dwellings.
- 1.8 It is considered an agreed principle that affordable housing cannot be provided on site given the site is relatively small and incapable of accommodating sufficient scale to provide for separate management arrangements. The proposal is for a retirement living community with all residents availing of shared amenity and paying comparatively high service charges to obtain these communal benefits.
- 1.9 As consistently agreed with local planning authorities throughout the country, off site provision in the form of a commuted sum is the most appropriate solution to address affordable housing policy in this case.
- 1.10 Planning obligations and S106 'run with the land'². Policy requires that planning obligations are assessed against uplift in land value associated with the award of planning permission and intensification of land. It is therefore appropriate to calculate commuted sums against the impact on land value of policy requirements.
- 1.11 Planning obligations must also meet the requirements of the CIL Regulations 122 in that such obligations must be necessary, directly related to the development and fairly related in scale and kind. As such, the scale of contribution must accord with that which would have been provided on site were it feasible and viable to do so. The Local Plan policy supports this approach.

¹ <https://cambridgeshireinsight.org.uk/wp-content/uploads/2021/10/CWS-Housing-Needs-of-Specific-Groups-Oct21.pdf>

² <https://www.gov.uk/guidance/planning-obligations> (Para 001)

- 1.12 The viability of the proposal has been considered and a financial contribution of £631,630 represents the maximum commuted payment towards off site affordable housing provision (equating to 12.4 affordable dwellings).
- 1.13 The following table summarises the appraisals examined relating to the 100% open market retirement proposal and a retirement scheme with 31.8% affordable housing included (applying the required 70% affordable rent and 30% shared ownership tenure split).

	100% Open Market Scheme	39.5% Affordable Housing Scheme (70/30 tenure mix)
Open Market Sales	£15,291,000	£10,548,000
Affordable Housing Revenue	£0	£2,513,783
GDV	£15,291,000	£13,061,783
Base Construction Cost	£5,185,694	£5,185,694
CIL + S106	£0	£0
Other Costs	£3,873,047	£3,045,181
Profit	£3,058,200	£2,268,103
Residual Land Value	£3,174,060	£2,562,805
0% AH Land Value - 31.8% Land Value	£611,255	POLICY COMPLIANT
Pro rata for 12.4 units	£631,630	

Table 1 – Summary of Viability

- 1.14 As is concluded within the policy review section, evidence of local need for this housing typology suggests that the actual need is primarily for leasehold properties as proposed and that a surplus of rented properties exists. However, for the purposes of this appraisal, the generic affordable housing targets are applied.

2. INTRODUCTION AND STATEMENT OF IMPARTIALITY

- 2.1 This Statement is prepared in relation to proposals to redevelop Land at Station Road in Great Shelford for retirement living accommodation.
- 2.2 This statement considers how the proposal addresses national and local policy relating to affordable housing and viability matters.
- 2.3 This statement has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) professional statement on *Financial Viability in Planning: conduct and reporting* (1st Edition, May 2019) as well as the *Assessing Viability in Planning under the NPPF 2019 for England*, RICS Guidance Note (1st Edition, March 2021). In line with the requirements, I can confirm the following is true.
1. The author of this report has acted with objectivity, without interference and references all appropriate sources of information.
 2. No performance-related or contingent fees have been agreed.
 3. The information used is market led and not client driven in line with the NPPG standardised approach.
 4. Planning Issues is the 'in house' planning consultancy for the applicant but in applying the standardised approach to viability has assessed the viability in a fully impartial manner.
 5. Inputs to the Financial Viability Appraisal (FVA) are reasonably justified and based upon industry benchmarks recently agreed with other local planning authorities for similar proposals and in a number of occasions at planning appeal.
 6. The applicant will seek to engage with the local planning authority in order to reach agreement in respect of the report conclusions where differences of opinion may materialise.
 7. A non-technical summary of the outputs of the FVA is included to provide a high level summary of the outputs of this assessment.

3. DESCRIPTION OF APPLICATION SITE

- 3.1 The site extends to 0.29 hectares and is located off Station Road with several office units and a central car park. The existing buildings are 1.5 and 2 storey in height. Vehicle access is via Station Road.
- 3.2 The character of the immediate surrounding area is mixed, comprising mainly of residential properties but with commercial units on site and in proximity to the railway station. To the north of the site is a contemporary development of townhouses and apartments, to the south, was until recently, a storage unit containing a fuel-depot, which has since been demolished for a new development of a 63 bed care home. The east of the site is the railway line and the west is a residential development of 1950s semi-detached houses.
- 3.3 Great Shelford is identified as a rural centre and has a significant group of local shops and services.
- 3.4 The site is outside but adjacent to the Great Shelford Conservation Area which is opposite the entrance to the south and to the east of the site.
- 3.5 The existing buildings are largely vacant and it is understood that the single remaining tenant will vacate the site imminently.

4. NATIONAL PLANNING POLICY

Introduction

- 4.1 This section provides an overview of national policy and best practice as it relates to viability in planning.

National Planning Policy Framework (NPPF)

- 4.2 The Government published an amended version of the NPPF in July 2021. This statement will make reference to the current version of the NPPF.
- 4.3 Paragraphs 63 - 65 advise that where a need for affordable housing is identified, planning policies should specify the type required and expect it to be met onsite unless offsite provision or an appropriate financial contribution in lieu can be robustly justified and the agreed approach contributes to the creation of a mixed and balanced community. Where a major development involving housing is proposed, at least 10% of the total number of homes should be available for affordable home ownership. Specialist housing proposals such as housing for older people will be exempt from such a provision in recognition of its non-standard nature.

National Planning Policy Guidance (NPPG)

- 4.4 The National Planning Policy Guidance (NPPG) relating to viability matters was comprehensively updated in July 2018 with further updates in September 2019.
- 4.5 The NPPG reiterates the NPPF position that proposed developments should not be subject to a scale of obligations and policy burdens that threaten development viability. It emphasises that the guidance of the NPPF applies to decision taking on individual sites. It confirms that plans should set out required levels of contribution, including affordable housing, and advises that:

'These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.'

'Different requirements may be set for different types or location of site or types of development'.

(Paragraph: 001 Reference ID: 10-001-20180724)

- 4.6 It is increasingly common for Local Plan viability testing to examine the viability of housing for older people. In the case of Fareham Borough Council, their plan wide testing confirms that

specialist housing for older people should be exempt from affordable housing requirements due to constrained viability associated with this typology³. The NPPG states that viability assessments are primarily a role for plan making and should not compromise sustainable development and ensure that policies are realistic and will not undermine the delivery of the plan (Paragraph: 002 Reference ID: 10-002-20180724).

- 4.7 Paragraph 007 states that it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the decision making level. Such circumstances could include development on unallocated sites, where further information on site and infrastructure costs are required, **or where the proposed development significantly varies from standard models (for example build to rent or housing for older people – my emphasis)** (Paragraph: 007 Reference ID: 10-007-20190509).
- 4.8 Paragraph 008 states that where a viability assessment is submitted it should refer back to the information that informed the plan and it is a matter for the decision maker as to the weight to be attached to it. This should include matters such as the most up to date evidence, change in circumstances and the transparency of assumptions behind the viability assessment (Paragraph: 008 Reference ID: 10-008-20180724).
- 4.9 In terms of the review of viability during the lifetime of a project the NPPG states that plans should set out circumstances when review mechanism may be appropriate as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development (Paragraph: 009 Reference ID: 10-008-20190509).
- 4.10 The NPPG considers the inputs required for a viability assessment to determine if a site is financially viable by looking at whether the value generated by a development is greater than the costs of developing it. This includes reviews of gross development value, costs, land value, landowner premium and developer return supported by appropriate evidence following the Government’s recommended approach (Paragraph: 010 Reference ID: 10-010-20180724).
- 4.11 The required inputs are then defined in the following paragraphs as follows;

Gross development Value (Paragraph: 011)

The value of the development for which residential developments may be total sales or rental income, for which market evidence can be used.

³ https://www.fareham.gov.uk/pdf/planning/local_plan/revisedpublicationlocalplan.pdf (Para 5.33)

Costs (Paragraph: 012)

Based on evidence reflective of local market conditions including build costs, abnormal costs, site specific infrastructure costs, policy compliant contributions and CIL, finance costs, professional fees and contingencies.

Land Value (Paragraphs 013, 014, 015, and 016)

Based on existing land value plus a premium for the landowner reflecting a minimum return at which the land owner would be willing to sell. This should reflect the implications of abnormal costs, infrastructure costs and professional site fees and be informed by market evidence.

Return to Developer (Paragraph 018)

Potential risk is accounted for in the assumed return for development assumed at between 15-20% of gross development value for plan making purposes but alternative figures may be appropriate for different development types.

- 4.12 The NPPG expects viability appraisals to be prepared by suitably qualified practitioners in accordance with the NPPG. Findings should be presented clearly and set out in an executive summary, making clear what assessments have been used and supported by evidence. It should also be prepared on the basis that it will be made publically available, unless in exceptional circumstances (Paragraph: 020 Reference ID: 10-020-20180724 and 21 ID: 10-021-20180724).
- 4.13 The NPPG confirms that Information used in viability assessment is not usually specific to that developer and thereby need not contain commercially sensitive data (Paragraph: 021 Reference ID: 10-021-20190509). This reaffirms the standardised approach.
- 4.14 On 26th June 2019, a further NPPG update was published relating to Housing for older and disabled people. This guidance stresses that plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure and that plans can set out different policy requirements for different types of development.
- 4.15 This section of the NPPG identifies specialist housing for older people as a ‘nonstandard’ model of housing where different viability considerations will be relevant.
- 4.16 The NPPF states within this section that decision makers should consider the location and viability of a development when assessing planning applications for specialist housing for older people. Local planning authorities can encourage the development of more affordable models and make use of products like shared ownership. Where there is an identified unmet need for

specialist housing, local authorities should take a positive approach to schemes that propose to address this need (Ibid).

Vacant Building Credit

4.17 National policy provides an incentive for brownfield development on sites containing vacant buildings. Where a vacant building is brought back into any lawful use, or is demolished to be replaced by a new building, the developer should be offered a financial credit equivalent to the existing gross floorspace of relevant vacant buildings when the local planning authority calculates any affordable housing contribution which will be sought. Affordable housing contributions may be required for any increase in floorspace. Paragraph: 026 Reference ID: 23b-026-20190315

What is the process for determining the vacant building credit?

4.18 Where there is an overall increase in floorspace in the proposed development, the local planning authority should calculate the amount of affordable housing contributions required from the development as set out in their Local P plan. A 'credit' should then be applied which is the equivalent of the gross floorspace of any relevant vacant buildings being brought back into use or demolished as part of the scheme and deducted from the overall affordable housing contribution calculation. This will apply in calculating either the number of affordable housing units to be provided within the development or where an equivalent financial contribution is being provided. Paragraph: 027 Reference ID: 23b-027-20190315

4.19 The policy is intended to incentivise brownfield development, including the reuse or redevelopment of empty and redundant buildings. In considering how the vacant building credit should apply to a particular development, local planning authorities should have regard to the intention of national policy. In doing so, it may be appropriate for authorities to consider:

- Whether the building has been made vacant for the sole purposes of re-development; or
- Whether the building is covered by an extant or recently expired planning permission for the same or substantially the same development. Paragraph: 028 Reference ID: 23b-028-20190315

5. DEVELOPMENT PLAN POLICY

- 5.1 This section sets out local planning policy considerations as they relate to affordable housing and other planning obligations.

The South Cambridgeshire Local Plan (2018)

- 5.2 The Local Plan was adopted on 27th September 2018. Policy H/10 sets out requirements relating to affordable housing.
- 5.3 Policy H/10 sets out a starting position of 40% affordable housing on proposals including 11 dwellings or more or floorspace exceeding 1,000 m². An agreed mix of affordable housing tenures will be determined by local circumstances at the time of granting planning permission.
- 5.4 Exceptions set out within the policy to the above include where it can be demonstrated that the level of affordable housing sought would make a development unviable in light of changing market conditions, individual site circumstances and development costs. Any agreement to a payment in lieu will be calculated to be 'broadly equivalent value' to that which may have been provided on-site.
- 5.5 The supporting text of policy H/10 sets out that The Housing Strategy 2012-2016 aims to deliver a range of homes that are affordable to all and where people want to live that will support economic growth and economic activity.
- 5.6 Policy states that if there is an issue about whether such a development will stand the affordable housing target that is a matter that can most effectively be addressed through the planning application process where all the policy calls on a development, together with other development related requirements, can be looked at comprehensively and relative priorities determined.
- 5.7 Developers seeking to justify a lower proportion of affordable housing are required to demonstrate why it is not viable to provide 40% affordable housing on-site. The financial viability assessment should be prepared by the applicant.
- 5.8 For some developments, the provision of affordable housing on-site may not always be possible, and in these cases the Council will exceptionally accept a financial contribution towards future affordable housing provision rather than requiring on-site provision. Only where it can be robustly justified, will provision on a separate site or through a financial contribution (of broadly equivalent value) be potentially considered as acceptable.

- 5.9 The supporting text of policy H/10 recognises that vacant building credit may apply to developments bringing vacant buildings back in to lawful use or where such buildings are demolished as part of a development.

The Greater Cambridge Housing Strategy 2019-2023

- 5.10 The current housing strategy for the area sets out that as a starting position, the council will seek 70% of any affordable housing provision as social rent and 30% intermediate.
- 5.11 Separately, the housing strategy recognises the important role of specialist housing for older people in addressing housing need within the market area. In particular, a range of downsizing options are promoted.

Housing Needs of Specific Groups – Cambridgeshire and West Suffolk (2021)

- 5.12 The above needs analysis was published in October 2021 and specifically examines the housing requirements for older people within the market area. It highlights that South Cambridgeshire currently has an above average population of those aged 65 or over with this age cohort predicted to grow by 52% by 2040 (compared with total population growth overall of 21%).
- 5.13 Older residents are more likely to own their own home (71%) and under occupy their existing property (90%). The study notes that if this stock could be used more efficiently, then the amount of land required for additional housing would be reduced. This is because smaller properties would be provided, into which older persons could downsize, thus releasing their larger homes for larger households. Efforts to achieve this could be made through the delivery of a range of house sizes and types and by encouraging downsizing.
- 5.14 In relation to viability, the study notes that it should be recognised that providing affordable housing on specialist schemes will be less viable than in general housing, and as a result, *a lower contribution than from general housing will likely be achievable*. High service charges may also impact on the provision of affordable housing within such schemes.
- 5.15 Table 101 sets out the type of specialist housing required within South Cambridgeshire from 2020-2040. It is notable that leasehold housing with support (retirement living) makes up 90% of the overall net requirement. Conversely, there is an oversupply of existing rented options.

Table 101: Specialist Housing Need using SHOP@ Assumptions, 2020-40 – South Cambridgeshire (Units)

Housing type	Housing demand per 1,000 75+	Current Supply	2020 Demand	Current Shortfall/ Surplus	Additional Demand to 2040	Shortfall/ Surplus by 2040
Rented Housing with Support	36	1,402	529	-873	371	-502
Leasehold Housing with Support	72	329	1,044	715	732	1,447
Rented Housing with Care	16	205	233	28	164	192
Leasehold Housing with Care	23	94	333	239	234	473
Total	147	2,030	2,139	109	1,501	1,610

Source: Derived from Demographic Projections and Housing LIN/HOPSR/EAC

Plan Wide Viability

- 5.16 The council commissioned DSP to prepare a plan wide viability study in 2015. A more recent Greater Cambridge plan wide study was published in November 2020. This most recent study does not seek to test this typology and advises that testing will be undertaken during the next stage of the Greater Cambridgeshire plan formation.
- 5.17 In the absence of any up to date plan wide study which specifically examines specialist housing for older people, the assumptions consistently agreed elsewhere for this typology will be assumed and explained within the next section.

Community Infrastructure Levy (CIL)

- 5.14 The council does not currently have an adopted charging schedule. Any S106 contributions identified through the determination period must be factored into the final viability appraisal.

6. VACANT BUILDING CREDIT AND VIABILITY ASSESSMENT

Vacant Building Credit

- 6.1 As already set out, the majority of the existing floorspace is empty with one remaining office to be vacated shortly. For the purposes of this appraisal, only the currently vacant floorspace is assessed for vacant building credit calculations. Clearly during the determination of this application this position may change.
- 6.2 National policy in respect of vacant building credit is set out at 4.17 onwards of this statement. This credit should be applied to this proposal due to the vacant status of the site. The site has not been made vacant for the sole purpose of redevelopment and nor does it benefit from a similar planning consent to the one proposed as part of this application.

Difference between proposed and existing: $3,436 - 704 = 2,732 \text{ m}^2$

Divided by proposed floorspace: $2,732 / 3,436 = 0.79$

Multiplied by affordable housing requirement: $0.795 * 40\% = 31.8\%$

- 6.3 Applying vacant building credit to this proposal of 39 apartments therefore results in a requirement for 12.4 affordable dwellings.
- 6.4 What is left then is to demonstrate a 'broadly equivalent' off site commuted sum. The following sections include detail of the viability of the proposed scheme.

Financial Appraisal Inputs

Internal Floor Area

- 6.5 The proposed building is made up of the following:

39 units	24 × 1-beds & 15 × 2-beds
Saleable floor area	2,686 m ²
GIFA	3,436 m ²

Gross/Net saleable area 78.17%

Sales Values

- 6.6 As is frequently the case, there is a scarcity of new build comparable schemes for this typology within the immediate area. This was noted within the Greater Cambridgeshire plan wide study (November 2020) where values of £230,000 - £350,000 for 1 and 2 bedroom retirement living properties were arrived at. Applying Land Registry house price growth over the last year, these figures would be broadly £247,250 - £376,250.
- 6.7 The closest currently selling comparable is an over 55s development at St Edmunds Way in Hauxton (CB22). This is a development including on site salon, shop, restaurant and laundry facilities as well as communal lounge. 100% value 2 bedroom units are available at the time of writing for £360,000 with service charges of £5,652 per annum.
- 6.8 Monkfield Lane in Cambourne (CB23) is an over 60s new build scheme with 1 beds from £239,950 - £246,950 and 2 beds from £299,950 - £374,950. CB23 is considered a marginally lower value area in comparison to the subject site CB22 area according to online comparison website home.co.uk.
- 6.9 The most recent newbuild scheme within the immediate vicinity was Teeja House, 129 Cambridge Road which was a small development of private 2 bed apartments which sold in late 2019 located 1 mile to the north of this site. This is considered to be quite a high end and bespoke comparable. The average unit sizes were 61.62 m² and the average achieved value was £5,158 m² (or £315,000) once index uplifted to today (see appendix 1).
- 6.10 In our experience it is reasonable to assume a premium relating to retirement living of broadly 10% above non age restricted housing associated with the lifestyle offered to retirees. Applying this uplift to the Teeja House values would arrive at a suggested rate of £5,700 m² for a mid-size units. Included at Appendix 1 is a breakdown of unit sizes with a suggested blended average value of £5,765 m² translating to £354,000 for average 1 bed units and £453,000 for typical 2 beds.

Base Build Cost

- 6.11 The application proposes a 3-storey flatted scheme. At the time of writing, the RICS Build Cost Information Service (BCIS) advises rates of 3-storey £1,499 m² in respect of supported housing developments in this location (Appendix 2). A 5% contingency is allowed for as standard at this stage of the development proposal.

External Build Cost

6.12 Typical allowances range between 5-15% of base build cost for flatted schemes (Greater Cambridge Plan Testing assumes 15%). A rate of 8% of base build cost has been assumed for the purposes of this appraisal.

Site Specific Costs

6.13 These elements are site and development specific and have been estimated separately and are in addition to the build cost rate identified above. A cost of £334,120 has been included within the appraisal in respect of the following site-specific costs. These costs are around 5% of the base build cost which is typical for a brownfield site such as this in our experience. There are a range of sustainability, accessibility costs and other costs which are included within the Greater Cambridge Plan Wide viability assessments which are not included here.

Demolition and asbestos removal -	£50,000
Piling/Foundations -	£137,980 (specific to apartment building)
Part L -	£88,140 (£2,260 per dwelling) ⁴
Substation works -	£28,000 (required for apartment block)
S278 Works -	£30,000

Professional Fees

6.14 An allowance of 10% of the base construction costs has been used to take account of the particular complexity of sheltered housing. This is within the usual tolerance for this type of proposal which has added design and planning complexity.

Other S106/Planning Obligations/Community Infrastructure Levy (CIL)

6.15 The council has not adopted a charging schedule. No other S106 costs are assumed at this stage. Were other S106 costs identified then the appraisal would need to be updated to test the impact of such costs.

4

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836925/REQUEST.pdf (Cost of energy efficiency requirements 31% reduction from 2013 levels).

Sales and Marketing

- 6.16 Sales and marketing allowances for specialist housing proposals for older people are widely acknowledged to differ substantially from mainstream housing. This is due to the restricted occupancy and longer than average sales periods often extending over several years. Here, a dedicated sales staff would be present on site from pre completion to end of sale supported by regional and head office marketing teams. The overall allowance must also cover online marketing, promotional events and local agent engagement.
- 6.17 A combined rate of 5% of sales revenue for sales and marketing costs has been assumed as supported by a number of recent appeal decisions.⁵
- 6.18 Legal fees associated with the sale of each property is assumed at £750 per unit as standard.

Sales Rate

- 6.19 The applicant's current sales rate within the region is less than 0.7 sales on average per month. The closest selling Lodge is in Huntingdon which a 47 unit scheme which commenced sales in September 2017 and has achieved a sales rate of 0.64 per month since that date. At the time of writing, 15 of the units remain unsold.
- 6.20 Hitchin has been selling since November 2019 at a rate of 0.9 sales per month while Haverhill has been selling since June 2019 at a rate of 1.09 units per month. The Haverhill sales rate has continued to fall during 2021 as the remaining units take longer to sell.
- 6.21 For the purpose of this appraisal, it is assumed that an overall sales rate of 1 sale per month is achieved across a 39 month period. Within this, it is assumed that 18% are sold in month 1 with 51% sold in months 1-12. The remaining units sales are space evenly across the following 27 months.

Empty Property Costs

- 6.22 Empty property costs are a function of council tax payable on finished unsold and empty property as well as service charges and other charges, which must be paid owing to longer than average sales periods for this type of proposal. The inclusion of EPCs within viability appraisals has been agreed with local planning authorities and their assessors on similar proposals throughout the country.

⁵ Appeal Ref: 3166677 (Redditch, December 2017)

6.23 It is considered reasonable to include such costs within the viability appraisal as they are an unavoidable cost associated with the development of retirement living flatted schemes. The NPPG is clear at paragraph 007 that where types of development are proposed which may significantly differ from standard models of development (e.g. housing for older people), the particular viability considerations can be taken into account by decision makers. EPCs are a particular cost associated with this form of development.

6.24 A breakdown of the empty property costs associated with this development is included below and applied to the Argus cashflow to accurately link to the assumed sales rate and finance costs. The total EPC cost allowed for within the appraisal is £185,454.

EMPTY PROPERTY COSTS - GREAT SHELFORD				
Applied to Argus Appraisal Empty Property Cost Cashflow				
1 bed apartments			units	Total
Service charge	£ 162.50	24	£	3,900.00
Council Tax (C)	£ 148.22	24	£	3,557.20
Utilities	£ 17.50	24	£	420.00
	£ 328.22	24	£	7,877.20
2 bed apartments			units	Total
Service charge	£ 238.33	15	£	3,574.95
Council Tax (D)	£ 166.74	15	£	2,501.16
Utilities	£ 17.50	15	£	262.50
	£ 422.57	15	£	6,338.61

Finance Costs

6.22 An overall debit rate of 6.5% is applied and this has been included in this submission. A credit rate of 2.5% has been used. No arrangement fee has been allowed for in the appraisal as it is assumed to be incorporated within the overall debit rate.

Land Acquisition Costs

6.23 Stamp duty is applied at the current HMRC variable rates as updated in April 2016.

6.24 Land purchase legal fees at 0.75% of the land value on purchase and Acquisition Agent fees at 1% of the land value are assumed as standard.

Developers Return

6.25 As set out, the NPPG is clear that potential risk is accounted for in the assumed return for development assumed at between 15-20% of gross development value for plan making

purposes but alternative figures may be appropriate for different development types and typologies.

6.26 An acceptable return for risk in respect of retirement living proposals such as this not less than 20% of gross development value. This is consistent with the Inspector conclusions for the McCarthy and Stone proposal at Redditch (Appeal Ref: 3166677), the Churchill Retirement Living proposal at Cheam (Appeal Ref: 3159137) and the Churchill Retirement Living scheme at West Bridgford (Appeal Ref: 3229412) in 2019. The consistent findings in these appeal decisions were:

- There are a number of inherent sector specific risks with this form of development which materially differ to that of general needs housing including an inability to phase and allow for risk reappraisal.
- Retirement living housing must be fully completed and operationally ready before sales commences as older people are less likely to buy 'off plan' without seeing for example the benefit of the communal facilities.
- The above provides a slower return on investment and a longer period of uncertainty in the market and cost exposure.
- A restricted occupancy also limits the marketability of such housing in comparison to general needs development. The sector does not benefit from Government incentives such as Help to Buy or First Homes.
- The NPPG recognises that viability for older peoples housing differs from general needs housing (NPPG Paragraph 007) and that it is appropriate for local planning authorities to recognise this at both the plan making and decision taking level.

Timing Assumptions

6.27 The following timing assumptions are made for the viability appraisal:

FINANCE		
Timescale	Duration	Commences
Acquisition	1	Nov 2021
Pre-Construction	6	Dec 2021
Construction	14	Jun 2022
Letting	1	Aug 2026
Sale	39	Aug 2023
Total Duration	60	
Debit Rate 6.500%, Credit Rate 2.750% (Nominal)		
Total Finance Cost		

- 6.28 A copy of the financial viability appraisal (FVA) for a 100% open market appraisal is included at Appendix 3 and summarised within the next section.

Affordable Housing Assumptions

- 6.35 In assessing a likely policy compliant payment, this analysis seeks to examine the impact of the inclusion of 12.4 affordable units on the residual land value. This is a fair and reasonable approach which is commonly accepted by local planning authorities and their advisors as it meets the requirements of the CIL Regulation 122. This approach ensures any planning obligation relating to affordable housing is directly related to the development as well as being fairly related in scale and kind.
- 6.36 Assumptions relating to affordable housing inputs are included at Appendix 4 of this report. In summary, it is assumed that 31.8% affordable housing is included within the proposed retirement scheme with 70% affordable rent and 30% intermediate.
- 6.37 Assumed revenue from a registered provider of 41% of OMV for rented units and 74% of OMV for intermediate units is included which are representative of the rates we have tested and agreed elsewhere. A blended rate of 53.2% OMV is applied in respect of the affordable units. It is noted that the Greater Cambridgeshire plan wide viability analysis suggests transfer values of between 50-70% OMV⁶ and so a conservative blended rate is applied.
- 6.38 The FVA assuming 31.8% affordable housing is included at Appendix 5 of this report.

⁶ <https://www.greatercambridgeplanning.org/media/1456/gclp-strategic-spatial-options-assessment-viability-assessment-nov2020.pdf>

7. VIABILITY APPRAISAL OUTPUT AND CONCLUSIONS

- 7.1 The outputs of the financial appraisals with 0% affordable housing (Appendix 3) and with 31.8% affordable housing (Appendix 5) are summarised below for ease of reference.

Table 2 – Summary of Viability Appraisal Outputs

	100% Open Market Scheme	31.8% Affordable 70/30 AH tenure
Open Market Sales	£15,291,000	£10,548,000
Affordable Housing Revenue	£0	£2,513,783
GDV	£15,291,000	£13,061,783
Base Construction Cost	£5,185,694	£5,185,694
External Build Costs	£414,856	£414,856
Contingency	£280,027	£280,027
Extra Over Build Costs	£334,120	£334,120
Professional Fees	£560,055	£560,055
CIL	£0	£0
Other S106	£0	£0
Marketing	£535,185	£369,180
Disposal Costs	£258,615	£187,470
Unsold Unit Fees	£196,614	£84,581
Finance	£1,089,826	£664,018
Profit	£3,058,200	£2,268,103
Acquisition Costs	£203,749	£150,874
Residual Land Value	£3,174,060	£2,562,805
0% AH Land Value - 31.8% Land Value	£611,255	POLICY COMPLIANT
Pro rata for 12.4 units	£631,630	

- 7.2 This concludes that were the inclusion of affordable housing on site feasible, the subsidy required to provide the required level of affordable housing would be £611,255. Such a sum represents the level of contribution which should be made towards off site affordable housing provision as it is broadly equivalent to on site provision.
- 7.3 Were this figure increased to reflect the requirement for 12.4 units it would result in a figure of £631,630.
- 7.4 This review of the policy compliant level of affordable housing has identified that in terms of actual identified need, the most recent local evidence base suggests that the generic affordable housing target (particularly in terms of tenure) should not be applied here as the

predominant need for housing within this tenure is for leasehold type housing as proposed. Regardless, this statement has sought to assess the proposal against the affordable housing policy position as it stands.

APPENDICES

1. Sales Values
2. BCIS extract (November 2021)
3. FVA 0% Affordable Housing
4. Affordable Housing Assumptions
5. FVA 31.8% Affordable Housing

1. Sales Values

Flat Areas

Floor	Flats					1bed	2bed	INTERNAL KITCHEN	FULL BALCONY	JULIETTE BALCONY	WC	EN SUITE	<120% B1	<120% B2	WHY OVER*	EXCESS m2
G	5	=	51.28	m ²	=	552.0	ft ²	<input type="checkbox"/>					TRUE			
G	2	=	83.08	m ²	=	894.3	ft ²	<input type="checkbox"/>				<input type="checkbox"/>	TRUE	TRUE		
G	3	=	100.00	m ²	=	1076.4	ft ²					<input type="checkbox"/>	FALSE		C	
G	4	=	74.98	m ²	=	807.1	ft ²					<input type="checkbox"/>	TRUE	TRUE		
1	12a	=	51.28	m ²	=	552.0	ft ²	<input type="checkbox"/>			<input type="checkbox"/>		TRUE			
2	27	=	51.28	m ²	=	552.0	ft ²	<input type="checkbox"/>			<input type="checkbox"/>		TRUE			
G	7	=	74.98	m ²	=	807.1	ft ²					<input type="checkbox"/>		TRUE		
2	32	=	52.37	m ²	=	563.7	ft ²	<input type="checkbox"/>		<input type="checkbox"/>			TRUE			
1	20	=	55.57	m ²	=	598.2	ft ²	<input type="checkbox"/>			<input type="checkbox"/>		TRUE			
1	22	=	55.57	m ²	=	598.2	ft ²	<input type="checkbox"/>					TRUE			
G	11	=	95.85	m ²	=	1031.7	ft ²					<input type="checkbox"/>		FALSE		C
1	12	=	74.98	m ²	=	807.1	ft ²			<input type="checkbox"/>		<input type="checkbox"/>		TRUE		
2	34	=	55.57	m ²	=	598.2	ft ²	<input type="checkbox"/>			<input type="checkbox"/>		TRUE			
2	36	=	55.57	m ²	=	598.2	ft ²	<input type="checkbox"/>					TRUE			
1	15	=	74.98	m ²	=	807.1	ft ²			<input type="checkbox"/>		<input type="checkbox"/>		TRUE		
G	9	=	55.84	m ²	=	601.1	ft ²	<input type="checkbox"/>		<input type="checkbox"/>			TRUE			
G	10	=	55.84	m ²	=	601.1	ft ²	<input type="checkbox"/>		<input type="checkbox"/>			TRUE			
1	18	=	55.84	m ²	=	601.1	ft ²	<input type="checkbox"/>		<input type="checkbox"/>			TRUE			
1	19	=	95.85	m ²	=	1031.7	ft ²					<input type="checkbox"/>		FALSE		C
2	31	=	57.10	m ²	=	614.6	ft ²	<input type="checkbox"/>		<input type="checkbox"/>			TRUE			
2	37	=	60.38	m ²	=	649.9	ft ²	<input type="checkbox"/>					TRUE			
G	1	=	60.39	m ²	=	650.0	ft ²	<input type="checkbox"/>					TRUE			
1	23	=	60.39	m ²	=	650.0	ft ²	<input type="checkbox"/>			<input type="checkbox"/>		TRUE			
1	24	=	83.08	m ²	=	894.3	ft ²			<input type="checkbox"/>		<input type="checkbox"/>		TRUE		
1	25	=	100.00	m ²	=	1076.4	ft ²			<input type="checkbox"/>		<input type="checkbox"/>		FALSE		C
2	26	=	74.98	m ²	=	807.1	ft ²			<input type="checkbox"/>		<input type="checkbox"/>		TRUE		
G	6	=	61.25	m ²	=	659.3	ft ²	<input type="checkbox"/>					TRUE			
1	14	=	61.25	m ²	=	659.3	ft ²	<input type="checkbox"/>		<input type="checkbox"/>			TRUE			
2	29	=	74.98	m ²	=	807.1	ft ²			<input type="checkbox"/>		<input type="checkbox"/>		TRUE		
2	28	=	61.25	m ²	=	659.3	ft ²	<input type="checkbox"/>		<input type="checkbox"/>			TRUE			
1	21	=	61.64	m ²	=	663.5	ft ²	<input type="checkbox"/>			<input type="checkbox"/>		FALSE			C
2	35	=	61.64	m ²	=	663.5	ft ²	<input type="checkbox"/>			<input type="checkbox"/>		FALSE			C
2	33	=	89.52	m ²	=	963.6	ft ²					<input type="checkbox"/>		TRUE		C
1	17	=	62.57	m ²	=	673.5	ft ²	<input type="checkbox"/>					FALSE			K
2	30	=	63.18	m ²	=	680.0	ft ²	<input type="checkbox"/>					FALSE			C
1	16	=	68.08	m ²	=	732.8	ft ²	<input type="checkbox"/>					FALSE			C
G	8	=	70.78	m ²	=	761.9	ft ²	<input type="checkbox"/>					FALSE			C
2	38	=	83.08	m ²	=	894.3	ft ²			<input type="checkbox"/>		<input type="checkbox"/>		TRUE		
2	39	=	100.00	m ²	=	1076.4	ft ²			<input type="checkbox"/>		<input type="checkbox"/>		FALSE		C

area's are as to scale with drawings.

Ground floor	6	5
First floor	9	5
Second floor	9	5

	1 bed	2bed	INTERNAL	FULL	JULIETTE	WC	EN
Total	24	15	8	8	8	0	15
	58.58	85.36					
	1405.92	1280.4		2686.3			

Parking spaces 16 41% For Retirement Development

Battery cars 6

- * D - dormered apartment with additional areas between 1.5-2.35m headroom
- S - under stair area added to apartment / kitchens added in front of staircases
- N - non-standard layout for design strategy
- C - flats turning an outside corner / corner flats
- K - to achieve external kitchen

Amenity areas

Owner's Lounge =	96.5	m ² =	1038.5	ft ²
Entrance Lobby =	6.2	m ² =	67.2	ft ²
Reception =	3.7	m ² =	39.5	ft ²
Office =	6.3	m ² =	68.0	ft ²
Coffee Bar =	8.0	m ² =	85.7	ft ²
Guest =	27.0	m ² =	290.9	ft ²
WC =	3.9	m ² =	42.0	ft ²
Refuse =	27.0	m ² =	290.7	ft ²
Comms x 3 =	19.0	m ² =	204.7	ft ²
Lift x 3 =	8.6	m ² =	93.0	ft ²

Stair 1 =

Ground =	13.8	m ² =	148.5	ft ²
1st =	9.6	m ² =	103.0	ft ²
2nd =	9.6	m ² =	103.0	ft ²

Stair 2 =

Ground =	9.6	m ² =	103.0	ft ²
1st =	9.6	m ² =	103.0	ft ²
2nd =	9.6	m ² =	103.0	ft ²

Corridor =

Ground =	106.4	m ² =	1145.3	ft ²
1st =	106.4	m ² =	1145.3	ft ²
2nd =	106.4	m ² =	1145.3	ft ²

587.1 m² = 6319.7 ft²

No flats 39

TRUE		Minimum number of flats 25
FALSE	N/A	Owners Lounge area FN1 + FN2 = 128m ² for schemes of 40 units and over
TRUE		Owners Lounge area FN2 + a bedroom = 98m ² for schemes under 40 units
TRUE		Minimum car parking ratio 1 per 3 flats
TRUE		Battery car store ratio 1 per 7 flats
FALSE	N/A	Raised planting beds + potting shed
FALSE	N/A	Lodge Manager's apartment
TRUE		Internal Kitchens not to exceed 50% of the total no of flats
TRUE		Saleable floor area shall not be less than 75%
TRUE		2 bed apartments no less than 30% of all flats
FALSE		2 bed apartments no more than 35% of all flats

Gross area internal

Ground =	1148.8	m ² =	12365.6	ft ²
1st =	1148.8	m ² =	12365.6	ft ²
2nd =	1138.6	m ² =	12255.8	ft ²

3436.2 m² = 36986.9 ft²

Gross area external

Ground =	1216.0	m ² =	13088.7	ft ²	perimeter (m)	225.2 M
1st =	1216.0	m ² =	13088.7	ft ²	225.2 M	
2nd =	1216.0	m ² =	13088.7	ft ²	225.2 M	

3647.9 m² = 39266.1 ft²

Saleable/Amenity/Structure

Saleable Area	2686.2	m ² =	28914.5	ft ²	=	78.17	%
Amenity Area	587.1	m ² =	6319.7	ft ²	=	17.09	%
Structure	162.8	m ² =	1752.7	ft ²	=	4.74	%
Gross Site Area	3024.9	m ² =	32559.4	ft ²			
Soft landscape Area	1024.2	m ² =	11024.2	ft ²			
Hard Landscape Area	784.7	m ² =	8446.5	ft ²			

Scheme based on latest B-type flats

2. BCIS extract (November 2021)

£/m² study

Description: Rate per m² gross internal floor area for the building Cost including prelims.

Last updated: 06-Nov-2021 00:44

› Rebased to South Cambridgeshire (100; sample 21)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
843. Supported housing							
Generally (15)	1,710	872	1,443	1,595	1,846	3,480	132
Single storey (15)	1,980	1,225	1,581	1,707	2,095	3,480	17
2-storey (15)	1,717	872	1,447	1,577	1,916	3,064	40
3-storey (15)	1,568	874	1,421	1,509	1,727	2,331	47
4-storey or above (15)	1,764	1,074	1,419	1,629	1,806	3,375	25
843.1 Supported housing with shops, restaurants or the like (15)	1,633	1,052	1,386	1,561	1,714	2,753	31

3. FVA 0% Affordable Housing

Station Rd, Great Shelford (39 units) Sub

Development Appraisal
Prepared by Planning Issues Ltd
Licensed Copy
15 November 2021

Station Rd, Great Shelford (39 units) Sub
Appraisal Summary for Phase 1 Retirement Housing
Currency in £
REVENUE

Sales Valuation	Units	m²	Sales Rate m²	Unit Price	Gross Sales
1 Bed Flats	24	1,405.92	6,043.02	354,000	8,496,000
2 Bed Flats	15	<u>1,280.40</u>	5,306.94	453,000	<u>6,795,000</u>
Totals	39	2,686.32			15,291,000

NET REALISATION **15,291,000**
OUTLAY
ACQUISITION COSTS

Residualised Price			3,174,060		
				3,174,060	
Stamp Duty			148,203		
Effective Stamp Duty Rate		4.67%			
Agent Fee		1.00%	31,741		
Legal Fee		0.75%	23,805		
				203,749	

CONSTRUCTION COSTS

Construction	m²	Build Rate m²	Cost	
1 Bed Flats	1,798.54	1,509.00	2,713,999	
2 Bed Flats	<u>1,637.97</u>	1,509.00	<u>2,471,695</u>	
Totals	3,436.51 m²		5,185,694	5,185,694

Developers Contingency		5.00%	280,027	
Demolition and Asbestos			50,000	
Piling/Foundations			137,980	
Substation			28,000	
S278			30,000	
Part L Costs	39.00 un	2,260.00 /un	88,140	
				614,147

Other Construction

Externals		8.00%	414,856	
				414,856

PROFESSIONAL FEES

Professional Fees		10.00%	560,055	
				560,055

MARKETING & LETTING

Marketing		3.50%	535,185	
				535,185

DISPOSAL FEES

Sales Agent Fee		1.50%	229,365	
Sales Legal Fee	39.00 un	750.00 /un	29,250	
				258,615

Unsold Unit Fees

1 Bed Flats			120,129	
2 Bed Flats			76,485	
				196,614

FINANCE

Timescale	Duration	Commences
Acquisition	1	Nov 2021
Pre-Construction	6	Dec 2021
Construction	14	Jun 2022
Letting	1	Aug 2026
Sale	39	Aug 2023
Total Duration	60	

Station Rd, Great Shelford (39 units) Sub

Debit Rate 6.500%, Credit Rate 2.750% (Nominal)

Total Finance Cost 1,089,826

TOTAL COSTS 12,232,800**PROFIT 3,058,200****Performance Measures**

Profit on Cost% 25.00%

Profit on GDV% 20.00%

Profit on NDV% 20.00%

IRR 17.84%

Profit Erosion (finance rate 6.500) 3 yrs 6 mths

4. Affordable Housing Assumptions

Affordable Housing Testing Assumptions

		AH Tenure						
	AH Target	Affordable Rent	Shared Ownership	Open Mkt Values	Gross Dev. Val			Ave/unit rate
	Numbers	31.8%	70%	30%				
1 beds	24	7.6	5.3	2.3	£354,000.0	£8,496,000.0		
2 beds	15	4.8	3.3	1.4	£453,000.0	£6,795,000.0		
	39	12.4	8.6814	3.7206		£15,291,000.0		£392,076.9

Affordable Rent (AR)	LHA/wk	Per Annum (Gross)	Net Per Annum (85%)		4.75% Yield	Total AH Value	% OMV	No.	Total AH Value
1 bed	£178.36	£9,274.72	£7,883.51		£165,968.67	£165,968.67	46.9	5.3	£886,671.04
2 bed	£196	£10,172.24	£8,646.40		£182,029.56	£182,029.56	40.2	3.3	£607,796.69

Shared Ownership (SO)	OMV	50% Share	Unsold Eq	2.75% "rent"	4.75% yield	Total SO Value	% OMV		
1 bed	£354,000	£141,600.0	£212,400.0	£5,841.0	£122,968.4	£264,568.4	74.7	2.3	£605,755.86
2 bed	£453,000	£181,200.0	£271,800.0	£7,474.5	£157,357.9	£338,557.9	74.7	1.4	£484,476.35

12.4 £2,584,699.94 £208,409.93
 % OMV 53.2

	AH Values	No.	Ave Rate	% OMV by type
1 beds	£1,492,426.90	7.632	£195,548.60	55.2
2 beds	£1,092,273.04	4.77	£228,988.06	50.5

5. FVA 31.8% Affordable Housing

Station Rd, Great Shelford (39 units) 31.8% AH

Station Rd, Great Shelford (39 units) 31.8% AH

Appraisal Summary for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	m ²	Sales Rate m ²	Unit Price	Gross Sales
1 Bed Flats	17	995.86	6,043.02	354,000	6,018,000
2 Bed Flats	10	853.60	5,306.94	453,000	4,530,000
1 Bed Flats AH	7	410.06	3,338.15	195,549	1,368,843
2 Bed Flats AH	<u>5</u>	<u>426.80</u>	2,682.61	228,988	<u>1,144,940</u>
Totals	39	2,686.32			13,061,783

NET REALISATION

13,061,783

OUTLAY

ACQUISITION COSTS

Residualised Price			2,562,805		2,562,805
Stamp Duty			106,025		
Effective Stamp Duty Rate		4.14%			
Agent Fee		1.00%	25,628		
Legal Fee		0.75%	19,221		
					150,874

CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost	
1 Bed Flats	1,273.97	1,509.00	1,922,416	
2 Bed Flats	1,091.98	1,509.00	1,647,796	
1 Bed Flats AH	524.57	1,509.00	791,583	
2 Bed Flats AH	<u>545.99</u>	1,509.00	<u>823,898</u>	
Totals	3,436.51 m²		5,185,694	5,185,694

Developers Contingency		5.00%	280,027	
Demolition and Asbestos			50,000	
Piling/Foundations			137,980	
Substation			28,000	
S278			30,000	
Part L Costs	39.00 un	2,260.00 /un	88,140	
				614,147

Other Construction

Externals		8.00%	285,617	
Externals		8.00%	129,239	
				414,856

PROFESSIONAL FEES

Professional Fees		10.00%	560,055	
				560,055

MARKETING & LETTING

Marketing		3.50%	369,180	
				369,180

DISPOSAL FEES

Sales Agent Fee		1.50%	158,220	
Sales Legal Fee	39.00 un	750.00 /un	29,250	
				187,470

Unsold Unit Fees

1 Bed Flats			54,156	
2 Bed Flats			30,425	
				84,581

FINANCE

Debit Rate 6.500%, Credit Rate 2.750% (Nominal)				
Total Finance Cost				664,018

Station Rd, Great Shelford (39 units) 31.8% AH**TOTAL COSTS****10,793,680****PROFIT****2,268,103****Performance Measures**

Profit on Cost% 21.01%

Profit on GDV% 17.36%

Profit on NDV% 17.36%

IRR 19.67%

Profit Erosion (finance rate 6.500) 2 yrs 11 mths