

## DEVELOPMENT VIABILITY MODEL (DVM)

### March 2023 Edition

This version of the DVM has been created to enable the financial assessment of developments that solely contain commercial premises or residential property that will be let and sold as an investment.

This extends the application of the DVM, which was initially created to assess Residential and Mixed-Use schemes. This new version of the DVM can still be used for those forms of development too.

The modifications made to previous versions of the DVM are as follows:

- 1) The initial **Project** worksheet now requires the user to specify **separate Site Values** for residential and commercial elements in a mixed-use scheme. The figures in B24 and B25 are automatically aggregated in B26 as the Total Site Value. If a development is purely residential, leave B25 blank; if it is purely commercial, leave B24 blank.

Changes have also been made to **KPI's in the Appraisal** worksheet to reflect this change. The option to alter Total Site Value (in M6 on the Appraisal sheet) remains; but users will now be prompted, if it is a mixed-use scheme, to accept a *pro rata* adjustment to both residential and commercial site values; or to return to the Project sheet to make their own adjustment there. If the land is being acquired in more than one tranche, the user must also return to the Land sheet to check that the total payment for each tranche correctly adds up to the Total Site Value.

- 2) **External Site Costs** relating to any "Comm-Inv" elements in an Appraisal must now be specified on a new row 20 on each Comm-Inv element sheet. Total Build Cost (E19 on each Comm-Inv sheet) will be aggregated with External Site Costs (E20) on a single row in the Cashflow. The total Build Cost + External Site Costs for all Comm-Inv elements is shown in cell G25 on the Appraisal summary sheet.

External Site Costs on row 27 of the **Costs** worksheet now relate solely to the residential element of a scheme. If there are no residential elements in the development, rows 27 and 28 in the Costs worksheet are "blanked", so that they cannot be used accidentally.

- 3) **Options for Linking to Build Costs** have changed on the Costs worksheet. For both Normal and Abnormal Site Costs, there is a choice (through a dropdown list in Col G) to link the distribution of those costs in the Cashflow to either Resi Build Costs, Comm-Inv Build Costs or both (select "All") if the appraisal concerns a mixed-use development. The option not to link to Build Costs remains, by selecting "No Link" in Col G and specifying Start Month and Duration in Cols H and I.

For purely residential developments, "Comm-Inv" and "All" options are automatically removed from the dropdown list in Col G. For purely commercial/investment projects, "Resi" and "All" options are similarly not available. This prevents the user from accidentally selecting an option that would not deliver an appropriate result.

The same options exist for the Grants/Subsidy section at the bottom of the Costs sheet.

- 4) Formulae in the **Sensitivity Tables** have also been adjusted so that Total Sales Revenue (G10 on the Appraisal sheet) is compared with
- Total Build and External Costs (the aggregate of Resi and Comm-Inv) and Total Site Value (Resi plus Comm-Inv) for a mixed-use development;
  - Resi Build and External Costs, and Resi Site Value, for a purely residential development; and
  - Comm-Inv Build and External Costs, and Comm-Inv Site Value, for non-residential schemes.
- 5) The **Help Notes** that are available on most worksheets (behind the “?” button) have been updated to reflect all these changes.

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