02 Centre Site, 255 Finchley Road, NW3 6LU

Independent Viability Review

Prepared on behalf of the London Borough of Camden

July 2022

Planning reference: 2022/0528/P

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1.0 INTRODUCTION

1.1 BPS Chartered Surveyors has been instructed by the London Borough of Camden ('the Council') to review a viability assessment prepared by Gerald Eve ('GE') on behalf of Finchley Road Ltd. ('the Applicant') in respect of the proposed redevelopment of the 02 Centre Site, 255 Finchley Road, NW3 6LU. The Financial Viability Assessment (FVA) provided is dated January 2022.

1.2 The site is encased by Railway Tracks/Blackburn Road to the north and south, the A41/Finchley Road to the east and the B510/West End lane to the west.

1.3 The site measures approximately 12.9 acres (5.22 hectares) in size and currently comprises of the 02 Shopping Centre, Halfords, Aldi & Volkswagen car dealerships and builders' merchant yard.

Existing building (Google Images – Architects' Journal)

Angled Aerial shot of the subject site (D&A Allford Hall Monaghan Morris).

Existing Aerial Overview

1.4 We have not undertaken an inspection of the subject property, our opinions and comments in respect of values and condition are based on a desktop valuation basis only.

1.5 Finchley Road Ltd. is the company vehicle being used by Land Securities ('LandSec') whom are the master developer of the subject site. Herein we refer to LandSec and Finchley Road ltd. interchangeably. LandSec's website refers to their 100% ownership of the site and the G&T cost plan report refers to LandSec as the client.

1.6 The application has been submitted under ref. 2022/0528/P for:

"Part full and part outline planning permission comprising the following: Detailed planning permission for Development Plots N3-E, N4, and N5 including demolition of existing above ground structures and associated works, and for residential development (Class C3) and commercial, business and service (Class E) uses in Development Plot N3-E, residential development (Class C3) and local community (Class F2) and commercial, business and service (Class E) uses in Development Plot N4, and residential development (Use Class C3) and commercial, business and service uses (Class E) uses in Development Plot N5 together with all landscaping, public realm, cycle parking and disabled car parking, highway works and infrastructure within and associated with those Development Plots. Outline planning permission for Development Plots N1, N2, N3, N6, N7,S1 and S8 including the demolition of all existing structures and redevelopment to include residential development (Class C3) commercial, business and service uses (Class E), sui generis leisure uses (including cinema and drinking establishments) together with all landscaping, public realm, cycle parking and disabled car parking, highway works and infrastructure within and associated with those Development Plots."

1.7 In brief the development includes c.1,800 residential dwellings (a mixture of studios, 1, 2 and 3 bedroom units) (35% affordable by area), together with commercial uses including cinema, gym, nursery/creche, retail, bars & restaurants, medical, workspace, community and convenience retail. The list is non-exhaustive and the applicant could put forward a range of uses within the now broad use class 'E' and F2/Sui Generis. We acknowledge that the mix assessed is as envisaged in the FVA.

1.8 We have researched the planning history of the site but have not found any recent applications online. We note 25 no. planning applications of which relate to the existing uses only.

1.9 The 02 parts of the site (02 Centre, car parking, Halfords) is owned by the applicant (they acquired the freehold and the 250 year long leasehold interest) for £125M+. The builders' merchant yard and car dealerships are owned by 3rd parties.

1.10 In terms of proposed planning obligations in summary they are:

- CIL £38,280,389;
- S106 £3,232,800;
- Carbon off-set £2,546,152.

1.11 We look to the council to confirm the amounts are appropriate, but we have adopted these sums pending confirmation.

1.12 The applicant is proposing 35% affordable housing across the scheme by floor space (GIA)/ 566 units. The tenure split is approximately 60% affordable rent tenure, 40% intermediate rent tenure.

1.13 We note the following relevant planning policies:

1.14 Policy H4:

*We will expect a contribution to affordable housing from all developments that provide one or more additional homes and involve a total addition to residential floorspace of 100sqm GIA or more. The Council will seek to negotiate the maximum reasonable amount of affordable housing on the following basis: a. the guideline mix of affordable housing types is **60% social-affordable rented housing and 40% intermediate housing**; b. targets are based on an assessment of development capacity whereby 100sqm (GIA) of housing floorspace is generally considered to create capacity for one home; c. targets are applied to additional housing floorspace proposed, not to existing housing floorspace or replacement floorspace; 66 Camden Local Plan | Meeting Housing Needs d. a sliding scale target applies to developments that provide one or more additional homes and have capacity for fewer than 25 additional homes, starting at 2% for one home and increasing by 2% of for each home added to capacity; **e. an affordable housing target of 50% applies to developments with capacity for 25 or more additional dwellings**; f. for developments with capacity for 25 or more additional homes, the Council may seek affordable housing for older people or vulnerable people as part or all of the affordable housing contribution; g. where developments have capacity for fewer* *than 10 additional dwellings, the Council will accept a payment-in-lieu of affordable housing; h. for developments with capacity for **10 or more additional dwellings, the affordable housing should be provided on site**; and i. where affordable housing cannot practically be provided on site, or offsite provision would create a better contribution (in terms quantity and/ or quality), the Council may accept provision of affordable housing offsite in the same area, or exceptionally a payment-in-lieu.*

1.15 The key points from the local planning policy extracts are that the scheme should comprise of 50% affordable housing, (60% in favour of social-affordable housing and 40% intermediate rented housing) at a local level.

1.16 In summary GE conclude that the scheme is unviable as it achieves a 3.3% output Internal Rate of Return (IRR) compared to their target rate of return of 13.2%. It should be noted that an IRR return is based on the principle of a progressive discounting of net cashflow over time and may not have any relationship to more conventional profit measures such as percentage of scheme development value. Using GE's growth model this equates to an output of 13% IRR, compared to a target of 17.2%. Our assessment seeks to scrutinise and verify GE's conclusions.

1.17 To provide a comparison a GDV based profit return we have inflated the private residential values to the point where the scheme appraisals generates an IRR of 13.2%. Allowing for a conventional GDV return on the commercial element of 15% and 6% of the affordable, the profit return on the private residential element would equate to 26% of GDV.

1.18 Our understanding is that the applicant is committed to providing the 35% on-site affordable housing despite the apparent viability position.

1.19 The advice set out in this report is provided in the context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2020, the provisions of VPS1–5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation. The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the Council and with any associated Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Council.

1.20 This Viability Review adheres to the RICS Professional Statement on Financial Viability in Planning (published May 2019). In accordance with this Statement, we refer you to our standard terms and conditions which incorporate details of our Quality Standards Control & Statement on Limitation of Liability/ Publication.

2.0 EXECUTIVE SUMMARY

Input	GE	BPS	Comments
Private Sales Values	£1,176psf	Agreed	Agreed - this is a reasonable assumption and has been evidenced.
Affordable Sales Values	£405psf / £219psf	Agreed	Agreed - this is a reasonable assumption and has been evidenced.
Commercial Value	Various	Agreed	**Some ambiguity** - Whilst we accept the overall values are reasonable and have been evidence, we have requested the cinema values be pegged (existing and proposed kept the same) and that the affordable workspace values are kept in line with Camden's guidance i.e. 50% discount.
Ground Rents	£nil	£nil	**Agreed**
Car Parking	N/a	N/a	**N/a**
Build Costs	£751,541,435	Adopted	**Some ambiguity** - Our QS has concluded the detailed costs are reasonable, and the outline costs are probably reasonable.
Professional Fees	10%	Agreed	**Agreed** - Industry standard
Contingency	5%	Agreed	**Agreed** - This is an agreed cost (already included in the build cost stated above).
Private Marketing & Sales Fees	3.5%	Agreed	**Agreed** - We have accepted 3.5% as an all-in rate.
Commercial	1.5% sales agents/legals 10% letting agents / 5% letting legals	Agreed	**Agreed** - We accept this, but dispute that an additional marketing fee is required for the commercial.
CIL/S106	£44,059,341	Adopted	**Some ambiguity** - We require confirmation from the Council on this input.
Finance	7%	6.75%	**Disagree** - We consider GE's view to be slightly pessimistic.
Profit (blended)	13.2% IRR target	Agreed	**Agreed** - we consider this profit target to be appropriate in this instance.
Construction Period	14 years	Agreed	**Agreed** - our QS has commented the timescales could be shorter, but we

			acknowledge that it is likely predicated on a sales rate.
Sales Period	60% off-plan, c. 6 units a month	Agreed	**Agreed** - we consider this to be reasonable.
Benchmark Land Value	£170,000,000	Adopted	**Some ambiguity**– We accept the overall figure is a realistic likely costs to bring this scheme forward, but we have only been able to undertake a limited exercise.
Surplus/Deficit (current day)	-£165,217,000 3.3% IRR	-£372,400,000 0.88% IRR	We considered the scheme is in deficit on both a current day and growth scenario. We do have concerns of the deliverability of the affordable housing.
Surplus/Deficit (future)	£349,070,601 13% IRR	£78,200,000 7.67% IRR	

3.0 CONCLUSIONS AND RECOMMENDATIONS

3.1 We have reviewed the Financial Viability Assessment 02 Masterplan Site, Finchley Road prepared by Gerald Eve on behalf of the applicant, dated January 2022 which concludes the scheme is producing an IRR of 3.3% compared to a target return of 13.2%. Notwithstanding this we understand the applicant is committed to providing 35% on-site affordable housing.

3.2 We have been provided with an Appraisal Summary (assumptions only). In summary the main points of difference for appraisal purposes are (BPS' assumptions below):

- Finance assumption of 6.75%;
- Cinema values need to be pegged against each other;
- Our growth model assumptions differ marginally, see growth section.

3.3 We have provisionally accepted a benchmark land value of £170,000,000 with the land costs accepted as being industry standard (stamp duty, agents and legal fees). The scheme is in deficit -£372M. This deficit improves to a positive £78M assuming a growth model scenario, which we calculate equates to 4.6% on GDV or an IRR of 7.67%.

3.4 Overall, we agree that the applicant is over-providing affordable housing both on a current day basis and on a growth model basis. We do have some legitimate concerns concerning scheme delivery, noting our conclusions that the scheme is in substantial technical financial deficit. We recommend that affordable housing delivery is secured within the earlier phases of the development (agreed by way of binding S106) so its provision not open to subsequent challenge in its later stages due to scheme viability.

3.5 We would normally recommend that review mechanisms are included to assess scheme viability over the life of the development, but given the scheme is offering 35% affordable housing this may satisfy the Mayor's fast track criteria which may remove the requirement for subsequent review. We look to the council to confirm the policy position on this.

3.6 In terms of comprehending why a competent developer would proceed with this scheme, the shopping centre is likely to depreciate in value over a long term horizon against a back drop of sector occupier weakness. We also consider it likely that part of the scheme could be switched to build to rent enabling an upfront plot sale which could marginally improve the scheme's viability and IRR which GE appear to have acknowledged in our meetings. Moreover, this is a particularly high value area which will likely benefit from sales growth and there is a lack of new build stock, with this scheme likely to set a new high tone for the area.

Benchmark Land Value

3.8 A benchmark land value of £170,000,000 has been adopted by Gerald Eve. We can confirm that we have had sight of the confidential information, we have undertaken further analysis on the BLV and can confirm it is a realistic cost.

Proposed Scheme

3.9 We consider the private residential values put forward by GE to be broadly reasonable in line with the evidence on a current day basis. We acknowledge these have been supported by a Knight Frank report which considers in depth the surrounding comparable schemes and references average achieved values. Whilst KF have not shared specific transactions, we suspect they have a full suite of evidence on which to base their average values. We have provided specific comments against each of the comparables.

3.10 The commercial values are considered to be reasonable if not bullish save our specific comments.

3.11 The affordable values put forward by GE are full and reasonable.

Development Costs

3.12 Our Cost Consultant, Neil Powling, has reviewed the Cost Plan for the proposed scheme prepared by Gardiner & Theobald dated January 2022. and reports that:

Outline phases:

“We have compared the Applicants building costs to BCIS mean average costs and provide the results in the table at 3.12 below. Without a properly detailed elemental estimate we are unable to undertake a full benchmarking exercise. The difference between the Applicant’s estimate and a BCIS mean level is £180,674,550. The Applicants costs are in the range we would expect for sales of £1,170/ft². We would expect the difference to BCIS to be substantially reduced or eliminated when a benchmarking exercise can be concluded.

The demolitions are an abnormal cost for BCIS purposes and are not included in the table at 3.12 above. The estimated total is £9,000,000 that equates to 1.43%.

The total external works includes on plot landscaping, public realm, service yard, bus works, service diversions and site wide utilities and amounts to £61,225,380 equating to 9.74%. This is in the range we would expect for a project of this to type.

At this stage we are unable to confirm that we consider the construction costs to be reasonable.

The Table at 3.17 indicate that the durations of Block N3-E might be reduced by one quarter, Block N7 might be reduced by one quarter, Block S7 might be reduced by two quarters, Block S8 might be reduced by three quarters, Block N3 might be reduced by two quarters. The durations of the other blocks appear broadly in line with BCIS.”

Detailed phases:

"This report relates to the cost for the detailed application for Blocks N3, N4 & N5. It is supple mental to our report issued 31st March 2022 on the FVA for the Outline Application.

Our benchmarking of N3 results in an adjusted benchmark of £3,811/m² that compares to the Applicant's £3,759/m². Our benchmarking of N4 results in an adjusted benchmark of £3,462/m² that compares to the Applicant's £3,284/m². Our benchmarking of N5 results in an adjusted benchmark of £3,664/m² that compares to the Applicant's £3,639/m². We therefore consider the Applicant's costs to be reasonable.

In the light of these conclusions relating to the estimated costs for the detailed application for N3, N4 & N5 we would expect to conclude that the costs for the remainder of the outline scheme is reasonable when it is submitted together with a detailed estimate as part of a detailed application."

3.13 We have therefore adopted the build costs assumed under the cost plan, noting Neil has accepted the detailed costs as being reasonable, and the outline phases are flagged as being probably reasonable.

3.14 We have provisionally accepted the applicant's assumptions in respect of S106/CIL but seek clarity from the council that these are both full and reasonable amounts.

4.0 PRINCIPLES OF VIABILITY ASSESSMENT

4.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

Gross Development Value – Development Costs (including Developer's Profit) = Residual Value

4.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.

4.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.

4.4 PPG now firmly defines the approach to be taken to determine land value through the following extracts

How should land value be defined for the purpose of viability assessment?

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. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.

Paragraph: 013 Reference ID: 10-013-20190509

Revision date: 09 05 2019

What factors should be considered to establish benchmark land value?
Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

Paragraph: 014 Reference ID: 10-014-20190509

Revision date: 09 05 2019

What is meant by existing use value in viability assessment?

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

Paragraph: 015 Reference ID: 10-015-20190509

Revision date: 09 05 2019

How should the premium to the landowner be defined for viability assessment?

The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

Paragraph: 016 Reference ID: 10-016-20190509

Revision date: 09 05 2019

Can alternative uses be used in establishing benchmark land value?

For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.

Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.

Paragraph: 017 Reference ID: 10-017-20190509

Revision date: 09 05 2019

5.0 DEVELOPMENT REVENUE

Private Residential Values

5.1 The planning application is part detailed and part outline, with an approximate target of 1,800 units, of which 35% are affordable housing (target by unit area). Knight Frank have advised the applicant on the appropriate values and GE have adopted them. KF have produced a report to justify their values together with supporting comparable evidence/analysis.

5.2 Knight Frank's average pricing for the detailed proposal is below:

	Total			Unit sqft	Price	
Unit Type	No.	NSA sqft	% Mix	Average	Average	Ave £psf
Studio	60	26,612	14%	444	£540,988	£1,220
1B2P	156	86,968	37%	557	£678,192	£1,217
2B3P	90	65,703	21%	730	£857,727	£1,175
2B4P	96	74,683	23%	778	£896,106	£1,152
3B5P	18	18,216	4%	1,012	£1,033,096	£1,021
Total	**420**	**272,181**	**100%**	**648**	**£762,082**	**£1,176**

5.3 KF for the outline proposal have provided a GDV per a block. This is based on an assumed weighting of 18% studios, 31% one bed, 47% two bed, 4% three beds which is broadly consistent with the detailed proposals.

5.4 We acknowledge that the proposed car parking is for blue badge (disabled users) only and on the basis, they can't be readily sold, we agree there is a nil market value.

Extract from Design & Access Statement Allford Hall Monaghan Morris – CGI of the proposed development

5.5 We have based our assessment on the basis of a market average value as Knight Frank have done. If we are later provided with a unit by unit schedule we reserve the right to update our valuation accordingly. We acknowledge that sale value growth is being captured as an explicit assumption. Our base valuation is based on today's costs and values.

5.6 The site currently comprises of the 02 Shopping Centre, Halfords, Aldi & Volkswagen Car Dealerships and an independent Builders merchants' yard.

5.7 The site is situated in the area of West Hampstead, with West Hamstead underground station situated directly to the south west of the subject site's western most boundary (c.50m). Finchley Road underground station is 100m south east of the subject site's eastern most boundary. The site is encased by Blackburn Road to the north and south, the A41/Finchley Road to the east and Billy Fury Way to the west.

5.8 The surrounding area is predominately existing residential housing/low rise flats with supporting commercial (retail) uses along Finchley Road to the east and West End Lane to the west. West End lane is a popular area which boasts a vibrant mixture of coffee shops, bars, pubs and restaurants.

5.9 Other land uses of note include a new build student accommodation block directly to the west of the site, Alvanley Sports Grounds to the north (tennis courts, squash, playing fields), and the new build residential blocks built along Heritage Lane to the west (West Hampstead Square) which KF refer to as a comparable.

5.10 We also note West Hampstead Central, 156 West End Lane is a current new build development of 180 units, of which 94 are private. The private units were sold as part of a bulk deal and are due to be re-sold in Hong Kong, with the pricing currently unavailable.

5.11 We consider the comparable evidence put forward by Knight Frank and discuss in turn below:

West Hampstead Square, 187-199 West End Lane, NW6 2LJ

5.12 West Hampstead Square is a modern development by Ballymore which completed Q2 2017. The scheme achieved 100% off-plan sales. On-site amenities include concierge, gym, spa, sauna and treatment room. Scheme comprises of 198 units, of which 53 are affordable (20 intermediate, 33 social rent). The scheme is arranged over 7 blocks, ranging in height from 5-12 stories.

5.13 The site is situated 75m from the site's western most boundary (500m from the centre of the site). Generally, the comments made by Knight Frank are balanced and reasonable; this is a relevant comparable, albeit it is 5 year out of date from the original sales and some caution needs to be taken with the evidence.

5.14 The original sales data is summarised as:

Achieved prices 2017

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
Studio	20	448	£420,525	£939
1 bed flat	29	563	£552,138	£981
2 bed flat	82	818	£790,949	£967
3 bed flat	12	1088	£1,083,083	£981
	131			

5.15 Re-sale data summarised from KF:

Knight Frank re-sale data 17-2020

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
Studio	2	452	£492,500	£1,089
1 bed flat	2	553	£641,663	£1,161
2 bed flat	2	854	£856,667	£1,003
3 bed flat	2	980	£1,174,800	£1,199
	8			

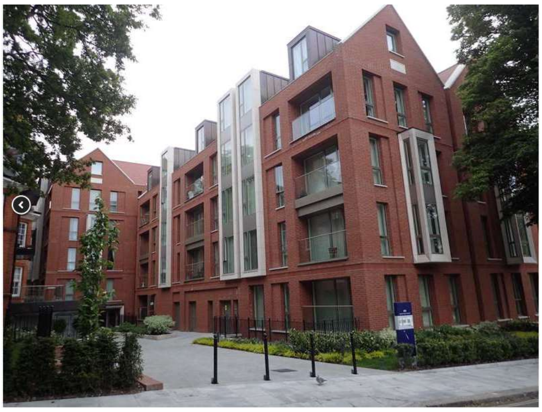
5.16 Asking prices from Rightmove (current)

Block	Beds	Size sq. ft.	Price	Date	£psf	Floor
Lessing Building	2	820	£899,950	OTM	£1,097.50	2
Lessing Building	2	804	£950,000	OTM	£1,181.59	10
Beckford Building	2	800	£950,000	OTM	£1,187.50	7
Beckford Building	2	826	£975,000	OTM	£1,180.39	7
Beckford Building	2	855	£899,950	OTM	£1,052.57	1

5.17 As can be seen from the three tables above which are: the original sales, re-sales (achieved) and asking (Rightmove current asking), the £psf rate has risen over time as is to be expected. Whilst we accept that the re-sales are asking prices and not achieved, they do set a higher tone than the old sales data.

5.18 West Hampstead Square did make the news headlines recently regarding flammable cladding; which may deter some purchasers or at least seek an appropriate price reduction on re-sales. Overall, we would expect the subject to achieve a higher sales rate owing to its scale, commercial offering, place making, and it being current (to reflect the sales growth since the original re-sales). That said we appreciate in terms of location this is highly comparable.

Hampstead Manor, Kidderpore Avenue, NW3 7ST



5.19 Hampstead Manor is a new build development by Mount Anvil. Construction completed in Q1 2020. The scheme bar 1 unit which is still available sold out by Q3 2021; the Chapel remains for sale being a 4 bedroom unit at an asking price of £6.75M which extends to 3,810 sq. ft. (this is slightly unique in comparison to the standard market units).

5.20 The scheme comprise a mixture of listed building conversions and new build flats, 156 units in total (125 private units). The site is situated 1.25km north west of the subject site.

5.21 We note Knight Frank were a retained selling agent along with CBRE. BPS were the late stage reviewer on this scheme and in our role we have had sight of the majority of the actual sales evidence provided to us by Mount Anvil. We were given the information in confidence as the council's reviewer and on that basis, we have cited below the publicly available land registry sales evidence only:

Land Registry - Achieved sales 2018-2020

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
Studio	1	463	£490,050	£1,058
1 bed flat	32	580	£731,309	£1,269
2 bed flat	28	848	£1,129,311	£1,340
3 bed flat	33	1467	£1,869,885	£1,292
	94			

5.22 On-site amenities include concierge, gym, resident's spa, swimming pool, sauna with hammam experience, on-site car parking and car service. The gym and sauna on this development are of a high end specification. The comments put forward by Knight Frank again are balanced and reasonable. As they say some of the units are quite bulky in terms of pricing with penthouses achieving £4M, £6M and £14M approximately which are less relevant in comparison to pricing standard market new build flats at the subject scheme. Our schedule above is based on the flats only (ignoring the 4 beds/penthouses).

5.23 The Mount Anvil scheme is in our view more desirable than the Berkeley scheme situated opposite (Kidderpore Green) in our view; it's set back from the main road and adjoins West Heath Lawn Club. The listed building elements which are re-purposed make the development quite unique. On the one hand the subject is taller, has better transport links, whereas Mount Anvil scheme has an attractive micro location and exclusivity appeal and so it may be down to buyer's preference. This is a reasonable comparable, but we do urge some caution over the direct comparison of the listed building elements with the subject scheme.

Kidderpore Green, 27 Kidderpore Avenue, NW3 7AS

5.24 Kidderpore Green is a new build development by Barratt. The scheme sold out in March 2019, having completed in Q4 2018. The scheme comprises of 128 units, of which 93 are private. The flats are a mixture of 1, 2 and 3 bedrooms in addition to a house and maisonettes. On-site amenities include 12 hour concierge an underground parking.

5.25 Again, BPS were the late stage reviewer and we have had sight of the majority of the actual achieved evidence provided to us by Barratt directly. We quote below the achieved evidence that is available on the land registry:

Land Registry - Achieved sales 2016-2019

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
1 bed flat	2	608	£650,375	£1,073
2 bed flat	28	906	£898,621	£990
3 bed flat	34	1324	£1,426,723	£1,085
	64			

5.26 Knight Frank's comments are broadly reasonable. The Barratt scheme does not have the same level of amenities as the Mount Anvil scheme, that said the £psf rate does have quite a large disparity between the two comparables. We have provided average values excluding the penthouses/bulky transactions for both comparables.

Oakley Gardens, Church Walk, Barnet, NW2 2TJ

5.27 Oakley Gardens is a new build development by Goldenstone Development. Construction completed Q2 2020, all but 9 units are sold to date. The scheme comprises of 35 private units a mixture of flats and houses ranging from 1-4 bedrooms. The scheme is situated 1.8km north west of the subject site. On-site amenities are limited to concierge and underground parking.

Oakley Gardens - Asking Prices 2018-2020

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
1 bed flat	5	633	£621,000	£982
2 bed flat	11	848	£884,182	£1,044
3 bed flat	8	1283	£1,392,844	£1,084
	24			

5.28 Knight Frank's comparable comments are broadly reasonable.

Belle Vue, Hampstead, NW3 2AQ

5.29 Belle Vue, Hampstead is a new build extra care development by Pegasus Life. 59 units (1 & 2 bedrooms). The site is situated 1.25km north east of the subject site. On-site amenities include Sunday Café, Guest Suite, Wellness Spa, Pool and Gym, Owner's lounge, Sky Lounge, private outdoor space, secure underground parking.

5.30 Knight Frank have not provided any asking prices/transactions, but we note they quote a generic £1,700psf blended average sales rate (with 25-30% sold). Generally, we agree with KF that extra care units trade at a premium over traditional flats owing to the enhanced on-site amenities coupled with the ability to upgrade care packages for residents as their needs adapt. Noting the scheme achieved practical completion in 2019, the sales rate is particular slow which is probably reflective of the relatively high pricing.

Belle Vue - Asking prices 2022

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
1 bed flat	4	614	£907,500	£1,471
2 bed flat	6	1001	£1,858,333	£1,854
	10			

5.31 KF's comments on scheme comparisons are broadly sensible and we would expect the subject to achieve a lower sales rate £psf; generally extra care schemes are achieving a substantial premium owing to their on-site amenities and care packages which are offered to residents.

White City Living, White City, W12 7RQ

5.32 White City Living is a new build residential development by Berkeley St. James comprising of 1,845 units across multiple phases. Berkeley is seeking to increase this to a total no. of 2,030 units via a S.73 application to vary their master consent. The units comprise a mixture of studios, 1, 2 and 3 bedroom flats. The scheme has a maximum height of 37 stories. There is 24% affordable housing on-site by unit number.

5.33 Phase 1 comprises of 412 units which completed in Q2 2021, having sold out in Q2 2020. Phase 2 has not been implemented. Phase 3 is under construction, with block E1 comprising of 317 units, with 243 units sold to date, with completion due for 2023/2024.

5.34 We've included achieved land registry sales below in a summary table:

Land Registry - Achieved sales 2019-2020

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
Studio	11	451	£639,784	£1,420
1 bed flat	34	581	£767,700	£1,322
2 bed flat	82	893	£1,145,770	£1,286
3 bed flat	4	2102	£2,860,875	£1,351
	120			

5.35 The scheme is situated 4.6km / 2.9 miles south west of the subject site. On-site amenities include 8 acres of landscaped gardens including a 5 acre park, Home Club including pool, gym, spa and cinema, roof top bar, concierge service, business suites.

5.36 This is a considerable distance from the subject site, but we acknowledge Knight Frank's comments that this is clearly a similar scale to the proposed development. Given the distance we have attached a relatively low weight to this comparable.

Cadence, Kings Cross, York Way, N1C 4AG

5.37 Cadence is a new build development by Argent/Pocket Living. The scheme comprises of 163 units, 103 of which are private and the remainder intermediate (Pocket Living Units). Construction is due to complete Q1 2023, with 90 units sold (13 remaining). The site is situated 4.3km / 2.66 miles south east of the subject.

5.38 The Pocket Living units (intermediate housing) are built below minimum size standards and are not reflective of standard market sales. Regarding the private sales units, Knight Frank are the selling agent on this scheme so they clearly have a better picture of the actual achieved sales, noting they quote an average achieved value of £1,485psf.

Cadence Kings Cross - Asking Prices 2021

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
2 bed flat	17	905	£1,703,235	£1,878
3 bed flat	6	1465	£2,148,333	£1,466
	23			

5.39 We do not consider this to be a particularly relevant comparable to the subject in any instance, it's too far away and central King's Cross is a stronger market.

Embassy Gardens, Nine Elms, Wandsworth, SW8 5AT

5.40 Embassy Gardens is a new build development by Ballymore Group. Scheme is multiphase with c.1980 units overall set out on 15 acres of site, arranged across 9 buildings. The site is located 8.2km / 5.1 miles south east of the subject site. On-site amenities include a park, concierge service, sky pool, cinema, fitness centre and meeting rooms.

5.41 The Sky Pool is of particular note as a world-renowned feature boasting a 25-metre length acrylic pool linking two of the buildings which overlooks the American Embassy and the surrounding areas.

5.42 Achieved pricing is summarised below:

Land Registry - Achieved sales 2018-2021

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
Studio	24	465	£683,401	£1,482
1 bed flat	64	606	£904,573	£1,492
2 bed flat	231	892	£1,268,075	£1,420
3 bed flat	28	1215	£1,792,107	£1,454
	347			

5.43 Whilst we acknowledge the scale of the development is similar to the subject, this is a considerable distance from the site and is given limited weight as comparable evidence.

Lillie Square, West Brompton, SW6 1RX

5.44 Lillie Square, West Brompton is a new build development by Capital & Counties comprising of 808 units (608 private). A mixture of 1, 2 and 3 bedroom units. Phases 1 & 2 are complete with 18 units left to be sold. Average sales rate of £1,500 psf. On-site amenities include pool, gym, spa, treatment rooms, resident's lounge, private screening room, wine cellar, car club, and 24 hour concierge. The scheme is situated 6.95km/ 4.32 miles south west of the subject site.

5.45 Asking prices are below:

Lillie Square - Asking Prices 2022 (Rightmove)

Unit Type	Unit Count	NSA (sq.ft)	Average Value	Average £psf
1 bed flat	3	575	£866,667	£1,520
2 bed flat	4	1005	£1,633,475	£1,618
3 bed flat	5	1225	£2,127,700	£1,787
	12			

5.46 Most of the agreed sales are somewhat dated. This is located in close proximity to West Kensington and Hammersmith & Fulham and is a superior location. This coupled with this distance from the subject leads us to conclude it holds low weight.

5.47 In considering the pricing for the subject scheme, we consider the comparables aforementioned, together with the site's specific attributes.

5.48 Whilst this is a car free scheme (other than blue badge bays), the site has a 6b PTAL rating (the highest possible) so the impact on values in limited.

5.49 This scheme will benefit from place making owing to its scale of 1,800 units. There is a substantial amount of commercial floor space being included in this scheme i.e. c.180,000 sq. ft. including a mixture of retail, food & drink, financial & professional services, community, drinking establishment, gym, medical and nursery. The uses will likely compliment the residential offering of the scheme.

5.50 We consider the values put forward by GE to be broadly reasonable in line with the evidence on a current day basis.

Ground Rents

5.51 The Leasehold Reform (Ground Rent) Act 2022 was granted Royal Ascent on the 8th February 2022, with the relevant Act being brought into full force within 6 months, (8th August at the latest). The reforms put an end to ground rents for new, qualifying long residential leasehold properties in England and Wales. Once the act is in force, any ground rent demanded as part of a new residential long lease cannot be for any more than a peppercorn (no financial value).

5.52 Whilst the act is not yet in full force, we acknowledge that in light of an effective ban on future ground rents that they should no longer be included as a future revenue stream for planning & viability purposes. We understand the act covers single 'dwellings' and will therefore capture student and retirement accommodation providing they are occupied or intended to be occupied as single dwellings.

5.53 We therefore consider the omission of capitalised ground rents as being a reasonable assumption.

Commercial Values

5.55 On the commercial values broadly speaking the baseline assumptions assumed by GE are reasonable if not bullish as generic market values, save our specific comments below.

Cinema

5.56 We have suggested to GE that they adopt the same assumptions for the cinema on both the proposed and the existing unless they can robustly justify the difference.

Commercial Offices

5.57 On the commercial office/workspace GE have assumed a rent of £25psf. Further clarity is sought on the specification of the offices, the layout and the overall offering. Moreover, the applicant's team have not provided any transactions to support their office values.

5.58 The affordable workspace should be set at a 50% discount to market rent in any event in line with Camden's guidance on affordable workspace in our view.

Growth Modelling

Private sales rates

5.59 In terms of the growth modelling adopted by GE, in principle we accept that the applicant is trying to show a best-case scenario in the context of viability. In terms of rates adopted:

5.60 The Knight Frank sales growth assumptions provided by GE are in line with the publicly available growth research reports Knight Frank adopt.

	2021	2022	2023	2024	2025	Cumulative 2020 to 2025
PCL	2%	7%	5%	4%	5%	25%
POL	4%	4%	4%	4%	5%	23%
Prime Regional	4%	4%	3%	3%	4%	19%
UK	5%	4%	4%	4%	5%	24%
Greater London	4%	4%	3%	3%	3%	18%

5.61 These assumption are above that of market peers Savills and CBRE and we consider the assumptions to be optimistic. (We have included these as an appendices).

Affordable rental growth

5.62 GE have adopted 2% an annum for affordable rental growth. Affordable rental growth is usually capped at CPI+1%, but it does vary across the affordable tenures.

5.63 On the one hand, CPI is currently running at 6.2%, but on the other the government has previously introduced rent de-escalators to artificially reduce affordable rents to keep them affordable (between 2016-2020 this was done) we acknowledge that 2% is a perhaps a more balanced growth assumption.

Build costs

5.64 On the build costs GE have assumed the following based on forecasts.

Table 9: Cost Inflation

Market	2022	2023	2024	2025	2026 onwards
Tender price inflation	3.5%	3.0%	3.75%	3.5%	2.5%

5.65 This equates to an average of 3.25% per annum cost inflation.

5.66 We have been provided with a forecast summary by the GLA on average cost inflation predictions, which include G&T whom are the applicant’s advisor.

Year	MACE	Arcadis	G&T	Overall Average by Year (2.89%)
2022	3.5%	3.5%	2.25%	3.08%
2023	3.5%	3%	2.0%	2.83%
2024	2.5%	5%	2.0%	3.16%
2025	2.5%	5%	n/a	2.5%
2026	n/a	n/a	n/a	n/a
Overall Average by Consultant (3.04%)	3%	4.12%	2%	-

5.67 The cost inflation by GE is perhaps slightly high upon reflection.

Commercial rental growth

5.68 On the commercial, GE have adopted 2% growth with the exception of year one, where they have adopted 0%. We reference below the IPF-UK Consensus Forecasts Winter Growth (2021-2022).

Summary Average by Sector

	Rental value growth (%)				Capital value growth (%)				Total return (%)			
	2022	2023	2024	2022/26	2022	2023	2024	2022/26	2022	2023	2024	2022/26
Office	1.3	1.5	1.9	1.6	1.9	0.9	0.8	1.0	5.9	5.0	4.9	5.1
Industrial	5.5	4.0	2.9	3.4	8.5	3.5	1.6	3.3	12.3	7.2	5.3	7.0
Standard Retail	-2.5	-0.5	0.3	-0.3	-0.9	-0.6	0.0	-0.1	3.8	4.1	4.8	4.6
Shopping Centre	-2.8	-1.2	-0.1	-0.5	-2.7	-1.2	-0.6	-1.0	3.0	4.5	5.2	4.6
Retail Warehouse	0.3	0.8	1.1	0.9	3.5	1.1	0.1	1.0	9.7	7.1	6.2	7.1
All Property	**2.5**	**2.1**	**2.0**	**2.0**	**4.1**	**1.9**	**1.1**	**1.8**	**8.6**	**6.2**	**5.4**	**6.2**
West End office	1.9	1.9	2.4	2.0	3.6	1.7	1.3	1.8	7.0	4.9	4.6	5.2
City office	1.9	1.8	1.9	1.7	2.7	1.2	1.0	1.4	6.2	4.7	4.5	4.9
Office (all)	**1.3**	**1.5**	**1.9**	**1.6**	**1.9**	**0.9**	**0.8**	**1.0**	**5.9**	**5.0**	**4.9**	**5.1**

5.69 As can be seen from the extract, all property rental value growth ranges from 2.0-2.5%. GE's forecast is cautious for the first year, but otherwise broadly in line.

5.70 The IPF forecast is publicly available and is based on the view of 19 contributors from the market, including Avison Young, Carter Jonas, CBRE, Colliers, JLL, Knight Frank and Savills.

6.0 AFFORDABLE HOUSING VALUES

6.1 The applicant is proposing 35% affordable housing by floor area for each phase of the development. By unit number this equates to 251 intermediate units and 315 London Affordable Rented in total. The tenure reflects a split of approximately 60:40 in favour of affordable rent.

6.2 Quod have advised the applicant on the affordable housing values and they have assumed a package price of £405psf for intermediate rent and £219psf for London Affordable Rented. We have requested a copy of Quod's cash flow together with their supporting assumptions.

6.3 Quod did not provide us with their cash flow, but have provided the following headline assumptions:

London Affordable Rent (Affordable Rent tenure)

- Rents set by GLA for 2022 i.e. 1 bed £162 P/W, 2 bed £171 P/W, 3 bed £181 P/W
- Weeks – 52
- Operating costs (management, bad debts, voids and maintenance) - £1,300 per a unit
- S/C – N/a
- RP Year 1 net investment yield – 4.75%
- Unit sizes – minimum space standards
- Exit value of £219psf.

Intermediate Rent (Intermediate Tenure).

- Intermediate Rents i.e. 1 bed £270 P/W, 2 bed £300 P/W, and 3 bed £330 P/W
- Weeks – 52
- Operating costs (management, bad debts, voids and maintenance) - £1,300 per a unit
- S/C – £3psf
- RP Year 1 net investment yield – 4.75%
- Unit sizes – minimum space standards
- Exit value of £405psf.

6.4 The GLA rents are fixed and in line with guidance.

6.5 GE/Quod have correctly assumed intermediate rent which is council's preferred tenure for intermediate affordable housing. The intermediate rents are in line with Camden's affordability requirements, however we understand that Camden only seeks intermediate rent on studio, 1 and 2 bedroom units.

6.6 We have checked this against our in house affordable housing valuation spreadsheet and consider their values to be broadly reasonable.

7.0 DEVELOPMENT COSTS

7.1 Our Cost Consultant, Neil Powling, has reviewed the cost information that has been provided. His reports can be found in Appendix A, a summary of each is as follows:

Outline phases:

"We have compared the Applicants building costs to BCIS mean average costs and provide the results in the table at 3.12 below. Without a properly detailed elemental estimate we are unable to undertake a full benchmarking exercise. The difference between the Applicant's estimate and a BCIS mean level is £180,674,550. The Applicants costs are in the range we would expect for sales of £1,170/ft². We would expect the difference to BCIS to be substantially reduced or eliminated when a benchmarking exercise can be concluded.

The demolitions are an abnormal cost for BCIS purposes and are not included in the table at 3.12 above. The estimated total is £9,000,000 that equates to 1.43%.

The total external works includes on plot landscaping, public realm, service yard, bus works, service diversions and site wide utilities and amounts to £61,225,380 equating to 9.74%. This is in the range we would expect for a project of this to type.

At this stage we are unable to confirm that we consider the construction costs to be reasonable.

The Table at 3.17 indicate that the durations of Block N3-E might be reduced by one quarter, Block N7 might be reduced by one quarter, Block S7 might be reduced by two quarters, Block S8 might be reduced by three quarters, Block N3 might be reduced by two quarters. The durations of the other blocks appear broadly in line with BCIS."

Detailed phases:

"This report relates to the cost for the detailed application for Blocks N3, N4 & N5. It is supple mental to our report issued 31st March 2022 on the FVA for the Outline Application.

Our benchmarking of N3 results in an adjusted benchmark of £3,811/m² that compares to the Applicant's £3,759/m². Our benchmarking of N4 results in an adjusted benchmark of £3,462/m² that compares to the Applicant's £3,284/m². Our benchmarking of N5 results in an adjusted benchmark of £3,664/m² that compares to the Applicant's £3,639/m². We therefore consider the Applicant's costs to be reasonable.

In the light of these conclusions relating to the estimated costs for the detailed application for N3, N4 & N5 we would expect to conclude that the costs for the remainder of the outline scheme is reasonable when it is submitted together with a detailed estimate as part of a detailed application."

7.2 We have therefore adopted the build costs assumed under the cost plan, noting Neil has accepted the detailed costs as being reasonable, and the outline phases are flagged as being probably reasonable.

7.3 The construction timescales have also been indicated as potentially being too long by our QS. Further evidencing is therefore sought from the applicant's advisor, but for the purposes of the appraisal we have provisionally inputted the costs assumed.

7.4 Professional fees have been applied at 10% which is broadly industry standard.

7.5 GE have included the following planning contributions:

- CIL £38,280,389;
- S106 £3,232,800;
- Carbon off-set £2,546,152.

7.6 We have provisionally accepted the CIL/S106 amounts as being reasonable but seek clarity from the council on whether the amounts are sufficient and appropriate.

7.7 There are inconsistencies throughout the report on the disposal fees adopted by Knight Frank and Gerald Eve.

7.8 In Gerald Eve's appraisal pdf. page 219 of the report (the last page) they have adopted the following:

- Residential agents & legals 1.5%
- Residential marketing 2%
- Commercial letting agents & legals 15% (of annual market rent).
- Commercial sales agents & legals 1.5%.

7.9 The commercial amounts stated above are industry standard and considered reasonable. We contest the need for 1% commercial marketing budget which is referenced in the report, but presumably in error.

7.10 On the residential at 3.5%, this is towards the upper end of residential disposal fees but we acknowledge that Knight Frank have adopted reasonable sales rate i.e. 60% off plan with a global sales rate of 80 a year thereafter; as they say if the marketing budget is reduced it may impact the sales rate.

Finance

7.11 A finance rate of 7% has been adopted by GE. We consider the finance assumption to be in the region of 6.5-7% on a current day basis which is dependent on a site specific basis, in this instance we have adopted 6.75% as being a broadly reasonable assumption. Whilst we acknowledge interest rates are on the rise, this is a large re-development which could only be undertaken by a large scale developer whom typically borrow at attractive rates; we consider our rate adoption fairly reflects a balance between the two interests.

Timescales

7.12 Turning to project timescales we note GEs build programme below:

Name	Start	End
BLOCK N4	Q4 2023	Q1 2026
BLOCK N3-E	Q2 2024	Q1 2026
BLOCK N5	Q3 2024	Q2 2026
BLOCK N7	Q2 2027	Q3 2029
BLOCK S8	Q4 2027	Q4 2029
BLOCK N6	Q4 2028	Q3 2030
BLOCK N3	Q1 2031	Q3 2033
BLOCK N2	Q3 2033	Q4 2037
BLOCK N1	Q3 2033	Q4 2037
BLOCK S1	Q3 2033	Q4 2037

Source: The Applicant

7.13 In terms of the build programme, we note our QS' comments that the timescales could be shorter when compared to BCIS duration data.

7.14 The off-plan sales assumption of 60% with a sales rate of 70-80 a year (5.83 – 6.66 a month) appears broadly reasonable. However a higher off plan rate would assist in accelerating the build programme which appears geared to the sales rate and not necessarily the most economic development delivery.

7.15 It is not clear what GE's assumptions are on the commercial timings.

7.16 We have adopted an S curve weighting for construction costs which is considered industry standard for viability test purposes. Profits have been timed to the end of the project to reflect that developers typically re-invest realised profits at project completion and so as not to artificially inflate finance costs on developers' profits.

Developer's profit

7.17 GE have based the developer's profit on an Internal Rate of Return, with a target of 13% based on present cost and values and 17% on future cost and values. The logic for adopting an IRR over the standard GDV approach references the timescales of the development being 10-15 years.

7.18 Typically for development profit we refer to PPG which advises that return on residential development should ranges from 15-20% of GDV, dependent on-site specific risks. The Three Dragons Technical Study supporting the New London Plan advises on this point, stating:

Build types and Developer Returns

57. The only significant variable of built form was the height of the development. Sales cannot be completed until the building is occupied. Taller buildings take longer to build out.

58. We found that up to 5 storeys the base result of Developer Return (at 15% of GDV) could apply as these typically had a one year build out time. 59. Buildings of 6 to 20 storeys required, on average, another year to build out and so the required Developer Return increased to 17.5%.

60. Buildings over 20 storeys take, on average, three years to build out and so required a Developer Return of 20%.

61. The storey height was found to be the most significant factor to inform a range of Developer Returns for the area plan assessment. Other scheme specific factors may apply, for example a mix of building heights within the same built form, or where parts of a building can be occupied before the whole building is completed. Factors that are not height related, such as major substructure work in poor ground or over tunnels, may also need to be considered, so the figures above should be considered a broad average, rather than a statistically accurate guide to Developer Returns applicable in every circumstance.

7.19 Given the project timescales are up to 15 years we are willing to look at this on an IRR basis. One of the issues with assessing IRR is around the lack of benchmarking information; GE's IRR targets of 13.2% and 17.2% for present day and future growth assumptions respectively which have not been supported by robust justification.

7.20 We have sought drive a comparison of the proposed IRR target to a conventional return on GDV. Through inflating private sales values we calculate the effective return on private sales GDV would 31.72%, allowing for a conventional 15% return on commercial GDV and 6% on affordable GDV. This comparison is required under Mayoral guidance.

7.21 In planning guidance there is generally a lack of benchmarking information on IRR. In terms of wider academic research there have been a number of research papers from Reading University and from the RICS. Whilst information is more readily publicly available on existing investments, on development there is less available credible information.

7.22 We make reference to Neil Crossby et al* *"The Implied Internal Rate of Return in conventional residual valuations of development sites"* which considers ungeared IRR targets for developments of 25% profit on cost, with a finance rate of 7% and a development period of 6 years equate to an IRR of 14%. With a lower profit on cost at 20%, with a finance rate of 6% this equates to 11% target IRR. Inputting our own views on finance and traditional profit GDV targets we consider the appropriate assumption lies between the two points of reference if applied to said research.

*Neil Crosby, Steven Devaney & Peter Wyatt (2018) The implied internal rate of return in conventional residual valuations of development sites, Journal of Property Research, 35:3, 234-251, DOI: 10.1080/09599916.2018.1457070

7.23 Geared IRRs on the same metrics rise to 22% and 17% respectively. The geared IRR assumes (60% loan-to-cost ratio). The IRR is calculated on the equity element only which is why the relative rate increases, this is owing to the leverage effect; leverage or debt magnifies potential returns and losses.

7.24 Given we are assuming 100% debt finance, arguably we should consider the ungeared IRR rates. This is on the basis we are not considering the developer's personal position i.e. if they're using 40% of their own cash or debt, they are for the purposes of the exercise using 100% debt/equity financing. This is meant to simplify the finance position for viability test purposes; GE's target of 13.2% therefore appears broadly reasonable in the context of the available research.

7.25 Overall, we acknowledge that 13.2% IRR as a target for a 10-15 year period is reasonable on the basis of time value of money (present value discount) which would erode the developer's profit, which is a current day equivalent of 26% on GDV on private profit and likely within the PPG range. However, if the timescales could be substantially reduced and or the cash flow improved i.e. changing part of the scheme to build to rent then we would expect the profit target to be reduced proportionality, all things being equal.

8.0 BENCHMARK LAND VALUE

8.1 A benchmark land value of £170,000,000 has been adopted by Gerald Eve. We can confirm that we have had sight of the confidential information, we have undertaken further analysis on the BLV and can confirm it is a realistic cost.

Quality Standards Control

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator. This document must only be treated as a draft unless it has been signed and approved by the Originators and a Business/ Associate Director.

Signed

Thomas Mason MRICS
RICS Registered Valuer
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For and on behalf of BPS Chartered Surveyors

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Appendix A

Project: O2 Centre Site, Finchley Road, Camden
Report on FVA

Independent Review of Assessment of Economic Viability

Interim Draft Report
Appendix A Cost Report

1 SUMMARY

1.1 We have extracted the building cost information into a table; there is insufficient detail to prepare an elemental cost analysis.

1.2 Th e Location Factor for Camden of 128 has been applied in our benchmarking calculations for this FVA scheme. The Camden Location Factor on 2nd March 2022 used for our evaluation of the PAPN scheme was 130.

1.3 The car park costs were separately identified in the PAPN scheme; the residential and car park costs have been combined in the FVA scheme.

1.4 We have compared the Applicants building costs to BCIS mean average costs and provide the results in the table at 3.12 below. Without a properly detailed elemental estimate we are unable to undertake a full benchmarking exercise. The difference between the Applicant's estimate and a BCIS mean level is £188,954,905. The Applicants costs are in the range we would expect for sales of £1,174/ft². We would expect the difference to BCIS to be substantially reduced or eliminated when a benchmarking exercise can be concluded.

1.5 At this stage we are unable to confirm that we consider the construction costs to be reasonable.

1.6 We have prepared the table at 3.17 below of the Applicants duration compared to BCIS using the BCIS Duration Calculator. This indicates that the durations of Phases 1A, 1B and 2B might be reduced by one quarter, Phase 3A by two quarters. The duration of Phase 3 B including Buildings N1, N2 & S3 shows a difference to BCIS of 5 quarters – we suggest the programme for each of the three buildings is separately considered. The durations of Phases 1C and 2A appear broadly in line with BCIS.

2 METHODOLOGY

2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element-by-element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5-year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.

2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available an overall £ per sqm and on a group element basis ie. substructure, superstructure, finishings, fittings and services – but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher-than-normal cost of external wall and window elements.

2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

2.5 BCIS costs are available on a quarterly basis – the most recent quarters use forecast figures; the older quarters are firm. If any estimates require adjustment on a time basis, we use the BCIS all-in Tender Price Index (TPI).

2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However, if the Applicant's cost plan does not distinguish different categories, we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.

2.7 To undertake the benchmarking, we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also, any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.

2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.

2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element-by-element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m^2 and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

2.11 We have considered the duration of the construction period by reference to the average duration calculation resulting from use of the BCIS Duration Calculator, and if we consider appropriate have drawn attention to any significant divergence between the Applicant's duration and the BCIS calculation. The duration is expected to be the result of a programme in appropriate detail for the stage of the project that should be prepared by a specialist in the field. We consider our experience of construction and duration sufficient for benchmarking comparisons using BCIS, but do not possess the appropriate qualifications and experience for undertaking a more detailed examination of the construction duration.

3 <u>GENERAL REVIEW</u>

3.1 We have been provided with and relied upon the Financial Viability Assessment issued by Gerald Eve Ver 1 January 2022 including at Appendix 10 the Indicative Order of Cost Estimate (Option 60) Rev 1 issued by Gardiner & Theobald 31st January 2022 - Current day 4Q2021.

3.2 The cost estimate is on a current day basis. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 4Q2021 is 344 (Provisional) and for 1Q2022 349 (Forecast).

3.3 The information used to prepare the estimate is stated as Stage 2 Design from AHMM, Pell Frischmann, Hoare Lee & East.

3.4 The cost estimate includes an allowance of 15% for preliminaries. The allowance for overheads and profit (OHP) is 4%. We consider both of these allowances reasonable.

3.5 The allowance for risk is 2.5% for Design Development and 2.5% for construction – total 5% which we consider reasonable. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

3.6 We have extracted the building cost information into a table; there is insufficient detail to prepare an elemental cost analysis.

3.7 Sales have been included in the Appraisal at average figures of £1,174/ft² (Net Sales Area).

3.8 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 128 that has been applied in our benchmarking calculations. The Camden Location Factor on 2nd March 2022 used for our evaluation of the PAPN scheme was 130.

3.9 We have adopted the same GIA used in the Applicant's Order of Cost Estimate; we assume these to be the GIAs calculated in accordance with the RICS Code of Measurement 6th Edition 2007. The car park costs were separately identified in the PAPN scheme; the residential and car park costs have been combined in the FVA scheme.

3.10 The development comprises 10 main blocks executed in seven phases. There is also car parking and various other categories of building collectively described as retail. BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6 storey or above. We have benchmarked the flats as 6 storey or above, the car park as underground and the retail as shell only shops.

3.11 We have compared the Applicants building costs to BCIS mean average costs and provide the results in the table at 3.12 below. Without a properly detailed elemental estimate we are unable to undertake a full benchmarking exercise. The difference between the Applicant's estimate and a BCIS mean level is £188,954,905. The Applicants costs are in the range we would expect for sales of £1,174/ft². We would expect the difference to BCIS to be substantially reduced or eliminated when a benchmarking exercise can be concluded.

3.12

						BCIS		
	Applicant cost & GIA			Difference Applicant cost v BCIS mean		BCIS +5%	BCIS	+5% contingency
	£	m²	£/m²	£/m²	£	£/m²	£/m²	£/m²
Flats 6+ storey	591,319,000	165,984	3,563	1,030	171,031,266	2,532	2,412	121
Retail shell only	40,088,000	15,470	2,591	1,159	17,923,639	1,433	1,364	68
Car park	0	3,606			0	1,243	1,184	59
	631,407,000	185,060			188,954,905			

3.13 The demolitions are an abnormal cost for BCIS purposes and are not included in the table at 3.12 above. The estimated total is £9,468,000 that equates to 1.45%.

3.14 The total external works includes on plot landscaping, public realm, service yard, bus works, service diversions and site wide utilities and amounts to £41,200,000 equating to 6.29%. This is in the range we would expect for a project of this t type.

3.15 At this stage we are unable to confirm that we consider the construction costs to be reasonable.

3.16 We have prepared the table at 3.17 below of the Applicants duration compared to BCIS using the BCIS Duration Calculator.

3.17

	Applicant		BCIS duration	
Phase	£ Total	¼s	¼s	90% conf max¼s
1A	22,407,000	8	6	7
1B	81,608,000	10	8	9
1C	104,267,000	10	9	10
2A	102,850,000	10	9	10
2B	32,700,000	9	7	8
3A	89,860,000	11	8	9
3B	220,810,000	18	11	13
	654,502,000			

3.18 The Table at 3.17 indicate that the durations of Phases 1A, 1B and 2B might be reduced by one quarter, Phase 3A by two quarters. The duration of Phase 3 B including Buildings N1, N2 & S3 shows a difference to BCIS of 5 quarters – we suggest the programme for each of the three buildings is separately considered. The durations of Phases 1C and 2A appear broadly in line with BCIS.

3.19 The areas and costs included in the appraisal are consistent with the areas and costs in the estimate/cost plan.

BPS Chartered Surveyors
Date: 31st March 2022
FVA ver

O2 Centre Site, Finchley Road, Camden

Summary of Buildings Costs - Option 60 31st January 2022

	m²		m²	Ft²	m²	Ft²	m²	Ft²	m²	Ft²	m²	Ft²	m²	Ft²	m²	Ft²	m²	Ft²	m²	Ft²	m²	Ft²
Residential GIA inc car p	169,590		5,269	56,718	23,420	252,091	26,491	285,143	6,054	65,164	21,500	231,427	8,394	90,349	24,456	263,237	16,818	181,024	25,305	272,385	11,884	127,916
Retail GIA	15,470		300	3,232	611	6,580	1,361	14,654	283	3,044	1,553	16,721	794	8,551	455	4,896	3,712	39,951	2,145	23,087	4,255	45,805
Car park GIA	0		0		0	0	0		0	0	0	0	0		0	0	0		0		0	0
	185,060																					
Total GIA ft²				59,950		258,671		299,797		68,208		248,148		98,900		268,133		220,975		295,472		173,721
Total GIA m²	185,060			5,570		24,031		27,852		6,337		23,054		9,188		24,910		20,529		27,450		16,139
Storey height																						
	TOTAL		Phase 1A - Building N3-E		Phase 1B - Building N4		Phase 1C Building N5		Phase 2A - Building N6		Phase 2A - Building N7		Phase 2B - Building S8		Phase 3A - Building N3		Phase 3B - Building N1		Phse 3B - Building N2		Phase 3B - Building S1	
			£	£/m²	£	£/m²	£	£/m²	£	£/m²	£	£/m²	£	£/m²	£	£/m²	£	£/m²	£	£/m²	£	£/m²
Residential																						
Shell & core			11,433,000		47,078,000		55,925,000		12,380,000		41,660,000		17,080,000		50,020,000		34,390,000		51,750,000		24,300,000	
Fit out - Market			4,616,000		3,116,000		21,838,000		4,890,000		8,820,000		3,890,000		16,510,000		13,560,000		10,000,000			
Intermed					4,971,000						2,370,000		650,000		1,480,000				5,820,000			
Low cost rent					6,208,000						3,040,000		720,000		70,000				1,690,000		6,360,000	
Residential amenity			165,000		305,000		854,000		90,000		380,000		240,000		210,000		600,000		400,000		640,000	
Sub total	470,519,000		16,214,000	3,077	61,678,000	2,634	78,617,000	2,968	17,360,000	2,868	56,270,000	2,617	22,580,000	2,690	68,290,000	2,792	48,550,000	2,887	69,660,000	2,753	31,300,000	2,634
Preliminaries 15%	70,840,000		2,440,000		9,260,000		11,800,000		2,610,000		8,450,000		3,380,000		10,460,000		7,290,000		10,450,000		4,700,000	
OHP 4%	21,680,000		750,000		2,840,000		3,620,000		800,000		2,590,000		1,040,000		3,150,000		2,240,000		3,210,000		1,440,000	
Sub total	563,039,000		19,404,000	3,682	73,778,000	3,150	94,037,000	3,550	20,770,000	3,431	67,310,000	3,131	27,000,000	3,217	81,900,000	3,349	58,080,000	3,454	83,320,000	3,293	37,440,000	3,151
MC risk 2.5%	14,140,000		490,000		1,850,000		2,360,000		520,000		1,700,000		680,000		2,050,000		1,460,000		2,090,000		940,000	
D&D risk 2.5%	14,140,000		490,000		1,850,000		2,360,000		520,000		1,700,000		680,000		2,050,000		1,460,000		2,090,000		940,000	
Total residential	591,319,000	3,487	20,384,000	3,868	77,478,000	3,308	98,757,000	3,728	21,810,000	3,603	70,710,000	3,289	28,360,000	3,379	86,000,000	3,517	61,000,000	3,627	87,500,000	3,458	39,320,000	3,309
Retail/ workspace/ community																						
Shell & core			423,000		1,130,000		2,045,000		610,000		3,180,000		1,710,000		980,000		7,910,000		4,620,000		9,160,000	
Sub total	31,768,000		423,000	1,409	1,130,000	1,849	2,045,000	1,502	610,000	2,157	3,180,000	2,047	1,710,000	2,153	980,000	2,155	7,910,000	2,131	4,620,000	2,154	9,160,000	2,153
Preliminaries 15%	4,800,000		70,000		160,000		310,000		100,000		480,000		260,000		150,000		1,190,000		700,000		1,380,000	
OHP 4%	1,510,000		20,000		60,000		100,000		30,000		150,000		80,000		50,000		370,000		220,000		430,000	
Sub total	38,078,000		513,000	1,709	1,350,000	2,208	2,455,000	1,803	740,000	2,617	3,810,000	2,453	2,050,000	2,581	1,180,000	2,594	9,470,000	2,551	5,540,000	2,583	10,970,000	2,578
MC risk 2.5%	1,010,000		20,000		50,000		70,000		20,000		100,000		60,000		30,000		240,000		140,000		280,000	
D&D risk 2.5%	1,000,000		20,000		40,000		70,000		20,000		100,000		60,000		30,000		240,000		140,000		280,000	
Total retail	40,088,000	2,591	553,000	1,842	1,440,000	2,356	2,595,000	1,906	780,000	2,758	4,010,000	2,581	2,170,000	2,732	1,240,000	2,726	9,950,000	2,681	5,820,000	2,713	11,530,000	2,709
Car park																						
Shell & core																						
Sub total			0		0		0		0		0		0		0		0		0		0	
Preliminaries 15%			0		0		0		0		0		0		0		0		0		0	
OHP 4%			0		0		0		0		0		0		0		0		0		0	
Sub total			0		0		0		0		0		0		0		0		0		0	
MC risk 2.5%																						
D&D risk 2.5%																						
Total car park	#REF!		0		0		0		0		0		0		0		0		0		0	
Building Total	631,407,000		20,937,000		78,918,000		101,352,000		22,590,000		74,720,000		30,530,000		87,240,000		70,950,000		93,320,000		50,850,000	
Rounded	631,407,000		20,937,000		78,918,000		101,352,000		22,590,000		74,720,000		30,530,000		87,240,000		70,950,000		93,320,000		50,850,000	

O2 Centre Site, Finchley Road, Camden
Blocks N3, N4, N5 Detailed Application
Elemental analysis & BCIS benchmarking

	GIA m²	**57,453**		**5,570**		**24,031**		**27,852**			
		Total		**N3**		**N4**		**N5**		**LF100**	**LF128**
		£	**£/m²**	**£**	**£/m²**	**£**	**£/m²**	**£**	**£/m²**	**£/m²**	**£/m²**
	Demolitions										
1	**Substructure**	**8,496,000**	**148**	**762,000**	**137**	**3,317,000**	**138**	**4,417,000**	**159**	**165**	**211**
2A	Frame	19,901,677	346	1,972,000	354	8,575,677	357	9,354,000	336	148	189
2B	Upper Floors									87	111
2C	Roof	5,206,000	91	431,000	77	2,257,000	94	2,518,000	90	102	131
	Balconies	8,790,000	153	712,000	128	3,046,000	127	5,032,000	181		0
2D	Stairs	2,280,000	40	220,000	39	1,060,000	44	1,000,000	36	31	40
2E	External Walls	42,564,000	741	4,703,000	844	17,416,000	725	20,445,000	734	211	270
2F	Windows & External Doors									97	124
2G	Internal Walls & Partitions	10,993,479	191	1,089,491	196	4,083,996	170	5,819,992	209	76	97
2H	Internal Doors									55	70
2	**Superstructure**	**89,735,156**	**1,562**	**9,127,491**	**1,639**	**36,438,673**	**1,516**	**44,168,992**	**1,586**	**807**	**1,033**
3A	Wall Finishes									81	104
3B	Floor Finishes	11,994,368	209	1,289,491	232	4,381,007	182	6,323,870	227	67	86
3C	Ceiling Finishes									43	55
3	**Internal Finishes**	**11,994,368**	**209**	**1,289,491**	**232**	**4,381,007**	**182**	**6,323,870**	**227**	**191**	**244**
	Residential amenity fit out	**1,324,000**	**23**	**165,000**	**30**	**305,000**	**13**	**854,000**	**31**		
4	**Fittings**	**7,473,227**	130	**842,594**	151	**2,618,802**	109	**4,011,831**	144	**69**	**88**
5A	Sanitary Appliances	3,063,065	53	343,031	62	1,069,380	45	1,650,654	59	32	41
5B	Services Equipment (kitchen, laundry)									30	38
5C	Disposal Installations	2,624,025	46	267,176	48	1,042,739	43	1,314,110	47	14	18
5D	Water Installations	3,441,507	60	367,935	66	1,295,461	54	1,778,111	64	38	49
5E	Heat Source	3,918,549	68	422,917	76	1,464,243	61	2,031,389	73	60	77
5F	Space Heating & Air Treatment	4,525,702	79	467,052	84	1,770,330	74	2,288,320	82	115	147
5G	Ventilating Systems, smoke extract & control	4,145,950	72	490,080	88	1,393,954	58	2,261,916	81	19	24
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)	6,721,829	117	693,569	125	2,637,447	110	3,390,813	122	99	127
5I	Fuel Installations									7	9
5J	Lift Installations	2,324,000	40	229,000	41	1,071,000	45	1,024,000	37	40	51
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)	1,573,089	27	162,093	29	615,038	26	795,958	29	13	17
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)	2,286,124	40	234,905	42	900,221	37	1,150,998	41	26	33
5M	Special Installations - (window cleaning, BMS, medical gas)	1,599,413	28	167,477	30	624,680	26	807,256	29	44	56
5N	BWIC with Services	707,330	12	74,510	13	272,482	11	360,338	13	15	19
5O	Management of commissioning of services - & testing	476,628	8	50,870	9	180,984	8	244,774	9		
	MEP s/c pre lims	3,774,247	66	502,288	90	1,438,558	60	1,833,401	66		
5	**Services**	**41,181,458**	**717**	**4,472,903**	**803**	**15,776,517**	**657**	**20,932,038**	**752**	**552**	**707**
6A	Site Works										
6B	Drainage										
6C	External Services										
6D	Minor Building Works										
6	**External Works**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	SUB TOTAL	**160,204,209**	**2,788**	**16,659,479**	**2,991**	**62,836,999**	**2,615**	**80,707,731**	**2,898**	**1,784**	**2,284**
7	**Preliminaries 15%**	**24,050,000**	**419**	**2,511,000**	**451**	**9,432,000**	**392**	**12,107,000**	**435**		**343**
	Overheads & Profit 4%	**7,371,000**	**128**	**767,000**	**138**	**2,891,000**	**120**	**3,713,000**	**133**		
	SUB TOTAL	**191,625,209**	**3,335**	**19,937,479**	**3,579**	**75,159,999**	**3,128**	**96,527,731**	**3,466**	**1,784**	**2,626**
	Design Development risks 2.5%	4,791,000	83	500,000	90	1,879,000	78	2,412,000	87		
	Construction risks 2.5%	4,791,000	83	500,000	90	1,879,000	78	2,412,000	87		
	Employer change risks										
	Employer other risks - rounding	-209	0	-479	0	1	0	269	0		
	TOTAL	**201,207,000**	**3,502**	**20,937,000**	**3,759**	**78,918,000**	**3,284**	**101,352,000**	**3,639**		

	Total £/m²	N3 £	N3 £/m²	N4 £	N4 £/m²	N5 £	N5 £/m²
	3,502		3,759		3,284		3,639
Benchmarking			2,502		2,497		2,476
Add elemental adjustment		124		129		150	
Add additional cost of frame & upper florrs		53		56		35	
Add balconies		128		127		181	
Add Additional cost of external walls & windows		450		330		340	
Add Additional cost of internal walls & doors		28		2		41	
Add Additional cost of finishings - say							
Add Additional cost of fittings		63		21		56	
Add Additional cost of sanitary appliances		21		4		18	
Add Additional cost of other services		76				27	
		942		668		847	
Add pre lims 15%		141		100		127	
Add OHP 4%		43	1,127	31	799	39	1,013
			3,629		3,297		3,490
Add contingency 5%			181		165		174
Adjusted benchmark			3,811		3,462		3,664

Project: O2 Centre Site, Finchley Road, Camden
Blocks N3, N4, N5 Detailed Application

Independent Review of Assessment of Economic Viability

Interim Draft Report
Appendix A Cost Report

1 SUMMARY

1.1 This report relates to the cost for the detailed application for Blocks N3, N4 & N5. It is supple mental to our report issued 31st March 2022 on the FVA for the Outline Application.

1.2 Our benchmarking of N3 results in an adjusted benchmark of £3,811/m² that compares to the Applicant's £3,759/m². Our benchmarking of N4 results in an adjusted benchmark of £3,462/m² that compares to the Applicant's £3,284/m². Our benchmarking of N5 results in an adjusted benchmark of £3,664/m² that compares to the Applicant's £3,639/m². We therefore consider the Applicant's costs to be reasonable.

1.3 In the light of these conclusions relating to the estimated costs for the detailed application for N3, N4 & N5 we would expect to conclude that the costs for the remainder of the outline scheme is reasonable when it is submitted together with a detailed estimate as part of a detailed application.

2 METHODOLOGY

2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element-by-element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5-year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.

2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available an overall £ per sqm and on a group element basis ie. substructure, superstructure, finishings, fittings and services – but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher-than-normal cost of external wall and window elements.

2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

2.5 BCIS costs are available on a quarterly basis – the most recent quarters use forecast figures; the older quarters are firm. If any estimates require adjustment on a time basis, we use the BCIS all-in Tender Price Index (TPI).

2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant’s cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However, if the Applicant’s cost plan does not distinguish different categories, we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.

2.7 To undertake the benchmarking, we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant’s elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also, any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.

2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant’s cost estimate.

2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element-by-element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m^2 and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant’s costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant’s cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

2.11 We have considered the duration of the construction period by reference to the average duration calculation resulting from use of the BCIS Duration Calculator, and if we consider appropriate have drawn attention to any significant divergence between the Applicant’s duration and the BCIS calculation. The duration is expected to be the result of a programme in appropriate detail for the stage of the project that should be prepared by a specialist in the field. We consider our experience of construction and duration sufficient for benchmarking comparisons using BCIS, but do not possess the appropriate qualifications and experience for undertaking a more detailed examination of the construction duration.

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the Financial Viability Assessment issued by Gerald Eve Ver 1 January 2022 together with the Cost Estimate Rev D issued 24 January 2022 by Gardiner & Theobald.

3.2 This report relates to the cost for the detailed application for Blocks N3, N4 & N5. It is supple mental to our report issued 31st March 2022 on the FVA for the Outline Application.

3.3 The Base Date of the cost estimate is 1Q2022. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 1Q2022 is 349 (Provisional) and for 3Q2022 369 (Forecast).

3.4 The design information used to produce the cost plan has been scheduled. There is no structural or services information listed.

3.5 The cost estimate includes an allowance of 15% for preliminaries. The allowance for overheads and profit (OHP) is 4%. We consider both of these allowances reasonable.

3.6 The allowance for contingencies is 5% which we consider reasonable. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

3.7 We have extracted the cost information provided by the Applicant into a standard BCIS/NRM format to facilitate our benchmarking.

3.8 Sales have been included in the Appraisal at average figures of £1,170/ft^2 (Net Sales Area).

3.9 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 128 that has been applied in our benchmarking calculations.

3.10 We have adopted the same GIAs used in the Applicant's cost estimate; we assume these to be the GIAs calculated in accordance with the RICS Code of Measurement 6th Edition 2007.

3.11 The three blocks are primarily flats: one 10 storey and two 15 storeys. BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6 storey or above. We have benchmarked as flats 6 storey or above. We have prepared blended rates for each of the three blocks for benchmarking as the tables below.

3.12

N3 10 storey	GIA m^2	%	BCIS £/m^2	Blended £/m^2
Residential	5,270	94.6%	2,563	2,425
Commercial	300	5.4%	1,440	78
Car parking	0	0.0%		
Total	5,570	100%		2,502

N4 15 storey	GIA m^2	%	BCIS £/m^2	Blended £/m^2
Residential	22,723	94.6%	2,563	2,423
Commercial	611	2.5%	1,440	37
Car parking	697	2.9%	1,300	38
Total	24,031	100%		2,497

N5 15 storey	GIA m^2	%	BCIS £/m^2	Blended £/m^2
Residential	25,798	92.6%	2,563	2,374
Commercial	1,361	4.9%	1,440	70
Car parking	693	2.5%	1,300	32
Total	27,852	100%		2,476

3.13 Our benchmarking of N3 results in an adjusted benchmark of £3,811/m^2 that compares to the Applicant's £3,759/m^2. Our benchmarking of N4 results in an adjusted benchmark of £3,462/m^2 that compares to the Applicant's £3,284/m^2. Our benchmarking of N5 results in an adjusted benchmark of £3,664/m^2 that compares to the Applicant's £3,639/m^2. We therefore consider the Applicant's costs to be reasonable.

3.14 In the light of these conclusions relating to the estimated costs for the detailed application for N3, N4 & N5 we would expect to conclude that the costs for the remainder of the outline scheme is reasonable when it is submitted together with a detailed estimate as part of a detailed application.

BPS Chartered Surveyors
Date: 6th July 2022

Appendix B

02 Shopping Centre, Landsec
BPS Review - baseline appraisal

Development Appraisal
BPS Surveyors
05 May 2022

02 Shopping Centre, Landsec
BPS Review - baseline appraisal

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9 10 11 12 13 14

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Block N4 - Private Resi	46	28,950	1,171.00	736,966	33,900,450
Block N4 - Intermediate	84	61,525	405.00	296,638	24,917,625
Block N4 - LAR	104	89,989	219.00	189,496	19,707,591
Block N3-E - Private Resi	68	42,373	1,223.00	762,091	51,822,179
Block N5 - Private Resi	306	200,859	1,167.00	766,021	234,402,453
Block N7 - Private Resi	132	78,021	1,180.00	697,460	92,064,780
Block N7 - Intermediate	42	28,225	405.00	272,170	11,431,125
Block N7 - LAR	54	41,656	219.00	168,938	9,122,664
Block N6 - Private Resi	70	43,297	1,231.00	761,409	53,298,607
Block S8 - Private Resi	42	34,448	1,089.00	893,187	37,513,872
Block S8 - Intermediate	9	7,728	405.00	347,760	3,129,840
Block S8 - LAR	18	9,817	219.00	119,440	2,149,923
Block N3 - Private Resi	240	146,077	1,166.00	709,691	170,325,782
Block N3 - Intermediate	24	17,603	405.00	297,051	7,129,215
Block N3 - LAR	3	953	219.00	69,569	208,707
Block N2 - Private Resi	125	88,479	1,154.00	816,838	102,104,766
Block N2 - Intermediate	92	69,267	405.00	304,925	28,053,135
Block N2 - LAR	30	23,189	219.00	169,280	5,078,391
Block N1 - Private Resi	201	119,995	1,190.00	710,418	142,794,050
Block S1 - LAR	106	87,138	219.00	180,030	19,083,222
Totals	**1,796**	**1,219,589**			**1,048,238,377**

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale
Detailed proposals - Commercial Retail	1	16,789	28.50	478,487	478,487
Detailed proposals - Community	1	2,615		0	0
Detailed proposals - Commercial F&B	1	1,104	35.00	38,640	38,640
Detailed proposals - Financial & Professional	1	1,501	25.00	37,525	37,525
Outline Phase West - Drinking Establishment	1	2,906	35.00	101,710	101,710
Outline Phase West - Commercial Retail	1	8,331	28.50	237,434	237,434
Outline Phase West - Creche	1	2,906	20.00	58,120	58,120
Outline Phase West - Office & Workshop	1	2,906	25.00	72,650	72,650
Outline Phase West - GP Surgery	1	9,688	30.00	290,640	290,640
Outline Phase West - Commercial F&B	1	1,938	35.00	67,830	67,830
Outline Phase East - Cinema	1	12,110	15.00	181,650	181,650
Outline Phase East - Commercial Retail	1	38,750	28.50	1,104,375	1,104,375
Outline Phase East - Commercial F&B	1	7,750	35.00	271,250	271,250
Outline Phase East - Gym	1	11,625	25.00	290,625	290,625
Outline Phase East - Workspace	1	2,422	15.00	36,330	36,330
Outline Phase East - Drinking Establishment	1	5,812	35.00	203,420	203,420
Outline Phase East - Financial & professional services	1	4,844	25.00	121,100	121,100
Outline Phase East - Service yard	1	29,063		0	0
Totals	**18**	**163,060**			**3,591,785**

Investment Valuation

Detailed proposals - Commercial Retail					
Current Rent	478,487	YP @	5.5000%	18.1818	8,699,755
Detailed proposals - Commercial F&B					
Current Rent	38,640	YP @	5.5000%	18.1818	702,545
Detailed proposals - Financial & Professional					
Current Rent	37,525	YP @	5.5000%	18.1818	682,273
Outline Phase West - Drinking Establishment					
Current Rent	101,710	YP @	5.5000%	18.1818	1,849,273
Outline Phase West - Commercial Retail					
Current Rent	237,434	YP @	5.5000%	18.1818	4,316,973
Outline Phase West - Creche					
Current Rent	58,120	YP @	5.5000%	18.1818	1,056,727

02 Shopping Centre, Landsec
BPS Review - baseline appraisal

Outline Phase West - Office & Workshop					
Current Rent	72,650	YP @	5.5000%	18.1818	1,320,909
Outline Phase West - GP Surgery					
Current Rent	290,640	YP @	5.2500%	19.0476	5,536,000
Outline Phase West - Commercial F&B					
Current Rent	67,830	YP @	5.5000%	18.1818	1,233,273
Outline Phase East - Cinema					
Current Rent	181,650	YP @	5.2500%	19.0476	3,460,000
Outline Phase East - Commercial Retail					
Current Rent	1,104,375	YP @	5.5000%	18.1818	20,079,545
Outline Phase East - Commercial F&B					
Current Rent	271,250	YP @	5.5000%	18.1818	4,931,818
Outline Phase East - Gym					
Current Rent	290,625	YP @	5.5000%	18.1818	5,284,091
Outline Phase East - Workspace					
Current Rent	36,330	YP @	5.5000%	18.1818	660,545
Outline Phase East - Drinking Establishment					
Current Rent	203,420	YP @	5.5000%	18.1818	3,698,545
Outline Phase East - Financial & professional services					
Current Rent	121,100	YP @	5.5000%	18.1818	2,201,818
Total Investment Valuation					**65,714,091**
GROSS DEVELOPMENT VALUE				**1,113,952,468**	
Purchaser's Costs			(4,468,558)		
Effective Purchaser's Costs Rate		6.80%			
				(4,468,558)	
NET DEVELOPMENT VALUE				**1,109,483,910**	
NET REALISATION				**1,109,483,910**	
OUTLAY					
ACQUISITION COSTS					
Benchmark Land Value		170,000,000			
Benchmark Land Value			170,000,000		
				170,000,000	
Other Acquisition					
Fees etc			8,840,000		
				8,840,000	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Block N4 - Private Resi	28,950	477.66	13,828,257		
Block N4 - Intermediate	61,525	477.66	29,388,031		
Block N4 - LAR	89,989	477.66	42,984,146		
Block N3-E - Private Resi	42,373	564.70	23,928,033		
Block N5 - Private Resi	200,859	592.32	118,972,803		
Block N7 - Private Resi	78,021	562.54	43,889,933		
Block N7 - Intermediate	28,225	562.54	15,877,691		
Block N7 - LAR	41,656	562.54	23,433,166		
Block N6 - Private Resi	43,297	608.08	26,328,040		
Block S8 - Private Resi	34,448	665.05	22,909,642		
Block S8 - Intermediate	7,728	665.05	5,139,506		
Block S8 - LAR	9,817	665.05	6,528,796		
Block N3 - Private Resi	146,077	570.26	83,301,870		
Block N3 - Intermediate	17,603	570.26	10,038,287		
Block N3 - LAR	953	570.26	543,458		
Block N2 - Private Resi	88,479	553.93	49,011,172		

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Block N2 - Intermediate	69,267	553.93	38,369,069	
Block N2 - LAR	23,189	553.93	12,845,083	
Block N1 - Private Resi	119,995	664.25	79,706,679	
Block S1 - LAR	87,138	667.31	58,148,059	
Totals	**1,400,766 ft²**		**705,171,722**	
				705,171,722
Other Construction				
NHBC			1,796,000	
Other costs			44,573,713	
				46,369,713
Section 106 Costs				
CIL P1			10,671,471	
MCIL P1			2,837,676	
S106 P1			1,922,748	
CIL P2			6,619,462	
MCIL P2			1,788,538	
S106 P2			1,200,241	
CIL P3			12,465,069	
MCIL P3			3,898,174	
S106 P3			2,655,963	
				44,059,342
PROFESSIONAL FEES				
Professional fees		10.00%	70,517,172	
				70,517,172
MARKETING & LETTING				
Marketing		2.00%	18,746,203	
Letting Agent Fee		10.00%	359,179	
Letting Legal Fee		5.00%	179,589	
				19,284,971
DISPOSAL FEES				
Sales Agent Fee		1.00%	9,373,102	
Commercial Sales Agent Fee		1.00%	612,455	
Sales Legal Fee		0.50%	4,686,551	
Commercial Sales Legal Fee		0.50%	306,228	
				14,978,335
FINANCE				
Debit Rate 6.750%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				402,699,755
TOTAL COSTS				**1,481,921,011**
PROFIT				
				(372,437,101)
Performance Measures				
Profit on Cost%		-25.13%		
Profit on GDV%		-33.43%		
Profit on NDV%		-33.57%		
Development Yield% (on Rent)		0.24%		
Equivalent Yield% (Nominal)		5.47%		
Equivalent Yield% (True)		5.66%		
IRR% (without Interest)		0.88%		
Rent Cover		-103 yrs -8 mths		
Profit Erosion (finance rate 6.750)		N/A		

Initial MRV
478,487
38,640
37,525
101,710
237,434
58,120
72,650
290,640
67,830
181,650
1,104,375
271,250
290,625
36,330
203,420
121,100
3,591,785

02 Shopping Centre, Landsec
BPS Review - Growth scenario

Development Appraisal
BPS Surveyors
05 May 2022

02 Shopping Centre, Landsec
BPS Review - Growth scenario

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9 10 11 12 13 14

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
‡ Block N4 - Private Resi	46	28,950	1,171.00	736,966	33,900,450
‡ Block N4 - Intermediate	84	61,525	405.00	296,638	24,917,625
‡ Block N4 - LAR	104	89,989	219.00	189,496	19,707,591
‡ Block N3-E - Private Resi	68	42,373	1,223.00	762,091	51,822,179
‡ Block N5 - Private Resi	306	200,859	1,167.00	766,021	234,402,453
‡ Block N7 - Private Resi	132	78,021	1,180.00	697,460	92,064,780
‡ Block N7 - Intermediate	42	28,225	405.00	272,170	11,431,125
‡ Block N7 - LAR	54	41,656	219.00	168,938	9,122,664
‡ Block N6 - Private Resi	70	43,297	1,231.00	761,409	53,298,607
‡ Block S8 - Private Resi	42	34,448	1,089.00	893,187	37,513,872
‡ Block S8 - Intermediate	9	7,728	405.00	347,760	3,129,840
‡ Block S8 - LAR	18	9,817	219.00	119,440	2,149,923
‡ Block N3 - Private Resi	240	146,077	1,166.00	709,691	170,325,782
‡ Block N3 - Intermediate	24	17,603	405.00	297,051	7,129,215
‡ Block N3 - LAR	3	953	219.00	69,569	208,707
‡ Block N2 - Private Resi	125	88,479	1,154.00	816,838	102,104,766
‡ Block N2 - Intermediate	92	69,267	405.00	304,925	28,053,135
‡ Block N2 - LAR	30	23,189	219.00	169,280	5,078,391
‡ Block N1 - Private Resi	201	119,995	1,190.00	710,418	142,794,050
‡ Block S1 - LAR	106	87,138	219.00	180,030	19,083,222
Totals	**1,796**	**1,219,589**			**1,048,238,377**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**
Detailed proposals - Commercial Retail	1	16,789	28.50	478,487	514,522
Detailed proposals - Community	1	2,615		0	0
Detailed proposals - Commercial F&B	1	1,104	35.00	38,640	41,550
Detailed proposals - Financial & Professional	1	1,501	25.00	37,525	40,351
Outline Phase West - Drinking Establishment	1	2,906	35.00	101,710	117,801
Outline Phase West - Commercial Retail	1	8,331	28.50	237,434	274,996
Outline Phase West - Creche	1	2,906	20.00	58,120	67,315
Outline Phase West - Office & Workshop	1	2,906	25.00	72,650	84,143
Outline Phase West - GP Surgery	1	9,688	30.00	290,640	336,620
Outline Phase West - Commercial F&B	1	1,938	35.00	67,830	78,561
Outline Phase East - Cinema	1	12,110	15.00	181,650	242,869
Outline Phase East - Commercial Retail	1	38,750	28.50	1,104,375	1,476,564
Outline Phase East - Commercial F&B	1	7,750	35.00	271,250	362,665
Outline Phase East - Gym	1	11,625	25.00	290,625	388,570
Outline Phase East - Workspace	1	2,422	15.00	36,330	48,574
Outline Phase East - Drinking Establishment	1	5,812	35.00	203,420	271,975
Outline Phase East - Financial & professional service	1	4,844	25.00	121,100	161,912
Outline Phase East - Service yard	1	29,063		0	0
Totals	**18**	**163,060**			**4,508,988**

Investment Valuation

Detailed proposals - Commercial Retail					
Current Rent	514,522	YP @	5.5000%	18.1818	9,354,939
Detailed proposals - Commercial F&B					
Current Rent	41,550	YP @	5.5000%	18.1818	755,455
Detailed proposals - Financial & Professional					
Current Rent	40,351	YP @	5.5000%	18.1818	733,655
Outline Phase West - Drinking Establishment					
Current Rent	117,801	YP @	5.5000%	18.1818	2,141,833
Outline Phase West - Commercial Retail					
Current Rent	274,996	YP @	5.5000%	18.1818	4,999,930
Outline Phase West - Creche					
Current Rent	67,315	YP @	5.5000%	18.1818	1,223,904

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Outline Phase West - Office & Workshop					
Current Rent	84,143	YP @	5.5000%	18.1818	1,529,881
Outline Phase West - GP Surgery					
Current Rent	336,620	YP @	5.2500%	19.0476	6,411,811
Outline Phase West - Commercial F&B					
Current Rent	78,561	YP @	5.5000%	18.1818	1,428,380
Outline Phase East - Cinema					
Current Rent	242,869	YP @	5.2500%	19.0476	4,626,067
Outline Phase East - Commercial Retail					
Current Rent	1,476,564	YP @	5.5000%	18.1818	26,846,627
Outline Phase East - Commercial F&B					
Current Rent	362,665	YP @	5.5000%	18.1818	6,593,908
Outline Phase East - Gym					
Current Rent	388,570	YP @	5.5000%	18.1818	7,064,902
Outline Phase East - Workspace					
Current Rent	48,574	YP @	5.5000%	18.1818	883,158
Outline Phase East - Drinking Establishment					
Current Rent	271,975	YP @	5.5000%	18.1818	4,945,006
Outline Phase East - Financial & professional services					
Current Rent	161,912	YP @	5.5000%	18.1818	2,943,861
Total Investment Valuation					**82,483,317**
GROSS DEVELOPMENT VALUE				**1,700,290,498**	
Purchaser's Costs			(5,608,866)		
Effective Purchaser's Costs Rate		6.80%			
				(5,608,866)	
NET DEVELOPMENT VALUE				**1,694,681,632**	
NET REALISATION				**1,694,681,632**	
OUTLAY					
ACQUISITION COSTS					
Benchmark Land Value		170,000,000			
Benchmark Land Value			170,000,000		
				170,000,000	
Other Acquisition					
Fees etc			8,840,000		
				8,840,000	

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**
‡ Block N4 - Private Resi	28,950	477.66	15,122,113
‡ Block N4 - Intermediate	61,525	477.66	32,137,754
‡ Block N4 - LAR	89,989	477.66	47,006,004
‡ Block N3-E - Private Resi	42,373	564.70	26,385,496
‡ Block N5 - Private Resi	200,859	592.32	133,512,985
‡ Block N7 - Private Resi	78,021	562.54	53,036,562
‡ Block N7 - Intermediate	28,225	562.54	19,186,590
‡ Block N7 - LAR	41,656	562.54	28,316,620
‡ Block N6 - Private Resi	43,297	608.08	32,800,674
‡ Block S8 - Private Resi	34,448	665.05	27,936,644
‡ Block S8 - Intermediate	7,728	665.05	6,267,255
‡ Block S8 - LAR	9,817	665.05	7,961,392
‡ Block N3 - Private Resi	146,077	570.26	110,789,106
‡ Block N3 - Intermediate	17,603	570.26	13,350,635
‡ Block N3 - LAR	953	570.26	722,783
‡ Block N2 - Private Resi	88,479	553.93	71,146,194

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‡ Block N2 - Intermediate	69,267	553.93	55,697,775	
‡ Block N2 - LAR	23,189	553.93	18,646,335	
‡ Block N1 - Private Resi	119,995	664.25	115,704,779	
‡ Block S1 - LAR	87,138	667.31	83,039,830	
Totals	**1,400,766 ft²**		**898,767,526**	
				898,767,526
Other Construction				
NHBC			1,796,000	
Other costs			44,573,713	
				46,369,713
Section 106 Costs				
CIL P1			10,671,471	
MCIL P1			2,837,676	
S106 P1			1,922,748	
CIL P2			6,619,462	
MCIL P2			1,788,538	
S106 P2			1,200,241	
CIL P3			12,465,069	
MCIL P3			3,898,174	
S106 P3			2,655,963	
				44,059,342
PROFESSIONAL FEES				
Professional fees		10.00%	89,876,753	
				89,876,753
MARKETING & LETTING				
Marketing		2.00%	29,704,992	
Letting Agent Fee		10.00%	450,899	
Letting Legal Fee		5.00%	225,449	
				30,381,340
DISPOSAL FEES				
Sales Agent Fee		1.00%	14,852,496	
Commercial Sales Agent Fee		1.00%	768,745	
Sales Legal Fee		0.50%	7,426,248	
Commercial Sales Legal Fee		0.50%	384,372	
				23,431,861
FINANCE				
Debit Rate 6.750%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				304,686,049
TOTAL COSTS				**1,616,412,583**
PROFIT				
				78,269,050

Performance Measures

Profit on Cost%	4.84%
Profit on GDV%	4.60%
Profit on NDV%	4.62%
Development Yield% (on Rent)	0.28%
Equivalent Yield% (Nominal)	5.47%
Equivalent Yield% (True)	5.66%
IRR% (without Interest)	7.67%
Rent Cover	17 yrs 4 mths
Profit Erosion (finance rate 6.750)	8 mths

‡ Inflation/Growth applied

Growth on Sales		**Ungrown**	**Growth**	**Total**
Block N4 - Private Resi	Private resi at 4.000% var.	33,900,450	6,074,761	39,975,211
Block N4 - Intermediate	Affordable resi at 2.000%	24,917,625	2,009,541	26,927,166
Block N4 - LAR	Affordable resi at 2.000%	19,707,591	1,589,366	21,296,957
Block N3-E - Private Resi	Private resi at 4.000% var.	51,822,179	9,336,239	61,158,418
Block N5 - Private Resi	Private resi at 4.000% var.	234,402,453	55,892,596	290,295,049
Block N7 - Private Resi	Private resi at 4.000% var.	92,064,780	37,242,938	129,307,718
Block N7 - Intermediate	Affordable resi at 2.000%	11,431,125	1,808,436	13,239,561
Block N7 - LAR	Affordable resi at 2.000%	9,122,664	1,443,231	10,565,895
Block N6 - Private Resi	Private resi at 4.000% var.	53,298,607	25,045,850	78,344,457

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Block S8 - Private Resi	Private resi at 4.000% var.	37,513,872	15,603,560	53,117,432
Block S8 - Intermediate	Affordable resi at 2.000%	3,129,840	513,140	3,642,980
Block S8 - LAR	Affordable resi at 2.000%	2,149,923	352,482	2,502,405
Block N3 - Private Resi	Private resi at 4.000% var.	170,325,782	121,908,113	292,233,895
Block N3 - Intermediate	Affordable resi at 2.000%	7,129,215	1,808,510	8,937,725
Block N3 - LAR	Affordable resi at 2.000%	208,707	52,944	261,651
Block N2 - Private Resi	Private resi at 4.000% var.	102,104,766	112,376,152	214,480,918
Block N2 - Intermediate	Affordable resi at 2.000%	28,053,135	10,204,439	38,257,574
Block N2 - LAR	Affordable resi at 2.000%	5,078,391	1,847,285	6,925,676
Block N1 - Private Resi	Private resi at 4.000% var.	142,794,050	158,153,915	300,947,965
Block S1 - LAR	Affordable resi at 2.000%	19,083,222	6,305,305	25,388,527

Growth on Capitalised Rent	**Ungrown**	**Growth**	**Total**
Detailed proposals - Commercial Retail	8,699,755	655,185	9,354,939
Detailed proposals - Commercial F&B	702,545	52,909	755,455
Detailed proposals - Financial & Professional	682,273	51,382	733,655
Outline Phase West - Drinking Establishment	1,849,273	292,560	2,141,833
Outline Phase West - Commercial Retail	4,316,973	682,957	4,999,930
Outline Phase West - Creche	1,056,727	167,177	1,223,904
Outline Phase West - Office & Workshop	1,320,909	208,972	1,529,881
Outline Phase West - GP Surgery	5,536,000	875,811	6,411,811
Outline Phase West - Commercial F&B	1,233,273	195,107	1,428,380
Outline Phase East - Cinema	3,460,000	1,166,067	4,626,067
Outline Phase East - Commercial Retail	20,079,545	6,767,082	26,846,627
Outline Phase East - Commercial F&B	4,931,818	1,662,090	6,593,908
Outline Phase East - Gym	5,284,091	1,780,811	7,064,902
Outline Phase East - Workspace	660,545	222,613	883,158
Outline Phase East - Drinking Establishment	3,698,545	1,246,460	4,945,006
Outline Phase East - Financial & professional services	2,201,818	742,043	2,943,861

Inflation on Construction Costs		**Uninflated**	**Inflation**	**Total**
Block N4 - Private Resi	Cost inflation at 3.500% var.	13,828,257	1,293,856	15,122,113
Block N4 - Intermediate	Cost inflation at 3.500% var.	29,388,031	2,749,723	32,137,754
Block N4 - LAR	Cost inflation at 3.500% var.	42,984,146	4,021,858	47,006,004
Block N3-E - Private Resi	Cost inflation at 3.500% var.	23,928,033	2,457,463	26,385,496
Block N5 - Private Resi	Cost inflation at 3.500% var.	118,972,803	14,540,182	133,512,985
Block N7 - Private Resi	Cost inflation at 3.500% var.	43,889,933	9,146,628	53,036,562
Block N7 - Intermediate	Cost inflation at 3.500% var.	15,877,691	3,308,899	19,186,590
Block N7 - LAR	Cost inflation at 3.500% var.	23,433,166	4,883,454	28,316,620
Block N6 - Private Resi	Cost inflation at 3.500% var.	26,328,040	6,472,634	32,800,674
Block S8 - Private Resi	Cost inflation at 3.500% var.	22,909,642	5,027,001	27,936,644
Block S8 - Intermediate	Cost inflation at 3.500% var.	5,139,506	1,127,748	6,267,255
Block S8 - LAR	Cost inflation at 3.500% var.	6,528,796	1,432,596	7,961,392
Block N3 - Private Resi	Cost inflation at 3.500% var.	83,301,870	27,487,236	110,789,106
Block N3 - Intermediate	Cost inflation at 3.500% var.	10,038,287	3,312,348	13,350,635
Block N3 - LAR	Cost inflation at 3.500% var.	543,458	179,326	722,783
Block N2 - Private Resi	Cost inflation at 3.500% var.	49,011,172	22,135,022	71,146,194
Block N2 - Intermediate	Cost inflation at 3.500% var.	38,369,069	17,328,706	55,697,775
Block N2 - LAR	Cost inflation at 3.500% var.	12,845,083	5,801,253	18,646,335
Block N1 - Private Resi	Cost inflation at 3.500% var.	79,706,679	35,998,100	115,704,779
Block S1 - LAR	Cost inflation at 3.500% var.	58,148,059	24,891,771	83,039,830

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Adjustment	Net Sales
6,074,761	39,975,211
2,009,541	26,927,166
1,589,366	21,296,957
9,336,239	61,158,418
55,892,596	290,295,049
37,242,938	129,307,718
1,808,436	13,239,561
1,443,231	10,565,895
25,045,850	78,344,457
15,603,560	53,117,432
513,140	3,642,980
352,482	2,502,405
121,908,113	292,233,895
1,808,510	8,937,725
52,944	261,651
112,376,152	214,480,918
10,204,439	38,257,574
1,847,285	6,925,676
158,153,915	300,947,965
6,305,305	25,388,527
569,568,804	**1,617,807,181**

Initial MRV	
478,487	514,522
38,640	41,550
37,525	40,351
101,710	117,801
237,434	274,996
58,120	67,315
72,650	84,143
290,640	336,620
67,830	78,561
181,650	242,869
1,104,375	1,476,564
271,250	362,665
290,625	388,570
36,330	48,574
203,420	271,975
121,100	161,912
3,591,785	

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