

12a West End Lane, Maida Vale,
NW6 4NX

Addendum

Prepared on behalf of Camden Council

11th April 2023

Planning Reference: 2022/3430/P



215a High Street, Dorking RH4 1RU
www.bps-surveyors.co.uk

Contents

1.0 Introduction 2

2.0 Summary Table 3

3.0 Response to Douglas Birt..... 4

Construction Costs 4

Benchmark Land Value..... 4

Profit..... 5

4.0 Author Sign Off..... 7

Appendix 1: Build Cost Report..... 8

Appendix 2: Argus Appraisal..... 9

1.0 Introduction

- 1.1 BPS Chartered Surveyors have been instructed by Camden Council ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by Douglas Birt Consulting ('DB') on behalf of KK4 Ltd ('the Applicant') in connection with a planning application for the redevelopment of the above site.
- 1.2 We previously reviewed a DB submission in February 2023, and have since received a rebuttal dated March 2023. The purpose of this addendum report is to address the outstanding issues between the respective professional advisors. This addendum should be read in conjunction with our full report.

2.0 Summary Table

2.1 Following our review of the DB rebuttal, our current analysis presents the following outturn financial position for the project:

Input	Douglas Birt	BPS	Comments
Income			
Private Sales Values	£6,782,500 (£826 psf)	£6,782,500 (£826 psf)	Some ambiguity – The applicant's advisor should submit evidence to support this, but the values appear broadly reasonable.
Ground Rents	£nil	£nil	Agreed
Expenditure			
Benchmark Land Value	£1,030,000	£1,030,000	Agreed – We have accepted DB's compromise valuation as being broadly reasonable.
Build Costs	£3,150,000	£3,150,000	Agreed – We have accepted DB's build costs in line with Johnson Associate's advice.
Professional fees	10%	10%	Agreed – We have accepted this input.
Private Marketing & Agent Fees	3%	3%	Agreed – We have accepted this input.
CIL/S106	£446,000	£569,502	Disagreed – We have adopted the amounts as per Camden's comments.
Finance	7%	7%	Agreed – We have accepted this input.
Profit (Private)	17.5%	15%	Disagreed – We consider a target profit of 15% on GDV sufficient for this development.
Development Timeframes			
Construction Period	2 months pre-construction, 12 months construction.	Agreed	Adopted – We have accepted this input.
Sales Period	3 months (1.43 units a month)	Disagreed	Disagreed – The applicant's advisor should submit evidence to support this. We have adopted a sales period of 2 months (5 units a month).
Viability Position	£189K Surplus identified	£209K Surplus identified	Disagreed – We have identified a higher surplus for affordable housing/developer contributions.

3.0 Response to Douglas Birt

Construction Costs

- 3.1 Our Cost Consultants Johnson Associates have responded to the build costs points (correspondence is attached as appendix A).
- 3.2 In summary, Johnson Associates have accepted the build costs of £3.15M.
- 3.3 They have advised the EUV refurbishment costs are “fairly light touch” at £315K.

Benchmark Land Value

- 3.4 We have now been provided with a full suite of photographic evidence of the subject property by the applicant team, albeit it is undated.
- 3.5 DB have critiqued us for stating the building is in poor condition and are seeking to argue the subject property is in reasonable condition, which is paradoxical given the accepted need for a £315K refurbishment.
- 3.6 For the avoidance of doubt we stated we suspected it was in poor condition, having now received the photos we would update our view on condition as being below average, in need of minor refurbishment throughout having suffered cosmetic damage on the caveat we have not actually inspected the building. Given the applicant has had a detailed costing exercise undertaken to bring back up to a good standard is indicative of the property's condition.
- 3.7 We note DB have not provided any further comparable evidence, nor any analysis or commentary on the additional comparables that we put forward in our initial review of the benchmark land value.
- 3.8 As a reminder the subject property extends to 2,612 sq.ft., we are assuming for the purpose of the valuation it is being brought up to a minimum standard of repair, as per the Johnson Associates' commentary.
- 3.9 Referring back to the previous comparables, we have discounted the Highgate comparables which as per our previous commentary are vastly superior and irrelevant.
- 3.10 The former Lord Southampton pub is situated 2.8km north east of the subject property which we consider a comparable location. The internal condition is unknown and A3/4 Ltd have not provided any comments in their assessment, nor have Savills (vendor's agent). The property is larger than the subject at c.4.7K sq. ft., it is boarded up and looks tired externally, we therefore suspect the pub is in poor condition, but understand the flats are let and income

producing which implies at least lettable condition. The property sold for £1.35M (£283psf), reflecting the subject is substantially smaller, but is in a better condition (for the purpose of the exercise), it does broadly support the valuation.

- 3.11 Barring Arms, Hoxton, N1 3DS, 7.2km south east of the subject site. Less relevant because of the distance from the subject, pub only (no flat above), attractive building in good condition, extending to 3,772 sq. ft. sold at £278psf, again does broadly support the valuation of the pub. DB have provide this comparable and we have reasonably assumed it has not been sold with the benefit of the ongoing trade.
- 3.12 Bird in Hand, Forest Hill, 15km south east of the subject. Exchanged at auction 09/02/2023 at £714,000 (£145psf) based off an asking price of £650,000. Old style pub, good condition internally, extending to 4,913 sq. ft. Whilst this is located some distance from the subject property and an inferior location it is a recent transaction of a pub that was trading prior to sale. We have reasonably assumed the property has been sold without the benefit of the ongoing trade.
- 3.13 DB's revised valuation is £1,030,000, which comprises of the flat being valued at £685,000 (£675psf) and the public house £660,000 (£400psf), with the refurbishment of £315K being deducted. DB do not appear to have accounted for purchaser's costs.
- 3.14 Overall we are happy with the valuation of the entire building at £1.03M, which appears to be reasonable overall, if not generous noting our comments on the purchaser's costs.

Profit

- 3.15 DB have not provided any further material evidence to justify a different target profit, but we note they clarify they are of the view 20% on GDV is appropriate but are willing to adopt 17.5% on GDV.
- 3.16 The PPG range is 15-20% on GDV, and of all schemes considered we maintain this is towards the lower end of the risk scale (of all developments envisaged). We are comfortable at 15% on GDV being appropriate for a development of this scale.

Finance rate

- 3.17 We note that DB have increased the finance allowance from 6.5% to 7%, which we do accept is broadly reasonable against the backdrop of rising interest costs.

House prices/evidencing

- 3.18 We note Douglas Birt draw attention to the land registry house priced index which has fallen between July 2022 to date by 2.8%. We have checked this against public records and HPI has

fallen 0.55% to date. As per our original report we would encourage actual transactions of relevant new build developments to be put forward by Douglas Birt which carry more weight than indices in accordance with the RICS hierarchy of evidence. For the avoidance of doubt the onus is on the applicant's professional advisor to prove the case as to why they cannot comply with the affordable housing policies.

- 3.19 Again on the sales rate DB should evidence their choice of sales rate, which we consider to be too cautious.

Conclusion

- 3.20 We have calculated a revised off-site payment of £209,444, say £209K.

4.0 Author Sign Off

- 4.1 This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.
- 4.2 The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information.
- 4.3 The following persons have been involved in the production of this report:



Tom Mason
RICS Registered Valuer
RICS Membership no. 6715622
For and on behalf of
BPS Chartered Surveyors



Clare Jones
RICS Registered Valuer
RICS Membership no. 0095561
For and on behalf of
BPS Chartered Surveyors

April 2023

Appendix 1: Build Cost Report

Tom Mason

From: Gavin Johnson <gavin@johnsonassociatesltd.co.uk>
Sent: 11 April 2023 08:25
To: Tom Mason
Cc: Sue King
Subject: RE: 2022/3430/P 12 West End Lane
Attachments: West End Lane, EUV refurb costs, 0323 - Appendix 1 GJ.xlsx; Invoice 4301.pdf

Hi Tom,

Hope you had a great Easter.

I have been through the attachments and can comment as follows;

- 1. Douglas Birt letter 20th March 2023 – Build Cost element – Thames Water Build Over Works £174,602.15**
2. The reference to July 2023 is taken to mean July 2022,
3. On the basis that there is a trunk sewer running under the site the applicant would have two options i.e. Building over or diversion – both would require the approval of Thames Water. Building over is likely to be the most economic option and it is good that Thames Water appear to have accepted this (we have had scheme where this approach has been resisted)
4. The cost build up to the building over works generally looks reasonable – a few rates look high such as the ground beam reinforcement at £1,864.28/Tonne (supply £1,150/Tonne) but there is no provision for guide walls for the piling and some of the piling rates look very keen such as cutting off the tops of piles.
5. The CCTV surveys look high but on the basis there will be two (or possibly three) of these this is acceptable.
6. Just an observation is that a Thames Water building over consent normally gives TW the right to enter the development to access the drain and make any emergency repairs – this could potentially impact on the values of the properties as this would normally be picked up in any legal search
7. Our view of these costs is that they are reasonable.

- 8. Douglas Birt letter 20th March 2023 – Build Cost element – Inflation July 2022 – Present 2%-3%**
9. The BCIS all in TPI reflects approx. 2.2% to 2Q2023 so if we are taking costs at present day level, we would say this is the figure that should be applied.

- 10. Douglas Birt letter 20th March 2023 – Overview**
11. It is proposed the £3,150,000 construction cost remains unchanged from the previous FVA,
12. Following our original review, we had reduced the build cost to £2,902,266 with reductions of £247,734 being made to the frame and sanitaryware elements with knock on reductions to the contingency and OH&P (both % retained i.e., 5% and 8% respectively so just a mathematical adjustment).
13. The Build over costs of £174,602.15 and the 2.2% inflation (£63,000) total £237,602.15.
14. On this basis we are approx. £10k apart on the build costs so would recommend that the £3,150,000 is now a reasonable build cost incorporating the build over works and at 2Q2023 pricing levels.
15. Professional fees of £300k (9.5%) are then applied.

- 16. EUV Refurbishment costs £315,000**
17. Generally, the allowances appear reasonable,
18. It is noted that the secondary glazing may not be required (£16,000),
19. We have interpolated a GIA of £252/m2 of the existing building so the total cost of £315,000 equates to approx. £1,250/m2 GIA,
20. This represents a fairly light touch refurbishment of the property.

- 21. UK House Price Index January 2022 to January 2023 in Camden**
22. Flats and maisonettes Jan 2022 - £770,049
23. Ditto December 2022 - £746,000

24. Noted – not our area of expertise so no comment other than suggest this is viewed for 1Q2023 if available.

I trust the above assists.

Total time spent on these 4 hours AND INVOICE ATTACHED.

Many thanks,

Regards

Gavin Johnson BSc (Hons) MRICS
Director



Johnson Associates (UK) Limited
Chartered Quantity Surveyors • Project Managers

Office Address: Claremont House, 70-72 Alma Road, Windsor SL4 3EZ
Mailing Address: Suite 40, 24-28 St. Leonards Road, Windsor SL4 3BB



07971 979 207



gavin@johnsonassociatesltd.co.uk



www.johnsonassociatesltd.co.uk

The information in this email is confidential and intended for the addressee only. Access to this email by anyone other than the addressee is unauthorised. It is not to be relied upon by any person other than the addressee. Unauthorised recipients are required to maintain confidentiality. If you have received this email in error, please notify us immediately.

We have taken steps to ensure that this email is free from computer viruses and the like. However, in accordance with good computing practice, the recipient is responsible for ensuring that it is virus free before opening it. Therefore, Johnson Associates (UK) Limited denies all responsibility which arises directly or indirectly from such transmission of computer viruses. Please consider the environment before printing.

Appendix 2: Argus Appraisal

12a West End Lane, Bird in hand
BPS Viability Review
Compromise position

Development Appraisal
BPS Surveyors
11 April 2023

APPRAISAL SUMMARY**BPS SURVEYORS**

12a West End Lane, Bird in hand
BPS Viability Review
Compromise position

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private sales GDV	10	8,204	826.73	678,250	6,782,500

NET REALISATION**6,782,500****OUTLAY****ACQUISITION COSTS**

BMLV	1,030,000				
BMLV			1,030,000		
				1,030,000	
Stamp Duty	5.00%		51,500		
Agent Fee	1.00%		10,300		
Legal Fee	0.50%		5,150		
				66,950	

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Private sales GDV	8,204	383.96	3,150,000	
				3,150,000

Section 106 Costs

CIL/S106			569,502	
				569,502

PROFESSIONAL FEES

Professional fees	10.00%		315,000	
				315,000

DISPOSAL FEES

Sales Agent Fee	3.00%		203,475	
				203,475

MISCELLANEOUS FEES

Developer's profit	15.00%		1,017,375	
				1,017,375

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			85,724	
Construction			123,994	
Other			11,037	
Total Finance Cost				220,754

TOTAL COSTS**6,573,056****PROFIT****209,444****Performance Measures**

Profit on Cost%	3.19%
Profit on GDV%	3.09%
Profit on NDV%	3.09%
IRR% (without Interest)	12.12%
Profit Erosion (finance rate 7.000)	5 mths