

1 Hampshire Street, London,  
NW5 2TE

Independent Viability Review

Prepared on behalf of Camden London  
Borough Council

10<sup>th</sup> August 2023

Planning Reference: 2022/3758/P



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## Contents

|     |   |    |
|-----|---|----|
| 1.0 | Introduction .....                          | 2  |
| 2.0 | Summary Table .....                         | 4  |
| 3.0 | Conclusions And Recommendations.....        | 5  |
|     | Benchmark Land Value.....                   | 5  |
|     | Development Value .....                     | 5  |
|     | Development Costs .....                     | 6  |
|     | Recommendations.....                        | 6  |
| 4.0 | Principles Of Viability Assessment.....     | 8  |
| 5.0 | Benchmark Land Value.....                   | 9  |
|     | Viability Benchmarking.....                 | 9  |
|     | The Proposed Benchmark.....                 | 11 |
|     | Our Assessment of Benchmark Land Value..... | 13 |
| 6.0 | Development Values .....                    | 17 |
|     | Private Residential Values .....            | 17 |
|     | Parking .....                               | 19 |
|     | Affordable Residential Values.....          | 19 |
| 7.0 | Development Costs .....                     | 21 |
|     | Construction Costs .....                    | 21 |
|     | Additional Costs .....                      | 21 |
|     | Profit.....                                 | 21 |
| 8.0 | Author Sign Off.....                        | 23 |
|     | Appendix 1: Build Cost Report.....          | 24 |
|     | Appendix 2: BPS Appraisals .....            | 28 |

## 1.0 Introduction

- 1.1 BPS Chartered Surveyors have been instructed by Camden London Borough Council ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by Bidwells on behalf of Redtree (North London) Limited ('the Applicant') in connection with a planning application for the redevelopment of the above site.
- 1.2 The site currently comprises 4 storey building with 334 sqm of commercial floorspace (Class E, restricted to office use previously classified as B1) and 16 residential units (6 x 2-bed, 6 x 1-bed and 4 x 3-bed) (Class C3) with terraces at front and rear following demolition of existing photographic studio (Class B1c). The site was developed under the planning permission 2017/2883/P. The purpose of this assessment is to consider the redevelopment of the ground floor commercial space only.
- 1.3 The location is predominantly residential in nature. The site is/not located in a conservation area nor is it listed.
- 1.4 The proposals are for:  
  
*"Change of use from commercial (Class B1) to residential (Class C3) at ground floor to provide five flats and associated external alterations at front and rear."*
- 1.5 The basis of our review is Financial Viability Assessment prepared by Bidwells, dated March 2023, which concludes that the scheme currently shows a deficit of approximately £1,543,000 and therefore no affordable housing contribution can viably be offered.
- 1.6 We have downloaded documents available on the Council's planning website.
- 1.7 We have received a live version of the Argus appraisal(s) included in the report.
- 1.8 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make any affordable housing contributions.
- 1.9 We have searched the CLBC's planning website and have identified the following recent planning applications relating to the site:
  - Planning Application 2021/4488/P- "Details of balustrades required by condition 3 of planning permission 2017/2883/P dated 24/04/2019 (for Redevelopment of the site to provide 4 storey building with 334 sqm of commercial floorspace and 16 residential units with terraces at front and rear following demolition of existing photographic studio)."- Granted

- Planning Application 2022/2146/P- "Discharge of conditions 18 and 19 (Part M of Building Regs compliance) and partial discharge of condition 10b (confirmation of no unexpected water contaminants) and 3c (sample panel/materials) of planning permission 2017/2883/P for: Redevelopment of the site to provide 4 storey building with 334 sqm of commercial floorspace (Class B1) and 16 residential units (6 x 2-bed, 6 x 1-bed and 4 x 3-bed) (Class C3) with terraces at front and rear following demolition of existing photographic studio (Class B1c)." - Granted

- 1.10 A Land Registry search shows that the applicant does currently own the land. The site was purchased in 2019 for £3.1m.
- 1.11 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.
- 1.12 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 Summary Table

2.1 Our analysis presents the following outturn financial position for the project:

| Input                                 | Bidwells                              | BPS                                   | Comments  |
|---------------------------------------|---------------------------------------|---------------------------------------|---|
| Income                                |                                       |                                       |   |
| Private Sales Values                  | £2,725,000<br>(£9,175psm/<br>£852psf) | £2,897,100<br>(£9,754psm/<br>£906psf) | Disagreed   |
| Expenditure                           |                                       |                                       |   |
| EUV                                   | £1,880,000                            | £1                                    | Ambiguous- No appropriate assessment submitted by the Applicant's Agent |
| Landowner Premium                     | 20%                                   | %                                     | Ambiguous- No appropriate assessment submitted by the Applicant's Agent |
| Benchmark Land Value                  | £2,256,000                            | £1                                    | Ambiguous- No appropriate assessment submitted by the Applicant's Agent |
| Build Costs (inc. contingency)        | £674,493                              | £674,493                              | Agreed  |
| AH Contributions                      | £100,200                              | £434,200                              | Ambiguous- Confirmed by the Council, different to Bidwells' assessment  |
| Professional Fees                     | 5%                                    | 5%                                    | Agreed  |
| Private Marketing, Sales & Legal Fees | 3%                                    | 3%                                    | Agreed  |
| CIL                                   | £231,812                              | £231,812                              | Ambiguous - We require confirmation from the Council on this input.     |
| Finance                               | 7%                                    | 7%                                    | Agreed  |
| Profit (on Cost):                     | 20%                                   | 10%                                   | Disagreed   |
| Development Timeframes                |                                       |                                       |   |
| Construction Period                   | 5-months                              | 5-months                              | Agreed  |
| Sales Period                          | 2-months                              | 2-month                               | Agreed  |
| Viability Position                    | -£1,110,000                           | +£1,327,281                           | Disagreed   |

## 3.0 Conclusions And Recommendations

- 3.1 We have reviewed the Financial Viability Assessment prepared by Bidwells on behalf of the applicant which concludes that the proposed scheme generates a residual land value of £1,146,000 which is approximately £1,110,000 below their benchmark land value of £2,256,000. On this basis the scheme cannot provide any additional affordable housing contribution.

### Benchmark Land Value

- 3.2 Bidwells have approached the Benchmark Land Value on an Existing Use Value (EUV) basis. They suggest that the existing site would be let as a commercial space.
- 3.3 Bidwells provides evidence confirming that the existing space is not lettable at current market levels. Despite that, Bidwells have arrived at the Benchmark Land Value of c. £2.2m based on the valuation report carried out over a year ago.
- 3.4 EUV assessment should provide a realistic representation of the income stream that is achievable in the current market. We consider the evidence provided by Bidwells is are contradicting, therefore, we find the BLV assessment to be inconclusive at this stage.
- 3.5 We have adopted a figure of £1 as the Benchmark Land Value on an interim basis. We acknowledge the existing space, however, does have a value and we reserve the right to revisit our position upon receiving an appropriate BLV assessment from the Applicant.

### Development Value

- 3.6 The scheme includes five residential units.
- 3.7 We have reviewed the information provided by Bidwells in support of their private sales values and we have also undertaken our own research into recent transactions in the local area. We are of the view that the values proposed are below current market expectations. We have suggested some changes to the values proposed by Bidwells which are outline in Section 6 of this report. Overall, our suggested revisions result in an increase of approximately £172,100 on the values proposed by applicant's agent which reflects an increase of 6% on the scheme's GDV.

### *Ground rents*

- 3.8 The Leasehold Reform (Ground Rent) Act 2022 is now in full force. We therefore consider the omission of capitalised ground rents as being a reasonable assumption.

*Affordable Housing*

- 3.9 We understand from the FVA that Bidwells assumed the required Affordable Housing contribution of £100,200. CLBC assess the required payment to be higher, equating to £467,600. We have not verified these amounts. We have adopted CLBC's figure in our assessment.

Development Costs

- 3.10 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Bourne Anderson, dated 22<sup>nd</sup> February 2023, and concludes that:

"Our benchmarking results in an adjusted benchmark of £2,885/m<sup>2</sup> that compares to the Applicant's £2,242/m<sup>2</sup>. We therefore consider the Applicant's costs to be reasonable."

- 3.11 We have reviewed the other cost outlined within the FVA and consider them to be reasonable.

Recommendations

- 3.12 We have been provided with a live version of the Argus appraisal included in Bidwells report to which we have applied our amendments. These amendments are outlined in the table included at Section 2.
- 3.13 After these changes we identify a surplus of c. £1m. On this basis we calculate that the scheme would be able to contribute towards or provide additional affordable housing.
- 3.14 The large surplus identified is largely caused by the nominal Benchmark Land Value assumed at a nil value. The level of surplus is likely to change once an appropriate BLV assessment has been received.
- 3.15 We have undertaken sensitivity analysis to test the impact of changes to sales revenue and build cost on the Residual Land Value. It can be seen that even with 5% increase in build cost and 5% drop in sales, the scheme remains in surplus position. We include our sensitivity analysis as follows:

| Build Cost | Private Sales |            |            |            |            |
|------------|---------------|------------|------------|------------|------------|
|            | -5.00%        | -2.50%     | 0.00%      | +2.50%     | +5.00%     |
| -5.00%     | £1,225,975    | £1,296,351 | £1,366,726 | £1,437,101 | £1,507,477 |
| -2.50%     | £1,206,253    | £1,276,628 | £1,347,003 | £1,417,379 | £1,487,754 |
| 0.00%      | £1,186,530    | £1,256,905 | £1,327,281 | £1,397,656 | £1,468,031 |
| +2.50%     | £1,166,807    | £1,237,183 | £1,307,558 | £1,377,933 | £1,448,309 |
| +5.00%     | £1,147,084    | £1,217,460 | £1,287,835 | £1,358,211 | £1,428,586 |

- 3.16 We recommend that if a policy compliant offer is not made, the scheme should be subject to a late stage review of viability in order that the viability can be assessed over the lifetime of the development.



## 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:

$$\begin{aligned} &\text{Gross Development Value} - \text{Development Costs (including Developer's Profit)} \\ &= \text{Residual Value} \end{aligned}$$

- 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 Development appraisals can also be constructed to include a fixed land value and fixed profit targets. If an appropriate benchmark is included as a fixed land value within a development appraisal this allows for interest to be more accurately calculated on the Benchmark Land Value, rather than on the output residual value. By including fixed profit targets as a cost within the appraisal, programmed to the end of development so as not to attract interest payments, the output represents a 'super' profit. This is the profit above target levels generated by the scheme which represents the surplus available towards planning obligations
- 4.5 This Viability Review report adheres to the RICS Professional Statement on Financial Viability in Planning: Conduct and Reporting (published May 2019). In accordance with this Statement, Section 8 below incorporates details of our Quality Standards Control & Statement on Limitation of Liability/ Publication. This report has been prepared according to the Professional Statement's requirement for objectivity and impartiality, without interference and with reference to all appropriate available sources of information. Where information has not been obtainable, we have stated this expressly in the body of the report.

## 5.0 Benchmark Land Value

### Viability Benchmarking

5.1 Planning Policy Guidance, published May 2019, states:

*Benchmark land value should:*

- *be based on 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 and*

*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. These 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.*

*The 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.*

*[...] 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 agreement).*

5.2 The NPPF recognises the need to provide both land owners and developers with a competitive return. In relation to land owners this is to encourage land owners to release land for development. This is set out in PPG as follows:

*To define land value for any viability assessment, a benchmark land value should be established on the basis of 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+).*

- 5.3 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the NPPG's definition of Benchmark Land Value.

- 5.4 NPPG further defines EUV as follows:

*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).*

- 5.5 The Mayor of London's Affordable Housing and Viability SPG published August 2017 states a clear preference for using EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. This is evidenced through the following extract:

*The Mayor considers that the 'Existing Use Value plus' (EUV) approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used.*

- 5.6 Guidance indicates that the sale of any premium should reflect the circumstances of the land owner. We are of the view that where sites represent an ongoing liability to a land owner and the only means of either ending this liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable. This view is corroborated in the Mayor of London's Affordable Housing and Viability SPG which states:

*Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/ costs, a*

*lower premium or no premium would be expected compared with a site occupied by profit-making businesses that require relocation. The premium could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary.*

- 5.7 While EUV is the primary approach to defining BLV, in some circumstances an Alternative Use Value approach can be adopted. This is the value of the land for a use other than its existing use. NPPG outlines:

*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.*

*[...] 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.*

- 5.8 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the definition of AUV from NPPG and reiterates that any AUV must reflect relevant policy requirements.
- 5.9 When adopting an AUV approach, the premium to the landowner is implicit and therefore an additional landowner premium should not be added as this would be double counting.
- 5.10 NPPG and RICS guidance are clear that if refurbishment or redevelopment is necessary to realise an existing use value then this falls under the AUV provision of NPPG and no landowner premium should be added.

#### The Proposed Benchmark

- 5.11 The benchmark proposed by Bidwells for viability testing is based on an Existing Use Value approach.
- 5.12 The subject site comprises three commercial units with a combined GIA of 3,530 sq. ft. (328 sq. m.), which were constructed under planning permission 2017/2883/P, details are outlined below:

*“Redevelopment of the site to provide 4 storey building with 334 sqm of commercial floorspace (Class B1) and 16 residential units (6 x 2-bed, 6 x 1-bed and 4 x 3-bed) (Class C3) with terraces at front and rear following demolition of existing photographic studio (Class B1c).”*

- 5.13 We note from the plans included in the FVA that the existing commercial element comprises the following accommodation (GIA):
- Unit 1: 111 sq m (1,195 sq ft)
  - Unit 2: 87 sq m (936 sq ft)
  - Unit 3: 130 sq m (1,399 sq ft)
- 5.14 We note the property does not currently appear on the government business rate valuation website.
- 5.15 We note from the Planning Application form that the existing space has been classified for an office use (Use Class E, previous B1).
- 5.16 The Applicant instructed Alexander Reece Thomson Chartered Surveyors ('ART') to conduct the marketing of the property on a 'to let' or 'for sale' basis in 2020. We have been provided with a copy of ART's marketing report dated February 2023 which details the marketing progress and offers received so far. We understand that ART has been unable to let or sell any of the three units.
- 5.17 We note from the ART's brochure of 1 Hampshire Street, that the units were advertised at the following rental values:
- Unit 1: £45,000ps (c. £38 psf)
  - Unit 2: £38,000ps (£41 psf)
  - Unit 3: £50,000 (£36 psf)
- 5.18 We note from ART's report as well as the marketing brochure that the units were offered for commercial occupation, however the exact use is not specified. We have been informed by the Council that the existing space is restricted to office use by the S106 agreement.
- 5.19 We understand from the FVA that a red book valuation was conducted for unit 3 on 29<sup>th</sup> of May 2022. It identified a purchase price of £745,000 for Unit 3, this equates to £532.41 per sq. ft. GIA (£5730.77 per sq. m. GIA). We have not been provided with a copy of said report. The valuation report was used by Bidwells as comparable evidence to inform their opinion of an EUV. Bidwells pro-rated the price psf stated in the valuation report to arrive to an EUV of units 1 & 2.

- 5.20 Bidwells have arrived at a total EUV of £1,880,000 for the three units.
- 5.21 PPG is clear that price paid for the land does not form a sufficient justification of informing an Existing Use Value of the property. This is outlined in the relevant paragraph below:
- “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.”*
- 5.22 We consider the valuation report, conducted over a year ago, not to be particularly relevant comparable for the purpose of the current assessment.
- 5.23 Having analysed the market report prepared by Arts we understand that despite the units being marketed for 3 years now, no letting or sale has been secured. Art refers to a number of offers being received in the past, however no reference to the price that the property was advertised for has been made. We do not consider the past offers (none of which have been completed) to provide any significant relevance for the purpose of the current EUV assessment.
- 5.24 Given the units were recently developed, we assume these to be in a good condition, albeit no supporting photographs have been provided.
- 5.25 Bidwells have adopted a Landowner’s Premium of 20% in their assessment and arrived at the Benchmark land Value of £2,256,000.
- 5.26 Given that existing units, despite being marketed for 3 years continuously, were not capable of being let or sold, we assume the owner has been faced with empty property costs, which means an overall loss for the owner. We don’t find it reasonable that in the existing circumstances such a high level of landowner’s premium would be required.
- 5.27 Overall, we do not consider sufficient evidence have been provided by Bidwells to support their assumption of the BLV.

#### Our Assessment of Benchmark Land Value

- 5.28 We have approached the Benchmark Land Value on an Existing Use Value basis. The current use of the property is an office space which has been categorised on the planning application form as Use Class E. We have identified transactions of similar properties in the area surrounding the property:

| Address  | Description (and Floor Area)  | Date       | Size NIA (sq ft) | Price psf |
|--|---|------------|------------------|-----------|
| 32 Holmes Road, London NW5 3AB   | Self-contained ground floor space let for 5 years. The unit has a glazed window frontage and 2 car parking spaces. The property is located 0.6 miles from the subject site, within 4 minutes walk from the Kentish Town underground station. The property is in an inferior condition to the subject, however it is located in a closer proximity to the train station. The subject is also of a smaller size than the comparable, which would inflate the price psf. | 01/02/2022 | 3,850            | £18.18    |
| Dunn's Hat Factory, 106-110 Kentish Town Road, Camden, London, NW1 9PX | Comprehensively refurbished ground floor office space let for 5 years. Good quality, grade A space with a communal reception. Located on the east side of Kentish Town Road, within 0.8 miles of the subject site. The building is located in between Camden Road overground station (5 minutes walk) and Kentish Town underground (9 minutes walk). We consider the position of the comparable to be superior to the subject.  | 20/03/2023 | 1,610            | £43.50    |
| The Brewery Building, Kings  | Space is located on the 2 <sup>nd</sup> floor of a newly developed office block, let for 5 years. Located 0.5   | 01/09/2021 | 2,273            | £44.50    |

|  |   |            |       |        |
|--|---|------------|-------|--------|
| Cross, London, N7 9QH                                      | miles from the subject site, within 10 minutes walk to Caledonian Road station and 20 minutes to Kings Cross station. We consider the position of the comparable within a professionally designed office building as well as its superior location would attract higher values. |            |       |        |
| The Wallpaper Factory, 53-79, Highgate Rd, London, NW5 1TL | Brand new office building located 0.8 miles of the subject site, within 6 minutes walk to Kentish Town underground station.   | 07/06/2023 | 1,852 | £55.00 |

- 5.29 The above transactions have completed over the past 2 years. All the evidence is located within 1 mile from the subject site and are positioned in a superior location than the subject.
- 5.30 It is evident from the information above that the prices ART advertised the commercial space for are broadly in line with the current market levels for the new build. The subject is positioned slightly further away from the train station than the comparables and with a limited office supply in the nearest vicinity of the site. Such circumstances may require a rent to be slightly reduced in order to attract the tenant. It is unclear from ART's report whether any attempt was made to let the space at the lower rental levels, but we assume the lower offers were considered. The location of the unit appears to be off-pitch, not really visible from the main roads, which likely impacts the demand.
- 5.31 ART's report clearly proves that the existing commercial units are currently not lettable. Bidwells assumption that these are worth £2.2m in its existing use is somewhat paradoxical.
- 5.32 We do not consider that sufficient evidence has been provided by Bidwells to justify a BLV of £2.2m for units that are clearly not lettable. The EUV should form a realistic representation of the achievable income stream. The evidence that we have been presented with as a part of this assessment shows that such income stream is not achievable at the proposed levels.
- 5.33 In our opinion, in order to arrive at an appropriate Benchmark Land Value figure, lower rental levels for the EUV should be considered. Alternatively, an appropriate AUV assessment should be submitted.



- 5.34 Considering the lack of appropriate evidence provided to support the EUV assessment, we have adopted a figure of £1 as the Benchmark Land Value on an interim basis. We acknowledge the existing space, however, does have a value and we reserve the right to revisit our position upon receiving an appropriate assessment.

## 6.0 Development Values

- 6.1 The residential element of the proposed scheme, as sought by the planning application, is for five residential units located on the ground floor of the existing residential building.

### Private Residential Values

- 6.2 All five units are proposed to be for private sale and the values have been assumed as follows:

| Flat Number | Type | Size (sq m) | Size (sq ft) | Total      | £ PSF | £ PSM   |
|-------------|------|-------------|--------------|------------|-------|---------|
| 1           | 1B2P | 53          | 570          | £500,000   | £877  | £9,434  |
| 2           | 1B2P | 50          | 538          | £500,000   | £929  | £10,000 |
| 3           | 3B4P | 79          | 850          | £700,000   | £824  | £8,861  |
| 4           | 1B2P | 52          | 560          | £500,000   | £893  | £9,615  |
| 5           | 1B2P | 63          | 678          | £525,000   | £774  | £8,333  |
| Total       |      | 297         | 3196         | £2,725,000 | £853  | £9,175  |

- 6.3 We note from the plans that each flat would have a private external amenity to rear. Four of the flats would have a new private entrance from the main street. One flat would be accessible from the communal hallway.
- 6.4 In support of the adopted values, Bidwells provides a list of comparable evidence. The prime comparable is the list of sales completed within the subject development in 2022. It shows that the flats developed under the parent planning permission achieved the following values:

| Beds | Size | Price    | £ PSF  |
|------|------|----------|--------|
| 1    | 427  | £454,667 | £1,065 |
| 3    | 921  | £824,000 | £895   |

- 6.5 We note from the original plans, that each of the unit comprises a front located outside space. The external space of the proposed units would be slightly bigger in comparison to the existing ones.
- 6.6 It can be seen that the price per sq ft of proposed 1-bedroom unit is lower on average than those of the parent scheme. Given the proposed unit is c. 156 sq ft larger on average than the existing, we consider the reduction to be broadly reasonable. However, we note the price psf of 3-bedroom unit also has been decreased, even though the proposed unit is smaller with a larger external space provided than outlined in the parent scheme.
- 6.7 We note the one-bedroom unit of the parent scheme located on the 1<sup>st</sup> floor, measuring c. 427 sq ft, achieved on average £440,000 per unit (£1,030 per sq ft). Two bedroom ground floor units, measuring on average 689 sq ft, achieved c. £630,000 per unit (£914 per sq ft). The proposed one-bedroom units, however, have been assessed at c. £868 per sq ft, which is lower than the value achieved for two bedrooms. We would expect the price per sq ft of one-

bedroom units, with a larger size outside space, to range between £914 per sq ft and £1,030 per sq ft.

- 6.8 Bidwells provided a list of additional sales transactions in the area, showing the achieved price of one-bedroom units between £300,000 - £640,000 and three-bedrooms between £596,000-£775,000. No comparative analysis or description have been provided, therefore, we are unable ascertain the relevance of the evidence provided.
- 6.9 Overall, we find the prices achieved within the development form the most important comparable evidence for the purpose of this assessment. Nevertheless, we have undertaken our own research into transactions in the area surrounding the subject site to additionally test the values adopted. We have identified the following additional market evidence achieved between 2021 and 2023:

| Address                                  | Description & GIA   | Size                | Price Achieved                |
|--|---|---------------------|-------------------------------|
| Agar Grove Estate, NW1 9SS               | The new build residential development located 0.6 miles of the subject site and 5 minutes walk of the Camden Road overground station. The development comprises 496 homes, 348 of which will be built to Passivhaus standard. Each flat benefits form private amenity space in the form of a balcony or a terrace. All residents have access to the communal roof terrace. We consider the Agar Grove would achieve higher values than the subject on account of its superior location. | 1 Bed:<br>685 sq ft | 1 Bed: £577,000<br>(£844 psf) |
| XY- Maiden Lane Estate, York Way, N7 9GY | The new build residential development forms a part of a bigger estate redevelopment. The flats benefit from private amenity space in the form of a balcony and improved public realm. The comparable is located 0.5 miles from the subject site, within 15 minutes walk of Kings Cross train station. We note the price achieved is a result of a bulk sale of 12 flats, therefore, we  | 1 Bed:<br>611 sq ft | 1 Bed: £505,000<br>(£832 psf) |

|  |  |  |  |
|--|--|--|--|
|  | assume the buyer received a discount on this purchase. Overall, we believe the location of the comparable to be superior to the subject.   |  |  |
| Founders House, 6, Kentish Town Road, London, Greater London NW5 2AE | Public house converted building, located on the corner of the busy Kentish Town Road with a downstairs shop. The property is located 0.5 miles of the subject site, within 5 minutes walk to Kentish Town underground station. The conversion was completed in 2018, the prices stated hereby represent resale values. |  |  |

6.10 Generally we have found that the values proposed by Bidwells are slightly lower than our expectations.

6.11 Our revised values are as follows:

| Flat Number | Type | Size (sq ft) | Size (sq ft) | BPS Price per unit | BPS £ PSF | BPS £ PSM  |
|-------------|------|--------------|--------------|--------------------|-----------|------------|
| 1           | 1B2P | 53           | 570          | £541,500           | £950      | £10,216.98 |
| 2           | 1B2P | 50           | 538          | £511,100           | £950      | £10,222.00 |
| 3           | 3B4P | 79           | 850          | £722,500           | £850      | £9,145.57  |
| 4           | 1B2P | 52           | 560          | £532,000           | £950      | £10,230.77 |
| 5           | 1B2P | 63           | 678          | £590,000           | £870      | £9,900.95  |
| Total       |      | 297          | 3,196        | £2,897,100         | £906      | £9,754.55  |

6.12 Overall, the values reflect an increase of £172,100 (c. 6%) on the values proposed by Bidwells.

#### Parking

6.13 The proposed development is car-free.

#### Affordable Residential Values

6.14 The proposed scheme does not include any affordable housing units. The Council's planning policy requires an affordable housing contribution in a form of payment in-lieu for the proposals of less than 10 dwellings.

6.15 We understand from the FVA that Bidwells calculated the required Affordable Housing contribution to equate to £100,200. CLBC assess the required payment to be £467,600.

- 6.16 The Council have confirmed with ourselves that the previously assessed figure was wrong and the correct figure should be £434,200. We have adopted this figure in our assessment.

## 7.0 Development Costs

### Construction Costs

- 7.1 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Bourne Anderson, dated 22<sup>nd</sup> February 2023, and concludes that:

“Our benchmarking results in an adjusted benchmark of £2,885/m<sup>2</sup> that compares to the Applicant’s £2,242/m<sup>2</sup>. We therefore consider the Applicant’s costs to be reasonable.”

- 7.2 Mr Powling’s full cost report can be found at Appendix 1.

### Additional Costs

- 7.3 Bidwells have applied the following additional cost assumptions:

- Professional fees of 5%
- Marketing, Sales and Legal fees of 3%

- 7.4 Generally, we accept that these percentages are realistic and in line with market norms.

- 7.5 CIL charges have been assumed at £231,812. We have not verified this amount.

- 7.6 Finance has been included at 7% assuming that the scheme is 100% debt financed. We consider this finance allowance to be reasonable.

### Profit

- 7.7 The developer profit target adopted by Bidwells is 20% on Cost, which translates to c. 16.67% on GDV. The subject site consist of already newly developed building, with merely a ground floor requiring a conversion. The FVA already demonstrated that there is a demand for residential units, therefore we consider the risk associated with the proposal to be minimal.

- 7.8 On this basis, we consider the profit target of 10% on cost to be more appropriate, which is typical for conversion developments.

### Development Timeframes

- 7.9 Bidwells assumed the following timeframes in their assessment:

- Construction: 5 months
- Sales: 2 months

- 7.10 We consider the proposed timeframes to be broadly reasonable. We note from the live version of appraisal that 100% sales income is expected to be received in the first month of sales.

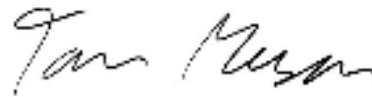
Therefore, we assume a certain level of off-plan sales was adopted, albeit this has not been clarified in the report.

## 8.0 Author Sign Off

- 8.1 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.
- 8.2 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.
- 8.3 The following persons have been involved in the production of this report:



Agnes Mrowiec  
RICS Membership no. 6821180  
For and on behalf of  
BPS Chartered Surveyors



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

August 2023



# Appendix 1: Build Cost Report

Project: 1 Hampshire Street, Camden, NW5 2TE  
2022/3758/P

## Independent Review of Assessment of Economic Viability

### Appendix A Cost Report

#### 1 SUMMARY

- 1.1 The cost plan includes an allowance of 32.86% for preliminaries. The allowance for overheads and profit (OHP) is 10%. We consider the preliminaries as a % very high, but there is a detailed build-up of the cost and the actual total for a small value contract is not particularly high. We consider the allowances for this project reasonable.
- 1.2 Our benchmarking results in an adjusted benchmark of £2,885/m<sup>2</sup> that compares to the Applicant's £2,242/m<sup>2</sup>. We therefore consider the Applicant's costs to be reasonable.
- 1.3 The have not been able to ascertain the duration allowed in the Applicant's appraisal. The results determined from the BCIS duration calculation provides an estimated average construction duration from start on site to construction completion of 29 weeks (6.7 months) with a 90% confidence interval for this estimate of 26 to 33 weeks (6 to 7.6 months). We consider a reasonable duration to be 7 months to include in the viability calculations.

#### 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 and also 30-year average prices. We have previously considered 5-year data more likely to reflect current regulations, specification, technology and market requirements, but because of reduce sample sizes in the last 5 years we consider the default values the most appropriate for benchmarking.
- 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 on an overall £ per sqm and on a group element basis i.e., 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<sup>2</sup> 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 Assessment of the Economic Viability of the Proposed Scheme issued March 2023 by Bidwell's together with Appendix 4 the Order of Costs Estimate v2.1 issued 22 Feb 2023 by Anderson Bourne.
- 3.2 We have also downloaded the Design & Access Statement from the planning web site.
- 3.3 The base date of the cost estimate is assumed to be 1Q2023. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in

Tender Price Index (TPI) for 1Q2023 is 379 (Provisional) and for 3Q2023 385 (Forecast).

- 3.4 The design information used to produce the cost plan has not been provided. There is therefore no given basis for the structural or services information used for the estimate.
- 3.5 The cost plan includes an allowance of 32.86% for preliminaries. The allowance for overheads and profit (OHP) is 10%. We consider the preliminaries as a % very high, but there is a detailed build-up of the cost and the actual total for a small value contract is not particularly high. We consider the allowances for this project 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 £852/ft<sup>2</sup> (Net Sales Area).
- 3.9 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 130 that has been applied in our benchmarking calculations.
- 3.10 We have adopted the same GIA used in the Applicant's cost plan; we assume this to be the GIA calculated in accordance with the RICS Code of Measurement 6th Edition 2007.
- 3.11 The proposal is for the conversion of three ground floor commercial units to five flats; BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6 storey or above. We have benchmarked as conversion of flats generally.
- 3.12 Our benchmarking results in an adjusted benchmark of £2,885/m<sup>2</sup> that compares to the Applicant's £2,242/m<sup>2</sup>. We therefore consider the Applicant's costs to be reasonable.
- 3.13 The have not been able to ascertain the duration allowed in the Applicant's appraisal. The results determined from the BCIS duration calculation provides an estimated average construction duration from start on site to construction completion of 29 weeks (6.7 months) with a 90% confidence interval for this estimate of 26 to 33 weeks (6 to 7.6 months). We consider a reasonable duration to be 7 months to include in the viability calculations.
- 3.14 The areas and costs included in the appraisal are consistent with the areas and costs in the estimate.

BPS Chartered Surveyors

Date: 1<sup>st</sup> August 2023

**1 Hampshire Street, Camden, NW5 2TE**  
**Elemental analysis & BCIS benchmarking**

|   | GIA m <sup>2</sup> | 301              | Group element -<br>conversion 1-2 Storey |                  | Element - New build |                  |
|---|--------------------|------------------|--|------------------|---------------------|------------------|
|   |                    |                  | LF100                                    | LF130            | LF100               | LF130            |
|   | £                  | £/m <sup>2</sup> | £/m <sup>2</sup>                         | £/m <sup>2</sup> | £/m <sup>2</sup>    | £/m <sup>2</sup> |
| <b>Demolitions - facilitating works 1%</b>  | <b>4,250</b>       | <b>14</b>        | <b>69</b>                                | <b>90</b>        |                     |                  |
| <b>1 Substructure</b>   |                    |                  | <b>82</b>                                | <b>107</b>       | <b>174</b>          | <b>226</b>       |
| 2A Frame  |                    |                  |  |                  | 154                 | 200              |
| 2B Upper Floors   |                    |                  |  |                  | 89                  | 116              |
| 2C Roof   |                    |                  |  |                  | 108                 | 140              |
| 2D Stairs   |                    |                  |  |                  | 33                  | 43               |
| 2E External Walls   | 3,515              | 12               |  |                  | 224                 | 291              |
| 2F Windows & External Doors   | 18,000             | 60               |  |                  | 100                 | 130              |
| 2G Internal Walls & Partitions  | 20,040             | 67               |  |                  | 82                  | 107              |
| 2H Internal Doors   | 30,745             | 102              |  |                  | 57                  | 74               |
| <b>2 Superstructure</b>   | <b>72,300</b>      | <b>240</b>       | <b>684</b>                               | <b>889</b>       | <b>847</b>          | <b>1,101</b>     |
| 3A Wall Finishes  | 49,557             | 165              |  |                  | 84                  | 109              |
| 3B Floor Finishes   | 35,961             | 120              |  |                  | 68                  | 88               |
| 3C Ceiling Finishes   | 19,305             | 64               |  |                  | 45                  | 59               |
| <b>3 Internal Finishes</b>  | <b>104,823</b>     | <b>348</b>       | <b>305</b>                               | <b>397</b>       | <b>197</b>          | <b>256</b>       |
| <b>4 Fittings</b>   | <b>59,125</b>      | <b>197</b>       | <b>189</b>                               | <b>246</b>       | <b>73</b>           | <b>95</b>        |
| 5A Sanitary Appliances  | 3,750              | 12               |  |                  | 33                  | 43               |
| 5B Services Equipment (kitchen, laundry)  |                    |                  |  |                  | 19                  | 25               |
| 5C Disposal Installations   | 6,250              | 21               |  |                  | 15                  | 20               |
| 5D Water Installations  | 6,250              | 21               |  |                  | 37                  | 48               |
| 5E Heat Source  | 33,750             | 112              |  |                  | 64                  | 83               |
| 5F Space Heating & Air Treatment  | 17,468             | 58               |  |                  | 117                 | 152              |
| 5G Ventilating Systems, smoke extract & control   | 4,250              | 14               |  |                  | 20                  | 26               |
| 5H Electrical Installations (power, lighting, emergency lighting, standby generator,  | 37,250             | 124              |  |                  | 99                  | 129              |
| 5I Fuel Installations   | 3,750              | 12               |  |                  | 8                   | 10               |
| 5J Lift Installations   |                    |                  |  |                  | 41                  | 53               |
| 5K Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning   |                    |                  |  |                  | 17                  | 22               |
| 5L Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak | 2,500              | 8                |  |                  | 25                  | 33               |
| 5M Special Installations - (window cleaning, BMS, medical gas)  |                    |                  |  |                  | 37                  | 48               |
| 5N BWIC with Services   | 5,761              | 19               |  |                  | 15                  | 20               |
| 5O Management of commissioning of services  |                    |                  |  |                  |                     |                  |
| <b>5 Services</b>   | <b>120,978</b>     | <b>402</b>       | <b>435</b>                               | <b>566</b>       | <b>547</b>          | <b>711</b>       |
| 6A Site Works   | 27,960             | 93               |  |                  |                     |                  |
| 6B Drainage   | 38,420             | 128              |  |                  |                     |                  |
| 6C External Services  | 11,700             | 39               |  |                  |                     |                  |
| 6D Minor Building Works   |                    |                  |  |                  |                     |                  |
| <b>6 External Works 21.6%</b>   | <b>78,080</b>      | <b>260</b>       | <b>0</b>                                 | <b>0</b>         | <b>0</b>            | <b>0</b>         |
| <b>SUB TOTAL</b>  | <b>439,556</b>     | <b>1,461</b>     | <b>1,764</b>                             | <b>2,293</b>     | <b>1,838</b>        | <b>2,389</b>     |
| <b>7 Preliminaries 32.86%</b>   | <b>144,420</b>     | <b>480</b>       |  | <b>344</b>       |                     | <b>358</b>       |
| <b>Overheads &amp; Profit 10%</b>   | <b>58,398</b>      | <b>194</b>       |  |                  |                     |                  |
| <b>SUB TOTAL</b>  | <b>642,374</b>     | <b>2,135</b>     | <b>1,764</b>                             | <b>2,637</b>     | <b>1,838</b>        | <b>2,748</b>     |
| Design Development risks  |                    |                  |  |                  |                     |                  |
| Construction risks 5%   | 32,119             | 107              |  |                  |                     |                  |
| Employer change risks   |                    |                  |  |                  |                     |                  |
| Employer other risks  |                    |                  |  |                  |                     |                  |
| <b>TOTAL</b>  | <b>674,493</b>     | <b>2,242</b>     |  |                  |                     |                  |
|   | <b>674,493</b>     | <b>2,242</b>     |  |                  |                     |                  |
| Benchmarking  |                    |                  |  |                  |                     | 2,348            |
| Add demolitions   | 14                 |                  |  |                  |                     |                  |
| Add external works  | 260                |                  |  |                  |                     |                  |
|   | 274                |                  |  |                  |                     |                  |
| Add prelims 32.86%  | 90                 |                  |  |                  |                     |                  |
| Add OHP 10%   | 36                 | 400              |  |                  |                     |                  |
|   |                    | 2,748            |  |                  |                     |                  |
| Add 5% contingency  |                    | 137              |  |                  |                     |                  |
| Total adjusted benchmark  |                    | <b>2,885</b>     |  |                  |                     |                  |

## Appendix 2: BPS Appraisals

# 1 Hampshire Street Redevelopment

## Conversion of Ground Floor Commercial Premises

Development Appraisal  
BPS Surveyors  
10 August 2023

**APPRAISAL SUMMARY****BPS SURVEYORS****1 Hampshire Street Redevelopment  
Conversion of Ground Floor Commercial Premises****Appraisal Summary for Phase 1**

Currency in £

**REVENUE**

| <b>Sales Valuation</b>    | <b>Units</b> | <b>ft²</b> | <b>Sales Rate ft²</b> | <b>Unit Price</b> | <b>Gross Sales</b> |
|---------------------------|--------------|------------|-----------------------|-------------------|--------------------|
| Residential Accommodation | 5            | 3,197      | 906.19                | 579,420           | 2,897,100          |

**NET REALISATION****2,897,100****OUTLAY****ACQUISITION COSTS**

|             |       |   |   |   |
|-------------|-------|---|---|---|
| Fixed Price | 1     |   |   |   |
| Fixed Price |       |   | 1 |   |
|             |       |   |   | 1 |
| Agent Fee   | 1.00% | 0 |   |   |
| Legal Fee   | 0.50% | 0 |   |   |
|             |       |   |   | 0 |

**CONSTRUCTION COSTS**

| <b>Construction</b>       | <b>ft²</b> | <b>Build Rate ft²</b> | <b>Cost</b> |
|---------------------------|------------|-----------------------|-------------|
| Residential Accommodation | 3,238      | 208.31                | 674,493     |
| AH Financial Contribution |            |                       | 434,200     |
| Mayoral CIL               |            |                       | 25,890      |
| CLBC CIL                  |            |                       | 205,922     |
|                           |            |                       | 1,340,505   |

**PROFESSIONAL FEES**

|                   |       |        |        |
|-------------------|-------|--------|--------|
| Professional Fees | 5.00% | 33,725 |        |
|                   |       |        | 33,725 |

**DISPOSAL FEES**

|                             |       |        |        |
|-----------------------------|-------|--------|--------|
| Sales, Marketing and Legals | 3.00% | 86,913 |        |
|                             |       |        | 86,913 |

**MISCELLANEOUS FEES**

|                |        |        |        |
|----------------|--------|--------|--------|
| Profit on Cost | 10.00% | 94,003 |        |
|                |        |        | 94,003 |

**FINANCE**

|   |  |         |        |
|---|--|---------|--------|
| Debit Rate 7.000%, Credit Rate 2.000% (Nominal) |  |         |        |
| Land  |  | 0       |        |
| Construction                                    |  | 17,287  |        |
| Other   |  | (2,614) |        |
| Total Finance Cost                              |  |         | 14,673 |

**TOTAL COSTS****1,569,819****PROFIT****1,327,281****Performance Measures**

|                                     |               |
|-------------------------------------|---------------|
| Profit on Cost%                     | 84.55%        |
| Profit on GDV%                      | 45.81%        |
| Profit on NDV%                      | 45.81%        |
| IRR% (without Interest)             | 1,135.71%     |
| Profit Erosion (finance rate 7.000) | 8 yrs 10 mths |