

Our Reference: ETP220436
LPA Reference: 2022/4514/P
Date: 25 August 2023

Dear Sir/Madam

**Re: Affordable Housing Viability Assessment at The Unicorn, 227a
Camden Road, London, NW1 9AA**

I am writing to you on behalf of Warwick Classic Cars '*the Applicant*' regarding the application reference **2022/4514/P** at *the former The Unicorn Public House, 227a Camden Road, London, NW1 9AA* currently being considered by the Local Planning Authority (LPA), the London Borough of Camden Council.

ET Planning (**ETP**) has been provided with a Review of the submitted Viability Assessment carried out by BPS Chartered Surveyors (**BPS**) dated 7th July 2023. The purpose of this letter is to provide constructive comments relative to this review.

We are largely in agreement with BPS Chartered Surveyors with regards to elements of the Viability Assessment. A summary of the areas of agreement are listed below:

- 1 Income Commercial - Retail
- 2 Landowner Premium
- 3 Build Costs (provisionally)
- 4 Contingency
- 5 Professional Fees
- 6 Marketing & Agents Fees
- 7 Finance
- 8 Construction Programme and Sales Period

The key areas of professional disagreement between the review conducted by BPS Chartered Surveyors and ET Planning are as follows:

1. Incomes
 - a. Private Sales Values
 - b. Commercial Public House Value
2. Expenditure
 - a) EUV of existing Public House and Ancillary Residential
 - b) Benchmark Land Value
 - c) Legal Fees for sales units (apartments)
 - d) CIL Calculation
3. Build Cost
4. Viability Position

Income Gross Development Value

A key area of disparity is in relation to the Gross Development Value (GDV) of the proposal, both with the value of the 7 apartments and the commercial value of the new public house / music venue.

Before considering the GDV, it is important to consider other factors which can affect saleability and ultimately value.

Mortgage Availability

Mortgage availability and affordability have a direct impact on the saleability of residential properties, especially above commercial premises. A Which? Report¹ dated 10th February 2019, stated that *'After the financial crisis, some lenders stopped offering mortgages on properties that were near any 'high-risk' commercial premises such as shops, restaurants, and pubs. This is because homes above commercial premises are at greater risk of being affected by things like noise, smells, rubbish, and security issues - which are beyond the owners' control and could negatively impact the value of the property'*.

¹ Which? Revealed: 16 homes to avoid if you want to get a mortgage 10th February 2019 website: <https://www.which.co.uk/>

- a) Perceived Risks: Lenders tend to view such properties as higher risks due to potential noise and disturbance issues from the commercial establishments, which could affect the property's desirability and value.
- b) Limited Lender Options: Many traditional lenders are cautious about financing such properties, leading to limited mortgage options and potentially higher interest rates.
- c) Commercial Lease Length: The length of the commercial lease can also impact mortgage approvals, as lenders may be hesitant if the lease term is short or close to expiration.
- d) Mortgage Rates: Mortgage rates for properties above music venues and public houses are generally higher compared to standard residential mortgages. Interest rates for such properties can range from 1.5% to 2.5% above the Bank of England's base rate, depending on the lender's risk assessment and the property's overall viability.

Based on the data gathered, residential mortgages for properties above commercial premises, such as music venues and public houses, typically require a higher deposit compared to standard residential mortgages. The average deposit required is found to be around 25% to 35% of the property's value. This is notably higher than the average deposit required for standard residential properties, which usually ranges from 10% to 20%

ETP contacted a London based mortgage-brokerage to ascertain the availability of mortgages for residential specifically above Public Houses and Music Venues. The advice provided was *'There are a few lenders that would lend above a public house. The mortgage loan to value would be up to 65%...in the current market'*.

Allowing for the above statements, ETP have calculated the potential deposits required for the minimum deposit 35%, which for the smallest property would be c£160,000 and c£300,000 for the highest based upon our original assessment of the GDV.

Residential Income

ETP' initial assessment of the residential GDV was, £4,701,387 (Average £8,583.87 per m² / £797.46 per ft²), compared to BPS values at estimated £5,925,700 (average £10,819.24 per m² / £1,005.13 per ft²). Which represents a difference of 21%.

ETP have undertaken further detailed investigations of sales prices within the immediate vicinity and have held conversations with 15 local estate agents (list below) and a London Mortgage Brokerage to ascertain the status of mortgage lending on properties above a public house.

Company Details	Tel:
Portico Camden Estates	020 7482 1060
Camden Bus Estate Agents	020 7485 7485
Bentley & Co Estate Agents	020 7424 9944
Goldschmidt & Howland	020 7043 4433
Hunters Estate Agents	020 7916 0313
Dexters Estate Agents	020 7483 6391
Hotblack Desiato Estate Agent	020 7482 2894
Martin & Co Estate Agents	020 7387 1791
Matthew Estate Agents	020 7284 4343
Martyn Gerrard Estate Agents	020 7267 3737
Barnard Marcus Estate Agents	020 3835 2026
Winkworth Estate Agents	020 3835 5952
Matthew James	020 3872 4803
Salter Rex	020 3889 5983
Burghleys Estate Agents	020 3872 3456

Discussions with the residential estate agents, and (x3) commercial agents, emphasised that whilst the new development is in a good location, near both Kentish Town and Caledonian Road Stations, sales above commercial properties can be problematic, due to the reasons stated above.

A total of 15 properties have been sold since March 2022, at an average price of £536,733 (£843.97ft²) in Brecknock Road N7 0DD. The highest price achieved 232b Brecknock Road, £718,000 (21/10/22). A 3-bedroom split-level apartment, 15c Brecknock Road has recently exchanged

contracts (04/07/2023). The price achieved was £595,000, which equates to a sales rate of £594.37 ft².

Brecknock Road is considered a good comparable location, as The Unicorn development is sited on the corner of the Camden Road and Brecknock Road. Many of the earlier numbered properties are located adjacent to or above commercial premises. Table 1 Residential Comparable Evidence highlights all sales with Brecknock Road since March 2022.

Table 1

Address	Sale Date	£sold/ex change	EPC Cert	m2	ft2	£ft2	Comment
Flat 2 Oval House, 57a Brecknock Road, London, N7 0BX	05/04/2023	£500,000	EPC Cert	53	570.49	£876.44	Flat, Leasehold, Non-Newbuild. Sold. 2-bedroom flat
Flat 3 Oval House, 57a Brecknock Road, London, N7 0BX	05/04/2023	£515,000	EPC Cert	56	602.78	£854.37	Flat, Leasehold, Non-Newbuild. Sold, 2-bedroom flat
Flat A 50 Brecknock Road, London, N7 0DD	19/12/2022	£675,000	EPC Cert	64	688.90	£979.83	Flat, Leasehold, Non-Newbuild. Sold, 2-bedroom flat
15a Brecknock Road, London, N7 0BL	11/11/2022	£625,000	EPC Cert	64	688.90	£907.25	Flat, Leasehold, Non-Newbuild. Sold, 2-bedroom flat
17a Brecknock Road, London, N7 0BL	31/10/2022	£305,000	EPC Cert	39	419.80	£726.54	Flat, Leasehold, Non-Newbuild. Sold, 1-bedroom flat
Flat 8 Morris House Brecknock Road Estate, London, N19 5BA	31/10/2022	£510,000	EPC Cert	47	505.91	£1,008.09	Flat, Leasehold, Non-Newbuild. Sold 2-bedroom flat
46e Brecknock Road, London, N7 0DD	28/10/2022	£450,000			0.00	#DIV/0!	Flat, Leasehold, Non-Newbuild. Sold, 1-bedroom flat
232b Brecknock Road, London, N19 5BQ	21/10/2022	£718,000	EPC Cert	76	818.06	£877.68	Flat, Leasehold, Non-Newbuild. Sold, 2-bedroom flat

Flat 3 139 Brecknock Road, London, N19 5AD	16/09/2022	£635,000	EPC Cert	74	796.54	£797.20	Flat, Leasehold, Non-Newbuild. Sold, 2-bedroom flat
Flat 2 165 Brecknock Road, London, N19 5AD	12/09/2022	£550,000	EPC Cert	52	559.73	£982.62	Flat, Leasehold, Non-Newbuild. Sold, 2-bedroom flat
224a Brecknock Road, London, N19 5BG	07/09/2022	£605,000	EPC Cert	55	592.02	£1,021.92	Flat, Leasehold, Non-Newbuild. Sold, 2-bedroom
119a Brecknock Road, London, N19 5AE	19/08/2022	£618,000	EPC Cert	77	828.83	£745.63	Flat, Leasehold, Non-Newbuild. Sold, 2-bedroom flat
62c Brecknock Road, London, N7 0DD	18/07/2022	£440,000	EPC Cert	50	538.20	£817.54	Flat, Leasehold, Non-Newbuild. Sold, 1-bedroom flat
Flat 26 Charlton Court, 75 Brecknock Road, London, N7 0BU	04/03/2022	£310,000	EPC Cert	46	495.14	£626.08	Flat, Leasehold, Non-Newbuild. Sold., 1-bedroom flat
15c Brecknock Road, London, N70BL	04/07/2023	£595,000		93	1001.05	£594.37	Flat, 3-bedroom split level, exchanged

Agents advised that there are currently 2 properties on the market within the immediate area. Table 2 below indicates the 2 properties new to the market. 1 property is Sold Subject to Contract.

Table 2

Address	Sale Date	£price	Agents Details	m2	ft2	£ft2	Comment
Brecknock Road London N7	25/07/2023	£375,000	https://www.zoopla.co.uk/for-sale/details	48	517	£725.80	New to Market Burghley Estate Agents 020 8128 9347
57 Brecknock Road London	20/04/2023	£495,000	https://www.rightmove.co.uk/properties/133892429#/?channel=RES_BUY	59.36	639	£774.65	Under Offer

Based upon the above evidence ETP recognise that BPS have correctly advised that properties can achieve a sales value in the region of £1,000ft², however, in this instance it is our professional opinion that given the nature of the proposed scheme, 'mortgage-ability' of the residential dwellings being above a public house / music venue limits the values. The practical factors highlighted above, aligned with the perception of the development being located on the junction of two busy roads, limited amenity space, above commercial premises will also provide a ceiling to the marketable value. That closest comparable sales evidence supports an increased GDV of £4,975,576 (£9,084.49m² / £843.97ft²).

Existing Use Value

ETP have reviewed the previous information provided and have spoken with three Commercial Agents and Chartered Surveyors, all of whom were aware of The Unicorn Public House. Investigations with AG&G Chartered Surveyors, Savills, and My Auction.

AG&G advised they had previously sold the property several years ago, that it was '*...not a prime pitch hence why it was operated as more of a destination live music venue before being sold by the former owner.*' Furthermore AG&G advised that it may be more complicated to operate as a live music venue with residential accommodation above, and that currently it is a challenging market for pubs and shell units are particularly difficult due to the cost of fitting out, so landlord incentives tend to be needed including capital contributions.

MyAuctions, London concurred with the above statement, providing evidence of two freehold properties recently taken to auction. The properties and comments are stated below.

The Lord Southampton, 2 Southampton Road, Kentish Town, NW5 4HX

- Bought for £1,325,000 in May 2022 by our client (from Title Register)
- Attempted to sell it twice with Savills auction in November 2022 and February 2023 with guide of £1.75m (unsure if they had any offers)
- Listed in May auction at £1.5m guide price and very little interest – one serious conversation but no offer submitted.

The Baring, 55 Baring Street, London, N1 3DS

- Bought for £1,025,000 in February 2022 by our client (from Title Register)
- Attempted to sell it 5 times with Savills auction between November 2022 – March 2023 with guide of £1.5m (unsure if they had any offers)
- Listed with us for May auction at £1.3m guide price with no interest at all which surprised us being 6.5% gross with the income of £85,000pa and 14 years unexpired on the lease)

Savills are currently marketing the below property:

Former Joes Bar Chalk Farm Road

- Located opposite the Camden Roundhouse
- Accommodation **Ground Floor:** Main trading areas with bar serverly to one side. Ladies and gents are located to the rear; **First Floor:** Ancillary accommodation comprising a large office, a disused bathroom, 4 vacant rooms and a WC.
- 274.06m² / 2,950ft²
- Offers in excess of £1,600,000.

The Forge, 3-7 Delancey Street, Camden, London. NW1 7NL

- Music Venue / Bar and 3 apartments over
- Let on 30 year overriding lease
- Sold £2.6m after auction
- [Allsop Auction December 2022 Lot 33a](#)

The Camden Assembly, 49 Chalk Farm Road, Camden, NW1 2AN

- Withdrawn from market
- Price Guide £3.6m
- Prominent PH and accommodation over
- £231,0040 p.a income let until 2031 (no breaks)
- [Allsop Auction September 2022 Lot 102](#)

A Redbook Valuation of The Unicorn Public House, was completed by Savills 31 March 2022. The market value of the property was stated as being £2,750,000 (£384 ft²), with a headline market rent of £55,000 pa (£7.68 ft² overall). The *let*

ability of the property was considered fair. The property closed as it never fully recovered after COVID-19 and up until closure the premises had been operational..

On the basis that the property has been vacant for a period, ETP accept that some upgrading works would be required.

In determining the EUV, in the absence of a lease on the property and comparable evidence, we have used a residual method to determine the value. This methodology has been discussed with BPS.

GDV (Savills Value)	£2,750,000
Rehab Costs & Contractors Profit	£155,379
Sales & Marketing, Legal	£61,875
Interest (6.5%)	£44,687.50
Profit (15%)	£412,500
 EUV	 £2,075,558.5

We have allocated a figure of £155,379 for upgrading works, as per the cost plan issued 24th August 2023 provided by Child Graddon Lewis (CGL), with photographs of the existing premises.

Having completed a residual appraisal, of the existing building allowing for costs, sales & Marketing, Interest and Profit in line with the DAT appraisal for the proposed scheme, the EUV equates to £2,086,518. This would compare favourably with the value attributed by BPS to the proposed new smaller public house / music venue of £2,456,250.

Benchmark Land Value

The key area of disparity is in relation to the Benchmark Land Value (BLV). ET Planning have examined the review conducted by BPS and believe that there are some key faults with their assessment of the BLV. We note that ET Planning's valuation of the EUV is £2,086,518 and in comparison, BPS's valuation of the EUV is £nil, represents a significant difference in opinion. Based upon the above

evidence ETP consider that the BLV is £2,295,170 is appropriate. This includes a 10% uplift for EUV+ premium. Which is considered a lower end assumption of the premium, which could be between 10-30%. As per the Homes for Londoners Affordable Housing and Viability SPG 2017.

Build Cost

Having reviewed the FVA, in accordance with BPS assumptions for profit and costs, we have updated the build costs, to accurately reflect the cost plan. An amendment has been made to allow for the construction of the entire development to include Residential and Commercial (*Retail and Public House*). The cost plan (21 April 2023) confirmed an elemental total build cost of £4,720,170. ETP's report previously utilised a base build cost, excluding the Public House, Prelims and Contractors OHP. The actual build costs for the entire development equates to £3508.64 m² / £325.96ft².

Our Analysis presents the following outturn financial position for the project:

Input	Original Review	BPS Review	ETP Rebuttal
ETP	ETP		Figures /
BPS			Comments 25/8/23
Comments			
Income			
Private Sales Values	£4,701,387 (£797 psf)	£5,925,700 (£1,100 psf)	New GDV £4,975,030 (£9,083.49m ² / £843.97ft ²) Sales values have been uplifted by 5.8%
Commercial – Public House	£521,931 (4.8% yield / £7.70 psf pa)	£2,456,250 (£685 sf) (4% yield / £30psf pa)	ETP can agree the value of the new Public House / Music Venue – on the basis that EUV changes to the valuation completed by Savills.
Commercial – Retail	£2,423,323	£2,518,250 (£472 sf) (4.8% yield / £30 psf pa)	Agreed
Expenditure			
EUV Residential	£1,770,292	£nil	EUV calculated as £2,086,518.17
EUV Public House	£812,500 (£158 psf)		
Landowner Premium	0%	0%	Agreed
Bench mark Land Value	£2,575,000	£nil	£2,295,170 (EUV + 10% premium)
Build Costs	£3,342,375	£3,342,375	Build costs have increased to allow to for the PH, Residential, Commercial, and Main Contractor Prelims, OHP £4,720,170 for the construction of the new PH. The previous assumption was assumed a base build cost. As per the cost plan. The build cost £3,508.65pm ²
Contingency	5%	5%	Agreed
Professional Fees	10%	10%	Agreed
Private Marketing & Agent Fees	3%	3%	Agreed

Private Legal Fees	£1000 p/u	£0	ETP have removed the legal fees on the basis they are included with S&M costs above.
CIL	£354,982	£354,982	Ambiguous - We require confirmation from the Council on this input.
Finance	6.5%	6.5%	Agreed
Profit: Private Residential Commercial	17.5% 17.5%	17.5% 15%	ETP have amended the DAT appraisal in accordance with the BPS appraisal. <i>Although in the current economic climate, we do not agree that a lower profit should be agreed.</i>
Development Timeframes			
Pre-construction Period	0 months	0 months	Agreed
Construction Period	12 months	12 months	Agreed
Sales Period	1 month	1 month	Agreed
Viability Position	£911,161 No affordable housing can be provided	£4,275,789 Surplus identified	£99,116 No affordable housing can be provided.

Conclusion

In summary, having reviewed the previous assumptions, allowed for the comments by BPS Surveyors, the Development Appraisal Toolkit has been updated as follows:

- Residential sales Gross Development Values increased to £4,975,030 (£9,083.49m² / £843.97ft²).
- Commercial value of the new PH / Music Venue £2,456,250 (£685 sf)
- EUV £2,086,518 / BLV stated as £2,295,170 (EUV + 10% premium) (discounted from the Savills valuation to allow for works and associated costs and profit).
- Build Costs have increased as per the Cost Plan for the entire development £4,720,170 (£3,508.65pm²/£325.96ft²).
- Removed legal fees (£1,000 p.u) residential.
- Amended Gross Profit Residential 17.5% and Commercial 15%.

The DAT model indicates a surplus of **-£99,116**, and the proposal is not viable and cannot support an affordable housing contribution. It is therefore policy compliant to approve the application without a contribution towards affordable housing.

I trust the above is clear, however if you require any further information regarding the above or this application in general, please do not hesitate to contact me.

Yours faithfully,

Derek Clarke MRICS MRTPI

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Encs.

- Development Appraisal Toolkit
- Cost Plan & Photographic Evidence of Condition