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17th October 2023

Chris Beard
DP9 Ltd
100 Pall Mall
London
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Dear Chris,

49-50 CARTWRIGHT GARDENS, LONDON, WC1H 9EL – UPDATED VIABILITY POSITION

We write in relation to the Financial Viability Assessment (FVA) submitted by DS2 in December 2022 and the subsequent BPS “Independent Viability Review” dated 4th August 2023 which was issued to the Applicant by the London Borough of Camden (LBC) on 8th August 2023. The application relates to plans for the proposed redevelopment of 49-50 Cartwright Gardens, London, WC1H 9EL (hereafter “the Site”).

Whilst BPS agree with DS2 in relation to a number of inputs, there are number of areas of divergence between the appraisal inputs. BPS’s review concludes that the maximum affordable housing contribution is £256,381. By comparison DS2 concluded a viability deficit of £2,488,628.

The areas of difference relate to the following inputs:

Input	DS2	BPS
Shared living OPEX	30% (£5,951 per unit)	23% (£4,500 per unit)
Shared living yield	4.5%	4.25%
Shared living profit	15% on GDV	12.5% on GDV
Professional fees	£523,609	8.23% (£165,834)
Acquisition costs SDLT rate	5%	4.8%
EUV premium	20%	0%

While we disagree with the positions taken by BPS in relation to the inputs listed above, in order to secure a rapid resolution, the Applicant is willing to accept each of the above BPS inputs on a without prejudice basis. We are not in possession of the BPS live appraisal so have replicated the model using the BPS inputs shown above. The replicated appraisal generates a viability surplus of £256,109, the appraisal summary for which is attached at **Appendix A**. The BPS appraisal summary attached to the BPS review concludes a surplus of £256,381, which is within £272 of the DS2 replicated figure and thus is within a reasonable tolerance.

Following submission of the application, LBC have expressed concern regarding heritage impacts of some of the internal reconfiguration proposed. The Applicant has sought to allay these concerns by reducing the number of rooms from 31 as submitted, to 28 as newly proposed. This means there are fewer rooms but some are now larger. The table below shows the updated unit mix alongside rental categories agreed with BPS.

Rent category	Submitted Scheme	Updated Scheme	Change
Bedsit <15 sqm £350 per week	14	11	-3
Studio 15 sqm - <20sqm £400 per week	14	12	-2
Studio 20 sqm - <25sqm £450 per week	2	2	-

Studio 25 sqm + (basement) £425 per week	1	1	-
Studio 25 sqm + (upper floors) £525 per week	-	2	+2
Total	31	28	-3

We have sought to apply the updated unit mix to the rents already agreed with BPS. The two additional rooms are over 25 sqm, however the existing agreed rent for 25sqm + sized rooms relates to basement level rooms. We have therefore applied a £100 per week premium for the two additional 25sqm+ sized rooms, given they are each located on the first floor. Basement rooms are typically discounted at 20%, which necessitates a c. £100 per week premium when compared with the 25 sqm + basement room.

All other inputs are adopted as per the BPS appraisal. Noting the loss of three rooms in response to heritage concerns raised by LBC, the viability position has worsened, and the scheme no longer generates a viability surplus. There is now a viability deficit totalling £267,886, which means that no affordable housing contribution is now due. The appraisal summary for this scenario is attached at **Appendix B**.


Despite the challenging viability position, the Applicant recognises the need for affordable housing in Camden and is willing to offer a payment of £100,000 on a without prejudice basis. The Applicant understands that a late stage review will be applied due to this payment being below the policy compliant figure calculated by LBC, which has been communicated with the Applicant's planning consultant and is £623,280. The up-front payment offer is therefore subject to the late stage review being capped at £623,280.

Floorplans and a unit schedule for the updated scheme are attached at **Appendix C** and **Appendix D** respectively.

Your sincerely,



Steve Billington
Partner



APPENDIX A - Submitted Scheme with BPS Inputs

Crescent Hotel, Bloomsbury - Proposed Scheme

Development Appraisal
Licensed Copy
11 October 2023

APPRAISAL SUMMARY**LICENSED COPY****Crescent Hotel, Bloomsbury - Proposed Scheme****Appraisal Summary for Phase 1**

Currency in £

REVENUE**Rental Area Summary**

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Size A (<15 sqm) £350 pw	14	5,293	48.14	18,200	191,800	254,800	191,800
Size B (15 - < 20 sqm) £400 pw	14			20,800	228,200	291,200	228,200
Size C (20 - < 25 sqm) £450 pw	2			23,400	37,800	46,800	37,800
Size D (basement) (25 sqm +) £425 pw	1			22,100	17,600	22,100	17,600
Totals	31	5,293			475,400	614,900	475,400

Investment Valuation

Size	Current Rent	YP @	4.2500%	23.5294	
Size A (<15 sqm) £350 pw					
Current Rent	191,800	YP @	4.2500%	23.5294	4,512,941
Size B (15 - < 20 sqm) £400 pw					
Current Rent	228,200	YP @	4.2500%	23.5294	5,369,412
Size C (20 - < 25 sqm) £450 pw					
Current Rent	37,800	YP @	4.2500%	23.5294	889,412
Size D (basement) (25 sqm +) £425 pw					
Current Rent	17,600	YP @	4.2500%	23.5294	414,118
Total Investment Valuation					11,185,882

GROSS DEVELOPMENT VALUE**11,185,882**

Purchaser's Costs	6.80%	-760,640	
Effective Purchaser's Costs Rate	6.80%		-760,640

NET DEVELOPMENT VALUE**10,425,242****NET REALISATION****10,425,242****OUTLAY****ACQUISITION COSTS**

Fixed Price	5,300,000			
Fixed Price		5,300,000		
			5,300,000	
Stamp Duty	4.80%	254,400		
Agent Fee	1.00%	53,000		
Legal Fee	0.80%	42,400		
			349,800	

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost
Construction Costs	8,041	250.59	2,015,000
Contingency		10.00%	201,500
			2,216,500

Other Construction Costs

Project Insurance		30,225	
Mains Upgrade		13,000	
		43,225	

PROFESSIONAL FEES

Professional Fees	8.23%	165,835	
			165,835

MARKETING & LETTING

Marketing	5,293 ft ²	1.50	7,940
			7,940

DISPOSAL FEES

Sales Agent Fee	1.00%	104,252	
Sales Legal Fee	0.50%	52,126	
			156,379

APPRAISAL SUMMARY**LICENSED COPY****Crescent Hotel, Bloomsbury - Proposed Scheme**

Additional Costs			
Profit Levels	12.50%	1,398,235	1,398,235
TOTAL COSTS BEFORE FINANCE			9,637,913
FINANCE			
Timescale	Duration	Commences	
Pre-Construction	6	Dec 2022	
Construction	9	Jun 2023	
Sale	1	Mar 2024	
Total Duration	16		
Debit Rate 7.000% , Credit Rate 0.000% (Nominal)			
Land		476,640	
Construction		54,581	
Total Finance Cost			531,221
TOTAL COSTS			10,169,134
PROFIT			256,109
Performance Measures			
Profit on Cost%		2.52%	
Profit on GDV%		2.29%	
Profit on NDV%		2.46%	
IRR% (without Interest)		9.72%	

APPENDIX B - Updated Scheme with BPS Inputs

Crescent Hotel, Bloomsbury - Proposed Scheme

Development Appraisal
Licensed Copy
17 October 2023

APPRAISAL SUMMARY**LICENSED COPY****Crescent Hotel, Bloomsbury - Proposed Scheme****Appraisal Summary for Phase 1**

Currency in £

REVENUE**Rental Area Summary**

	Units	ft ²	Rent Rate	ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Size A (<15 sqm) £350 pw	11	5,072	39.47		18,200	150,700	200,200	150,700
Size B (15 - < 20 sqm) £400 pw	12				20,800	195,600	249,600	195,600
Size C (20 - < 25 sqm) £450 pw	2				23,400	37,800	46,800	37,800
Size D (basement) (25 sqm +) £425 pw	1				22,100	17,600	22,100	17,600
Size D (upper floors) (25 sqm +) £525 pw	2				27,300	45,600	54,600	45,600
Totals	28	5,072				447,300	573,300	447,300

Investment Valuation

Size A (<15 sqm) £350 pw								
Current Rent	150,700	YP @	4.2500%	23.5294	3,545,882			
Size B (15 - < 20 sqm) £400 pw								
Current Rent	195,600	YP @	4.2500%	23.5294	4,602,353			
Size C (20 - < 25 sqm) £450 pw								
Current Rent	37,800	YP @	4.2500%	23.5294	889,412			
Size D (basement) (25 sqm +) £425 pw								
Current Rent	17,600	YP @	4.2500%	23.5294	414,118			
Size D (upper floors) (25 sqm +) £525 pw								
Current Rent	45,600	YP @	4.2500%	23.5294	1,072,941			
Total Investment Valuation							10,524,706	

GROSS DEVELOPMENT VALUE**10,524,706**

Purchaser's Costs	6.80%	-715,680	
Effective Purchaser's Costs Rate	6.80%		-715,680

NET DEVELOPMENT VALUE**9,809,026****NET REALISATION****9,809,026****OUTLAY****ACQUISITION COSTS**

Fixed Price	5,300,000			
Fixed Price		5,300,000		
			5,300,000	
Stamp Duty	4.80%	254,400		
Agent Fee	1.50%	79,500		
Legal Fee	0.30%	15,900		
			349,800	

CONSTRUCTION COSTS

Construction	ft ²	Build Rate	ft ²	Cost
Construction Costs	8,041	250.59		2,015,000
Contingency		10.00%		201,500
				2,216,500

Other Construction Costs

Project Insurance		30,225		
Mains Upgrade		13,000		
			43,225	

PROFESSIONAL FEES

Professional Fees	8.23%	165,835		165,835
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MARKETING & LETTING

Marketing	5,072 ft ²	1.50	7,608	7,608
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APPRAISAL SUMMARY**LICENSED COPY****Crescent Hotel, Bloomsbury - Proposed Scheme****DISPOSAL FEES**

Sales Agent Fee	1.00%	98,090	
Sales Legal Fee	0.50%	49,045	
			147,135

Additional Costs

Profit Levels	12.50%	1,315,588	
			1,315,588

TOTAL COSTS BEFORE FINANCE**9,545,691****FINANCE**

Timescale	Duration	Commences
Pre-Construction	6	Dec 2022
Construction	9	Jun 2023
Sale	1	Mar 2024
Total Duration	16	

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)

Land	476,640	
Construction	54,581	
Total Finance Cost		531,221

TOTAL COSTS**10,076,912****PROFIT****-267,886****Performance Measures**

Profit on Cost%	-2.66%
Profit on GDV%	-2.55%
Profit on NDV%	-2.73%
IRR% (without Interest)	3.27%

APPENDIX C - Updated Scheme Floorplans

Proposed Layout



First Floor Plan



Second Floor Plan



Third Floor Plan

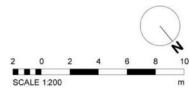


Lower Ground Plan



Ground Plan

- Room
- Bathroom
- Internal Amenities
- External Amenities
- Circulation
- Storage



Crescent Hotel 49-50 Cartwright Gardens

APPENDIX D - Updated Scheme Unit Schedule

Level	Number	Type	Room area (m2)	Shower Area (m2)	Total Room Area (m2)	Sanitary Facilities	Cooking Facilities				
							2-ring hob	Fridge	Sink	Workspace	oven/grill/microwave
Townhouse 49											
Lower Ground Floor	49-B1	Room	15.6	2.5	18.1	Private with Shower	X	X	X	X	X
Ground Floor	49-01	Room	19.3	2.2	21.5	Private with Shower	X	X	X	X	X
	49-02	Room	15	2.4	17.4	Private with Shower	X	X	X	X	X
	49-03	Room	9.9	2.2	12.1	Private with Shower	X	X	X	X	X
First Floor	49-11	Room	27.1	2.6	29.7	Private with Shower	X	X	X	X	X
	49-12	Room	13.5	2.8	16.3	Private with Shower	X	X	X	X	X
	49-13	Room	10.6	2.3	12.9	Private with Shower	X	X	X	X	X
Second Floor	49-21	Room	10.6	2.2	12.8	Private with Shower	X	X	X	X	X
	49-22	Room	9.8	2.3	12.1	Private with Shower	X	X	X	X	X
	49-23	Room	12.9	2.7	15.6	Private with Shower	X	X	X	X	X
Third Floor	49-31	Room	11.3	2.2	13.5	Private with Shower	X	X	X	X	X
	49-32	Room	9.1	2.2	11.3	Private with Shower	X	X	X	X	X
	49-33	Room	13.5	2.1	15.6	Private with Shower	X	X	X	X	X
	49-34	Room	9.4	2.3	11.7	Private with Shower	X	X	X	X	X
Townhouse 50											
Lower Ground Floor	50-B1	Room	16.8	2.9	19.7	Private with Shower	X	X	X	X	X
	50-B2	Room	18.8	6.8	25.6	Private with Shower	X	X	X	X	X
Ground Floor	50-01	Room	18.5	3.0	21.5	Private with Shower	X	X	X	X	X
	50-02	Room	13.5	2.8	16.3	Private with Shower	X	X	X	X	X
	50-03	Room	12.1	2.9	15.0	Private with Shower	X	X	X	X	X
First Floor	50-11	Room	26.9	2.7	29.6	Private with Shower	X	X	X	X	X
	50-12	Room	14.0	2.7	16.7	Private with Shower	X	X	X	X	X
	50-13	Room	15.4	3.2	18.6	Private with Shower	X	X	X	X	X
Second Floor	50-21	Room	10.9	2.1	13.0	Private with Shower	X	X	X	X	X
	50-22	Room	10.0	2.4	12.4	Private with Shower	X	X	X	X	X
	50-23	Room	16.5	3.0	19.5	Private with Shower	X	X	X	X	X
Third Floor	50-31	Room	11.4	2.1	13.5	Private with Shower	X	X	X	X	X
	50-32	Room	9.6	2.3	11.9	Private with Shower	X	X	X	X	X
	50-33	Room	14.2	3.1	17.3	Private with Shower	X	X	X	X	X
Total (m2)	28		396.2	75.0	471.2						
Average (m2)			14.2	2.7	16.8						
Total (Sqft)			4264.7	807.3	5072.0						
Average (sqft)			152.3	28.8	181.1						