Land adjacent to Harrington Square NW1

Independent Viability Review

Prepared on behalf of the London Borough of Camden

14th November 2023

Planning Reference: 2023/3824/P

BPS Chartered Surveyors

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

Contents

1.0 Introduction

1.1 BPS Chartered Surveyors have been instructed by the London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by BNP Paribas Real Estate ('BNPPRE') on behalf of Salboy (Mornington Crescent) Limited ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The site extends to approximately 0.126 acres (0.05 hectares). Currently comprises a secure surface level car park for 11 cars.

1.3 The site is situated along Harrington Square, just south of Mornington Crescent Tube Station within the Camden Town Conservation Area. The site is well connected to key destinations within London and is close to several international train stations including Euston and Kings Cross St Pancras. The site was a former car park for the residents of the neighbouring Hurdwick House but is no longer in use.

1.4 The proposals are for:

Development of the existing vacant car park to provide 11 residential dwellings and associated works.

1.5 The basis of our review is the Financial Viability Assessment prepared by BNPPRE, dated August 2023, which concludes that the scheme currently shows a surplus of approximately £660,000 although they have not included an offer of Affordable Housing in their submission.

1.6 We have downloaded documents available on the Council's planning website.

1.7 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.

1.8 We have searched the LB Camden's planning website and have not identified any other recent or outstanding planning applications relating to the site.

1.9 A Land Registry search shows that the applicant currently owns the site. The price stated to have been paid on 17 March 2022 was £2,565,000.

1.10 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.

1.11 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	BNPPRE	BPS	Comments
Income			
Private Sales Values	£12,135,000 (£1,191 psf)	£12,135,000 (£1,191 psf)	Agreed
Expenditure			
EUV	£960,000	£nil	Inconclusive – We have not received the information requested. We consider the parking spaces are inaccessible at present and therefore the EUV is £nil.
Landowner Premium	15%		
Benchmark Land Value	£1,100,000		
Build Costs	£5,800,504	£5,097,012	Disagreed – We consider the build costs to be overstated.
Contingency (Included)	5%	5%	Agreed
Professional Fees	10%	10%	Agreed
Private Marketing & Agent Fees	3%	3%	Ambiguous – While adopted we consider this percentage should include legal fees.
Private Legal Fees	0.5%	0%	Disagreed – We consider 3% outlined above sufficient to include marketing, agent and legal fees.
CIL	£630,274	£402,141	Disagreed – Figures in the FVA differ from the Council's calculations.
Finance	7% - 9.5%	7%	Partially Agreed – We consider a finance rate at 9.5% to be unreasonable and higher than all other comparable schemes we have reviewed to date
Profit: Private Residential	17.5%	17.5%	Agreed
Development Timeframes			
Construction Period	18 months	18 months	Agreed
Pre-Sales	35%	35%	Agreed
Sales Period	4 months	4 month	Agreed
Viability Position	+£480,000 to +£660,000	+£3,655,499	Disagreed – We have identified an additional surplus which we suggest could provide as contribution towards affordable housing. We note that this position is not conclusive pending an appropriate BLV assessment from the Applicant.

3.0 Conclusions And Recommendations

3.1 We have reviewed the Financial Viability Assessment prepared by BNPPRE on behalf of the applicant which concludes that the proposed scheme generates a residual land value of £1.76 million which is approximately £660,000 above their benchmark land value of £1.1 million. Nevertheless, the FVA does not include an additional affordable housing contribution.

Benchmark Land Value

3.2 BNPPRE have approached the Benchmark Land Value on an Existing Use Value (EUV) basis. They suggest that the existing car park comprises 16 parking spaces which could be sold individually for a sum of £60,000 per space. To this, BNPPRE have applied a 15% landowner premium, generating a Benchmark Land Value of £1.1 million.

3.3 We have downloaded the red line Title Plan from the Land Registry website and find that the subject site contains only a portion of the existing car park which comprises 11.5 car parking spaces, contradicting BNPPRE's report. Furthermore, we note that the access to the car parking falls outside the redline boundary and is owned under a separate title to the site.

3.4 This therefore raises questions about the access to the existing parking spaces. Our request for additional information in relation to whether there is an agreement in place permitting the owner access via the single gateway remain unanswered. We therefore assume the parking spaces are inaccessible at present. Without the relevant costings, plans and provisional permissions being provided for a new accessway we have been unable to form a conclusive view of the Existing Use Value. Therefore, the BLV of the site is £nil pending further assessment from the applicant.

Development Value

3.5 The scheme comprises 11 residential units (2x 1bed, 3x 2 bed, 6x 3 bed).

3.6 We have reviewed the information provided by BNPPRE 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 in line with current market expectations.

3.7 We note there to be a lack of new build evidence in the area on which to rely. We therefore suggest that the scheme be subject to a pre-implementation and late stage review so that the viability can be tested over the course of the development.

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.

Development Costs

3.9 Our Cost Consultants, Geoffrey Barnett Associates (GBA), have analysed the build cost estimate for the proposed scheme prepared by Artal, dated 31st August 2023, and conclude that:

The difference between costs in the appraisal summary and our assessment of costs using BCIS is £703,492 or 13.8%.
We conclude that the overall construction costs put forward in the appraisal summary are £703,492 or 13.8% higher than we consider to be reasonable.

3.10 We therefore amended the build costs in our appraisal as advised.

3.11 GBA's full cost report can be found at Appendix 1.

3.12 We have reviewed the other costs outlined within the FVA and consider them to be reasonable.

Recommendations

3.13 We have applied our amendments to an Argus appraisal. These amendments are outlined in the table included at Section 2.

3.14 After these changes we identify a surplus of +£3,655,499, which suggests that a policy compliant offer could be made, pending a further BLV assessment from the Applicant.

3.15 We have undertaken sensitivity analysis to test the impact of changes to the sales and build cost inputs as appropriate. We include our sensitivity analysis as follows:

	Private Sales				
Build Cost	-5.00%	-2.50%	0.00%	+2.50%	+5.00%
-5.00%	£ 3,249,266	£ 2,965,660	£ 2,682,500	£ 2,400,529	£ 2,118,558
-2.50%	£ 3,735,989	£ 3,452,383	£ 3,168,777	£ 2,885,329	£ 2,603,358
0.00%	£ 4,223,107	£ 3,939,106	£ 3,655,499	£ 3,371,893	£ 3,088,287
+2.50%	£ 4,711,439	£ 4,426,197	£ 4,142,222	£ 3,858,616	£ 3,575,010
+5.00%	£ 5,199,770	£ 4,914,529	£ 4,629,287	£ 4,345,339	£ 4,061,733

3.16 In the event that a policy compliant offer is not made, we suggest that 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:

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

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

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

4.4 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 of 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.

<u>The Proposed Benchmark</u>

5.11 The benchmark proposed by BNPPRE for viability testing is based on an Existing Use Value approach.

5.12 BNPPRE say the site currently comprises a secure surface level car park for 16 cars.

5.13 Photographs included in the Design and Access statement downloaded from Camden's planning website appear to show the site currently comprises an area of hardstanding fronting onto Harrington Square and the southward arm of a one way traffic system. The boundary of the site consists of a low level brick wall with hedge planting above. The statement says vehicular and pedestrian access to the site is currently via an electronic gate belonging to Hardwick House off Harrington Square, which we note falls outside the site boundary.

5.14 BNPPRE have included historic sales evidence in the NW1 area, which shows three garages yielded prices ranging between £75,000 - £90,000 in 2019 to 2021. The rest of the evidence included is for parking spaces and garages in districts surrounding Camden.

5.15 BNPPRE have included one transaction for a surface level parking space located in W8, an area covered by the Royal Borough of Kensington which they say sold for £75,000. We have been unable to locate details of this transaction online.

5.16 BNPPRE are of the opinion that the spaces could reasonably achieve a sales value of £60,000 per space, which results in a value of £960,000.

5.17 To this, BNPPRE have applied a 15% landowner premium which generates a total benchmark land value of £1,100,000.

Our Assessment of Benchmark Land Value

5.18 We have approached the Benchmark Land Value on an Existing Use Value basis. The current use of the site is former car parking which is categorised as Use Class sui generis. We note from the plans and satellite images that the site comprises 11 parking spaces following the red line plan which contradicts BNPPRE's report.

5.19 The enclosed car park is bounded by a brick wall and hedge to the south. Access to the site is therefore unclear.

5.20 Land registry shows that the existing access road is registered under a separate ownership belonging to the freehold of Hurdwick House. Legal means of access to the site as existing is therefore unconfirmed. BNPPRE have not provided costings or plans for the provision of access. Therefore, we consider the spaces would not yield a value given the current arrangement.

5.21 For the reasons above we require confirmation either that the provision of a new access road would comply with relevant policies or that legal access is already in place across the neighbouring land. We also require the applicant to generate sufficient information, including detailed plans to provide to the highways authority in order for them to assess whether the access road would be acceptable in principle. On condition that a new access road would be accepted, we would then require a new assessment, including construction cost information, to review.

5.22 We have tentatively adopted a £nil benchmark land value, pending further information to evidence right of access into perpetuity or a sufficient alternative BLV assessment from the Applicant.

6.0 Development Values

6.1 The residential element of the proposed scheme, as sought by the planning application, is for 11 residential units.

Private Residential Values

6.2 All 11 units are proposed to be for private sale and the values have been assumed as follows:

Unit	Bed	Floor	Area Sq Ft	Value	Per Sq ft
1	3	Gr	1,044	£950,000	£910
2	2	Gr	1,033	£920,000	£891
3	3	1st	947	£1,200,000	£1,267
4	2	1st	710	£875,000	£1,232
5	1	1st	538	£700,000	£1,301
6	3	2nd	947	£1,250,000	£1,320
7	2	2nd	710	£895,000	£1,261
8	1	2nd	538	£725,000	£1,348
9	3	3rd	1,065	£1,350,000	£1,268
10	3	3rd	1,205	£1,370,000	£1,137
11	3	4th	1,453	£1,900,000	£1,308
Total			**10,190**	**£12,135,000**	**£1,191**

6.3 There will be a pedestrian access taken directly from Harrington Square as well as from the rear car park. A lift is also proposed within the Site which ensures step-free access is maintained.

6.4 BNPPRE have included sales and asking price evidence for a number of new build schemes in the area. Noting that the majority of the new build in close proximity to the subject site are unique to the regeneration of Kings Cross, BNPPRE have also undertaken a search of Land Registry sold prices since January 2022. Their analysis shows the average price for a second hand property in the area was £765,000 (856 sq ft / £894 psf).

6.5 We have undertaken our own research and find the evidence included in BNPPRE's assessment to be reflective of the current market, we find the values proposed are broadly reasonable.

6.6 Noting that there is a lack of new build evidence on which to rely close to the subject scheme, we suggest that the scheme should be subject to a pre-implementation and late stage review so that the viability can be tested over the lifetime of the development.

Ground Rents

3.19 The Leasehold Reform (Ground Rent) Act 2022 was granted Royal Ascent on the 8th February 2022 and is now in force. The reforms put an end to ground rents for new, qualifying long residential leasehold properties in England and Wales. Now the act is in force, any ground rent demanded as part of a new residential long lease cannot be for any more than a peppercorn (no financial value). We therefore acknowledge that in light of an effective ban on future ground rents that they should no longer be included as a future revenue stream for planning & viability purposes. We understand the act covers single 'dwellings' and will therefore capture student and retirement accommodation providing they are occupied or intended to be occupied as single dwellings.

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

Parking

6.7 The development as proposed will be car-free with the exception of one disabled parking space on Harrington Square.

6.8 We are therefore satisfied that no additional revenue will be generated from the provision of parking.

Affordable Residential Values

6.9 The scheme as proposed does not include provisions for affordable housing.

6.10 With regards to the calculation for floorspace target and PiL Camden Council have provided the following information:

"We will use the assessment of capacity and the sliding scale to determine the affordable housing percentage target. The target floor space is 386.7 sqm. The target is based on housing capacity being 1,381/100 rounded to the nearest 100 = 14 homes.

The percentage target is capacity (1400) x 2% = 28%

28% x 1,381 = 386.7 sqm

In the event that the affordable housing requirement can't be met on-site (or can only partly be met), we would seek an affordable housing payment-in-lieu (PiL) to make good the shortfall (subject to viability). Where the full payment is not viable, we would seek a late-stage viability assessment around the completion of the development and a deferred payment subject to the updated viability at that time.

The Council has not advised at this stage whether it considers that on-site affordable housing is feasible, but has advised that the Camden Local Plan 2017 anticipates on-site provision of affordable housing from developments with capacity for 10 or more additional dwellings

Applying the payment in lieu of £5,000 per sqm set out in Housing CPG, the total payment under the policy target would be £1,933,400.

Additional residential floorspace (GIA sqm)	**Capacity (rounded floorspace addition/100sqm)**	**Additional housing % target**	**Affordable housing floorspace target**	**Payment in lieu required**
1,381	1400	28%	386.7 sqm	386.7 X £5,000 = £1,933,400."

7.0 Development Costs

Construction Costs

7.1 Our Cost Consultants, Geoffrey Barnett Associates (GBA), have analysed the build cost estimate for the proposed scheme prepared by Artal, dated 31st August 2023, and concludes that:

The difference between costs in the appraisal summary and our assessment of costs using BCIS is £703,492 or 13.8%.

We conclude that the overall construction costs put forward in the appraisal summary are £703,492 or 13.8% higher than we consider to be reasonable.

7.2 We therefore amended the build costs in our appraisal as advised.

7.3 GBA's full cost report can be found at Appendix 1.

Additional Costs

7.4 BNPPRE have applied the following additional cost assumptions:

- Professional fees of 10%
- Marketing fees of 1.50%
- Sales agent fees of 1.50%
- Sales legal fees of 0.50%

7.5 We consider 3% for marketing, sales and legal fees to be sufficient. Generally, we accept that the remaining percentages are realistic and in line with market norms.

7.6 CIL/S106 charges have been assumed at £630,274. The Council have confirmed that the CIL/S106 charges payable equate to £402,141.

7.7 Finance has been included at 7% assuming that the scheme is 100% debt financed. We consider this finance allowance to be reasonable. We note that BNPPRE have sensitivity tested the scheme using a 9.50% finance rate. This rate is beyond the levels we are seeing in all other schemes to date, we therefore do not consider the sensitivity test to be representative.

Profit

7.8 The developer profit target adopted by BNPPRE is 17.50% on GDV. We consider this profit level to be reasonable for a scheme of this nature.

Development Timeframes

7.9 Construction duration is stated to be 18 months. BCIS estimated construction duration is average 14 months, with the top of the interval 15 months. Individual projects may take up to 21 months. Taking into consideration the constraints of the site, presence of the basement and patterned brickwork we consider proposed 18 months to be reasonable.

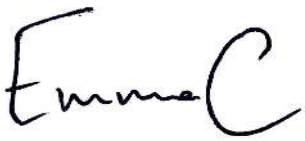
7.10 BNPPRE have assumed 35% pre sales prior to practical completion with a post completion sales rate of two units per month (4 months). We consider the rate to be cautious though reasonable.

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:



Emma Cox
RICS Membership no. 0877642
For and on behalf of
BPS Chartered Surveyors

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

14th November 2023

Appendix 1: Build Cost Report

Geoffrey Barnett Associates

REVIEW OF BUDGET ESTIMATE
PREPARED BY
ARTAL

FOR

CLUNEY MEWS, HARRINGTON SQUARE, LONDON NW1

02 NOVEMBER 2023

Geoffrey Barnett Associates
Chartered Quantity Surveyors
Project Coordinators
The Old Mill
Mill Lane
GODALMING
Surrey
GU7 1EY
Tel: 01483 429229

Geoffrey Barnett Associates

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APPENDICES:

1.0 INTRODUCTION:

1.1 Geoffrey Barnett Associates are Chartered Quantity Surveyors, established in 1974, and have over 45 years' experience of providing quantity surveying, project co-ordination and construction cost management services to clients throughout the UK. The firm's experience covers a wide range of project types and sizes including new build residential and commercial developments, infrastructure projects and refurbishment projects.

1.2 This review relates to Budget Estimate dated 31st August 2023 prepared by Artal. The Budget Estimate is limited to the overall summary page, no detailed cost breakdown has been provided.

2.0 BASIS OF REVIEW

2.1 The contract build cost estimate provided by the applicant is reviewed by comparison against the Building Cost Information Service (BCIS) construction cost data published by the RICS. The reason for using the BCIS service is that it provides a UK wide and fully independent database compiled and continually updated by input from varied project types and locations.

2.2 BCIS publish costs as average overall prices on a cost per sq metre basis and an elemental cost per sq metre basis for new build work. For new build construction, the BCIS cost levels are used as a baseline to assess the level of cost and specification enhancement in the scheme on an element by element basis.

2.3 BCIS costs are updated on a quarterly basis. The most recent quarters use forecast figures, the older quarters are firm costs based on historic project data. The BCIS also provides a location adjustment facility against a UK mean index of 100, which allows adjustment of costs for any location in the UK. The BCIS also publish a Tender Price Index based on historic tender prices. This allows adjustment of costs on a time basis where necessary.

2.4 BCIS average costs are available for various categories of buildings such as apartments, offices, shops, hotels, schools, etc.

2.5 BCIS average prices per sq metre include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Average prices per sq metre or elemental costs do not include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs.

2.6 Ideally, a contract build cost estimate should be prepared by the applicant in the BCIS elements. If this is not available exactly in the BCIS format then, where relevant, we undertake analysis and adjustment to allow direct comparison to BCIS elemental benchmark costs. This requires access to the drawings, specifications, and any reports which have a bearing on cost.

2.7 The review of an applicant's contract build cost estimate against BCIS would typically require:

- Adjustment by location factor
- Adjustment for abnormal and enhanced costs
- Review of the applicants estimate on element by element basis
- More detailed analysis where there are significant deviance from BCIS costs
- Adjustment of overheads & profit inclusions to provide direct comparison to BCIS
- Addition of contractors' preliminaries costs
- Addition of ancillary costs, such as fees, statutory charges, etc., as appropriate

These adjustments enable us to make a direct comparison with BCIS benchmark costs.

2.8 The floor areas stated in the applicants cost estimate are accepted and we do not attempt to check the floor areas.

3.0 REVIEW OF CONSTRUCTION COSTS

3.1 The proposed development is stated to comprise: "Development of the existing vacant car park involving erection of a five storey plus basement block of flats to provide 11 residential dwellings and associated works (for the purposes of consultation the unit mix would be: 2 x 1 bed, 3 x 2 bed, 6 x 3 bed)."

3.2 Total GIA is stated in the budget estimate to be 1,381m2. The breakdown of the areas is as follows

Basement plant room	145m2
Residential	1,236m2
Total	**1,381m2**

3.3 Construction costs are shown in the budget estimate to be £5,800,504, which concurs with the appraisal summary. The breakdown of costs is as follows:-

Build costs	£3,825,139
Abnormal and external works	£580,195
Sub-total	£4,405,334
Preliminaries 14%	£616,747
Contingency 5%	£251,104
OHP 10%	£527,319
Total	**£5,800,504**

3.4 Date basis for the costs is assumed to be 3Q2023.

3.5 Costs are presented in an elemental summary; no quantified breakdown has been provided.

3.6 The cost estimate includes preliminaries at 14%, overheads and profit at 10% and contingency at 5%.

4.0 GBA ASSESSMENT OF CONSTRUCTION COSTS

4.1 To benchmark the figures in the budget estimate, we have calculated costs using BCIS average m2 rates. These rates relate to buildings only, so we have added allowances for external works, plus any abnormals – see following clauses.

4.2 Date basis for the costs is 4Q2023.

4.3 On the grounds that the footprint of the building occupies nearly all of the construction site in the built-up area of London and requires a basement, also taking into consideration the enhanced elevational treatment we have used Upper Quartiles BCIS rates, rebased to Camden.

4.4 The information on construction costs in the budget estimate is very limited. We have made our own allowances for costs typically excluded from BCIS rates, such as enabling works and external works and services.

4.5 We have also reviewed the design and access statement and drawings in detail to see if there are any abnormal costs that we do not expect would be included in BCIS rates. We believe that the following could be considered as abnormal:

- Extra over for basement
- Extra over for covered terraces
- Extra over for sprinkler system
- Extra over for green roof
- Extra over for PV installations
- Extra over for glazed bricks to GF
- Extra over for parapet / balustrades to the top floor
- Extra over for entrance portico

4.6 In line with common practice and general guidance we have added an allowance of 5% for contingency.

4.7 On the basis of the foregoing we have calculated a total construction cost of £5,097,012 – see Appendix A.

5.0 CONCLUSION

5.1 The difference between costs in the appraisal summary and our assessment of costs using BCIS is £703,492 or 13.8% - see Appendix B.

5.2 We conclude that the overall construction costs put forward in the appraisal summary are £703,492 or 13.8% higher than we consider to be reasonable.

6.0 REVIEW OF PROFESSIONAL FEES AND CONSTRUCTION DURATION

6.1 Professional fees included in the appraisal summary are 10%. This is considered to be reasonable.

6.2 Construction duration is stated to be 18 months. BCIS estimated construction duration is average 14 months, with the top of the interval 15 months. Individual projects may take up to 21 months. Taking into consideration the constraints of the site, presence of the basement and patterned brickwork we consider proposed 18 months to be reasonable.

APPENDIX A

CALCULATION OF COSTS USING BCIS M2 RATES

Base costs based on M2 rates

Residential - 11 flats (6 floors)	1,236	m2 @	£2,983	/m2	£3,686,988
Basement plant room	145	m2 @	£1,800	/m2	£261,000
Total	1,381		£2,859		**£3,947,988**

Additional costs not included in base rates

Enabling works					£3,000
External works (including open terraces)	10.0%				£394,799
External drainage	503	m2 @	£50	/m2	£25,150
Connection to utilities (11 units)	11	no @	£6,000	/no	£66,000
					£488,949

Abnormal costs

Extra over for basement	145	m2 @	£1,000	/m2	£145,000
Extra over for covered terraces	51	m2 @	£1,800	/m2	£91,800
Extra over for sprinkler system	1,381	m2 @	£50	/m2	£69,050
Extra over for green roof	73	m2 @	£120	/m2	£8,760
Extra over for PV installations	45	no @	£500	/m2	£22,500
Extra over for glazed bricks to GF (uplift £2/ brick, 60 bricks/m2)	200	m2 @	£120	/m2	£24,000
Extra over for parapet / balustrades to the top floor	55	m @	£750	/m	£41,250
Extra over for entrance portico	1	no @	£15,000	/m2	£15,000
					£417,360

Total base and additional costs		£4,854,297
Contingency	5%	£242,715
		£5,097,012

Cost per m2 of GIA £3,691

Notes:

1. BCIS rates are Upper Quartiles rates, rebased to Camden and current date (4Q2023).
2. BCIS rates are inclusive of prelims and OHP.
3. Costs of enabling works, external works and services and abnormal costs - GBA own assessment.
4. All additional and abnormal costs are inclusive of preliminaries and OHP.

APPENDIX B

COMPARISON OF DEVELOPMENT APPRAISAL AGAINST COSTS USING BCIS M2 RATES

Cost using BCIS m2 rates - Appendix A	£5,097,012
Cost from development appraisal	£5,800,504
Difference £	£703,492
Difference %	13.80%

Appendix 2: BPS Appraisals

APPRAISAL SUMMARY	BPS SURVEYORS

Land adjacent to Harrington Square
Applying BNPPRE's Benchmark Land Value

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private Residentail	11	10,190	1,190.87	1,103,182	12,135,000

NET REALISATION				**12,135,000**
OUTLAY				
ACQUISITION COSTS				
Fixed Price		1		
Fixed Price			1	
				1
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Private Residentail	14,865	342.89	5,097,012	
				5,097,012
Section 106 Costs				
Section 106 Costs			402,141	
				402,141
PROFESSIONAL FEES				
Other Professionals		10.00%	509,701	
				509,701
DISPOSAL FEES				
Sales Agent Fee		3.00%	364,050	
				364,050
MISCELLANEOUS FEES				
Developers Profit		17.50%	2,123,625	
				2,123,625
FINANCE				
Timescale	**Duration**	**Commences**		
Construction	18	Apr 2017		
Sale	4	Oct 2018		
Total Duration	22			
Debit Rate 0.000%, Credit Rate 7.000% (Nominal)				
Other			(17,030)	
Total Finance Cost				(17,030)
TOTAL COSTS				**8,479,501**
PROFIT				
				3,655,499

Performance Measures

Profit on Cost%	43.11%
Profit on GDV%	30.12%
Profit on NDV%	30.12%
IRR% (without Interest)	71.57%

Land adjacent to Harrington Square
Applying BNPPRE's Benchmark Land Value

Profit Erosion (finance rate 0.000)	N/A