104A Finchley Road, South Hampstead, NW3 5EY

Independent Viability Review

Prepared on behalf of London Borough of Camden

28th November 2023

Planning Reference: 2022/3553/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 London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by James R Brown ('JRB') on behalf of Trevellyan Developments Limited ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The site currently comprises an operational use as a petrol filling station (PFS) and ancillary retail store.

1.3 The location is mixed in nature with ground floor commercial uses in the immediate vicinity but residential uses above ground floor. The site is in the Finchley Road/Swiss Cottage Town Centre and is designated a Secondary Shopping Frontage in the Camden Local Plan. It is not in a conservation area, although the northern side of College Crescent forms the boundary of the Fitzjohns/Netherhall Conservation Area.

1.4 The proposals are for:

Demolition of existing petrol filling station and associated convenience store (sui generis), and erection of a six-storey building comprising ground floor commercial space (Class E) and flexible commercial/educational space for UCS Pre-Prep (Class E/F1), and 31 flats (C3) (15x1B, 13x2B and 3x3B) above..

1.5 The basis of our review is Financial Viability Update prepared by JRB, dated 25/10/2023, which follows from their previous reports dated June 2022, December 2022 and March 2023.

1.6 We have reviewed JRB's original submission and have issued our first report in October 2022. We concluded at the time that the scheme showed a small deficit of -£183,802 and, on this basis, no affordable housing contribution could viably be offered.

1.7 JRB's latest submission concludes that the scheme generates a residual profit of 10.22.%. We assume JRB maintains the profit target to be 22.5% on Cost (18.2% on GDV), albeit it has not been clarified in their latest report. Assuming this profit target the scheme generates now generates an apparent deficit of c. 8% on GDV (£1.9m) and, therefore, no affordable housing can viably be provided.

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

1.9 We have received a live version of the Argus appraisal(s) included in the report.

1.10 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.

1.11 We have searched the LBC planning website and have not identified any other recent or outstanding planning applications relating to the site.

1.12 A Land Registry search shows that the site is owned by Sectorsure No 10 Limited having been purchased for £1,739,328 (excluding VAT) in March 2015. We note that Companies House lists the Directors of Sectorsure No 10 Limited as Lance John Philip Trevellyan and Lewis Derek Trevellyan who are also Directors of Trevellyan Developments Limited. We note that the LB Camden planning website lists Mr Lance Trevellyan as the applicant. We assume based on the above that the developer owns the site.

1.13 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.

1.14 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	JRB	BPS	Comments
Income			
Private Sales Values	£21,490,409 (£927psf)	£21,490,409 (£927psf)	Agreed
Commercial	£2,589,623 (£472psf)	£2,727,594 (£497psf)	Disagreed
Expenditure			
EUV	£3,260,000	£2,950,000	Disagreed
Landowner Premium	20%	0%	Disagreed
Benchmark Land Value	£3,910,000	£2,950,000	Disagreed
Build Costs (inc. contingency)	£11,103,431	£11,103,431	Agreed
Professional Fees	12%	10%	Disagreed
Private Marketing, Legal & Agent Fee	2.8%	2.8%	Agreed
Letting Agent Fee	10%	10%	Agreed
Letting Legal Fee	4.8%	4.8%	Agreed
CIL	£1,900,000	£1,900,000	Ambiguous - We require confirmation from the Council on this input.
Finance	8%	7.5%	Disagreed
Profit (Blended, on GDV):	18.20%	17.20%	Disagreed
Development Timeframes			
Pre-construction Period	4-months	4-months	Agreed
Construction Period	24-months	18-months	Disagreed
Pre-Sales	40%	40%	Agreed
Sales Period	10-months	6-month	Disagreed
Viability Position	-£1.9m No affordable housing can be provided	+£568,229 Small surplus identified	Disagreed – We have identified a small surplus which we suggest could be provided as a payment in lieu.
Actual Profit (on GVD)	10.22%	19.56%	Disagreed

3.0 Conclusions And Recommendations

3.1 We have reviewed the Financial Viability Update prepared by JRB on behalf of the applicant which concludes that the proposed scheme generates a residual profit of 10.22 % on GDV, which is approximately £1.9m below their benchmark profit of 22.5% on Cost (18.20% on GDV). On this basis, the scheme cannot provide any affordable housing contribution.

Benchmark Land Value

3.2 JRB have approached the Benchmark Land Value on an Existing Use Value (EUV) basis. JRB have assessed the Benchmark Land Value in their report dated June 2022 and largely relied on a valuation produced by Avison Young dated January 2022. BPS have reviewed JRB's methodology in our report dated October 2022. We note JRB's latest position on BLV remains unchanged.

3.3 We have reviewed JRB's response dated December 2022 on our assessment of the BLV and included our comments in Section 5 of this report. Overall, we maintain our position that the Benchmark Land Value of £2,950,000 remains appropriate.

Development Value

3.4 The scheme includes 31 residential units and 5,490 sq ft of the commercial space.

3.5 We have reviewed the information provided by JRB 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.

Ground rents

3.6 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.

Commercial Values

3.7 We have reviewed the information provided by JRB in support of their commercial 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 the current market expectations. We have suggested some changes to the values proposed by JRB which are outline in Section 6 of this report. Overall, our suggested revisions result in an increase of approximately £0.2m on the values proposed by JRB which reflects an increase of 8%.

Development Costs

3.8 Our Cost Consultants, Geoffrey Barnett Associates (GBA), have analysed the build cost plan for the proposed scheme prepared by WWA, dated June 2022, and conclude that:

"We conclude that the construction costs put forward in the viability update are within acceptable estimating margins of our own assessment of costs."

3.9 We have reviewed the other cost outlined within the FVA and consider them broadly reasonable, with the exception of professional fees which have been overstated.

Recommendations

3.10 We have been provided with a live version of the Argus appraisal included in JRB's report to which we have applied our amendments. These amendments are outlined in the table included at Section 2.

3.11 After these changes we identify a surplus of £568,229. On this basis we calculate that the scheme could viably contribute towards or provide affordable housing.

3.12 We have undertaken sensitivity analysis to test the impact of changes to sales revenue and construction costs on the scheme's viability. It can be seen that with 2.5% increase in the construction costs and 2.5% drop in sales revenue, the scheme would be in deficit. We include our sensitivity analysis as follows:

	Private Sales				
Build Cost	-5.00%	-2.50%	0.00%	+2.50%	+5.00%
-5.00%	£352,754	£788,682	£1,224,610	£1,660,538	£2,096,466
-2.50%	£24,564	£460,492	£896,420	£1,332,348	£1,768,276
0.00%	-£304,659	£132,301	£568,229	£1,004,157	£1,440,085
+2.50%	-£634,339	-£196,472	£240,039	£675,967	£1,111,895
+5.00%	-£964,019	-£526,152	-£88,285	£347,776	£783,704

3.13 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:

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 ser 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 JRB adopted a Benchmark Land Value of £3,910,000 in his latest assessment, which is consistent with their original submission. The benchmark proposed by JRB for viability testing is based on an Existing Use Value approach.

5.12 The existing property is a BP petrol station with Spar convenience shop. JRB have largely relied on a valuation produced by Avison Young to support their assessment of EUV. This valuation is dated January 2022 and was instructed on the basis of market value rather than EUV, albeit the valuation appears to be based only on the existing petrol filling station (PFS) use therefore we consider its application to be broadly reasonable.

5.13 In our assessment of the BLV outlined in the report dated October 2022 we have reduced the Fair Maintainable Operational Profit from 7.75 assumed by AV to 7.5. We stated in our report that we reserved the right to revisit our position should the past trading data of the petrol station have been provided. We note that such information has not been provided, therefore, we maintain the multiplier assumed in our original assessment.

5.14 In our assessment we have assumed 6.8%, which brings EUV to £2.945m. In their rebuttal dated December 2022, JRB states that the comparables referred to by Avison Young already account for the purchaser's costs as the relevant FMOP multipliers are based upon 'sale price' comparables as opposed to 'sale price plus purchaser's costs'.

5.15 The sale prices listed in AY's report range between £0.975m and £4.8m. We agree the sale price would ordinarily be inclusive of the purchaser's costs, however FMOP multipliers do not carry that information. Assumption of the purchaser's costs have also not been made explicit in AY's valuation, therefore, we maintain of such assumption to be appropriate.

5.16 In our assessment, we have not included any Landowner's Premium. By contrast, JRB assumed the Landowner's Premium of 20%. As AY's report has been assessed on the basis of its Market Value, the additional of a 20% premium above Avison Young's valuation therefore suggests that JRB consider that a willing buyer would be willing to purchase the site for 20% above the Market Value. We do not consider such assumption to be appropriate.

5.17 This is further underlined by the fact that the subject application does not indicate that a policy compliant is capable of being delivered on the site and the NPPG is clear that premiums should reflect policy compliance.

5.18 In their response dated December 2022, JRB states that *"Avison Young refer to their valuation as Market Value but they have, in effect, focussed solely on its PFS income as their valuation driver. As such, we respect and their valuation as and consider it to be an EUV"*. We consider such an assumption to be rather far fetched and not aligned with what has actually been stated in AY's report.

5.19 We maintain our original assumption that omission of the Landowner's Premium is appropriate in this instance.

5.20 Overall, we maintain our original of the Benchmark Land Value of £2,950,000 to be appropriate.

6.0 Development Values

6.1 The residential element of the proposed scheme, as sought by the planning application, is for 31 residential units. We note the unit mix of the proposed scheme have been changed since our original assessment. We have not been provided with the detailed accommodation schedule, however noting a minimal decrease in the total Net Residential Sales Area (decrease of c. 100 sq ft), we assume the average unit size remains broadly similar to the original version of the scheme.

6.2 JRB attributed a blended sales rate of £927.31 to the development, which broadly aligns with their original assumptions. The sales rate translates into the following values:

Type	Number	NSA (sq ft)	JRB's Values
One Bedroom	15	544	£554,444
Two Bedroom	13	835	£760,071
Three Bedroom	3	958	£853,333
Total	31	23,175	

6.3 In our original assessment, we accepted JRB's values, however noting the limited new build evidence in the area, we have recommended a Late Stage Review provision.

6.4 Given the time elapsed since our original report, we have searched the local market and identified the following, more recent sales evidence:

<u>Neos (Maitland Park Estate), NW3 2EH</u>

6.5 The new build development comprises 112 residential units. Each apartment benefits from a private outside space in a form of a balcony, winter garden or a terrace. The development is located 1.4 miles of the subject site, within a quieter residential estate. It lies within 13 minutes walk to the Belsize Park Underground Station. We consider the location of the subject to be superior to the Neos development.

6.6 We have sourced the following sales evidence completed in 2023 from Molior database:

Type	Size (sq ft)	Achieved Price	£ PSF
1 Bedroom	549	£527,375	£960
1 Bedroom	549	£533,000	£970

Espalier Gardens / Park Place, NW6 2BS

6.7 Newly build, missed use development comprising 60 residential flats, cycle space and commercial units located on the ground floor. The development is located 1.1 miles west of the subject, on a Kilburn High Street. We consider the location of the comparable to be inferior to the subject.

6.8 We have sourced the following sales evidence completed in 2023 from Molior database:

Type	Size (sq ft)	Achieved Price	£ PSF
1 Bedroom	549	£391,000	£712
2 Bedroom	840	£600,000	£714
2 Bedroom	786	£490,000	£623
1 Bedroom	581	£428,000	£736
3 Bedroom	1,281	£900,000	£702

One St Johns Wood / Grace House, NW8 7HN

6.9 High-end development by Regal, comprising 282 residential units, car parking, swimming pool and cinema for residents. Every flat benefits from a private outside space in a form of a balcony. The construction has completed in 2022. The development is located 1.4 miles south of the subject site, in an upmarket area of St Johns Wood. We consider the subject scheme would achieve lower values.

6.10 We have sourced the following sales evidence completed in 2023 from the Molior database:

Type	Size (sq ft)	Achieved Price	£ PSF
2 Bedroom	807	£1,268,250	£1,570
1 Bedroom	614	£1,193,000	£1,944
3 Bedroom	958	£2,325,000	£2,426
1 Bedroom	538	£1,300,000	£2,415
3 Bedroom	958	£2,550,000	£2,661
1 Bedroom	538	£1,183,400	£2,198
2 Bedroom	743	£1,800,000	£2,423
2 Bedroom	743	£1,875,000	£2,524
1 Bedroom	452	£975,000	£2,156

1 Bedroom	570	£1,210,000	£2,120
1 Bedroom	452	£1,015,000	£2,245
1 Bedroom	538	£1,280,000	£2,378
2 Bedroom	743	£2,035,000	£2,739
1 Bedroom	538	£1,231,900	£2,288
1 Bedroom	538	£1,231,900	£2,288

6.11 We have also searched evidence of second hand units located in a close vicinity to the subject site, however we have not identified any more relevant sales than already included in our October 2022 report.

6.12 Overall, we have not observed any significant movement in the house prices in the area surrounding the subject site and, therefore, we accept JRB's assessment. However, we maintain our opinion that given the scarcity of new build evidence in the immediate vicinity of the site, we recommend that the scheme is subject to a late stage review of viability if a non-policy compliant level of affordable housing is brought forward.

Ground Rents

3.16 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.

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

Commercial Valuation

6.13 The proposed scheme includes the following commercial space, which remains unchanged from the original version of the scheme:

Type	Size (sq m)	Size (sq ft)
Flexible Commercial	163	1,755
Educational	347	3,735
	510	5490

6.14 The results of our previous assessment are outlined in the table below, together with JRB's position on respective inputs:

Type	JRB's Rent PSF	BPS' Rent PSF	JRB's Yield	BPS' Yield	JRB's Rent Free Period	BPS' Rent Free Period
Flexible Commercial	£30	£35	6%	6%	1 Year	1 Year
Educational	£30	£30	6%	6%	1 Year	1 Year

6.15 In their latest report, JRB maintains that the rent for the flexible commercial space should be £30psf. They have also increased the yield to 6.5%. No additional evidence has been provided to support such an increase.

6.16 In their report dated December 2022, JRB argues that the evidence of 1-3 Canfield Place (reproduced below), is not sufficient as it was a refurbished Category A office, whilst the proposed scheme is assumed to be fitted to "shell and core" standard. Noting the proposed scheme would deliver a new build space and, therefore, an improved quality of accommodation overall, we would consider the achieved values to exceed the ones achieved at Canfield Place. We consider the proximity to the station to be broadly similar to the proposed scheme.

Suite B, 1-3 Canfield Place, Finchley Road, NW6 3BT	Ground floor self-contained office suite Open plan with separate meeting room 2x car parking spaces, air conditioning, 2x WCs and gas central heating 1,278 sq ft	26/06/21	£49,950 pa	£39 psf

6.17 JRB also claims the rent achieved at 1-3 Canfield Place is lower than stated in our original report. We have sourced our information from EGI database. Whilst we acknowledge there is a possibility of an error margin on the database, we would expect evidence of such a difference to be provided.

6.18 Given the time elapsed since our original report, we have searched the local market and identified the following, more recent rental evidence:

Address	Description	Achieved Rent (psf)	Size (sq ft)	Deal Date
6 Harben Parade, Finchley Road, London, NW3 6JP	High street, second hand retail unit let to British Heart Foundation on 9 years lease from December 2022.	£39.87	1,079	June 2022
311 West End Lane Hampstead, London, NW6	Retail unit let to Truffle Burger for 16 years lease. We note the achieved price exceeded the asking price, which was £40,000pa. The unit comprise a front terrace, suitable for a restaurant business, which would attract a higher value psf.	£64.43	776	Dec 2022

6.19 We note the evidence of 6 Harben Parade, which provides an inferior quality of accommodation and is located only 2 minutes walk from the subject site, provides a sufficient evidence that the rent of £35psf is achievable in the said location.

6.20 We have sourced additional evidence to inform our opinion of the yield levels:

Address	Description	Date	Size (sq ft)	NIY
519 Finchley Road, Hampstead, London, NW3 7BB	Dated freehold building comprising two retail shops, each subject to Commercial Leases and Two Masionettes. The total passing rent received at the moment of sale was £61,500pa. The unit was sold for c. £1.2m. The building is located 0.9 miles north from the subject, in an inferior location.	May 2023	3,800	4.72%
44 Parkway, Camden, London, NW1 7AH	Dated retail unit, much smaller than the comparable with no residential component included. We consider the location of the subject to be	March 2023	330	5.92%

	superior to the comparable.			
143 Kilburn High Road, Kilburn, London, NW6 7HT	2n hand retail unit located on a high street, in an inferior location to the subject. Sold for £559,000.	Feb 2022	N/A	5.17%
70-72 Kilburn High Road, Kilburn, London, NW6 4HS	2nd hand retail unit, inferior location to the subject.	Dec 2021	N/A	6.55%

6.21 Having analysed the evidence above, we do not consider there is sufficient evidence to support the yield increase proposed by JRB. We, therefore, maintain that the level of 6% remains appropriate.

6.22 Overall, our assessment results in the commercial GDV of £2,727,594, which reflects an increase of c. £0.2m on the values adopted by JRB.

7.0 Development Costs

Construction Costs

7.1 Our Cost Consultants, Geoffrey Barnett Associates (GBA), have analysed the build cost plan for the proposed scheme prepared by WWA, dated June 2022, and conclude that:

"We conclude that the construction costs put forward in the viability update are within acceptable estimating margins of our own assessment of costs."

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

Additional Costs

7.3 JRB have applied the following additional cost assumptions:

- Professional fees of 12%
- Marketing fees of 1.25%
- Sales agent fees of 1.50%
- Sales legal fees of £40,000 (c. 0.2% on GDV)
- Letting Agent fee of 10%
- Letting Legal Fee of £8,000 (c.4.6% of the rental income)

7.4 Our Cost Consultants advise that 12% professional fees are excessive for a scheme of this nature and that 10% professional fees are reasonable. We other fees to be in line with the current market norms.

7.5 CIL charges have been assumed at £1.9m. We have not verified this amount.

7.6 Finance has been included at 8% assuming that the scheme is 100% debt financed. We consider this finance allowance to be overstated and find 7.5% to be reasonable and , at the upper end of the range we see in numerous other applications.

Profit

7.7 The developer profit target adopted by JRB in their original assessment was 22.5% on cost which equates to 18% on GDV. We assume JRB maintains for this to be appropriate.

7.8 We have stated in our original report that we consider the profit allowance should be measured as a factor of GDV as this allows for more accurately differentiating between the risk elements of the scheme. We maintain that the following profit targets are reasonable for a scheme of this nature:

- 17.50% on GDV on private residential
- 15.00% on GDV on Commercial

7.9 The above figures result in the blended profit target of 17.20%.

Development Timeframes

7.10 JRB adopted the following timeframes in their assessment:

- Pre-Construction: 4 months
- Construction: 24 months
- Sales: 10 months (40% off-plan sales and c. 2 units per month thereafter)

7.11 Our Cost Consultant, GBA, reviewed the proposed timeframes and concludes as follows:

"Construction duration is stated in the viability update to be 24 months. BCIS estimated construction duration is average 16 months, with the top of the interval to be 18 months. Taking into consideration the constraints of the site and the presence of the semi- basement we consider 18 months to be a reasonable construction duration for this project."

7.12 We have adopted the construction cost as per the above advice.

7.13 We are comfortable with the off-plan sales level adopted by JRB, however, we consider the assumption of 2 units per month to be somewhat understated for the London market. In our original review we have assumed 5 units per month, which has been disputed by JRB in their December rebuttal. In their response, JRB includes a screenshot of an article by Barrat Homes dated October 2022 about slow in demand for private residential properties. We do not consider this to be a sufficient evidence to support JRB's assumption.

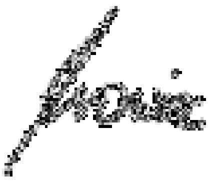
7.14 We noticed from Molior database that units at comparable developments were recently sold at the rate of 2-3 units per month post-completion, which translates to 6 months post-completion sales period. We have adopted this figure in our assessment.

8.0 Author Sign Off

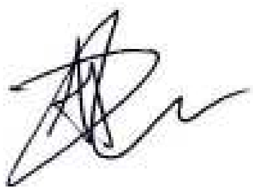
8.1 This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.

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



Andrew Jones
RICS Registered Valuer
RICS Membership no. 0085834
For and on behalf of
BPS Chartered Surveyors

November 2023

Appendix 1: Build Cost Report

Geoffrey Barnett Associates

REVIEW OF CONSTRUCTION COSTS WITHIN VIABILITY UPDATE
PREPARED BY
JAMES R BROWN AND COMPANY LTD

FOR

104A FINCHLEY ROAD, CAMDEN, NW3 5EY (REVISED)

23 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

CONTENTS:

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 construction costs within the Viability Update dated 25 October 2023 produced by James R Brown &Company Ltd.

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: "Demolition of existing petrol filling station and associated convenience store (sui generis), and erection of a six-storey building comprising ground floor commercial space (Class E) and flexible commercial/educational space for UCS Pre-Prep (Class E/F1), and 31 flats (C3) (15x1B, 13x2B and 3x3B) above".

3.2 We have previously assessed a scheme on this site in October 2022 and found proposed costs acceptable. The scheme has not changed significantly with the reduction in residential GIA from 3,020m2 to 2,976m2, alterations to façade cladding and introduction of an additional roof light.

3.3 Total GIA is stated in the viability update to be 3,486m2. The breakdown of areas is assumed as follows:-

Commercial:	
Commercial	163m2
Education	347m2
Residential	
31no flats	2,976m2
	3,486m2

3.4 Construction costs are shown in the viability update to be £11,103,431 in total. We assume that proposed costs are based on the Indicative Cost Estimate dated June 2022 produced by WWA with subsequent inflation uplift to 4Q2023. The breakdown of costs is as follows:-

Commercial	£519,322
Education (or Commercial)	£1,105,224
Residential	£9,478,885
Total	£11,103,431

3.5 Date basis for the costs is assumed to be 4Q2023.

3.6 Costs are presented as a rate applied to areas; no quantified breakdown has been provided.

3.7 The indicative estimate included prelims at 20%, overheads and profit at 6% and contingency at 5%. We have assumed that proposed costs based on the indicative estimate are also inclusive of them.

4.0 GBA ASSESSMENT OF CONSTRUCTION COSTS

4.1 To benchmark the figures in the viability update, 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 We have used Mean BCIS rates for new build, rebased to Camden on the grounds that the site is extremely congested, and the footprint of the building takes nearly the entire area of the site.

4.4 We have previously reviewed the costs in the indicative estimate for costs that are excluded from BCIS rates (demolition, including removal of all petroleum infrastructure, enabling works and external works and services). In our opinion the costs of demolition and ground remediation works are excessive, based on the size of the existing structures and the SUBADRA Phase One Environmental Assessment. We have used lower demolition and enabling works costs as well as lower costs for the new substation. We found the cost of external works and utilities connections reasonable and therefore used them in our own assessment but applied 20% for preliminaries and OHP. As above costs have been included in our previous Report and represented costs at 3Q2022, we have applied 4.6% inflation uplift based on change in All-in BCIS TPI: 3Q22 (All-in TPI 371) and 4Q23 (All-in TPI 388)

4.5 We have also reviewed the original design and access statement and revised 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:

- Piled foundations in close proximity to the underground tunnel and main sewer
- Extra over for semi-basement, say 1/3 of the area
- Extra over for transfer deck
- Extra over for composite triple glazed windows and external wall cladding system
- PV installations
- Roof light

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 £11,085,547 – see Appendix A.

5.0 CONCLUSION

5.1 The difference between costs in the viability update and our assessment of costs using BCIS is £17,884 or 0.16% - see Appendix B.

5.2 We conclude that the construction costs put forward in the viability update are within acceptable estimating margins of our own assessment of costs.

6.0 REVIEW OF PROFESSIONAL FEES AND CONSTRUCTION DURATION

6.1 Professional fees included in the viability update are 12%. Although there is no published BCIS data on the level of professional fees 10% is considered to be more acceptable for the project of this size and value. In addition to costs calculated with BCIS rates we have made a significant allowance for abnormal costs, and professional fees for specialist consultants are also calculated from these costs.

6.2 Construction duration is stated in the viability update to be 24 months. BCIS estimated construction duration is average 16 months, with the top of the interval to be 18 months. Taking into consideration the constraints of the site and presence of the semi-basement we consider 18 months to be a reasonable construction duration for this project.

APPENDIX A

CALCULATION OF COSTS USING BCIS M2 RATES

Base costs based on M2 rates					
Flats 31no - (6 storeys block)	2,976	m2 @	£2,741	/m2	£8,157,216
Commercial (shell and core)	163	m2 @	£1,436	/m2	£234,068
Education (shell and core)	347	m2 @	£1,436	/m2	£498,292
Total	3,486		£2,550		**£8,889,576**
Additional costs not included in base rates					
Demolition, including removal of petroleum infrastructure, and enabling works, including ground remediation					£350,000
External works					£194,400
External services					£160,800
New substation	1	nr @	£150,000	/nr	£150,000
Inflation uplift from 3Q22 (All-in TPI371) to 4Q23 (All-in TPI 388)	4.60%				£39,339
					£894,539
Abnormal costs					
Piled foundations in close proximity to underground tunnel and main sewer	659	m2 @	£350	/m2	£230,650
Extra over for semi-basement, say 1/3 of the footprint area	220	m2 @	£400	/m2	£88,000
Extra over for transfer deck	659	m2 @	£150	/m2	£98,850
Extra over for composite triple glazed windows and façade reconstituted stone cladding	3,486	m2 @	£75	/m2	£261,450
PV installations	31	nr @	£1,800	/nr	£55,800
Inflation uplift from 3Q22 (All-in TPI371) to 4Q23 (All-in TPI 388)	4.60%				£33,799
Roof light	1	nr @	£5,000	/nr	£5,000
					£773,549
Total base and additional costs					£10,557,664
Contingency			5%		£527,883

	£11,085,547
Cost per m2 of GIA	£3,180

Notes:

1. BCIS rates are Mean BCIS rates, rebased to Camden and current date (4Q2023).
2. BCIS rates are inclusive of prelims and OHP.
3. Costs of external works and services are taken from WWA Indicative Estimate.
4. Costs of demolition and enabling works, new substation and abnormal costs - GBA own assessment
5. All additional and abnormal costs are inclusive of preliminaries and OHP.

APPENDIX B

COMPARISON OF VIABILITY UPDATE AGAINST COSTS USING BCIS M2 RATES

Cost using BCIS m2 rates - Appendix A	£11,085,547
Cost from viability update	£11,103,431
Difference £	£17,884
Difference %	0.16%

APPENDIX C: BCIS DATA

BCIS®

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 18-Nov-2023 07:37

Rebased to London Borough of Camden (131; sample 53)

MAXIMUM AGE OF RESULTS: DEFAULT PERIOD

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
816. Flats (apartments)							
Generally (15)	2,322	1,153	1,924	2,183	2,614	7,899	845
1-2 storey (15)	2,187	1,357	1,851	2,084	2,444	4,559	180
3-5 storey (15)	2,294	1,153	1,915	2,181	2,586	4,827	564
6 storey or above (15)	2,741	1,675	2,223	2,573	2,983	7,899	98
Shell only							
816. Flats (apartments) (20)	1,436	764	-	-	-	2,107	2

22-Nov-2023 12:38

Page 1 of 1

BCIS®

New Build, Construction

104A FINCHLEY ROAD, CAMDEN, NW3 5EY (REVISED)

The estimated construction duration from Start on Site to Construction Completion is 71 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 66 to 77 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 47 to 108 weeks.

The estimate is based on the following project details:

Contract value: £11,100,000 at 4Q 2023 (388; forecast) prices and London Borough of Camden (131; sample 53) level

Building function: Flats

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

BCIS®

BCIS All-in TPI #101
BCIS All-in TPI

Base date:
1985 mean = 100
Updated:
09-Jun-2023
Series no.
#101

			Percentage change		
Date	**Index**	**Equivalent sample**	**On year**	**On quarter**	**On month**
1Q 2018	326	98	8.3%	2.8%	
2Q 2018	326	94	6.2%	0.0%	
3Q 2018	327	90	6.9%	0.3%	
4Q 2018	330	85	4.1%	0.9%	
1Q 2019	331	74	1.5%	0.3%	
2Q 2019	335	66	2.8%	1.2%	
3Q 2019	335	62	2.4%	0.0%	
4Q 2019	333	56	0.9%	-0.6%	
1Q 2020	335	Provisional	1.2%	0.6%	
2Q 2020	335	Provisional	0.0%	0.0%	
3Q 2020	330	Provisional	-1.5%	-1.5%	
4Q 2020	328	Provisional	-1.5%	-0.6%	
1Q 2021	328	Provisional	-2.1%	0.0%	
2Q 2021	331	Provisional	-1.2%	0.9%	
3Q 2021	339	Provisional	2.7%	2.4%	
4Q 2021	344	Provisional	4.9%	1.5%	
1Q 2022	349	Provisional	6.4%	1.5%	
2Q 2022	365	Provisional	10.3%	4.6%	
3Q 2022	371	Provisional	9.4%	1.6%	
4Q 2022	375	Provisional	9.0%	1.1%	

BCIS®

Base date:
1985 mean = 100
Updated:
09-Jun-2023
Series no.
#101

			Percentage change		
Date	Index	Equivalent sample	On year	On quarter	On month
1Q 2023	379	Provisional	8.6%	1.1%	
2Q 2023	383	Provisional	4.9%	1.1%	
3Q 2023	385	Forecast	3.8%	0.5%	
4Q 2023	388	Forecast	3.5%	0.8%	
1Q 2024	390	Forecast	2.9%	0.5%	
2Q 2024	392	Forecast	2.3%	0.5%	
3Q 2024	393	Forecast	2.1%	0.3%	
4Q 2024	399	Forecast	2.8%	1.5%	
1Q 2025	401	Forecast	2.8%	0.5%	
2Q 2025	405	Forecast	3.3%	1.0%	
3Q 2025	405	Forecast	3.1%	0.0%	
4Q 2025	411	Forecast	3.0%	1.5%	
1Q 2026	414	Forecast	3.2%	0.7%	
2Q 2026	417	Forecast	3.0%	0.7%	
3Q 2026	418	Forecast	3.2%	0.2%	
4Q 2026	422	Forecast	2.7%	1.0%	
1Q 2027	428	Forecast	3.4%	1.4%	
2Q 2027	431	Forecast	3.4%	0.7%	
3Q 2027	433	Forecast	3.6%	0.5%	
4Q 2027	436	Forecast	3.3%	0.7%	
1Q 2028	443	Forecast	3.5%	1.6%	

Appendix 2: BPS Appraisals

Finchley Rd on 25/10/23 (no affordable)

Development Appraisal
Prepared by JRB
BPS Surveyors
27 November 2023

Finchley Rd on 25/10/23 (no affordable)

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private Residential	31	23,175	927.31	693,239	21,490,409

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Commercial	1	1,755	35.00	61,425	61,425	61,425
Education (or Commercial)	1	3,735	30.00	112,050	112,050	112,050
Totals	**2**	**5,490**			**173,475**	**173,475**

Investment Valuation

Commercial					
Market Rent	61,425	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	965,802
Education (or Commercial)					
Market Rent	112,050	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,761,792
Total Investment Valuation					**2,727,594**

GROSS DEVELOPMENT VALUE			**24,218,004**
Purchaser's Costs		(185,476)	
Effective Purchaser's Costs Rate	6.80%		
			(185,476)
NET DEVELOPMENT VALUE			**24,032,527**
NET REALISATION			**24,032,527**

OUTLAY

ACQUISITION COSTS				
Fixed Price		2,950,000		
Fixed Price			2,950,000	
				2,950,000
Stamp Duty		5.00%	147,500	
Agent Fee		1.00%	29,500	
Legal Fee		0.80%	23,600	
				200,600
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Commercial	1,755	295.91	519,322	
Education (or Commercial)	3,735	295.91	1,105,224	
Private Residential	32,033	295.91	9,478,885	
Totals	**37,523 ft²**		**11,103,431**	
MCIL2/CIL/S.106/S.278			1,900,000	
				13,003,431
PROFESSIONAL FEES				
Professionals		10.00%	1,110,343	
				1,110,343
MARKETING & LETTING				
Marketing		1.25%	268,630	
Letting Agent Fee		10.00%	17,348	
Letting Legal Fee			8,000	
				293,978
DISPOSAL FEES				
Sales Agent Fee		1.50%	360,488	
Sales Legal Fee			40,000	
				400,488

Additional Costs

This appraisal report does not constitute a formal valuation.

Finchley Rd on 25/10/23 (no affordable)

Commercial Profit	15.00%	409,139	
Private Profit	17.50%	3,760,822	
			4,169,961
FINANCE			
Debit Rate 7.500%, Credit Rate 2.000% (Nominal)			
Land		437,792	
Construction		840,736	
Other		56,970	
Total Finance Cost			1,335,498
TOTAL COSTS			**23,464,298**
PROFIT			
			568,229
Performance Measures			
Profit on Cost%	2.42%		
Profit on GDV%	2.35%		
Profit on NDV%	2.36%		
Development Yield% (on Rent)	0.74%		
Equivalent Yield% (Nominal)	6.00%		
Equivalent Yield% (True)	6.23%		
IRR% (without Interest)	10.05%		
Rent Cover	3 yrs 3 mths		
Profit Erosion (finance rate 7.500)	4 mths		

This appraisal report does not constitute a formal valuation.