



HARRINGTON SQUARE, LONDON, NW1

Introduction

In August 2023 BNPPRE undertook a Financial Viability Assessment of the development proposals at Harrington Square, London NW1.

Our review indicated that the proposed development resulted in a surplus of £660,000. This was based on the residual value of the development proposals being £1,760,000 compared to a Benchmark Land Value of £1,100,000.

This was reviewed by BPS Chartered Surveyors ("BPS") who in their latest report of November 2023 concluded that the proposed development resulted in an increased surplus of £2,508,126. The increase in surplus was a result of the following amendments to the appraisal of the proposed development:

- Reduction in construction costs;
- Reduction in sales, marketing and legal fees; and
- Reduction in CIL and Section 106 costs;

Additionally, BPS reduced the assumed Benchmark Land Value to £726,000 which was applied in their appraisal as a fixed cost.

The Applicant have reviewed the BPS construction cost review and provided a response as well as an updated cost plan to reflect a number of changes in the basement.

In addition, the Applicant have provided evidence on the Sales and Marketing Budget as advised by Savills who are active agents in the area.

Finally the Applicants planning consultants PMV Planning have provided an update on their interpretation of the CIL and Section 106 liabilities applicable to the proposed development.

We have reflected the above in an update to our appraisal.

Construction Costs

Attached as **Appendix 1** is a response from Artal the Applicants Quantity Surveyor to the review of their cost plan by Geoffrey Barnett Associates ("BPA"), acting on behalf of BPS.

The response sets out the rationale from Artal as to why their assumed costs are reasonable. In addition the Artal response makes reference to two budget tender submissions which have been received from contractors to undertake the construction of the proposed development. These, which are attached to the Artal document are shared with BPS and BPA on a Private and Confidential basis. Additionally, Artal have provided cost benchmarks which they consider relevant from one of the contractors.

Artal also provide a new cost plan which reflects amendments to the proposed development which now total £5,650,908.

This is attached as **Appendix 2**.

We have applied Artal's revised costs in our updated appraisals.



Sales and Marketing Costs

In their review BPS stated that legal fees should be incorporated in to the 3% allowance for sales and marketing.

The Applicant have provided a marketing and sales proposal from Savills which is attached as **Appendix 3**.

As can be seen Savills set out a marketing estimate of £423,000 which equates to 3.5% of the GDV.

This includes both domestic and international marketing in order to achieve both the sales values and velocity assumed.

Savills also set out an agency fee ranging from 1.75% (Sole UK only agency) to 2.5% (International Agency) plus referrals of 1% to 2%.

Noting the above we remain of the view that our assumed 3% for sales and marketing plus legal fees of 0.5% is a reasonable assumption for a development of this nature and have maintained these assumptions.

CIL and Section 106 Costs

As can be seen in more detail at Section 4.7 of our original report, we assumed Section 106 costs of £47,761 plus the following CIL estimates:

- Borough CIL: £461,254; and
- Mayoral CIL: £118,849.

The above totals £627,864, as a result of an inputting error the figure assumed in the appraisal was marginally higher at £630,274.

BPS state in their review that the Council have advised that this figure is overstated and should total £402,141.

We have liaised with the Applicants Planning Consultants PMV Planning who have advised that based on the latest scheme drawings they consider the CIL liability to be as follows:

- Borough CIL: £507,272; and
- Mayoral CIL: £127,554.

Additionally, PMV Planning have informed us that the Council have advised that the Carbon Offsetting Costs have increased from the £8,750 assumed in our original submission (see Table 4.7.1) to £11,314.50.

Assuming all other figures in Table 4.7.1 remain the same, this increases the Section 106 liability to £50,325.50.

We have adopted these figures for the purposes of our appraisals.

In due course when these figures are agreed between the Council and the Applicant it may be necessary to amend our appraisals to reflect any further changes.

Benchmark Land Value

In our original submission we considered a Benchmark Land Value of £1,100,000 to be a reasonable assumption.

This was predicated on the existing use value of 16 gated surface level car parking spaces assumed at a value of £60,000 per space, based on comparable evidence (£960,000).



In addition, a 15% Land Owners Premium was assumed in order to reflect the fact that the spaces were in a single location.

BPS considered the value of £60,000 to be broadly reasonable, however, based on plans and satellite images calculated the number of spaces to be 11 as opposed to 16 (as the red line area does not cover all of the car parking spaces in the gated car park).

This has subsequently been confirmed by the Applicant.

This results in a reduced value of £660,000 before the application of a land owners premium.

BPS also considered a premium of 15% to be excessive and have reduced this to 10%.

This results in an overall reduced Benchmark Land Value of £726,000.

Whilst we consider a premium of 15% to be a reasonable assumption, in order to seek to reach agreement on the overall viability we have also adopted a premium of 10% and therefore have assumed a Benchmark Land Value of £726,000.

Revised Appraisal Results

Having regard to the above we have arrived at the following revised appraisal results and increased surplus when compared to the Benchmark Land Value.

Table 1 Revised BNPPRE Results

Residual Land Value	Benchmark Land Value	Surplus
£1,855,000	£726,000	£1,129,000

April 2024



Appendix 1 – ARTAL Response



Appendix 2 – Revised ARTAL Cost Plan



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Appendix 3 – Savills Marketing Report



Appendix 4 – Revised BNPPRE Appraisal