



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 who concluded an increased surplus. 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.

In May 2024 we provided a response to the BPS review which focused on the areas of difference.

In this response the reduced Benchmark Land Value was accepted and a response was provided on the other areas of difference noted above.

This resulted in the following revised results:

Table 1 Revised BNPPRE Results May 2024

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

Since this date BPS have provided a further response which still adopts differing assumptions with respect:

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

As set out in more detail below we provide further information with respect CIL and Section 106 as well as construction costs.

The BPS position with respect sales, marketing and legal fees is accepted on a without prejudice basis.

Also over this period we understand that the Applicant and the Council have agreed that the three bed unit on the ground floor will be provided as London Affordable Rent at a package price of £250,000 to a Registered Provider which is mutually acceptable to both the Council and Applicant.

We have therefore also updated our appraisal to reflect this agreement.



Construction Costs

In our May response we provided a revised cost plan and further information from the Applicants cost consultant Artal.

The revised cost plan totalled £5,650,908. These are appended to our April response.

We understand that subsequent to this BPS's cost consultant Geoffrey Barnett Associates ("GBA") have provided further comment on the construction cost information provided by Artal. We further understand that Artal provided additional information and commentary on a number of the cost items dated June 2024.

Whilst we are advised that this has been provided to BPS and their cost consultant for review, we attach this as **Appendix 1**.

We are advised that subsequent to the there was further comment from GBA costs consultants in July. Artal have provided the following response to this along with further information which is attached as **Appendix 2**.

"Just to reiterate the reason these items have been highlighted as abnormals is because the full scope cannot be ascertained without the project being fully designed, measured, and priced by the tenderers. We have priced the main measured with the assumption that the abnormals are reasonable, and so if these are reduced or omitted the base estimate would need to increase.

1. *Party wall works*

- *Please see attached. We've broken down these potential works into a 6 page document that hopefully gives enough support to the allowances we have put forward*

2. *Grid connection and labour - £200,000*

- *We can't obtain a quotation for this from the provider as in order to do so we need to have the scheme designed, the loads assessed and then the normal applications made. Whilst this figure when divided into the amount of apartments may seem a higher allowance than normal, due to the size of the dwellings, this figure works back to a cost of £13.45/ft². This is well within range for this type of work. This is also assuming a straight connection, if a substation is required this will be a further circa £70k.*

3. *Back up power generator*

- *As with the above we don't have a specification, but between £30k and £50k would be a more than reasonable allowance. Note that SPONS 2023 prices these at £160k*

4. *Distribution Boards, Surge Protection, Earthing and Bonding*

- *These are priced as an abnormal as may not be provided in the main contract, and more likely by others and so we have adjusted the main build pricing to reflect this. Therefore, these abnormals should remain"*

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



CIL and Section 106 Costs

We have been advised by the Applicants Planning Consultants, PMV Planning, that reflecting the agreement to provide Unit 1 (3 Bed) as a London Affordable Rent Unit the CIL amounts for the proposed development are as follows:

Table 2 Proposed Development CIL

Type	Amount
Borough CIL	£471,632
Mayoral CIL	£118,596

We have adopted these figures in our update appraisal.

In addition, we have also been provided with the following detailed Section 106 assumptions for the proposed development by PMV Planning:

- Open space contribution: £62,289;
- Construction management plan CMP implementation support contribution: £10,116;
- CMP Impact Bond: £16,000;
- Pedestrian, Cycling and Environmental facilities contribution: £22,000;
- Travel Plan monitoring contribution: £5,196;
- Carbon offset contribution: £11,314.50;
- Highways estimate for repaving the footway and crossover adjacent to the site
- Basement Construction Plan ("BCP"): £47,220.54; and
- Car free

These total £174,136.04 which we have adopted in our revised appraisal.

Revised Appraisal Results

In addition to the above we have also assumed a value of £250,000 for Unit 1 which has been agreed to be provided as a London Affordable Rent unit. We have also assumed a profit of 6% of Gross Development Value on this unit in convention for affordable housing elements of a development in viability assessments.

Furthermore, in order to adopt a consistent approach with BPS we have assumed that the Benchmark Land Value of £726,000 is adopted in the appraisal as a land cost and measured the outturn surplus.

Our appraisal results in a surplus of £850,000. A copy of our appraisal is attached as **Appendix 3**.

October 2024



Appendix 1 – ARTAL Response



Appendix 2 – Further ARTAL Information



Appendix 3 – Revise Development Appraisal