

# Land adjacent to Harrington Square NW1

## Addendum Report 2

Prepared on behalf of the London  
Borough of Camden

4<sup>th</sup> November 2024

Planning Reference: 2023/3824/P



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## 1.0 Introduction

- 1.1 BPS Chartered Surveyors have been instructed by the London Borough of Camden ('the Council') to provide a review and analysis in response to the BNP Paribas Real Estate ('BNPPRE') letter dated October 2024. This Addendum follows on from our report of the November 2023 which was issued in response to BNPPRE's Financial Viability Assessment ('FVA') dated August 2023, prepared on behalf of Salboy (Morningson Crescent) Limited ('the Applicant') in connection with the redevelopment of the above site.
- 1.2 We also prepared a previous Addendum (1) dated May 2024 in response to BNPPRE's prior response dated April 2024.
- 1.3 This addendum should therefore be read in conjunction with the above reports.
- 1.4 We concluded in our previous report that the proposals produced a surplus of xx.
- 1.5 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.
- 1.6 BNPPRE address the following inputs in their latest response:
  - 1.6.1 Construction Costs
  - 1.6.2 CIL and S106 Charges
- 1.7 Having considered BNPPRE's latest comments, the following table summarises our current respective positions.

## 2.0 Summary Table

2.1 Our analysis presents the following outturn financial position for the project:

Input	Applicant BNPPRE FVA August 2023	Council BPS Review November 2023	Applicant BNPPRE Addendum 1 April 2024	Council BPS Addendum 1 May 2024	Applicant BNPPRE Addendum 2 October 2024	Council BPS Addendum 2 November 2024	Comments
Income							
Open Market Sales	£12,135,000 (£1,191 psf)	£12,135,000 (£1,191 psf)	£12,135,000 (£1,191 psf)	£12,135,000 (£1,191 psf)	£12,135,000 (£1,191 psf)	£12,135,000 (£1,191 psf)	Agreed
Affordable Housing (1 unit)					£250,000	£250,000	Agreed
Expenditure							
EUV	£960,000	£660,000	£660,000	£660,000	£660,000	£660,000	Agreed
Landowner Premium	15%	10%	10%	10%	10%	10%	Agreed
Benchmark Land Value	£1,100,000	£726,000	£726,000	£726,000	£726,000	£726,000	Agreed
Build Costs	£5,800,504	£5,097,012	£5,650,908	£5,136,259	£5,650,908	£5,454,512	Disagreed
Contingency	5%	5%	5%	5%	5%	5%	Agreed
Professional Fees	10%	10%	10%	10%	10%	10%	Agreed
OMS Marketing & Agent Fees	3%	3%	3%	3%	3%	3%	Agreed
OMS Legal Fees	0.5%	0%	0.5%	0%	0%	0%	Agreed
CIL / S106	£630,274	£402,141	£685,151	£476,277	£764,361	£762,562	Disagreed

Finance	7% - 9.5%	7%	7%	7%	7%	7%	Agreed
Profit: OMS	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	Agreed
Development Timeframes							
Construction Period	18 months	18 months	18 months	18 months	18 months	18 months	Agreed
Pre-Sales	35%	35%	35%	35%	35%	35%	Agreed
Sales Period	4 months	4 month	4 months	4 month	4 month	4 month	Agreed
Viability Position	+£480,000 to +£660,000	+£2,508,126	+£1,129,000	+£2,371,473	+£853,879	+£1,342,683	We have identified an additional surplus which we suggest could provide as contribution towards affordable housing.

2.2 Our updated conclusions are as follows:

- We have included the agreed value for 1 affordable housing unit in our Appraisal.
- We have increased the S106/ CIL charges by £286,285 in line with the Council's advice.
- We have increased the Build Costs to £5,454,512 in line with the advice of our QS.
- We have amended BNPPRE's appraisal from '5 months letting period' to a '4 month sales period' as previously agreed.

2.3 The above revisions result in an overall surplus of +£1,342,683.

2.4 This Addendum provides a response to BNPPRE's latest report as requested by the Council.

## 2.0 Response to BNPPRE

### Construction Costs

3.1 Our Cost Consultants, GBA, have provided the following commentary;

*'Incoming Power:*

*We do not consider Incoming Power costs to be adequately substantiated and consider additional cost of £100,000 to be a reasonable allowance.*

*Party Wall matters:*

*We can accept £50,000 as a reasonable allowance for additional construction works related to Party Wall matters.*

*For the reasons stated above we have revised our construction costs to £5,254,512 - see Appendix A.*

*We conclude that the overall construction costs of £5,650,908 put forward in the appraisal summary are £396,396 or 7.54% higher than considered reasonable, after taking into consideration the response from Artal Ltd dated October 2024.'*

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

### CIL and S106 Costs

3.3 In their latest response, the Applicant's planners have calculated a CIL & S106 costs of £764,361.

3.4 The Council have provided a breakdown of the following charges. Calculated using a GIA figure of 1,381 sqm, the CIL charges are as follows:

- CIL £590,222

#### S106 Contributions

- Open space contribution £62,289
- Construction management plan (CMP)
- CMP implementation support contribution of £10,116
- CMP Impact Bond of £16,000
- Pedestrian, Cycling and Environmental facilities contribution of £22,000
- Construction Support £3,400
- Carbon offset contribution of £11,314.50
- Highways estimate of £47,220.54 for repaving the footway and crossover adjacent to the site
- Basement Construction Plan (BCP)

- Car free
- Total: **£172,340**

3.5 We have applied these figure to our assessment.

3.6 We understand the affordable housing contribution PiL is **£1,933,400.00**.



## 4.0 Author Sign Off

- 4.1 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.
- 4.2 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.
- 4.3 The following persons have been involved in the production of this report:



**Emma Jameson**  
RICS Membership no. 0877642  
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 2024

# Appendix 1: Build Cost Report

## 1.0 REVIEW & COMMENTARY:

- 1.1 This Addendum Report is related to response from Artal Ltd dated October 2024.
- 1.2 We previously reported on a scheme on this site in November 2023 and May 2024 and found proposed costs of £5,650,908 (including 5% contingency) to be £514,649 or 10.02% higher than our own assessment with use of BCIS rates. Subsequently, we reviewed Artal's response in July 2024, specifically commenting on two abnormally high items: the cost of incoming power and the cost of party wall matters.
- 1.3 Since then we have received the further clarifications on the two costs in question which we have reviewed and can comment on as follows:-
- 1.4 Incoming Power:
1. *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/ft<sup>2</sup>. 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."* - The building provides 11no residential units. No loads have been assessed so far and no quotation has been obtained. From our experience we find it difficult to believe that power supply to 11no domestic units will attract such high connection cost from a utility provider. Without further justification we consider additional costs of £100,000 to be a reasonable allowance.
  2. *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"* – It is highly unusual that the residential block would require a back-up power generator. A requirement for a back-up generator is not mentioned in the Design and Access statement and a position for the generator is not shown anywhere on the submitted drawings. A back up generator in our opinion is an excessive provision, not mentioned anywhere in the submitted design information and very unlikely to be required with the new incoming power connection.
  3. *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"* – All above works are a part of standard electrical installations, therefor included in BCIS rates for services and therefore in our assessment of costs.
- 1.5 Party Wall:
1. *Surveyor Fees at £8,000*  
Typically covered under "Professional fees", already included in 10% professional fees.

2. *Legal costs at £23,000 (Legal Advice/Representation: Review of Party Wall Notices and Agreements; Legal Consultations for Dispute Resolution; Drafting Party Wall Awards and Agreements; Representation During Disputes:)*

Notices and agreements are deemed to be covered by Surveyor's Fees. "Legal representation in case of disputes or legal challenges and Handling arbitration or court proceedings if necessary" – Allowance for dispute resolution is not considered to be a part of construction costs or professional fees.

3. *Construction work at £215,510*

We have reviewed A-Studio Ground Movement Assessment (Neighbouring Buildings) and Basement impact Assessment (BIA), dated September 2023. They both assess impact on 5 Hurdwick Place (the house with the party wall in question). Both of these reports stated in "Conclusions and recommendations": "The building damage assessment results estimate that there will be 'Negligible' damage to most of the neighbouring buildings, with the exception of two Hurdwick House walls, which are estimated to have 'Very Slight' damage. This level of impact is considered to be acceptable. It is assumed that the excavation will be supported by means of temporary propping, as required. It is recommended that any proposed temporary propping remains in place until the permanent floor slabs are installed in order to effectively limit the ground movements".

We have also reviewed Renaissance Associates structural drawings, which show that the party wall is situated beyond the line of risk of surcharging adjacent basement. The drawings do not show any underpinning required to the party wall or any bracing.

We consider that the following additional costs related to the party wall will be legitimate and acceptable:

Propping and monitoring of adjacent structures	£35,000
Damp proofing and waterproofing of adjacent structures	£5,000
Seamless jointing between new and existing structures	<u>£10,000</u>
TOTAL	£50,000

## **2.0 CONCLUSION:**

### **2.1 Incoming Power:**

We do not consider Incoming Power costs to be adequately substantiated and consider additional cost of £100,000 to be a reasonable allowance.

Party Wall matters:

We can accept £50,000 as a reasonable allowance for additional construction works related to Party Wall matters.

### **2.2 For the reasons stated above we have revised our construction costs to £5,254,512 - see Appendix A.**

### **2.3 We conclude that the overall construction costs of £5,650,908 put forward in the appraisal summary are £396,396 or 7.54% higher than considered reasonable, after taking into consideration the response from Artal Ltd dated October 2024.**

**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
<b>Total</b>	<b>1,381</b>		<b>£2,859</b>		<b>£3,947,988</b>

**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
Incoming power					£100,000
					<b>£588,949</b>

**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
Additional construction works related to party wall matters					£50,000
					<b>£467,360</b>

Total base and additional costs					£5,004,297
Contingency			5%		£250,215

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**£5,254,512**

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Cost per m2 of GIA £3,805

**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	£5,254,512
Cost from development appraisal	£5,650,908
Difference £	£396,396
Difference %	7.54%

# Appendix 2: Argus Appraisal



Harrington Square Revised with 1 LAR Unit

**Appraisal Summary for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Sales Rate ft<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Private Sales	10	9,146	1,222.94	1,118,500	11,185,000
LAR	<u>1</u>	<u>1,044</u>	239.46	250,000	<u>250,000</u>
<b>Totals</b>	<b>11</b>	<b>10,190</b>			<b>11,435,000</b>

**NET REALISATION**

**11,435,000**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	726,000			
Fixed Price			726,000	
				726,000
Stamp Duty	5.00%		36,300	
Agent Fee	1.00%		7,260	
Legal Fee	0.50%		3,630	
				47,190

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>Units</b>	<b>Unit Amount</b>	<b>Cost</b>	
Construction	1 un	5,254,512	5,254,512	
Section 106			172,340	
CIL			590,222	
				6,017,074

**PROFESSIONAL FEES**

Professional Fees	10.00%		525,451	
				525,451

**DISPOSAL FEES**

Sales Marketing & Sales Legal Fee	3.00%		343,050	
				343,050

**Additional Costs**

Profit on Private	17.50%		1,957,375	
				1,957,375

**MISCELLANEOUS FEES**

Profit on LAR	6.00%		15,000	
				15,000

**FINANCE**

<b>Timescale</b>	<b>Duration</b>	<b>Commences</b>
Pre-Construction	6	Aug 2023
Construction	18	Feb 2024
Sale	4	Aug 2025
<b>Total Duration</b>	<b>28</b>	

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

Land	109,491	
Construction	340,219	
Other	11,466	
<b>Total Finance Cost</b>		<b>461,177</b>

Harrington Square Revised with 1 LAR Unit

**TOTAL COSTS****10,092,317****PROFIT****1,342,683****Performance Measures**

Profit on Cost%	13.30%
Profit on GDV%	11.74%
Profit on NDV%	11.74%
IRR% (without Interest)	24.42%
Profit Erosion (finance rate 7.000)	1 yr 10 mths