63 – 65 Camden High Street, NW1 7JL

Independent Viability Review

Prepared on behalf of Camden Council

28th November 2024

Planning Reference: 2024/1301/P

BPS Chartered Surveyors

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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 Housing Partnering Ltd trading as S106 Affordable Housing ('S106 AH') on behalf of Christoforou Real Estate Holdings Ltd ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The site is a mid-terraced, mixed-use commercial property on Camden's high street comprised of a ground floor, which has been divided between two retail units, and three upper floors that serve as office space.

1.3 The building is located on the high street which comprises a mix of shops, offices and residential uses. The site is not a listed building but is located in Camden Town's conservation area.

1.4 The planning proposal is for:

"*the conversion of the existing building from commercial use (Class E) to residential use (Class C3) and alteration of the existing roof level and erection of a single storey upwards extension to provide 9 x self-contained residential units and the retention 2 x commercial units on the ground floor and associated refuse and cycle storage.* "

1.5 The basis of our review is the Financial Viability Assessment prepared by S106 AH, dated 5th of April 2024. The appraisal concludes that the proposed scheme currently shows a deficit of approximately -£562,904. S106 AH modelled an alternative scenario, assuming an affordable housing financial contribution payment of £543,900, which generates an even greater deficit of -£1,064,728. On this basis, no affordable housing can viably be offered.

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

1.7 We have received a live version of the Argus appraisals included in the report.

1.8 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.

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

1.10 A Land Registry search shows that the applicant does currently own the property, which is registered under Titles 330985 (63 Camden High Street) and LN191378 (65 Camden High Street). The site was purchased in 2022 for an undisclosed amount.

1.11 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 2022, 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.

1.12 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	S106 AH	BPS	Comments
Income			
Open Market Sales	£5,250,000 (£9,907psm/£920psf)	£5,425,000 (£10,237psm/£951psf)	Disagreed
Commercial	£757,663 (£5,179psm/£481psf)	£1,196,164 (£8,175psm/£760psf)	Disagreed
Expenditure			
Benchmark Land Value	£2,164,533	£1,000,000	Disagreed
Build Costs	£1,901,913	£1,901,913	Ambiguous - We consider difference in the areas should be clarified by the Applicant.
Contingency	5%	5%	Agreed
Professional Fees	10%	10%	Agreed
OMS Marketing & Agent Fees	2.5%	2.5%	Agreed
OMS Legal Fees	£1000 p/u	£1000 p/u	Agreed
Letting Agent Fee	10%	10%	Agreed
Letting Legal Fee	1%	1%	Agreed
CIL & S106	£531,602	£531,602	Ambiguous - We request the Council verify this amount.
Finance	8%	7%	Disagreed
Profit: OMS Commercial	 17.5% 15%	 15% 15%	Disagreed
Development Timeframes			
Pre-construction Period	6-months	6-months	Agreed
Construction Period	12-months	11-months	Disagreed
Pre-Sales	None assumed.	50%	Disagreed
Sales Period	3-months	2-month	Disagreed
Viability Position (No AH Contribution)	-£562,904	+£1.4m	Disagreed.
Viability Position (AH PIL)	-£1,275,896	+£836,829	Disagreed.
Actual Profit (inc. AH contribution)	6.11%	27.45%	Disagreed.

3.0 FVA Checklist

3.1 On the 26th of September 2024 we sent S106 AH a request to provide the following information to assist with our review of the FVA. The table below summarises the documentation received at the date of this submission.

Existing Site	
Land ownership plan	Downloaded.
Measurements of the Existing Site / Buildings	Downloaded.
Floor plans	Downloaded.
Detailed Description of the existing site	Provided.
A schedule of condition	Site inspection carried out on 31/10/2024.
External Photographs of the Existing Site / Buildings	
Internal Photographs of the Existing Site / Buildings	
Recent transactional evidence to support their BLV assumptions	Provided.
Modelling used to generate values (Residential/ Commercial)	Provided.
Proposed Development	
Application plans	Downloaded.
Accommodation schedule	Downloaded.
Unit pricing schedule	Not provided.
Measurements for the proposed scheme (GIA ONLY)	Provided.
Design and Access statement	Downloaded.
Planning Statement	Not provided.
Detailed design specification	Not provided.
Recent transactional evidence to support their GDV assumptions	Provided.
Modelling used to generate values (Affordable Housing)	Provided.
Modelling used to generate values (Residential/ Commercial)	Provided.
Construction	
A detailed cost plan	Provided.
Development programme	Not provided.
Appraisals	
Copy of the live Argus appraisal	Provided.

4.0 Conclusions And Recommendations

4.1 We have reviewed the FVA prepared by S106 AH on behalf of the Applicant, which concludes that the proposed scheme generates a residual value of c. **£1.6m**, which is approximately **-£0.56m** below their Benchmark Land Value of **£2.16m**. On this basis, the scheme cannot provide any affordable housing contribution. S106 AH also tested the scheme with an affordable housing financial contribution of £543,900, which further increases the deficit position of the scheme to c. **-£1.06m.**

Benchmark Land Value

4.2 S106 AH have approached the Benchmark Land Value on an Alternative Use Value (AUV) basis. They state that refurbishment is needed to the existing building to bring it to a marketable standard, as it is currently not fit for occupation. Reference to PPG is made to support their approach to BLV, quoting that if a valuation allows for refurbishment costs it should be deemed an AUV. As part of an AUV, it is considered that a landowners premium is already included.

4.3 We have reviewed S106 AH's assessment of BLV and believe that a lower value should be assigned. This conclusion primarily stems from the difference in refurbishment costs, yields and rental values that we have adopted.

4.4 Having taken the above into consideration, we consider the Benchmark Land Value should be £1,000,000 (rounded), which reflects a reduction to the £2,164,533 adopted by the Applicant.

Development Value

4.5 The scheme proposes to retain the two ground floor retail units and convert the existing office space into nine residential units.

4.6 We have reviewed the information provided by S106 AH in support of their Open Market 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 for OMS are below current market expectations. We have suggested some changes to the values proposed by S106 SH which are outlined in Section 7 of this report. Overall, our suggested revisions result in an increase of approximately £175,000 on the total development value proposed by S106 AH, which reflects an increase of 3.33%.

Commercial GDV

4.7 We have also reviewed the information provided by S106 AH in support of their retail 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 for retail are also below current market expectations. We have suggested some changes to the values proposed by S106 SH which are outlined in Section 7 of this report. Overall, our suggested revisions result in an increase of approximately £438,501 on the total development value proposed by S106 AH, which reflects an increase of +57.9%.

Car Parking

4.8 No parking is included in the proposed plans.

Ground rents

4.9 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

4.10 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Ridge and Partners LLP, dated 05/04/2024. He raised concerns related to the residential area being inconsistent within the Applicant's appraisal, however, he concluded that the proposed cost appear to be reasonable.

4.11 We consider the difference in the estimated areas should be clarified by the Applicant. Mr Powling's full cost report can be found at Appendix 3.

Recommendations

4.12 We have been provided with a live version of the Argus appraisal included in S106 AH's report to which we have applied our amendments. These amendments are outlined in the table included at Section 2 and our revised appraisal is at Appendix 6.

4.13 After these changes we identify a surplus of c. **£1.4m.** On this basis we calculate that after policy compliant Payment In Lieu towards affordable housing of c. **£543,900** is contributed, the scheme still generate a surplus of £**836,829**. The scheme can therefore viably provide the full PIL.

4.14 We have undertaken a sensitivity analysis to test the impact of changes to open market sales values and build cost on the scheme's viability. The figures below are based on the results of our sensitivity analysis:

	Open Market Sales				
Build Cost	-5.00%	-2.50%	0.00%	+2.50%	+5.00%
-5.00%	£1,307,463	£1,419,842	£1,532,221	£1,644,600	£1,756,979
-2.50%	£1,250,858	£1,363,237	£1,475,616	£1,587,995	£1,700,374
0.00%	£1,194,254	£1,306,633	£1,419,011	£1,531,390	£1,643,769
+2.50%	£1,137,649	£1,250,028	£1,362,407	£1,474,786	£1,587,165
+5.00%	£1,081,044	£1,193,423	£1,305,802	£1,418,181	£1,530,560

4.15 In the absence of agreement of the viability position, should the application proceed to committee, we strongly recommend that any approval be subject to the adoption of our viability figures for review purposes.

4.16 We recommend that if a policy compliant offer is not made, the scheme should be subject to pre-implementation and late stage reviews of viability in order that the viability can be assessed over the lifetime of the development.

5.0 Principles Of Viability Assessment

5.1 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

5.2 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.

5.3 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.

5.4 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.

5.5 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.

6.0 Benchmark Land Value

<u>Viability Benchmarking</u>

6.1 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).

6.2 The NPPF recognises the need to provide both landowners and developers with a competitive return. In relation to landowners this is to encourage landowners 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+).*

6.3 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.

6.4 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).

6.5 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.

6.6 Guidance indicates that the sale of any premium should reflect the circumstances of the landowner. We are of the view that where sites represent an ongoing liability to a landowner 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.*

6.7 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.

6.8 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.

6.9 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.

6.10 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>

6.11 The S106 AH report states that the Benchmark Land Value was assessed on an Existing Use Value (EUV) basis. We note, however, that S106 AH have assumed the continuous use of the existing units and have allowed for a refurbishment cost, which reflects the Alternative Use Value (AUV) approach in accordance with NPPG.

<u>Existing site description</u>

6.12 The subject site area comprises 0.025ha. The building is currently arranged as two retail units on the ground floor and three floors of office space above, totalling a GIA of 689.5m^2.

6.13 Note that we have not been provided with NIA measurements, which is listed by the RICS Code of Measuring Practice as the most appropriate method for the purpose of assessing rental value of retail and office properties.

6.14 We inspected the site on the 31st October 2024 at 11:45am. The weather was dry. We visited the majority of the site, except for one office as we were informed that the key was not available.

6.15 On the inspection we found that both retail units were occupied, whilst all office units were vacant. We have not been provided with copies of the leases or details of rent passing, despite our request.

6.16 On the inspection, we found the property to be generally in a poor condition. In the office space there was visible water ingress in a few rooms, internal walls were heavily marked, and notable cracks were present around windows. Overall, we would consider that the office space requires a degree of refurbishment to be suitable for occupation. Similarly, while the ground floor retail units are occupied, we consider them to be dated and below average in condition. From our inspection we believe the Applicant's description of the property is fairly accurate.

6.17 The photographs taken during our inspection are included in Appendix 5 of this report.

6.18 During the inspection, we have taken check measurements. Given that we have only been provided with the GIA, we have measured the NIA using scaled plans. Our resulting measurements reflect the NIA of the retail and office space of 167sqm and 408sqm respectively, which we have adopted in our assessment. The total NIA of the site equates to 575sqm (6189 sq ft), representing 83% efficiency, which we consider to broadly align with our expectations for these uses.

S106 AH's values

6.19 S106 AH assessed the value of the existing site by capitalising the Estimated Rental Value of units at an investment yield and capitalising it into perpetuity, allowing for a 6-month rent-free period, purchaser's costs of 5.75%, 5% surveyors contract fees (which we assume to be the professional fees) and refurbishment costs. They arrived at an BLV of £2,164,533. The accommodation schedule below outlines S106 AH's adopted inputs and includes our calculated NIA:

	GIA (Sq ft/ sqm)	NIA (sq ft/ sqm)	S106 AH Rent £psf	S106 AH Yield
GF Retail (1)	2055 sq ft/ 190.9 sqm	878 sq ft/ 81.58sqm	£40psf (£430.56psm)	8%
GF Retail (2)		916 sq ft/85.11 sqm		
Office	5367 sq ft 499 / sqm	4392 sq ft /408 sqm	£30psf / £322.92/m2	8%

Rental Analysis

6.20 In support of the adopted rental values, S106 AH have provided evidence of three completed retail lettings and five asking rents of nearby retail units to estimate a rental value on a per square foot basis. In accordance with the RICS professional standards 'Comparable evidence in real estate valuation' (2019) the asking price evidence should be treated with caution. No information beyond address, floor area, rent and office grade have been provided in the FVA. Additionally, we consider a limited comparative analysis was performed on the selected comparables.

6.21 We note the retail letting evidence included in S106 AH's report ranges between £38.95psf - £67.44psf. They are all located on Camden High Street, with exception of one being situated on a Camden Road. All units are located within a maximum of 0.3 miles of the subject site. S106 AH states that units at 251 (£66.74psf) and 235 Camden High Street (£53.49psf) are located on a prime pitch and, therefore, are achieving premium over the subject. Noting that both units are located within a minute walk of Camden Town, we consider S106AH's assumption to be reasonable.

6.22 We have conducted our own search into the comparable transactions to verify the reasonableness of S106 AH's assumptions. Our results are included in the Appendix 1. Our identified comparables range between £36psf - £87psf.

6.23 We believe that 26 Camden High Street (42.87psf) to be very similar comparable, particularly in terms of location and current condition. However, we would expect there to be a marginal uplift in value following refurbishment works. We consider the asking rent of a slightly more modern retail unit in a similar location, such as 104 Camden High Street (£43.83psf), to inform an achievable rental rate for the refurbished retail units. Albeit we consider the asking rent needs to be considered with caution as it does not always translate into achieved rent. We also found the comparable to be of a larger area than the proposed units (1,540 sq ft), which would depress the rent on a £psf basis.

6.24 We also consider 24 Camden High Street (£67.44psf) to be a useful comparable provided by the Applicant, which is of a broadly similar size to the subject property. However, we found a limited information was provided in respect of the condition of the property.

6.25 Overall, we have adopted £55psf for the retail units which results in the gross rental income of £98,866 per annum.

6.26 S106 AH have provided comparable evidence in support of their office rent assumption ranging between £26.80 - £47.50 psf. A combination of three asking rents and two completed letting transactions were used. We refer to our previous comment on asking prices/rents and believe they may not be reliable. Additionally, no information beyond address, floor area, rent and office grade have been provided. S106 AH have then compared their five asking/achieved rents to the net achieved rents that they found for the respective comparables. They calculate a 17.5% decrease in headline rental figures once incentives are factored in. We do not consider their approach to be supported by any evidence.

6.27 We have conducted our own search into the local office transactions our results are included in Appendix 1 of this report. We found that rents for nearby modern/refurbished offices tend to range between £29 – £40 psf.

6.28 We believe that the comparable initially found by S106 AH, 29a, Kentish Town Road (£29psf), is a useful comparable given its proximity to the subject and similar size. We consider that the proposed refurbishment allowance would bring the property to a lettable condition; however, it is not sufficient to bring the existing office units to a high office specification. This must therefore be reflected in the rent level.

6.29 Overall, we consider S106's AH rent of £30psf to be broadly reasonable. This results in a rental income of £131,750 per annum from the office space.

<u>Yield Analysis</u>

6.30 S106 AH have provided three investment sales for both retail and office space and have obtained gross initial yields for each. We note the comparable office yields range between 7.90% - 12%, whilst retail yields range between 7.91% - 9.66%. Reference to the Knight Frank Yield Guide February 2024 has also been made to serve as a benchmark.

6.31 From their evidence, S106 AH have decided to adopt a yield of 8% for both the retail and office space.

6.32 We have identified investment transactions of similar properties in the area surrounding the property to test the reasonableness of S106 AH's assumptions, which are included in Appendix 1 of this report.

6.33 Our comparables show yields ranging from 7% to 8.5% for similar retail units. The exception in this list is 68 Caledonian Road (5.29% NIY); however, this property is also comprised of residential space and therefore is not directly comparable to the subject.

6.34 We also refer to the Knight Frank's Prime Yield Guide (September 2024) as a cross-check. For High Street retail in prime Towns and Regional Cities, yields range between 6.75% and 7.25%. Based on this evidence, we have adopted a yield of 7% for the retail which is slightly below that achieved at 9 Blenheim Terrace, NW8 0EH (7.17% NIY) reflecting the subject property's superior high street location.

6.35 It can be seen that the yields range between 6.5% and 7.5% for offices in the wider locality. We acknowledge that the properties identified above are located in superior locations when compared to the subject.

6.36 Given that office space in EC1Y, achieved a yield of 7.5%, it would appear that the office yield of 8% adopted by S106 AH reflects only a marginal increase to the evidence in a substantially better location, which we do not consider appropriate.

6.37 We note, however, that two of the transactions identified by the S106 AH located in Wandsworth (8.65%) exceed the range identified by the Knight Frank Guide. We consider the yield in Wandsworth to be a useful comparable, as it is located a similar distance to central London, however, is not in a prime office location. We would expect the subject property to achieve broadly similar yield.

6.38 On this basis, we adopted an office yield of 8.5% in our assessment.

6.39 A 6-month rent free period is also proposed, however no evidence have been included to support this. We consider this figure to be broadly reasonable, based on other schemes that we have reviewed in the area.

Cost Assumptions

6.40 S106 AH adopted a refurbishment cost of £800/m2 in their calculation of BLV, however no evidence have been provided to support this. We also note that comparatively, the cost plan presented in S106 AH's report for the proposed scheme states construction costs are applied to the two shops at a higher rate of £1,394/m2.

6.41 Our Cost Consultant, Neil Powling, has analysed the proposed cost assumption and cross checked it with the information included in BCIS. He has advised that the refurbishment costs used in S106 AH's report are low. We have been advised that for the subject development, the office and retail space the refurbishment costs would be £1,472/m2 (a median rate) and £1,617/m2 (a mean rate), respectively.

6.42 S106AH have allowed for a 5% professional fee and 5.75% Purchaser's Costs, which we consider appropriate. They arrive at the BLV of £2,164,533.

6.43 No allowance for the Landowner's Premium was made, which we consider appropriate.

Our Assessment of Benchmark Land Value

6.44 We have approached the Benchmark Land Value on an Alternative Use Value basis, as following our inspection we agree that the office space is in need of refurbishment. The current use of the property is retail and office space, which has been categorised on the planning application form as Use Class E.

6.45 We have analysed the Applicant's individual rental and yield inputs in an earlier section of this report.

6.46 In our assessment we have allowed for 6-months rent-free period, 5% professional fee and 5.75% purchaser's costs. We have also allowed for 7% finance rate, 5% contingency, 11% letting agent and legal fees (in line with the assumptions made for the proposed scheme) and 15% developer's profit. We have also assumed the refurbishment period of 6 months

6.47 The results of our assessment are outlined in the below table:

Input	Value
Retail gross rental income pa	£98,866
Retail Yield	7%
Office gross rental income pa	£131,750
Office Yield	8.5%
Professional Fees	5%
Refurbishment Cost	£1,047,154
Contingency	5%
Letting, Agent & Legal Fee	11%
Refurbishment Period	6 months
Rent Free Period	6 months
Purchaser's Costs	5.75%
Developer's Profit	15% on GDV

6.48 On this basis we have adopted a figure of **£1,000,000** (rounded) as the Benchmark Land Value. A copy of our residual appraisal can be found at Appendix 6.

7.0 Development Values

7.1 The scheme proposes to retain the two ground floor retail units and convert the office accommodation on floors 1-3 to residential units, as well as erect two additional storeys delivering additional residential accommodation.

7.2 The accommodation schedule is outlined below, which is reproduced from the Design and Access Statement:

Unit	Areas (sqm)	Areas (sq ft)	Unit Mix	Floor
Unit 1	81.6	878	2B/3P	1st
Unit 2	72.4	779	2B/3P	1st
Unit 3	65.1	701	2B/3P	2nd
Unit 4	39.7	427	1B/1P	2nd
Unit 5	37	398	1B/1P	2nd
Unit 6	69.9	752	2B/3P	3rd
Unit 7	62.6	674	2B/3P	3rd
Unit 8	50	538	1B/2P	4th
Unit 9	51.6	555	1B/2P	4th
Total	**529.9**	**5,704**		

Open Market Sales ('OMS') Residential Values

7.3 The residential element of the proposed scheme, as sought by the planning application, is for 9 residential units. The sales values have been estimated by S106 Affordable Housing with all units categorised as OMS. We have not been supplied with the detailed, unit-by-unit pricing schedule by S106 AH, which we consider should be provided.

7.4 The corresponding accommodation schedule and estimated OMS values have been collated in the table below:

Type	Unit(s)	Floor Areas (m^2)	S106 AH's Sales Values (£)	S106 AH's Avg Sales Value per m^2	S106 AH's Avg Sales Value £psf
1B/1P	2	37 - 39.7	£370,000 - 395,000	£9,974	£927
1B/2P	2	50 - 51.6	£500,000 - 510,000	£9,941	£924
2B/3P	4	62.6 - 72.4	£625,000 – 725,000	£10,000	£929
2B/4P	1	81.6	£775,000	£9,498	£882
Total	**9**	**529.9**	**£5,250,000**	**£9,907**	**£920**

7.5 In light of the missing unit-by-unit pricing breakdown, we have calculated a comprehensive schedule below based on the information provided by S106 AH. Any discrepancies should be clarified by S106 AH.

Type	Areas (sqm)	Area (sq ft)	Floor	S106 AH's £psqm	S106 AH's £psf	S106 AH's Unit Values
Unit 1 – 2B/4P	81.6	878	1st	£9,498	£882	£775,000
Unit 2 – 2B/3P	72.4	779	1st	£10,000	£929	£724,000
Unit 3 – 2B/3P	65.1	701	2nd	£10,000	£929	£651,000
Unit 4 – 1B/1P	39.7	427	2nd	£9,974	£927	£395,965
Unit 5 – 1B/1P	37	398	2nd	£9,974	£927	£369,035
Unit 6 – 2B/3P	69.9	752	3rd	£10,000	£929	£699,000
Unit 7 – 2B/3P	62.6	674	3rd	£10,000	£929	£626,000
Unit 8 – 1B/2P	50	538	4th	£9,941	£924	£497,047
Unit 9 – 1B/2P	51.6	555	4th	£9,941	£924	£512,953
Total	**529.9**	**5704**		**£9,907**	**£920**	**£5,250,000**

7.6 The flats will be served by a single communal staircase which can be accessed by a main front entrance facing the high street. There is also a rear entrance which leads into the proposed bicycle store. It is noted that the property is unable to accommodate the installation of a lift. Residents will benefit from private amenity space in the form of balconies.

7.7 In support of their adopted values, S106 AH provided second-hand transactional sales evidence completed between 2023 and 2024. We note the properties identified are located between 0.1 to 2.1 miles of the subject site and the prices achieved range as follows:

– One Bedroom: £365,000 - £600,000 (£686 – £942 per sf / £7384 – £10,140 per sqm).

– Two Bedroom £407,000 - £860,000 (£981 – £799 per sf / £10,559 – £8600 per sqm).

7.8 We found that there was limited comments on the condition and comparative analysis for all residential comparables provided in S106 AH's report. S106 AH also stated that there was a limited number of new-build evidence in the vicinity of the site, which we sought to verify in the course of our review.

7.9 We also note that S106 AH provides evidence of asking prices ranging from £575,000–£715,000 (one bed) and £800,000–£1,200,000 (two bed) in the area. Caution needs to be taken when analysing asking prices as these do not always translate into achieved values.

7.10 S106 AH have arrived at the average sales value of £9,320psm for the whole residential component of the scheme, which was then increased to £9,907sqm (6.3%) to reflect a new build premium. S106 AH have not clearly explained how they have arrived at the average figures, despite stating that everything can be found in an appendix of their report. For instance, there is no data provided on three bed properties in the entire report despite providing an average value for them along with one and two beds. Additionally, in arriving at the average 'actual' sales rate of £9,320/m^2, the unit weighting of the proposed scheme has not been taken into account, which could lead to a misleading average sale value. Setting aside the initial concerns of the methodology, S106 AH noted that the data used to obtain an average was based on second hand sales evidence, so it is agreed that a new home premium should be applied. No evidence or justification has been provided to support the level of premium adopted.

7.11 Overall, we consider S106 AH's approach in assessing the residential values to be overly generic. We would expect for the analysis to be more specific and thorough.

7.12 To assess the accuracy of the initial assessment we have undertaken our own research into transactions in the area surrounding the subject site and have identified the additional new build and second hand evidence, which are included in the Appendix 2 of this report.

7.13 We note our identified new build evidence range as follows:

- 1 Bed: £503,000- £845,000 (£832- £1,427psf)- Noting the lower end of this range present a bulk transaction with likely discount applied.
- 2 Bed: £737,000- £1,098,150 (£810- £1,437psf)

7.14 We found that the new build evidence tone identified is generally superior to the subject scheme, and given the lack of comparable new build/conversion schemes in the immediate area, we have also had to consider second hand evidence located within a half mile radius from the subject property.

7.15 Our identified second-hand evidence range as follows:

- 1 Bed: £316,000- £476,000 (£687- £1,373psf)
- 2 Bed: £410,000- £800,000 (£495- £1,136psf)

7.16 As for the second-hand evidence obtained, we found that one bedroom flat in 56c, Oakley Square, (£427,500 p/u) to be a good comparable. It is of a similar in size and location. It is located in a character property, which can be arguably considered a superior feature to the subject. Equally however, the proposed scheme would benefit from new services and more modern specification. We consider the units on the lower levels of the proposed scheme would achieve broadly similar values to 56c Oakley Square.

7.17 We consider the values of one-bedroom units on the upper levels adopted by S106 AH to be broadly reasonable. We have, however, rounded them in our assessment to reflect the figures likely achievable in the open market transaction.

7.18 For 2-beds, we consider 98a, College Place (£680,000 p/u) was the most comparable property, due to similar size, location and quality. Again, however, it is a character property, which could be deemed more desirable. Nevertheless, the proposed units would benefit from new services and improved quality of accommodation. On this basis, we consider the subject units would achieve broadly similar value to balance both of these factors.

7.19 Overall, we found S106 AH's values are below our expectations. Our revised values are outlined in the following table:

Type	Area (sq ft)	Floor	BPS' £psqm	BPS' £psf	BPS' Unit Values	S106 AH's Unit Values
Unit 1 – 2B/4P	878	1st	£9,505	£883	**£775,000**	*£775,000*
Unit 2 – 2B/3P	779	1st	£10,021	£931	**£725,000**	*£724,000*
Unit 3 – 2B/3P	701	2nd	£10,441	£970	**£680,000**	*£651,000*
Unit 4 – 1B/1P	427	2nd	£10,839	£1,007	**£430,000**	*£395,965*
Unit 5 – 1B/1P	398	2nd	£11,625	£1,080	**£430,000**	*£369,035*
Unit 6 – 2B/3P	752	3rd	£10,376	£964	**£725,000**	*£699,000*
Unit 7 – 2B/3P	674	3rd	£10,301	£957	**£645,000**	*£626,000*
Unit 8 – 1B/2P	538	4th	£10,000	£929	**£500,000**	*£497,047*
Unit 9 – 1B/2P	555	4th	£9,989	£928	**£515,000**	*£512,953*
Total	**5704**				**£5,425,000**	*£5,250,000*

7.20 Overall, the values reflect an increase of roughly £175,000 on the values proposed by S106 AH. We have also cross-checked the above values with some of our previous work in Camden, NW1.

Ground Rents

7.10 The Leasehold Reform (Ground Rent) Act 2022 is now in force. 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). Therefore, ground rents 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 throughout England and Wales.

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

Parking

7.23 The proposed development does not include any car parking provision.

Affordable Residential Values

7.24 The proposed scheme does not include any affordable housing. Policy H4 of Camden's 2017 Local Plan states that for developments with a capacity of fewer than 10 units, a payment-in-lieu ('PIL') will be accepted as a contribution towards affordable housing.

7.25 Based on the applicants adopted GIA, S106 AH have calculated the PIL contribution to be £543,900. We note an apparent error in S106 AH's appraisal as a lower figure of £506,800 is included.

7.26 We have calculated the PIL by following the local planning policy and we consider a figure of £543,900 assessed by S106 AH to be appropriate. Nevertheless, we require the LPA to confirm this.

Commercial Valuation

7.27 The proposed scheme includes retention of the two retail units which have been revised to account for 52 sqm (560 sq ft) and 94.3sqm (1015 sq ft) of space on the ground floor. This represents a slight decrease of 44.6/m^2 from the existing retail GIA.

7.28 We note from the plans that the commercial space is arranged as the following areas:

Unit no./ Floor	GIA sq m	GIA sq ft
Shop 1 / Floor G	52	560
Shop 2 / Floor G	94.3	1015
Total	146.3	1575

7.29 Note that we have not received NIA measurements. The RICS Code of Measuring Practice mentions that NIA should be used to measure retail units. S106 AH have relied solely on GIAs in their calculations.

7.30 We have analysed the proposed retail values in Section 6 of this report (BLV). We note that S106 AH attributed the same rent £psf and yield to the proposed scheme and BLV, given that refurbishment has been assumed in both cases. We consider this to be a broadly reasonable approach in this context on the basis that the refurbishment allowances are also consistent.

7.31 We consider that the retail space in the proposed scheme is of a worse configuration when compared to the existing units. Notably, the left-side shop has been redesigned to a very narrow dimension and has lost its direct bathroom access. Whilst it is not entirely clear from the proposed plans, it appears that their bathroom will become communal with the residents and that the former kitchen has been reduced or removed.

7.32 S106 AH have attributed a rental value of £40psf / £430.56/m^2 (£62,991pa) to the proposed retail space and have capitalised the rental income at a yield of 8%, resulting in a total value of £757,663 after the inclusion of a 6-month rent free period. These inputs are the same as used in their calculation of AUV.

7.33 Having considered the available evidence, we attributed a rental value of £55psf / £592psm, resulting in a gross rent of **£86,613** per annum.

7.34 We consider a yield of 7% to be appropriate compared to the 8% proposed by S106 AH, as the evidence used is second hand and new builds tend to be a more secure investment.

7.35 We agree that the 6-month rent free period is reasonable.

7.36 When applied to the market rent, we arrived at a commercial value of **£1,196,164** (Say £1,200,000) having accounted for purchaser’s costs of 6.8%. Our assessment reflects an increase of £438,501 (+57.9%) on the commercial GDV adopted by S106 AH.

8.0 Development Costs

Construction Costs

8.1 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Ridge and Partners LLP, dated 05/04/2024, and concludes as follows:

"We have prepared an estimate using current BCIS average cost data with the same abnormal costs for sprinklers and external works included in the Applicant's costs as the table at 3.15 below."

(…)

"The costs included in the appraisal are consistent with costs in the estimate. The residential area of 631.3m² in the appraisal differs with the estimate area of 676m²."

8.2 We consider the difference in the estimated areas should be clarified by the Applicant. Mr Powling's full cost report can be found at Appendix 3.

Additional Costs

8.3 The applicant's consultants have applied the following additional cost assumptions:

- Professional fees of 10%
- Lettings agent fees of 10%
- Lettings legal fees of 1%
- Sales Agent Fee of 2.5%
- OMS Legal fees of £1000p/u

8.4 We note that the combined sales agent and legal fees amount to £140,250, which reflects c. 2.6%, which we consider broadly reasonable assuming inclusion of the marketing costs.

8.5 Generally, we accept that the other percentages are realistic and in line with market norms.

8.6 CIL and S106 charges have been assumed at £531,602. We request the Council to verify this amount.

8.7 Finance has been included at 8% assuming that the scheme is 100% debt financed. We consider this finance allowance higher than what we have experienced in similar reports. We consider 7% to be more appropriate.

Profit

8.8 The developer profit target adopted by S106 AH is 17.50% on GDV for the private residential element and 15% for the commercial GDV, equating to an IRR of 28.71%.

8.9 We would generally expect to see a lower profit target closer to 15% for the private unit sales, given the small scale of the scheme. We have tested a reduced profit target of 15% on GDV on the 100% private sale scenario and found that it would generate an IRR of 16.18% for the scheme.

8.10 We have found that S106 AH have not included the 15% developer profit for the retail space. If included, we calculated that the correct blended developer profit target should be 17.18% for S106 AH's appraisal.

Development Timeframes

8.11 S106 AH have adopted a pre-construction period of 6 months and a construction period of 12 months. Our Cost consultant has reviewed the programme with reference to the BCIS duration indicator and finds that the allowance for pre-construction is reasonable, but disagrees with a 12 month construction period and instead proposes that an 11 month construction period is more reasonable. We acknowledge that this is a marginal difference.

8.12 S106 AH have adopted a total sales period of 3 months, assuming no off-plan sales. Their assumption translates to c. 3 units per month.

8.13 We note from the comparable of Agar Grove Estate, we found that 56% of units were sold off plan in Phase 3. The most recent phase of Grand Central apartments sold 100% of units off plan. We, therefore, consider it reasonable to assume that some of the units will be sold off-plan.

8.14 Assuming the sales would commence before the completion of the development at the rate per month specified by the Applicant, we consider there is a likelihood that all of the units would be sold off plan. Nevertheless, we have adopted a conservative rate of 50% off plan sales rate in our assessment, which we consider to be typical for the London market. Having applied the Applicant's assumed sales rate of 3 units pcm, this equates to c. 2 months post completions sales period, which we have adopted in our assessment.

8.15 We note, however, that our respective differences in the sales timings make only a marginal difference to the scheme's viability.

9.0 Author Sign Off

9.1 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.

9.2 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.

9.3 The following persons have been involved in the production of this report:

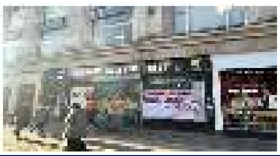
Tom Nankivell
Graduate Surveyor
RICS Membership no. 6912177
For and on behalf of
BPS Chartered Surveyors

Agnes Mrowiec MRICS
RICS Membership no. 6821180
For and on behalf of
BPS Chartered Surveyors

November 2024

Appendix 1: Commercial Comparables

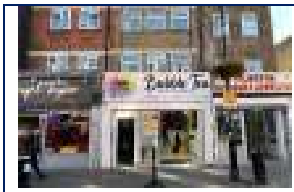
<u>Retail rental comparables</u>

Address	Dist. to Subject Property	Date	NIA, (sq ft)	Rent	Rent per sq ft	Description
33 Camden High Street, London, NW1 7JE 	0.07 miles	01/09/ 2023	829	£30,000	£36	An FRI lease let to Mr Leo's barber shop with 479 sqft of ground floor and 350 sqft of basement space. Lease details are unknown. The property is quite dated.
Basement And Ground Floor, 26 Camden High Street, London, NW1 0JH 	0.07 ft	02/12/ 2022	1633	£70,000	£42.87	A 15-year lease let to a high street law solicitor with 5 yearly rent reviews and an option to break after 10 years. The property appears to be in below average condition but is in a very similar location on the high street to the proposed development.
81 Parkway, Camden, London, NW1 7PP 	0.3 miles	21/02/ 2023	816	£37,500	£46	A 10-year lease to Huddletons Limited with a tenant only break-clause on the 21/02/2028. A rent review also falls on the 21/02/2028 and the lease end date is on 20/02/2033. The property is in an average condition, slightly away from the high street.
Plaza House, 191-209, Camden High Street, London, NW1 7PJ 	0.2 miles	01/06/ 2023	2868	£250,000	£87	An FRI lease let to Lids for an unknown lease term. The unit is in one of the most prime spots on the high street, directly opposite the entrance/exit of an underground stop. Marketed as a shell and core unit.
62 Parkway, London, NW1 7AH 	0.3 miles	01/04/ 2024	667	£38,500	£58	An FRI lease let to AIX for the ground floor of the unit. Lease details are unknown. The property has a modern interior and is just off the high street.

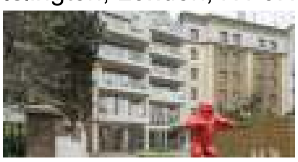
177 Arlington Road, London, NW1 7EY 	0.3 miles	01/03/ 2024	474	£29,000	£61	An FRI lease to Koyohan Café that has been assigned to a hairdressers. The lease is 12 years long and consists only of the ground floor. The property is in good condition and is located near the prime high street area.

<u>Retail investment comparables</u>

Address	Dist. to Subject Property	Date	Size (sq ft)	Price paid	NIY	Description
68 Caledonian Road, London, N1 9DP 	1.2 miles	17/01/ 2023	1068	£980,000	5.29%	A ground floor retail unit with two studio flats above achieving £54,800 per annum. The retail unit is on a 20-year lease from 11/11/2019 until 11/11/2039. The studio flats are on 12-month AST's.
6 Blackstock Road, Finsbury Park, London, N4 2DL 	2.7 miles	23/07/ 2024	1420	£420,000	8.45%	A ground floor retail unit let to the RSPCA until 23/12/2032, currently producing £37,000 per annum.
123 King's Cross Road, Kings Cross, London, WC1X 9NH 	1.5 miles	21/03/ 2024	678	£312,500	8.45%	A retail unit set over the ground floor and basement which benefits from ground rents of £100 per annum per flat for three residential flats until reversion in 2130. Rent per annum totals £27,300.
9 Blenheim Terrace, St Johns Wood, London, NW8 0EH 	2.2 miles	02/11/ 2023	296	£271,000	7.17%	A ground floor retail unit let to Caffe Bianco for 20 years from 03/02/2015 until 02/02/2035. There are rent reviews every 5 years with the next one scheduled for 03/02/2025. Rent per annum being achieved is £20,000.
57 Chapel Market, Islington, London, N1 9EW	1.7 miles	07/02/ 2023	700	£450,000	8.51%	A ground floor retail unit let at £40,000 per annum to Square Bubbles Ltd for 5 years until 20/03/2027. In addition to the 700

						sqft of retail space there is a 160 sqft enclosed rear patio.
4-8 Winchester Road, Hampstead, London, NW3 3NT 	1.7 miles	18/05/ 2023	3255	£800,000	7.47%	A ground floor and lower ground ancillary space occupied by the Co-op franchise by one of its welcome stores on a lease term of 13 years to 14/01/2035 with rent reviews on 14/01/2027 and 14/01/2032. Currently producing £63,000 per annum.

Office Rental Transactions

Address	Dist. to Subject Property	Date	Size (sqft)	Rent £pa	Rent £psf	Description
Symes Mews, Camden High Street, London, NW1 7JE 	0.067 miles	23/04/ 2024	4069	£162,760	£40	A former warehouse converted to an office with a BREEAM very good sustainability rating. Modern interiors with air conditioning and social spaces. 5-year let.
10 Jamestown Road, Camden, NW1 7BY 	0.4 miles	26/10/ 2022	9091	£359,094	£40	An office in good condition including air conditioning, meeting rooms, kitchens, breakout rooms, bike storage, shower rooms, etc. A 10-year lease with a £4psf service charge.
29a, Kentish Town Road, London, NW1 8NL 	0.3 miles	16/08/ 2023	5645	£165,003	£29	An office in good condition with fully customisable space. The office has high exposed ceilings, a kitchen, meeting rooms, breakout rooms and a reception area.
66-68 Pentonville Road, Islington, London, N1 9HS 	1.7 miles	01/10/ 2024	1964	£58,920	£30	A fully fitted modern office with air conditioning, bike storage, showers, fibre optic and a courtyard. 5-year let.

Office Investment Transactions

Address	Dist. to Subject Property	Date	Size (Sq Ft)	Price	NIY	Description
18-20 St John Street, London, EC1M 6HW 	2.5 miles	16/09/2024	7912	£6,141,233	6.67%	A fully furnished office space located between Barbican and Farringdon station set within a former warehouse with breakout rooms, meeting areas and onsite staff. Currently achieving £437,025 per annum. We consider the comparable to be superior to the subject on account of better location.
140, Wardour Street, London, W1F 8ZT 	1.7 miles	07/06/2024	8541	£10,450,000	6.46%	A newly refurbished office space in Soho with a BREEAM Outstanding rating, fibre connection, lifts, air conditioning, showers, terraces and a bike store. Currently achieving £720,000 per annum. We consider the comparable to be superior to the subject on account of better location.
115, Golden Lane, London, EC1Y 0TJ 	2.7 miles	01/09/2023	6642	£4,800,000	7.53%	A newly refurbished office located in Barbican in a former warehouse with air conditioning, breakout rooms and a kitchenette. Fully fitted out.

Appendix 2: Residential Comparables

Agar Grove Estate - Visiv / Eeko, NW1 0RG

This development by the Hill Group was mentioned by S106 AH but was deemed irrelevant due to the difference in scale of the scheme when compared to the subject property. However, we believe that a good indication of new build prices can still be ascertained from this scheme. The development consists of 507 homes in total and is currently undergoing construction of its later phases, with 276 units yet to be built. We appreciate; however, the proposed scheme is an office to residential conversion and, therefore, most of the units are not strictly new build.

The scheme is located 0.6 miles from the subject property and is within a 19-minute walk to the nearest underground station and King's Cross/St. Pancras Int, respectively. The residents benefit from private amenity space in the form of a balcony or patio. The property is also built to a highly sustainable specification, utilising Passivhaus design and construction and other energy saving features such as triple glazing. Amenities such as plans for two retail units, communal space (roof terrace, gardens and outdoor play areas) and bike stores will also be included as part of the development, but no car parking will be provided. Below we have averaged and presented data from a sample of six units that were sold between January 2022 and May 2022. We appreciate the data is from more than two years ago and we, therefore, considered this evidence with caution.

Bed(s)	Average price paid	Average size (SF)	Average £ per SF	Sale completed
1	£563,775	635	£887	01/2022 – 05/2022
2	£737,500	910	£810	

We have also sourced the recent asking prices related to the development from the Molior database:

Bed(s)	Average asking price	Average size (SF)	Average asking price £PSF	Asking price date
1	£602,040	614	£984	03/2024 – 09/2024
2	£771,000	800	£968	

From the averaged asking price data for Agar Grove, it appears true that prices have since increased, as the asking price for 1-beds is c. £40,000 higher than when sold in 2022. For 2-beds, this increase is c. £35,000.

Overall, the location of Agar Grove Estate – Visiv / Eeko is comparable to the subject property, but the building quality and amenities are far superior in comparison. We also consider the sales data to be historic and note that current asking prices suggest an uplift to new build values since these transactions.

Phase 3 of the development, which is the most recent and completed on 21/06/2024, sold 70 units off plan. Phase 3 consisted of 125 units in total.

Grand Central Apartments (Edith Neville Primary School), NW1 1DX

This development is also part of the major King's Cross regeneration project and will supply 150 residential units. This comparable would represent the upper end of the market due to the location, amenities and quality of the development.

The scheme is 0.6 miles from the subject property and is located a minute walk from the London underground, Kings Cross and St Pancras station. On the ground floor, a café, residents lounge and concierge are provided. A new park also forms part of the development. No carparking is provided.

Bed(s)	Average price paid	Average size (SF)	Average £ per SF	Sale completed
1	£845,192	592	£1,427	09/2023
2	£1,098,150	764	£1,437	

From the averaged values taken from a sample of ten units that were sold within the past two years, we believe the proposed development will have values significantly lower than Grand Central Apartments.

The most recent phase of this development was fully sold out in Q3 2022 prior to its completion in Q3 2023.

Camden Good Yard, NW1 8AA

Camden Good Yard is a new luxury development by Berkeley Group that is still under construction and is expected to provide 441 private and 203 affordable units totalling 644. The development is located a 6-minute walk to the nearest underground and a 30-minute walk to King's Cross/St Pancras Int. It is 0.7 miles from the subject development; however, clearly provides far superior amenities such as its own indoor swimming pool, gym and spa facilities, three theatre rooms, a foyer/lobby space, a lounge and co-working space. It is well known that developments by Berkeley Group also attract a premium due to their reputation. In consideration of these factors, we believe that the prices prescribed to the subject development will be lower than the averages of Camden Good Yard.

Bed(s)	Average asking price	Average size (SF)	Average asking price £PSF	Asking price date
1	£843,333	540	£1,562	06/2024 – 09/2024
2	£1,516,250	884	£1,715	

Second Hand Evidence

Address	Beds	Sale Price	Sq Ft	£PSF	Sale Completed	Description
110b, Camden Street, London, Greater London NW1 0HY	2	£770,000	998	£772	10/06/2024	A period mid-terrace flat with a modern interior with a ground floor entrance and first and second floor living space.
98a, College Place, London, Greater London NW1 0DJ	2	£680,000	921	£738	21/08/2023	A period mid-terrace flat with a modern interior set across one floor with the option to apply for a resident's parking permit.
7, Charrington Street, London, Greater London NW1 1RS	2	£800,000	812	£985	27/10/2023	A mid-terraced flat with period features and a good quality interior set over the first and second floor with a ground floor entrance.
147, Weavers Way, London, Greater London NW1 0XG	2	£410,000	533	£769	11/12/2023	A second floor flat located in an older building complex with a good quality interior.
2, Bonny Street, London, Greater London NW1 9PG	2	£548,150	523	£1,048	05/10/2023	A ground floor terrace flat with period features and a good quality interior.
30a, First Floor Flat, Gloucester	2	£570,000	1152	£495	05/09/2023	A lower ground floor flat with a small rear garden in a period

Crescent, London, Greater London NW1 7DL						styled terrace with a good quality interior.
21a, Gloucester Avenue, London, Greater London NW1 7AU	2	£700,000	616	£1,136	05/04/2023	A mid-terrace ground floor flat with a modern interior and a communal garden located at the rear.
38d, Delancey Street, London, Greater London NW1 7NH	1	£316,000	460	£687	15/07/2024	A second-floor terrace flat with a modern standard interior.
77b, Arlington Road, London, Greater London NW1 7ES	1	£427,500	448	£954	31/01/2024	A second-floor mid-terrace flat with a good quality interior.
Wolcot House, Flat 14, Aldenham Street, London, Greater London NW1 1PP	1	£435,000	613.5	£709	31/01/2024	A flat arranged over the third and fourth floor of a larger building complex with a good quality interior and a communal garden.
28, Lower Ground Floor Flat, Mornington Crescent, London, Greater London NW1 7RE	1	£449,000	327	£1,373	31/01/2024	A small mid-terrace flat on the third floor with a modern interior.
149, Weavers Way, London, Greater London NW1 0XG	1	£320,000	435	£736	30/01/2024	A third floor flat located in an older building complex with an average quality interior.

56c, Oakley Square, London, Greater London NW1 1NJ	1	£427,500	421	£1,015	15/09/2023	A second-floor flat in a mid-terrace with period features and a modern interior located opposite a park.
Hawkshead, Flat 10, Stanhope Street, London, Greater London NW1 3RJ	1	£476,000	464	£1,026	08/02/2023	A ground floor flat with an average interior.

Appendix 3: Build Cost Report

Project: 63-65 Camden High Street, NW1 7JL

2024/1301/P

Independent Review of Assessment of Economic Viability

1 SUMMARY

1.1 The Order of Cost Estimate received has relied on BCIS Group Element detail as the basis for the estimate for both flats conversion and office refurbishment. The vertical extension uses BCIS average cost data for vertical extension. Additions for preliminaries and overheads and profit (OHP) have been allowed although both of these are already included in BCIS data. External works has been calculated on an approximate quantities' basis. There is no supporting detail.

1.2 We have prepared an estimate using current BCIS average cost data with the same abnormal costs for sprinklers and external works included in the Applicant's costs as the table at 3.15 below.

1.3 We have prepared a similar exercise using BCIS group elemental data on a similar basis to the Applicant but without further additions for preliminaries and OHP – as the table at 3.17 below.

1.4 The total at 3.15 of £1,831,720 compares to the Applicant construction cost before contingency of £1,901,913. If an estimate in the form suggested at 3.3 was prepared, we would expect the benchmarking for a development with sales values of £920/ft² to increase the construction cost to levels similar to or higher than the Applicants costs. The estimate summarised at 3.17 is in excess of the Applicants estimate. Based on these findings we consider the Applicants costs to be reasonable.

1.5 The duration allowed in the Applicant's appraisal comprises a pre-construction period of 6 months and a construction period of 12 months. The results determined from the BCIS duration calculation provides an estimated average construction duration for refurbishment from start on site to construction completion of 40 weeks (9.2 months) with a 90% confidence interval for this estimate of 35 to 46 weeks (8.1 to 10.6 months). We consider the Applicant's allowance for pre-construction reasonable. We have prepared a blended calculation treating the vertical extension as new build and consider a construction duration of 11 months reasonable.

1.6 The costs included in the appraisal are consistent with costs in the estimate. The residential area of 631.3m² in the appraisal differs with the estimate area of 676m².

2 METHODOLOGY

2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element-by-element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5-year and also 30-year average prices. We have previously considered 5-year data more likely to reflect current regulations, specification, technology and market requirements, but because of reduce sample sizes in the last 5 years we consider the default values the most appropriate for benchmarking.

2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available an overall £ per sqm and on a group element basis i.e., substructure, superstructure, finishings, fittings and services – but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher-than-normal cost of external wall and window elements.

2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

2.5 BCIS costs are available on a quarterly basis – the most recent quarters use forecast figures; the older quarters are firm. If any estimates require adjustment on a time basis, we use the BCIS all-in Tender Price Index (TPI).

BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally

2.6 keep the estimates for different categories separate to assist more accurate benchmarking. However, if the Applicant's cost plan does not distinguish different categories, we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.

2.7 To undertake the benchmarking, we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also, any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.

2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.

2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element-by-element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

2.11 We have considered the duration of the construction period by reference to the average duration calculation resulting from use of the BCIS Duration Calculator, and if we consider appropriate have drawn attention to any significant divergence between the Applicant's duration and the BCIS calculation. The duration is expected to be the result of a programme in appropriate detail for the stage of the project that should be prepared by a specialist in the field. We consider our experience of construction and duration sufficient for benchmarking comparisons using BCIS, but do not possess the appropriate qualifications and experience for undertaking a more detailed examination of the construction duration.

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the Development Viability Assessment issued 5th April 2024 by S106 Affordable Housing together with the Order of Cost Estimate V1.3 issued 5 April 2024 by Ridge - Base 1Q2024.

3.2 We have also downloaded a number of files from the planning web site.

3.3 The information we require to undertake the cost benchmarking process outlined in section 2 is a reasonably detailed cost estimate in elemental detail with each element separately costed, with separate sub-totals in accordance with the BCIS/NRM rules of measurement, preferably presented as an elemental summary, and supported by a sufficiently detailed build-up to indicate the proposed specifications. If fit-out is separated in the estimate it too should be in similar elemental detail.

3.4 The Order of Cost Estimate received has relied on BCIS Group Element detail as the basis for the estimate for both flats conversion and office refurbishment. The vertical extension uses BCIS average cost data for vertical extension. Additions for preliminaries and overheads and profit (OHP) have been allowed although both of these are already included in BCIS data. External works has been calculated on an approximate quantities' basis. There is no supporting detail.

3.5 The base date of the cost estimate is 1Q2024. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 1Q2024 is 390 (Provisional) and for 3Q2024 394 (Forecast).

3.6 The design information used to produce the cost plan has been scheduled. There is no structural or services information listed.

3.7 The cost plan includes an allowance of 12% for preliminaries. The allowance for overheads and profit (OHP) is 8%. We consider taken together these allowances to be reasonable.

3.8 The allowance for contingencies in the appraisal is 5% which we consider reasonable. The construction cost estimate does not include contingency. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

3.9 We have extracted the cost information provided by the Applicant into a standard Group Element BCIS/NRM format to facilitate our analysis.

3.10 Sales have been included in the Appraisal at average figures of £920/ft² (Net Sales Area).

3.11 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 128 that has been applied in our analysis.

3.12 We have adopted the same GIA used in the Applicant's cost estimate; we assume this to be the GIA calculated in accordance with the RICS Code of Measurement 6th Edition 2007.

3.13 The building is a 4-storey office building with the ground floor refurbished and retained as retail and floors 1 to 3 converted to residential, with an additional floor of vertical extension resulting in a 5-storey building. BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6 storey or above.

3.14 We have prepared an estimate using current BCIS average cost data with the same abnormal costs for sprinklers and external works included in the Applicant's costs as the table at 3.15 below.

3.15

	m²	£/m²	£
Rehab ground floor shops	**146**	**1,609**	**234,908**
Convert floors 1 to 3 to flats	**551**	**2,010**	**1,107,290**
Vertical extension 4th floor as flats	**125**	**2,678**	**334,720**
Sprinklers to flats (inc prelims & OHP)			**38,707**
Sprinklers to shops (inc prelims & OHP)			**7,258**
Work to existing buildings			**18,662**
External works (inc prelims & OHP)			**90,176**
Total BCIS cost - no provision for other spec enhancements			**1,831,720**

3.16 We have prepared a similar exercise using BCIS group elemental data on a similar basis to the Applicant but without further additions for preliminaries and OHP – as the table at 3.17 below.

3.17

Rehab ground floor shops	**146**	**1,674**	**244,439**
Convert floors 1 to 3 to flats	**551**	**2,217**	**1,221,545**
Vertical extension 4th floor as flats	**125**	**2,678**	**334,720**
Sprinklers to flats (inc prelims & OHP)			**38,707**
Sprinklers to shops (inc prelims & OHP)			**7,258**
External works (inc prelims & OHP)			**90,176**
Total BCIS cost - no provision for other spec enhancements			**1,936,844**

3.18 The total at 3.15 of £1,831,720 compares to the Applicant construction cost before contingency of £1,901,913. If an estimate in the form suggested at 3.3 was prepared, we would expect the benchmarking for a development with sales values of £920/ft² to increase the construction cost to levels similar to or higher than the Applicants costs. The estimate summarised at 3.17 is in excess of the Applicants estimate. Based on these findings we consider the Applicants costs to be reasonable.

3.19 The duration allowed in the Applicant's appraisal comprises a pre-construction period of 6 months and a construction period of 12 months. The results determined from the BCIS duration calculation provides an estimated average construction duration for refurbishment from start on site to construction completion of 40 weeks (9.2 months) with a 90% confidence interval for this estimate of 35 to 46 weeks (8.1 to 10.6 months). We consider the Applicant's allowance for pre-construction reasonable. We have prepared a blended calculation treating the vertical extension as new build and consider a construction duration of 11 months reasonable.

3.20 The costs included in the appraisal are consistent with costs in the estimate. The residential area of 631.3m² in the appraisal differs with the estimate area of 676m².

BPS Chartered Surveyors

Date: 1st October 2024

Appendix 4: Glossary

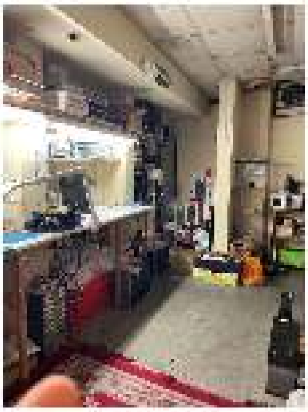
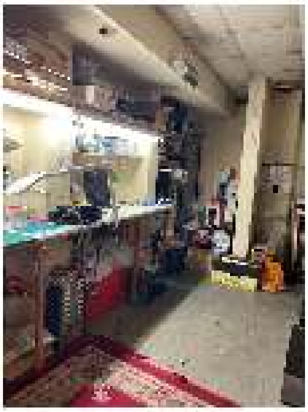
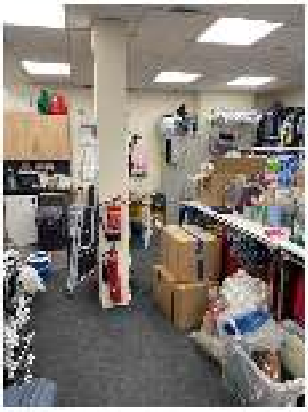
Term	**Definition** (links provided for further information)
Actual Developer Return (or profit)	As opposed to target return, the actual return is what developers are due to receive from a development scheme.
Affordable Rent:	Affordable rent is rent that is set at up to 80% of market rent (including service charges). Includes SR, LAR and DMR housing.
Social Rent (SR)	Social rent is usually rent that is paid to registered providers and local authorities. It is low-cost rent that is set by a government formula.
London Affordable Rent (LAR)	London Affordable Rent (LAR) homes are rented by social landlords with rents capped at benchmark levels published by the Greater London Authority. They are lower than the 80% per cent of market rents at which affordable rents can be charged. The London Plan
Discounted Market Rent (DMR)	Usually at 80% or less of open market rent, or to LAR levels.
Alternative Use Value (AUV)	Ultimately, AUV considers other options for a property to ascertain the highest value and best use for the land. There's usually more than one thing that can be done to release value in a site, and it's logical that the landowner should consider all avenues before bringing a scheme forward. Government guidance allows viability assessors to consider the alternative use value of a building as a benchmark, provided this relates to a lawful use which complies with the adopted development plan. This alternative use can therefore be: - a legal permitted change of use or development (which does not require planning permission) - an existing planning permission (for example a smaller scheme) - or a proposal which fully complies with all development plan policies. Existing Use Value remains the preferred method of assessing BLV under PPG and AUV use is limited by a number of specific conditions. NPPG
Benchmark Land Value (BLV)	The benchmark land value (BLV) is the hypothetical land value used to assess planning viability; it does not include hope value. Established based on either the existing use value (EUV) or the Alternative Use Value (AUV) of the land and may include a Landowner Premium. NPPG
Construction Costs	Total build costs associated with the development.
Build to Rent (BTR)	Build to Rent is a property development that is designed with the sole intention of appealing to the rental market as opposed to long-term home ownership. The London Plan
Co-Living	the practice of living with other people in a group of homes that include some shared facilities (typically shared working, leisure spaces and kitchens). The London Plan
Community Infrastructure Levy (CIL)	The Community Infrastructure Levy (CIL) is a levy on development that councils across the country, are implementing. It helps to pay for local infrastructure including schools, paths, parks, open spaces and healthcare facilities.
Developer Return (or profit)	The amount or percentage return retained or retainable by the developer. NPPG
Developer return on cost	The amount of developer Return expressed as a percentage of Build Costs. NPPG
Developer return on GDV	The amount of Developer Return expressed as a percentage of GDV. NPPG
Development Appraisal	A financial appraisal of a development. It is normally used to calculate either the residual site value or the residual development profit, but it can be used to calculate other outputs. RICS Development Valuation
Existing Use Value (EUV)	What property or land is worth in its current form. In other words, the hypothetical price that it can be sold for on the open market, assuming it will only be used for the existing use for the foreseeable future and that no capital works will be undertaken. It excludes hope value for redevelopment. NPPG
Extra Care	The term 'extra care' housing is used to describe developments that comprise self-contained homes with design features and support services available to enable self- care and independent living.
Fair Value	'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.' (This definition derives from international Financial Reporting Standards IFRS 13.) The Red Book

Gross Development Value (GDV)	The value of a development once construction has been completed, or the total sum of the sales values for the finished development. NPPG
Gross External Area (GEA)	Broadly speaking the whole area of a building taking each floor into account, including the thickness of the external walls. Most similar to IPMS 1. Code of Measuring Practice IPMS
Gross Internal Area (GIA)	Broadly speaking the whole enclosed area of a building taking each floor into account and excluding the thickness of the external walls. Most similar to IPMS 2. Code of Measuring Practice IPMS
Ground Rent	An additional amount which many people who own leasehold properties must pay. It's charged by a "landlord", although the more accurate term is perhaps "freeholder" – the person who owns the land, and ultimately owns the lease. No longer applied on new dwellings.
House of Multiple Occupation (HMO)	A property shared by at least 3 people who are not from 1 'household' (for example a family) and share facilities like the bathroom and kitchen. You must have a licence if you're renting out a large HMO in England or Wales. Your property is defined as a large HMO if all of the following apply: • it is rented to 5 or more people who form more than 1 household. • some or all tenants share toilet, bathroom, or kitchen facilities. • at least 1 tenant pays rent (or their employer pays it for them) The London Plan
Internal Rate of Return (IRR)	The rate of interest (expressed as a percentage) at which all future project cash flows (positive and negative) will be discounted in order that the net present value (NPV) of those cash flows, including the initial investment, be equal to zero. IRR can be assessed on both gross and net of finance. RICS Development Valuation
Shared Ownership (SO)	The purchaser pays a mortgage on the share they own and pays a subsidised rent to a housing association on the remaining share. The purchaser has the option to increase their share during their time in the property via a process known as 'staircasing', and in most cases can staircase all the way to 100%. It is a form of intermediate housing.
London Living Rent (LLR)	London Living Rent is a type of intermediate affordable housing for Londoners to build up savings to buy a home. London Living Rent provides rented homes on stable tenancies, with rents based on a third of local household incomes. It is a form of intermediate housing. The London Plan
ITZA	ITZA is surveyor-abbreviation meaning 'area in terms of Zone A'. Totalling the Zone A equivalent of each zone (i.e. Zone B/2, Zone C/4 etc) and expressing the total in terms of Zone A is a method of analysing rents. Code of Measuring Practice
Landowner Premium	The premium (or the 'plus' in EUV+) is a component of benchmark land value. It is the amount (if any) above existing use value (EUV) that goes to the landowner and reflects an incentive for the landowner to dispose of the land for development. NPPG
Market Value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The Red Book
National Planning Policy Framework (NPPF)	The revised National Planning Policy Framework sets out government's planning policies for England and how these are expected to be applied. National Planning Policy Framework
Net Internal Area (NIA)	Broadly speaking the usable area within a building measured to the face of the internal finish of perimeter or party walls, excluding corridors and WCs etc and taking each floor into account. Most similar to IPMS 3. Code of Measuring Practice IPMS
Net Sales Area (NSA)	Net Sales Area is the GIA of a new or existing residential dwelling, including basements, mezzanines, galleries and hallways, but excluding garages, conservatories, balconies, outbuildings, terraces and restricted height areas under 1.5m. Code of Measuring Practice
Net Lettable Area (NLA)	As above, expressing the area to be rentalised. Code of Measuring Practice
Planning Obligations	Planning obligations are legal obligations entered into to mitigate the impacts of a development proposal. This is usually via s106 agreement. Planning obligations run with the land, are legally binding and enforceable. They can include affordable housing, infrastructure contributions, CIL etc.
NPPG	The National Planning Practice Guidance adds further context to the National Planning Policy Framework (NPPF) and it is intended that the two documents should be read together. Plan makers must have regard to national policies and advice contained in the guidance when developing their plans. The guidance is also a 'material consideration' when taking decisions on planning applications. This means that if a local policy is deemed out of date, local authorities may be directed by the national guidance's requirements.
Open Market Sale (OMS)	Housing that is to be sold at Market Value.

Residual Value	The amount remaining once the gross development cost of a project is deducted from its gross development value (GDV) and an appropriate return has been deducted. RICS Development Valuation
Retirement Living	A retirement village or development built specifically for older adults - often those aged 55, 60 or 65 and over. They come with a range of superb facilities and can offer on-site care.
RICS	Royal Institution of Chartered Surveyors.
Target Developer Return (or profit)	The target profit required by the developer. NPPG
The Red Book	The Red Book is issued by RICS and details mandatory practices for RICS members undertaking valuation services. It also offers a useful reference resource for valuation users and other stakeholders. The Red Book
Zoning	In retail property valuation, Zoning is the area closest to the street and the most valuable area of retail, with the value decreasing with distance from the frontage: Zone B is the next 6 metres and then Zone C until the entire depth of the retail area is allocated into a zone. Anything after Zone C is usually delegated as the remainder (of space). Code of Measuring Practice

The above definitions are indicative only and are not to be relied upon. Professional advice should always be sought.

Appendix 5: BPS Inspection Photos







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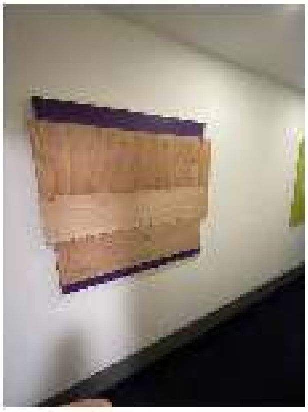
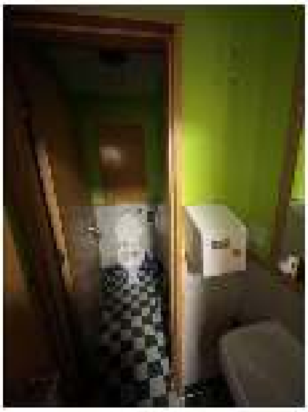




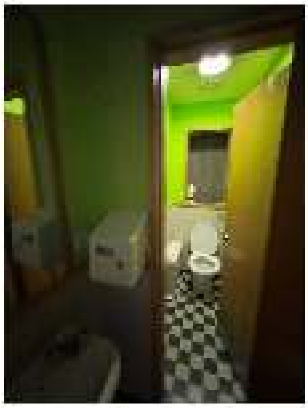













Appendix 6: BPS Appraisal

63 – 65 Camden High Street, NW1 7JL
BLV

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Retail	1	1,798	55.00	98,890	98,890	98,890
Office	1	4,392	30.00	131,760	131,760	131,760
Totals	**2**	**6,190**			**230,650**	**230,650**

Investment Valuation

Retail					
Market Rent	98,890	YP @	7.0000%	14.2857	
(6mths Rent Free)		PV 6mths @	7.0000%	0.9667	1,365,722
Office					
Market Rent	131,760	YP @	8.5000%	11.7647	
(6mths Rent Free)		PV 6mths @	8.5000%	0.9600	1,488,161
Total Investment Valuation					**2,853,883**

GROSS DEVELOPMENT VALUE			**2,853,883**
Purchaser's Costs		(164,098)	
Effective Purchaser's Costs Rate	5.75%		
			(164,098)
NET DEVELOPMENT VALUE			**2,689,785**
NET REALISATION			**2,689,785**

OUTLAY

ACQUISITION COSTS				
Residualised Price			1,038,116	
				1,038,116
CONSTRUCTION COSTS				
Construction	**Units**	**Unit Amount**	**Cost**	
Refubishment Cost	1 un	1,047,154	1,047,154	
Contingency		5.00%	52,358	
				1,099,512
PROFESSIONAL FEES				
Professional Fees		5.00%	52,358	
				52,358
MARKETING & LETTING				
Letting Agent & Legal Fee		11.00%	25,372	
				25,372
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			30,490	
Construction			15,855	
Total Finance Cost				46,345
TOTAL COSTS				**2,261,702**
PROFIT				
				428,082

Performance Measures

Profit on Cost%	18.93%
Profit on GDV%	15.00%

63 – 65 Camden High Street, NW1 7JL
BLV

Profit on NDV%	15.92%
Development Yield% (on Rent)	10.20%
Equivalent Yield% (Nominal)	7.78%
Equivalent Yield% (True)	8.18%
IRR% (without Interest)	65.57%
Rent Cover	1 yr 10 mths
Profit Erosion (finance rate 7.000)	2 yrs 6 mths

63-65 Camden High Street
100% Open Market

Appraisal Summary for Phase 1

Currency in £

REVENUE						
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**	
Open market	9	5,706	951.12	603,010	5,427,091	
Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Retail	1	1,575	55.00	86,625	86,625	86,625
Investment Valuation						
Retail						
Market Rent	86,625	YP @	7.0000%	14.2857		
(6mths Rent Free)		PV 6mths @	7.0000%	0.9667	1,196,336	
GROSS DEVELOPMENT VALUE				**6,623,427**		
Purchaser's Costs			(81,351)			
Effective Purchaser's Costs Rate		6.80%				
				(81,351)		
NET DEVELOPMENT VALUE				**6,542,076**		
NET REALISATION				**6,542,076**		
OUTLAY						
ACQUISITION COSTS						
Fixed Price		1,000,000				
Fixed Price			1,000,000			
				1,000,000		
Stamp Duty			41,000			
Effective Stamp Duty Rate		4.10%				
Agent Fee		1.00%	10,000			
Legal Fee		0.50%	5,000			
				56,000		
CONSTRUCTION COSTS						
Construction	**ft²**	**Build Rate ft²**	**Cost**			
Retail	1,575	160.94	253,480			
Open market	6,795	242.59	1,648,399			
Totals	**8,370 ft²**		**1,901,880**			
Contingency		5.00%	95,094			
CIL and S106			531,602			
				2,528,576		
PROFESSIONAL FEES						
Other Professionals		10.00%	190,188			
				190,188		
MARKETING & LETTING						
Letting Agent Fee		10.00%	8,663			
Letting Legal Fee		1.00%	866			
				9,529		
DISPOSAL FEES						
Sales Agent Fee		2.50%	135,677			
Sales Legal Fee	9 un	1,000.00 /un	9,000			
				144,677		
Additional Costs						
Private profit		15.00%	814,064			
Commercial profit		15.00%	167,248			
				981,311		
FINANCE						

63-65 Camden High Street
100% Open Market

Debit Rate 7.000%, Credit Rate 5.250% (Nominal)			
Land		115,924	
Construction		102,176	
Other		(5,316)	
Total Finance Cost			212,784
TOTAL COSTS			**5,123,065**
PROFIT			
			1,419,011
Performance Measures			
Profit on Cost%	27.70%		
Profit on GDV%	21.42%		
Profit on NDV%	21.69%		
Development Yield% (on Rent)	1.69%		
Equivalent Yield% (Nominal)	7.00%		
Equivalent Yield% (True)	7.32%		
IRR% (without Interest)	46.74%		
Rent Cover	16 yrs 5 mths		
Profit Erosion (finance rate 7.000)	3 yrs 6 mths		

63-65 Camden High Street
AH PIL

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**	
Open market	9	5,706	951.12	603,010	5,427,091	

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Retail	1	1,575	55.00	86,625	86,625	86,625

Investment Valuation

Retail					
Market Rent	86,625	YP @	7.0000%	14.2857	
(6mths Rent Free)		PV 6mths @	7.0000%	0.9667	1,196,336

GROSS DEVELOPMENT VALUE				**6,623,427**
Purchaser's Costs			(81,351)	
Effective Purchaser's Costs Rate		6.80%		
				(81,351)
NET DEVELOPMENT VALUE				**6,542,076**
NET REALISATION				**6,542,076**

OUTLAY

ACQUISITION COSTS				
Fixed Price		1,000,000		
Fixed Price			1,000,000	
				1,000,000
Stamp Duty			41,000	
Effective Stamp Duty Rate		4.10%		
Agent Fee		1.00%	10,000	
Legal Fee		0.50%	5,000	
				56,000
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Retail	1,575	160.94	253,480	
Open market	6,795	242.59	1,648,399	
Totals	**8,370 ft²**		**1,901,880**	
Contingency		5.00%	95,094	
AH PIL			543,900	
CIL and S106			531,602	
				3,072,476
PROFESSIONAL FEES				
Other Professionals		10.00%	190,188	
				190,188
MARKETING & LETTING				
Letting Agent Fee		10.00%	8,663	
Letting Legal Fee		1.00%	866	
				9,529
DISPOSAL FEES				
Sales Agent Fee		2.50%	135,677	
Sales Legal Fee	9 un	1,000.00 /un	9,000	
				144,677
Additional Costs				
Private profit		15.00%	814,064	
Commercial profit		15.00%	167,248	
				981,311

63-65 Camden High Street
AH PIL

FINANCE

Debit Rate 7.000%, Credit Rate 5.250% (Nominal)		
Land	115,924	
Construction	137,937	
Other	(2,794)	
Total Finance Cost		251,067
TOTAL COSTS		**5,705,247**
PROFIT		
		836,829

Performance Measures

Profit on Cost%	14.67%
Profit on GDV%	12.63%
Profit on NDV%	12.79%
Development Yield% (on Rent)	1.52%
Equivalent Yield% (Nominal)	7.00%
Equivalent Yield% (True)	7.32%
IRR% (without Interest)	27.33%
Rent Cover	9 yrs 8 mths
Profit Erosion (finance rate 7.000)	1 yr 12 mths