

33-35 Jamestown Road, London NW1 7DB

Addendum Report 1

Prepared on behalf of the London
Borough of Camden

Issued: 16th January 2025

Planning Reference: 2024/4953/P



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1.0 Introduction

- 1.1 BPS Chartered Surveyors have been instructed by The London Borough of Camden ('the Council') to provide a review and analysis in response to the BNP Paribas Real Estate ('BNPPRE') letter dated 23rd December 2024. This BPS Addendum follows on from our report of the 12th of December 2024, which was issued in response to BNPPRE's Financial Viability Assessment ('FVA') dated November 2024, prepared on behalf of 4C – Jamestown Road Limited ('the Applicant') in connection with the redevelopment of the above site.
- 1.2 This addendum should therefore be read in conjunction with the above reports.
- 1.3 BPS concluded in our previous report that the proposals produced a surplus of £5.2m.
- 1.4 Having considered BNPPRE's latest comments, the following table summarises our **current** respective positions:

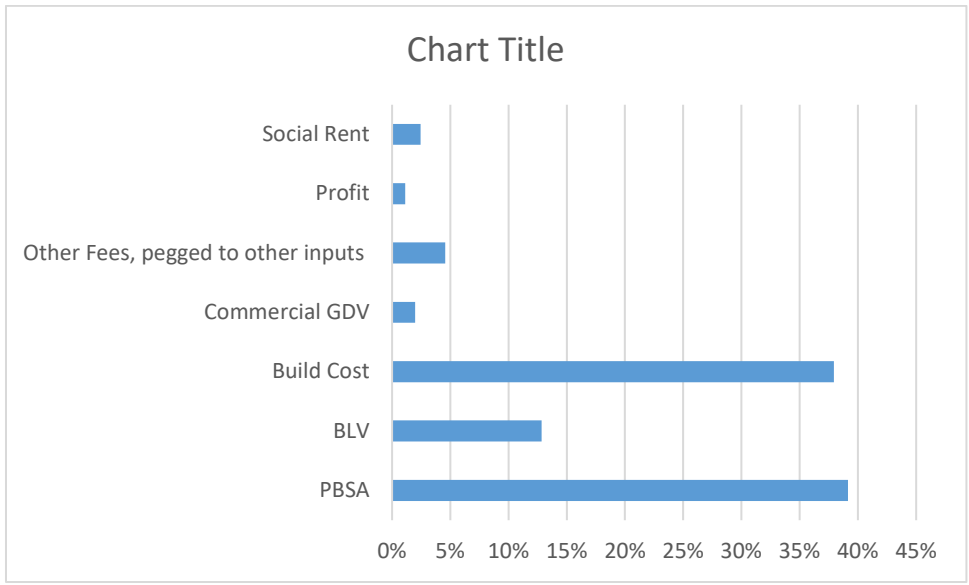
Input	BNPPRE Nov 24	BPS Dec 24	BNPPRE Dec 24	BPS Jan 25	Comments
Income					
PBSA GDV	£63,810,533 (£341,000 per bed)	£74,183,747 (£397,000 per bed)	£63,810,533 (£341,000 per bed)	£73,143,910 (£391,000 per bed)	Disagreed
Social Rent GDV	£2,903,099 (£2,245psm/ £209psf)	£3,550,000 (£2,743psm/ £255psf)	£2,903,099 (£2,245psm/ £209psf)	£3,550,000 (£2,743psm/ £255psf)	Disagreed
Intermediate GDV	£3,644,215 (£4,867psm/ £452psf)	£3,644,215 (£4,867psm/ £452psf)	£3,644,215 (£4,867psm/ £452psf)	£3,644,215 (£4,867psm/ £452psf)	Agreed
Commercial GDV	£2,050,874 (£7,000psm/ £650psf)	£2,575,045 (£8,783psm/ £816psf)	£2,050,874 (£7,000psm/ £650psf)	£2,575,045 (£8,783psm/ £816psf)	Disagreed
Expenditure					
Benchmark Land Value	£11.7m	£8.3m	£11.7m	£8.3m	Disagreed
Build Costs (inc. contingency)	£51,583,216	£41,532,287	£51,583,216	£41,532,287	Ambiguous- Further information required
Professional Fees	10%	10%	10%	10%	Agreed
Private Legal & Agent Fees	2%	2%	2%	2%	Agreed
Commercial Letting & Legal Fees	15%	15%	15%	15%	Agreed
CIL	£3,511,592	£3,511,592	£3,511,592	£3,511,592	Ambiguous - We require confirmation from the

					Council on this input.
S106	£734,510	£734,510	£734,510	£734,510	Ambiguous - We require confirmation from the Council on this input.
Finance	7%	7%	7%	7%	Agreed
Profit: PBSA	15%	12.5%	15%	12.5%	Disagreed
Affordable	6%	6%	6%	6%	
Commercial	15%	15%	15%	15%	
Development Timeframes					
Pre-construction Period	6-months	6-months	6-months	6-months	Agreed
Construction Period	30-months	30-months	30-months	30-months	Agreed
Sales Period	1-month	1-month	1-month	1-month	Agreed
Viability Position	-£22.2m	+£5.2m	-£22.2m	+£4.3m	Disagreed
Actual Profit	-£11.9m (-16.5% on GDV)	+£15.2m (18.5% on GDV)	-£11.9m (-16.5% on GDV)	+£14.3m (17.2% on GDV)	Disagreed

1.5 Our updated conclusions are as follows:

- Based on the additional evidence supplied by BNPPRE, we have accepted their adopted OPEX of £3,250 per bed, however we maintain our adopted rental values to be appropriate. In consequence, we have increased our assessment of the PBSA GDV by c £1m, arriving at the GDV £73,143,910.
- We consider further evidence should be provided by the Applicant to support their opinion of the build cost. Details are outlined in the email from GBA, included in Appendix 1 of this Addendum.
- Should BNPPRE wish to contest rental values attributed to the proposed PBSA, we consider further evidence from Homes for Students should be supplied. The exact parameters are outlined in para 2.5 of this report.
- Due the absence of further evidence being provided, we maintain our position on other inputs to be appropriate.

- 1.6 The above revisions reflect a reduction to our assessed viability surplus from £5.2m to **£4.3m**. We, however, maintain that the surplus could contribute towards additional affordable housing.
- 1.7 The difference between ours and BNPPRE’s assessment equates to c. £26.5m The chart below, presents the level of how each area of difference contributes to the said difference. It can be seen that Build Cost and PBSA assessments are the most significant area of disagreements:



- 1.8 This Addendum provides a response to BNPPRE’s latest report as requested by the Council.

2.0 Response to BNPPRE

PBSA GDV

- 2.1 In our review, we have disagreed with BNPPRE's assessment of the student accommodation component. Our assessment reflects GDV of £74,183,747 (£397,000 per bed), whilst BNPPRE adopted £63,810,533 (£341,000 per bed). In our assessment we accepted BNPPRE's yield, however we adopted higher rental values and lower OPEX. Our respective conclusions are outlined in the table below:

Input	BNPPRE	BPS
Rent (net of voids)	£3,479,225	£3,900,000
OPEX	£3,250 per bed	£3,000 per bed
Yield	4.5%	4.5%
GDV	£63,810,533	£74,183,747

- 2.2 BNPPRE provided evidence produced by Homes for Students, which states that estimates OPEX per annum per bed equates to £3,261.23. We note that the figure is inclusive of VAT, which is potentially recoverable tax. Assuming recovery of 20%, the figure would actually equate to £2,717, which is lower than our adopted £3,000. It is unclear from the information provided online whether or not the company is in fact VAT registered.
- 2.3 Given the assessment is conducted on a non-specific basis, where there is no requirement for the operator to be VAT registered, we have adopted the Applicant's OPEX on a without prejudice basis.
- 2.4 BNPPRE maintains their originally adopted rent assessment is appropriate. They also state that "Homes for Students", who will be the operator, maintains the previously adopted rents are appropriate. We also note that no evidence directly from Homes for Students have been provided to support this.
- 2.5 Given the local evidence clearly states a higher pricing level than proposed by the applicant, we question why this the applicant anticipates this scheme trading at a discount to other nearby schemes. In order for us to consider BNPPRE's position further, we would require Homes for Students to provide us with the following additional evidence:
- Details of rental values achieved in their other student schemes in the area, which would include dates and rental period. It would need to comprise unit by unit pricing. We would accept the evidence of rentals agreed over the current academic year.

- Confirmation that all the achieved rents reflect any subsidies or university grants provided to support the cost of student accommodation
 - Any evidence would need to be provided in writing, directly by the operator. It would also need to include information such as unit size, floor number and amenities available in the building.
- 2.6 Given the clear contradiction between the available evidence and the operator's more limited assessment, we consider the above to represent a minimum level of information that should be provided.
- 2.7 We note BNPPRE commented that the evidence of the student accommodation included in our report reflected asking prices. From our conversations with other student accommodation operators, we understand there is a very limited scope for negotiation on asking prices when booking a room. Hence, we maintain our previous analysis to be appropriate.
- 2.8 Overall, our revised values are outlined below:

Input	BNPPRE	Revised BPS
Rent (net of voids)	£3,479,225	£3,900,000
OPEX	£3,250 per bed	£3,250 per bed
Yield	4.5%	4.5%
GDV	£63,810,533	£73,143,910

- 2.9 Given the operator has been appointed, we require clarification from the Applicant whether the proposed scheme would be in fact forward funded, which would also impact the finance cost.

Social Rent Values

- 2.10 We disagreed with BNPPRE in their assessment of the Social Rent Values. We highlighted in our report that BNPPRE assessment was conducted on the basis of outdated social rent caps, albeit this has not been addressed by BNPPRE and revised in their response.
- 2.11 We consider the most appropriate assessment of Social Rent values would comprise transactional evidence. We encourage BNPPRE to provide comparable evidence to support their position of values.

Commercial GDV

- 2.12 In our assessment of commercial component, we applied an estimated rental level of £45psf to the basement level and £62psf to the upper floor levels of the proposed scheme. We note BNPPRE's comment about the absence of comparable evidence supporting a rental value

applied to the basement of £45psf. We found there to be limited evidence of basement office rentals the area, and in our assessment, we applied an arbitrary discount of c. 30% to the ground floor office space.

- 2.13 The rental value of £45psf was a figure adopted by BNPPRE for both ground floor and basement levels. It is, therefore, unclear why BNPPRE requires evidence from BPS to support this, it appears that BNPPRE is now critiquing their own assessed figures. Moreover, NPPG is clear that in viability process, it is up to the Applicant to demonstrate responsibility to evidence their position.

Profit Target on PBSA

- 2.14 BNPPRE adopted a profit target of 15%, we consider 12.5% to be reasonable. Given that no supporting evidence have been provided by BNPPRE in their response, we are not prepared to change our position. We have however sensitivity tested 15% to illustrate the impact on our identified surplus.

Construction Costs

- 2.15 In our assessment we attributed a lower figure than BNPPRE to the construction costs by c £10m, based on an assessment undertaken by our appointed Cost Consultant, Geoffrey Barnett Associates ('GBA'). We note BNPPRE provided Response from Gardiner & Theobald ('G&T'), dated 20th December 2024.
- 2.16 GBA reviewed the G&T's response which is outlined in Appendix 1 of this Addendum. GBA clearly state that their assessment is based on BCIS data and that further information should be submitted by the Applicant to support their position. Pending such information being provided, we maintain the previously adopted figure in our assessment.

Benchmark Land Value

- 2.17 In our review, we disagreed with BNPPRE assessment of BLV, resulting in c. £3m difference between our respective positions. We find that the poor condition and significant design limitations of the building have been appropriately accounted for in BNPPRE's assessment.
- 2.18 In their response, BNPPRE admit that the existing building is in fact of a poorer quality than the comparable evidence, however they have not offered their own revised assessment which would account for this factor. In turn, BNPPRE comment on the fact that the location of the site was not appropriately accounted for in our assessment, as well as a yield of 10% to the yard space is unrealistic- they do not, however, offer any comparable evidence to support this.

2.19 Overall, we consider that BNPPRE position should be supported by reliable comparable evidence or alternative analysis which would account for the poor quality and design issues, identified in our review. In absence of these, we maintain our adopted £8.3m to be appropriate.

3.0 Author Sign Off

- 3.1 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.
- 3.2 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.
- 3.3 The following persons have been involved in the production of this report:



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



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

January 2025

Appendix 1: GBA Response- Build Cost

From: Tatiana Vodovoz <Tanya@gabarnett.co.uk>

Sent: 13 January 2025 16:39

To: Agnes Mrowiec <AgnesM@bps-surveyors.co.uk>

Subject: RE: 33 - 35 Jamestown Road, Camden, NW1 7DB (Ref 2024/4953/P) - Report 04.12.24

Hi Agnes,

In response to Gardiner and Theobald GBA Associates Review Comments dated 20th December 2024 we would like to point out the following:

Statement: "G&T have reviewed GBA's comments and do not propose to reduce the Construction Cost. BCIS should not be used as a cost modelling tool alone. BCIS does not account for project specifics, only uses Traditional contracts and not Design and Build, and is not based on London schemes (despite the rebasing). It is unknown when the BCIS data was collected, and there have been significant recent inflationary pressures within the last 5 years, including recent Building Safety Act impacts, which will have impacted design and fire safety aspects. In this case, the BCIS data is known as to what it is based on. In addition, BCIS data does not account for any Post Contract Change or Contingency that may be spent getting to Final Account stage."

GBA Response: Guidelines for Viability Assessment as per GOV.UK advise to assess "build costs based on appropriate data, for example that of the Building Cost Information Service" with addition of abnormal costs and site-specific costs. The statement that "BCIS data only uses Traditional Contracts and not Design and Build contracts "is not accurate, as can be found under "Analysis" pages where the type of contract is stated, for example D&B contracts are noted for analysis #33848, #33849, #33868, #34122 etc. In our assessment we have not just used a BCIS rate but added £7.8M abnormal costs (including fire-safety aspect – sprinkler system) and allowed 5% for contingency on top of BCIS rate, additional and abnormal costs. The full list of abnormal costs can be seen in App A of our report dated 04.12.24.

Statement: "G&T internal benchmarking on projects that have been tendered, reached CSA and an agreed Final Account in the last 5 years can be seen below. These are all residential schemes within London."

GBA Response: There are no specifics given for mentioned projects, apart from that they are "residential" and "within London". They have provided no information as to whether they are student accommodations or luxurious residential developments in the most desirable parts of London with the top end market specification, for which very high build costs per m2 will be justifiable. It should be noted that in the proposed development only 30% of the total GIA is related to residential flats and 70% to student accommodations.

We have reviewed Analysis for student residences available on BCIS from 2017 and rebased the costs to 4Q2024 (the time of our assessment) and Camden (the location of the proposed development) and identified those with the highest costs per m2, as listed below:

Analysis #	Location	Type of Contract	Number of floors	GIA,m2	Contract sum,£	Rate £/m2
#34122	London	Design and Build	33 (incl. basement)	18,222	£64,988,805	£3,567
#33940	Farnham (Surrey)	NEC4 priced contract 2017	4	6,649	£27,219,089	£4,094
#33868	London	Design and Build	32	12,726	£62,703,058	£4,927
#33849	South West	Design and Build	8	31,520	£141,106,511	£4,477
#33848	South West	Design and Build	7	6,484	£25,356,438	£3,911

The above contract sums and rates per m2 are inclusive of preliminaries and OHP, external works and services, abnormal costs, contingencies/variations and project design team fees. The average of the above rates is £4,195/m2, even below our rate of £4,483/m2. We have not found any evidence in BCIS database of student accommodations as £5,567.54 per m2 as proposed (we appreciate that it is a blended rate of student residents and residential flats).

We also would like to point out that in proposed costs sub-contractors' preliminaries at 20% are included for all elements of work as well as main-contractor's preliminaries at 15%. We consider that to be incorrect and appears to contain a duplication of preliminaries costs. We query what exactly is included in sub-contractors' preliminaries?

We would appreciate if G&T could be asked to submit more detailed information on mentioned projects (99,132,28,61,145,42,183,142,130,59 and 141) to allow us to understand why the cost of these projects is higher than BCIS data and also provide a breakdown of the 20% on-cost for preliminaries applied to sub-contractors.

If G&T provide the further information requested, then GBA will be able to respond further.

Kind regards,

Tanya Vodovoz

Geoffrey Barnett Associates

Chartered Quantity Surveyors

Project Co-ordinators

Appendix 2: Argus Appraisal

APPRAISAL SUMMARY

BPS SURVEYORS

Jamestown Road PBSA with 33% C3 affordable- Net Profit

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales	Adjustment	Net Sales
C3 Social Rent	17	13,923	254.97	208,824	3,550,000	0	3,550,000
C3 Intermediate	10	8,060	452.14	364,421	3,644,215	0	3,644,215
Totals	27	21,983			7,194,215	0	7,194,215

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
PBSA	187	39,457	98.83	20,852	3,291,476	3,899,391	3,291,476
Flexible commercial	1	3,155	56.50	178,258	178,258	178,258	178,258
Totals	188	42,612			3,469,733	4,077,649	3,469,733

Investment Valuation

PBSA							
Current Rent	3,291,476	YP @	4.5000%	22.2222	73,143,910		
Flexible commercial							
Market Rent	178,258	YP @	6.5000%	15.3846			
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	2,575,045		
Total Investment Valuation					75,718,955		

GROSS DEVELOPMENT VALUE **82,913,170**

Purchaser's Costs			(2,271,569)				
Effective Purchaser's Costs Rate		3.00%					(2,271,569)

NET DEVELOPMENT VALUE **80,641,601**

NET REALISATION **80,641,601**

OUTLAY

ACQUISITION COSTS

Benchmark Land Value	8,300,000						
Benchmark Land Value			8,300,000				
					8,300,000		
Stamp Duty		5.00%	415,000				
Agent Fee		1.00%	83,000				
Legal Fee		0.80%	66,400				
					564,400		

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost				
Construction	1 un	41,532,287	41,532,287				
CIL			3,511,592				
S106			734,510				
					45,778,389		

PROFESSIONAL FEES

Professional fees		10.00%	4,153,229				
					4,153,229		

MARKETING & LETTING

Letting Agent Fee		10.00%	17,826				
Letting Legal Fee		5.00%	8,913				
					26,739		

DISPOSAL FEES

Sales Agent Fee		1.50%	1,209,624				
Sales Legal Fee		0.50%	403,208				
					1,612,832		

Jamestown Road**PBSA with 33% C3 affordable- Net Profit****FINANCE**

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

Land	1,987,354	
Construction	3,929,584	
Total Finance Cost		5,916,938

TOTAL COSTS**66,352,526****PROFIT****14,289,075****Performance Measures**

Profit on Cost%	21.54%
Profit on GDV%	17.23%
Profit on NDV%	17.72%
Development Yield% (on Rent)	5.23%
Equivalent Yield% (Nominal)	4.57%
Equivalent Yield% (True)	4.71%
IRR% (without Interest)	21.37%
Rent Cover	4 yrs 1 mth
Profit Erosion (finance rate 7.000)	2 yrs 10 mths

APPRAISAL SUMMARY

BPS SURVEYORS

Jamestown Road
PBSA with 33% C3 affordable

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales	Adjustment	Net Sales
C3 Social Rent	17	13,923	254.97	208,824	3,550,000	0	3,550,000
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Total Investment Valuation					75,718,955		

GROSS DEVELOPMENT VALUE

82,913,170

Purchaser's Costs			(2,271,569)				
Effective Purchaser's Costs Rate		3.00%					(2,271,569)

NET DEVELOPMENT VALUE

80,641,601

NET REALISATION

80,641,601

OUTLAY

ACQUISITION COSTS

Benchmark Land Value	8,300,000						
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Stamp Duty		5.00%	415,000				
Agent Fee		1.00%	83,000				
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					26,739		

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Sales Agent Fee		1.50%	1,209,624				
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					1,612,832		

**Jamestown Road
PBSA with 33% C3 affordable****MISCELLANEOUS FEES**

Profit on PBSA	12.50%	9,142,989	
Profit on Commerical	15.00%	386,257	
Profit on affordable	6.00%	431,653	
			9,960,898

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Land		1,987,354	
Construction		3,929,584	
Total Finance Cost			5,916,938

TOTAL COSTS**76,313,425****PROFIT****4,328,176****Performance Measures**

Profit on Cost%	5.67%
Profit on GDV%	5.22%
Profit on NDV%	5.37%
Development Yield% (on Rent)	4.55%
Equivalent Yield% (Nominal)	4.57%
Equivalent Yield% (True)	4.71%
IRR% (without Interest)	11.43%
Rent Cover	1 yr 3 mths
Profit Erosion (finance rate 7.000)	10 mths