

Land at 39-45 Kentish Town Road, London,
NW1 8NX



Application:2015/1937/P

Independent Review of Assessment of Economic Viability

2 June 2015

1.0 Introduction

- 1.1 We have been instructed by the London Borough of Camden ('the council') to review a viability submission prepared by Gerald Eve on behalf of Stanley Sidings Limited ('the applicant') in respect of the proposed development of Land at 39-45 Kentish Town Road ('the site').
- 1.2 The site measures 0.22 acres (0.09 hectares) and is triangular in shape with housing in the north, Kentish Town Road to the east and regents canal to the south.
- 1.3 The current planning application (ref: 2015/1937/P) proposes:
"Erection of a six-storey mixed use building comprising flexible employment/gym at ground floor level and 24 flats together with associated works to create public realm improvements and landscaping"
- 1.4 This application has been made in conjunction with the ongoing redevelopment of the Camden Lock Village (ref: 2012/4628/P) by the same applicant.
- 1.5 Breakdown of proposal - The proposed scheme comprises 24 residential apartments consisting of 1 x studio, 9 x 1 bed, 9 x 2 bed and 5 x 3 bed along with a total of 1,465m² of flexible Class B1 and Class D2 floor space.
- 1.6 Gerald Eve concludes that a higher proportion of affordable housing could be delivered off site. It is proposed that the affordable housing be provided in 'Building W' of the Camden Lock Village scheme. In total they suggest an off-site provision of 8 units in Building W together with a payment in-lieu of £541,942.
- 1.7 Our review has sought to scrutinise the costs and values assumptions that have been applied in Gerald Eves' viability assessment, in order to determine whether the current affordable housing offer represents the maximum level that can reasonably be delivered.

2.0 Conclusions and Recommendations

- 2.1 Gerald Eve has appraised the proposed scheme and has also provided comparison with a scheme modelling 5 units affordable units onsite referred to as a counterfactual scheme. We conclude that the position in respect of construction costs appears ambiguous and potentially has a significant impact on viability. The omission of any revenue from ground rental income also serves to understate viability. Consequently we remain to be convinced this scheme truly maximises affordable housing delivery although we note that a cost plan may largely serve to address this uncertainty. The proposed offer does not comply with the Council's requirement for provision on site nor does it comply with the policy requirement to deliver mixed tenure.
- 2.2 We are of the opinion that the benchmark figure, derived from the Alternative Use Value, of £[REDACTED] is suitable in this case when compared to the other benchmark values. We do however recommend that Planning Officers confirm that the proposed all office scheme would suitably comply with current planning policy and so form a legitimate basis for benchmarking viability. Gerald Eve also consider an EUV value reflecting a public house and office scheme which formerly received planning consent. This valuation appears to be undervalued as we are of the opinion that the rent and yield applied do not reflect the current pub market and location which would suit a modern drinking establishment.
- 2.3 Our Cost Consultant has reviewed the cost plans provided and is of the opinion that based on the current information received; the costs for the proposed and counterfactual scheme are potentially overstated by £2 million and £1.56 million respectively. We note however that Neil is of the opinion that this is due to the lack of a comprehensive elemental cost plan for the scheme and that if one were to be supplied there is a possibility that this apparent discrepancy could be adequately explained.
- 2.4 CBRE has produced a market analysis report to determine the sales values of the housing element of the scheme. Having reviewed the sales evidence they provide together with our own research we are of the opinion that the private residential values in the proposed and counterfactual scheme are indeed a fair reflection as to what could reasonably be achieved in this location.
- 2.5 Neither the proposed scheme nor counterfactual scheme appears to include capitalised ground rents in the appraisals. We are of the opinion that this should be included and would generate in excess of £200,000 scheme revenue on the proposed scheme and around £175,000 in respect of the counterfactual scheme. This is based on the assumption of a ground rent at £500 per unit capitalised at 5.5%.
- 2.6 The commercial values appear on balance to be reasonable and we agree with the different rental levels applied in different scenarios, reflecting the desirability of mixed use versus primarily office use.

- 2.7 The proposed scheme includes provision off-site 8 units of affordable housing in 'Building W' which is part of an adjoining scheme and one which already is intended to deliver an element of affordable housing. The applicant suggests, this scheme would make the delivery and management of the affordable housing supply more viable. We note that all 8 of the units would be intermediate rent which is not policy compliant. There is also an additional payment in lieu of affordable housing of £541,942.
- 2.8 It would appear that the proposed scheme has significant benefits over the counterfactual schemes in terms of the overall level of affordable housing both in terms of units and the addition of a payment.

3.0 Planning Policy Context

- 3.1 We have had reference to National Planning Policy including the National Planning Policy Framework. We have also had regard to the local planning policy context including the London Plan's (2011) Housing Policies and the Council's Core Strategy.
- 3.2 Core Strategy policy CS6 sets a target mix of 60% social rented and 40% intermediate tenure for affordable housing provision within the Borough.
- 3.3 DP3 states that affordable housing contributions will be expected from all residential developments with a capacity to provide 10 or more dwellings, with a 50% negotiating target being applied on a sliding scale, from 10% for schemes with a capacity of 10 dwellings to 50% for those of 50 dwellings. The 50% target operates subject to the financial viability of the development.
- 3.4 The applicant suggests that the proposed scheme should not provide any onsite affordable housing because through provision in building W 'a greater level of affordable housing can be provided and 'it allows for more efficient management' of the units provided. The latter point is a relevant consideration; however the provision of intermediate units as proposed ought not to represent a significant management issue.
- 3.5 The proposed scheme will provide 24 flats totalling 2,652m² (GEA), which triggers an affordable housing requirement of 26% under DP3, equating to 690m².
- 3.6 Camden Planning Guidance (CPG8) sets out how affordable housing payments-in-lieu should be calculated, by using a £2,650 per m² multiplier, applied to the area of the required on-site affordable housing. This results in a maximum payment-in-lieu of £1,828,500 when applied to this scheme.

4.0 Planning History

- 4.1 P9601198 - Full planning permission was granted on 27-04-2000 for the 'redevelopment to provide new public house with ancillary residential accommodation and buildings for B1 use.

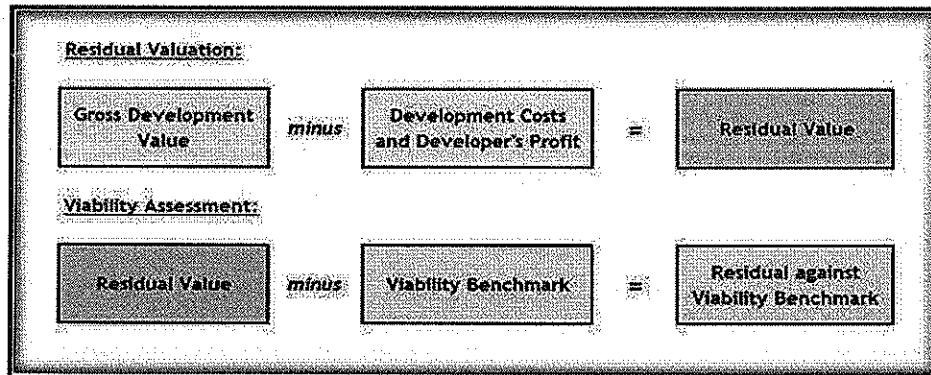
- 4.2 2005/0530/P - This permission, granted at appeal on 233/06/2006, was for the 'redevelopment of the site involving demolition of existing buildings, erection of a new four storey building with accommodation within the roof space to provide a new public house with ancillary residential accommodation and office space (Class B1)'.
- 4.3 2012/5352/P - After the lapse of the above consent a Certificate of Lawfulness was sought and refused on 29/11/2012. The decision to refuse was appealed but the appeal was later withdrawn.
- 4.4 2012/4628/P - Planning permission for the adjacent masterplan site known as Camden Lock Village/Hawley Wharf, was granted on 23/01/2013. This site includes Building W in which the proposed 8 units of affordable housing would be provided.

5.0 Principles of Viability Assessment

- 5.1 Assessment of viability for planning purposes is based on the principle that if a proposed scheme cannot generate a value that equals or exceeds the current site value, it will not proceed. Financial viability for planning purposes is defined by the RICS Guidance as an "objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project." This reflects the NPPF principle that in order to ensure viability, developments should provide competitive returns to a willing land owner and willing developer to enable them to be deliverable.
- 5.2 A fundamental issue in considering viability assessments is whether an otherwise viable development is made unviable by the extent of planning obligations or other requirements.
- 5.3 Existing Use Value has been generally recognised by many LPA's and the GLA as the standard recognised basis for establishing viability as it clearly defines the uplift arising from the grant of the planning consent sought and is currently referred to as the preferred basis for benchmarking schemes in the Council's recently adopted planning policies.
- 5.4 RICS Guidance¹ suggests that "the site value benchmark should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan". The purpose of a viability appraisal is to assess the extent of planning obligations while also having regard to the prevailing property market.
- 5.5 In this context it is highly relevant to consider the degree to which planning policy has been reflected in the land transactions promoted and whether they are themselves considered to represent market value as distinct from overbids.

¹ RICS, Financial Viability in Planning, 1st Edition Guidance Note, August 2012

- 5.6 Viability appraisals work to derive a residual value to indicate viability. This approach can be represented by the simple formula set out below:



- 5.7 Development costs include elements such as planning obligations, professional fees, finance charges and contingencies as well as the necessary level of 'return' that would be required to ensure developers are capable of obtaining an appropriate market risk adjusted return for delivering the proposed development.
- 5.8 Residual appraisals are used either to assess a return from the proposed project (where the cost of acquiring the site is an appraisal input) or to establish a residual land value after taking account of the level of return (profit) required.
- 5.9 A scheme's residual value is then compared to the site value benchmark figure and if the residual value equals or exceeds this benchmark then the scheme can be said to be viable. It is therefore important in assessing viability for the site value benchmark ("base value") to be set at a figure which can be substantiated.
- 6.0 **Viability Benchmark**
- 6.1 Gerald Eve has examined a number of different factors in determining the viability benchmark sum including EUV, AUV and Site Value. We examine each of these in turn and comment on them accordingly.

Existing Use Value

- 6.2 The EUV has been calculated on the bases of the previously granted Public House and Office scheme (ref: 2005/0530/P). The resulting residual land value is £[REDACTED]. There is no valuation of the site. Given this former consent received approval we are satisfied this is a reasonable approach for establishing existing use value.
- 6.3 The planning scheme comprises of 8,257ft² (NIA) of office space and a public house of 2,659ft² over four stories with ancillary residential accommodation over the public house.
- 6.4 The office space has been values at a flat rate of £[REDACTED] per ft² and capitalised at a [REDACTED]% yield with a 12 month rent free period. Gerald Eve provides a table of

evidence of local transactions and we also found further evidence which is shown in the table below:

Address	Date	Size	Rent	£/m ² (ft ²)
3rd floor, 187-191 Royal College Street, NW1 0SG	01/03/15	58 (624)	£14,090	£243 (£23)
3rd floor, Centro, 19 Mandela Street, NW1 0DU	01/03/15	596 (6,412)	£317,394	£533 (£49)
Block B, Imperial Works, Perren Street, NW5 3ED	11/09/14	195 (2,100)	£85,000	£436 (£40)

- 6.5 We are of the opinion that given the evidence provided by Gerald Eve and our further research, the proposed rental levels appears broadly reasonable.
- 6.6 *The public house has been valued at a passing rent of £■■■ per m² (£■■■ per ft²). There is limited evidence to support the figures used in the appraisal and we have undertaken our own research in order to determine whether the figures used are indeed appropriate and our findings are listed below:*

Location	Size m ² (ft ²)	Current Rent	£ per m ² (ft ²)	other
Chingford	233 (2,507)	£102,080	£438 (£41)	-
Hampstead	343 (3,592)	£79,950	£233 (£22)	-
Holborn	256 (2,756)	£41,500	£162 (£15)	2011 Rent
Fulham	181 (1,951)	£70,000	£387 (£36)	-
Soho	175 (1,883)	£90,000	£514 (£48)	-
Average			£347 (£32)	

- 6.7 We note that the location of the above comparable evidence is far reaching and as such drawing finite conclusions as to the value on a local level is difficult but the average value of £347 per m² (£32 per ft²) is some way above the rental level applied in the appraisal. Moreover the public house in Holborn has a passing rent that was agreed in 2011 and a review in 2016 at which point we would expect a substantial increase in the rent passing.
- 6.8 Research undertaken by CBRE² would suggest the yield of a corporate London pub is currently at 5.25% with London Corporate Prime Pub Yield at 4.25%. Given the site location we would expect the yield to be somewhere in-between this range as we believe that this would be a good location for a pub.
- 6.9 It should however be considered that the wider market for traditional pubs has seen significant and ongoing decline in part through the high price of alcohol, the smoking ban and trends towards home drinking.

² CBRE, Marketview United Kingdom Pubs, Q1 2015

- 6.10 Based on the assumption of modern drinking establishment providing a significant food offer we are of the opinion that the public house element has been undervalued. We consequently view a yield of 5.25% and a rent of £270 per m² (£25 per ft²) as more appropriate but this would depend on demand from operators for this location.
- 6.11 The proposed construction costs for the EUV scheme have been reviewed by our Cost Consultant and he is of the opinion that they appear a reasonable estimate.

Alternative Use Value

- 6.12 An AUV has also been suggested. This scenario examines a hypothetical all office scheme. The proposed building would be 7 stories including a basement and ground floor and consist of some 36,910 ft² (NIA) of lettable space. This scale of this development would need to be viewed by Planning Officers as being likely to comply with current policy for this assumption to form a legitimate basis for benchmarking the scheme.
- 6.13 The office units have been valued on a per floor basis starting at £■■ per ft² for the basement increasing to £■■■ per ft² for the 1st to 4th floor and £■■ per ft² for the 5th floor space. The basement space has been valued at £■■ per ft². We agree that the rental levels would vary depending on the floor and that the top floor would command a premium over the other levels.
- 6.14 The rental income has been capitalised at a yield of ■■■% and deferred for one year to reflect a rent free period. Research³ would suggest that investment yield for office space in prime M25/South East area to be 5.25%, we believe this figure to be a good starting point for determining the yield for the proposed location. This site would be suitable for office space but given that it is not a central location and therefore slightly less desirable we agree that a yield of ■■■% is indeed appropriate.
- 6.15 The proposed costs for the AUV have been reviewed by our Cost Consultant and he is of the opinion that they are a reasonable estimate.
- 6.16 Given the evidence provided by Gerald Eve and further evidence which we have examined we are of the opinion that the assumptions applied appear broadly reasonable.

Sales Value

- 6.17 The site was sold in June 2013 for £■■ million. The site has been identified by the applicant as the 'final piece of the jigsaw' of the masterplan and Gerald Eve have highlighted that it in effect a ransom strip. As such we are of the opinion that very little weight can be attached to the sales value as a valid benchmark.
- 6.18 We note that Gerald Eve has provided a considerable amount of market analysis with regards to other site sales. Their analysis suggests a wide range of possible

³ CBRE, Masketview UK Monthly Index, April 2015

outcomes and has led us to conclude their analysis simply supports the price paid reflects the unique circumstances of the applicant and cannot therefore be considered as a valid basis for benchmarking viability.

7.0 Development Costs

- 7.1 Our Cost Consultant, Neil Powling, has reviewed the proposed cost plan for each of the proposed scheme and counterfactual appraisals and he states that the cost estimates appear high when benchmarked against BCIS data. However, Neil is also of the opinion that a comprehensive elemental cost plan would potentially reduce the apparent difference between the estimate and his adjusted benchmarking. Neil's full comment can be found in appendix A.
- 7.2 The proposed and counterfactual schemes both use a fixed land cost assumption of £■■ million with the appraisal outcome being to model the resultant profit level. The proposed scheme produces a profit on costs of 20% which Gerald Eve has adopted as their relevant target profit rate. This shows a profit as a percentage of GDV of 16.56%. The counterfactual scheme produces a profit on cost of 18.98% and a profit on GDV of 15.86%.
- 7.3 We regard the adoption of a profit target of 20% on scheme costs as reasonable and accept that the counterfactual proposal would in effect deliver a lower and therefore potentially undeliverable level of profit, assuming construction costs and other inputs are considered satisfactory.
- 7.4 An allowance of 12% has been assumed for professional fees in all the appraisals which reflect the upper end of the range we expect for new build schemes of this scale.
- 7.5 Letting agent and legal fees of 10% and 5% respectively have been applied in all the appraisals and reflect market norms. The EUV contains a one off marketing figure of £25K, presumably relating to the letting of the public house. The proposed and counterfactual schemes have a 1% marketing fee for the residential element which seems low.
- 7.6 The proposed residential sales fees appear to vary depending on the appraisal with sales agent fees of 1.5% for the EUV and 1% for the AUV, Proposed and Counterfactual. Sales legal fees are constant at 0.5% in all the scenarios and the proposed and counterfactual appraisals include a residential sales agent fee of 1.5%.
- 7.7 An interest rate of 7% has been applied and we agree that this reflects rates typically seen in the current market.
- 7.8 Borough CIL has been included in the proposed and counterfactual schemes totalling £654,425 and £568,975 respectively. The reduction in the counterfactual scheme is due to the onsite provision of affordable housing.
- 7.9 Mayoral CIL is included amounting to £189,700 for the proposed scheme and a reduced payment, due to the affordable element, of £161,450 for the counterfactual scheme.

8.0 Private Residential Sales Values

8.1 The proposed scheme includes 24 residential flats consisting of 1x studio, 10x one bed, 7x two bed and 6x three bed units. The average values, areas and sales rates are as follows:

Unit Type	Count	Area m ² (ft ²)	Price	£ per m ² (ft ²)
Studio	1	47 (506)	[REDACTED]	[REDACTED]
1 Bed Flat	10	67 (721)	[REDACTED]	[REDACTED]
2 Bed Flat	7	100 (1,073)	[REDACTED]	[REDACTED]
3 Bed Flat	6	129 (1,392)	[REDACTED]	[REDACTED]

8.2 The proposed site is well situated overlooking Regents Canal and in close proximity to both Camden High Street and Camden Town tube station.

8.3 CBRE has provided a comprehensive report on the current residential market conditions in the local area. The report provides analysis of a number of comparable developments which support the values applied in the appraisals. Some of the comparable developments cited by CBRE are a reasonable distance from the subject site, these being developments on City Road.

8.4 In terms of location the Regent Canalside development would have to be considered as the most suitable scheme from which to draw an indication of sales value for the proposed scheme. This development achieved average sales values of £975 per sq ft mainly through January last year. Given the 15% growth to January 2015 in borough house prices this would equate to an average sales rate in current terms of of approximately £1,121 [REDACTED].

8.5 Randolph Apartments is again in close proximity to the development site and therefore offers comparability in terms of location. It is however an office conversion via a prior approval and as such we would expect the proposed scheme, being a new build, would possibly achieve a premium over the units on offer at Randolph Apartments.

8.6 The other sales evidence provided by CBRE is on the whole, useful in determining the average prices of new build units in the wider area and provides sound evidence in supporting the conclusions drawn.

8.7 We have collated the following evidence of sales over the last year within a quarter mile radius of the subject site:

Address	Sale price	Date	Beds	Area	£sqm
1C Jeffreys Street NW1 9PS	£434,000	27/06/14	1	37 (398)	£11,730 (£1,090)
Flat 18 Highstone Mansions NW1 9DY	£320,000	12/12/14	1	28 (301)	£11,429 (£1,062)
2 nd Floor Flat 164 Camden St NW1 9PT	£495,000	01/08/14	2	60 (646)	£8,250 (£766)
37A Greenland Rd NW1 OAX	£662,250	28/07/14	2	61 (657)	£10,857 (£1,009)
Flat 7 35 Hawley Rd NW1 8RW	£585,000	14/10/14	2	53 (570)	£11,038 (£1,025)
Flat 36 37 Camden Rd NW1 9LR	£875,000	06/08/14	2	68 (732)	£12,868 (£1,195)
9 Grand Union Walk NW1 9LP	£1,199,500	13/02/15	3	86 (926)	£13,948 (£1,296)
172A Royal College St NW1 0SP	£625,000	17/10/14	3	67 (721)	£9,328 (£867)

- 8.8 The majority of properties listed above are second hand stock and as such we would expect the units at the proposed scheme to generally achieve higher values as a consequence.
- 8.9 In conclusion we agree with CBREs' assessment of appropriate scheme values and regard it as adequately justified and evidenced and supported though our own analysis.
- 9.0 Capitalised Ground Rents**
- 9.1 The proposed and counterfactual schemes do not appear to include a provision for income derived from ground rents of the residential units.
- 9.2 We are of the opinion that a ground rent of £500 should be applied and capitalised at a yield of 5.5%. The result of these assumptions would be to generate additional income of £218,182 form the proposed scheme and £172,727 for the counterfactual scheme.

10.0 Commercial Values

- 10.1 The proposed and counterfactual schemes both include commercial space which has been valued at the same rate in each appraisal. The passing rent has been assumed to be £■■■ per m² (£■■■ per ft²). This rent is slightly lower than the rent assumed in the AUV and EUV schemes but this is probably due to the mix of uses and is in line with our expectations for mixed use schemes.
- 10.2 The rent has been capitalised at a yield of ■% allowing for a 12 month rent free period for voids and letting incentives. Again this differs from the AUV and EUV schemes which use a ■■■% yield but as with the rent we would expect this margin of difference given the differences in the proposed and counterfactual schemes to the AUV and EUV schemes.

11.0 Affordable Housing Values

- 11.1 The proposed scheme generates an apparent surplus of £5,432,998 which can be applied to deliver affordable housing. Gerald Eve suggest that the affordable housing could potential be provided in three ways; the conversion of units in Building W, the conversion of units in the proposed scheme or a payment in lieu of affordable housing.
- 11.2 The level of affordable housing provision has been determined using an opportunity cost approach whereby the cost of providing additional affordable space is calculated by taking the value per ft² of the proposed affordable units plus the fit-out cost savings per ft² from the construction costs of the equivalent private housing per ft². This results in a figure of £■■■ per ft²(£■■■ sq m) which Gerald eve use to represent the amount of affordable floorspace that can be delivered when the surplus of £5,432,998 is applied.
- 11.3 The 8 units proposed in Building W have a floor area of 6,908 ft² which therefore results in a total opportunity cost for the units of £4,891,056 with the remainder of the difference between this cost and the apparent surplus being offered as a financial contribution. All of the 8 units would be provided as intermediate rent units. This would not be compliant with the Council's policies on provision of mixed tenure. Core Strategy CS6 sets a target mix of 60% social rented and 40% intermediate tenure for affordable housing provision within the Borough.

Project: 39-45 Kentish Town Road, NW5 8NX

Independent Review of Assessment of Economic Viability

Interim Draft Report Appendix A Cost Report

1 SUMMARY

- 1.1 Our benchmarking of the application scheme suggests the estimate is high by about £2,000,000. The specifications for Camden Lock Village are high and we suspect the difference between the estimate and our adjusted benchmarking would be reduced - perhaps considerably - if a comprehensive elemental cost plan was be produced for this scheme.
- 1.2 The counterfactual scheme has been similarly priced to the application scheme. Because the % residential to commercial is slightly different, the blended rate is slightly more than the application scheme. Our benchmarking shows the estimate for the counterfactual scheme to be about £1.56M higher than the adjusted benchmark.
- 1.3 We are satisfied that the construction costs in the appraisals for both the EUV and AUV schemes are reasonable estimates.

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 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.
- 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 upper quartile for benchmarking depending on the quality of the scheme. 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 average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.
- 2.3 BCIS average prices are also available on an overall £ per sqm and for new build work (but not for rehabilitation/ conversion) on an elemental £ per sqm basis. We generally consider both. 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).
- 2.6 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 keep the estimates for different categories separate to assist more accurate benchmarking.
- 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 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 on the planning website.
- 2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs do not include these. Nor do 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.

3 GENERAL REVIEW

- 3.1 We have been provided with and relied upon the Financial Viability Report prepared by Gerald Eve dated March 2015 together with its appendices.
- 3.2 The Order of Cost Estimate for the application scheme prepared by Gardiner & Theobald (G&T) dated March 2015 in the amount of £[REDACTED]; the Order of Cost Estimate for the counterfactual scheme also in the amount of £[REDACTED] prepared by Gardiner & Theobald dated March 2015.
- 3.3 In response to a request for more detail on specifications we have been provided with Camden Lock Village Volume 8 Apartments prepared by Allford Hall

Monaghan Morris relating to other sites of Camden Lock Village, although not Site E.

- 3.4 We asked G&T for further more detailed information relating to the fit out costs and received a build up to the fit out costs of site E (although not in elemental detail) and also a detailed Stage D cost plan for site D for reference purposes.
- 3.5 We attach an elemental analysis and BCIS benchmarking for both the application scheme and the counterfactual scheme. The estimates have been prepared in sufficient elemental detail to the shell and core sections but not the fit out which are based (even for the Stage D cost plan) at £/m² rates for the fit out. This means we are unable to prepare a full elemental analysis to support our adjusted benchmarking. We have included the fit out in our benchmarking by aggregating the relevant elements, although this results in a level of approximation that is less than satisfactory.
- 3.6 The estimate includes both residential flats and commercial space; we have calculated a blended rate for benchmarking.
- 3.7 We have downloaded current BCIS data for benchmarking including a location factor for Camden of 118 which has been applied to our calculations.
- 3.8 The preliminaries are calculated at 16%, the overheads and profit at 5% and the combined design reserve and contingency 5%. We consider all these allowances reasonable.
- 3.9 Our benchmarking of the application scheme suggests the estimate is high by about £2,000,000. The specifications for Camden Lock Village are high and we suspect the difference between the estimate and our adjusted benchmarking would be reduced - perhaps considerably - if a comprehensive elemental cost plan were to be produced for this scheme.
- 3.10 The counterfactual scheme has been similarly priced to the application scheme. Because the % residential to commercial is slightly different, the blended rate is slightly more than the application scheme. Our benchmarking shows the estimate for the counterfactual scheme to be about £1.56M higher than the adjusted benchmark.
- 3.11 We are satisfied that the construction costs in the appraisals for both the EUV and AUV schemes are reasonable estimates.

BPS Chartered Surveyors
Date: 29th May 2015