

ADDENDUM REPORT

1st April 2015

1.0 INTRODUCTION

- 1.1 This Addendum Report is supplemental to our March 2015 Review of Financial Viability in respect of the proposed redevelopment at the site 79 Fitzjohns Avenue, NW3 5JY.
- 1.2 Our original report concluded that the proposed scheme could deliver a significant surplus which contrasted with the applicant's indication of a net deficit (-£4,746,000). Our report referred to the following concerns in justification for this conclusion:
 - a. The proposed EUV based on the refurbishment of the current student accommodation was significantly over valued
 - b. Our Cost Consultant, Neil Powling recommended a build cost contingency of 5% opposed to GL Hearn's proposed allowance of 10%.
- 1.3 This addendum reports our conclusions based on amended appraisals received from GL Hearn dated 1st April together with an amended EUV benchmark calculation.

2.0 CONCLUSIONS

- 2.1 G l Hearn have amended their scheme appraisal to show a surplus of £2,486,998 when compared to a revised benchmark. Following further discussions with GL Hearn we accept this figure represents the maximum contribution available from this scheme consistent with viability assuming affordable housing policies apply.
- 2.2 The proposed benchmark has been reduced to £15,250,000 reflecting a valuation of the student accommodation in its current unimproved state with a 20% landowner's premium (BPS March report para 3.36 - 3.41).
- 2.3 A reduction of the contingency to 5% has increased the residual land value to £17,736,998.

Viability benchmark

- 2.4 Our March report considered that the proposed refurbishment of the current building, in line with the suggestions provided by GL Hearn, was not cost effective. We valued the building in existing use based on the rents achieved prior to closure, plus inflation.
- 2.5 We have accepted a marginal improvement in capitalisation yield to 6.75% from 7% to reflect the undoubted ongoing trading potential of the building. This provides an updated figure inclusive of premium of £15,250,000 compared to £20,676,000 previously proposed.

Build Cost Contingency

- 2.6 Our Cost Consultant, Neil Powling concluded that a 5% build cost contingency was a reasonable input. The applicant's consultants have agreed to this reduction. A further sum [REDACTED] has been allowed in addition to the 5% contingency to allow for payments



These alterations have increased the residual land value to