

Arthur West House, 79 Fitzjohns Avenue,
NW3 5JY



Independent Review of Assessment of Viability

ADDENDUM REPORT

24 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 surplus which contrasted with the viability assessment prepared by the applicant's consultants. 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 has amended the development appraisal for the proposed scheme and the EUV benchmark figure. On this basis, the scheme now shows a total surplus of £1,602,498. 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 £16,134,500 from a previously suggested figure of £20,676,000. The figure is inclusive of 5.80% purchaser's costs and a 20% landowner's premium. This benchmark is based on the valuation of the accommodation in its current unimproved state (BPS March report paras 3.36 - 3.41).
- 2.3 The current development appraisal shows a revised build cost contingency of 5% as well as an additional cost figure of [REDACTED] for third party cost issues. On this basis, the residual land value stands at £17,736,998.

Viability benchmark

- 2.4 Our March report concluded that the proposed hypothetical refurbishment of the current building, in line with the suggestions provided by GL Hearn, was not cost effective and the property was more valuable in its unimproved state. We valued

the building in its existing use based on the rents achieved prior to the building being vacated with an allowance for 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 a gross benchmark figure of £16,134,500, inclusive of a 20% premium.

Build Cost Contingency

- 2.6 Our Cost Consultant, Neil Powling previously concluded that a 5% build cost contingency was a reasonable allowance for a new build project. The applicant's consultants have subsequently agreed to this reduction. A further sum of [REDACTED] has been allowed in addition to the 5% contingency to account for payments required to third parties.

BPS Chartered Surveyors