Kentish Town Rd
Draft Response to BPS report of 3rd April 2019 (more to follow)

Floor areas

We have attached the latest schedule. In relation to the residential units your floor areas are correct. Goldschmidt & Howland had worked on the 2 beds generally being just 2sm to 3sm smaller, with one on the fifth floor 6sm smaller. There has, however, been a loss in ground floor commercial space due to plant requirements.

Private Sales Values

The local agents, Goldschmidt & Howland (G&H) estimated a GDV of £9.25m, whereas BPS have estimated £9.83m. This is a difference of £580k or over 6%.

Please note that the January 2018 date on G&H's schedule was a mistake – it was January 2019.

We have looked in detail at the comaparables identified by BPS.

Goldschmidt & Howland have suggested that the fall in values in the local area in the last 18 months (from about October 2017) has been c10%. They say this has been brought out particularly on the new build side and car free schemes. Buyers are particularly worried by the uncertainty surrounding Brexit and the increase in the Tax burden associated with purchasing and owning property both for end-users and investor purchasers. This should be taken into account when reviewing the comparables below, as many of the achieved sales are in excess of 12 months old.

Maple Building

Goldschmidt & Howland have stated that this building is in a much better location and has a very on trend warehouse feel, with the advantage of the Penthouse flats being sold with the benefit of parking. A concierge and residents' gym are provided. Therefore in the light of the above it is not surprising they have achieved a better pound per sq ft.

The construction was completed in November 2016 and it appears not all the units have yet been sold, 29 months later.

Based on the evidence provided c30% were reserved or sold at or near PC and sales averaged one a month after that, with 3 remaining unsold at today's date with their prices unchanged. It is understood that the building has been in the same family for 70 years, originally it was their office and warehouse. Therefore, without a land acquisition it is likely that they have had the luxury of being able to sell over a longer period with less financial pressures or time constraints and so have strived for the maximum prices. A typical developer would not be able to do so.

Of the achieved prices quoted by BPS, we believe they are all 2 beds except 301. We believe these flats sold at an average of 93% of the asking prices. Therefore, taking the asking prices quoted by BPS these could translate into sold prices for these 2 bed flats of £881psf, £929psf and £1187psf respectively. However, it should be remembered that the market has further deteriorated since the last of these sales in August 2018 so you would expect the discount to today's date to be greater.

BPS has confirmed that this development would secure higher values than Kentish Town. We have referred to it here mainly to point out the extended sales period.

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<u>Leighton Rd</u>

This is in a quieter location. The development comprises 9 flats. BPS have confirmed that it is a good comparator.

The construction was completed in December 2016. Not all the units have been sold 28 months later.

At PC (December 2016/January 2017) 4, or 44%, of the units sold at 92% of their asking prices. A further one was sold in August 2017 at 89% of its asking price. There are 2 remaining unsold. This would leave 3 sold between January 2017 and March 2019, a period of 26 months.

The following first floor 2 beds were sold:
2 bed with garden at 668sf sold £595k (£891psf) Jan 2017
2 bed maisonette at 861sf sold £705k (£819psf) Jan 2017
2 bed of 807sf sold £640k (£793psf) at Dec 2016

We note the 2 units BPS have quoted are for unsold flats, and so were just asking prices. The flats are maisonettes over ground and lower ground with small rear gardens. We believe the one with an asking price of £850k has a floor area of 893sf, which represents £952psf (not the £1013psf stated). Allowing say 90% of the asking prices this could give realised prices for comparison purposes of £675k and £765k or £815psf and £856psf for these 2 units. Taking into account the deterioration in the market, the achieved prices could be lower. It should be noted that the average of the sold prices in December 2016/January 2017 was £830psf so you would expect achieved prices now to be lower.

<u>Holmes Studio</u>

This is an 8 unit development above retail but set back from the main road in a gated development. It is a far better location being a lot quieter and unaffected by any railway. It benefits from a 24 hour concierge. It will, therefore, achieve higher values than Kentish Town Rd.

Construction completed in November 2017. Initial transactions took place in 2017 and the middle of 2018 when the market was in a much better place.

Two units were sold at completion in November 2017 at 96% of the asking price. A further one was sold in March 2018.

As regards the achieved prices quoted by BPS for this scheme units 2 and 5 are 2 beds and unit 8 is a 3 bed. Based on BPS' quoted achieved prices we believe they sold for 95% of their asking prices. For the 2 beds the achieved prices were £735k and £755k. It should be noted that the 3 bed on the 2nd floor sold for £1.02m in May 2018 (93% of asking price) but a slightly larger 3 bed on 2nd/3rd floors is currently on the market has an asking price of only £899k. This is 88% of the price of the sold flat, and it is only the asking price. Some of this difference may be due to the sold flat having a terrace as opposed to a large balcony but that does not account for a £121k difference.

As regards the units on the market with asking prices quoted by BPS we can find no evidence of the 1 bed at lower ground floor and are not sure this is in the same development. It is understood the only 1 bed in the development was sold in November 2017 for £585k and at 97% of the asking price.

Of the other flats still available both are 2 beds, one with a terrace and the other a balcony. The same sized units were advertised at the same level but sold at 95% below these levels and this was a year ago. With a further deterioration in the market it is likely they will be sold for less in today's market, possibly below £700k.

<u>St Martin's Walk</u>
We note what BPS say regarding the less desirable location but the scheme benefits from not being above retail and is set around landscaped areas. It provides 21 units of private residential accommodation. Parking spaces are available on site. We, therefore, think the prices are useful for comparison purposes because it has some advantages over Kentish Town Rd.

A 2 bed duplex penthouse with double height living space and balcony recently sold which had an asking price of £810k or £823psf. Similarly sized 2 beds on the first floor, with asking prices of £600k and £610k were sold in November 2018 but the sold prices are not known. 1 beds on the second floor were sold in December 2017 at asking prices of £505k, with the sold prices not known. So taking account of the higher floor, this would equate to £495k or £887psf for a first floor for comparison purposes, albeit the achieved prices are likely to be less than the asking prices and prices have deteriorated since this time.

Most recent sale was November 9th 2018. 9 of the 21 sales took place in December 2017 (43%) with a further 8 in Sept to Nov 2018 and 3 yet to be sold.

<u>BPS' second hand rates</u>
It should be noted that many new build developments do not have parking and the residents are not allowed permits for street parking. It has been noted that this has had the effect of lowering the premium of new build over second hand sales.

1 beds:
13a Gaisford St – you would expect this to be higher value (£488.5k) as as well as being on a quiet road, it has its own private entrance and a 41ft south facing private garden. It is a similar size.
Second floor, 59 Fortress Rd – This is a much smaller flat (443sf) so you would expect the £psf to be higher for that reason alone. As it is on the second floor if one reduces the value by £10k for comparison purposes, it would give £398k or £898psf. It is similarly above retail, it is second hand but it is away from the railway. It is top floor, with period features and attic space. It was sold a year ago.
29c Islip St – It is on a quieter residential road. Top floor with dual aspect reception and rooflights and bedroom overlooks rear garden. If you reduce by £10k as on the second floor, this gives £435k or £767psf for comparison purposes, although it was sold a year ago.

2 beds:
18a Willies St – sold Sept 2018. It is on the first floor but on a quiet road with a private garden. It is smaller at 665sf so you would expect a higher £psf. It sold for £600k or £902psf.
31a Gaisford St – this has a private garden and a smaller foot print so you would expect the £psf to reflect this (£978psf). It sold a year ago for £675k.
17 Falkland Rd – this is large duplex in quiet street, needing work and no garden. £775k.
30a Gaisford St – large duplex with garden in quiet street sold in August 2018. £900k.
53b Gaisford St – large duplex with garden in quiet street, sold in August 2018. £900k

Summary
We have assessed BPS' comparables and reduced them for comparison purposes to take account of such factors as asking prices not generally being achieved, the timing of sales and deterioration of the market and car parking availability/provision, which have not been accounted for by BPS. As a result we believe the evidence does not support BPS' estimated prices for Kentish Town Rd. This means that we do not accept their average £931psf and total GDV of £9.83m based on their comparables. The reasons in relation to individual values are set out below:

***1 beds*:** BPS have valued these at £490k for the first floor flat, or £910psf, increasing by £10k per floor, the same increase as Goldschmidt & Howland have assumed. G&H have valued them at £460k or £855psf.

Holmes Studios: These would attract higher values than Kentish Town Rd because of the quieter area, the gated development and the concierge. A first floor one bed sold for £470k (£949psf). This is a smaller flat so you would also expect the £psf to be higher. It was sold a year ago and so you would expect the values to be lower as well for this reason. Assuming a say 10% discount for change in values, size of unit and higher value scheme this would give c£854psf and so applied to Kentish Town Rd could give an achievable price in the current market of £460k, which is what Goldschmidt's have assumed.

St Martin's Walk: the maximum for comparison purposes would be 1 beds at first floor of £495k or £887psf, but taking into account this was the asking price and deterioration of market since this sale, the equivalent now could be £470k and £840psf. This supports G&H's values.

BPS second hand sales: we believe these support G&H's values as, although they are second hand sales, the examples do have advantages over the Kentish Town Rd scheme. G&H have also reported a lower new build premium applies in the current market.

2 beds: The 2 beds at first floor BPS have valued at £695k and £730k (£884psf and £869psf) and added £10k per floor. Goldschmidt have valued these at £635k and £685k (£843psf and £837psf). Given that G&H have underestimated the floor area a review could give £660k (£840psf) and £697k (£830psf)

Leighton Rd: adjustments to asking prices to estimate likely sold prices (giving £815psf and £856psf) and taking into account the better location, they are maisonettes and have gardens then it would seem that Goldschmidt's values are appropriate. The sold prices for the 2 beds at first floor were £793psf to £891psf (average £830psf) but it was a better market and the higher £psf flat was smaller (generally higher £psf) and benefited from a garden.

Holmes Studios: you would expect the values here to be higher, as confirmed by BPS, with concierge and quieter location. The adjusted asking prices suggest a price of £907psf and £735k could be attributable to the first floor flat. However, the asking prices are the same as from a year ago and so this reduction in asking prices may be too low for comparison purposes due to market deterioration in the meantime. Taking off 10% for these factors (market deterioration, higher value scheme) would give £816psf.

Penthouse: The top floor is the 6^{th} floor and there is one flat that is a split level flat between the 5^{th} and 6^{th} floors, which could be termed the penthouse. BPS accept the price for this flat.

Flat 14 – we accept BPS' value for this flat as it is larger than G&H had assumed.

Conclusion
The amendments above would give a revised GDV of £9.43m.

Sales Period

It can be seen from the examples listed above there is a very long sales period for residential units in London. We had included a 6 month period but evidence would seem to suggest that it is likely to be much longer. We will look at this further.

Ground Rents

Accepted by BPS.

Commercial Value

The rent levels were accepted by BPS.

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The floor area for the commercial is now 1076sf in the basement and 1453sf at ground floor level. This is a result of additional plant requirements. The revenue has, therefore, reduced as a result.

As regards the yields, G&H state that the comparables BPS have used are all in better locations than the subject site. Holland & Barrett is also a well-known brand, established in the location with 3 years' left on the lease. All of these transactions are over a year old. Therefore, the yield should be above 5%. Both G&H and Colliers believe 5.5% is a minimum for commercial in this location. However, in order to try and reach agreement we will use 5.25%.

Build Costs

The QS has now completed their review of the Train Noise & Vibration Assessment by Hann Tucker Associates and the subsequent updated Structural Drawings by Price & Myers. These are attached for your information.

The additional cost is broken down as follows:

Element	Change	Reason
Structure & frame	+£61,000	Sleeving of piles and temporary and permanent vibration mitigation measures.
External Walls	+£50,000	Specialist movement joints in façade and perimeter detailing required to mitigate vibration
Internal Walls & Partitions	+£52,000	Soft joints at base of all internal walls and partitions for vibration mitigation
MEP	+£58,000	Anti-vibration and acoustic mountings for mechanical plant. All containment etc to be on vibration mounts etc. Vibration mitigation to lift.
OH&P	+£14,000	Pro rata adjustment
Total	+£235,000	

A copy of the revised cost plan is attached. Please note we have not included the inflation in our appraisal.

Fees

We need to allow additional fees and will provide details of these under separate cover, when available.

Restrictive Covenant

The cost of £465k has been accepted

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S106 contributions

We had not included any loss of value within our appraisal for the Council's requirement to widen the footpath and us some of the subject site in order to achieve this. This is a loss of developable land the Applicant has to provide to the Council for no reimbursement. This reduces the value of the development and profit. We will come back with an assessment.

The Council should also confirm there are no further s106 contributions payable.

CIL

Subject to confirmation by the Council. It would be helpful if you could provide clarity on this prior to the final report.

Lettings, Disposal, Marketing and Sales fees

Accepted

Profit

In the current market with increased risks 20% of GDV is normal for open market sales and increasingly sought by lenders. We reduced this to 18.5% as a midway point between 17.5% and 20% in our appraisal to try and reach agreement.

However, we believe 17.5% for this scheme with the risks associated with its position adjacent to a main road, junction and main railway, as well as the risks with the fall in sales values for residential properties and the extended sales periods in the current climate is too low. It should also be noted that there no developer's contingency, just a modest 5% design and construction contingency for a site with high risks in relation to the proximity of the main line railway. We, therefore, believe 18.5% for this particular scheme is reasonable and would ask you to reconsider.

Commercial profit at 15% - accepted.

Site Benchmark

Firstly we must clarify that the EUV is based upon market values and not current lettings. This is particularly important as the current status of the uses on site is on the basis of short term lets due to the possibility of redevelopment. The site has been earmarked for redevelopment in the Kentish Town Neighbourhood Plan, which is a statutory document. The lease and licence arrangements reflect this and the rents currently collected do not necessarily reflect the open market rents. Therefore, they should not be used as a basis for the site benchmark. The open market rents should be used, assuming no redevelopment is taking place.

The assessment of site benchmark is in order to find the price at which a willing seller would put forward their site for sale and redevelopment. BPS are suggesting that a price of £395k for a site of 0.83 acres in Kentish Town Rd, which would translate to £476k per acre, or c£8.7k per habitable room (taking into account commercial) would be sufficient to encourage the landowner to sell. This is not realistic.

As the site has been awaiting redevelopment, making it more difficult to come to a market value, and as AUV is not appropriate, we attempted to test the price by looking at reality and the appropriately adjusted prices of sites in the area to check where the site benchmark sat. This is a perfectly reasonable stance to take, and this method is accepted in exceptional circumstances, which is the case here, and not contrary to a standard industry response as BPS suggest. Indeed clause 3.5 in their report refers to market evidence and appropriate adjustments, with which we have complied.

Open market site value which meets RICS Viability in Planning Guidelines: As regards the open market values, these are in line with the RICS Viability in Planning Guidelines. Adjustments were made to the comparables in line with these guidelines in order to take account of planning policy. We will forward further detail for your information. In terms of abnormal costs, of the ones we set out the abnormals in relation to Network Rail may be appropriate to deduct but the others relate to the directives of the planners as regards the aesthetics of the building. The Council's wish is to provide a statement building at this location and they are aware that this would impinge on the affordable housing provision, but have accepted this to provide a gateway building at this important junction. This is not a site abnormal which should be deducted from any value. Most sites in Camden are tight sites and so this is not an abnormal which should be deducted either. We are prepared to deduct the £350k for the Network Rail abnormals and this would reduce the value to £1m for this site.

Site purchase: we would point out that £400k was not the price paid for the site in its entirety, it was the book price that one owner paid to the other for their share. Essentially the site has been in the same ownership for c30 years. It is also dated 2011 so is of little relevance. It cannot, therefore, be taken into account. It would seem that BPS may have used this 'purchase' figure (clause 1.11 in their report) as a basis for their site benchmark of £395k, as it is so similar. If this is the case, it is based on a misinterpretation of the facts in this instance.

With regard to the specific rents:

Advertising hoarding:
Until a year ago the hoarding was illuminated and the lessee wanted to introduce a digital hoarding but would only do so with a minimum 5 year lease, in order to recoup their investment. It is currently paper, reflecting the short licence terms due to redevelopment proposals.

Colliers have stated:

We have reviewed the Market Rent of the subject property and have considered the following additional market evidence comprising recent lettings of comparable advertising hoardings across London. We set out our rationale below:

Our opinion of the subject property's Market Rent is £20,000 per annum.

The above range of advertising hoarding evidence reflects a rental range of between £5,000 - £23,750 per annum.

The current licence is held on the basis that the tenant is responsible for erecting and maintaining the advertising hoarding which comprises 1x 96 sheet paper and paste advertising frame and 1x 48 sheet paper and paste advertising frame. ypically, for a prominent location such as the subject site, an advertising operator would erect digital boards in order to maximise the benefit of the high passing traffic and pedestrian footfall. However, we understand that, due to the potentially short term nature of the current occupational agreement (in light of the 30-day break clause for redevelopment), the tenant has chosen not to install digital boards in order to mitigate the potentially costly process of dismantling and relocating shortly after their installation, choosing instead to erect the paper alternative.

However, in light of the fact that our Existing Use Valuation ignores any redevelopment potential, we have assumed that the advertising space would be let to an occupier on conventional lease terms and who would erect digital advertising boards rather than paper boards. We have assumed the same sized boards (i.e. 1x 96 sheet and 1x 48 sheet) as have been installed on the site under the current licence.

In arriving at our opinion of value, we have had regard to the letting of the Land at Eastern Avenue in Romford at a rent of £20,000 per annum. The comparable is located on a busy junction with potentially higher vehicular and pedestrian footfall than the subject property, however, we note that the comparable only comprises a single 48 sheet board compared with the subject property which comprises a larger 96 sheet board and a 48 sheet board. Thus, on balance, we feel that this transaction provides reasonable evidence to underpin our adopted rental value.

Furthermore, we have had regard to the letting of the Land at 17 Anerley Road in August 2015 at a rent of £20,000 per annum. We note that again the hoarding is a single 48 sheet board, however, the comparable is similarly located on the corner of a relatively busy junction both of which receive good pedestrian and vehicular footfall thus, we are of the view that this transaction broadly reflects our opinion of value.

We further note the letting of the Land at Alperton Lane in Greenford in March 2016 at a rent of £23,750 per annum. The comparable comprises a single 96 sheet board well located to the side of a busy motorway. Whilst the subject property has a greater level of advertising space (i.e. an additional 48 sheet board), we are of the view that the comparable would likely receive higher levels of passing traffic than the subject property thus, providing greater advertising potential. Therefore, we feel that our adopted Market Rent should reflect a moderate discount against this evidence.

The letting of the Land at Uxbridge Road at a rent of £16,000 per annum in August 2015 comprises 1x 96 sheet and 2 x 48 sheet paper boards located to the side of a dual carriageway. The comparable has an additional board compared with the subject property, however, we note that it is set back from the carriageway behind a bus lane inhibiting its advertising potential in addition to the fact that it is paper advertising compared with the digital boards a the subject property. Therefore, we feel that an uplift is merited against this evidence to arrive at our Market Rent.

The most recent transaction at the Land at Merton Road in December 2017 is of 4x 48 sheet paper boards in a poorer location with low passing traffic and pedestrian footfall thus, we feel that a significant uplift is merited in reaching our Market Rent.

Finally, we refer to the occupational agreement dated 18th December 2004 which was subsequently reviewed and extended with a new rent set as of 15th July 2013 at £20,000 per annum. Whilst this is now somewhat historic, it demonstrates that the rental demand for this property on more conventional lease terms is far in excess of the rent payable under the current licence, incorporating the 30-day break clause, at £7,200 per annum.

On balance, we are of the opinion that our adopted Market Rent of £20,000 per annum is in line with the above evidence and our rationale.

Based on the evidence, we consider that the subject property would let in the current market on a term of 10 years subject to 5 yearly RPI linked reviews.

Car wash: Colliers have stated:

In addition to our previous valuation, we have explored the rental value of the car wash facility on the basis of a rent psf based on industrial comparable evidence which we deem to be the most pertinent in terms of use class.

We estimate the gross floor area of the car wash / adjoining building to be approximately 2,050 sq ft. Analysing the rent of £15,000 per annum across this area produces a passing rent of circa £7.30 psf.

When assessing this against the local market for industrial space, we note that Kentish Town, given its Zone 2 location, is no longer a strong industrial market. Whilst we acknowledge the presence of industrial accommodation near to the subject property, we understand that much of this space has been allocated for redevelopment to residential and other uses.

We have thus considered evidence in the wider locality, predominantly North London, and feel it unjustifiable to apply a higher rental value on a like for like '£ psf' basis to the subject property given its poor access, condition and specification and indeed the broken up nature of the buildings on site (i.e. divided into two parts – the car wash building to the north and storage/office building to the south).

Thus, we do not consider the market for this type of accommodation to be sophisticated enough to apply a conventional comparable methodology in order to reach our Market Rent. We therefore revert to our original view that the rent would typically be determined on an affordability basis rather than calculated on an established market rate.

We note that the current occupational agreement on the car wash is particularly onerous on the tenant in light of the rolling 30-day break clause for redevelopment of the site and we consider that the rent would typically be heavily discounted to reflect this. However, in the absence of strong market evidence to substantiate this *assertion, we are content in maintaining our original position on the matter and hold that the passing rent of £15,000 reflects the Market Rent.*

BPS have accepted this rent for the car wash.

Yield
BPS have accepted 6%.

EUV
Advertising hoarding: rent £20k at 6% = £333,400. Less purchasers costs gives a value of £314,063

Car wash: rent of £15k at 6% = £250,050. Less purchasers' costs gives a value of £235,547

Total EUV: £549,610

Premium
The premium needs to take account of the fact that the site is underutilised and increasing the floor area of the car wash internally could achieve a higher rent, without increasing the footprint.

Also in relation to the car wash, although there might not be security of tenure it would be easy to find new occupiers easily and at little cost. The income stream would continue. Therefore, any premium should reflect this. We cannot accept that a continued income for this use in the future is a liability and would only attract a low premium. A low premium would apply to a use which would not continue into the future, for which there would be a high level of voids – this is not the case here. Such spaces in central locations are in high demand and the floor area for the car wash could be optimised and we therefore believe a premium of 25% is appropriate.

Similarly advertising hoardings are in high demand, with a high level of rent for space and for little input from the site owner and offering a good covenant. .This is not a liability for the land owner but, on the contrary, it is an asset which would attract the highest premium.

The site may not be aesthetically pleasing but that does not mean it doesn't have an income stream and demand for its current uses. Sites for such uses are increasingly in high demand and tenants can be easily found, as confirmed by Colliers.

It is also be noted by the Planning Consultant that the site is formally allocated for mixed use development in the Kentish Town Neighbourhood Plan. This is a formal Local Plan Site Allocation and it is a matter of basic planning principle that this allocation has significant weight within the planning system. This will increase the value of the site and the amount that the land owner will seek in order to sell for redevelopment.

EUV Plus:
Car wash with 25% premium - £294,434
Advertising hoarding with 30% premium - £408,282

Site Benchmark EUV Plus: £702,716
Site benchmark site value: £1m.

Conclusion

The Council requested additional aesthetic treatment for this building and, as a result, it was recognised that this would impinge upon the provision of affordable housing. However, because of the strategic importance of this building they were prepared to accept that conclusion.

We will issue an appraisal once the additional fees have been confirmed and forwarded, the sales periods checked, the value of land transferred to the Council assessed and we have forwarded the further detail in relation to the site benchmark.

Affordable Housing Solutions
19th April 2019

Advertising Hoarding comparables

Property	Date	Rent per Annum	Comment
 Land at 149 Merton Road, SW19 1ED	Aug-17	£5,000	4 x 48 sheet paper advertisements. Let for 10 years subject to 5 yearly RPI linked reviews capped at 2%. Located on a relatively quiet road away from the rail links and high footfall. Lower vehicular traffic than subject property.
Land at 14-17 Alperton Lane, Greeford, UB6  8AA	Mar-16	£23,750	Digital advertising hoarding. Let for 10 year subject to 3 yearly RPI linked reviews. Located to the side of a motorway.

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Property	Date	Rent per Annum	Comment
 Land at 17 Anerley Road, SE19 2AS	Aug-15	£20,000	48 sheet digital advertising hoarding. Let for 10 year subject to 5 yearly open market reviews. Located on the corner of a quiet junction.
Land at Eastern  Avenue, Romford, RM1 4QJ	Aug-15	£20,000	Digital advertising hoarding. Let for 10 year subject to 5 yearly open market reviews. Located on the corner of a busy junction.
 Land at Uxbridge Road, UB4 8HZ	Aug-15	£16,000	1x 96 sheet and 2 x 48 sheet paper advertisements. Let for circa 8 years subject to 5 yearly open market reviews. Located on a dual carriageway but set back from the roadside behind a bus route.

Addendum 8th May 2019

In addition to the points above, our further response deals with the following changes to those points or additions.

Private sales values
To further make the point regarding values, Goldschmidt & Howland have made contact with potential joint venture partners in relation to this scheme. The response that has been received indicates achievable values between £800psf to £850psf and not £900psf or over. (BPS are suggesting £921psf). This lower range reflects the current market deterioration. The revised GDV we have now inputted is £884psf so it is above the range considered appropriate by potential developer partners. We would like to reiterate that the values we received from 2 other agents were lower than the figures we eventually used for the purposes of this appraisal, indicating that we have already taken a bullish stand and cannot, therefore, accept BPS values based upon the comparables.

Sales period
We will assume 6 months but we believe this is very optimistic given the rate of sales at the current time.

Fees
We need to include for the following abnormal fees:

- Compensation for termination of the car wash lease - £75k (set out in lease)
- Insurance - £50k (separate detail to be provided).
- Network Rail monitoring costs - £40k budget. (verbal response received by developer from Network Rail. They have not been provided with a written budget. This actually looks quite light compared to another scheme I am aware of with only 8 x 3 storey houses without basements for a minor line where they charged £30k.)

We believe the 10% for the professional fees is low considering the nature of this site and the engineering and site work required because of its location.

S106 contributions
The widening of the footpath by 1.5m onto the Applicant's land has resulted in the loss of c16,160sf of commercial space at ground floor level. This has resulted in a loss of profit of £45k (using the GDV of the commercial and apply this pro-rata to this floor area). We have shown this as a cost – the opportunity cost of this loss of profit.

CIL
Have the Council confirmed the CIL calculation?

Result
The site benchmark for the existing use of the scheme based upon open market rent levels is in the opinion of Colliers c£549k In addition, we have added a premium of 20% and 25% to the 2 uses based upon the likely continued income stream, should the redevelopment proposals not exist. This gives a site benchmark of c£704k. Even this would probably not entice a landowner to sell this site for redevelopment but it is a base figure we are prepared to use for this purpose.

In relation to the affordable housing contribution to this scheme, we would like to reiterate that the Planning Department have asked for enhanced design features to this scheme, because of its location as a gateway scheme, which amount in pure build costs to £430k. Adding fees and interest to this figure would provide c£490k which would directly affect any affordable housing contribution downwards.

- Enhanced brickwork and glazing to façade for this gateway scheme – c£430k. This includes for higher specification brickwork, Flemish bond brick format, stone cladding etc.This is to meet the requirements of planning for the appearance of the scheme and the estimate is only for the enhanced cost over and above the cost of a more traditional façade. The prominent nature and triangular shape of the site means that the building will have two primary elevations that together entail the majority of the building façade. Uniquely, given the triangular nature both these elevations require significant architectural treatment.

We would stress that, as outlined above, we believe are residential values are supported by the market evidence. Given the current deterioration in both completed residential sales values and the increasing tome to sell, together with increasing build costs, we believe the profit level for the residential should be 20% of GDV for the private residential given the market and the scheme itself, but would be prepared to compromise at 18.5%.

We have attached an appraisal with our revised assumptions. It shows a Residual Land Value of £270k, assuming 18.5% profit for the residential. (At 17.5% it would be £350k.) This is below the site benchmark of £704k and demonstrates that the scheme cannot support affordable housing.

This scheme is on the edge of viability for the Applicant but they can proceed based on this appraisal. Whilst the Applicant is aware of the need for affordable housing, the site itself is one which is unusual and complicated. However, it does offer great benefits to the Council in terms of a large CIL payment of c£750k, residential accommodation where none exists and a landmark building as a gateway to the area.

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