8 – 10 Southampton Row & 1 Fisher Street, WC1B 4AE

Independent Viability Review

Prepared on behalf of the London Borough of Camden

25th July 2019

Planning reference: 2019/2536/P

BPS
Chartered Surveyors

82 South Street, Dorking, RH4 2HD
www.bps-surveyors.co.uk
Tel: 01483 565 433

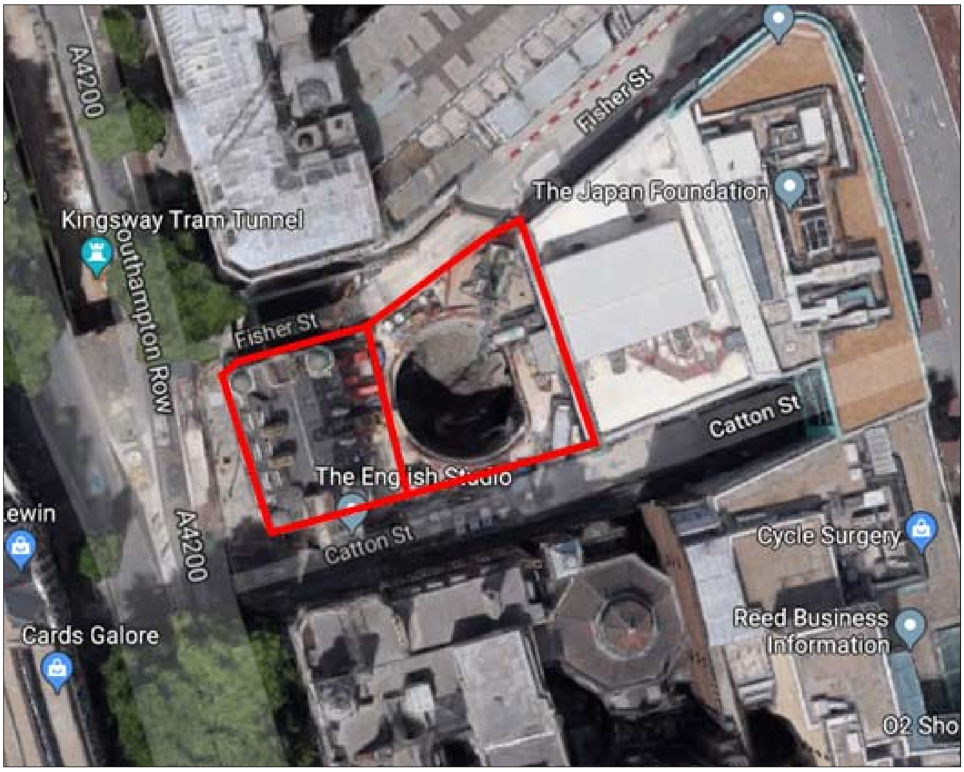
Table of Contents

1.0 INTRODUCTION

1.1 BPS Chartered Surveyors has been instructed by the London Borough of Camden ('the Council') to review a viability assessment prepared by Turley on behalf of the Ide Real Estate (the Applicant') in respect of the proposed development of 8 – 10 Southampton Row and 1 Fisher Street.

1.2 The site is formed of two properties. 1-2 Fisher Street formerly housed an office block and is located on the eastern parcel. The building which previously occupied the site has been completely demolished to allow for the Crossrail Head house, which takes up a large proportion of this part of the site (please see below). There is a requirement for Crossrail to retain a right of access to this head house but development above it is permitted.

1.3 8-10 Southampton Row is a Grade II listed building with a prominent road frontage. It was last in use as a public house, associated basements and 9 residential units on floors 2-7 (A4 and C3 use classes). The property has been semi stripped out and been in temporary use as site offices for the Crossrail construction on the Fisher Street parcel. There have been some structural alterations internally and to the rear of the building in order to facilitate the works.



1.4 The sites were subject to separate compulsory purchase orders by Crossrail under the terms of the Crossrail Act 2008 and works are due to be completed in 2018.

1.5 They are also held under separate titles; Fisher Street under reference NGL908650 and Southampton Street under reference NGL597497.

1.6 The latest planning application has been submitted under reference 2019/2536/P for the following:

Change of use of 8-10 Southampton Row from temporary Crossrail offices (B1) to hotel with ancillary bar and restaurant (C1), together with erection of an 8 storey building at 1 Fisher Street, containing 9 self-contained residential units (C3) and hotel floorspace connected to 8-10 Southampton Row (85 hotel rooms in total across the site), following demolition of part of rear façade and other internal and external alterations to 8-10 Southampton Row. Installation of associated plant, refuse and cycle storage areas.

1.7 There is also a simultaneous application submitted under reference 2019/2560/L for Listed Building Consent in respect of Southampton Row.

1.8 In February 2018 BPS provided an assessment of the previous application, described as:

"Full Planning Application and Listed Building Consent for change of use, internal and external alterations to 8-10 Southampton Row and erection of adjoining 8 storey extension over 1 Fisher Street to provide a part 7, part 9 storey hotel (Use Class C1) with ancillary restaurant and bar and associated plant, refuse and cycle storage areas"

1.9 Following objections to the loss of C3 use on site, an appraisal was also submitted for a wholly residential scheme and a mixed use scheme to demonstrate that it is not viable to re-provide the 9 units in Southampton Row. The Applicants findings were as follows:

Benchmark Land Value

Fisher Street - £6,128,500 - *CPO value plus 6 months holding costs*
Southampton Row - £12,600,110 – *CPO value plus IPD indexation*
<u>Combined total - £18,728,610</u>

Residual Values/Deficits

Proposed hotel scheme - £6,939,313 (deficit of £11,789,297)

Residential scheme - £2,181,969 (deficit of £16,546,641)

Mixed use scheme – £3,482,807 (deficit of £15,245,803)

1.10 The applicant also maintained that the valuation of the mixed use scheme was for illustrative purposes only as it would not be physically feasible to provide a separate access core for an isolated residential area due to the Crossrail head house.

1.11 BPS concluded that the cost assumptions and benchmark land value had been significantly overstated and as such reported the following:

Benchmark Land Value

Fisher Street - £6,128,500 - *CPO value plus 6 months holding costs*
Southampton Row - £2,680,000 – *Reinstatement value*
Combined total – £8,808,500

Residual Values

Proposed hotel scheme – £12,800,000 *(surplus of £3,991,500)*

Residential scheme - £13,800,000 (*surplus of £4,991,500)*

1.12 The latest submission has adopted a reduced benchmark land value taking the reinstatement value of Southampton Row, as suggested by BPS, as opposed to the previously proposed indexed CPO value. However, the differences in cost assumptions raised in our previous assessment have not been addressed and so the latest conclusions provide a residual value of £1,012,424; or a deficit of -£8,161,337.

1.13 As such the Applicant has concluded that it is not viable to provide any contributions towards affordable housing or any other S106 contributions.

1.14 Prior to the Crossrail works Southampton Row provided 9 apartments with a total NIA of 7,816 sq ft. The latest proposals do reprovide 9 units, however with a reduced NIA of 5,124 sq ft. Therefore while residential unit numbers are maintained, there is still a net loss of residential floor space.

1.15 Our report seeks to scrutinise the Applicants cost and value assumptions to assess whether we consider this is an accurate position of scheme viability or whether there is greater potential to fulfil policy requirements and housing need.

2.0 CONCLUSIONS AND RECOMMENDATIONS

2.1 The majority of assumptions made have been found to be reasonable with the exception of the build cost. This is a similar conclusion to our assessment of the previous application and none of the issues raised as potentially unreasonable/unjustified in our earlier report appear to have been addressed in this latest proposal.

2.2 In accordance with the conclusions of our Cost Consultant, Geoffrey Barnett Associates, we have reduced the construction costs of the proposed development by £10,073,784 (33.26%). This has produced a residual surplus of £3,343,660 above the agreed benchmark land value. We therefore conclude that the scheme is not delivering the maximum level of affordable housing and that this additional value could provide an affordable housing contribution. An amended appraisal can be found in Appendix A.

2.3 The previous application was for a hotel only development. This was considered unsuitable as it would result in a loss of the existing residential units; of which there were 9 in Southampton Row. The latest application seeks to remedy this by re-providing 9 residential units, albeit at the rear of the development (Fisher Street half of the site). However we note that the proposed residential floor space is only 5,124 sq ft, or a reduction of 34% from the existing residential floor space. Therefore this still results in a net loss of residential development and also fails to meet market housing needs.

2.4 The benchmark land value has been derived from the combined value of the CPO value plus 6 months holding costs for Fisher Street, as was agreed in our previous assessment, and the residual value of reinstating the previous uses on Southampton Row, as was also agreed in our previous assessment. This has produced a total value of £9,174,000 which is marginally higher than the previous assessment due to the adoption of a lower target profit margin of 17.5% for residential income and 15% for commercial income. This was previously included at a fixed total rate of 20% but we agree that the lower rates are more suitable for a mixed use development of this nature. Therefore we agree that the proposed total benchmark land value is reasonable.

2.5 With regard to the proposed scheme, we have reviewed the proposed sales values and have found that they are at the lower end of the range we would consider reasonable, but acknowledge that there are few directly comparable developments in the local area. New build schemes tend to have additional benefits, such as outdoor space, concierge, parking or gyms, which are not included at the proposed development due to the limited number of units and space. Therefore we consider the achievable values to be higher than similar second hand properties but lower than new build housing stock. On this basis the proposed values fall within a reasonable range but we have found the relatable sales evidence to over a broad range of values.

2.6 Due to this uncertainty, we have also carried out sensitivity testing on the effect of changes in sales values. This has shown that even if values were to be 10% lower than the proposed, the residual surplus is still approximately £2,700,000. If values are to increase by 10% then the residual surplus increases to £3,960,000. This demonstrates that the surplus is reasonably tolerant to fluctuations in sales values. The pessimistic pricing also suggests that values are only more likely to improve from the proposed positon, meaning that an increased surplus also may be viable. Due to the lack of direct comparisons, we reserve the right to review the pricing at a later stage if more evidence becomes available but accept the proposed values at this stage.

2.7 The Applicant has provided a report by White Bridge which details the expected cash flow and yield to provide a capital value of £37,800,000 for the hotel. Cash flows have been averaged over a 5 year period to account for the start-up period as trading stabilises. This translates to a value of £444,706 per key.

2.8 We have assessed the assumptions on which this is based and have found the room rate, vacancy rate and management costs to be reasonable in relation to available evidence. However we consider the 5% yield to be too high, and in accordance with research by Savills which has found prime yields to be in the region of 3.5-4%. We have therefore adopted a yield of 4.25% which captures the higher risk which arises over the period until full trading stability is established. This has led to a total value of £40,165,271 (unrounded) after the deduction of purchaser's costs; or £475,533 per key. This is also consistent with the values achieved at similar hotels Indigo Aldgate (£429,245) and Crowne Plaza Kensington (£520,370) and adopts a mid-point positon which is appropriate in relation to the quality of product, location, rates etc.

2.9 The capitalised ground rental value is based on the assumption of annual rents of £500 per unit capitalised at a 5% yield. We are aware of recent Government consultation regarding the potential future restriction of ground rents to a peppercorn. We have therefore adopted a higher yield of 10% to capture this risk.

2.10 As stated above, the construction costs have been analysed by our Cost Consultant, Geoffrey Barnett Associates. Their full report can be found in Appendix B and the key findings are that the costs are £10,073,784 or 33.26% higher than reasonable expectations. We have reduced these accordingly.

2.11 All other assumptions are broadly reasonable and explained in more detail in section 4.

3.0 PRINCIPLES OF VIABILITY ASSESSMENT

3.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

Gross Development Value – Development Costs (including Developer's Profit) = Residual Value

3.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.

3.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.

3.4 PPG now firmly defines the approach to be taken to determine land value through the following extracts

How should land value be defined for the purpose of viability assessment?

To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.

See related policy: National Planning Policy Framework paragraph 57

Paragraph: 013 Reference ID: 10-013-20190509

Revision date: 09 05 2019

What factors should be considered to establish benchmark land value?
Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*

- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

See related policy: National Planning Policy Framework paragraph 57

Paragraph: 014 Reference ID: 10-014-20190509

Revision date: 09 05 2019

What is meant by existing use value in viability assessment?

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

See related policy: National Planning Policy Framework paragraph 57

Paragraph: 015 Reference ID: 10-015-20190509

Revision date: 09 05 2019

How should the premium to the landowner be defined for viability assessment?

The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

See related policy: National Planning Policy Framework paragraph 57

Paragraph: 016 Reference ID: 10-016-20190509

Revision date: 09 05 2019

Can alternative uses be used in establishing benchmark land value?

For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.

Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should *be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.*

See related policy: National Planning Policy Framework paragraph 57

Paragraph: 017 Reference ID: 10-017-20190509

Revision date: 09 05 2019

4.0 PROPOSED SCHEME VALUATION

Residential

4.1 There are 9 residential units proposed, including 1x studio unit (474 sq ft), 6 x one bed units (538 and 581 sq ft) and 2x two bed unit (667 and 710 sq ft). The total value of £7,700,000 which equates to £1,503/sq ft. The total residential floor area is 5,124 sq ft; or a 34% reduction from the existing residential floor space.

4.2 Because the cost plan provided by the Applicant included very high fit out costs, we would assume that the intention is to provide a high specification product aimed at the above average market values.

4.3 However the proposed units are located at the rear of the site and are considerably smaller than other new build apartments in the local area. They also do not have the same services and faculties such as concierge, outdoor space or parking, which is typically found at the higher end developments and would be expected to achieve premium values. We would therefore expect the values here to be at the lower end of the new build value spectrum and as such have also had regard to good quality second hand stock. We would expect the values to fall in between these two types of property.

4.4 Hexagon Apartments in Covent Gardens is a development of one and two bed apartments in a 15 storey landmark tower. We would expect the values here to achieve a premium over the subject site. There is a one bed apartment of 582 sq ft located on the 4th floor. It has a wraparound balcony, concierge and dual aspect views. It is currently being marketed at £1,110,000, or £1,907/sq ft. While this is a marketing value, it does suggest that the values for the one bed units at the subject site are pessimistic.

4.5 Plots 3.03 and 3.04 of Parker Street are a one bed units of 626 sq ft. They are currently available as shared ownership units but the open market value is stated as £950,000. This equates to £1,518/sq ft asking price. As a shared ownership development this will not attract the same premium values as private tenure developments, and suggest that values between £805,000 (plot 4) to £850,000 (plot 7) may be reasonable, albeit conservative, but that the one beds values at sub £800,000 may be too pessimistic.

4.6 Red Lion Square is a high level refurbishment of a period property. It comprises two bedrooms over 968 sq ft with underfloor heating and permit parking. It is currently being marketed at £1,650,000 or £1,704/sq ft. This again suggests that the values for the two bed units, £1,065,000 for a unit of 667 sq ft and £1,100,000 for a unit of 710 sq ft, may also be pessimistic but highlights how the apartments are much smaller in comparison and how there is a lack of direct comparables for a development of this nature which leads to uncertainty in the pricing.

4.7 We have also had regard to achieved values of second hand properties. 12a Russell Square Mansions, Flat B Bevan House and Flat 21 Bristol House are all older one bed units of 508 sq ft, 468 sq ft and 588 sq ft respectively. They sold between January amd April 2019 for £580,500 (£1,413/sq ft), £455,000 (£972/sq ft) and £605,000 (£1,029/sq ft). This demonstrates that the range of values for the area is fairly broad for different property types and the product being offered could also fall within a wide margin of values.

4.8 Generally we consider the values to appear pessimistic, but recognise the lack of robust evidence due to the nature of the scheme. Therefore we have agreed to adopt the proposed values at this stage, but have also carried out sensitivity testing to assess the impact of values changes on the overall scheme value. While we believe the values to already be at the lower end of what is reasonable, we have tested increments of 5% changes in values both upwards and downwards. This has produced the following:

Table of Profit Amount and Profit on GDV%

Sales: Gross Sales				
-10.000%	-5.000%	0.000%	+5.000%	+10.000%
6,930,000	7,315,000	7,700,000	8,085,000	8,470,000
£2,727,660 5.458%	£3,035,660 6.028%	£3,343,660 6.589%	£3,651,660 7.142%	£3,959,660 7.687%

4.9 This analysis demonstrates that even if values were to decrease by 10% (to an average of £1,353/sq ft), the scheme would still deliver a surplus of £2,727,660. However if the values increase by 10% (to an average of £1,653/sq ft) the residual surplus increases to £3,959,660. Due to the pessimistic approach to valuing the units we consider an increase to be a more likely position, but in both cases we consider the scheme still delivers a substantial surplus.

4.10 Therefore we have accepted these values at this stage but reserve the right to review these if more reliable evidence becomes available.

Hotel

4.11 The Applicant has provided a report by White Bridge which details the expected cash flow and yield to provide a capital value of £37,800,000. Cash flows have been averaged over a 5 year period to account for the start-up period as trading stabilises. This translates to a value of £444,706 per key.

4.12 The average room rate is assumed at £192 per night in the first year, increasing to £231 in the fifth year. This reflects a 20% growth over the 5 year period, also taking into account an increase in demand as a reputation is established. The capital value has been calculated on an average of £201 per night. The average room is 23 sq m but range from up to 21 sq m for a standard room to 31 sq m for a suite.

4.13 Mercure London is a similar hotel also located on Southampton Row with a similar range of facilities and room sizes. It is also described as a 4* Boutique. Prices are being quoted at £273 per night for a standard double bedroom to £298 per night for the superior King size room. While it has established trading, this represents a fairly large discount, particularly as the initial average asking price per room in year one is £192; or a 30% reduction.

4.14 The Double Tree Hilton is also a 4* Boutique hotel located on Southampton Row. Prices range from £270 per night for the double bed deluxe room to £335 per night for the deluxe double premium room. Previous guests have stated that the rooms are also fairly small although no exact sizes are given.

4.15 The Grange, Holborn is another 4* Boutique hotel on Southampton Row. Prices range from £180 for the double room to £210 per night for the superior double room. The room sizes average 25 sq m, similar to the proposed development. It has 207 beds and was sold in May 2018 for £127,099,998; equating to £614,010 per key

4.16 In early 2019 we understand this hotel was also part of a wider portfolio sale of four central London hotels. The deal comprised four hotels; Grange St Pauls, EC4 (433 beds), Grange Tower Bridge, E1 (370 beds) Grange City Hotel, EC8 (317 beds) and the Grange Holborn (207 beds), total 1,327 beds. The exact amount is not confirmed but is close to £1 billion.

4.17 The hotels have now been rebranded but the prices still give a good indication of the values they were achieving pre takeover. St Pauls is being marketed at £242 per night superior double to £309 per night for a suite. Grange Tower Bridge is being marketed at £161 for a superior double per night and £197 for an executive double. London City is marketing rooms at £152 per night for a king room to £224 per night for a junior suite. This suggests that the value of each hotel was broadly similar in terms of per key value.

4.18 A portfolio value of £1,000,000 would equate to an approximate average value of £750,000 per key. The chain of hotels is superior in terms of facilities, with swimming pool and spas, but generally within the same price bracket and target market as the proposed development. There will also be a premium paid for the established trading reputation and client base. However this indicates that the value per key of £444,706 is a conservative valuation in the current market with this sale indicating there is still strong interest from investors.

4.19 Crowne Plaza, Kensington is another transaction referenced in the report. The 162 key hotel sold for £84,300,000 in April 2019 equating to £520,370 per key. Savills state this represents a net initial yield of 3.46% and that the building has a gross internal area of 92,500 sq ft. Current room rates range from £239 per night for a standard double to £405 per night for a superior suite. The hotel is located close to Kensington High Street and tourist attractions such as museums. The price range is wider but this is partly due to the larger rooms and suites available. However, the Crowne Plaza is superior to the subject site.

4.20 Indigo Aldgate/Clayton Hotel City of London is a 212 key hotel sold in 2018 for £91,000,000 or £429,245 per key; a similar value to the subject site proposals. This was a new build development sold with no existing trade. Current room rates range from £161 per night for a deluxe double room to £229 per night for a junior suite. While these prices are not too dissimilar to the proposed room rates at the subject site, they are also still in keeping with other established hotels in the Aldgate area, such as Hotel Indigo where rates range from £179 per night for a superior double to £238 for a one bedroom suite.

4.21 Therefore we would expect a range of options between approximately £180 per night to a £300 per night, although we acknowledge lower prices are to be expected while trading and reputation are established. Therefore we accept that the average value of £201 falls in a reasonable range at this stage although without clarification on the hotel specification, the range of what we would consider reasonable is still fairly broad and has potential to be refined when there is greater detail available.

4.22 The valuation assumes 76% occupancy in the first year, increasing to 82% by the third year when it stabilises. This is in line with the findings of a Knight Frank Hotel Trading Performance Review 2018 although as the value of the pound has fallen in 2019 there is potential for increased tourism. However with the information available we accept this is a reasonable assumption at this stage but potentially conservative given the current economic climate.

4.23 Savills research 2019 has found that that prime yields are in the region of 3.5-4%. This is in line with the sale of Kensington Crowne Plaza (3.46%). We acknowledge that a new start up will be a higher risk investment but the location and product will still be that which would otherwise be considered a prime asset. It is also possible that the operator will come with a recognised name which would substantially reduce risk. The income has already also been discounted to reflect the stabilisation period so we consider a yield of 5% to be too high and unjustified. We therefore recommend a yield of 4.25% is adopted to capture the higher risk while trading established but also the quality of the location and product, as has been demonstrated by the build cost specification.

4.24 This has produced a total value of £40,165,271 after the deduction of purchaser's costs. This equates to a value of £472,533 per key which adopts a reasonable mid-point position between the value achieved at Indigo Aldgate (£429,245) and Crown Plaza Kensington (£520,370).

Ground Rents

4.25 The valuation of the ground rent investment value has been determined using an annual rent of £500 per property capitalised at 5%. We agree that £500 per annum is a reasonable rent in the current market; however we are aware of recent Government consultation regarding the potential future restriction of ground rents to a peppercorn. Whilst the relevant legislation has not yet been enacted, we recognise the increased risk associated with the valuation of ground rents in light of this uncertainty. Therefore we have adopted a higher yield of 10% to capture this risk. This has reduced the total ground rent value to £45,000.

5.0 DEVELOPMENT COSTS

5.1 Our Cost Consultant, Geoffrey Barnett Associates, have reviewed the cost information that has been provided. His full report can be found in Appendix B and his key findings are as follows:

We conclude that costs shown in the cost model are £10,073,784 or 33.26% higher than expectation.

5.2 We have therefore reduced the construction costs to £21,210,550. This is relevant as it is important that costs associated with the head structure are excluded from this assessment.

5.3 Professional fees of 10% have been allowed. This is a standard assumption as fees typically range from 8-12%. Therefore we find this reasonable.

5.4 The Applicant has made an allowance of £513,421 for Borough CIL and £467,094 for Mayoral CIL. No S106 contributions have been included but the report states this has been agreed with the Council. We have accepted these assumptions as correct unless advised to the contrary.

5.5 Residential marketing and agents fees have been included at 1.5% and 1% respectively. This equates to 2.5% in total which we agree is a realistic assumption.

5.6 A sales legal fee has been expressed as a percentage of 0.25%. The total figure of £19,250 equates to a cost per unit of £2,139. This is in excess of the commonly accepted range of £800 to £1,200. While it is a relatively small increase overall we recommend this is reduced to £1,000 per unit, or £9,000 overall.

5.7 The ground rent value has also had deductions of 1% for agent's fees and 0.25% for legal fees. We accept that there will be legal costs associated with the sale but do not consider agents fees to be applicable as this has already been included in the purchasers costs deductions of 6.8% and results in double counting.

5.8 Similarly, we have applied purchaser's costs to the net investment value of the hotel and so have removed the separate agent fees allowance in the disposal costs. As legal costs have again been expressed as a percentage this has led to a total cost of £200,380, which is excessive for a single legal transaction. We have reduced this to a fixed cost of £50,000 which we still consider to be a prudent estimate.

5.9 Profit margins of 17.5% of residential revenue and 15% of commercial revenue have been targeted. We accept both as being reasonable and reflective of the development risk.

5.10 The appraisal of the proposed scheme computes a residual land value. We have instead shown the land cost as the agreed benchmark land value and the profit margins fixed as a development costs. This ensures that the acquisition costs are also fixed according to the benchmark land value; at 5% for stamp duty, 1% for agent's fees and 0.25% for legal fees. This has resulted in increased acquisition costs due to the use of a higher land value rather the assumptions on how these are determined.

5.11 The cost of finance is applied at 7%, which is a standard assumption in the current day lending market. The total finance cost is £2,509,187, or 6.5% of total costs. There is no income received until the end of the construction period, with handover of the hotel upon completion and sales of the apartments over three months after this point. As the residential units have a separate access there is potential for them to be occupied earlier, however as this is a tight site in a central and high value area, we accept that interest from purchasers may be delayed until the whole site is completed so there is no disturbance from the construction. Therefore we agree their finance rate and cash flow assumptions are reasonable but the use of a higher fixed land value has increased the total finance costs to £3,431,388.

6.0 BENCHMARK LAND VALUE

6.1 Our previous conclusions on benchmark land value were as follows:

A benchmark land value of £6,128,500 is proposed for the Fisher Street building. This reflects the price paid for the site through its compulsory purchase together with 6 months holding costs. This approach was previously agreed in relation to application 2013/1477/P for 2-10 Fisher Street which we first reported on in May 2013. The principle being agreed that Crossrail should not be put into a situation which was less advantageous than any other applicant. The basis for acquiring land under compulsory purchase powers reflects existing use value and therefore a compliant benchmarking basis for planning purposes. Therefore even though the building has been demolished Crossrail has had to expend considerable sums constructing a cap to the headhouse to ensure it was strong enough to support development. The combination of these costs and a nil site value was agreed to be excessive hence the acceptance of the acquisition costs as a basis for benchmarking land value for this element of the site.

The Applicant has proposed a benchmark land value of £12,600,110 for Southampton Row, also based on the compulsory purchase price plus Investment Property Databank (IPD) indexation (Midtown Offices). The total proposed combined value is therefore £18,728,610.

While Southampton Row has been physically altered to allow it to be used as Crossrail construction offices it does not have consent for this use, given the unique status of the Crossrail development temporary consent was not required. Its existing planning use remains as a pub, restaurant and upper floor residential. Resumption of the current lawful use would necessitate expenditure to reinstate the former use. Reflecting these costs we propose a benchmark land value of £2,860,000 assuming reinstating the building to its former use.

We conclude that the proposed approach of taking a CPO value and enhancing it by reference to an index would effectively serve to ignore the current building and its condition to create a hypothetical value for which there is no planning precedence.

A comparison with the Fisher St element using the principle that Crossrail should not be disadvantaged compared to any other applicant holds true in looking at the reinstatement value of the former use as this would be the approach that would be adopted in respect of any other applicant.

Taking the site values in combination, we calculate at a total benchmark land value of £8,808,500.

6.2 The latest proposals have maintained the £6,128,500 value for Fisher Street. This is an accepted position.

6.3 The value for Southampton Row has adopted the same approach as was previously advised by BPS; reinstatement of the previous uses. However the Applicant has produced an increased value of £3,045,261. This equates to a combined benchmark land value of £9,173,761. The table below shows the evolution of this position.

Input	Feb 2018	July 2019	Difference
Sales Values	£1,324/sq ft	£1,423/sq ft	£99/sq ft (7%)
Commercial Rent	£132,000 per annum (£22.29/sq ft)	£133,223 per annum (£22.50/sq ft)	£1,233
Ground rent	£500 per annum @ 5%	£500 per annum @ 5%	
Purchasers Costs	£183,256	£198,765	£15,509
Net Development Value	£13,126,224	£14,048,014	£921,790
Construction	£5,870,440 (£304/sq ft)	£6,378,820 (£330/sq ft)	£508,380 (£26/sqft) (8.7%)
Professional Fees	10%	10%	
Marketing & Disposal	£391,553	£366,977	-£24,576
Finance	£771,746 (7%)	£844,300 (7%)	£72,554
Profit on GDV	£2,661,896 (20%)	£2,382,138 (16.95%)	-£280,758
Land Value	£2,680,000	£3,045,000	£365,000 (12.8%)

6.4 The proposed one bed values range from £875,000 for a unit of 623 sq ft (£1,404 sq ft) to £950,000 for a unit of 774 sq ft (£1,228 sq ft). The two bed values range from £1,150,000 for a unit of 682 sq ft (£1,685 sq ft) to £2,250,000 for a duplex penthouse unit of 2,030 sq ft (£1,108/sq ft).

6.5 The previous one bed values ranged from £800,000 for the 623 sq ft (£1,228/sq ft) unit to £900,000 for the 774 sq ft unit (£1,163 /sq ft). The two bed values ranged from £1,100,000 (£1,612/sq ft) to £2,000,000 for the duplex penthouse (£985/sq ft).

6.6 The residential units are located above a pub which may detract slightly from the value. However the character of a period building combined with the superior location at the front of the property (opposed to the new units located to the rear) will have a positive impact on values in comparison. While the largest unit, at 2,030 sq ft, may deflate the overall rate per sq ft.

6.7 Halsey House is refurbished period property similar to Southampton Row, albeit in a quieter location. We assume that the reinstated apartments would be to a similar specification and suited to the same target market, with restored period features but also the benefits of a new build property; such as underfloor heating and 10 year new home warranty. Permit parking is available. There are 2 x two bed apartments at Halsey House of 1,003 sq ft and 968 sq ft, both being marketed at £1,650,000. This equates to £1,645/sq ft and 1,705/sq ft respectively.

6.8 We have also compared the proposed values for the reinstatement scheme to those in the application scheme. Generally we have found the pricing to be consistent although there is a premium applied to the reinstated units, as highlighted by plot 7 which is 682 sq ft and valued at £1,150,000. Plot 7 in the proposed scheme is a similar size, at 667 sq ft, but has been valued at £1,065,000, or £85,000 less. This suggests that the values for the proposed scheme may take a more optimistic approach but we accept the reinstated Listed building is likely to be more desirable and attract a certain premium. Therefore we consider these values to be broadly reasonable.

6.9 Our Cost Consultant, Geoffrey Barnett Associates, has reviewed the cost plan provided and concluded that the costs fall within a reasonable margin. The full report can be found in Appendix B.

6.10 All other cost assumptions are broadly in line with our previous conclusions and so we consider these to be acceptable. On that basis we accept that £3,045,261 is a suitable benchmark land value for Southampton Row.

6.11 The total benchmark land value for the site is therefore £9,173,761.

Appendix A

8-10 Southampton Row, Holborn
Amended Proposed Scheme

Development Appraisal
Prepared by BPS
BPS Surveyors
22 July 2019

8-10 Southampton Row, Holborn
Amended Proposed Scheme

Summary Appraisal for Phase 1 Proposed Scheme

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Apartments - OMS	9	5,124	1,502.73	855,556	7,700,000
Rental Area Summary	**Units**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	
Ground Rent	1	4,500	4,500	4,500	
Totals	**1**		**4,500**	**4,500**	
Investment Valuation					
Ground Rent					
Market Rent	4,500	YP @	10.0000%	10.0000	
		PV 5mths @	10.0000%	0.9611	43,248
Hotel (85 rooms)					
Manual Value					43,000,000
					43,043,248
GROSS DEVELOPMENT VALUE				**50,743,248**	
Purchaser's Costs			(2,924,000)		
				(2,924,000)	
NET DEVELOPMENT VALUE				**47,819,248**	
NET REALISATION				**47,819,248**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price			9,173,761		
				9,173,761	
		5.00%	458,688		
Agent Fee		1.00%	91,738		
Legal Fee		0.25%	22,934		
				573,360	
CONSTRUCTION COSTS					
Construction	**Units**	**Unit Amount**	**Cost**		
Construction	1 un	20,210,550	20,210,550	**20,210,550**	
LB Camden CIL			513,421		
MCIL2			467,094		
				980,515	
PROFESSIONAL FEES					
Professional Fees		10.00%	2,021,055		
				2,021,055	
DISPOSAL FEES					
Residential Marketing		1.50%	115,500		
Residential Sales Agent Fee		1.00%	77,000		
Residential Sales Legal Fee			9,000		
GR Investment Sales Agent Fee		1.00%	28,808		
GR Investment Sales Legal Fee		0.25%	7,202		
Hotel Sales Legal Fee			50,000		
				287,509	
Additional Costs					
Resi Profit		17.50%	1,347,500		
Commericial Profit		15.00%	6,450,000		
				7,797,500	
FINANCE					
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)					
Land			1,847,314		
Construction			1,584,024		
Total Finance Cost				3,431,338	
TOTAL COSTS				**44,475,588**	

8-10 Southampton Row, Holborn
Amended Proposed Scheme

PROFIT

3,343,660

Performance Measures

Profit on Cost%	7.52%
Profit on GDV%	6.59%
Profit on NDV%	6.99%
Development Yield% (on Rent)	0.01%
Equivalent Yield% (Nominal)	10.00%
Equivalent Yield% (True)	10.66%
IRR	12.92%
Rent Cover	743 yrs
Profit Erosion (finance rate 7.000%)	1 yr 1 mth

Appendix B

REVIEW OF THE COST MODELS
PREPARED BY
MACE

FOR

8-10 SOUTHAMPTON ROW AND 1 FISHER STREET, LONDON WC1

15 July 2019

Geoffrey Barnett Associates
Chartered Quantity Surveyors
Project Coordinators
The Old Mill
Mill Lane
GODALMING
Surrey
GU7 1EY
Tel: 01483 429229

CONTENTS:

APPENDICES:

Geoffrey Barnett Associates

K: **GBA ASSESSMENT OF COSTS: OPTION 1**

L: **COMPARISON OF DATE-ADJUSTED COST PLAN AGAINST GBA ASSESSMENT: SCENARIO 1**

M: **CALCULATION OF COSTS USING BCIS M2 RATE: REINSTATEMENT**

N: **ADJUSTMENT OF APPLICANT's COST APPRAISAL TO REFLECT CURRENT DATE: REINSTATEMENT**

0: **COMPARISON OF DATE – ADJUSTED COST APPRAISAL AGAINST COSTS USING BCIS M2 RATES: REINSTATEMENT**

P: **COMPARISON OF GROUP ELEMENTAL M2 RATES: REINSTATEMENT**

Q: **GBA ASSESSMENT OF COSTS: REINSTATEMENT**

R: **COMPARISON OF DATE-ADJUSTED COST PLAN AGAINST GBA ASSESSMENT: REINSTATEMENT**

S: **BCIS DATA**

Geoffrey Barnett Associates

1.0 INTRODUCTION:

1.1 Geoffrey Barnett Associates are Chartered Quantity Surveyors, established in 1974, and have over 40 years' experience of providing quantity surveying, project co-ordination and construction cost management services to clients throughout the UK. The firm's experience covers a wide range of project types and sizes including new build residential and commercial developments, infrastructure projects and refurbishment projects.

1.2 This review relates to the Cost Models dated April and May 2019 produced by Mace Cost Consultancy.

2.0 BASIS OF REVIEW:

2.1 The contract build cost estimate provided by the applicant is reviewed by comparison against the Building Cost Information Service (BCIS) construction cost data published by the RICS. The reason for using the BCIS service is that it provides a UK wide and fully independent database compiled and continually updated by input from varied project types and locations.

2.2 BCIS publish costs as average overall prices on a cost per sq metre basis and an elemental cost per sq metre basis for new build work. For new build construction, the BCIS cost levels are used as a baseline to assess the level of cost and specification enhancement in the scheme on an element by element basis.

2.3 BCIS costs are updated on a quarterly basis. The most recent quarters use forecast figures, the older quarters are firm costs based on historic project data. The BCIS also provides a location adjustment facility against a UK mean index of 100, which allows adjustment of costs for any location in the UK. The BCIS also publish a Tender Price Index based on historic tender prices. This allows adjustment of costs on a time basis where necessary.

2.4 BCIS average costs are available for various categories of buildings such as apartments, offices, shops, hotels, schools, etc.

2.5 BCIS average prices per sq metre include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Average prices per sq metre or elemental costs do not include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs.

2.6 Ideally, a contract build cost estimate should be prepared by the applicant in the BCIS elements. If this is not available exactly in the BCIS format then, where relevant, we undertake analysis and adjustment to allow direct comparison to BCIS elemental benchmark costs. This requires access to the drawings, specifications, and any reports which have a bearing on cost.

2.7 The review of an applicant's contract build cost estimate against BCIS would typically require:

- Adjustment by location factor

- Adjustment for abnormal and enhanced costs
- Review of the applicants estimate on element by element basis
- More detailed analysis where there are significant deviance from BCIS costs
- Adjustment of overheads & profit inclusions to provide direct comparison to BCIS
- Addition of contractors' preliminaries costs
- Addition of ancillary costs, such as fees, statutory charges, etc., as appropriate

These adjustments enable us to make a direct comparison with BCIS benchmark costs.

2.8 The floor areas stated in the applicants cost estimate are accepted and we do not attempt to check the floor areas.

3.0 REVIEW & COMMENTARY: PROPOSED SCHEME

3.1 The scheme is stated to comprise the refurbishment and conversion of the existing 8-10 Southampton Row premises and the redevelopment of 1 Fisher Street to create 9 residential apartments for open market sale and an 85 bed hotel.

3.2 Total area is shown in the accommodation schedule (Appendix 6) to be 4,665m². No area is shown in the cost model but interpolation of total cost and cost per m² arrives at an area of 5,173m². It is assumed that the difference lies in the area of walls, voids, etc. We have used total GIA of 5173m² in our assessment and have assumed a split as follows:

Hotel refurbishment	1,794m²
Hotel new-build	2,527m²
Residential new-build	852m²
	5,173m²

3.3 Total construction costs are shown in the cost model to be £30,195,000.

3.4 Date basis is not specifically stated, but the cost model is dated April 2019 so is assumed to be 2Q2019.

3.5 Preliminaries are included at 20%, main contractors OHP at 8% and risk allowance at 10%. Prelims and OHP are felt to be on the high side. Risk is considered to be too high, and we have used 5% in our assessment.

3.6 Costs are presented in an elemental cost plan based on quantities and composite rates.

3.7 In order to benchmark the figures in the cost model, we have calculated costs using BCIS average m² rates. BCIS rates relate to buildings only, so we have added allowances for external works.

3.8 BCIS rates are mean, are rebased to Camden and are current day (3Q2019).

3.9 We have reviewed the costs in the cost model for external works and facilitating works. External works costs are felt to be reasonable and have therefore been used in our assessment. The cost for facilitating works is felt to be high and would be partly allowed in BCIS rates. We have therefore reduced this by £250,000.

3.10 On the basis of the foregoing we have calculated a total construction cost of £18,945,300 – see Appendix A.

3.11 As noted previously, we have assumed that Mace's cost model is based on 2Q2019 costs. In order to compare on a true like-for-like basis we have therefore adjusted their bottom line figure to 3Q2019 rates using BCIS TPI – see Appendix B.

3.12 The difference between an assessment of costs using BCIS rates and those from the cost model is shown in Appendix C. As can be seen, the difference is large – slightly over £11million, or 37%.

3.13 In order to ascertain where the main areas of difference lie, we have prepared Appendix E, which breaks the cost model and BCIS rates into group elements. As can be seen the principal difference for both hotel and residential is in superstructure.

3.14 We have reviewed the designs and Mace's cost model detail to ascertain whether any abnormal costs could be considered, with the following conclusions: -

a) Transfer structure is required over Tfl's headhouse. £290,000 allowance.
b) Additional facades required to Tfl's headhouse. £280,000 allowance.
c) The site is very tight with no storage facility. This will have an effect on preliminaries, which will be much higher than BCIS rates would allow. We have assessed the additional prelims to be £635,000.

3.15 These abnormal costs have been added to the base costs – see Appendix E. On this basis our assessment of construction cost is £20,210,250 inclusive of 5% contingency.

3.16 As can be seen on Appendix F, the difference between costs in the cost model and out assessment of costs is still £10,073,784 or 33.26%.

4.0 CONCLUSION: PROPOSED SCHEME

4.1 We conclude that costs shown in the cost model are £10,073,784 or 33.26% higher than expectation.

5.0 REVIEW & COMMENTARY: SCENARIO 1

5.1 The scheme is stated to comprise the refurbishment and conversion of the existing 8-10 Southampton Row premises and the redevelopment of 1 Fisher Street to create 36 residential apartments (in accordance with CLP Policy H2) and a 32-bed hotel. In accordance with CLP Policy H4, 50% of the residential floorspace (by area) is provided as affordable housing, of which 60% of units are provided at London Affordable Rent (LAR) and 40% of units are provided as Intermediate Rent tenure.

5.2 Total area is shown in the accommodation schedule (Appendix 10) to be 4,657m2. Total GIA is shown in the cost model to be 5,261m2. It is assumed that the difference lies in the area of walls, voids, etc. We have used total GIA of 5,261m2 in our assessment and have assumed a split as follows:

Hotel refurbishment	1,652
Hotel new-build	463
Residential new-build	3,146
	5,261

5.3 Total construction costs are shown in the cost model to be £28,800,000 (excluding inflation)

5.4 Date basis is not specifically stated but the cost model is dated May 2019 so is assumed to be 2Q2019.

5.5 Preliminaries are included at 20%, main contractor OHP at 7.5% and risk allowance at 10%. Prelims and OHP are felt to be on the high side. Risk is considered to be too high and we have used 5% in our assessment.

5.6 Costs are presented in a one-page summary based on quantities and composite rates.

5.7 In order to benchmark the figures in the cost model, we have calculated costs using BCIS average m2 rates. BCIS rates relate to buildings only, so we have added allowances for facilitating works.

5.8 BCIS rates are mean, are rebased to Camden and are current day (3Q2019).

5.9 We have reviewed the costs in the cost model for facilitating works. These costs are felt to be high and we have therefore used a reduced cost in our assessment.

5.10 On the basis of the foregoing we have calculated a total construction of £16,465,562 – see Appendix G.

5.11 As noted previously, we have assumed that Mace's cost model is based on 2Q2019 costs. In order to compare on a true like-for-like basis we have therefore adjusted their bottom line figure to 3Q2019 rates using BCIS TPI – see Appendix H.

5.12 The difference between an assessment of costs using BCIS rates and those from the cost model is shown in Appendix I. As can be seen, the difference is large – over £12 million or 43%.

5.13 In order to ascertain where the main areas of difference lie, we have prepared Appendix J which breaks the cost model and BCIS rates into group elements. Since Mace's cost model is not split down elementally, this breakdown is our own assessment. Note that we have allocated all fit-out cost to group element 3, internal finishes. As can be seen, the principal difference is in finishes.

5.14 Although there are limited details for this scheme, we assume that abnormal costs will be largely in line with those for the proposed scheme, as follows: -

a) Transfer structure is required over Tfl's headhouse. £290,000 allowance

b) Additional facades required to Tfl's headhouse. £280,000 allowance
c) The site is very tight with no storage facility. This will have an effect on preliminaries, which will be much higher than BCIS rates would allow. We have assessed the additional prelims to be £847,500.

5.15 These abnormal costs have been added to the base costs – see Appendix K. On this basis, our assessment of construction costs is £17,593,608 inclusive of 5% contingency.

5.16 The difference between costs in the cost model and our assessment of costs is still £10,931,599 or 37.84%. this is almost entirely as a result of fit-out costs.

6.0 CONCLUSION: SCENARIO 1

We conclude that costs shown in the cost model are £10,931,599 or 37.84% higher than expectation.

7.0 REVIEW & COMMENTARY: REINSTATEMENT

7.1 The scheme is stated to comprise reinstatement of existing to provide:

- Bar/restaurant use over basement, ground and 1st floors (with storage within the basement and sales at ground and 1st floors).
- 9 1-bed and 2-bed residential apartments over 2nd to 7th floors.

7.2 Total area is shown in the accommodation schedule (Appendix 3) to be 1,674m2. Total GIA is shown in the cost model to be 1,794m2. It is assumed that the difference lies in the area of walls, voids, etc. We have used total GIA of 1,794m2 in our assessment.

7.3 Total construction costs are shown in the cost model to be £6,378,820.

7.4 Date basis is not specifically stated but the cost model is dated May 2019 so is assumed to be 2Q2019.

7.5 Preliminaries are included at 20%, main contractor OHP at 7.5% and risk allowance at 10%. Prelims and OHP are felt to be on the high side. Risk is considered to be too high and we have used 5% in our assessment.

7.6 Costs are presented in a one-page summary based on quantities and composite rates.

7.7 In order to benchmark the figures in the cost model, we have calculated costs using BCIS average m2 rates.

7.8 BCIS rates are mean, are rebased to Camden and are current day (3Q2019).

7.9 We have reviewed the costs in the cost model for facilitating works (which are not included in BCIS rates). These costs are felt to be acceptable and have therefore been used in our assessment.

7.10 On the basis of the foregoing we have calculated a total construction of £4,671,993 – see Appendix M.

7.11 As noted previously, we have assumed that Mace's cost model was 2Q2019 costs. In order to compare on a true like-for-like basis we have therefore adjusted their bottom line figure to 3Q2019 rates using BCIS TPI – see Appendix N.

7.12 The difference between an assessment of costs using BCIS rates and those from the cost model is shown in Appendix O. As can be seen, the difference is large – just over £1.7 million or 27%.

7.13 In order to ascertain where the main areas of difference lie, we have prepared Appendix P which breaks the cost model and BCIS rates into group elements. Since Mace's cost model is not split down elementally, this breakdown is our own assessment. Note that we have allocated all fit-out cost to group element 3, internal finishes.

7.14 Although there are limited details for this scheme, we have reviewed the cost model and consider that the following abnormal costs are applicable: -

a) Additional structural repairs. £750,000 allowance
b) Additional preliminaries. £350,000 allowance
c) Higher quality finished and fittings. £250,000 allowance

7.15 These abnormal costs have been added to base costs – see Appendix Q. On that basis, our assessment of construction costs is £6,089,493 inclusive of 5% contingency.

7.16 The difference between costs in the cost model and our assessment of costs is £308,199 or 4.82%. This is as a result of fit-out costs.

8.0 CONCLUSION: REINSTATEMENT

8.1 We conclude that costs shown in the cost model are just within acceptable estimating margins and are therefore considered to be reasonable.

APPENDIX A

CALCULATION OF COSTS USING BCIS M2 RATES: PROPOSED SCHEME

Base costs based on M2 rates				
New build flats	852	m2 @	£2,575 /m2	2,193,900
Hotel - vertical extension	2,527	m2 @	£3,465 /m2	8,756,055
Hotel - refurbishment	1,794	m2 @	£2,634 /m2	4,725,396
				15,675,351
Additional costs not included in base rates				
External works				450,000
Facilitating works				1,077,000
PCSA allowance				300,000
Prelims (on additional costs)			20%	365,400
OHP (on additional costs)			8%	175,392
				2,367,792
Total base and additional costs				18,043,143
Contingency			5%	902,157
				18,945,300

Notes:
1. BCIS rates are Mean rates, rebased to London Borough of Camden and current date (3Q2019)
2. External works and facilitating works costs are taken from Mace cost model

APPENDIX B

ADJUSTMENT OF COST PLAN TO REFLECT CURRENT DATE: PROPOSED SCHEME

Cost from cost plan	£30,195,000
Date basis of cost plan	2Q2019
Current date basis	3Q2019
BCIS TPI at date of cost plan	338
BCIS TPI at current date	339
Cost at current date	**£30,284,334**

APPENDIX C

COMPARISON OF DATE-ADJUSTED COST PLAN AGAINST COSTS USING BCIS M2 RATES: PROPOSED

Cost using BCIS m2 rates - Appendix A	£18,945,300
Cost from cost plan (adjusted to current date) - Appendix B	£30,284,334
Difference £	£11,339,034
Difference %	37.44%

APPENDIX D

COMPARISON OF ELEMENTAL M2 RATES: PROPOSED SCHEME

HOTEL		Cost model			BCIS	Difference
		£ nett	£ inc prelims, ohp & risk	£/m2	£/m2 inc risk at 5%	£/m2
1	Substructure	879,000	1,253,102	290	246	-44
2	Superstructure	6,886,000	9,816,682	2,272	1,261	-1011
3	Internal finishes	1,718,000	2,449,181	567	445	-122
4	Fittings, furnishings and equipment	850,000	1,211,760	280	189	-91
5	Services	4,379,000	6,242,702	1,445	1,135	-310
		14,712,000	**20,973,427**	**4,854**	**3,276**	**-1578**

RESIDENTIAL		Cost plan			BCIS	Difference
		£ nett	£ inc prelims, ohp & risk	£/m2	£/m2 inc risk at 5%	£/m2
1	Substructure	59,000	84,110	99	256	158
2	Superstructure	2,996,000	4,271,098	5,013	1,353	-3660
3	Internal finishes	275,000	392,040	460	308	-152
4	Fittings, furnishings and equipment	180,000	256,608	301	143	-159
5	Services	881,000	1,255,954	1,474	643	-831
		4,391,000	**6,259,810**	**7,347**	**2,704**	**-4643**

APPENDIX E

GBA ASSESSMENT OF COSTS: PROPOSED SCHEME

Cost using BCIS rates (from Appendix A)			18,043,143
Abnormal costs (all inclusive of prelims and OHP)			
1	Transfer structure over headhouse		290,000
2	Façade to headhouse		280,000
3	Additional prelims for congested site		635,000
			19,248,143
	Contingency	5%	962,407
			£20,210,550

APPENDIX F

COMPARISON OF DATE-ADJUSTED COST PLAN AGAINST GBA ASSESSMENT: PROPOSED SCHEME

GBA assessment of costs - Appendix E	£20,210,550
Cost from cost plan (adjusted to current date) - Appendix B	£30,284,334
Difference £	£10,073,784
Difference %	33.26%

APPENDIX G

CALCULATION OF COSTS USING BCIS M2 RATES: SCENARIO 1

Base costs based on M2 rates				
New build flats	3,146	m2 @	£2,575 /m2	8,100,950
Hotel - new build	463	m2 @	£3,465 /m2	1,604,295
Hotel - refurbishment	1,652	m2 @	£2,634 /m2	4,351,368
				14,056,613
Additional costs not included in base rates				
Facilitating works				1,259,350
Prelims (on additional costs)			20%	251,870
OHP (on additional costs)			7.5%	113,342
				1,624,562
Total base and additional costs				15,681,175
Contingency			5%	784,059
				16,465,233

Notes:
1. BCIS rates are Mean rates, rebased to London Borough of Camden and current date (3Q2019)
2. Facilitating works costs are taken from Mace cost model

APPENDIX H

ADJUSTMENT OF COST PLAN TO REFLECT CURRENT DATE: SCENARIO 1

Cost from cost plan	£28,800,000
Date basis of cost plan	2Q2019
Current date basis	3Q2019
BCIS TPI at date of cost plan	338
BCIS TPI at current date	339
Cost at current date	**£28,885,207**

APPENDIX I

COMPARISON OF DATE-ADJUSTED COST PLAN AGAINST COSTS USING BCIS M2 RATES: SCENARIO 1

Cost using BCIS m2 rates - Appendix A	£16,465,233
Cost from cost plan (adjusted to current date) - Appendix B	£28,885,207
Difference £	£12,419,974
Difference %	43.00%

APPENDIX J

COMPARISON OF GROUP ELEMENTAL M2 RATES: SCENARIO 1

		Cost plan			BCIS	Difference
		£ nett	£ inc prelims, ohp & risk	£/m2	£/m2 inc risk at 5%	£/m2
1	Substructure	300,000	425,700	81	223	142
2	Superstructure	5,314,464	7,541,224	1,433	1,207	-227
3	Internal finishes	9,854,100	13,982,968	2,658	532	-2126
4	Fittings, furnishings and equipment	0	0	0	0	0
5	Services	3,183,796	4,517,807	859	844	-15
		18,652,360	**26,467,699**	**5,031**	**2,805**	**-2225**

APPENDIX K

GBA ASSESSMENT OF COSTS: SCENARIO 1

Cost using BCIS rates (from Appendix A)			15,681,175
Abnormal costs (all inclusive of prelims and OHP)			
1	Transfer structure over headhouse		290,000
2	Façade to headhouse		280,000
3	Additional prelims for congested site		847,500
			17,098,675
	Contingency	5%	854,934
			£17,953,608

APPENDIX L

COMPARISON OF DATE-ADJUSTED COST PLAN AGAINST GBA ASSESSMENT: SCENARIO 1

GBA assessment of costs - Appendix K	£17,953,608
Cost from cost plan (adjusted to current date) - Appendix H	£28,885,207
Difference £	£10,931,599
Difference %	37.84%

APPENDIX M

CALCULATION OF COSTS USING BCIS M2 RATES: REINSTATEMENT

Base costs based on M2 rates				
Flat refurbishment	1,794	m2 @	£2,420 /m2	4,341,480
				4,341,480
Additional costs not included in base rates				
Facilitating works				83,750
Prelims (on additional costs)			20%	16,750
OHP (on additional costs)			7.5%	7,538
				108,038
Total base and additional costs				4,449,518
Contingency			5%	222,476
				4,671,993

Notes:
1. BCIS rates are Mean rates, rebased to London Borough of Camden and current date (3Q2019)
2. Facilitating works costs are taken from Mace cost model

APPENDIX N

ADJUSTMENT OF COST PLAN TO REFLECT CURRENT DATE: REINSTATEMENT

Cost from cost plan	£6,378,820
Date basis of cost plan	2Q2019
Current date basis	3Q2019
BCIS TPI at date of cost plan	338
BCIS TPI at current date	339
Cost at current date	**£6,397,692**

APPENDIX O

COMPARISON OF DATE-ADJUSTED COST PLAN AGAINST COSTS USING BCIS M2 RATES: REINSTATEMENT

Cost using BCIS m2 rates - Appendix A	£4,671,993
Cost from cost plan (adjusted to current date) - Appendix B	£6,397,692
Difference £	£1,725,699
Difference %	26.97%

APPENDIX P

COMPARISON OF GROUP ELEMENTAL M2 RATES: REINSTATEMENT

		Cost plan			BCIS	Difference
		£ nett	£ inc prelims, ohp & risk	£/m2	£/m2 inc risk at 5%	£/m2
1	Substructure	0	0	0	104	104
2	Superstructure	1,220,991	1,732,586	966	960	-6
3	Internal finishes	2,512,686	3,565,501	1,987	694	-1293
4	Fittings, furnishings and equipment	0	0	0	0	0
5	Services	677,866	961,892	536	783	247
		4,411,543	**6,259,980**	**3,489**	**2,541**	**-948**

Geoffrey Barnett Associates

APPENDIX Q

GBA ASSESSMENT OF COSTS: REINSTATEMENT

Cost using BCIS rates (from Appendix M)			4,449,518
Abnormal costs (all inclusive of prelims and OHP)			
1	Additional structural repairs		750,000
2	Additional preliminaries due to congested site		350,000
3	Higher quality finishes		250,000
			5,799,518
	Contingency	5%	289,976
			£6,089,493

APPENDIX R

COMPARISON OF DATE-ADJUSTED COST PLAN AGAINST GBA ASSESSMENT: REINSTATEMENT

GBA assessment of costs - Appendix Q	£6,089,493
Cost from cost plan (adjusted to current date) - Appendix N	£6,397,692
Difference £	£308,199
Difference %	4.82%

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group element prices

Description: Rate per m2 gross internal floor area for the group element Cost including prelims.

Last updated: 06-Jul-2019 01:54

› Rebased to London Borough of Camden (127; sample 52)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	Unpriced excl
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
New build								
816. Flats (apartments)								
Generally								
01 Substructure (15)	222	50	134	180	262	716	214	0
02 Superstructure (15)	1,032	466	829	965	1,176	3,198	219	0
03 Finishes (15)	268	61	200	257	320	1,360	219	0
04 Fittings, Furnishings and Equipment (15)	90	3	45	68	113	549	197	5
05 Services (15)	458	104	323	410	530	1,790	219	0
1-2 storey								
01 Substructure (15)	212	50	138	170	238	651	46	0
02 Superstructure (15)	876	581	717	871	961	1,403	46	0
03 Finishes (15)	254	99	214	240	292	439	46	0
04 Fittings, Furnishings and Equipment (15)	72	18	45	65	92	181	41	1
05 Services (15)	379	208	302	368	415	670	46	0
3-5 storey								
01 Substructure (15)	218	52	130	180	257	716	139	0
02 Superstructure (15)	1,019	466	837	973	1,162	3,198	142	0
03 Finishes (15)	265	61	200	262	325	511	142	0
04 Fittings, Furnishings and Equipment (15)	84	10	44	66	109	273	126	4
05 Services (15)	446	104	323	413	527	1,255	142	0
6+ storey								
01 Substructure (15)	257	62	142	253	309	616	27	0
02 Superstructure (15)	1,357	717	1,136	1,249	1,380	2,762	29	0
03 Finishes (15)	309	87	185	241	376	1,360	29	0
04 Fittings, Furnishings and Equipment (15)	143	3	75	114	192	549	28	0
05 Services (15)	645	176	473	540	667	1,790	29	0
Horizontal extension								
816. Flats (apartments)								
01 Substructure (20)	200	101	-	198	-	303	4	0
02 Superstructure (20)	1,163	840	-	1,123	-	1,566	4	0

Building function (Maximum age of projects)	£/m² gross internal floor area Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	Sample	Unpriced excl
03 Finishes (20)	205	17	-	209	-	387	4	0
04 Fittings, Furnishings and Equipment (20)	266	105	-	136	-	690	4	0
05 Services (20)	536	400	-	557	-	633	4	0
Vertical extension								
816. Flats (apartments)								
02 Superstructure (5)	1,337	-	-	-	-	-	1	0
03 Finishes (5)	142	-	-	-	-	-	1	0
04 Fittings, Furnishings and Equipment (5)	146	-	-	-	-	-	1	0
05 Services (5)	660	-	-	-	-	-	1	0

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group element prices

Description: Rate per m2 gross internal floor area for the group element Cost including prelims.
Last updated: 06-Jul-2019 01:54

› Rebased to London Borough of Camden (127; sample 52)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	Unpriced excl
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
Rehabilitation/Conversion								
816. Flats (apartments)								
Generally								
01 Substructure (15)	87	9	22	64	129	399	39	20
02 Superstructure (15)	801	221	521	692	964	2,357	59	0
03 Finishes (15)	370	95	251	326	413	1,025	59	0
04 Fittings, Furnishings and Equipment (15)	209	6	78	114	215	1,054	50	2
05 Services (15)	653	25	385	466	744	3,465	59	0
1-2 storey								
01 Substructure (15)	101	9	41	86	144	266	10	3
02 Superstructure (15)	785	293	508	691	951	1,650	13	0
03 Finishes (15)	323	95	232	261	296	1,025	13	0
04 Fittings, Furnishings and Equipment (15)	198	39	78	96	157	1,054	12	1
05 Services (15)	498	218	301	408	547	1,208	13	0
3-5 storey								
01 Substructure (15)	68	11	21	35	122	245	21	14
02 Superstructure (15)	677	221	509	628	789	1,477	35	0
03 Finishes (15)	353	105	251	326	399	883	35	0
04 Fittings, Furnishings and Equipment (15)	180	6	61	119	194	952	28	1
05 Services (15)	609	25	385	460	650	3,465	35	0
6+ storey								
01 Substructure (15)	120	9	25	74	152	399	8	2
02 Superstructure (15)	1,298	627	771	1,127	1,688	2,357	10	0
03 Finishes (15)	504	271	371	425	663	816	10	0
04 Fittings, Furnishings and Equipment (15)	332	106	109	306	419	815	9	0
05 Services (15)	1,038	403	670	985	1,366	2,126	10	0

group element prices

Description: Rate per m2 gross internal floor area for the group element Cost including prelims.

Last updated: 06-Jul-2019 01:54

› Rebased to London Borough of Camden (127; sample 52)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	Unpriced excl
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
Horizontal extension								
852. Hotels								
01 Substructure (15)	263	105	132	197	351	566	6	0
02 Superstructure (15)	1,251	803	844	1,104	1,336	2,325	6	0
03 Finishes (15)	370	203	241	302	445	703	6	0
04 Fittings, Furnishings and Equipment (15)	118	2	34	58	108	385	5	1
05 Services (15)	897	439	678	848	872	1,747	6	0
Rehabilitation/Conversion								
852. Hotels								
01 Substructure (15)	132	8	-	106	-	308	4	3
02 Superstructure (15)	849	211	500	663	1,045	1,983	7	0
03 Finishes (15)	429	240	335	452	501	640	7	0
04 Fittings, Furnishings and Equipment (15)	254	30	107	111	332	758	6	1
05 Services (15)	1,180	643	708	989	1,056	3,097	7	0

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£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 06-Jul-2019 00:39

› Rebased to London Borough of Camden (127; sample 52)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
816. Flats (apartments)							
Generally (15)	1,952	957	1,628	1,859	2,209	6,612	942
1-2 storey (15)	1,863	1,162	1,592	1,776	2,058	3,416	227
3-5 storey (15)	1,922	957	1,621	1,841	2,190	3,839	629
6+ storey (15)	2,429	1,421	1,972	2,281	2,569	6,612	83
852. Hotels (15)	2,674	1,544	2,232	2,549	3,173	3,992	20
Vertical extension							
816. Flats (apartments) (30)	2,519	2,286	-	-	-	2,752	2
852. Hotels (35)	3,465	1,649	-	-	-	5,280	2
Rehabilitation/Conversion							
816. Flats (apartments)							
Generally (15)	2,046	606	1,252	1,616	2,112	7,091	85
1-2 storey (15)	2,478	685	1,372	1,714	2,764	7,091	21
3-5 storey (15)	1,747	606	1,327	1,562	1,863	6,565	47
6+ storey (15)	2,420	684	1,117	2,069	2,875	5,944	16
852. Hotels (15)	2,634	1,335	1,909	2,247	2,618	6,666	9

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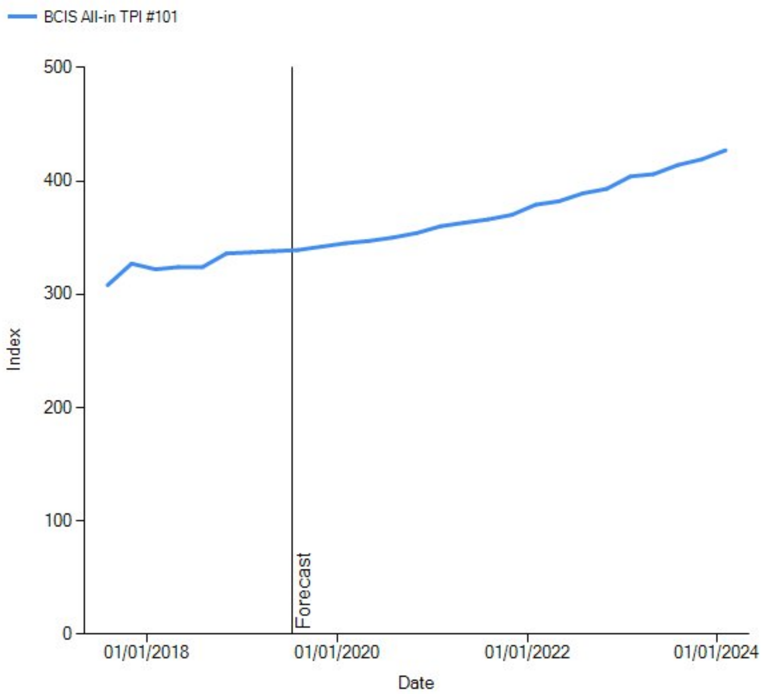
BCIS All-in TPI #101

Base date: 1985 mean = 100 | **Updated:** 05-Jul-2019 | #101

			Percentage change		
Date	**Index**	**Sample**	**On year**	**On quarter**	**On month**
3Q 2017	308	22	12.8%	-4.9%	
4Q 2017	327	20	15.5%	6.2%	
1Q 2018	322	Forecast 9	8.1%	-1.5%	
2Q 2018	324	Forecast 14	0.0%	0.6%	
3Q 2018	324	Forecast 9	5.2%	0.0%	
4Q 2018	336	Provisional 12	2.8%	3.7%	
1Q 2019	337	Provisional	4.7%	0.3%	
2Q 2019	338	Provisional	4.3%	0.3%	
3Q 2019	339	Forecast	4.6%	0.3%	
4Q 2019	342	Forecast	1.8%	0.9%	
1Q 2020	345	Forecast	2.4%	0.9%	
2Q 2020	347	Forecast	2.7%	0.6%	
3Q 2020	350	Forecast	3.2%	0.9%	
4Q 2020	354	Forecast	3.5%	1.1%	
1Q 2021	360	Forecast	4.3%	1.7%	
2Q 2021	363	Forecast	4.6%	0.8%	
3Q 2021	366	Forecast	4.6%	0.8%	
4Q 2021	370	Forecast	4.5%	1.1%	
1Q 2022	379	Forecast	5.3%	2.4%	
2Q 2022	382	Forecast	5.2%	0.8%	
3Q 2022	389	Forecast	6.3%	1.8%	
4Q 2022	393	Forecast	6.2%	1.0%	
1Q 2023	404	Forecast	6.6%	2.8%	
2Q 2023	406	Forecast	6.3%	0.5%	
3Q 2023	414	Forecast	6.4%	2.0%	
4Q 2023	419	Forecast	6.6%	1.2%	
1Q 2024	427	Forecast	5.7%	1.9%	

Index value over time



Percentage change over time

Percentage change: Year on year