Branch Hill House, Hampstead
NW3 7LS
Independent Viability Review

Prepared on behalf of the London Borough of Camden

27th April 2020

Planning reference: 2019/6354/P

BPS Chartered Surveyors

High Street, Dorking RH4 1RU
www.bps-surveyors.co.uk
Tel: 01483 565 433

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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 Savills on behalf of Almax Group ('the Applicant') in respect of the proposed redevelopment of the Coach and Horses public house, London Road. The Financial Viability Assessment (FVA) provided is dated January 2020.

1.2 The site has an approximate area of 0.34 hectares and currently comprises an Edwardian house with a 1960's extension located in a gated wooded enclave approximately 0.3 miles from Hampstead Heath station. The total built floorspace is 19,625 sq ft and the structures ranges from two to four storeys including a part basement. The building is not listed but is neighboured by the Branch Hill Estate which is a Grade II Listed 1970's estate.

1.3 The last formal use was a residential care home (C2) and the internal layout of the 1960s extension is designed specifically for this use. The building was deemed to be no longer fit for purpose as a care home as it could not comply with Care Quality Commission (CQC) standards. The care home use ceased in 2015 and the building is now providing temporary guardian let accommodation while planning consent is pursued.

1.4 A planning application has been submitted under reference 2019/6354/P and is described as:

Change of use of Branch Hill House from care home (Use Class C2) to residential (Use Class C3) to provide 34 residential units and associated external alterations, demolition of the 1960s care home extension and erection of replacement building, including basement, comprising residential accommodation (Use Class C3), ancillary plant, access and servicing and car parking.

1.5 We have searched the planning history and found no alternative consent or relevant applications. We understand that the Applicant does not yet own the site and the property falls under the title NGL15151 which is shared with the neighbouring Branch Hill Estate. The Registered Proprietor on the title is The London Borough of Camden.

1.6 The FVA submitted has reported that the scheme delivers a residual land value of £9,808, which equates to a total deficit of -£10,240,000 when assessed against a suggested EUV plus benchmark land value of £18,840,000. This could also be interpreted as a total profit of just £2,728,000 or 4.2%; a shortfall of -15.8% from the applicant's stated required return of 20%. The Applicant has therefore concluded that no affordable housing can be viably supported.

1.7 Our assessment seeks to scrutinise the assumptions made by the Applicant to arrive at this conclusion and ascertain whether this is the maximum affordable housing that can be delivered.

2.0 CONCLUSIONS AND RECOMMENDATIONS

2.1 We have assessed the proposals and made amendments as described below. An amended appraisal can be found in Appendix A which produces a surplus of £8,600,000. We therefore not agree with the Applicants assertion that the scheme is unable to deliver any affordable housing.

2.2 While the Applicant is of the opinion that the scheme cannot make any contribution towards affordable housing, they have agreed to provide seven intermediate units. No appraisal has been provided for this scenario but as they consider a 100% private scheme to deliver a -£10,240,000 deficit, this would only increase this further with the inclusion of the intermediate units. It is not clear why the applicant is prepared to proceed on this basis. We have also assessed this hypothetical provision and conclude that there would still be an addition surplus of £5,746,000. The appraisal can be found in Appendix B.

2.3 The principal difference in the approach taken by BPS is the determination of the benchmark land value. Savills initial FVA relied upon an assessment provided by Knight Frank which estimated the EUV to be £15,700,000, to which Savills added a further landowner's premium of 20%. We disagree with this approach for following three reasons:

- The benchmark figure had been informed by largely irrelevant market land transactions, some properties were sold with clear development potential and reflected various uses rather than C2 which Knight Frank acknowledge as the relevant existing use for the subject property. NPPG clearly states that market transactions should reflect policy compliance and should only be used as a cross check not as the means of determining benchmark land value.

  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

- NPPG provides the following relevant guidance in production of an EUV 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

- No consideration had been given to the condition of the building and any potential need for refurbishment, or alteration to meet modern care home standards. This strongly implies that the valuation was not based on a presumption of the former use being resurrected but replaced by a new development.

- The initial report by Knight Frank concluded:

  We comment however that it is very unlikely that interest will come from those contemplating an on-going 'care home' use. The size, configuration, layout and condition of the Property as it currently stands suggests that this Property is no longer fit for purpose for such a use, and would not comply with current institutional standards (e.g. Care Quality Commission standards) without significant alterations and improvements which are likely to be too costly for such an operator.

  This statement calls into question how Knight Frank reached a value of £15,700,000 as an assessment of the current use value.

  The site has no alternative use planning consent nor has alternative use been explicitly referenced.

2.4 When these issues were raised, a supplementary report dated 13 March 2020 was provided by Knight Frank which reported a new estimate of EUV of £11,840,000 (some £3.86m below their earlier 2019 report) this time reflecting an assumption of refurbishing the building and resurrection of C2 care home use, contrary to their earlier views as set out above.

2.5 We broadly accept this approach as being more closely related to establishing existing use value and therefore in line with NPPG. Reviewing this more recent report we identified further areas of disagreement. Our assessment of their impact results in a reduced value of £3,465,000 which we have adopted as out benchmark land value for the purposes of our assessment. It should be noted that because this assessment is anchored in the assumption of extensive refurbishment it should be treated as an alternative use value in accordance with NPPG and therefore attacts no land owner premium, the relevant guidance supporting this approach is set out below:

Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.

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.

2.6 Our amended appraisal reflecting continued C2 use and refurbishment can be found in Appendix C. A comparison of those assumptions of Knight Frank's which we disagree with compared to our revised assumptions is shown in the table below:

Assumption	Proposed	BPS	Comments
Weekly fees	£3,500	£3,000	Reduced in line with Innovative Care which was cited as the most comparable facility
Occupancy	93%	93%	Agreed
Payroll costs	50%	45%	Reduced in line with Innovative Care which was cited as the most comparable facility
Other costs	12%	25%	Increased – further breakdown given in Section 5.
Resultant GDV	£20,553,000 £685k/bed)	£13,945,000 £465k/bed)	
Refurb costs	£314/sq ft	£440/sq ft	Report stated costs would be equivalent to proposed scheme refurb costs but appraisal adopted lower rates so we consider this to be an error and have updated accordingly
Professional Fees	10%	12%	12% adopted in proposed scheme so consider these more appropriate for the AUV
Finance	6.75%	6.75%	Agreed

Proposed Scheme

2.7 In respect of the proposed scheme appraisal we have analysed the local market and have found the sales values to be in line with expectations.

2.8 For the purposes of assessing the offer of seven intermediate units the report refers to these as intermediate rent/discounted market rent but at a mix of rent to be agreed with the Council. We have not taken instructions at this stage from the Council on the suitability of this tenure to meet affordable housing requirements and have instead assumed capped capital values reflecting £420/sq ft to meet affordability thresholds.

2.9 Capitalised ground rents have been omitted on the basis that the Government have expressed their intention to restrict rents to a peppercorn of £10 per annum following the consultation into unfair leasehold practices. However, while the draft bill is in preparation there are still no parliamentary timescales confirmed, and it is not certain that this will have been passed by the time the units can be sold.

2.10 We therefore consider it premature to omit this value which is still relevant in relation to current day policies and as such should be reflected in the viability assessment. We have assumed annual rents of £300 per one bed, £350 per two bed and £400 per three bed per annum capitalised at 5%. This equates to £242,000 in the 100% private scenario and £199,000 with the inclusion of seven intermediate units.

2.11 Our Cost Consultant, Neil Powling, has reviewed the cost plan provided and his full report can be found in Appendix D. His key findings are as follows:

Our benchmarking results in an adjusted benchmark for the new build section of £4,309/m² that compares to the Applicant's £ 4,309/m²; and for the refurbishment section of £4,330/m² that compares to the Applicant's £ 4,331/m². We therefore consider the Applicant's costs to be reasonable.

2.12 Planning contributions have been allowed at £3,638,631 in relation to Borough CIL and £481,916 in relation to Mayoral CIL. We do not believe these to be correct as they appear to have been applied to the total floorspace rather than the net additional. The new build floor space equates to 4,702 sq m so we have adopted figures of £2,351,000 for Mayoral CIL (charging rate £500 per sq m) and £376,160 for Mayoral CIL (charging rate £50 per sq m) but ask that the Council confirm the final figures when indexation has been applied after which we can update the appraisal as necessary.

2.13 Sales legal fees have been included on a percentage basis of 0.25% of GDV. However, this has produced a fee of circa £4,500 per sale which is in excess of the typical range of legal costs; £800-£1,200. We have instead capped this at £34,000 (total) or £1,000 per unit sale.

2.14 All other assumptions are agreed, including:

- Professional fees of 12%
- Profit of 20% (6% used in relation to affordable income)
- Sales agent fees of 1.5%
- Marketing costs of 1.5%
- Finance costs of 6.75%

2.15 To show a true surplus or deficit we have inputted the target margin into the appraisal as a cost as well as our benchmark land value as a fixed cost. The residual profit shown at the bottom of the appraisal identifies the overall surplus/deficit generated. This approach avoids know problems within ARGUS concerning treatment of interest on residual values. As shown in the amended appraisals we consider the 100% private scheme to deliver a surplus of £8,600,00 and the seven intermediate unit scheme to provide a surplus of £5,746,000.

2.16 The Council have also asked us to consider the impact of removal of the basement with the parking provided at grade rather than underground as is the design preference. The total build of the basement has been separately costed and agreed to at £2,493,000.

2.17 The parking spaces which are provided at basement level do not generate any value as they are said to be reserved for disabled access (although locating them underground would also create problems with enforcement which would likely result in them being sold privately at an additional value). Even accepting this assumption, the creation of a basement adds little in terms of net value and does not make economic sense. We recognise that the gym and serviced areas are also provided at basement level, along with 71 sqm of unit 6, a 3 bed triplex unit valued at

£3,635,000. However, on the floor plan this area includes a second living room, toilet and private gym area and by omitting this the unit would still provide 2,749 sq ft and three beds over two floors. To provide some comparison, unit 7 is a single floor three bed unit of 2,680 sq ft which has been valued at £3,615,000.

2.18 This suggests that this additional basement space adds relatively little by way of value and to remove the basement would detract little from the overall GDV. We are not in a position to provide an alternative layout which accommodates the service area and gym in the existing space rather than creating an additional basement, we do accept there will still be costs to doing so, however we are of the firm opinion that a reduction in the scale of the basement would save unnecessary costs and improve the overall viability of the scheme.

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 landowner 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 DEVELOPMENT REVENUE

Private Residential Values

4.1 The development provides 34 residential apartments, which have been valued at a total GDV of £64,840,000 or an average of £1,363/sq ft. The values have been provided by the Savills New Homes Team with an accompanying market research report. The values can be summarised as follows:

- 10x 1 beds ranging from 549 – 581 sq ft priced at £710,000 to £780,000
- 10x 2 beds ranging from 797 – 1,916 sq ft priced at £1,320,000 to £2,060,000
- 14x 3 beds ranging from 1,625 – 2,885 sq ft priced at £2,175,000 to £3,915,000

4.2 The pricing has been informed by a number of local new build schemes where sales have completed within the past year.

4.3 Hampstead Manor is the redevelopment of a Grade II Listed mansion with a range of new buildings. These range from 1 bed apartments to townhouses. The development is located on Kidderpore Avenue approximately 0.8 miles from both West Hampstead, Hampstead and Cricklewood stations. Kidderpore Avenue is a prime residential street and the properties have access to the grounds which formerly served the buildings when in use as Westfield College.

4.4 The heat map below demonstrates that the areas are similar in value, and the accommodation is also of a high specification aimed at the luxury market. We consider this to provide useful comparable data but consider the subject site to be preferable due to its exclusive nature and setting closer to the station.

4.5 We have found that one beds of less than 600 sq ft sold for an average of £723,000, two beds between 700-800 sq ft sold for an average of £1,193,000, units between 1,000-2,000 sq ft sold for an average of £1,890,000 and the one unit in excess of

2,000 sq ft sold for £3,570,0000. These produce an average value of £1,331/sq ft and are broadly in line with the proposed values.

4.6 Novel House has also been cited as a relevant comparable although no sales data is yet available and asking prices have been relied upon instead. It is located in close proximity to the subject site and comprises 17 apartments ranging from studios to 4 beds. The setting of the subject site is superior, but this development offers 17 underground parking spaces, which would be more desirable to purchasers and would warrant higher values.

4.7 The asking prices range from £1,095,000 for a 1,087 sq ft one bed unit (1,014/sq ft) to £3,495,000 for a 1,776/sq ft two bed unit (1,991/sq ft) and £3,650,000-£3,850,000 for the three bed units ranging from 1,698-2,545 sq ft (1,487/sq ft-£2,267/sq ft)

4.8 Mount Vernon is a recent development less than 0.2 miles from the subject site, close to Hampstead Station. The development includes a swimming pool and underground parking which would make this more attractive to purchasers than the subject site. However, the setting is less exclusive than the sheltered enclave of the Branch Hill House Estate. There is currently a 1,574 sq ft first floor two bed apartment being marketed at Mount Vernon at an asking price of £3,000,000; which equates to £1,906 sq ft.

4.9 We can place only limited weight on marketing values and accept that Mount Vernon is a superior development. This assessment suggests that the values are broadly reasonable, albeit conservative, given the exclusive setting of the subject site and historic original Branch Hill House building. They are accepted at this stage.

Ground Rents

4.10 Capitalised ground rents have been omitted on the basis that the Government have expressed their intention to restrict rents to a peppercorn of £10 per annum following the consultation into unfair leasehold practices.

4.11 However, while the draft bill is in preparation there are still no parliamentary timescales confirmed, and it is not certain that this will have been passed by the time the units can be sold. This is of particular importance a ground rents are unlikely to be a political priority in the immediate future and we have seen many late stage reviews which have been supplied without ground rent income on this same basis but have yet found they still being charged.

4.12 We therefore consider it premature to omit this value which is still relevant in relation to current day policies and as such should be reflected in the viability assessment.

4.13 We have assumed annual rents of £300 per one bed, £350 per two bed and £400 per three bed per annum capitalised at 5%. This equates to £242,000 in the 100% private scenario and £199,000 with the inclusion of 7 intermediate units.

5.0 DEVELOPMENT COSTS

5.1 Our Cost Consultant, Neil Powling, has reviewed the cost information that has been provided. The full report can be found in Appendix D and the key findings are as follows:

Our benchmarking results in an adjusted benchmark for the new build section of £4,309/m² that compares to the Applicant's £ 4,309/m²; and for the refurbishment section of £4,330/m² that compares to the Applicant's £ 4,331/m². We therefore consider the Applicant's costs to be reasonable.

5.2 The total build cost adopted in the appraisal includes a 5% allowance for contingency, which is a standard assumption and reasonable for the site of this nature.

5.3 Professional fees have been applied at 12% which is in excess of the 10% which is considered as the industry standard. 12% can be considered reasonable if the complexity of the development warrants it, such as conversion of Listed buildings. As a partial refurbishment, albeit not of a Listed building, we have agreed to the use of 12%.

5.4 Planning contributions have been allowed at £3,638,631 in relation to Borough CIL and £481,916 in relation to Mayoral CIL. We do not believe these to be correct as they appear to have been applied to the total floorspace rather than the net additional area. The new build floor space equates to 4,702 sq m so we have adopted figures of £2,351,000 for Mayoral CIL (charging rate £500 per sq m) and £376,160 for Mayoral CIL (charging rate £50 per sq m) but ask that the Council can confirm the final figures when indexation has been applied and update the surplus as necessary.

5.5 In respect of residential marketing, costs of 1.5% and sales agent fees of 1.5% have been adopted. Typically, disposal costs range from 2.5% to 3% so this is the higher end of expectations but within a reasonable range. A further 0.25% for legal fees has been included which equates to £4,768 per plot sale. Typical legal fees range from £800-1,200 per transaction so we do not consider it appropriate to determine them on a percentage basis with such high private values. We have instead adopted £34,000 or £1,000 per unit.

5.6 A finance rate of 6.75% has been adopted which is in the expected range.

5.7 A profit margin of 20% of residential GDV has been targeted. PPG advises that return on residential development should range from 15-20% of GDV, dependent on-site specific risks. The Three Dragons Technical Study advances on this point, stating:

Build types and Developer Returns

57. The only significant variable of built form was the height of the development. Sales cannot be completed until the building is occupied. Taller buildings take longer to build out.

58. We found that up to 5 storeys the base result of Developer Return (at 15% of GDV) could apply as these typically had a one year build out time. 59. Buildings of 6 to 20 storeys required, on average, another year to build out and so the required Developer Return increased to 17.5%.

60. Buildings over 20 storeys take, on average, three years to build out and so required a Developer Return of 20%.

61. The storey height was found to be the most significant factor to inform a range of Developer Returns for the area plan assessment. Other scheme specific factors may apply, for example a mix of building heights within the same built form, or where parts of a building can be occupied before the whole building is completed. Factors that are not height related, such as major substructure work in poor ground or over tunnels, may also need to be considered, so the figures above should be considered a broad average, rather than a statistically accurate guide to Developer Returns applicable in every circumstance.

5.8 Therefore, we consider 20% to be at the upper end of expectations. However, acknowledging the risks involved with restoring a building of such local importance we have agreed that a higher margin is not unreasonable. While this should not necessarily apply to the new build element of the development, at this stage we agree to accept this but reserve the right to reconsider this if necessary.

5.9 To show a true surplus or deficit we have inputted the target margin into the appraisal as a cost. The residual profit of £8,600,000 shown at the bottom of the appraisal is the overall surplus which is generated.

6.0 BENCHMARK LAND VALUE

6.1.1 A benchmark land value of £18,840,000 was initially adopted which was based on what was described as an EUV of £15,700,000 plus a landowner's premium of 20%. This was disputed by BPS as it was solely reliant on comparisons drawn with open market land sales where there was clearly either significant hope value, an intention to redevelop or an existing use which was not C2. Knight Frank's approach was clearly in contravention with the approach set out in NPPG for deriving an EUV.

6.1.2 We note that the EUV report dated 17 April 2019 by Knight Frank included within the original Savills FVA also stated:

We comment however that it is very unlikely that interest will come from those contemplating an on-going 'care home' use. The size, configuration, layout and condition of the property as it currently stands suggests that this property is no longer fit for purpose for such a use, and would not comply with current institutional standards (e.g. Care Quality Commission standards) without significant and alterations which are likely to be too costly for such an operator.

6.1.3 When this initial approach to determining an EUV was identified contrary to NPPG a supplementary report was provided by Knight Frank, dated 13th March 2020, which provided a valuation based on the assumed refurbishment of the existing space creating a 30 bed care home using the following assumptions:

- EBITDA valuation of the GDV - £20,550,000 (£685,000 per bed)
- Refurbishment costs of £6,162,240 (£315/sq ft)
- Profession fees of 10%
- No contingency or profit
- Finance rate of 6.75% debit/1% credit 12 months construction

6.2 This has produced a residual EUV value of £11,840,000 (£395,000 per room) which sits in direct contradiction with Knight Frank's earlier assessment of the viability of resurrecting care home use. This is a reduction of £7,000,000 from the previously assumed benchmark figure.

6.3 The report identifies evidence of national turnkey sales which have achieved between £113,000 and £325,000 per bed. However, the GDV which equates to £685,000 per bed is substantially above any of the turnkey evidence. One comparable drawn on achieved circa £325,000 but this is recognised as being exceptional due to the sale and leaseback deal reflecting in part the covenant strength of the operator and therefore we consider this to be an anomaly.

6.4 We therefore consider average care bed values to fall within a band of circa £150,000-£250,000 but do accept that a high end London care home could possibly achieve a premium above this range. However, we are also aware of a planning application for high end care beds in West Hampstead which had been valued at £117,000. This suggests that variances for prime London locations will be minimal and that only exceptional schemes would generate values outside of the typical range. Such schemes are not based in refurbished Victorian and 1960's buildings.

6.5 As the proposals are lacking in detail an EBITDA valuation is potentially open to inclusion of untested assumptions whereby the quality of the scheme is easily overestimated in the valuation of revenue but is not matched in the costs of refurbishment or fully justified in terms of the physical site, layout restrictions or provision of suitable facilities.

6.6 Despite multiple requests no further detail was provided to substantiate this valuation with regard to a condition survey, illustrative plans/communal facilities, cost plan for assessment or indication of the care home operator model and services to support the fees pitch. This could not be provided by the Applicant who stated that this level of detail had not been considered. This highlights the limited weight which can be given to this valuation and we consider this to be of particular importance when defending such a high land value which far exceeds the value per bed of turnkey sales.

6.7 The EBITDA valuation assumes a weekly fee of £3,500, 93% occupancy, 50% payroll costs, 12% non-payroll costs and 38% EBITDA margin. A YP of 14 following 4 year stabilisation and deferment has resulted in a turnkey Years Purchase income multiplier of 10.68. This produced a turnkey GDV of £20,553,000, or £685,000 per bed.

6.8 In relation to the fees no robust evidence of where this has been achieved elsewhere has been included. The report states that average fees in the South East and London are approximately £1,000 per week and high end care homes in London are being proposed with fees of between £3,000 to £5,000.

6.9 The research of the care home market also identified Innovative Aged Care as the only establishment that offers close competition and a similar product to that which Knight Frank have based their hypothetical model on. The only Innovative Aged Care home which is currently trading is Chelsea Court Place, located on the Kings Road. It provides luxury specialist dementia care in a 15 bed facility. We consider this to represent the very select high end of the care home market.

6.10 We have downloaded the company's accounts from Companies House to use a basis for assessing the EBITDA put forward for the subject site. We note the following key information from trading periods year ending 31st March 2018 and year ended 31st December 2018 (shortened 9 month period but referred to as 2019):

Turnover

Annual turnover from care operations of £2,165,000 and £1,710,076 respectively. Assuming an average occupancy of 93% this equates to an average of £3,050 per week.

Employees

There were 40 members of staff in 2018 and 45 in 2019 with wages of £997,766 and £737,954 respectively. This equates to 46% and 43% of annual revenue and a staff ration of 2.8 per resident.

Other Costs

Total cost of sales and administrative costs (including pay roll) of £2,095,679 in 2018 and £1,592,605 in 2019 which equates to 97% and 93% of annual income respectively. Please note this incorporates the payroll costs also includes intercompany loans which may distort the total figure and prevents a direct comparability without further investigation into how this is broken down.

6.11 The fees of £3,500 proposed by Knight Frank are higher than those charged by Innovative Care. We suggest that £3,000 per week is more reasonable for a luxury scheme and still well above average London care home fees and without sufficient justification in the costs of refurbishing the property to a level which would warrant such a premium fee. However, in the absence of clear detail on the service to be provided we have agreed to adopt assumptions reflecting those evidenced at Innovative Care.

6.12 The 93% occupancy rate is in line with expectations and the determination of weekly fees in the Innovative Care comparison. Therefore, we have maintained this in our updated assessment.

6.13 We agree that the payroll costs of 50% of annual income are reasonable on a percentage basis assuming that the carer ratio would be similar. Although in the interests of working to the best available evidence we have proposed adopting a lower rate of 45% in line with Innovative Care, however the layout of the subject premises may involve higher carer numbers.

6.14 We accept that business model and management differences prevent direct comparability of the above total costs and operating margin. However, we do not agree that the non-payroll costs of 12% (£610,000 per annum) would be sufficient to maintain a high end care home. This has not been broken down but the day to day running costs for such an establishment are likely to include sales and marketing, utilities, food and drink, medicines, maintenance and repairs, insurance and administrative costs.

6.15 We have proposed the following as a more realistic assumption:

Sales & marketing	2.5%	£	108,810
Utilities	2.5%	£	108,810
Maintence and renewals	3.0%	£	130,572
Insurance	1.0%	£	43,524
Admin	8.0%	£	348,192
Food, travel, medicines, sundries	5.0%	£	217,620
Annual sinking fund	3.0%	£	130,572
Total	**25.00%**	**£**	**1,088,100**

6.16 We still consider this to be a conservative estimate and reserve the right to amend this is further information becomes available.

6.17 In agreement with the proposed yield this has produced a GDV of £13,945,000 which equates to £465,000 per bed and is more in line with turnkey evidence albeit still with a generous inbuilt premium.

6.18 The costs of refurbishing the property have been generated from what is said to be the same rate as applied to the proposed scheme. However, the total cost of £6,162,240, which equates to £314/sq ft, does not match the cost plan referred to in the report or the proposed scheme appraisal which adopts a build cost of £441/sq ft (including contingency).

6.19 In the absence of plans to enable a more detailed assessment we consider this to be the best available approach to estimate the costs of refurbishment. We have taken the same approach as explained by the Applicant but corrected the rate as per the cost plan. This has increased the total construction costs to £8,654,625 including contingency.

6.20 Professional fees of 10% have been allowed. This is a standard assumption but as a higher rate of 12% has been applied to the proposed scheme we have made the same allowance here to reflect the potential complexities of renovating such a building.

6.21 A finance rate of 6.75% has been employed which is consistent with the proposed scheme appraisal.

6.22 The residual value of our amended appraisal is therefore £3,463,826, say £3,465,000, as can be seen in Appendix C.

6.23 As this valuation includes significant investment, it is considered an AUV rather than an EUV. PPG states a preference for an EUV benchmark land value, but an AUV can be adopted where "*…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.*".

6.24 If Applicant considers wishes to pursue this AUV rather than an EUV based on the existing condition of the site, then they must also justify why this alternative has not be pursued as the more valuable use of the site.

Quality Standards Control

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator. This document must only be treated as a draft unless it has been signed and approved by the Originators and a Business/ Associate Director.

Signed

Kelly Donnelly
RICS Membership no 5699454
For and on behalf of BPS Chartered Surveyors

RICS Registered Valuer
RICS Membership no. 0085834
For and on behalf of BPS
Chartered Surveyors

LIMITATION OF LIABILITY/PUBLICATION

This report is provided for the stated purpose and for the sole use of the named clients. It is confidential to the clients and their professional advisors and BPS Chartered Surveyors accepts no responsibility whatsoever to any other person

Neither the whole nor any part of this valuation report nor any reference hereto may be included in any published document, circular, or statement, or published in any way, without prior written approval from BPS of the form and context in which it may appear.

Appendix A

Branch Hill House
100% private

Development Appraisal
BPS Surveyors
21 April 2020

Branch Hill House
100% private

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Residential	34	47,555	1,363.47	1,907,059	64,840,000
Rental Area Summary	**Units**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	
Ground Rent	1	12,100	12,100	12,100	
Investment Valuation					
Ground Rent					
Current Rent	12,100	YP @	5.0000%	20.0000	242,000
GROSS DEVELOPMENT VALUE				**65,082,000**	
NET REALISATION				**65,082,000**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price		3,465,000			
Fixed Price			3,465,000		
				3,465,000	
Stamp Duty			162,750		
Effective Stamp Duty Rate		4.70%			
Agent Fee		1.00%	34,650		
Legal Fee		0.25%	8,663		
				206,062	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Residential	62,947	441.48	27,790,000		
Borough CIL			2,351,000		
Mayoral CIL			376,160		
				30,517,160	
PROFESSIONAL FEES					
Professional Fees		12.00%	3,334,800		
				3,334,800	
MARKETING & LETTING					
Marketing		1.50%	972,600		
				972,600	
DISPOSAL FEES					
Sales Agent Fee		1.50%	976,230		
Sales Legal Fee			34,000		
				1,010,230	
Additional Costs					
Dev. Management Fee		20.00%	13,016,400		
				13,016,400	
FINANCE					
Debit Rate 6.750%, Credit Rate 1.000% (Nominal)					
Land			742,224		
Construction			2,771,924		
Other			445,628		
Total Finance Cost				3,959,776	
TOTAL COSTS				**56,482,028**	

Branch Hill House
100% private

PROFIT

		8,599,972

Performance Measures

Profit on Cost%	15.23%
Profit on GDV%	13.21%
Profit on NDV%	13.21%
Development Yield% (on Rent)	0.02%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%
Rent Cover	710 yrs 9 mths
Profit Erosion (finance rate 6.750)	2 yrs 1 mth

Appendix B

Branch Hill House
7 Intermediate

Development Appraisal
BPS Surveyors
21 April 2020

Branch Hill House
7 Intermediate

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private	27	43,239	1,363.70	2,183,889	58,965,000
Intermediate	1	4,316	420.00	1,812,720	1,812,720
Totals	**28**	**47,555**			**60,777,720**
Rental Area Summary	**Units**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	
Ground Rent	1	9,700	9,700	9,700	
Investment Valuation					
Ground Rent					
Current Rent	9,700	YP @	5.0000%	20.0000	194,000
GROSS DEVELOPMENT VALUE				**60,971,720**	
NET REALISATION				**60,971,720**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price		3,465,000			
Fixed Price			3,465,000		
				3,465,000	
Stamp Duty			162,750		
Effective Stamp Duty Rate		4.70%			
Agent Fee		1.00%	34,650		
Legal Fee		0.25%	8,663		
				206,062	
CONSTRUCTION COSTS					
Construction	**Units**	**Unit Amount**	**Cost**		
Construction	1 un	27,790,000	27,790,000		
Borough CIL			2,351,000		
Mayoral CIL			376,160		
				30,517,160	
PROFESSIONAL FEES					
Professional Fees		12.00%	3,334,800		
				3,334,800	
MARKETING & LETTING					
Marketing		1.50%	884,475		
				884,475	
DISPOSAL FEES					
Sales Agent Fee		1.50%	914,576		
Sales Legal Fee			34,000		
				948,576	
Additional Costs					
Profit Private		20.00%	11,831,800		
Profit Affordable		6.00%	108,763		
				11,940,563	
FINANCE					
Debit Rate 6.750%, Credit Rate 1.000% (Nominal)					
Land			742,224		
Construction			2,771,924		
Other			414,715		

Branch Hill House
7 Intermediate

Total Finance Cost		3,928,863
TOTAL COSTS		**55,225,499**
PROFIT		
		5,746,221
Performance Measures		
Profit on Cost%	10.41%	
Profit on GDV%	9.42%	
Profit on NDV%	9.42%	
Development Yield% (on Rent)	0.02%	
Equivalent Yield% (Nominal)	5.00%	
Equivalent Yield% (True)	5.16%	
Rent Cover	592 yrs 5 mths	
Profit Erosion (finance rate 6.750)	1 yr 6 mths	

Appendix C

Branch Hill House, Hampstead
Branch Hill House, Hampstead
30 Bed Care Home

Development Appraisal
BPS Surveyors
17 April 2020

APPRAISAL SUMMARY — BPS SURVEYORS

Branch Hill House, Hampstead
Branch Hill House, Hampstead
30 Bed Care Home

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Care Home 30 beds	1	19,625	710.57	13,945,000	13,945,000
NET REALISATION				**13,945,000**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			3,463,826		
				3,463,826	
Stamp Duty			162,691		
Effective Stamp Duty Rate		4.70%			
Agent Fee		1.50%	51,957		
Legal Fee		0.25%	8,660		
				223,308	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Care Home 30 beds	19,625	441.00	8,654,625		
				8,654,625	
PROFESSIONAL FEES					
Professional Fees		12.00%	1,038,555		
				1,038,555	
FINANCE					
Debit Rate 6.750%, Credit Rate 1.000% (Nominal)					
Land			277,551		
Construction			287,134		
Total Finance Cost				564,686	
TOTAL COSTS				**13,945,000**	
PROFIT					
				0	
Performance Measures					
Profit on Cost%		0.00%			
Profit on GDV%		0.00%			
Profit on NDV%		0.00%			
IRR% (without Interest)		6.09%			
Profit Erosion (finance rate 6.750)		N/A			

Appendix D

Project: Branch Hill House, Branch Hill, Hampstead, Camden NW3 7LS 2019/6354/P

Independent Review of Assessment of Economic Viability

Interim Draft Report
Appendix A Cost Report

1 SUMMARY

1.1 The allowance for contingencies to both new build and refurbishment is 5% which we consider reasonable; however in our benchmarking we have allowed 10% for adjustments to the refurbishment works that is consistent with our practice of allowing up to 10% for the increased uncertainty and risk of construction works to existing buildings.

1.2 We have included the GIA used in the cost estimate of 5,848m². The NIA used to calculate the revenues is 4,418m² giving an efficiency of 75.5%.

1.3 Our benchmarking results in an adjusted benchmark for the new build section of £4,309/m² that compares to the Applicant's £ 4,309/m²; and for the refurbishment section of £4,330/m² that compares to the Applicant's £ 4,331/m². We therefore consider the Applicant's costs to be reasonable.

1.4 The areas and costs included in the appraisal are consistent with the areas and costs in the cost plan.

2 METHODOLOGY

2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element by element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5 year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.

2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available an overall £ per sqm and on a group element basis ie. substructure, superstructure, finishings, fittings and services – but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher than normal cost of external wall and window elements.

2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

2.5 BCIS costs are available on a quarterly basis – the most recent quarters use forecast figures, the older quarters are firm. If any estimates require adjustment on a time basis we use the BCIS all-in Tender Price Index (TPI).

2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However if the Applicant's cost plan does not distinguish different categories we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.

2.7 To undertake the benchmarking we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.

2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.

2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element by element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the Viability Assessment Report issued by Savills January 2020 for Alma Group including the Viability Cost Plan Ver 3.0 issued January 2020 by RLF - Base 4Q2019.

3.2 We have also downloaded a number of files from the planning web site.

3.3 The cost plan is Base Date 4Q2019. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 4Q2019 is 332 and for 1Q2020 333 – both figures are forecasts.

3.4 The cost plan includes an allowance for new build works of 14% for preliminaries and for the refurbishment element of works 20.3%. We consider the differentially higher cost of preliminaries for the refurbishment works to be fair and overall consider the costs reasonable.

3.5 The allowance for overheads and profit (OHP) for both new build and refurbishment is 6%. We consider these allowances reasonable.

3.6 The allowance for contingencies to both new build and refurbishment is 5% which we consider reasonable; however in our benchmarking we have allowed 10% for adjustments to the refurbishment works that is consistent with our practice of allowing up to 10% for the increased uncertainty and risk of construction works to existing buildings. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

3.7 We have extracted the cost information provided by the Applicant into a standard BCIS/NRM format to facilitate our benchmarking.

3.8 Sales have been included in the Appraisal at average figures of £1,363/ft² (Net Sales Area).

3.9 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 135% that has been applied in our benchmarking calculations.

3.10 We have adopted the same GIAs used in the Applicant's cost plan for both new build and refurbishment works; we assume this to be the GIAs calculated in accordance with the RICS Code of Measurement 6th Edition 2007.

3.11 Refer to our attached file "Elemental analysis and BCIS benchmarking". We have included the GIA used in the cost estimate of 5,848m². The NIA used to calculate the revenues is 4,418m² giving an efficiency of 75.5%.

3.12 The proposed building comprises a basement, ground floor and four floors above - a 6 storey building of flats; BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6 storey or above. We have benchmarked as 6 storey flats.

3.13 Our benchmarking results in an adjusted benchmark for the new build section of £4,309/m² that compares to the Applicant's £ 4,309/m²; and for the refurbishment section of £4,330/m² that compares to the Applicant's £ 4,331/m². We therefore consider the Applicant's costs to be reasonable.

3.14 The areas and costs included in the appraisal are consistent with the areas and costs in the cost plan.

BPS Chartered Surveyors
Date: 26th February 2020

Branch Hill House, Branch Hill, Hampstead, Camden NW3 7LS
Elemental analysis & BCIS benchmarking

		Total		New build		Refurb		External works		LF100	LF135
	GIA m²		**5,848**		**4,702**		**1,146**		**6,377**		
		£	**£/m²**	**£**	**£/m²**	**£**	**£/m²**	**£**	**£/m²**	**£/m²**	**£/m²**
	Demolitions	**307,010**	**52**	**188,967**	**40**	**118,043**	**103**				
1	**Substructure**	**2,483,920**	**425**	**2,287,462**	**486**	**196,458**	**171**			**153**	**207**
2A	Frame	1,404,188	240	1,177,134	250	227,054	198			139	188
2B	Upper Floors	1,511,414	258	1,298,753	276	212,661	186			76	103
2C	Roof	838,341	143	590,684	126	247,657	216			92	124
2D	Stairs	183,041	31	159,948	34	23,093	20			34	46
2E	External Walls & balconies	3,648,302	624	2,926,757	622	721,545	630			215	290
2F	Windows & External Doors	978,900	167	601,200	128	377,700	330			81	109
2G	Internal Walls & Partitions	554,368	95	426,107	91	128,260	112			79	107
2H	Internal Doors	426,975	73	319,875	68	107,100	93			44	59
2	**Superstructure**	**9,545,529**	**1,632**	**7,500,458**	**1,595**	**2,045,070**	**1,785**			**760**	**1,026**
3A	Wall Finishes	670,042	115	507,116	108	162,926	142			76	103
3B	Floor Finishes	660,115	113	512,334	109	147,781	129			65	88
3C	Ceiling Finishes	229,680	39	178,245	38	51,435	45			40	54
3	**Internal Finishes**	**1,559,837**	**267**	**1,197,695**	**255**	**362,142**	**316**			**181**	**244**
4	**Fittings**	**1,119,596**	**191**	**937,554**	**199**	**182,042**	**159**			**74**	**100**
5A	Sanitary Appliances	64,300	11			64,300	56			32	43
5B	Services Equipment (kitchen, laundry)	274,400	47	274,400	58		0			24	32
5C	Disposal Installations	87,278	15	73,610	16	13,668	12			20	27
5D	Water Installations	196,227	34	159,176	34	37,051	32			36	49
5E	Heat Source	624,064	107	605,707	129	18,356	16			19	26
5F	Space Heating & Air Treatment	301,969	52	226,392	48	75,577	66			76	103
5G	Ventilating Systems, smoke extract & control	283,004	48	236,504	50	46,500	41			16	22
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)	842,889	144	659,832	140	183,058	160			87	117
5I	Fuel Installations	0								6	8
5J	Lift Installations	247,000	42	247,000	53		0			36	49
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)	157,391	27	142,953	30	14,438	13			13	18
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)	707,891	121	531,760	113	176,130	154			27	36
5M	Special Installations - (window cleaning, BMS, medical gas)	85,000	15	72,500	15	12,500	11			20	27
5N	BWIC with Services	109,125	19	91,041	19	18,084	16			17	23
5O	Management of commissioning of services	96,785	17	80,746	17	16,039	14				
	Sub contract prelims 12.3%	396,820	68	331,058	70	65,762	57				
5	**Services**	**4,474,143**	**765**	**3,732,679**	**794**	**741,464**	**647**			**429**	**579**
6A	Site Works	1,518,000	260					1,518,000	238		
6B	Drainage										
6C	External Services	609,137	104	82,850	18	22,286	19	504,000	79		
6D	Minor Building Works - asbestos removal	70,000	12	35,000	7	35,000	31				
6	**External Works**	**2,197,137**	**376**	**117,850**	**25**	**57,286**	**50**	**2,022,000**	**317**		
	SUB TOTAL	**21,687,172**	**3,708**	**15,962,666**	**3,395**	**3,702,506**	**3,231**	**2,022,000**	**317**	**1,597**	**2,156**
7	**Preliminaries 14%/20.3%**	**3,270,000**	**559**	**2,236,000**	**476**	**750,000**	**654**	**284,000**	**45**		
	Overheads & Profit 6%	**1,500,000**	**256**	**1,093,000**	**232**	**268,000**	**234**	**139,000**	**22**		
	SUB TOTAL	**26,457,172**	**4,524**	**19,291,666**	**4,103**	**4,720,506**	**4,119**	**2,445,000**	**383**		
	Design Development risks										
	Construction risks 5%	1,325,000	227	965,000	205	237,000	207	123,000	19		
	Employer change risks										
	Employer other risks - rounding	7,828	1	2,334	0	5,494	5				
	TOTAL	**27,790,000**	**4,752**	**20,259,000**	**4,309**	**4,963,000**	**4,331**	**2,568,000**	**403**		
			4,752		4,309		4,331				
	Benchmarking				2,484		2,556				
	Add demolitions			40		103					
	Add external works			25		50					
	Add additional cost of substructure			280							
	Add additional cost of frame & upper floors			236		93					
	Add additional cost of external walls			332		339					
	Add additional cost of windows & external doors			19		220					
	Add additional cost of internal doors			9		34					
	Add additional cost of floor finishes			21		41					
	Add additional cost of fittings			99		59					
	Add additional cost of services equipment (white goods)			66							
	Add additional cost of heat source & heating			55		-52					
	Add additional cost of ventilating			32		21					
	Add additional cost of elerctrical			26		47					
	Add additional cost of protective			14		-6					
	Add additional cost of communications			86		132					
				1,340		1,083					
	Add prelims - 14%/ 20.3%			188		220					
	Add OHP 6%			92	1,619	78	1,381				
					4,103		3,937				
	Add contingency 5%/ 10%				205		394				
	Total adjusted benchmark				4,309		4,330				