

**Former Ingestre Road Care Home, 11-
12 Ingestre Road, NW5 1UX**

Independent Viability Review

Prepared on behalf of the London Borough of Camden

18 December 2018

Planning reference: 2018/4449/P



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

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1.0 INTRODUCTION

- 1.1 BPS have been instructed by the London Borough of Camden to undertake an independent viability assessment for the proposed redevelopment of the Former Ingestre Road Care Home, NW5 1UX. We have been provided with a Financial Viability Assessment ('FVA') prepared by DS2 on behalf of the applicant, Four Quarters Ingestre Road Ltd.
- 1.2 The applicant is seeking full planning permission for the following development:

Demolition of the existing buildings and the erection of a six storey plus single storey basement building accommodating 50 Assisted Living residential units with ancillary communal and support facilities, together with access, parking, plant, landscaping, infrastructure and other associated works.
- 1.3 The apartments will be for residents aged 55+ and will consist of 1-, 2- and 3-bedroom units. There will be ancillary facilities for staff in addition to amenities such as an age-restricted mini-gym, coffee shop and salon that will all be accessible to the general public.
- 1.4 Paragraph 3.4 of the FVA describes the units as C2 (Residential Institutions)/C3 (Dwelling Houses). Table 1 of the FVA then describes the accommodation as C3 use. DS2's appraisal refers to the units as C2. After discussions with the applicant we have been advised that the submission is on the basis of a C3 Use Class.
- 1.5 The Council's policy H4 applies to Use Class C3 houses (as we have determined are being delivered in the subject scheme) but also to housing for older people (both C2 and C3 Use Classes). The application scheme is therefore expected to contribute towards affordable housing.
- 1.6 The Camden Local Plan 2017 states that the guideline mix of affordable housing type is 60:40 affordable/social-rented housing to intermediate housing. For developments providing fewer than 25 additional homes, a sliding scale will be applied starting at 2% for one home and increasing by 2% for each additional home. Developments with fewer than a 10-unit capacity will be applicable for an affordable housing payment in lieu, otherwise affordable housing will be expected on-site unless this is impractical or off-site provisions would create a better contribution. Developments seeking permission for 25+ dwellings have an affordable housing target of 50%. For developments with capacity for 25 or more additional homes, the Council may seek affordable housing for older people or vulnerable people as part or all of the affordable housing contribution.
- 1.7 The proposed scheme will deliver 50 C3 units, therefore there is an expectation of 25 units to be affordable housing across a unit mix of 15 social/affordable rented homes and 10 shared ownership homes.
- 1.8 According to DS2's appraisal, the proposed scheme produces a deficit of £3,812,765 without any consideration for affordable housing by on-site or in-lieu payment. The inclusion of affordable housing will worsen this deficit.

- 1.9 The existing use of the site is as a C2 care home that has been described as unfit for purpose and would require significant capital expenditure in order to bring units back to the market. As such, DS2 have received advice from Savills to adopt a nominal Benchmark Land Value of £1. DS2's position is therefore that the scheme has a viability deficit (after the Benchmark Land Value deducted from the residual value) of £3,812,766 and therefore cannot contribute towards affordable housing.
- 1.10 The purpose of this report is to assess the cost and value inputs used in the residual appraisal for the proposed development and the calculation of Benchmark Land Value as per DS2's report in order to determine whether the scheme could viably contribute towards affordable housing.
- 1.11 The advice set out in this report is provided in the context of negotiating planning obligations and therefore in accordance with PS1 of the *RICS Valuation - Global Standards 2017*, the provisions of VPS1-5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation.
- 1.12 The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the Council and with any associated Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Council.

2.0 CONCLUSIONS AND RECOMMENDATIONS

- 2.1 We are satisfied with the adoption of a Benchmark Land Value of £1 based upon verbal advice from Savills that the Existing Use Value is negligible for this property. We have been informed that the property is no longer fit for purpose and would require significant capital expenditure in order to be marketable. However, we immediately question the applicant's reasons for pursuing the development when the residual appraisal shows a loss of -£3.8m even when a negligible land value of £1 is assumed.
- 2.2 We have valued the private residential units as C3 Use but taking into account the age-restricted market. We have assumed there will be no clawback scheme requiring part of the future value of the property to be paid back to the developer. Any clawback schemes or re-sale provisions intended for the units will need to be clarified in the Section 106 agreement. After considering Savills' market research in conjunction with our own, we are of the view that a 15% increase to residential values is achievable. The revised GDV is £42.64m.
- 2.3 The following are minor areas in need of clarification:
- The code used in the accommodation schedule, '2B4P(A)'. We assume these are wheelchair accessible units/adaptable units however this would only represent 12% of the total scheme, a low rate for a retirement scheme.
 - The method of calculation behind a £839.31 per unit per month service charge.
 - Justification for the £10 per sq ft per annum rental value and 6% yield on retail offerings within the scheme, and £8 per sq ft capitalised at 7% for the gym. Our own market research suggests that the combined capital value of the retail (hairdressers and café) should increase to £1.045m and the value of the gym from DS2's £266,286 to £333,000.
- 2.4 We have forwarded the Cost Plan by Barton Willmore to our Cost Consultant Neil Powling for assessment. Whilst he is satisfied that the costs appear reasonable, his report has raised queries regarding the floor areas provided. On further consultation with DS2 and Barton Willmore it has been confirmed that this difference in GIA is due to circulation space, which adds no revenue to the scheme but does incur construction costs and management/maintenance costs.
- 2.5 DS2's report states that the applicant is willing to make a contribution, due to the Council's prioritisation of affordable housing. Once we have increased the value of the residential and commercial elements, the appraisal produces a residual value of £480,277. The scheme is therefore viable (after a land value of £1) and can contribute towards affordable housing.

3.0 PRIVATE RESIDENTIAL VALUES

- 3.1 The value of the residential units has been calculated according to Savills' valuation report dated July 2018. Savills have assumed C2/C3 use class. After speaking with DS2 we have been informed that both DS2 and the Council consider the facility to be C3.
- 3.2 The proposed development will deliver 50 'extra care units' consisting of 1 x 1-bed apartments, 41 x 2-bed apartments and 8 x 3-bed apartments. All units have private outdoor amenity space. Residents will also benefit from exclusive residents' lounges and outdoor spaces, cycle parking, disabled parking spaces, electric vehicle spaces (available to hire), as well as easy access to the hairdressers, café and gym, all of which are also open to the public. In the basement will also be a laundry store, residential refuse room, commercial refuse room and a scooter charging room.
- 3.3 Some of the units in the accommodation schedule are described as '2B4P(A)'. We assume these are wheelchair accessible units/adaptable units however this would only represent 12% of the total scheme, whereas we would anticipate the majority if not all of the rooms to be adaptable in a retirement scheme. We request clarity on this matter.
- 3.4 Savills were not provided with a detailed specification of the proposed scheme when undertaking their valuation. They have assumed facilities extend to elderly care but it is not clear what level of care will be provided. We have assumed the residents will be provided with a relatively low level of care and that the facility will not be equipped to deal with health conditions or any advanced medicinal aid. We note the residential units are laid out as independent living accommodation.
- 3.5 Savills' valuation has been undertaken on the basis that the proposed scheme will have a catchment area across a 1-mile radius surrounding the site. They have provided research into the socio-economic profile within the catchment area as well as a population demographic to determine the demand for this product. We are of the view that establishing a strong market demand is crucial to the valuation of these units, more so when we consider that the existing C2 care home has been given a Benchmark Land Value of £1.
- 3.6 Within a 1-mile radius of the site are 237 care beds across 4 care homes providing nursing facilities and 42 beds providing personal care. There is currently a statistical need for 409 long-term care places within this catchment area, effectively a shortfall on the number of available units, which implies that there will be high demand for the proposed scheme. In addition, over the next 15 years Savills report that there are estimated increases to the elderly population in this area, meaning that the market for C3 'extra-care' apartments will improve. As such, the Council have addressed the need for this form of age-restricted housing in their 2017 Local Plan.
- 3.7 Savills conclude with a blended value of £875 per sq ft across the subject scheme. This leads to a total GDV of £37,120,125. In terms of individual unit types, this amounts to the following:

Figure 1: Savills' valuation of the proposed scheme

	No. units	Av. NSA	Av. value	Tot. value	Av. £psf
1B2P	1	588	£520,000	£520,000	£884
2B4P	35	811	£708,000	£24,780,000	£873
2B4P(A)	6	955	£838,333	£5,030,000	£878
3B5P	8	963	£847,500	£6,780,000	£880

3.8 We note that DS2's appraisal shows a 42,423 sq ft net sales area (NSA) against a 85,971 sq ft scheme GIA, therefore a building efficiency rating of 49%. The reason for this low rate is presumably given the large areas of communal and circulation space in this scheme. We expect to see the benefits of these communal areas reflected in unit values, to make their inclusion worthwhile.

3.9 We have assumed as part of our valuation that the units at the subject site are not subject to a clawback scheme whereby value is returned to the developer on vacation of any of the units. In our view this would be a material aspect of the valuation.

Comparable evidence

3.10 Savills note that there is only one extra care scheme and no enhanced shelter schemes competing within the 1-mile catchment area surrounding the site. Their search for transactional evidence to inform their valuation has therefore extended beyond this area.

3.11 A number of their pieces of evidence are from 2016. Typically, evidence should be within 12 months of the date of valuation. Given that Savills' report was undertaken in July 2018 we have only considered transactions provided after July 2017.

3.12 We have struggled to compare the evidence provided directly with the proposed units given that Savills have not provided details regarding the number of bedrooms in each retirement apartment. We have made assumptions of unit type based upon unit size.

Figure 2: Savills' market evidence

Address	Sales information				BPS comments
Fitzwarren House, 12 Hornsey Lane, N6 5LX	Asking prices £380,000-£410,000 (£630-£748 per sq ft) Have not included values attained in 2016 as these are considered dated.				Described as 'somewhat dated'. Located in a comparable location in Highgate
Osprey Court, 256-258a Finchley Road, NW3 7AA	Have not included evidence later than August 2017 as these are historic. Largest unit sold for the lowest value - suspect this was due to a change in the market or a discounted sale.				Located in an area of broadly similar value to the subject. Similar amenities to the subject. Dated appearance.
	Area sq ft	Sale/ asking price	£psf	Assumed no. beds	
	549	£492,500	£897.09	1B2P	
	818	£550,000	£672.37	2B4P	
	936	£430,000	£459.40	2B4P	

No. 79 Fitzjohn's Avenue, NW3 6PA	PegasusLife scheme All units are asking prices.				Superior amenities to the subject, with a spa and wellness lounge. Superior location.
	Area sq ft	Sale/ asking price	£psf	Assumed no. beds	
	1,444	£2,700,000	£1,869.81	3B5P	
	1,517	£2,950,000	£1,944.63	3B5P	
	1,700	£3,280,000	£1,929.41	3B5P	
	2,161	£4,150,000	£1,920.41	3B5P	
	2,101	£4,000,000	£1,903.86	3B5P	
Hampstead Green Place, Rowland, NW3 2PN	PegasusLife scheme				Marginally superior location to subject. New-build scheme with spa, bar, restaurant and gym, also includes parking on site. Roof terraces.
	Area sq ft	Sale/ asking price	£psf	Assumed no. beds	
	581	£792,500	£1,364.03	1B2P	
	1,203	£1,377,500	£1,145.05	2B4P	

3.13 The lower value evidence (Fitzwarren House and Osprey Court) are dated facilities in need of refurbishment that in our view would achieve inferior values to the subject scheme. The latter two (Fitzjohn's Avenue and Hampstead Green Place) are in good locations, with high quality finishing's and superior amenities. We would expect a value between these two extremes of the market. Given the PegasusLife scheme's superior levels of amenity, this may lead to the subject scheme needing to compete by lowering its values.

3.14 A retirement scheme is currently due to go to planning appeal for the redevelopment of the site known as Gondar Gardens. The site is in a similar location in West Hampstead. Although the circumstances of the valuation differ from the subject site (further information available on the Council planning portal) the comparable evidence used in the Gondar Gardens viability case is relevant here:

Figure 3: Evidence used in the valuation of Gondar Gardens

Address	Sales information	BPS comments
A016 Argo House, Kilburn Park Road, NW6	1-bed 484 sq ft £650,000 (£1,343 per sq ft) Sold STC	3 rd floor of a new-build development with a 999-year lease. Concierge services available.
E901 Milne Building, Heritage Lane, West Hampstead, NW6	1-bed 567 sq ft £680,000 (£1,199 per sq ft) Sold STC	9 th floor new-build flat with height premiums applicable. Similar size to the subject.
12 Queens Park Penthouses, 105-109 Salisbury Road, NW6	2-bed 850 sq ft £1,199,950 (£1,412) Sold STC	3 rd floor new-build, premium penthouse with private terrace.

3.15 Savills have also provided the following evidence of non-age-restricted residential sales. Their comparison to these units implies a low level of care at the subject that would align the proposed residential units with Use Class C3. They reference **St Martin's Walk, NW5**, in which 558 sq ft 1-bed units are selling for £884 per sq ft, and the **Maple Building, NW5**, in which 2-bed units of a variety of sizes are selling for an average £1,011 per sq ft (not including units sold later than July 2017).

- 3.16 We note that often a premium may be applicable for retirement property against standard housing to account for the communal space and services. The proposed scheme will benefit from large amounts of both communal and private amenity space, an on-site hairdressers and café, rentable cars, and close proximity to a number of retail offerings, bars, restaurants, the Parliament Hill Medical Centre and proximity to Tufnell Park station. The site may be disadvantaged by nearby railway tracks but we do not see this having a significant impact upon value.
- 3.17 In light of the above, it appears that Savills have taken a pessimistic view of the value of these units. We recommend a 15% increase to the residential unit values:

Figure 4: Revised values

	No. units	Av. area	Savills values	BPS revised values	Tot. value	Av. £psf
1B2P	1	588	£520,000	£598,000	£598,000	£1,017
2B4P	35	811	£708,000	£814,200	£28,497,000	£1,003
2B4P(A)	6	955	£838,333	£957,859	£5,747,156	£1,003
3B5P	8	963	£847,500	£974,625	£7,797,000	£1,012
	50		£37,120,125		£42,639,156	£1,005

- 3.18 We have maintained an 18% improvement to the value of accessible/ adaptable units against usual 2B4P units, per Savills' schedule. The above keep the subject at the lower end of the market to remain competitive against the likes of PegasusLife whilst ensuring a new-build premium is represented.
- 3.19 Savills note that the operator of the proposed care home is new to the market. We have not received information on this operator and so are limited in our ability to comment on this matter.

Service charges

- 3.20 DS2 have calculated £199,755 in service charge voids whilst units are being sold. This is the equivalent of £839.31 per unit per month. No explanation has been given regarding the adoption of this service charge, which appears to be quite specific. We request further clarity on this matter. We note that £839.31 per unit per month amounts to a significant annual expense for residents.

Car parking

- 3.21 Car parking is included in the scheme with 8 disabled spaces and 2 concierge spaces which will charge electric vehicles and will be available to residents to hire. The concierge, electric vehicle spaces have been ascribed nil value by DS2.

4.0 COMMERCIAL VALUES

- 4.1 The Planning Statement states the proposed development will provide a mini-gym, coffee shop and salon, all of which will be accessible to the general public as well as residents of the scheme. We are therefore of the view that these units should attribute value in their own right and that their value should be separate from the value of the residential units (although unit values may be benefitted by proximity to these amenities).
- 4.2 DS2 have not provided any evidence to justify their commercial valuations. As such we have needed to research the market and provide our own evidence to ensure the valuation is reasonable. We request evidence of DS2's market research informing their valuation of these uses.

Café and hairdressers (A1)

- 4.3 The café measures 1,017 sq ft and has been valued according to a £10 per sq ft capitalised with a yield of 6%. The capital value is £169,500. The hairdressers (also use class A1) is also valued at £10 per sq ft per annum, capitalised at 6%, and has a capital value of £66,333. The hairdresser's measures 398 sq ft.
- 4.4 We are aware of the following recent lettings and yield evidence for units of similar size in the Borough:

Figure 5: Retail market lettings evidence

Address	Description (and Floor Area)	Date	Lease Details	Rent psm / psf
Chalk Farm Road, NW1	Restaurant currently on the market Split over basement, ground and mezzanine levels Includes storage and office space Second-hand grade of space 185 sq m / 2,000 sq ft	On the market	£115,000p.a. (asking)	£621 / £58
65 Chalk Farm Road, NW1 8AN	Retail lock up shop on Chalk Farm Road Ground floor unit with two storage areas to the rear and a WC Second-hand grade of space 56 sq m / 602 sq ft	On the market	£48,500p.a. (asking)	£866 / £81
11 Kentish Town Road, NW1 8NH	Basement and ground floor, poor quality retail unit On market for 311 days 81 sq m / 870 sq ft	On the market	£65,000p.a. (asking)	£804 / £74
111 Kentish Town Road, NW1 8PB	Lock-up retail unit on ground floor with WC facilities to the rear Located in Kentish Town 30.5 sq m / 328 sq ft	16/10/17	£17,500p.a. (asking)	£574 / £53

116 Fortress Road, NW5 2HL	Double unit between Kentish Town and Archway, bordering Dartmouth Park. Offered on 8-12 year FRI lease 145 sq m / 1,560 sq ft	15/10/17	£52,500p.a. (asking)	£362 / £33
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- 4.5 There is very little evidence of investment transactions in retail in this area within the past 12 months. We are aware of the following transactions, which were undertaken in 2017:

Figure 6: Retail market investment evidence

Address	Description (and Floor Area)	Date	Sale Details
244 Kentish Town Road, NW5	Along busy retail street in close proximity to Kentish Town station 144 sq m / 1,551 sq ft	20/04/17	£985,000 achieved price £40,000 per annum rent 4.10% yield
242 Kentish Town Road, NW5	Next door to the above Larger unit than subject 195 sq m / 2,094 sq ft	31/01/17	£1.74m achieved price 4.74% yield
213-215 Kentish Town Road, NW5	Vacant unit with an asking rent of £45,000 per annum (£33 per sq ft) 128 sq m / 1,378 sq ft	On the market	£550,000 8.1% yield
2 Englands Lane, NW3 4TG	Ground floor retail unit currently in use as a café/restaurant In parade of shops in a largely residential location 247 sq m / 2,661 sq ft	25/01/18	£2.58m 4.95% yield
242 Kentish Town Road, NW5 2AB	Ground floor retail unit Close to Kentish Town station Within retail parade in mixed residential and retail area 195 sq m / 2,094 sq ft	31/01/17	£1,740,000 4.74%

- 4.6 The Knight Frank *Investment Yield Guide September 2018* shows negative sentiments for retail yields, with prime shops falling from 4% in May 2018 to 4.50% in September this year, and likewise good secondary retail increasing from 6% to 6.25% over this period. We are of the view that the proposed scheme will benefit from nearby residents and the café and hairdressing uses are not as high-risk during the uncertain Brexit season as other types of retail. In light of the yields above and taking into account the negative market sentiment, we have adopted a yield of 5.5%.
- 4.7 We have assumed a rent of £35 per sq ft per annum for the café unit and £55 per sq ft for the hairdressers, reflecting the discount per quantum of the larger unit. This captures the benefits of the repeat footfall from residents in combination to access from the open public, but also accounts for the fact that Ingestre Road is off from major roads. Our valuation of the retail offering at the proposed scheme is therefore:

	Sq ft	Rent	Rent per annum
Café	1,017	£35 per sq ft	£35,595
Hairdressers	398	£55 per sq ft	£21,890

Yield	5.50%	£57,485
YP	18.1818	
Capital value		£1,045,182 Say £1.045m

Gym (D2)

- 4.8 The gym has been valued at £8 per sq ft per annum capitalised at 7%, with a capital value of £266,286, and measures 2,330 sq ft. Again, no evidence has been provided to justify this valuation.
- 4.9 Lettings and sales evidence of gyms is sparse in the local area. We are however aware of the following:

Figure 7: Investment and lettings evidence for gymnasiums/ health clubs

Address	Description (and Floor Area)	Date	Lease Details	Rent psm / psf
474 Caledonian Road, N7 8TB	A health club on the ground floor of a residential block. Significantly smaller than subject 93 sq m / 996 sq ft	07/06/18	10-year lease £27,500p.a.	£296 / £27
165 York Way, N7 9LN	Durrant's gym Smaller unit than subject 92 sq m / 995 sq ft	15/01/18	£20,000p.a.	£216 / £20
Wandsworth Road, SW8	New gym unit with cardio area, studios and changing rooms with showers. 418 sq m / 4,500 sq ft	On the market	£70,000p.a.	£167 / £16

Address	Description (and Floor Area)	Date	Sale Details
Unit 3, River Gardens, Banning Street, SE10	Vacant unit with permission for retail, D1 and D2 uses. Similar size to subject £42,000 rent per annum Within new-build development 223 sq m / 2,398 sq ft	On the market	£540,000 (asking) 7% yield

- 4.10 In light of the evidence above a yield of 7% appears reasonable. We were not able to find a lot of evidence on the local market and would welcome any additional evidence used by the applicant in adopting this yield.
- 4.11 We accept that the rental comparables in the local area are significantly smaller than the subject. The Wandsworth Road site demonstrates the discount per quantum applicable on larger units. In light of this, we have adopted £10 per sq ft to the proposed gym. This is a discount on the smaller units in the area, plus a discount to account for the restricted age usage. This is a total £23,300 per annum. Capitalised at 7% gives a value of £332,857, say £333,000.

5.0 DEVELOPMENT COSTS

- 5.1 We have instructed our Cost Consultant Neil Powling to analyse the applicant's cost plan. His report and elemental analysis are available in Appendix 1, but in summary;

Refer to our attached file "Elemental analysis and BCIS benchmarking". We have included the GIA used in the cost estimate of 7,987m² (85,971ft²). The NIA used to calculate the revenues is 3,941m² (42,423ft²). The stated circulation area is 9,095ft² and the stated communal/facilities area 23,250ft². There is an apparent discrepancy in the area which at the date of this report is unresolved.

The building comprises a basement and ground floor plus 5 further floors - a 7 storey building of supported or sheltered housing described as "extra care". BCIS average cost data for flats is given in steps: 1-2 storey, 3-5 storey, 6+ storey. The average cost data for Supported Housing is given in steps: single storey, 2 storey, 3 storey and 4 storey or above. The average costs for 3-5 storey flats and 3 storey supported housing is similar but the average costs of 4 storey supported housing significantly less than for 6+ storey flats. As this is a 7 storey building we consider the appropriate rate to use for benchmarking is 6+ storey flats.

The results of our benchmarking yields an adjusted benchmark of £3,042/m² that compares to the Applicant's rate of £3,022/m²; we therefore consider the Applicant's costs to be reasonable.

- 5.2 We therefore withhold final conclusions on build costs pending the receipt of a clarification of areas. For the purposes of this assessment we have accepted the costs as reasonable.
- 5.3 DS2's appraisal allows for £1m (£20,000 per unit) of FF&E (fixtures, furnishings and equipment) costs. We requested clarity regarding how these costs will be expended, noting that the cost plan allows for a degree of fit-out already, and not wanting to duplicate these costs. In response, we received a schedule showing £987,958 of FF&E costs for bedrooms (different from the £1,414,650 fixtures and fittings allowance in the cost plan). We are therefore satisfied this cost is reasonable.
- 5.4 5% is the industry standard contingency allowance. This has been adopted by our Cost Consultant and DS2.
- 5.5 The adopted sales timings are per Savills' report, in which it is assumed that 3-4 units per month would be sold in a scheme of this size with an established operator. Given that the Operator is a new entrant to the market Savills recommend 2-3 units per month. DS2 have adopted 3 units per month. There will be 6 months of presales and a 24-month construction period, both of which seem reasonable.
- 5.6 DS2 have adopted a 17.50% profit on GDV, a midpoint of the 15-20% range recommended in the July 2018 NPPG. As C3 units, the proposed residential offering is a relatively low-risk development prospect, however the age restriction on them subsequently restricts the market. As a result, we would allow the development a

- higher risk consideration (therefore an inflated profit) than open-market, unrestricted sales. We are therefore satisfied this profit is reasonable.
- 5.7 We have not interrogated Camden and Mayoral CIL payments on the assumption that these have been agreed between the applicant and the Council. The CIL payments are £2,984,000 and £298,400 respectively.
- 5.8 A professional fee allowance of 12% is at the upper end of the 8-12% range adopted as an industry standard. At £2.868m this is not an insignificant cost and we request further clarity from the applicant as to how such a high level of professional fees will be spent.
- 5.9 A marketing allowance of 1.5% - £556,802 - appears to be reasonable. Likewise, we are satisfied with the 1% sales agents fees and 0.5% legal fees which together accumulate to an additional £555,971.
- 5.10 The scheme has an assumed debt borrowing rate of 6.75% which accumulated so a total finance cost of £2.3m, which does not appear to be unreasonable.

6.0 BENCHMARK LAND VALUE

- 6.1 We have downloaded land registry documents for the property and can confirm that the applicant purchased the site on the 5th May 2015 for a price of £4,525,000. DS2 state that due to the fact that the site was bought from the Council who wanted to use the monies for regenerative works in the area, the purchase price represents the sum required to incentivise the vendor and therefore may be a valid Benchmark Land Value. They also reserve the right to consider an Alternative Use Valuation as a redevelopment of the site to provide C2 accommodation.
- 6.2 In the case of the former, the price paid method is not supported by guidance and the land value (when addressed according to market value/ price paid) must reflect planning policy (including affordable housing) regardless of whether or not the Council are the vendor.
- 6.3 In the case of the latter, the Mayor's 2017 SPG requires those seeking to justify an AUV scheme to examine in detail why the AUV scheme is not going to be delivered in favour of the proposed scheme.
- 6.4 Whilst DS2 reserve the right to explore these avenues at a later date, they have adopted a Benchmark Land Value of £1 on the basis of advice from Savills, which states that the condition and layout of the site in combination with the care home being surplus to requirements effectively means that its C2 Existing Use (the site EUV) has negligible value.
- 6.5 We have requested further evidence of Savills' advice, including an explanation as to why the existing facility is unsuitable for C2 use. However on the basis that a Benchmark Land Value of £1 significantly improves the viability position we are satisfied that DS2's adopted value is very reasonable.

Appendix One
Cost report by Neil Powling

Project: 11-12 Ingestre Rd, NW5 1UX
2018/4449/P

Independent Review of Assessment of Economic Viability

Interim Draft Report Appendix A Cost Report

1 SUMMARY

- 1.1 Refer to our attached file “Elemental analysis and BCIS benchmarking”. We have included the GIA used in the cost estimate of 7,987m² (85,971ft²). The NIA used to calculate the revenues is 3,941m² (42,423ft²). The stated circulation area is 9,095ft² and the stated communal/facilities area 23,250ft². There is an apparent discrepancy in the area which at the date of this report is unresolved.
- 1.2 The building comprises a basement and ground floor plus 5 further floors - a 7 storey building of supported or sheltered housing described as “extra care”. BCIS average cost data for flats is given in steps: 1-2 storey, 3-5 storey, 6+ storey. The average cost data for Supported Housing is given in steps: single storey, 2 storey, 3 storey and 4 storey or above. The average costs for 3-5 storey flats and 3 storey supported housing is similar but the average costs of 4 storey supported housing significantly less than for 6+ storey flats. As this is a 7 storey building we consider the appropriate rate to use for benchmarking is 6+ storey flats.
- 1.3 The results of our benchmarking yields an adjusted benchmark of £3,042/m² that compares to the Applicant’s rate of £3,022/m²; we therefore consider the Applicant’s costs to be reasonable.

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 it’s 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 on 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 been 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 Financial Viability assessment issued by DS2 for Four Quarters Ingestre Road Ltd dated September 2018 including at Appendix 5 the Bonfield Proposed Scheme Cost Plan No 1 dated 23rd July 2018.
- 3.2 We have also downloaded a number of files from the planning web site.
- 3.3 The cost plan is stated to be on the basis of 2Q2018 costs. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 2Q2018 is 317 and for 4Q2018 318 - both figures are forecasts.
- 3.4 The cost plan includes an allowance of 12% for preliminaries. We consider this allowance reasonable.
- 3.5 There is no separate allowance for overheads and profit (OHP) and it is therefore assumed to be included in the costs - although an addition of 10% has been made to both mechanical and electrical sections.
- 3.6 The allowance for contingencies is 5% which we consider reasonable. 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 £875/ft² (Net Sales Area).

- 3.9 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 127 that has been applied in our benchmarking calculations.
- 3.10 Refer to our attached file “Elemental analysis and BCIS benchmarking”. We have included the GIA used in the cost estimate of 7,987m² (85,971ft²). The NIA used to calculate the revenues is 3,941m² (42,423ft²). The stated circulation area is 9,095ft² and the stated communal/facilities area 23,250ft². There is an apparent discrepancy in the area which at the date of this report is unresolved.
- 3.11 The building comprises a basement and ground floor plus 5 further floors - a 7 storey building of supported or sheltered housing described as “extra care”. BCIS average cost data for flats is given in steps: 1-2 storey, 3-5 storey, 6+ storey. The average cost data for Supported Housing is given in steps: single storey, 2 storey, 3 storey and 4 storey or above. The average costs for 3-5 storey flats and 3 storey supported housing is similar but the average costs of 4 storey supported housing significantly less than for 6+ storey flats. As this is a 7 storey building we consider the appropriate rate to use for benchmarking is 6+ storey flats.
- 3.12 The results of our benchmarking yields an adjusted benchmark of £3,042/m² that compares to the Applicant’s rate of £3,022/m²; we therefore consider the Applicant’s costs to be reasonable.

BPS Chartered Surveyors
Date: 10th December 2018

11-12 Ingestre Rd, NW5 1UX

Elemental analysis & BCIS benchmarking

			Flats	
	GIA m ²	7,987	LF100	LF127
	£	£/m ²	£/m ²	£/m ²
Demolitions	220,000	28		
1 Substructure	4,689,410	587	156	198
2A Frame	285,945	36	139	177
2B Upper Floors (screed & insulation: floor finishings)	519,155	65	83	105
2C Roof	588,840	74	81	103
2D Stairs	144,900	18	31	39
2E External Walls	1,677,586	210	196	249
2F Windows & External Doors	827,550	104	80	102
2G Internal Walls & Partitions	1,760,558	220	71	90
2H Internal Doors	363,892	46	48	61
2 Superstructure	6,168,426	772	729	926
3A Wall Finishes	373,492	47	67	85
3B Floor Finishes	517,745	65	59	75
3C Ceiling Finishes	656,909	82	38	48
3 Internal Finishes	1,548,146	194	164	208
4 Fittings	1,414,650	177	63	80
5A Sanitary Appliances	754,916	95	27	34
5B Services Equipment (kitchen, laundry)			19	24
5C Disposal Installations	111,818	14	17	22
5D Water Installations	214,675	27	35	44
5E Heat Source	155,000	19	23	29
5F Space Heating & Air Treatment	1,280,800	160	86	109
5G Ventilating Systems	133,000	17	17	22
5H Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)	1,288,180	161	87	110
5I Fuel Installations			6	8
5J Lift Installations	290,000	36	33	42
5K Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning)	188,000	24	14	18
5L Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)	484,870	61	26	33
5M Special Installations - (window cleaning, BMS, medical gas)	75,000	9	32	41
5N BWIC with Services	348,243	44	14	18
5O Management of commissioning of services	30,000	4		
Attendance & OHP	573,556	72		
5 Services	5,928,058	742	436	554
6A Site Works	230,000	29		
6B Drainage	113,000	14		
6C External Services	210,000	26		
6D Minor Building Works				
6 External Works	553,000	69		
SUB TOTAL	20,521,690	2,569	1,548	1,966
7 Preliminaries	2,462,603	308		
Overheads & Profit				
SUB TOTAL	22,984,293	2,878		
Design Development risks				
Construction risks	1,149,215	144		
Employer change risks				
Employer other risks				
TOTAL	24,133,508	3,022		

Benchmarking		2,363
Add demolitions	28	
Add external works	69	
Add additional cost of substructure - take 50% ie £392/m ²	195	
Add additional cost of fittings	97	
Add additional cost of sanitary appliances	60	
Add additional cost of communications installations	28	
	<hr/>	476
Add prelims 12%	57	533
	<hr/>	2,897
Add contingency 5%		145
Total adjusted benchmark		<hr/> 3,042