

Viability Report

THE HOO, 17 LYNDHURST GARDENS, HAMPSTEAD, NW3 5NU.

June 2020



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Important Notice

This report has been prepared for planning input purposes.

Jaga Developments (London) Ltd,
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SK6 3DY

5th June 2020

Dear Sirs,

THE HOO, 17 LYNDHURST GARDENS, HAMPSTEAD, NW3 5NU - VIABILITY AND AFFORDABLE HOUSING ASSESSMENT

1.0 CORONAVIRUS CAVEAT

- 1.1 In writing this report, we have substantially ignored the likely detrimental effects of the Coronavirus pandemic on property markets at this stage.
- 1.2 This is because it is too early to say what detrimental effect the Coronavirus has had/will have albeit all market commentators are pointing to significant residential value diminutions. Some are saying that these will recover in a 'V' style graphical curve by next year but this remains to be seen.

- 1.3 The only independent opinion we have seen over recent weeks is from the Centre for Economics and Business Research (CEBR) who are predicting an 11.25% average drop across London (see article link and map summary below):-

<https://www.thisismoney.co.uk/money/markets/article-8212455/Housing-market-expected-fall-sixth-thousands-Britons-lose-jobs.html>



- 1.4 At the very least, the current and foreseeable situation (which presents substantially increased 'risk') under-pins our required development profit assumption herein - albeit we have not yet increased this compared to what we would have assumed at the start of this year at this stage.
- 1.5 We reserve the right to review this report in the coming weeks/months.

2.0 EXECUTIVE SUMMARY

- 2.1 We understand that a planning application for the conversion of the existing building into 3 houses is proposed.
- 2.2 We also understand that, based upon the London Borough of Camden's ('LBC's') small sites affordable housing contributions policy, a commuted payment of up to £816,000 (approximately) is required in connection with the proposed scheme - subject to viability.
- 2.3 We have assessed the financial viability of the proposed scheme and conclude that it cannot viably sustain any affordable housing payment.

3.0 INSTRUCTIONS

- 3.1 We understand that you require a financial viability assessment of your proposed scheme with a view to identifying the maximum reasonable affordable housing payment it can viably sustain.
- 3.2 In preparing this report, we can confirm that we have no conflicts of interest.

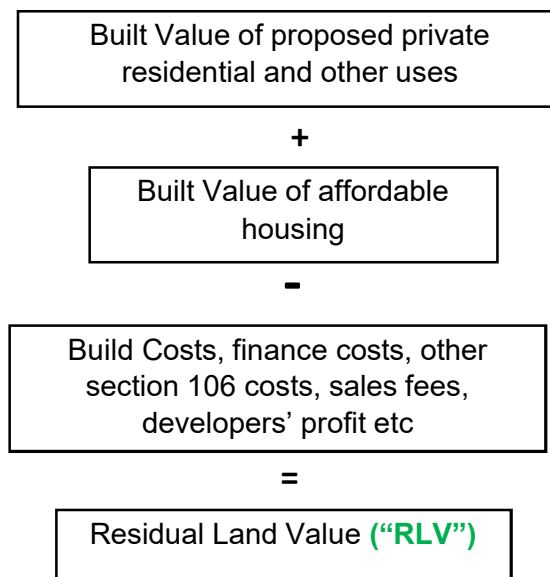
4.0 BASIS OF APPRAISALS HEREIN

- 4.1 This report is to assist planning discussions with LBC.
- 4.2 It is not an RICS (Royal Institution of Chartered Surveyors) “Red Book” compliant valuation report and the figures referred to herein are not formal valuations. However, detailed justification for the indicative values and/or component valuation inputs we have used are provided herein.
- 4.3 We are aware that you will provide LBC with a copy of this report and we are happy for this to occur. However, we do not offer LBC and/or their advisors and/or any third parties a professional duty of care.

5.0 VIABILITY AND PLANNING

5.1 Scheme viability is assessed using residual valuation methodology.

5.2 A summary of the residual process is:-



Residual Value is then compared to a **Benchmark Land Value ('BLV')**. If RLV is lower and/or not sufficiently higher than the BLV – project is not technically viable

- 5.3 If the RLV driven by a proposed scheme is reduced to significantly below an appropriate BLV, it follows that it is commercially unviable to pursue such a scheme, and the scheme is unlikely to proceed.
- 5.4 The 'land residual' approach (as summarised above) can be inverted so that it becomes a 'profit residual' based upon the insertion of a specific land cost/value (equivalent to the BLV) at the top. By doing this, the focus is moved onto the level of profit driven by a scheme.

6.0 APPROACH TO BLV

6.1 We have accounted for the guidance provided by:-

- The RICS's Guidance Note GN 94/2012, and;
- The RICS's Financial Viability in Planning: Conduct & Reporting (1st Edition – May 2019), and;
- The RICS's draft 'Assessing financial viability in planning under the National Planning Policy Framework for England' 2020, and;
- National Planning Policy Guidance on Viability (September 2019), and;
- The Mayor's – Homes for Londoners – Affordable Housing & Viability SPG 2017, and;
- The London Plan (adopted and as per current draft), and;
- Recent Appeal cases, and;
- Our own professionally qualified judgement and obligation to provide an opinion that is: objective, impartial, without interference and with reference to all appropriate sources of information.

6.2 Without prejudice, we have primarily considered the value of the site on an 'Existing Use Value plus land-owner's premium' basis ('EUV Plus').

6.3 However, if interpreted and assessed appropriately/reasonably, one should arrive at the same BLV sum using either a EUV Plus, Alternative Use Value ('AUV') and/or Market Value (as per the definition in the RICS's GN 94/2012 as opposed to their 'Red Book') approach.

6.4 With respect to 'land-owner's premium', there is no standard or typical 'percentage' (as some might claim) on top of the EUV as this would be arbitrary. Furthermore, there is no logical reason why a Landowner's Premium should be considered in 'percentage' terms.

6.5 A recent planning appeal in London known as 'Parkhurst' (APP/V5570/W/16/315698) is said to be influential with regard to clarifying how reasonable BLVs should be arrived at and its outcome (and a more recent High Court challenge result) indicates that reasonable BLVs can sometimes be substantially more than EUV (albeit sometimes they are not).

6.6 The most recent Parkhurst decision (following a High Court challenge) upheld the former appeal decision to refuse planning consent. However, the decision reinforced the appeal Inspector's acceptance of the authority's approach to the BLV which was to start with the site's Existing Use Value (EUV) and to then apply a 'land-owner's premium' on top. The Inspector ultimately considered a BLV of £6.75m to be reasonable even though he also accepted that the EUV of the site was £700,000 at most. Therefore, it can be concluded that the equivalent land-owner's premium in this case was 864% over its EUV indicating that premiums are sometimes substantially more than 10% - 40% over EUV (as sometimes referred to and as referred to in The Mayor's SPG). In addition, Parkhurst indicates that even where an existing use is effectively non-existent and any value is purely driven purely by 'land' with residential led development potential, a BLV of £4.71m per acre (Islington, N7 as at March 2018) was reasonable (and where a reasonable residential development density was circa 67 flats per acre).

6.7 Ultimately, there does not appear to be any legitimate or logical way of determining what a land-owner's premium should be without 'some' reference to development land transaction evidence, AUV potential and/or passing/potential rental income.

- 6.8 Parkhurst shows that there is currently a willingness by Inspectors to take policy and guidance at its word and treat land value as genuinely residual to policy requirements (even where they are expressed to be 'subject to viability' which ultimately necessitates reference to the actual market). However, it does not junk the comparable approach, nor does it undermine the use of either a substantial premium to Existing Use Value (EUV Plus) or the use of AUV where appropriate to reflect the need for an incentive to release land. It is just a reminder of the need to critically examine evidence of comparable land values and to weed out those which failed to comply with policy in the first place (i.e. are not truly comparable).

7.0 THE SITE

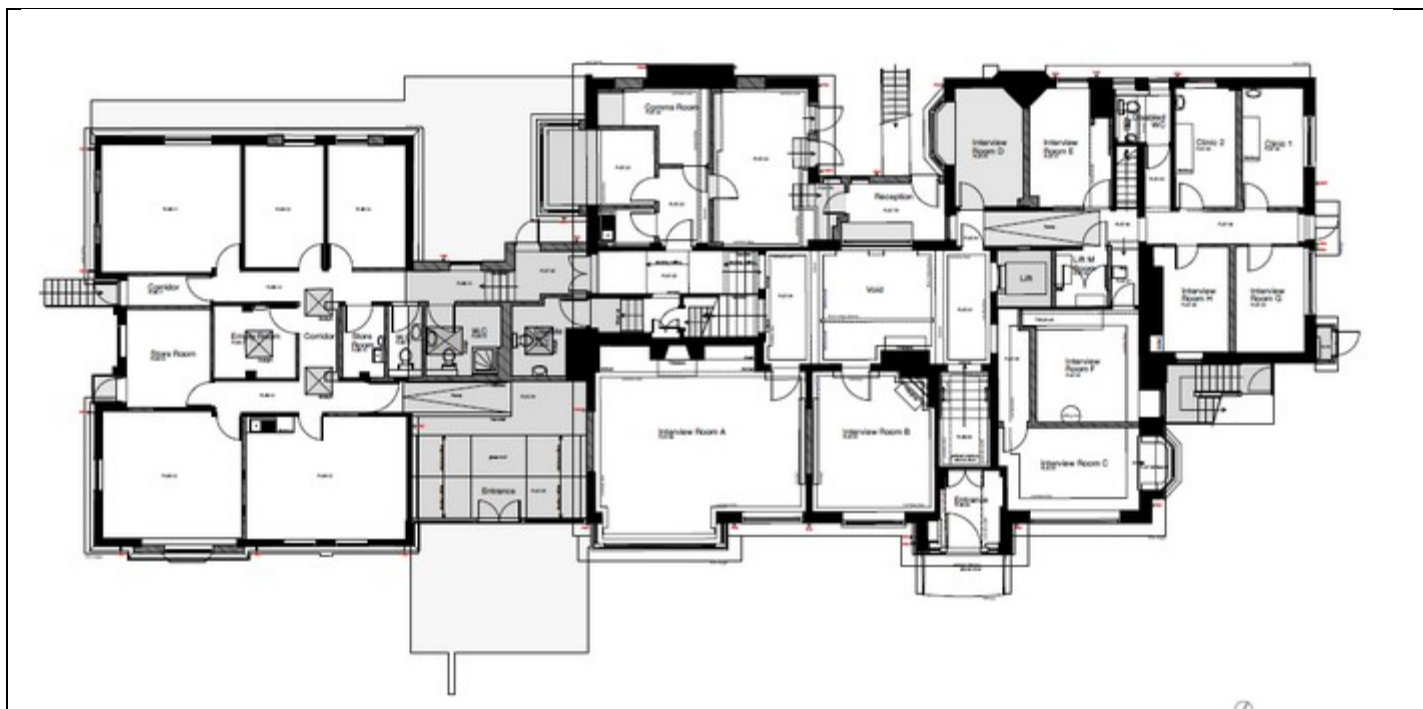
- 7.1 Photograph and site plan:-



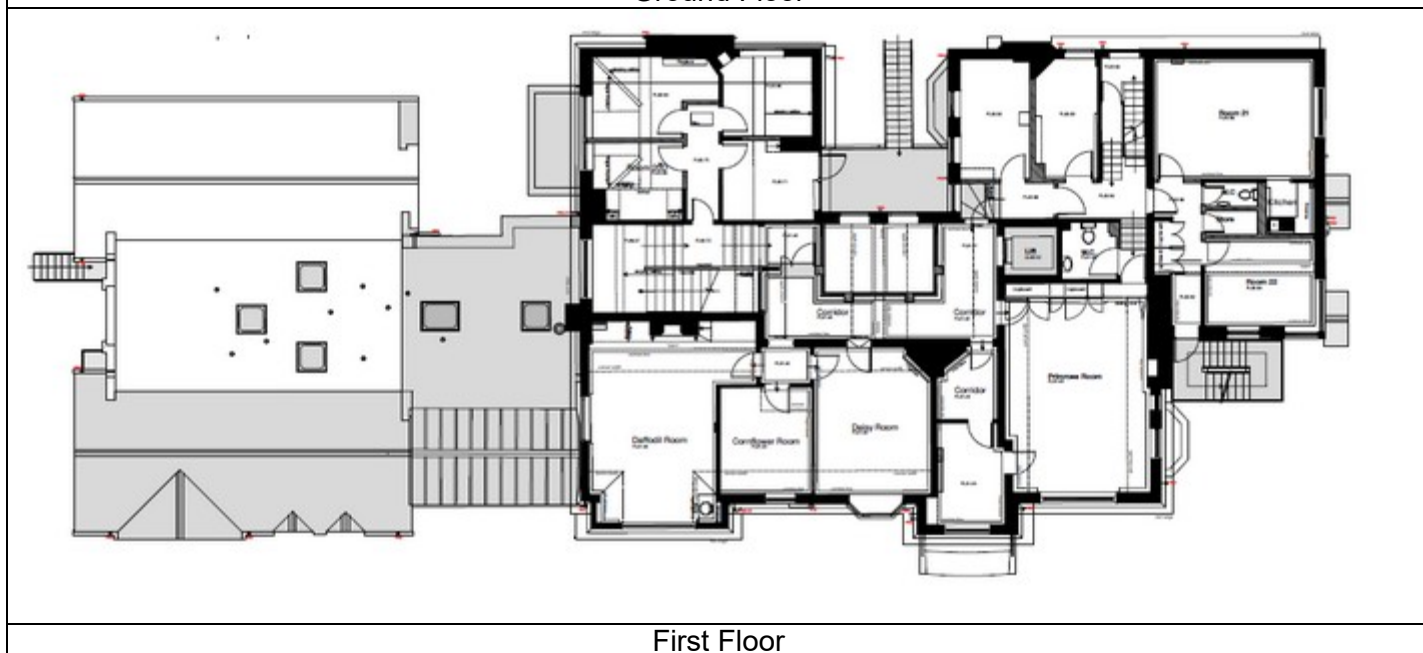
- 7.2 The site area is 0.1533 hectares (0.38 acres).
- 7.3 The existing Grade 2 listed building was last used by an NHS Trust Foundation and is assumed to be in a D1 Use Class. The existing building, which is now vacant, comprises:-

| Floor | Gross Internal Area (GIA) - sq.m. | Gross Internal Area (GIA) - sq.ft. |
|--------------|-----------------------------------|------------------------------------|
| Basement | 167.32 | 1,801 |
| Ground | 531.10 | 5,716 |
| First | 300.94 | 3,239 |
| Second | 57.63 | 620 |
| Total | 1057.00 | 11,376 |

7.4 The existing floor plans are:-



Ground Floor



First Floor

8.0 BLV

8.1 NPPG says, amongst other things:-

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 See [previous version](#)

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

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

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

See related policy: National Planning Policy Framework [paragraph 57](#)

Paragraph: 016 Reference ID: 10-016-20190509

Revision date: 09 05 2019 See [previous version](#)

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 See [previous version](#)

8.2 The RICS's 'Financial viability in planning: conduct and reporting – 1st Edition, May 2019' says:-

2.7 Benchmark land value and supporting evidence

Stakeholders are often presented with a variety of valuation figures that are not always easy to understand. In particular they will wish to reconcile figures included in FVAs with figures reported in the market. In the interest of transparency, when providing benchmark land value in accordance with the PPG for an FVA, RICS members **must** report the:

- **current use value** – CUV, referred to as EUV or first component in the PPG (see paragraph 015 reference ID: 10-015-20190509). This equivalent use of terms – i.e. that CUV and EUV are often interchangeable – is dealt with in paragraph 150.1 of IVS 104 *Bases of Value* (2017)
- **premium** – second component as set out in the PPG (see paragraph 016 reference ID: 10-016-20190509)
- **market evidence** as adjusted in accordance with the PPG (see PPG paragraph 016 reference ID: 10-016-20190509)
- **all supporting considerations, assumptions and justifications adopted** including valuation reports, where available (see PPG paragraphs 014 reference ID: 10-014-20190509; 015 reference ID: 10-015-20190509; and 016 reference ID: 10-016-20190509)
- **alternative use value** as appropriate (market value on the special assumption of a specified alternative use; see PPG paragraph 017 reference ID: 10-017-20190509). It will not be appropriate to report an alternative use value where it does not exist.

A statement **must** be included in the FVA or review of the applicant's FVA or area-wide FVA that explains how market evidence and other supporting information has been analysed and, as appropriate, adjusted to reflect existing or emerging planning policy and other relevant considerations. If a market value report has recently been prepared, this should be stated with the:

- reason for the report
- assumptions adopted and
- reported valuation.

The onus is on RICS members to enquire about all of the above.

In addition, the price paid for the land (or the price expected to be paid through an option or conditional agreement), should be reported as appropriate (see PPG paragraph 016 reference ID: 10-016-20190509) to improve transparency. Price paid is not allowable evidence for the assessment of BLV and cannot be used to justify failing to comply with policy.

- 8.3 The RICS's 'Financial viability in planning: conduct and reporting – 1st Edition, May 2019' also defines the following in its glossary:-

“Stand Back - Following a detailed component review of the inputs into an FVA and running the appraisal, to stand back is to consider the output(s) objectively, and with the benefit of experience, given the complexity of the proposed scheme. This may often be assisted by reviewing the sensitivity analysis”.

“Viability Judgement – Similar to stand back in that an objective, rational and experienced opinion is formed, having regard to the complexities of the circumstances. A viability judgement may equally apply to individual elements of the appraisal, including the benchmark land value as well as the viability output, including interpretation of the resultant sensitivity analysis”.

- 8.4 Deriving a reasonable EUV for a building like The Hoo is difficult because: it is not currently being used, is in a D1 Use Class but has scope for numerous uses and configurations of those uses.
- 8.5 We understand that the property was bought at auction for £5.5m (plus costs) in 2019 although, in accordance with the guidance listed in Section 5.1 above, we have not used this as a BLV driver.

8.6 We have initially considered the following D1 comparables (in so far as anything is comparable to The Hoo):-

| | |
|---|--|
|  | <p><u>16 New End, NW3 1JA:-</u></p> <p>2,892 sq.ft. D1 Use Class (School). Bought as a school (and with intention of continuing that use) for £1.675m on 9/8/19. This D1 property sale equates to £579 p.s.f.</p> |
|  | <p><u>1 – 3 Arkwright Road, NW3 6AA:-</u></p> <p>8,320 sq.ft. D1 Use Class (School). Bought as a school (on a sale and leaseback basis to a school) for £8,177,908 on 31/1/18. This D1 property sale equates to £983 p.s.f.</p> |
|  | <p><u>90 Fitzjohns Avenue, NW3 6NP:-</u></p> <p>7,578 sq.ft. D1 Use Class (School). Bought as a school (and with intention of continuing that use) for £6,891,496 on 31/1/18. Bought by Alpha Plus Group. This D1 property sale equates to £909 p.s.f.</p> |
|  | <p><u>2 Parkhill Road, NW3:-</u></p> <p>10,389 sq.ft. D2/D1 youth centre and school. Sold for £6.5m on 17/4/19. This D2/D1 property sale equates to £626 p.s.f.</p> |
|  | <p><u>85-87 Fordwych Road, NW2 3TL:-</u></p> <p>4,941 sq.ft. D1 (clinic). Sold for £2.35m on 3/4/19 by FRNB LLP. This D1 property sale equates to £476 p.s.f.</p> |
|  | <p><u>19 Fleet Road, NW3 2QR:-</u></p> <p>2,540 sq.ft. D1 (art gallery). Sold for £2.2m on 10/8/18. This D1 property sale equates to £866 p.s.f.</p> |
|  | <p><u>88 Compayne Gardens, NW6 3RU:-</u></p> <p>10,325 sq.ft. D1 (crèche/nursery). Sold for £6.175m on 15/3/17. This D1 property sale equates to £598 p.s.f.</p> |
|  | <p><u>12-14 Maresfield Gardens, NW3 5SU:-</u></p> <p>2 semi-detached houses that had been used for teaching and clinical purposes for several decades but whereupon the disposing agent 'anticipated' that the lawful use would revert to C3 when the present occupiers vacate. Residential conversion opportunity with risk of being deemed to be D1. 10,166 sq.ft. Sold for £6.829m on 1/3/17. Deal equates to £672 p.s.f.</p> |

Source: www.eqi.co.uk and/or www.focusnet.co.uk

- 8.7 Without having any plans or costings for any alternative uses but using 'stand back' and 'viability judgement', we consider it reasonable to derive an EUV of at least £5.5m (i.e. £483 p.s.f.) based upon the above D1 disposals. This is lower p.s.f. than any of the above D1 disposals p.s.f. apart from 85-87 Fordwych Road.
- 8.8 It may be the case that other alternative uses might justify a higher BLV even though the property was purchased for £5.5m in 2019. The property was purchased at auction and it is reasonable to assume that some prospective D1 type purchasers (e.g. school operators) would not have been able to buy at auction to the extent that it was purchased at a keen price).
- 8.9 We reserve the right to consider higher potential BLVs on an alternative use value basis.
- 8.10 At this stage, we have not added a land-owner's premium to our EUV of £5.5m (as this would not make a significant difference to our general viability conclusion herein) and have therefore provisionally assumed a BLV of £5.5m. We do however reserve the right to add an appropriate land-owner's premium which would require a further analysis and research into relevant evidence.

9.0 PROPOSED SCHEME

9.1 Please refer to the plans in **Appendix 1**.

9.2 The proposed scheme comprises a conversion of the existing property into:-

- 5 bed house (Main House).
- 2 x staff bedrooms (ancillary to the Main House) and associated facilities (The Link).
- Another 5 bed house (The Annexe).
- A 4 bed house (The Lodge).

9.3 The proposed areas are:-

| Floor | The Lodge | Main House | The Link | The Annexe | Total |
|----------------------------|--------------|--------------|--------------|--------------|---------------|
| Lower Ground Floor | 0 | 37 | 87 | 133 | 257 |
| Upper Ground Floor | 79 | 250 | 84 | 140 | 553 |
| First Floor | 73 | 220 | 0 | 0 | 293 |
| Second Floor | 51 | 0 | 0 | 0 | 51 |
| Totals (GIA sq.m.) | 203 | 507 | 171 | 273 | 1154 |
| Totals (GIA sq.ft.) | 2,185 | 5,457 | 1,841 | 2,939 | 12,422 |

9.4 The 3 houses are all proposed as being car free (i.e. no car access and/or parking on-site is provided and on-street parking permits are unlikely given LBC's planning policies).

9.5 The proposed specification will be to a very high standard as befits the locations and concept.

10.0 APPROACH TO VIABILITY ASSESSMENT



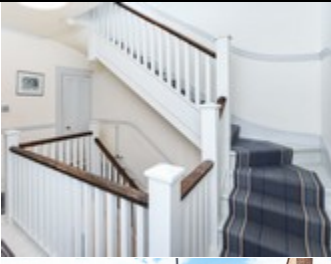






10.1 We have financially appraised the proposed scheme using ARGUS, a widely used proprietary software package.






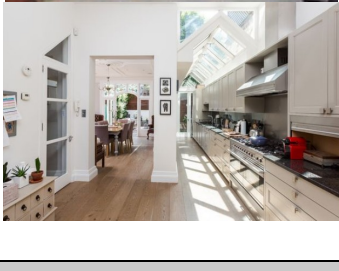

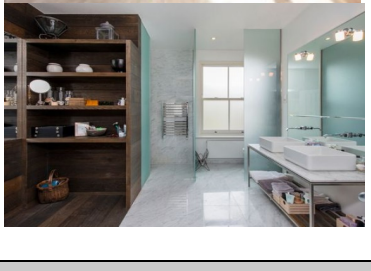

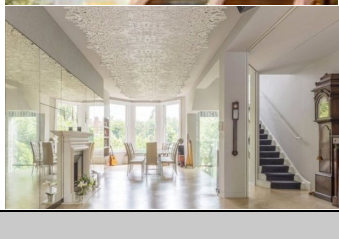

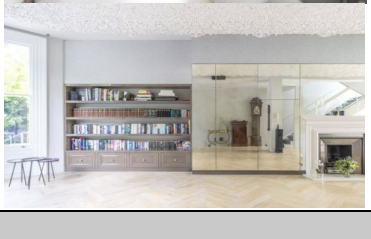
10.2 As planning consents run with the land and as per viability guidance, we have appraised the proposed scheme from a hypothetical developer's perspective and not the specific perspective of the applicant.













10.3 We consider that the residual land value from the proposed scheme needs to be at least **£5.5m** for it to be considered viable by normal measures.

11.0 PROPOSED PRIVATE RESIDENTIAL VALUES

11.1 We have considered the following comparables:-

| | | |
|--|--|---|
|   |   | <p><u>Netherhall Gardens, NW3:-</u></p> <p>6 bed 4 storey semi-detached. Needs some updating. 41 foot south facing garden. 3,256 sq.ft. GIA. Sold for £2.61m in Sept 2019 = £802 p.s.f. I would expect each of the proposed houses at The Hoo to achieve more than £802 p.s.f.</p> |
|   |   | <p><u>7 Nutley Terrace, NW3 5BX:-</u></p> <p>4 bed 5 floor new house. Lift to all floors. 4,065 sq.ft. GIA. Views towards City from roof terrace. Integral garage. Sold for £4.35m in Sept 2019 = £1,070 p.s.f.</p> <p>378sq m (4,065 sq ft) For identification purposes only. Not to scale. © Redimentary 2019.</p>  |

| | | |
|---|---|---|
|   |   | <p><u>40 Ornan Road, NW3:-</u></p> <p>6 bed terraced house. 3 storey. 2,138 sq.ft. Sold for £3.1m in June 2019 = £1,450 p.s.f.</p> |
|   |   | <p><u>59 Glenmore Road, NW3:-</u></p> <p>6 bed Edwardian semi-detached. 2,966 sq.ft. Sold for £3.11m in Nov 2019 = £1,049 p.s.f.</p> |
|   |   | <p><u>10 Elsworthy Terrace, NW3:-</u></p> <p>5 bed terraced house. 3,500 sq.ft. High specification and high quality interior fit-out. Sold for £5.65m in Sept 2019 = £1,614 p.s.f. I would not expect the Main House at The Hoo to be worth as much p.s.f. as the hypothetically achievable value would be diluted p.s.f. due to the much larger size albeit this does not always follow.</p> |

| | | |
|---|---|---|
|   |   | <p><u>14 Tanza Road, NW3 2UB:-</u></p> <p>6 bed semi-detached house. 3,703 sq.ft. GIA. 74 foot south-west facing garden. Sold for £4.7m in Aug 2019 = £1,269 p.s.f.</p> |
|   |   | <p><u>22 Tanza Road, NW3 2UB:-</u></p> <p>6 bed detached house. 3,127 sq.ft. 67 foot garden. Garage. Sold for £4.25m in Sept 2019 = £1,359 p.s.f.</p> |
|   |   | <p><u>23 South Hill Park Gardens, NW3 2TD:-</u></p> <p>7 bed detached house. 4,884 sq.ft. High specification/quality and character/period building. Sold for £6,993,140 in July 2019 = £1,432 p.s.f.</p> |

| | | |
|---|---|---|
|  |  | <p><u>Gardnor House, Gardnor Road, NW3:-</u></p> <p>Prime in all respects. 4,630 sq.ft. Magnificent gardens. 5 bed. Sold for £10.8m on 31/10/19 = £2,332 p.s.f. This property is exceptional and I would not expect any of the 3 houses proposed at The Hoo to be worth as much p.s.f. This is the highest value achieved price p.s.f. I have been able to locate in the last 12 months in the NW3 area.</p>  |
|  |  | <p><u>34 Christchurch Hill, NW3 1JL:-</u></p> <p>3 bed terraced house. 2,922 sq.ft. Sold for £4m on 21/10/2019 = £1,369 p.s.f.</p> |
|  |  | <p><u>Redington Road, NW3:-</u></p> <p>7 bed detached house. Grade II listed Edwardian. High specification interior. Parking for several cars. 130 foot rear garden. Current asking price = £9.75m = £1,300 p.s.f. Via Marcus Parfitt.</p> |

Source: Zoopla, Land Registry & Prime Location.

Company Number 09479391 (Companies Act 2006).
VAT Registration Number 211 3469 43.
Regulated by RICS.



11.2 All of the above comparables have parking on-site and/or have (or have scope for) on-street permit parking. This is important to note as the absence of parking in the proposed scheme will significantly limit the appeal of the proposed houses to prospective/hypothetical purchasers.

11.3 Having considered the above and the car free nature of the proposed houses, we have assumed the following achievable/hypothetical values:-

| | | |
|-------------------|---|-----------------------------|
| Main House & Link | - | £9,000,000 (£1,233 p.s.f.). |
| The Lodge | - | £2,650,000 (£1,213 p.s.f.) |
| The Annexe | - | £3,800,000 (£1,293 p.s.f.) |

Total Gross Development Value = £15,450,000

12.0 BUILD/CONVERSION COSTS

12.1 We have been provided with a conversion/build cost estimate prepared by Gardiner & Theobald (**Appendix 2**).

12.2 This indicates a total costs (excluding professional fees but including a contingency) of £7,171,932 and reflects a high quality fit-out.

13.0 MAYORAL CIL/CIL & S.106

13.1 As a working assumption, we have assumed/estimated a combined cost of:-

- (LBC CIL rate @ £500 x 1,154 sq.m. GIA) + (MCIL2 rate @ £80 x 1,154 sq.m. GIA) = £669,320.

13.2 We have assumed that there will not be any additional Section 106 costs and reserve the right to update our viability assessment herein once we are provided with a more accurate CIL/MCIL2 cost by your planning consultant and/or LBC.

13.3 We do not provide accurate CIL/MCIL2 cost calculations accounting for all indexation and refinements/reliefs that are sometimes relevant.

14.0 EXTRAORDINARY COSTS

14.1 We have not accounted for any extraordinary costs.

15.0 DEVELOPMENT PROFIT

15.1 The NPPG and RICS say the following respectively about what constitutes a reasonable profit:-

NPPG (as a guide for plan-making as opposed to site/project specific viability assessments):-

How should a return to developers be defined for the purpose of viability assessment?

Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.


For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.

See related policy: National Planning Policy Framework [paragraph 57](#)

Paragraph: 018 Reference ID: 10-018-20190509

Revision date: 09 05 2019 See [previous version](#)

RICS:-

| | |
|---|--|
| <div>Research</div> <div></div> <div>September 2019</div> <div>Performance metrics, required returns and achieved returns for UK real estate development</div> | <p>The review of published development appraisals and associated literature suggests that residential developers favour the use of cash-based target returns. From the survey, a figure of 20% profit on costs was mentioned regularly for sites without significant risks (for example, risks relating to planning permission), and 25% for those sites with higher levels of perceived risk. These levels of profit on cost imply a profit on gross development value (GDV) of around 15 to 20%. The larger developers, utilising cash-flow techniques and developing longer schemes, quoted target rates of return of around 10 to 12%, and this reconciles with higher cash returns that are typically required for longer projects. Inclusion of finance within development appraisals is common.</p> |
|---|--|

- 15.2 Neither NPPG or the recent RICS research guidance says that profit must be split between private residential, commercial and affordable housing and nor does this happen in the market. However, the NPPG does open the door to doing this optionally but not so as to reduce the overall guide of 15-20% on GDV.
- 15.3 We target profit on cost as most investments are measured this way. However, this can be translated into a return on GDV.
- 15.4 In this case, we consider a reasonable profit to be 20% on total cost which equates to circa 17% on GDV in this instance.
- 15.5 Hypothetical finance costs typically break down as follows:-

| | |
|--------------------------------|--|
| 60% Bank finance at 4% = | 2.4% plus 1.5% finance facility fee |
| 20% equity finance at 10% = | 2% |
| 20% mezzanine finance at 16% = | 3.2% |
| | ----- |
| | 7.6% plus 1.5% finance facility fee on Bank finance (and possibly the whole finance package if arranged via an Intermediary) |

- 15.6 We are aware that a number of viability consultants use an all-in finance rate of 7% albeit this seems low considering the commentary/evidence above.
- 15.7 Despite this, we have used an all-in finance rate of 7% herein.

16.0 OTHER ASSUMPTIONS

- 16.1 Our other viability assumptions are explicitly evident from our appraisal in **Appendix 3**.

17.0 CONCLUSION

- 17.1 The appraisal in **Appendix 3** drives a residual land value ('RLV') of £3.27m.
- 17.2 As this is below our BLV of £5.5m, the proposed scheme falls short of being viable by £2.23m and, as such, it cannot viably sustain any affordable housing commuted payment.

18.0 SENSITIVITY TESTS

- 18.1 Viability guidance obliges us to carry out some sensitivity testing although a viability conclusion has to be arrived at using current day values and costs nonetheless.
- 18.2 Clearly, if the GDV of the proposed houses is higher than we have assumed, the proposed scheme would be more viable and if the GDV of the proposed scheme is lower, the apparent viability shortfall will be higher.
- 18.3 If, for example, the GDV of the proposed scheme was 5% higher (which it is not in our opinion), the viability shortfall would reduce from £2.23m to £1.68m.
- 18.4 In this case, we think there is a distinct possibility that our assumed GDV is too high (as at the current date) because the car free nature of the scheme will significantly limit its attractiveness to hypothetical purchasers whereas we have taken a relatively optimistic view in this regard.
- 18.5 We do not consider there to be any realistic sensitivity scenarios that would suggest any affordable housing commuted payment would be viably sustainable.

19.0 DISCLOSURE AND STATUS OF REPORT

- 19.1 We understand that you may provide a copy of this report to LBC and their advisors but that, beyond that, this report will remain confidential.

Yours faithfully,



James Brown BSc (Hons) MRICS
RICS Registered Valuer
Director

APPENDIX 1

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[illegible][illegible]

reading composites scanned and photo-copied, new sections for and selected to match the original closely. The composites were then scanned and photo-copied, and so on, until the final composite was scanned and photo-copied. The final composite was then scanned and photo-copied, and so on, until the final composite was scanned and photo-copied.

They're carefully re-engineered, existing joints, like the one shown here, are replaced with a new, stronger, and more durable joint. Opening at that end is a new, stronger, and more durable joint. Please refer to the following table for more information.

| | | | |
|--|------|------|-------|
| PROJECT | DATE | NAME | PHONE |
| The Hoo, 17 Lyndhurst Gardens, Hampstead, London | | | |

CLIENT
Mr and Mrs Yu
REPRESENTED BY
JAGA Developments (London)

GROUND FLOOR
Ground Floor Layout
as Proposed

BOWKER SADLER ARCHITECTURE
A: 3024 100th Avenue NE, Suite 100, Redmond, WA 98073
P: 206.881.2222

| | | |
|------------------------|---------------------------|----------------------|
| JOE NO 19013 | DRAWING NO 1121 | REVISION A |
| STATUS FOR PLANNING | | |

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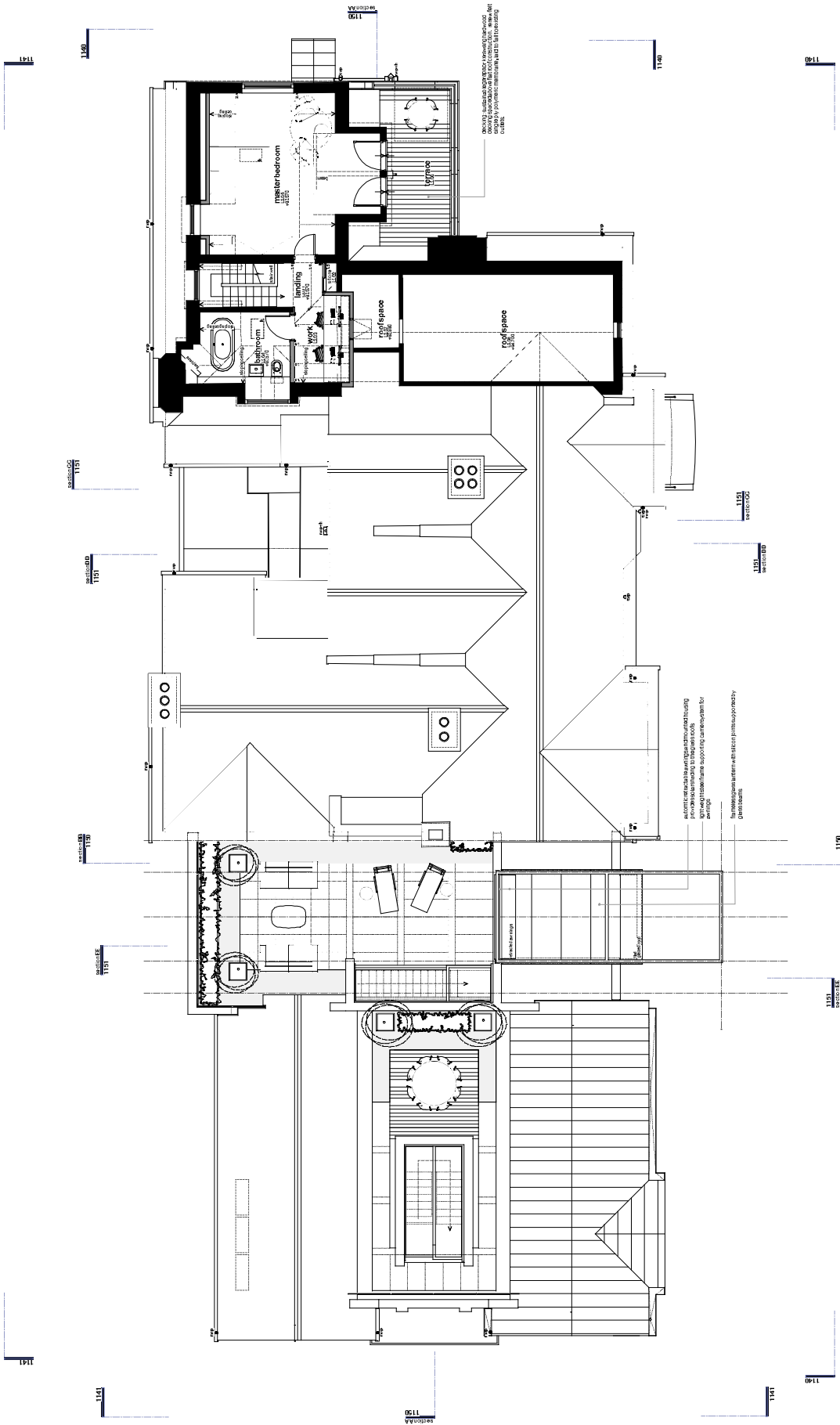
KEY



☐ **Not applicable**
☐ **Not applicable**

Features

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------|
| bio-1 | bio-2 | bio-3 | bio-4 | bio-5 | bio-6 | bio-7 | bio-8 | bio-9 | bio-10 | bio-11 | bio-12 | bio-13 | bio-14 | bio-15 | bio-16 | bio-17 | bio-18 | bio-19 | bio-20 | bio-21 | bio-22 | bio-23 | bio-24 | bio-25 | bio-26 | bio-27 | bio-28 | bio-29 | bio-30 | bio-31 | bio-32 | bio-33 | bio-34 | bio-35 | bio-36 | bio-37 | bio-38 | bio-39 | bio-40 | bio-41 | bio-42 | bio-43 | bio-44 | bio-45 | bio-46 | bio-47 | bio-48 | bio-49 | bio-50 | bio-51 | bio-52 | bio-53 | bio-54 | bio-55 | bio-56 | bio-57 | bio-58 | bio-59 | bio-60 | bio-61 | bio-62 | bio-63 | bio-64 | bio-65 | bio-66 | bio-67 | bio-68 | bio-69 | bio-70 | bio-71 | bio-72 | bio-73 | bio-74 | bio-75 | bio-76 | bio-77 | bio-78 | bio-79 | bio-80 | bio-81 | bio-82 | bio-83 | bio-84 | bio-85 | bio-86 | bio-87 | bio-88 | bio-89 | bio-90 | bio-91 | bio-92 | bio-93 | bio-94 | bio-95 | bio-96 | bio-97 | bio-98 | bio-99 | bio-100 | bio-101 | bio-102 | bio-103 | bio-104 | bio-105 | bio-106 | bio-107 | bio-108 | bio-109 | bio-110 | bio-111 | bio-112 | bio-113 | bio-114 | bio-115 | bio-116 | bio-117 | bio-118 | bio-119 | bio-120 | bio-121 | bio-122 | bio-123 | bio-124 | bio-125 | bio-126 | bio-127 | bio-128 | bio-129 | bio-130 | bio-131 | bio-132 | bio-133 | bio-134 | bio-135 | bio-136 | bio-137 | bio-138 | bio-139 | bio-140 | bio-141 | bio-142 | bio-143 | bio-144 | bio-145 | bio-146 | bio-147 | bio-148 | bio-149 | bio-150 | bio-151 | bio-152 | bio-153 | bio-154 | bio-155 | bio-156 | bio-157 | bio-158 | bio-159 | bio-160 | bio-161 | bio-162 | bio-163 | bio-164 | bio-165 | bio-166 | bio-167 | bio-168 | bio-169 | bio-170 | bio-171 | bio-172 | bio-173 | bio-174 | bio-175 | bio-176 | bio-177 | bio-178 | bio-179 | bio-180 | bio-181 | bio-182 | bio-183 | bio-184 | bio-185 | bio-186 | bio-187 | bio-188 | bio-189 | bio-190 | bio-191 | bio-192 | bio-193 | bio-194 | bio-195 | bio-196 | bio-197 | bio-198 | bio-199 | bio-200 | bio-201 | bio-202 | bio-203 | bio-204 | bio-205 | bio-206 | bio-207 | bio-208 | bio-209 | bio-210 | bio-211 | bio-212 | bio-213 | bio-214 | bio-215 | bio-216 | bio-217 | bio-218 | bio-219 | bio-220 | bio-221 | bio-222 | bio-223 | bio-224 | bio-225 | bio-226 | bio-227 | bio-228 | bio-229 | bio-230 | bio-231 | bio-232 | bio-233 | bio-234 | bio-235 | bio-236 | bio-237 | bio-238 | bio-239 | bio-240 | bio-241 | bio-242 | bio-243 | bio-244 | bio-245 | bio-246 | bio-247 | bio-248 | bio-249 | bio-250 | bio-251 | bio-252 | bio-253 | bio-254 | bio-255 | bio-256 | bio-257 | bio-258 | bio-259 | bio-260 | bio-261 | bio-262 | bio-263 | bio-264 | bio-265 | bio-266 | bio-267 | bio-268 | bio-269 | bio-270 | bio-271 | bio-272 | bio-273 | bio-274 | bio-275 | bio-276 | bio-277 | bio-278 | bio-279 | bio-280 | bio-281 | bio-282 | bio-283 | bio-284 | bio-285 | bio-286 | bio-287 | bio-288 | bio-289 | bio-290 | bio-291 | bio-292 | bio-293 | bio-294 | bio-295 | bio-296 | bio-297 | bio-298 | bio-299 | bio-300 | bio-301 | bio-302 | bio-303 | bio-304 | bio-305 | bio-306 | bio-307 | bio-308 | bio-309 | bio-310 | bio-311 | bio-312 | bio-313 | bio-314 | bio-315 | bio-316 | bio-317 | bio-318 | bio-319 | bio-320 | bio-321 | bio-322 | bio-323 | bio-324 | bio-325 | bio-326 | bio-327 | bio-328 | bio-329 | bio-330 | bio-331 | bio-332 | bio-333 | bio-334 | bio-335 | bio-336 | bio-337 | bio-338 | bio-339 | bio-340 | bio-341 | bio-342 | bio-343 | bio-344 | bio-345 | bio-346 | bio-347 | bio-348 | bio-349 | bio-350 | bio-351 | bio-352 | bio-353 | bio-354 | bio-355 | bio-356 | bio-357 | bio-358 | bio-359 | bio-360 | bio-361 | bio-362 | bio-363 | bio-364 | bio-365 | bio-366 | bio-367 | bio-368 | bio-369 | bio-370 | bio-371 | bio-372 | bio-373 | bio-374 | bio-375 | bio-376 | bio-377 | bio-378 | bio-379 | bio-380 | bio-381 | bio- |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------|



1992

PROJECT
The Hoo,
17 Lyndhurst Gardens,
Hampstead, London

CLIENT
Mr and Mrs Yu
REPRESENTED BY
JAGA Developments (London)

DRAWING
**Second Floor Layout
as Proposed**

BOWKER SADLER ARCHITECTURE

| | | |
|----------------------|---------------------------|----------------------|
| JOBN 19013 | DRAWING NO 1123 | REVISION A |
| STATUS | | |

APPENDIX 2

THE HOO - HAMPSTEAD INDICATIVE ESTIMATE

JAGA DEVELOPMENTS (LONDON) LIMITED

11 March 2020

THE HOO - HAMPSTEAD INDICATIVE ESTIMATE

Job No. : 37796

Client : Jaga Developments (London) Ltd

Issue Date : 11-Mar-20

Base Date : 1Q 2020

CONTROL ISSUE SHEET

| Revision | Status | Prepared By (name/position/date) | Authorised By (name/position/date) |
|----------|------------------------|-------------------------------------|---------------------------------------|
| Draft | Indicative Estimate | Kerry Gibbs 28/06/19 | Kerry Gibbs 28/06/19 |
| Draft | Indicative Estimate | Kerry Gibbs 10/07/19 | Kerry Gibbs 10/07/19 |
| Draft | Indicative Estimate | Kerry Gibbs 25/07/19 | Kerry Gibbs 25/07/19 |
| Draft | Indicative Estimate | Kerry Gibbs 11/03/2020 | Kerry Gibbs 11/03/2020 |

**THE HOO - HAMPSTEAD
INDICATIVE ESTIMATE**

Job No. : 37796

Client : Jaga Developments (London) Ltd

Issue Date : 11-Mar-20

Base Date : 1Q 2020

CONTENTS

- 1 Construction Cost Summary
- 2 Notes and Assumptions
- 3 Exclusions
- 4 Design Information

THE HOO - HAMPSTEAD

INDICATIVE ESTIMATE

Job No. : 37796
Client : Jaga Developments (London) Ltd

Issue Date : 11-Mar-20
Base Date : 1Q 2020
Gross Internal Area (m²) 1,154
Gross Internal Area (ft²) 12,422

CONSTRUCTION COST SUMMARY

| CONSTRUCTION COST | Quantity | Unit | Rate | Total (£) | £/ft ² GIA | % |
|---|----------|------|--------|------------------|-----------------------|------------|
| Demolition and Structural Alterations | | | | | | |
| 1 Carefully strip out Annexe and link | 309 | m2 | 125 | 38,625 | | 0.5 |
| 2 Carefully strip out the Lodge House | 233 | m2 | 125 | 29,125 | | 0.4 |
| 3 Carefully strip out the Main House | 507 | m2 | 125 | 63,375 | | 0.9 |
| 4 Removal of external fire escapes | 1 | item | 5,000 | 5,000 | | 0.1 |
| 5 Layout alterations to The Lodge & The Main House | 1 | item | 50,000 | 50,000 | | 0.7 |
| Substructure | | | | | | |
| 6 Extra over underpinning to front section of link building | 40 | m | 1,500 | 60,000 | | 0.8 |
| 7 Form retaining wall to allow entrance into the home office | 1 | item | 20,000 | 20,000 | | 0.3 |
| 8 Form lightwell to the rear of The Annexe including new retaining wall | 1 | item | 50,000 | 50,000 | | 0.7 |
| Superstructure to White Box | | | | | | |
| 9 Form new Link Building | 171 | m2 | 2,000 | 342,000 | | 4.8 |
| 10 The Annexe including structural alterations | 273 | m2 | 1,850 | 505,050 | | 7.0 |
| 11 The Lodge | 203 | m2 | 650 | 131,950 | | 1.8 |
| 12 The Main House | 507 | m2 | 650 | 329,550 | | 4.6 |
| 13 Rooflight to Link Building | 1 | item | 75,000 | 75,000 | | 1.0 |
| 14 Walk on rooflights | 2 | nr | 25,000 | 50,000 | | 0.7 |
| 15 New External Porch to The Lodge | 1 | item | 15,000 | 15,000 | | 0.2 |
| 16 Platform lift to Main House | 1 | item | 25,000 | 25,000 | | 0.3 |
| 17 New External Staircase to The Annexe | 1 | item | 20,000 | 20,000 | | 0.3 |
| 18 Extension of Annexe staircase to roof terrace | 1 | item | 25,000 | 25,000 | | 0.3 |
| Fit Out Works | | | | | | |
| 19 The Lodge | 203 | m2 | 2,000 | 406,000 | | 0.0 |
| 20 The Main House - Medium Specification | 507 | m2 | 2,500 | 1,267,500 | | 17.7 |
| 21 The Link - Medium Specification | 171 | m2 | 2,500 | 427,500 | | 6.0 |
| 22 The Annexe | 273 | m2 | 2,000 | 546,000 | | 7.6 |
| External Works | | | | | | |
| 23 Roof Terraces including soft landscaping | 100 | m2 | 300 | 30,000 | | 0.4 |
| 24 Allowance for hard & soft landscaping as advised by Bowles & Wyer | 1,000 | m2 | 500 | 500,000 | | 7.0 |
| Sub Total | | | | 5,011,675 | 403 | 70% |
| 25 Main Contractor's preliminaries | | | 18% | 902,102 | 73 | |
| 26 Main Contractor's Overheads and Profit | | | 10% | 591,378 | 48 | |
| Building Works Total | | | | 6,505,154 | 524 | 91% |
| 27 Design Development Risk Allowance | | | 5% | 325,258 | 26 | |
| 28 Construction Risk Allowance | | | 5% | 341,521 | 27 | |

| | | | | |
|------------------------------------|------------------|------------------|------------|-------------|
| | Sub Total | 7,171,932 | 577 | 100% |
| 29 Tender Inflation Estimate | Excl | - | | |
| 30 Construction Inflation Estimate | Excl | - | | |

| | | | |
|--|------------------|------------|-------------|
| Total Estimated Construction Cost | 7,171,932 | 577 | 100% |
|--|------------------|------------|-------------|

| | | |
|--|----------|------------------|
| ESTIMATED ROUNDED CONSTRUCTION COST | £ | 7,170,000 |
|--|----------|------------------|

| | | |
|---------------------------------|----------|------------|
| ESTIMATED COST PER SQ FT | £ | 577 |
|---------------------------------|----------|------------|

THE HOO - HAMPSTEAD INDICATIVE ESTIMATE

Job No. : 37796

Client : Jaga Developments (London) Ltd

Issue Date : 11-Mar-20

Base Date : 1Q 2020

NOTES AND ASSUMPTIONS

PROJECT OVERVIEW

- 1 This report provides an Indicative Estimate for the Design Information issued in November 2019

PROGRAMME

- 1 Programme to be confirmed.

INFORMATION USED TO PREPARE THIS ESTIMATE

- 1 Bowker Sadler Architecture Information issued November 2019
- 2 Bowker Sadler Architecture Design & Access Statement issued November 2019

STATUS OF DESIGN

- 1 Feasibility

KEY ASSUMPTIONS

- 1 Estimated costs are construction costs prepared using current prices (Q1 2020)
- 2 Allowances have been included for main contractor preliminaries @18% and main contractor's overheads and profit @ 10% across all construction works.
- 3 No allowance has been made for working outside of normal working hours.
- 4 We have assumed that The Annexe can be retained and incorporate the necessary alterations.
- 5 We have assumed that the specification is medium quality for the Main House and Link and lesser quality in The Lodge & The Annexe.
- 6 £500,000 has been included for the Landscaping budget as advised by Bowles & Wyer.
- 7 This estimate has been prepared using the schedule of accommodation within the design and access statement.

PROCUREMENT

- 1 The procurement strategy is anticipated to be Traditional. It is yet to be decided if it will be single or two stage

INFLATION

- 1 Inflation is currently excluded from this estimate

THE HOO - HAMPSTEAD INDICATIVE ESTIMATE

Job No. : 37796

Client : Jaga Developments (London) Ltd

Issue Date : 11-Mar-20

Base Date : 1Q 2020

EXCLUSIONS

The following should be read in conjunction with the Executive Summary and are a list of items not yet able to be included within this cost plan; however, we would like to discuss them further with yourselves and your advisors to determine whether some or all of the following can be included in the cost plan:

- 1 Value Added Tax
- 2 Land acquisition costs and fees
- 3 Client finance, legal or marketing costs
- 4 Professional fees (e.g. design, PCSA, PM, surveys etc)
- 5 Planning and building regulation fees
- 6 Fees or costs associated with rights of light agreement, party wall awards, oversailing agreements etc
- 7 Project insurances
- 8 Section 106 / 278 Contributions
- 9 Community Infrastructure Levy Contributions or similar
- 10 Costs resulting from zero carbon requirements or offset charges government incentives / grants
- 11 Currency and exchange rate fluctuations
- 12 Statutory changes
- 13 Works outside of the site boundary except where specifically stated
- 14 Working outside of normal working hours
- 15 Mock ups, prototypes, off site benchmarks and the like
- 16 Loose fittings, furnishings and equipment and external furniture unless specifically noted as included
- 17 Asbestos removal
- 18 IT hardware / active hubs
- 19 Connection to district heating system/energy centre
- 20 Power factor correction and harmonics
- 21 Audio visual installations and equipment unless stated specifically
- 22 Spares and maintenance costs
- 23 Attenuation measures
- 24 Costs resulting from tariffs or other charges applied by foreign countries following the withdrawal of the UK from the European Union
- 25 Improvements to Part L and CO2 emissions above those required by Building Regulations
- 26 Site wide infrastructure costs
- 27 Cost associated with upgrading existing utility supplies

THE HOO - HAMPSTEAD INDICATIVE ESTIMATE

Job No. : 37796

Client : Jaga Developments (London) Ltd

Issue Date : 11-Mar-20

Base Date : 1Q 2020

SCHEDULE OF DESIGN INFORMATION

The compilation of this document is on the basis of the following design information:-

Architectural

| Drawing No. | Date Issued | Revision | Description |
|-------------|-------------|----------|-------------|
|-------------|-------------|----------|-------------|

Architectural

| | | | |
|------|----------|---|---------------------------------------|
| 1120 | 01/08/19 | A | Lower Ground Floor Layout as Proposed |
| 1121 | 01/08/19 | A | Ground Floor Layout as Proposed |
| 1122 | 01/08/19 | A | First Floor Layout as Proposed |
| 1123 | 01/08/19 | A | Second Floor Layout as Proposed |
| 1124 | 01/08/19 | A | Roof Layout as Proposed |
| 1140 | 01/08/19 | A | South and West Elevations as Proposed |
| 1141 | 01/08/19 | A | North and West Elevations as Proposed |
| 1150 | 01/08/19 | A | Sections DD and EE as Proposed |
| 1151 | 01/08/19 | A | Sections CC and EE as Proposed |

APPENDIX 3

The Hoo

Development Appraisal
Prepared by JRB
James R Brown & Company Ltd
26 March 2020

APPRAISAL SUMMARY**JAMES R BROWN & COMPANY LTD****The Hoo****Summary Appraisal for Phase 1****Currency in £****REVENUE**

| Sales Valuation | Units | ft² | Rate ft² | Unit Price | Gross Sales |
|------------------------|--------------|---------------|-----------------|-------------------|--------------------|
| Main House & Link | 1 | 7,298 | 1,233.21 | 9,000,000 | 9,000,000 |
| The Lodge | 1 | 2,185 | 1,212.81 | 2,650,000 | 2,650,000 |
| The Annexe | <u>1</u> | <u>2,939</u> | <u>1,292.96</u> | <u>3,800,000</u> | <u>3,800,000</u> |
| Totals | 3 | 12,422 | | | 15,450,000 |

NET REALISATION**15,450,000****OUTLAY****ACQUISITION COSTS**

| | | | |
|--------------------|-------|-----------|-----------|
| Residualised Price | | 3,269,459 | |
| | | | 3,269,459 |
| Stamp Duty | 4.65% | 152,030 | |
| Agent Fee | 1.00% | 32,695 | |
| Legal Fee | 0.80% | 26,156 | |
| | | | 210,880 |

CONSTRUCTION COSTS

| Construction | ft² | Rate ft² | Cost | |
|---------------------|-------------------|-------------------|------------------|------------------|
| Main House & Link | 7,298 ft² | 577.36 pf² | 4,213,573 | |
| The Lodge | 2,185 ft² | 577.36 pf² | 1,261,532 | |
| The Annexe | <u>2,939 ft²</u> | <u>577.36 pf²</u> | <u>1,696,861</u> | |
| Totals | 12,422 ft² | | 7,171,966 | 7,171,966 |

| | | | |
|------------------|--|---------|---------|
| CIL/ MCIL/ S.106 | | 669,320 | |
| | | | 669,320 |

PROFESSIONAL FEES

| | | | |
|---------------|--------|---------|---------|
| Professionals | 10.00% | 717,197 | |
| | | | 717,197 |

MARKETING & LETTING

| | | | |
|-----------|-------|--------|--------|
| Marketing | 0.50% | 77,250 | |
| | | | 77,250 |

DISPOSAL FEES

| | | | |
|-----------------|-------|---------|---------|
| Sales Agent Fee | 1.50% | 231,750 | |
| Sales Legal Fee | | 5,000 | |
| | | | 236,750 |

FINANCE

| | | | |
|---|--|---------|---------|
| Debit Rate 7.000%, Credit Rate 0.500% (Nominal) | | | |
| Land | | 207,443 | |
| Construction | | 180,713 | |
| Other | | 134,020 | |
| Total Finance Cost | | | 522,176 |

TOTAL COSTS**12,874,998****PROFIT****2,575,002****Performance Measures**

| | |
|--------------------------------------|--------------|
| Profit on Cost% | 20.00% |
| Profit on GDV% | 16.67% |
| Profit on NDV% | 16.67% |
| IRR | 37.29% |
| Profit Erosion (finance rate 7.000%) | 2 yrs 8 mths |

This appraisal report does not constitute a formal valuation.

TIMESCALE AND PHASING GRAPH REPORT

JAMES R BROWN & COMPANY LTD

The Hoo

Project Timescale

| | |
|------------------------------------|-----------|
| Project Start Date | Mar 2020 |
| Project End Date | Jul 2021 |
| Project Duration (Inc Exit Period) | 17 months |

Phase 1

| | Start Date | Duration | End Date | Mar 20 | Sep 20 | Mar 21 |
|------------------|------------|-------------|----------|---|--------|--------|
| Project | Mar 2020 | 17 Month(s) | Jul 2021 |  | | |
| Purchase | Mar 2020 | 1 Month(s) | Mar 2020 |  | | |
| Pre-Construction | Apr 2020 | 2 Month(s) | May 2020 |  | | |
| Construction | Jun 2020 | 8 Month(s) | Jan 2021 |  | | |
| Post Development | Feb 2021 | 0 Month(s) | |  | | |
| Letting | Feb 2021 | 0 Month(s) | |  | | |
| Income Flow | Feb 2021 | 0 Month(s) | |  | | |
| Sale | Feb 2021 | 6 Month(s) | Jul 2021 |  | | |
| Cash Activity | Mar 2020 | 15 Month(s) | May 2021 |  | | |
| | | | | 1 | 7 | 13 |

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The Hoo

Detailed Cash flow Phase 1

Page A 1

| MonthlyB/F | 001:Mar 2020 | 002:Apr 2020 | 003:May 2020 | 004:Jun 2020 | 005:Jul 2020 | 006:Aug 2020 |
|-------------------------------------|--------------------|-----------------|-----------------|--------------------|------------------|--------------------|
| | 0 | (3,480,339) | (3,480,339) | (3,520,943) | (4,536,062) | (5,356,769) |
| Revenue | | | | | | |
| Sale - Main House & Link | 0 | 0 | 0 | 0 | 0 | 0 |
| Sale - The Lodge | 0 | 0 | 0 | 0 | 0 | 0 |
| Sale - The Annexe | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposal Costs | | | | | | |
| Sales Agent Fee | 0 | 0 | 0 | 0 | 0 | 0 |
| Sales Legal Fee | 0 | 0 | 0 | 0 | 0 | 0 |
| Unit Information | | | | | | |
| The Annexe | | | | | | |
| The Lodge | | | | | | |
| Main House & Link | | | | | | |
| Acquisition Costs | | | | | | |
| Residualised Price | (3,269,459) | 0 | 0 | 0 | 0 | 0 |
| Stamp Duty | (152,030) | 0 | 0 | 0 | 0 | 0 |
| Agent Fee | (32,695) | 0 | 0 | 0 | 0 | 0 |
| Legal Fee | (26,156) | 0 | 0 | 0 | 0 | 0 |
| Construction Costs | | | | | | |
| CIL/ MCIL/ S.106 | 0 | 0 | 0 | (669,320) | 0 | 0 |
| Con. - Main House & Link | 0 | 0 | 0 | (184,690) | (438,336) | (614,017) |
| Con. - The Lodge | 0 | 0 | 0 | (55,296) | (131,237) | (183,835) |
| Con. - The Annexe | 0 | 0 | 0 | (74,377) | (176,524) | (247,273) |
| Professional Fees | | | | | | |
| Professionals | 0 | 0 | 0 | (31,436) | (74,610) | (104,513) |
| Marketing/Letting | | | | | | |
| Marketing | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Cash Flow Before Finance | (3,480,339) | 0 | 0 | (1,015,120) | (820,706) | (1,149,638) |
| Debit Rate 7.000% | 7.000% | 7.000% | 7.000% | 7.000% | 7.000% | 7.000% |
| Credit Rate 0.500% | 0.500% | 0.500% | 0.500% | 0.500% | 0.500% | 0.500% |
| Finance Costs (All Sets) | 0 | (20,302) | (20,302) | (20,539) | (26,460) | (31,248) |
| Net Cash Flow After Finance | (3,480,339) | (20,302) | (20,302) | (1,035,658) | (847,167) | (1,180,886) |
| Cumulative Net Cash Flow Monthly | (3,480,339) | (3,500,641) | (3,520,943) | (4,556,601) | (5,403,768) | (6,584,654) |

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The Hoo

Detailed Cash flow Phase 1

Page A 2

| 007:Sep 2020 (6,584,654) | 008:Oct 2020 (7,917,247) | 009:Nov 2020 (9,286,821) | 010:Dec 2020 (10,686,168) | 011:Jan 2021 (11,691,777) | 012:Feb 2021 (12,296,440) | 013:Mar 2021 (8,757,540) | 014:Apr 2021 (8,757,540) | 015:May 2021 (6,160,540) |
|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,000,000 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,650,000 | 0 |
| 0 | 0 | 0 | 0 | 0 | 3,800,000 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | (57,000) | 0 | (39,750) | (135,000) |
| 0 | 0 | 0 | 0 | 0 | (5,000) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (711,734) | (731,485) | (673,271) | (537,092) | (322,948) | 0 | 0 | 0 | 0 |
| (213,091) | (219,004) | (201,575) | (160,804) | (96,690) | 0 | 0 | 0 | 0 |
| (286,624) | (294,578) | (271,135) | (216,294) | (130,055) | 0 | 0 | 0 | 0 |
| (121,145) | (124,507) | (114,598) | (91,419) | (54,969) | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | (19,000) | 0 | (13,250) | (45,000) |
| (1,332,594) | (1,369,574) | (1,260,579) | (1,005,609) | (604,663) | 3,719,000 | 0 | 2,597,000 | 8,820,000 |
| 7.000% | 7.000% | 7.000% | 7.000% | 7.000% | 7.000% | 7.000% | 7.000% | 7.000% |
| 0.500% | 0.500% | 0.500% | 0.500% | 0.500% | 0.500% | 0.500% | 0.500% | 0.500% |
| (38,410) | (46,184) | (54,173) | (62,336) | (68,202) | (49,563) | (51,086) | (35,627) | 1,183 |
| (1,371,004) | (1,415,758) | (1,314,752) | (1,067,945) | (672,865) | 3,669,437 | (51,086) | 2,561,373 | 8,821,183 |
| (7,955,658) | (9,371,416) | (10,686,168) | (11,754,113) | (12,426,978) | (8,757,540) | (8,808,626) | (6,247,253) | 2,573,930 |

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