Viability Assessment Report

Clarkson Row, Camden, London, NW1 7RA

Instructions

This Viability Assessment is submitted to the London Borough of Camden to accompany a detailed planning application for the proposed residential development at Clarkson Row, London, Camden, NW1 7RA ('the Subject'). The application is made on behalf of MW-A Architects ('the Applicant').

In producing this Viability Assessment we can confirm that all those involved, including sub-consultants, have acted objectively and impartially and without interference. Additionally, all those involved have given full consideration to how the proposed development will be delivered and the associated performance metrics. The conclusions of this assessment have been made with reference to all the appropriate guidance/ policy including:

- National Planning Policy Framework (updated February 2019);
- Planning Practise Guidance (PPG) – Viability (updated September 2019);
- RICS Financial Viability in Planning 1st Edition (July 2012); and
- RICS Financial Viability in Planning: Conduct and Reporting 1st Edition (May 2019).

This Assessment has also been carried out with regard to the Professional and Ethical Standards (PS2) set out within the RICS Valuation – Global Standards 2017 (the Red Book), issued June 2017 and effective from July 2017.

A copy of our Confirmation of Instruction letter is attached at **Appendix 1.**

We confirm that this report and all subsequent engagement with the council and their reviewer has and will be conducted in a reasonable and transparent manner.

Confidentiality

We understand that the report will be submitted to the London Borough of Camden as a supporting document to the planning application. The report must not be recited or referred to in any document (save the consultants instructed by the Council to review the report) without our express prior written consent.

Report Limitations

Please note that the advice provided on values is informal and given purely as guidance. Our views on price are not intended as a formal valuation and should not be relied upon as such. No liability is given to any third party and the figures suggested are not in accordance with Valuation Practice Statement 1.2 of RICS Valuation – Global Standards 2017. Any advice attached is not a formal ("Red Book") Valuation, and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such.

Conflicts of Interest

We can confirm that there are no conflicts of interest between Savills and either the Applicant, the Council or the Subject.

Date of Appraisals

The date of this Appraisals is the date of this report.

Confirmation of Reporting Timescales

We can confirm that an adequate amount of time has been allowed for in the preparation of this report and the timeframes stated within our Terms of Engagement were not extended.

Signatures to the Report

Prepared by: Max Pickett MRICS

Associate

Reviewed by: Gareth Turner

Director

Contents

1. Executive Summary

1.1. Introduction

1.1.1. Clarkson Row currently comprises of a disused car park (Use Class Sui Generis), comprising of a hard standing yard with external site walls and a gated fence, accessed from Clarkson Row.

1.1.2. The proposed scheme comprises the erection of 8 residential dwellings.

1.1.3. We have assessed the development economics of the proposed scheme in order to identify the level of planning obligations the scheme can sustain. We have appraised the Residual Land Value (RLV) of the proposed scheme using Argus Developer (Version 6) and have based our appraisal upon the plans and schedule of accommodation shown in **Appendix 4**. The RLV is calculated by subtracting all associated development costs and a suitable level of developer profit from the Gross Development Value (GDV) of the proposed development, which is assessed by calculating all revenues and capital receipts realised by the developer. The assumptions adopted within our appraisal have been informed by market evidence and input from independent third party experts, where appropriate.

1.1.4. We have compared the Residual Land Value to our Site Value Benchmark (SVB) to ascertain whether there is a deficit or surplus against our Benchmark. In this case our Site Value Benchmark has been determined by giving consideration to the Existing Use Value of the Subject plus a suitable landowner premium. The Existing Use Value has been calculated through a traditional comparable valuation methodology, which looks at analysing similar properties to the Subject and making suitable adjustments to reflect their differences.

1.1.5. We have not investigated the Alternative Use Value of the Subject as we do not deem it appropriate in this instance.

1.1.6. We have appraised the proposed scheme and summarise the results in the table below. Please see **Appendix 5** for the full appraisal.

Table 1 – Viability Appraisal Result

Residual Land Value	Site Value Benchmark	Deficit Against Benchmark
-£376k	£360K	-£736k

1.1.7. The key issues facing the proposed development is the relationship between build costs and private sales values.

1.1.8. Given that the Residual Land Value generates a deficit against the Site Value Benchmark, the scheme is not considered commercially viable in development viability terms.

2. Introduction

2.1. Client Instruction

2.1.1. We have been instructed by the Applicant to examine the economic viability of this residential scheme, to determine the level of planning obligations that the proposed development can support whilst remaining viable. A copy of our Confirmation of Instruction letter can be found attached at **Appendix 1.**

2.2. Information

2.2.1. We have been provided with, and have relied upon, the following information from the Applicant:

- Site location plan as attached at **Appendix 2**;
- Plans of the existing site produced by MW-Architects as attached at **Appendix 3**;
- Floorplans of the proposed accommodation produced by MW-Architects as attached at **Appendix 4**; and
- Build costs as advised by Millbridge Cost Consultants.

3. Subject Description

3.1. Subject Location

3.1.1. The Subject is located in Clarkson Row in the London Borough of Camden.

3.1.2. The Subject is located approximately 0.2 miles to the west of Mornington Crescent London Underground Station which is served by the Northern Line.

3.1.3. The Subject is predominantly surrounded by residential dwellings ranging in size. Regent's Park is located approximately 0.3 miles to the west of the Subject.

3.1.4. The site is bound Mornington Terrace to the north and Mornington Crescent to the East.

3.1.5. A location plan is attached at **Appendix 2.**

3.2. Subject Description

3.2.1. We understand that the Subject currently comprises a disused car park that is currently secured with hoarding and a gate.

3.2.2. Further detail is provided within our Site Value Benchmark section.

3.3. Proposed Development

3.3.1. A planning application has been submitted which seeks full panning permissions for 8 apartments. Units 5-8 all benefit from roof terraces.

Table 2 – Proposed Accommodation Schedule

Unit No	Type	Floor	Sq m	Sq ft
1	Studio	G	44	474
2	1 Bed	G	54	581
3	Studio	1	49	527
4	2 Bed	1	67	721
5	Studio	2	49	527
6	2 Bed	2	67	721
7	Studio	3	49	527
8	2 Bed	3	73	786
Total			**452**	**4,865**

3.3.2. A detailed accommodation schedule and plans are provided at **Appendix 4.**

4. Methodology

4.1. Financial Viability Assessments

4.1.1. In line with the NPPF, and the Greater London Authority's (GLA's) strategic planning guidance for London, site-specific financial viabilities may be a material consideration in determining how much and what type of affordable housing should be required in residential and mixed-use developments.

4.1.2. As such, viability appraisals can and should be used to analyse and justify planning obligations to ensure that Section 106 requirements do not make a scheme unviable.

4.1.3. The RICS define financial appraisals for planning purposes as:

> *"An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to a developer in delivering a project."*

4.1.4. The GLA's logic is that, if the residual value of a proposed scheme is reduced to significantly below an appropriate viability benchmark sum, it follows that it is unviable to pursue such a scheme, and the scheme is unlikely to proceed.

4.1.5. If a scheme is being rendered unviable because of Section 106 requirements, it may be appropriate to look at reducing the burden of those requirements in order to facilitate viability.

4.2. Residual

4.2.1. The financial viability of development proposals is determined using the residual land valuation method. A summary of this valuation process can be seen below;

Built value of Proposed private residential and other uses	+	Built Value of Affordable Housing	=	**GDV**
GDV	-	**Build Costs, Finance Costs, Section 106 Costs, CIL, Sales Fees, Developers Profit, etc**	=	**Residual Land Value (RLV)**

4.2.2. The RLV is then compared to a SVB. If the RLV is lower and/or not sufficiently higher than the Benchmark the project is not technically viable.

5. Site Value Benchmark

5.1. Introduction

5.1.1. Identifying an appropriate SVB requires judgement bearing in mind that national planning guidance indicates that appropriate land for housing should be 'encouraged' to come forward for development.

5.1.2. In line with the latest RICS Professional Statement 'Financial Viability in Planning: Conduct and Reporting (May 2019) and the latest PPG we have assessed the Site Value Benchmark using the Existing Use Value (EUV) of the Subject, plus a suitable landowner premium. Existing Use Value is sometimes referred to as Current Use Value (CUV), and these two terms are interchangeable when used for Financial Viability in planning. The latest guidance also requires us to investigate the Alternative Use Value (AUV) of the Subject where an existing planning consent may already exist or where the Subject may benefit from being converted to an alternative lawful planning use.

5.1.3. We are not aware that the Subject benefits from an existing planning consent or potential conversion to an alternative lawful planning use. As such we have not appraised the AUV of the Subject.

5.1.4. Given the available guidance, and our own professional experience, our views on what constitutes an appropriate viability benchmark is detailed within our Site Value Benchmark section below.

5.2. Adopted Site Value Benchmark

5.2.1. The existing site is a disused car park comprising an area of hardstanding which has capacity for 8 spaces. We have explored two approaches to identify an appropriate Site Value Benchmark.

5.2.2. The car park had previously been let on short term bookings generating an average monthly net income of £1,418 over the 3 months. If we pro-rata this rate it equates to a net annual income of £17,016. However, we understand the site in its current condition was underutilised and that the existing car park has potential to produce more income.

5.2.3. We understand that the car parking is secure and as such we have undertaken market research into secure car parking spaces in the area.

5.2.4. We have obtained some comparable evidence of nearby car parks to identify an appropriate value for this element of the site as follows:

Table 3 - Car Park Investment Comparables

Address	Date	Size (Sq ft)	Number of Spaces	Price	Price £psf (Price per space)	NIY	Comments
Rossmore Court, Park Road, NW1	Feb-19	28,914	75	£3.9M	£135 (£52,000)	4.90%	Let to NCP with 18.3 years unexpired. Income: £203,783 per year. Annual RPI uplifts 1.5%/5% collar/cap.

Address	Date	Size (Sq ft)	Number of Spaces	Price	Price £psf (Price per space)	NIY	Comments
Arthur Court, Queensway, W2	Dec-18	28,230	85	£2.5M	£89 (£29,412)	3.11%	Let to NCP with 18.5 years unexpired. Income: £82,758 (underrented) Annual RPI uplifts 1.5%/5% collar/cap.
6-7 Weymouth Mews, W1	May-18	5,482	30	£0.84M	£153 (£28,000)	5.21%	Let to NCP with 19 years unexpired. Only 33 years unexpired on headlease. Income: £46,192 Annual RPI uplifts 1.5%/5% collar/cap.

5.2.5. The above comparable evidence suggests that Central London car parks achieve net initial yields (NIY) of c.5.00%. Whilst we understand that the Subject is inferior and may not attract a tenant such as NCP, we have adopted a yield of 5% to reflect the fact the car park is currently disused but it could significantly increase its income level with some capital expenditure to bring it to a desirable standard.

5.2.6. Car parks generally offer a secure source of income and therefore, if ell located, are sought after alternative assets for investors. In addition to the secure nature of the income, car parks offer medium to long term development potential which can again lead to assets being competitively pursued in the market.

5.2.7. Based on the above we consider the Existing Use Value of the parking spaces to be **£318,500**, after deducting purchaser’s costs of 6.80%, equating to circa **£21,233** per space.

5.2.8. However, whilst we consider car parks to be an attractive to investors due to small amount of spaces, it is considered more likely that the spaces will be sold off individually as opposed to an investment.

5.2.9. We have spoken to local agents and there is a distinct lack of evidence for the sales of car parking space in the surrounding area. We have regard to garages being marketed in local area which range between £40,000 to £60,000 per annum. We have spoken with local agents who have advised that they consider car parking spaces to achieve approximately £35,000 due to the low supply in the area and increased demand due to its location outside the Congestion Charge zone. We have adopted a value of **£35,000** per space, totalling **£280,000** for the 8 spaces.

5.2.10. We have considered an investment method of valuation based on historic income and an open market value approach and have identified a range of £280,000 to £318,500. Based on the current condition of the site and the nature of the asset we have adopted a Site Value Benchmark in the middle of the range and consider the EUV to be **£300,000**.

5.2.11. In line with NPPF and RICS guidance it is appropriate to apply a premium to reflect the redevelopment potential of the Subject for residential use, and the RICS suggest that the premium should be between 10% and 40%, the GLA guidance reflects a typical range of 10% to 30%.

5.2.12. The Subject is prominently located in a mixed use area, being situated within Camden which is one of London's most vibrant and diverse commercial sub-markets. The area has been dramatically enhanced by the delivery of the King's Cross Central – one of Europe's most successful urban regeneration projects.

5.2.13. On that basis we have applied a premium of 20% to the EUV. We therefore consider that the EUV plus premium of the Subject to be **£360,000.**

5.3. Market Value Report

5.3.1. The Applicant has confirmed that a recent Market Value report does not exist for the Subject.

5.4. Purchase Price of the Land

5.4.1. We understand that the Subject was purchased by the Applicant for £940,000.

6. Appraisal Methods

6.1. Residential Values

6.1.1. We have assessed the gross development value of the homes being provided as market sale. This sections sets out our evidence and conclusions.

6.1.2. The development will comprise a mix of 4 studios, 1 one bedroom and 3 two bedroom apartments. We have assessed a number of comparable transactions in the area to form an opinion of market value for the proposed units at the Subject, taking into account the location, size, aspect, provision of outside space, proposed accommodation and parking provision.

6.2. Market Value Evidence

Mode, 1 Centric Close, NW1

6.2.1. We have considered a new build development, Mode, to compare with the Subject. Mode is a new build development by Fairview New Homes comprising 76 units of which 49 are for private sale. The scheme is of 7 storeys and comprises approximately 15,000 sqft of commercial accommodation too. Mode is located on Centric Close on Oval Road 0.8 km to the north of the Subject, located equidistant from Regents Canal and Park. The scheme completed in February 2020 and we understand that the scheme sold out in Q4 2020.

6.2.2. The table below provides a summary of the remaining achieved sale prices that we have been able to identify:

Table 4 – Mode Achieved Prices

Unit Ref	Beds	Sq m	Sq ft	Achieved Price	Price/Sq ft	Date
Flat 6	1	56	603	£600,000	£995	Dec-19
Flat 31	1	51	549	£640,000	£1,166	Dec-19
Average 1 Bed		**53.5**	**576**	**£620,000**	**£1,076**	
Flat 44	2	73	786	£820,000	£1,043	May-20
Flat 48	2	67	721	£800,000	£1,109	Mar-20
Flat 11	2	81	872	£900,000	£1,032	Mar-20
Flat 29	2	81	872	£859,000	£985	Feb-20
Flat 42	2	81	872	£920,000	£1,055	Feb-20
Flat 20	2	81	872	£852,000	£977	Nov-19
Flat 10	2	73	786	£800,000	£1,018	Oct-19
Average 2 Bed		**76.7**	**826**	**£850,143**	**£1,029**	

6.2.3. The table below provides a summary of the remaining asking sale prices that we have been able to identify:

Table 5 – Mode Asking Prices

Unit Ref	Beds	Sq m	Sq ft	Asking Price	Price/Sq ft
Unit 51	1	55.6	598	£672,500	£1,125

Unit Ref	Beds	Sq m	Sq ft	Asking Price	Price/Sq ft
Unit 31	1	50.9	548	£649,000	£1,184
Unit 41	1	56.9	612	£675,000	£1,103
Unit 42	1	55.6	598	£640,000	£1,070
Unit 33	1	55.6	598	£665,000	£1,112
Average 1 Bed		**54.9**	**591**	**£660,300**	**£1,118**
Unit 28	2	74.7	804	£775,000	£964
Unit 34	2	75.6	814	£695,000	£854
Unit 35	2	81.5	877	£699,000	£797
Unit 36	2	81.2	874	£725,000	£830
Unit 45	2	81.2	874	£730,000	£825
Unit 43	2	75.5	813	£845,000	£1,039
Average 2 Bed		**78.3**	**843**	**£744,833**	**£884**

6.2.4. Mode has achieved an average of £1,076 psf and £1,029 psf for one and two bedroom apartments respectively. Mode is within close proximity to Camden Town London Underground station, close to Camden Lock and Market as well as Regent's Park and away from the railway line and as such we consider the comparable to be in a superior location

6.2.5. Mode is surrounded by high quality offices and luxury townhouses on Regent's Park Terrace and Gloucester Avenue. The development by Fairview New Homes was completed to a high specification and has a private gated entrance with a courtyard for parking. Many of the apartments benefit from outdoor space in the form of a terrace or balcony and as such, we would expect to achieve lower values at the Subject.

6.2.6. We have reviewed further comparable evidence from a mix of new build and second hand apartments as provided below;

Table 5 – Second Hand Sales Evidence

Address	Beds	Sq ft	Achieved Price	Price/ Sq ft	Date	Distance from Subject (miles)	Comments
Carlow House, Carlow Street NW1	S	440	£425,000	Q.£966	Avail	0.2	3rd floor of a purpose built development which completed in 2017.
Mornington Crescent, NW1	S	387	£390,000	£1,008	Feb-21	0.1	First floor of a Victorian conversion. Balcony.
17 Lyme Street, NW1	S	420	£435,000	£1,036	Jan-21	0.7	Raised ground floor on a townhouse on a quiet street with a shared garden.
54 Walker House, Phoenix Road, NW1	S	498	£390,000	£783	Nov-20	0.4	Raised ground floor of purpose built gated period building. Good condition. Communal courtyard
12 St Matthews Lodge, 50 Oakley Square, NW1	S	398	£345,000	£867	Sep-20	0.2	First floor apartment of a purpose build block. Balcony. Average condition.
Flat 3, Mornington Terrace, NW1	S	350	£400,000	£1,143	Apr-20	0.1	First floor townhouse with a balcony.

Address	Beds	Sq ft	Achieved Price	Price/ Sq ft	Date	Distance from Subject (miles)	Comments
Studio Average		**416**	**£397,500**	**£957**			
Cubitt Court, 100 Park Village East, NW1	1	577	Q.£450,000	Q.£780	Available	0.2	Upper floor apartment in a purpose built apartment block with a balcony.
Plender Street, NW1	1	565	Q.£499,995	£885	Available	0.3	New build development. Second floor
7 The Hush, 5 Iverness Street, NW1	1	690	£509,000	£738	Dec-20	0.6	2nd floor. Average building on top of Camden Market.
Flat 9, 5 Inverness Street, NW1	1	500	£440,000	£880	Nov-20	0.8	3rd floor with large balcony. Average building on top of Camden Market
Flat 3, 18 Delancey Street, NW1	1	460	£460,000	£1,000	Aug-20	0.3	2nd floor of a period conversion. Reasonable condition.
1 Bed Average		**558**	**£471,7990**	**£845**			
Hurdwick Place, NW1	2	687	Q.£575,000	Q.£837	Available	0.2	Lower ground floor garden flat in a period conversion.
Silsoe House, 50 Park Village East, NW1	2	925	Q.£645,000	Q.£697	Feb-21	0.2	Arranged over raised ground and lower ground floor with a balcony. Purpose built apartment block. Reasonable condition in a dated block.
Mornington Street, Camden	2	848	£750,000	£885	Feb-21	0.1	Garden Maisonette in a Georgian house conversion.
6 Hartland, Royal College Street, Camden	2	679	£575,000	£847	Oct-20	0.7	Ground floor. Private garden. Inferior block.
Flat C, 17 Lyme Street, Camden	2	721	£635,000	£881	May-20	0.7	Arranged over 1st / 2nd floor. Quoted £700,000. Roof terrace.
2 Bed Average		**772**	**£636,000**	**£824**			

6.2.7. The studio bedroom evidence provides a good foundation for open market values for the Subject. The apartment on Mornington Terrace is located within close proximity to the Subject. It comprises the first floor of a townhouse and is considerably smaller than the apartments at the Subject, therefore, commanding a premium on a capital value on a £ per sq ft basis. 54 Walker House is the most comparable in terms of size. The apartment in on the raised ground floor of a gated purpose built plot with access to the communal gardens. We consider that the Subject will achieve a new build premium over this comparable.

6.2.8. The one bedroom evidence is varied. The Subject is in an inferior location to most of the evidence, overlooking the railway line and located closer to Mornington Crescent than in Camden where demand for residential apartments is extremely high. The apartments on Iverness Street are situated on top of Camden Market, attracting a broad range of both domestic and international investors. Cubitt Court is the closest comparable evidence obtained and is in a similar location looking over the train tracks. Cubitt Court completed in 2011 and though refurbished, we consider that the Subject would achieve a new build premium

6.2.9. The two bedroom evidence is all within close proximity to the Subject allowing appropriate comparisons to be made. 17 Lyme Street is in a superior location to the Subject on a quiet street of townhouses, just off

Camden Road and close to Camden High Street. Hurdwick is located on a main road next to Mornington Crescent London Underground station and offers a similar size unit to those at the Subject, however, the comparable is only an asking price and we could expect the property to achieve a lower value.

6.2.10. Following analysis of the comparables and advice from Savills Primrose Hill residential office who cover the Camden area, we have adopted the following market values for our appraisal;

Table 6 – Residential Pricing Breakdown

Unit No	Type	Floor	Sq ft	Value	£psf
1	Studio	G	474	£400,000	£845
2	1 Bed	G	581	£475,000	£817
3	Studio	1	527	£430,000	£815
4	2 Bed	1	721	£585,000	£811
5	Studio	2	527	£455,000	£863
6	2 Bed	2	721	£610,000	£846
7	Studio	3	527	£460,000	£872
8	2 Bed	3	786	£645,000	£821
Total			**4,865**	**£4,060,000**	**£835**

6.2.11. Based on our research and advice from Savills New Homes Team we have adopted a Gross Development Value (GDV) for the market sale of the proposed scheme of **£4,060,000** equating to **£835/sq ft**.

6.3. Ground Rents

6.3.1. The House of Commons Library Briefing Paper No 8047, 31 December 2019 notes the following:

> *"In "Implementing reforms to the leasehold system in England" (June 2019) the Government [reverted] to the commitment to set ground rents at zero financial value (£0) in future leases. Some leasehold properties will be exempt from the reduction, e.g. retirement properties, community-led developments and financial lease products. Mixed-use leases will be excluded from the legislation – ground rent will still be payable where a single lease covers residential and commercial property. When a lease is replaced, the ground rent reduction will apply only to the newly extended part of the lease".*

6.3.2. In January 2021, The Ministry of Housing, Communities and Local Government announced that leaseholders of both flats and houses were given the right to extend their lease by up to 990 years at zero ground rent. This has been formerly introduced by the Government to make home ownership more "fairer and more secure". We therefore maintain our view that ground rent income should not be included.

7. Appraisal Modelling Assumptions – Costs

7.1. Introduction

7.1.1. The following assumptions have been adopted in assessing the costs of the proposed scheme.

7.2. Build Costs

7.2.1. We have adopted the build costs as advised by Millbridge Cost Consultants. The costs include an allowance for demolition, preliminaries, contractor's OH&P, and inflation up to start-on-site.

7.3. Contingences

7.3.1. The advised costs include a contractor's contingency of 5%. We have not applied a separate developer's contingency at this stage but reserve the right to review.

7.4. Professional Fees

7.4.1. In this instance we have adopted professional fees of 12%. We have not been provided with a detailed breakdown of anticipated professional fees and therefore reserve the right to review our approach.

7.5. Sales/ Letting Fees

- Residential sales agent: 1.5%
- Residential sales legal: 0.25%
- Residential marketing: 1.5%

7.6. Purchaser's Cost

7.6.1. We have deducted acquisition costs at a rate of 6.80%.

7.7. Planning Obligations

7.7.1. We have included the following estimated payments as advised by Savills Planning Department;

- Borough CIL: £371,270
- Mayoral CIL: £45,701
- Construction Management Plan Implementation Fee and Bond: £10,636

7.7.2. We have not included an allowance for further Section 106 contributions such as Highways contributions at this stage as we await confirmation. We would note that given the current conclusions of this report no further planning obligations over those currently contained can be sustained.

7.8. Profit

7.8.1. In assessing what constitutes an acceptable level of developer's return in the current market we have consulted with specialist colleagues within the Loan Security Valuation and Capital Markets departments of Savills, as well as applying our own development experience. In the current market if a developer was buying a site such as the Subject they would normally seek a return of at least 20% Profit on GDV (broadly equivalent to 25% Profit on Cost) in order to justify the risk of delivering the scheme.

7.8.2. Based on our experience and research we have included the following developer's return;

- 20% of Private Residual GDV (broadly equivalent to 25% Profit on Cost).

7.9. Finance

7.9.1. In accordance with RICS guidance we have assumed that the development will be 100% debt financed, at a debit rate of 6.75% and a credit rate of 0.1%.

7.10. Timescales

7.10.1. We have not been provided with a development programme and so have made assumptions for appraising the scheme on the following basis:

- Purchase, planning and pre-construction: 6 months
- Construction: 12 months
- Sales: We have allowed a 5 months sales period. We have assumed that 25% of the units will be sold off plan with receipt at PC, and that 1 unit will be sold per month thereafter.

8. Conclusions

8.1. Results

8.1.1. We have appraised the proposed scheme against our Site Value Benchmark in order to fully understand the economics of the development and to establish the maximum level of planning obligations, including affordable housing that the scheme can reasonably support.

8.1.2. A summary of our appraisal results is set out below. Please see **Appendix 5** for the full appraisal.

Table 6 – Viability Appraisal Results

Residual Land Value	Site Value Benchmark	Deficit Against Benchmark
-£376k	£360K	-£736k

8.1.3. Given that the Residual Land Value generates a deficit against the Site Value Benchmark, the scheme is not considered commercially viable in planning viability terms.

8.2. Sensitivity Analysis

8.2.1. The value of development sites can be volatile and the residual approach adopted within this report is sensitive to changes in key variables. It is therefore useful to provide a sensitivity analysis, showing the effect on the RLV through small changes in key variables such as private sales values and build cost. We set out below a sensitivity analysis showing the effect of increasing and decreasing the private sales price and the build costs by 2.5% increments.

Sensitivity Analysis		Build Cost				
		-10%	-5%	0%	+5%	+10%
Private Sales Value	-10%	-£383,881	-£538,385	-£692,888	-£847,392	-£1,001,895
	-5%	-£225,692	-£380,196	-£534,700	-£689,203	-£843,707
	0%	£67,684	-£222,007	**-£376,511**	-£531,015	-£685,518
	+5%	£87,885	£64,047	-£218,322	-£372,826	-£527,330
	+10%	£242,156	£91,453	£60,410	-£214,637	-£369,141

8.2.2. The above table demonstrates that for the scheme to become economically viable in planning terms, where the RLV generates a surplus against the SVB, there would need to be an increase in private sales values of 10% and a decrease in build cost of 10%. Conversely, if there were either a decrease in private sales values or an increase in build cost the RLV would decrease making the development even less commercially viable in planning terms.

8.2.3. Notwithstanding the above, we are of the opinion that the RLV of the proposed development creates a deficit against the SVB and is therefore, under planning terms, unable to contribute towards an affordable housing provision.

Appendices

Appendix 1
Confirmation of Instruction Letter

April 2021

Penthallow Investments Ltd
C/O Charley Lacey
MWA Architects
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W1W 8SR

Gareth Turner
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Dear Charley

Confirmation of Terms of Engagement

Property: Clarkson Row, Camden, London, NW1 7RA

Introduction

Following on from our recent correspondence, we are grateful to you for your kind instructions. We now write to you to confirm the terms upon which Savills (UK) Limited (Savills, we or us) will provide Penthallow Investments Ltd (you) with a Financial Viability Assessment (FVA or report) to support your planning application in respect of the development of the above site (the Subject).

Scope of Services / Terms of Business

As confirmed please see below our agreed scope of services for providing a Viability Assessment to accompany your planning application.

Viability Assessment

Our Viability Assessment will comprise the preparation of a front report and supporting appendices, where applicable, including:

- Economic modelling using Argus Developer software;
- Establishing the Site Value Benchmark which we anticipate will be comprised of the Existing Use Value / Current Use Value (EUV / CUV) of the Subject, in line with the latest NPPF and RICS guidance. In some circumstances the SVB may be comprised of the Alternative Use Value (AUV) or the Market Value (MV) of the Subject.
- Assessment of residential and commercial values and pricing (including input from wider Savills departments where appropriate/required) to be included within an individual Residential Comparables report;
- Sensitivity Analysis surrounding the outcomes of our economic modelling with associated commentary; and
- Engagement with the project team, including attendance at project team meetings where required.

Timescales

We would expect to be able to issue a draft report 15 working days from issuance of this Confirmation of Instruction Letter and receipt of the required information, as set out in our previous correspondence.

Any extensions to these agreed timeframes will be communicated and agreed with you prior to the issuance of our report and highlighted within, along with the reasons for why such an extension was required.

Conflicts of Interest

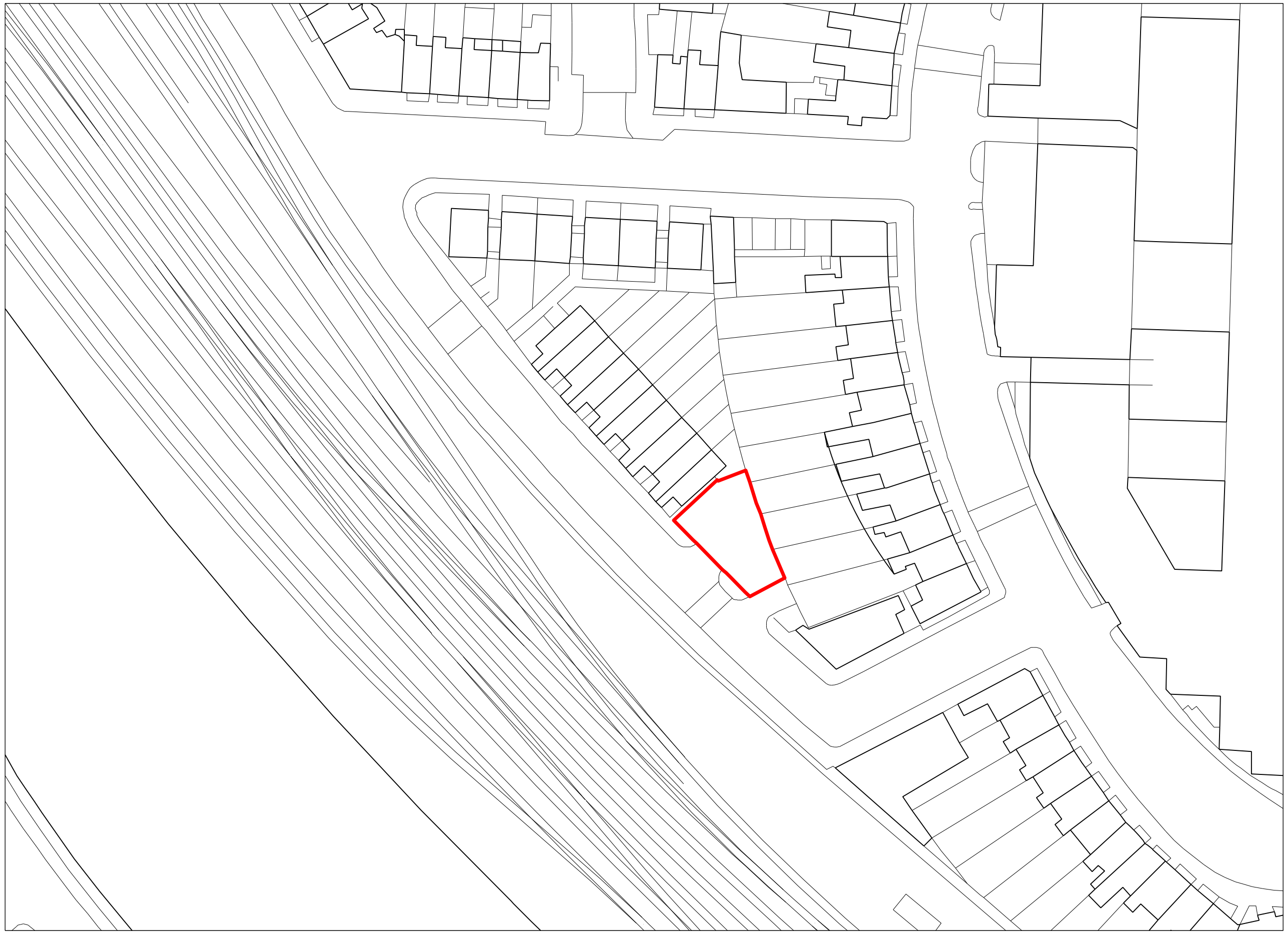
We can confirm that there are no conflicts of interest between Savills and either the Applicant, the Council or the Subject.

Yours sincerely,

Gareth Turner

Gareth Turner
Director

Appendix 2
Site Location Plan



Rev - | 04.01.2021 | Issued for Planning

PLANNING

Project No.	19068
Client	Vitabiotics Ltd
Date	January 2021
Scale	1:1250 @ A4
Project	Clarkson Row, NW1 7RA
Drawing Title	Existing Location Plan
Drawing No.	P0200
Rev.	-
Drawn	PK
Approved	CL
Signed	AA

Marek Wojciechowski Architects

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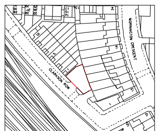
N

Appendix 3
Existing Plans

Key Site Plan 1:1250



Existing Key

Existing structure / earth

Existing Notes

01 Hardstanding landscape

02 Brick boundary wall

03 Boundary fence with gate

Rev. -	18.01.2021	Issued for Planning

PLANNING

Project No.	19068
Client	Vitabiotics Ltd
Date	January 2021
Scale	1:200 @ A3 / 1:100 @ A1
Project	Clarkson Row, NW1 7RA
Drawing Title	Existing Site Plan
Drawing No.	P0300
Rev.	-

Drawn	Approved	Signed
PK	CL	AA

Marek Wojciechowski Architects

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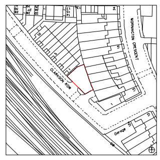
N

1:100 @ A1 2m 4m 6m 8m

Key Site Plan 1:1250



Existing Key

Existing structure / earth

Existing Notes

01 Hardstanding landscape

02 Brick boundary wall

03 Boundary fence with gate

Rev. -	18.01.2021	Issued for Planning

PLANNING

Project No.	19068
Client	Vitabiotics Ltd
Date	January 2021
Scale	1:50 @ A1/ 1:100 @ A3
Project	Clarkson Row, NW1 7RA
Drawing Title	Existing Ground Floor Plan
Drawing No.	P1000
Rev.	-
Drawn	PK
Approved	CL
Signed	AA

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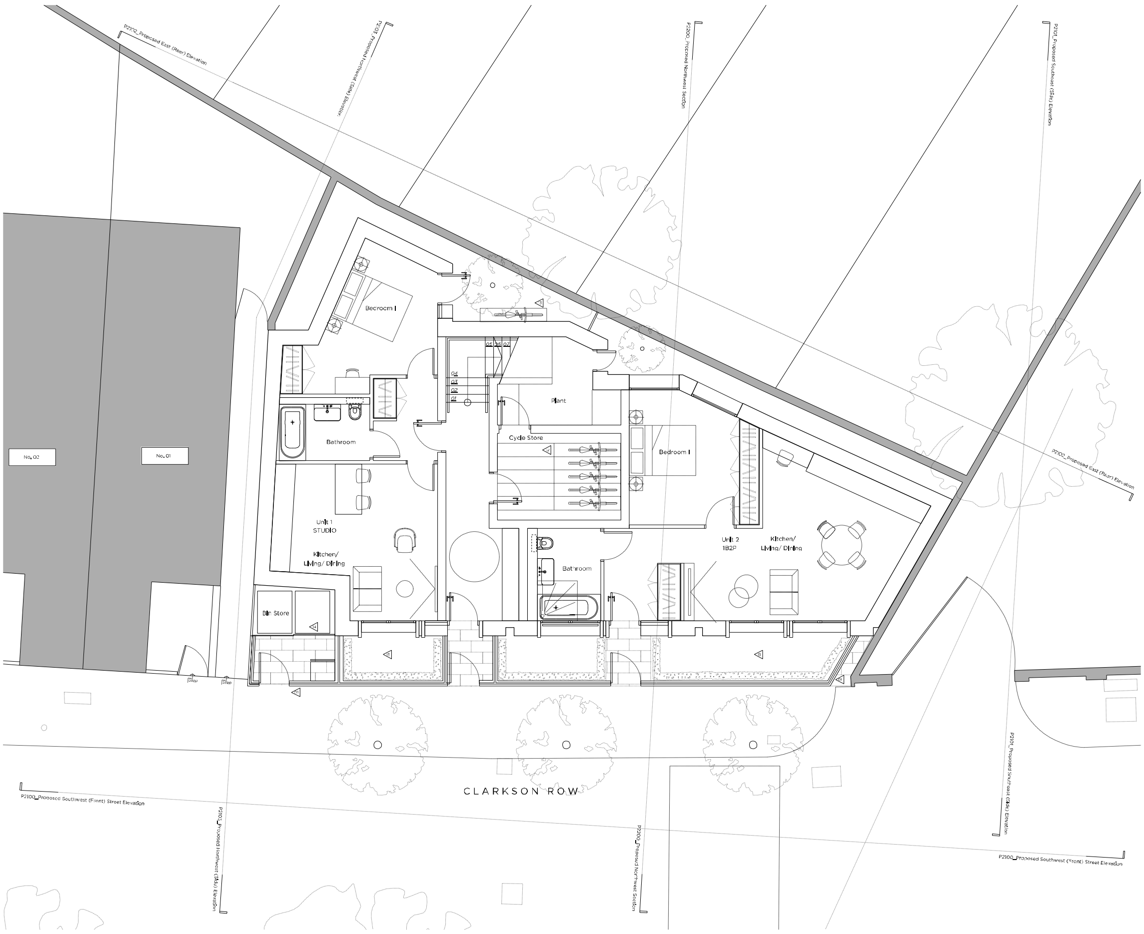
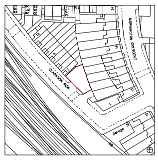
N

1:50 @ A1 1m 2m 3m 4m

Appendix 4
Proposed Floorplans



Key Site Plan 1:1250



Proposed Key

Existing structure / earth

Proposed structure

Proposed Notes:

01 Reconstituted boundary stone wall with bronze coloured railings
02 Brick façade
03 Textured brick façade
04 Reconstituted stone façade
05 Windows with bronze coloured metal frames
06 Reconstituted stone window surrounds
07 Bronze coloured metal Juliet balconies
08 Reconstituted stone faced balconies
09 Bronze coloured metal railings
10 Timber door
11 Timber privacy screen
12 Cycle store with two tier cycle racks: 10 cycle space provided
13 Cycle space for single bike
14 Timber bin store
15 Ground floor private amenity space
16 Private balcony
17 Bronze coloured metal screening
18 Glass balustrade
19 Green roof
20 Weathered louvered plant enclosure with roof
21 Louvered plant enclosure
22 Bronze coloured metal stair enclosure

Rev. -	18.01.2021	Issued for Planning

PLANNING

Project No.	19068
Client	Vitabiotics Ltd
Date	January 2021
Scale	1:50 @ A1/ 1:100 @ A3
Project	Clarkson Row, NW1 7RA
Drawing Title	Proposed Ground Floor Plan
Drawing No.	P2000
Rev.	-
Drawn	PK
Approved	CL
Signed	AA

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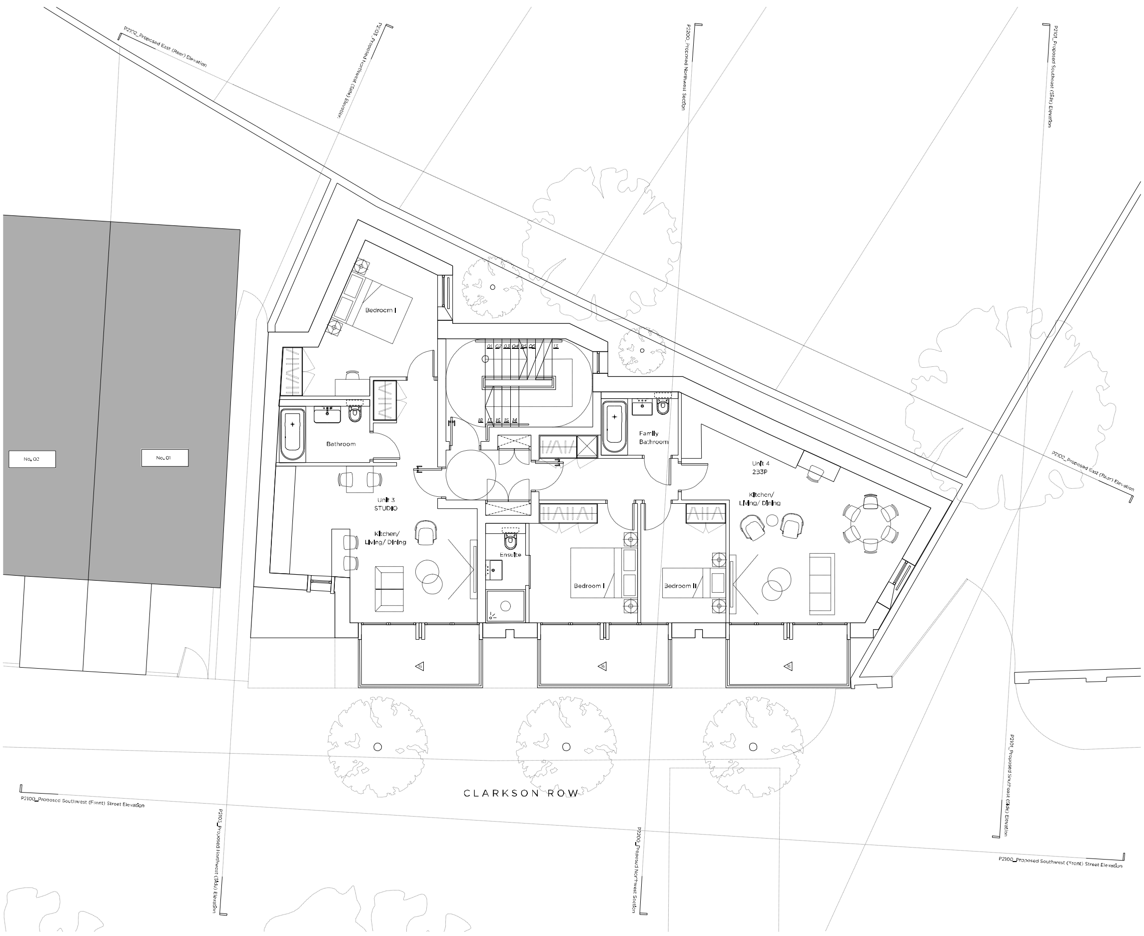
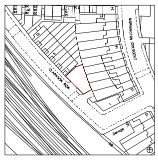
N

1:50 @ A1 1m 2m 3m 4m



Key Site Plan 1:1250



Proposed Key

Existing structure / earth

Proposed structure

Proposed Notes:

1. Reconstituted boundary stone wall with bronze coloured railings
2. Brick façade
3. Textured brick façade
4. Reconstituted stone façade
5. Windows with bronze coloured metal frames
6. Reconstituted stone window surrounds
7. Bronze coloured metal Juliet balconies
8. Reconstituted stone faced balconies
9. Bronze coloured metal railings
10. Timber door
11. Timber privacy screen
12. Cycle store with two tier cycle racks: 10 cycle space provided
13. Cycle space for single bike
14. Timber bin store
15. Ground floor private amenity space
16. Private balcony
17. Bronze coloured metal screening
18. Glass balustrade
19. Green roof
20. Weathered louvered plant enclosure with roof
21. Louvered plant enclosure
22. Bronze coloured metal stair enclosure

Rev. -	18.01.2021	Issued for Planning

PLANNING

Project No.	19068
Client	Vitabiotics Ltd
Date	January 2021
Scale	1:50 @ A1/ 1:100 @ A3
Project	Clarkson Row, NW1 7RA
Drawing Title	Proposed First Floor Plan
Drawing No.	P2001
Rev.	-
Drawn	PK
Approved	CL
Signed	AA

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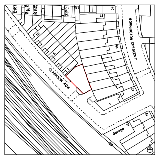
N

1:50 @ A1 1m 2m 3m 4m



Proposed Key

Existing structure / earth

Proposed structure

Proposed Notes:

- 01 Reconstituted boundary stone wall with bronze coloured railings
- 02 Brick façade
- 03 Textured brick façade
- 04 Reconstituted stone façade
- 05 Windows with bronze coloured metal frames
- 06 Reconstituted stone window surrounds
- 07 Bronze coloured metal Juliet balconies
- 08 Reconstituted stone faced balconies
- 09 Bronze coloured metal railings
- 10 Timber door
- 11 Timber privacy screen
- 12 Cycle store with two tier cycle racks: 10 cycle space provided
- 13 Cycle space for single bike
- 14 Timber bin store
- 15 Ground floor private amenity space
- 16 Private balcony
- 17 Bronze coloured metal screening
- 18 Glass balustrade
- 19 Green roof
- 20 Weathered louvered plant enclosure with roof
- 21 Louvered plant enclosure
- 22 Bronze coloured metal stair enclosure

Rev. -	18.01.202	Issued for Planning

PLANNING

Project No.	19068
Client	Vitabiotics Ltd
Date	January 202
Scale	1:50 @ A1/ 1:100 @ A3
Project	Clarkson Row, NW1 7RA
Drawing Title	Proposed Second Floor Plan
Drawing No.	P2002
Rev.	-

Drawn	Approved	Signed
PK	CL	AA

Marek Wojciechowski Architects

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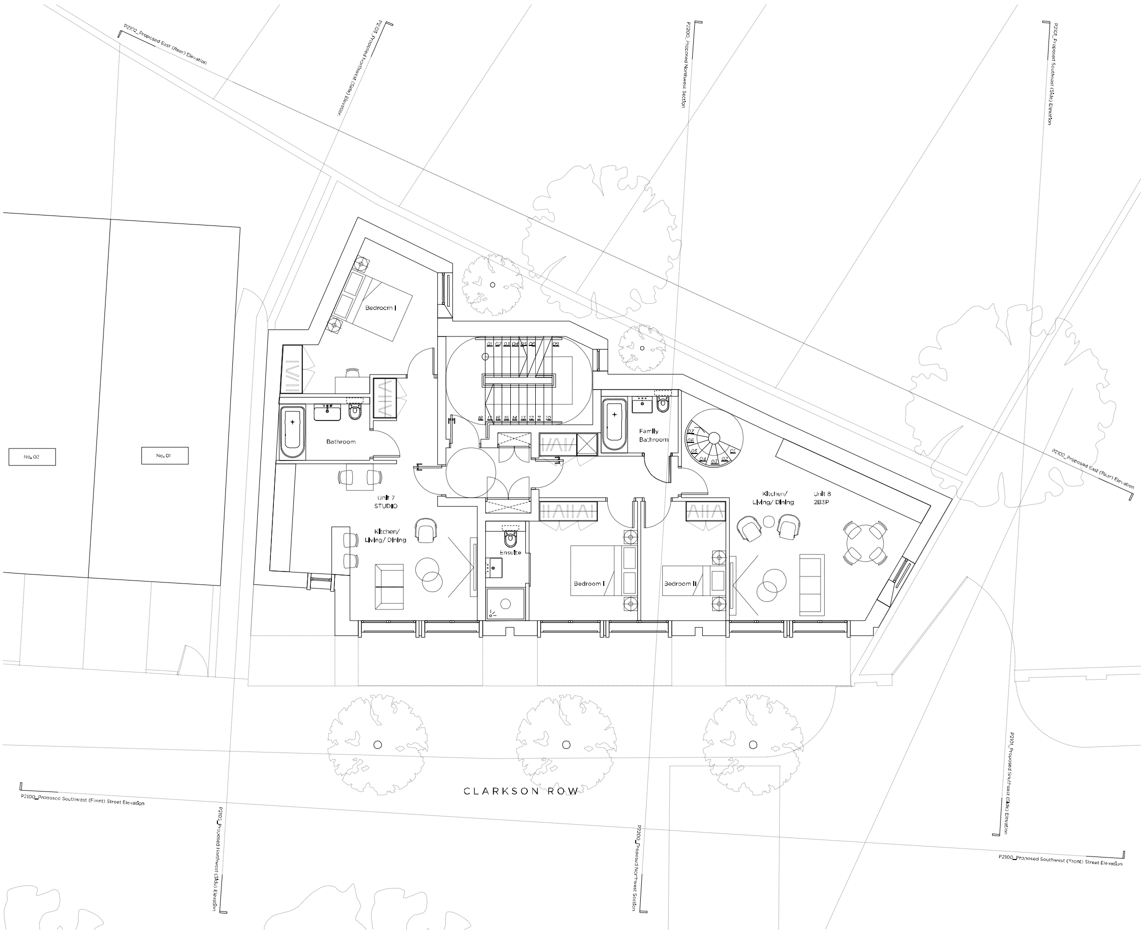
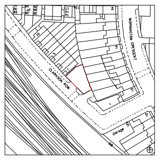
N

1:50 @ A1 1m 2m 3m 4m



Key Site Plan 1:1250



Proposed Key

Existing structure / earth

Proposed structure

Proposed Notes:

01 Reconstituted boundary stone wall with bronze coloured railings
02 Brick façade
03 Textured brick façade
04 Reconstituted stone facade
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21 Louvered plant enclosure
22 Bronze coloured metal stair enclosure

Rev. -	18.01.2021	Issued for Planning

PLANNING

Project No.	19068
Client	Vitabiotics Ltd
Date	January 2021
Scale	1:50 @ A1/ 1:100 @ A3
Project	Clarkson Row, NW1 7RA
Drawing Title	Proposed Third Floor Plan
Drawing No.	P2003
Rev.	-

Drawn	Approved	Signed
PK	CL	AA

Marek Wojciechowski Architects

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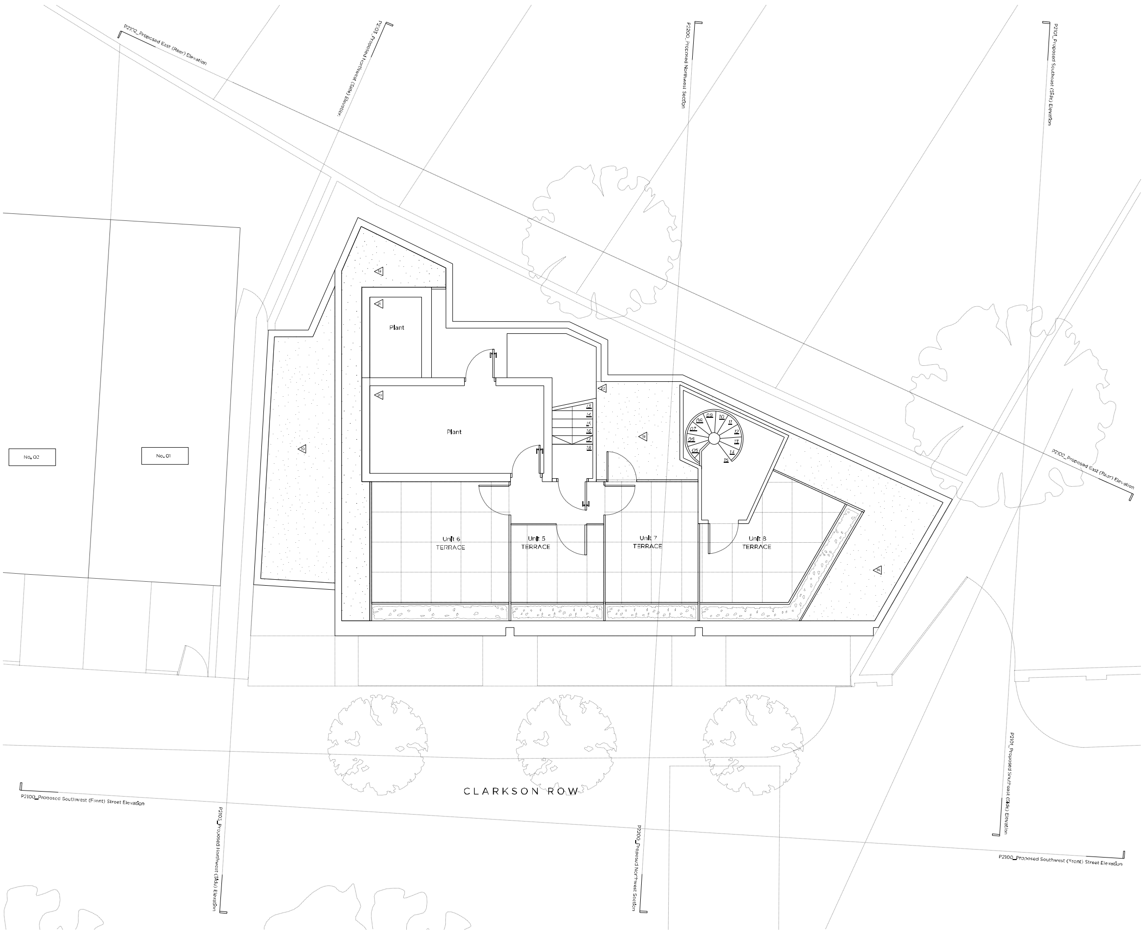
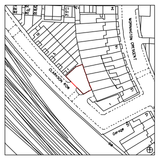
N

1:50 @ A1 1m 2m 3m 4m



Key Site Plan 1:1250



Proposed Key

Existing structure / earth

Proposed structure

Proposed Notes:

1. Reconstituted boundary stone wall with bronze coloured railings
2. Brick façade
3. Textured brick façade
4. Reconstituted stone façade
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Rev. -	18.01.2021	Issued for Planning

PLANNING

Project No.	19068
Client	Vitabiotics Ltd
Date	January 2021
Scale	1:50 @ A1/ 1:100 @ A3
Project	Clarkson Row, NW1 7RA
Drawing Title	Proposed Roof Plan
Drawing No.	P2004
Rev.	-
Drawn	PK
Approved	CL
Signed	AA

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N

1:50 @ A1 1m 2m 3m 4m

Appendix 5
Residual Land Value Appraisal

Clarkson Row
FVA

Development Appraisal
Savills
05 July 2021

Clarkson Row
FVA

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private Residential	8	4,865	834.53	507,500	4,060,000

NET REALISATION				**4,060,000**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (Negative land)			(376,511)	
				(376,511)
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Private Residential	6,243	401.81	2,508,492	**2,508,492**
Contingency		5.00%	125,425	
				125,425
Section 106 Costs				
Borough CIL			371,270	
Mayoral CIL			45,701	
Section 106			1	
Construction Management Plan			10,636	
				427,608
PROFESSIONAL FEES				
Professional Fees		12.00%	301,019	
				301,019
MARKETING & LETTING				
Marketing		1.50%	60,900	
				60,900
DISPOSAL FEES				
Sales Agent Fee		1.50%	60,900	
Sales Legal Fee		0.25%	10,150	
				71,050
FINANCE				
Debit Rate 6.750%, Credit Rate 0.100% (Nominal)				
Construction			99,514	
Other			30,504	
Total Finance Cost				130,017
TOTAL COSTS				**3,248,000**
PROFIT				
				812,000
Performance Measures				
Profit on Cost%		25.00%		
Profit on GDV%		20.00%		

Gareth Turner
Director

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Associate

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