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8-9 Spring Place, London NW5 3ER (Application 2021/2589/P)

London Borough of Camden

Financial Viability Assessment on behalf of Gaylord Investments Ltd

July 2021

Private & Confidential

Contents

1. Executive Summary

1.1. Grimshaw Consulting Limited ('GCL') is instructed by Magenta Planning on behalf of the Gaylord Investments Ltd ("the Applicant") to prepare a financial viability assessment of a residential development proposal with a total GIA of 12,906 sqft (1,199 sqm) and comprising the refurbishment and conversion of an existing 3-storey office building to provide ground floor offices with a GIA of 545 sqm (5,866 sqft) and 7 No. residential apartments at 8-9 Spring Place, London NW5 3ER ('the Property' or "application site").

1.2. A planning application has been submitted to the London Borough of Camden ("the Council") and this report considers whether the provision of a payment in lieu of on-site affordable housing (in accordance with Local Plan Policy H4) is financially viable within the context of site-specific cost and revenue estimates, Community Infrastructure Levy and planning obligation contributions, and the need to provide a reasonable level of return for both the landowner and developer. The Council requires a Payment in Lieu of on-site affordable housing which we have calculated based on the adopted Housing CPG (January 2021) as **£457,800** based on the affordable housing target of 14% of Gross Internal Area.

1.3. We have assessed the Viability Benchmark of the Property on the basis of the existing use as offices. The Viability Benchmark calculation includes allowances for costs associated with conversion of the Property from unlawful residential use to the lawful office use. Our opinion of a reasonable Viability Benchmark is **£2,908,000 (rounded).** We have assessed the Residual Land Value of the proposed development and a summary of our financial appraisal outcome is provided below: -

8-9 Spring Place London NW5 3ER - Financial Summary		
Development Cost / Revenue	GF Office 7 Market Apartments	
Development Revenue - Market Housing	£	3,710,000
Development Revenue - Office Investment	£	2,678,994
Development Revenue - Residential Ground Rents	£	40,000
Total Development Revenue	£	6,428,994
Acquisition Costs – SDLT	£	97,610
Acquisition Costs – Agent Fee	£	21,622
Acquisition Costs – Legal Fee	£	10,811
Construction Costs	£	1,253,000
External Works	£	-
Contingency	£	-
Borough CIL Contributions	£	421,830
MCIL2	£	52,320
Affordable Housing Payment in Lieu	£	457,800
Professional Fees	£	150,360
Marketing & Letting Costs	£	92,804
Disposal Fees	£	286,660
Finance Costs	£	271,837
Developer Profit	£	1,150,147
		(17.89% of GDV)
Total Development Costs	£	4,266,801
Residual Land Value	£	2,162,193
Viability Benchmark	£	2,908,000
Viability Surplus / (Deficit)	**-£**	**745,807**

1.4. We therefore conclude that it is not financially viable to provide a Payment in Lieu of on-site affordable housing and maintain a reasonable level of return for the developer and landowner.

2. Introduction & Scope of Instructions

2.1. Grimshaw Consulting Limited ('GCL') is instructed by Magenta Planning on behalf of the Gaylord Investments Ltd ("the Applicant") to prepare a financial viability assessment of a residential development proposal with a total GIA of 12,906 sqft (1,199 sqm) and comprising the refurbishment and conversion of an existing 3-storey office building to provide ground floor offices with a GIA of 545 sqm (5,866 sqft) and 7 No. residential apartments at 8-9 Spring Place, London NW5 3ER ('the Property' or "application site").

2.2. A planning application has been submitted to the London Borough of Camden ("the Council") and this report considers the following matters, to inform the planning application process: -

Whether the provision of a payment in lieu of on-site affordable housing (in accordance with Local Plan Policy H4) is financially viable within the context of site-specific cost and revenue estimates, Community Infrastructure Levy and planning obligation contributions, and the need to provide a reasonable level of return for both the landowner and developer.

2.3. Further information relating to the site, surrounding area and proposed development are set out at section 3. Details of our approach to the viability assessment and the planning policy context are set out at section 4. Our financial appraisal assumptions with market evidence (where applicable) are set out within section 5, together with consideration of the appropriate level of financial contribution in lieu of on-site affordable housing. We consider the appropriate viability benchmark for comparison with the proposal at section 6. Our financial appraisal outcomes and conclusions are provided at section 7 of this report.

2.4. This review of financial viability has been undertaken by GCL as an independent assessor. To inform our financial appraisals, we have completed our own research into the local property market and relied upon the following information received from the Applicant:

a) Drawings and information relating to the proposed development, prepared by other consultants retained by the Applicant to prepare planning application documents.
b) Order of cost estimate relating to the proposed development, prepared by Stace LLP.
c) Information provided by the Applicant in respect of other relevant property matters.

2.5. This report has been prepared by Robert Grimshaw – a Director of Grimshaw Consulting Limited, who has extensive experience of both client-side and consultancy roles in the residential, commercial and mixed-use development sector, gained during a career of more than 25-years.

Important Note

2.6. The contents of this report do not constitute our opinion of Market Value (as defined by the RICS Valuation – Global Standards 2017) and should not be relied upon as such by our client or any third party under any circumstances. Neither the whole nor any part of the report, or any reference thereto may be included within any published document, circular, or statement, or published in any way, without the prior written approval of Grimshaw Consulting Limited. It should be noted that in providing this response, we have not considered the potential impact of Government imposed social distancing and lock-down restrictions associated with the COVID-19 pandemic.

2.7. We note that the RICS Material Valuation Uncertainty Leaders Forum (the Leaders Forum) updated their advice on 9th September 2020 to recommend a general 'lifting' of material valuation uncertainty. On 3rd November 2020, the Leaders Forum reaffirmed the particular nature of material uncertainty and the unique market factors relating to *"…an unprecedented set of circumstances on which to base a judgment…"* We therefore reserve our right to amend our opinion in the event that the RICS issues updated practice guidance prior to determination of the planning application.

2.8. We confirm compliance with the RICS Professional Statement "Financial Viability in Planning: Conduct and Reporting" May 2019.

2.9. As required by the Professional Statement, we confirm the following matters:

i. We have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

ii. We have identified no conflicts of interest or risk of conflicts in preparing this report.

iii. We are not working under a performance related fee agreement or on a contingent fee basis.

iv. We advocate reasonable, transparent, and appropriate engagement between the parties in the planning process and we will do all that we can to assist in that process.

v. All the sub-consultants who have contributed to this report have been made aware of the Professional Statement and its requirements, they in turn have confirmed compliance with it.

vi. We have been allowed sufficient time since instruction to carry out this FVA bearing in mind the scale of the development and the status of the information as at the date of this report.

3. Project Details

3.1. Paragraphs 3.2 to 3.8 below are re-produced from the Planning Statement prepared by Magenta Planning:

3.2. The application site comprises a part single, part three storey building located on the west side of Spring Place, including an existing vehicular access and small forecourt area. The building is not listed, either statutorily or locally, and is not located within a Conservation Area.

3.3. Adjoining the application site to the south-east there is a seven storey housing development of 21 apartments (built circa 2010). To the north-west is Spring House which provides photographic studios. To the rear, there are some small commercial units and two storey dwellings, whilst there is a row of three storey terrace properties on the opposite side of Spring Place.

3.4. The site was acquired by the applicant, Gaylord Investments Ltd, in April 2011 for the purposes of providing residential accommodation (as a swap site in connection with hotel redevelopment proposals at 1-11 Euston Road, noting that those proposals did not progress due to other planning and heritage issues).

3.5. It subsequently suffered from serious problems with occupation by squatters which following direction from Camden Council's Valuation Office in 2013 lead to its rating status being changed to residential from the beginning of 2014 onwards. High Court bailiffs eventually secured eviction of the squatters around that same time. Residential occupation by 'Live-in Guardians' (LIG) followed during that same year (February to July 2014), who confirmed that at the time when they vacated the property it consisted of 18 studios and 12 x 1 bed flats.

3.6. A Prior Approval application (ref: - 2014/4578/P) for 13 residential units was granted on 3rd September 2014 subject to a car free agreement.

3.7. Building works by Malik Contractors & Engineers Ltd were also commenced in summer 2014 and completed around January 2015 but implementing a more intensive residential scheme (of 30 flats) than the permitted development approval.

3.8. *Reference 2019/2873/P involved an application for a Lawful Development Certificate for continued use of the property as 30 residential flats (Class C3) but was refused on November 18th, 2019, on the grounds of insufficient evidence in respect of the four year rule. Following this refusal, the Council issued an enforcement notice on 17th December 2019. This notice was subsequently appealed by the applicant, but has recently been withdrawn, as a result of positive discussions with Officers in respect of finding an alternative and mutually acceptable way forward for both parties.*

3.9. We understand that the current Lawful Use of the Property is as Class B1 office (flexible space), and it is that use that we will use to establish a Viability Benchmark for comparison with the Residual Land Value (RLV) or Residual Developer Profit generated by the proposed development.

3.10. A full planning application has been submitted for ***'Use of ground floor for Class B1 office (flexible space) with 7 residential apartments (Class C3) over at first and second floors, together with associated external alterations, cycle parking provision and refuse storage'.***

3.11. The proposed development will be car-free and will have a total GIA of 1199 sqm (12,906 sqft) and the accommodation is summarised below: -

Use	Floor	Description	Accommodation	GIA (sqm)	GIA (sqft)
Class B1	Ground	Office	-	545	5867
Class C3	Ground	Circulation	-	59	635
Class C3	First	Apartment 1	3b5p	97	1044
Class C3	First	Apartment 2	1b2p	59	635
Class C3	First	Apartment 3	1b2p	54	581
Class C3	First	Circulation	-	81	872
Class C3	Second	Apartment 4	1b2p	70	753
Class C3	Second	Apartment 5	1b1p	39	420
Class C3	Second	Apartment 6	1b2p	54	581
Class C3	Second	Apartment 7	1b2p	63	678
Class C4	Second	Circulation	-	78	840
Total Residential			**7**	**654**	**7040**
Total Commercial				**545**	**5867**

4. Principles of Financial Viability Assessment & Planning Policy Context

4.1. National Planning Policy Guidance (NPPG), published on 1st October 2019 provides a general overview of what is expected in relation to viability in both Local Plan preparation and decision-taking on individual schemes. The NPPG paragraph 007 Reference ID 10-007-20180724 states:

"Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.

Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force."

4.2. A site is viable if the value generated by its development exceeds the costs of developing it and provides sufficient incentive for the land to come forward and the development to be undertaken. Where the deliverability of a development may be compromised by the scale of planning obligations and other costs, a viability assessment may be necessary. This should be informed by the particular circumstances of the site and proposed development in question.

4.3. The NPPG confirms the principles for carrying out a viability assessment at paragraph 010 Reference ID 10-010-20180724: -

"National Planning Guidance sets out the government's recommended approach to viability assessment for planning. The approach supports accountability for communities by enabling them to understand the key inputs to and outcomes of viability assessment. Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission."

4.4. The NPPG defines the key inputs for viability assessments at paragraphs 011 to 013: -

a) <u>Gross Development Value</u> - *Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary. For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative. For viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. Any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, disregarding outliers. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.*

b) <u>Costs</u> - *Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application. Costs include:*
i. build costs based on appropriate data, for example that of the Building Cost Information Service.
ii. abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value.

iii. *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value.*
iv. *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value.*
v. *general finance costs including those incurred through loans.*
vi. *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value.*
vii. *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return.*

c) *Land Value - 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 comply with policy requirements. 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.*

d) *Competitive Return to Developers - 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 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.*

e) *Competitive Return to Landowners - 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 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. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments. 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. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).*

4.5. As explained in the RICS Guidance Note "Assessing viability in planning under the National Planning Policy Framework 2019 for England" (March 2021), an objective assessment of financial viability for planning applications should be placed in the context of a well-established set of appraisal techniques and their applications. An accepted method of valuation of development schemes and land is set out in RICS Valuation Information Paper (VIP) 12. This approach, called the residual method, recognises that the value of a development scheme is a function of a number of elements, as explained in the NPPG and set out above. The residual approach is used for development situations where the direct comparison with other transactions is not possible due to the individuality of development projects. However, practitioners will seek to check residual development appraisals with market evidence.

4.6. The residual appraisal method can be used in two ways; first, to assess the level of developer return generated from the proposed development, where site cost is an input into the appraisal, and second; to establish a residual Site Value by inputting a predetermined level of developer return.

4.7. The financial viability assessment can use the level of developer's return or the Site Value as the benchmark for assessing the impact of planning obligations on viability. While the majority of financial viability assessments use the residual approach, there may be certain circumstances where other appraisal methodologies are appropriate and should be used by the practitioner (for example, when assessing continuing existing uses in terms of obsolescence and depreciation an investment appraisal may be more appropriate). To maintain the residual approach as a market-based exercise, as the NPPF also advocates through seeking a competitive return, it will be important to both benchmark and have regard to the available comparable market-based evidence.

4.8. The site is located within the London Borough of Camden. Planning policies relevant to the consideration of financial viability and affordable housing are contained within the following documents:

a) The National Planning Policy Framework ("NPPF") and Planning Policy Guidance on Viability (September 2019), as detailed at paragraphs 4.1 to 4.3 above;

b) The London Plan (March 2021) and Affordable Housing and Viability SPG 2017 ("Homes for Londoners");

c) The Camden Local Plan (2017) and Camden Planning Guidance on Housing ('CPG' January 2021)

4.1. The London Plan Policy 3.12 states:

A *The maximum amount for affordable housing should be sought when negotiating on individual private residential and mixed-use schemes, having regard to:*

- *current and future requirements for affordable housing at local and regional levels*
- *affordable housing targets adopted in line with Policy 3.11*
- *the need to encourage rather than restrain residential development*
- *the need to promote mixed and balanced communities*
- *the size and type of affordable housing needed in particular locations*
- *the specific circumstances of individual sites*

B *Negotiations on sites should take account of their individual circumstances including development viability, the availability of public subsidy, the implications of phased development including provisions for re-appraising the viability of schemes prior to implementation ('contingent obligations'), and other scheme requirements*

4.2. Policy H4 (Delivering affordable housing) of the London Plan states:

A *The strategic target is for 50 per cent of all new homes delivered across London to be genuinely affordable. Specific measures to achieve this aim include:*

- *requiring major developments which trigger affordable housing requirement[1]s to provide affordable housing through the threshold approach (Policy H5 Threshold approach to applications)*
- *using grant to increase affordable housing delivery beyond the level that would otherwise be provided*
- *all affordable housing providers with agreements with the Mayor delivering at least 50 per cent affordable*

[1] Developments providing 10 or more units triggers an affordable housing requirement.

housing across their development programme, and 60 per cent in the case of strategic partners

- *public sector land delivering at least 50 per cent affordable housing on each site and public sector landowners with agreements with the Mayor delivering at least 50 per cent affordable housing across their portfolio*

- *industrial land appropriate for residential use in accordance with Policy E7 Industrial intensification, co-location and substitution, delivering at least 50 per cent affordable housing where the scheme would result in a net loss of industrial capacity*

B *Affordable housing should be provided on site. Affordable housing must only be provided off-site or as a cash in lieu contribution in exceptional circumstances.*

4.3. Policy H2 of the London Plan encourages contributions towards off-site affordable housing where developments fall below the threshold of 10 dwellings or more:

A *Boroughs should pro-actively support well-designed new homes on small sites (below 0.25 hectares in size) through both planning decisions and plan-making in order to:*

1) significantly increase the contribution of small sites to meeting London's housing needs

2) diversify the sources, locations, type and mix of housing supply

3) support small and medium-sized housebuilder

4) support those wishing to bring forward custom, self-build and community-led housing

5) achieve the minimum targets for small sites set out in Table 4.2 as a component of the overall housing targets set out in Table 4.1.

B *Boroughs should:*

1) recognise in their Development Plans that local character evolves over time and will need to change in appropriate locations to accommodate additional housing on small sites

2) Where appropriate, prepare site-specific briefs, masterplans, and housing design codes for small sites

3) identify and allocate appropriate small sites for residential development

4) list these small sites on their brownfield registers

5) grant permission in principle on specific sites or prepare local development orders.

4.4. LB Camden Local Plan Policy H4 – Maximising the supply of affordable housing states:

The Council will aim to maximise the supply of affordable housing and exceed a borough wide strategic target of 5,300 additional affordable homes from 2016/17 - 2030/31 and aim for an appropriate mix of affordable housing types to meet the needs of households unable to access market housing.

We will expect a contribution to affordable housing from all developments that provide one or more additional homes and involve a total addition to residential floorspace of 100sqm GIA or more. The Council will seek to negotiate the maximum reasonable amount of affordable housing on the following basis:

a. the guideline mix of affordable housing types is 60% social-affordable rented housing and 40% intermediate housing.

b. targets are based on an assessment of development capacity whereby 100sqm (GIA) of housing floorspace is generally considered to create capacity for one home.

c. targets are applied to additional housing floorspace proposed, not to existing housing floorspace or replacement floorspace.

d. a sliding scale target applies to developments that provide one or more additional homes and have capacity for fewer than 25 additional homes, starting at 2% for one home and increasing by 2% of for each home added to capacity.

e. an affordable housing target of 50% applies to developments with capacity for 25 or more additional dwellings.

f. for developments with capacity for 25 or more additional homes, the Council may seek affordable housing for older people or vulnerable people as part or all of the affordable housing contribution.

g. where developments have capacity for fewer than 10 additional dwellings, the Council will accept a payment-in-lieu of affordable housing.

h. for developments with capacity for 10 or more additional dwellings, the affordable housing should be provided on site; and

i. where affordable housing cannot practically be provided on site, or offsite provision would create a better contribution (in terms of quantity and/or quality), the Council may accept provision of affordable housing offsite in the same area, or exceptionally a payment-in-lieu.

We will seek to ensure that where development sites are split, or separate proposals are brought forward for closely related sites, the appropriate affordable housing contribution is comprehensively assessed for all the sites together. The Council will seek to use planning obligations to ensure that all parts or phases of split or related sites make an appropriate affordable housing contribution.

In considering whether affordable housing provision should be sought, whether provision should be made on site, and the scale and nature of the provision that would be appropriate, the Council will also take into account:

j. the character of the development, the site and the area.

k. site size and any constraints on developing the site for a mix of housing including market and affordable housing, and the particular types of affordable provision sought.

l. access to public transport, workplaces, shops, services and community facilities.

m. the impact on creation of mixed, inclusive and sustainable communities.

n. the impact of the mix of housing types sought on the efficiency and overall quantum of development.

o. the economics and financial viability of the development including any particular costs associated with it, having regard to any distinctive viability characteristics of particular sectors such as build-to-let housing; and

p. whether an alternative approach could better meet the objectives of this policy and the Local Plan.

Where the development's contribution to affordable housing falls significantly short of the Council's targets due to financial viability, and there is a prospect of viability improving prior to completion, the Council will seek a deferred contingent contribution, based on the initial shortfall and an updated assessment of viability when costs and receipts are known as far as possible.

4.5. Further guidance on how the housing capacity of the Property and affordable housing requirement would be applied in practical terms, is provided within the Housing CPG (January 2021). Our interpretation of how the Council's policies and guidance would apply to the proposal, is as follows: -

a) <u>Housing Capacity of the Property</u> – the Council's approach is to assume that 100 sqm GIA equates to capacity for

1 dwelling. The proposed development has a useable residential GIA of 654 sqm, which (if rounded to 700 sqm as per the Council's approach) equates to a capacity for 7 dwellings.

b) On-site Affordable Housing Target – as stated at Policy H4 (d), the affordable housing target for schemes of less than 25 dwellings is 2% for each additional home that the Property has capacity to provide. Based on a capacity for 7 additional dwellings, the affordable housing target is 14% of the proposed GIA of 654 sqm – i.e., 91.56 sqm.

c) Off-site Affordable Housing & Payment in Lieu – whilst the Council's policies require a sequential approach to the question of whether affordable housing should be provided off-site or as a payment in lieu, for financial appraisal purposes, we have assumed that a payment in lieu would be acceptable. Following the Council's guidance within the Housing CPG, we calculate the applicable payment in lieu sum as follows: -

Total GIA of proposed residential development (sqm) x Affordable Housing Floorspace Target (%) x £5,000

654 sqm x 14% = 91.56 sqm GIA

91.56 sqm x £5,000 = **£457,800 Payment in Lieu**

4.6. Planning policy guidance provided by the NPPG on Viability; the London Plan and Mayor's Affordable Housing SPD and the Council's adopted Local Plan Policy H4 (o) allows for the assessment of the economics and financial viability of the development (including the need to provide reasonable returns for both landowners and developers), including site specific costs when considering the provision of affordable housing contributions, whether on-site, off-site or in the form of a payment in lieu. We have had regard to these policies and guidance and guidance provided by the RICS when preparing this financial viability assessment and our financial appraisal inputs and outcomes are set out in the following sections of this report.

5. Financial Appraisal Assumptions

5.1. We have prepared financial appraisals for the development proposal using Argus Developer – industry recognised software for the provision of development viability models. Our appraisal inputs and supporting evidence relating to the revenue and costs are detailed in the paragraphs below. The financial appraisals provided within the Appendices have been set up to generate a Residual Land Value ("RLV"), with Developer Profit set as a cost.

5.2. We have tested the following development scenario:

- All 7 residential dwellings are provided for Market Sale, with a payment to the Council of £457,800 in lieu of affordable housing.

5.3. Development Revenue – Market Housing To inform our financial appraisals (Appendix 1), we have undertaken research using HM Land Registry data relating to completed residential sales of comparable new build and second-hand apartments in the NW5 postal code area during the period June 2020 to June 2021. No new build apartments have been sold within the NW5 postal code area during this period. There has been a total of 166 transactions relating to flats / maisonettes during the survey period, but to assess comparable data we have considered a sample of 53 completed sales of second-hand flats within a 500 m radius of the Property within post codes NW5 3 and NW5 4.

5.4. The average sale price of flats within the sample is £529,462 which equates to £789 per sqft. Based on the location of the Property, the lack of car parking and private external amenity space (which is becoming ever more important post-COVID-19), we do not consider that a premium should apply for refurbishment of the Property. Accordingly, we consider that the following pricing is appropriate for viability assessment purposes.

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Use	Floor	Description	Accommodation	GIA (sqm)	GIA (sqft)	Price per sqft	Price	Ground Rent
Class C3	First	Apartment 1	3b5p	97	1044	766	£ 800,000	£ 500
Class C3	First	Apartment 2	1b2p	59	635	787	£ 500,000	£ 250
Class C3	First	Apartment 3	1b2p	54	581	800	£ 465,000	£ 250
Class C3	Second	Apartment 4	1b2p	70	753	796	£ 600,000	£ 250
Class C3	Second	Apartment 5	1b1p	39	420	810	£ 340,000	£ 250
Class C3	Second	Apartment 6	1b2p	54	581	800	£ 465,000	£ 250
Class C3	Second	Apartment 7	1b2p	63	678	796	£ 540,000	£ 250
Total Residential			**7**	**436**	**4693**	**791**	**£ 3,710,000**	**£ 2,000**

5.5. Development Revenue – Residential Ground Rents – whilst the Government has re-confirmed an intention to set future ground rents at zero (Ministry of Housing, Communities and Local Government announcement 7th January 2021), it is uncertain whether legislation will be passed into law within the development period that we anticipate for the proposal. We have therefore included ground rent income as detailed in the table above and capitalised this income at an all-risk yield of 5.0%. We reserve the right to amend this viability assumption in the event that legislation outlawing ground rents comes into law.

5.6. Development Revenue – Commercial Rent) – the application proposes to convert the ground floor from the current unlawful residential use, back to the lawful Class B1 office use, providing a total of 545 sqm (5,867 sqft) of space at ground floor level. We have completed research into the office market within a ¼ mile radius of the Property and have identified the following transactions within the last 2-years:

5.7. Imperial Works, Perren Street NW5 3ED – a 250 sqft ground floor office suite let to unknown tenants in April 2021 at a rent equating to £32.50 per sqft on unknown lease terms. TSP and LDG acted on behalf of the landlord.

5.8. Imperial Works, Perren Street NW5 3ED – a 656 sqft ground floor office suite let to unknown tenants in April 2021 at a rent equating to £32.50 per sqft on unknown lease terms. TSP and LDG acted on behalf of the landlord.

5.9. Star House, 104-108 Grafton Road NW5 4BA – a 834 sqft 2nd floor office suite, let to unknown tenants in January 2021 at a rent equating to £24.57 per sqft for a 5-year term. Christo & Co acted on behalf of the landlord.

5.10. Mary Brancker House, 54-74 Holmes Road NW5 3AT – lease of a 3,074 sqft ground floor office suite, assigned to an unknown occupier on 25th March 2020 at a rent equating to £23.75 per sqft.

5.11. Unit 2000, Regis Road NW5 – a 3,487 sqft office at first floor level, let to an unknown tenant for a 5-year term at a rent equating to £29.00 per sqft on 17th February 2020 (commencement April 11th, 2020). Grant Mills Wood and BBG acted for the landlord. We also note that the 15,273 sqft building within which this office suite is located was acquired by the Department of Health on 26th February 2021 at a price of £5,100,000, equating to £334 per sqft.

5.12. The average rent achieved for these office properties equates to £27.00 per sqft and we consider that for viability assessment purposes, this is a reasonable rental assumption for newly refurbished offices within the proposed development. We note that the Knight Frank Investment Yield Guide (June 2021) estimates that the yield in Major Regional Cities for multi-let offices is currently 5.75%. We consider this to be a reasonable assumption for viability assessment purposes and this would generate a capital value equating to £470 per sqft before the deduction of tenant incentives and Purchaser Costs.

5.13. Development Costs

5.14. Based on our market research and advice from Stace LLP, who have prepared the Order of Cost Estimate, we have assumed the following programme for the completion of the development, including the sale period (assuming that planning permission has been granted): -

Development Stage	Start Date	End Date	Duration (months)
Purchase	October 2018	October 2018	1
Pre-construction	November 2018	January 2019	3
Construction	February 2019	April 2020	15
Sale	May 2020	October 2020	6
Total Development Period			**25**

5.15. Construction Costs – The Order of Cost Estimate prepared by Stace LLP is provided at Appendix 2 and sets out the construction costs relating to the proposed development. Total estimated construction costs for the proposal are £1,253,000 equating to £97.09 per sqft (£1,045.04 per sqm) on the GIA. The estimated construction costs include allowances for design development and construction risk at a rate of 5.0% of the building works estimate.

5.16. Other Development Costs – Comparison with whole Plan Assumptions - Paragraph 008 Reference ID: 10-008-20180724 of National Planning Practice Guidance on Viability (July 2018) recommends that *"…where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan, and the applicant should provide evidence of what has changed since then…"* Accordingly, in the table below we compare our appraisal assumptions with those used by BNPP Real Estate to prepare the Camden Local Plan Viability Study (October 2015).

Item	LB Camden Local Plan Viability Study Assumption (BNPP Real Estate October 2015 - Typology 3 - 9 flats)	GCL Assumption
Acquisition Costs – SDLT	As HMLR Rates	As HMLR Rates
Acquisition Costs – Agent Fee	1% of Residual Land Value	1% of Residual Land Value
Acquisition Costs – Legal Fee	0.75% of Residual Land Value	0.50% of Residual Land Value
Base Construction Costs	Base BCIS Upper Quartile Costs - £1,794 per sqm (sensitivity testing @ £2,242.50 per sqm GIA.)	As per Order of Cost Estimate and equating to £1,045 per sqm (GIA) including a 5% contingency
External Works	15% of Base Construction Costs (£269.10 per sqm to £336.38 per sqm)	
Sustainability Measures	4% of Base Construction Costs (£71.76 per sqm to £89.70 per sqm)	
Total Build Costs	Base - £2,134.86. Sensitivity - £2,583.36	
Contingency	5% of Construction Cost	Included above
Borough & Mayoral CIL Contributions	Estimate as CIL Charging Schedule	Estimate as CIL Charging Schedule
Other S.106 Contributions	£2,000 per dwelling	No allowance
Professional Fees	12% of construction costs	12% of Construction Costs
Marketing Costs	3% of sales revenue (inc Agent & Disposal Fees)	1% of Gross Development Value
Letting Agent & Legal Fees	Included in Marketing Costs	18% of Y1 rent on commercial element only.
Purchaser's Costs	5.80% of Investment Value	6.11% of Investment Sales
Sales Agent Fees	Included in Marketing Costs	1.50% of Gross Development Value

Item	LB Camden Local Plan Viability Study Assumption (BNPP Real Estate October 2015 - Typology 3 - 9 flats)	GCL Assumption
Sales Legal Fee (Residential)	Included in Marketing Costs	£1,500 per dwelling (flats) & £5,000 fixed fee (house)
Sales Legal Fee - Investment Sales	Included in Marketing Costs	0.50% of selling price
Finance Debit Rate	7.00% (including all arrangement & exit fees)	7.00% (including all arrangement & exit fees)
Developer Profit (Market Housing)	20% of Gross Development Value	20% of Gross Development Value
Developer Profit (Commercial Investment)	Not stated	15% of Gross Development Value
Developer Profit (Affordable Housing)	6% of Gross Development Value	6% of Gross Development Value

5.17. Our financial appraisal cost inputs generally correspond with those used by BNPP Real Estate to inform the LB Camden CIL & Local Plan Viability Studies respectively, with the main difference being in construction costs, which have been assessed on a site-specific basis, rather than reliance on BCIS data. The financial appraisal results for each scenario tested are summarised in section 6.

6. Viability Benchmark

6.1. As explained in section 3, financial viability assessments can use the level of developer's return or the Site Value as the benchmark for assessing the impact of planning obligations on viability.

6.2. The NPPF states that viability assessments should consider *"competitive returns to a willing landowner and willing developer to enable the development to be deliverable."* This return will vary significantly between projects to reflect the size and risk profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible. A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.

6.3. Paragraph 013 of the NPPG on Viability confirms that BLV should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. Paragraph 014 of the NPPG sets out the factors that should be considered to establish benchmark land value. BLV should:

- Be based upon existing use value.
- Allow for a premium to landowners.
- Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees; and
- Be informed by market evidence including current uses, costs and values wherever possible.

6.4. Paragraph 015 defines EUV as **"…the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses."** Paragraph 015 confirms **"Existing use value is not the price paid and should disregard hope value".**

6.5. Paragraph 017 considers Alternative Use Value and confirms that **"…where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV…".** Paragraph 017 also confirms that **"…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.…"**

6.6. Within the context of planning policy guidance and the planning history of the property, the following factors are relevant to establishing the Viability Benchmark for the Property:

a) The lawful use of the Property is Class B1 Office with a total GIA of 12,906 sqft.

b) We have assessed the ERV of the Property as £348,462, equating to £27.00 per sqft. We have assumed tenant incentives equating to 6-month's rent.

c) We have assumed a letting period of 6-months.

d) Any previous unauthorised residential use should be disregarded.

e) To return to the lawful use, the Property must be stripped out and refurbished to an appropriate specification.

f) Stace LLP have assessed the cost of such works for the ground floor proposal at a rate of approximately £80 per sqft and this will apply to the calculation of Benchmark.

g) All associated professional fees, acquisition costs, marketing, letting and disposal costs and finance costs will apply to the Benchmark calculation.

h) Developer profit at a rate of 15% GDV will apply to the calculation of Benchmark.

i) No allowance for additional Landowner Premium is included in the calculation of Benchmark.

6.7. Our financial appraisal, provided at Appendix 3, generates a residual land value for the Property on the basis of existing lawful use in a refurbished condition (and therefore, the "Alternative Use Value" within the context of paragraph 17 of the Viability NPPG) of **£2,908,000** (**rounded)** and we consider this to be a reasonable Viability Benchmark for comparison with the proposed development retaining commercial space on the ground floor with 7 residential apartments at upper floor levels. It should be noted that a Landowner Premium has not been applied to the residual land value generated by our financial appraisal.

7. Financial Appraisal Outcomes & Conclusion

7.1. Grimshaw Consulting Limited ('GCL') has undertaken an independent financial viability assessment of a residential development proposal with a total GIA of 12,906 sqft (1,199 sqm) and comprising the refurbishment and conversion of 8-9 Spring Place, London NW5 3ER to ground floor commercial space (5,867 sqft) and 7 No apartments (7,040 sqft including circulation) at upper floor levels.

7.2. A planning application has been submitted to the London Borough of Camden ("the Council") and this report has considered the following matters, to inform the planning application process: -

Whether the provision of a payment in lieu of on-site affordable housing (in accordance with Local Plan Policy H4) is financially viable within the context of site-specific cost and revenue estimates, Community Infrastructure Levy and planning obligation contributions, and the need to provide a reasonable level of return for both the landowner and developer.

7.3. We have assessed the Viability Benchmark of the Property on the basis of the existing use as offices. The Viability Benchmark calculation includes allowances for costs associated with conversion of the Property from unlawful residential use to the lawful office use. Our opinion of a reasonable Viability Benchmark is **£2,908,000 (rounded).**

7.4. We have assessed the Residual Land Value of the proposed development and a summary of our financial appraisal outcome is provided below: -

8-9 Spring Place London NW5 3ER - Financial Summary		
Development Cost / Revenue	GF Office 7 Market Apartments	
Development Revenue - Market Housing	£	3,710,000
Development Revenue - Office Investment	£	2,678,994
Development Revenue - Residential Ground Rents	£	40,000
Total Development Revenue	£	6,428,994
Acquisition Costs – SDLT	£	97,610
Acquisition Costs – Agent Fee	£	21,622
Acquisition Costs – Legal Fee	£	10,811
Construction Costs	£	1,253,000
External Works	£	-
Contingency	£	-
Borough CIL Contributions	£	421,830
MCIL2	£	52,320
Affordable Housing Payment in Lieu	£	457,800
Professional Fees	£	150,360
Marketing & Letting Costs	£	92,804
Disposal Fees	£	286,660
Finance Costs	£	271,837
Developer Profit	£	1,150,147 (17.89% of GDV)
Total Development Costs	£	4,266,801
Residual Land Value	£	2,162,193
Viability Benchmark	£	2,908,000
Viability Surplus / (Deficit)	**-£**	**745,807**

7.5. Our financial appraisal indicates that it is not financially viable to provide a Payment in Lieu of on-site affordable housing of £457,800 as part of the proposed development. The residual land value (RLV) generated by this scenario is £745,807 lower than the Viability Benchmark of £2,908,000. It should be noted that the proposed development would provide Community Infrastructure Levy contributions totalling £474,150.

Robert Grimshaw
Director
Grimshaw Consulting Limited
12th July 2021

8. Appendices

Appendix 1 – Financial Appraisal – 7 Market Dwellings & GF Commercial

8-9 Spring Place NW5
Financial Viability Assessment (Not a Valuation)
Magenta Planning

Development Appraisal
Prepared by Robert Grimshaw
Grimshaw Consulting Limited
13 July 2021

8-9 Spring Place NW5
Financial Viability Assessment (Not a Valuation)
Magenta Planning

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Market Sale	7	4,693	790.54	530,000	3,710,000

Investment Valuation

GF Office Use					
Market Rent	158,409	YP @	5.7500%	17.3913	
(6mths Rent Free)		PV 6mths @	5.7500%	0.9724	2,678,994
Residential Ground Rents					
Current Rent	2,000	YP @	5.0000%	20.0000	40,000
Total Investment Valuation					**2,718,994**

GROSS DEVELOPMENT VALUE	**6,428,994**
NET REALISATION	**6,428,994**

OUTLAY

ACQUISITION COSTS

Residualised Price		2,162,194	
			2,162,194
Stamp Duty		97,610	
Effective Stamp Duty Rate	4.51%		
Agent Fee	1.00%	21,622	
Legal Fee	0.50%	10,811	
			130,043

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Construction Costs	12,906	97.09	1,253,000	
				1,253,000
Section 106 Costs				
Borough CIL			421,830	
MCIL2			52,320	
Affordable Housing PiL			457,800	
				931,950

PROFESSIONAL FEES

Professional Fees	12.00%	150,360	
			150,360

MARKETING & LETTING

Marketing	1.00%	64,290
Letting Agent Fee	15.00%	23,761
Letting Legal Fee	3.00%	4,752

8-9 Spring Place NW5
Financial Viability Assessment (Not a Valuation)
Magenta Planning

			92,804
DISPOSAL FEES			
Purchaser's Costs		166,131	
Effective Purchaser's Costs Rate	6.11%		
Sales Agent Fee	1.50%	96,435	
Residential Sales Legal Fee	7 un1,500.00 /un	10,500	
Investment Sales Legal Fee	0.50%	13,595	
			286,660
FINANCE			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Land		164,882	
Construction		75,373	
Other		31,582	
Total Finance Cost			271,837
TOTAL COSTS			**5,278,847**
PROFIT			
			1,150,147
Performance Measures			
Profit on Cost%	21.79%		
Profit on GDV%	17.89%		
IRR% (without Interest)	33.37%		
Land Cost pAcre	0		

Appendix 2 – Order of Cost Estimate – Proposed Development

8-9 Spring Place, Camden

Order of Cost Estimate 1

Grimshaw Consulting Ltd

Date 08/06/2021

stace

Document Control:

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Approvals:	Paul Burns
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Contents

1.00 Introduction

Ref	Description
.1	This document represents an Order of Cost Estimate for the proposed works at 8-9 Spring Place, Camden, London, NW5 3ER
.2	The proposed scheme comprises the strip out of the ground, first and second floors. The ground floor is proposed to be refurbished into a CAT A office. The first and second floors are being proposed to be refurbished into 7nr residential units. The first floor consists of 1nr 3B5P apartment and 2nr 1B2P apartment. The second floor consists of 3nr 1B2P apartment and 1nr 1B1P studio apartment.
.3	Order of Cost Estimates are produced as an intrinsic part of Royal Institute of British Architects (RIBA) Work Stage 1. The core objectives of these RIBA stage is described in the RIBA Plan of Work 2020 is as follows: - • Stage 1 - Preparation and Briefing - Prepare Project Brief including Project Outcomes and Sustainability Outcomes, Quality Aspirations and Spatial Requirements. Undertake Feasibility Studies. Agree Project Budget. Source Site Information including Site Surveys. Prepare Project Programme. Prepare Project Execution Plan.
.4	The purpose of an Order of Cost Estimate is to establish if the proposed building project is affordable and, if affordable, to establish a realistic cost limit for the building project. The cost limit is the maximum expenditure that the Employer is prepared to make in relation to the completed building project, which will be managed by the project team (i.e. authorised budget).
.6	Stace order of cost estimates use industry benchmarking data to provide an order of cost typically expected for a project of this type. The benchmarking data takes into account the nature/specification of the project, the expected method of construction, the location and defined uses.
.7	The data considered in providing the order of cost estimate relates to 2nd quarter 2021 (2Q21) and has been sourced from: • Stace Projects • BCIS data • Industry published cost data
.8	This Order of Cost Estimate is based on the information noted in Section 5.00
.9	We draw attention to the notes in Section 6.00
.10	We draw attention to the exclusions in Section 7.00
.11	Increased cost projections are excluded.
.12	The costs are based on the assumption of a single stage competitive tender to 3-4 main contractors of appropriate size and experience, using an unamended design and build form of contract. It should be noted that an alternative form of procurement, bespoke contract conditions or other bespoke procurement arrangements (such as procurement via a framework) would require a review of the budget.
.13	Professional fees are excluded (including all contractor fees)
.14	VAT is excluded.
.15	As the project develops risk analysis should be undertaken and a properly considered assessment of risks will be calculated. At this stage of the project we prefer to highlight all the potential risks associated with a project and utilise our experience of project type, site conditions, level of design etc to provide a considered percentage allowance for contingency.

Workstage	0	1	2	3	4	5	6	7
RICS/Stace Estimating Workstage	Feasibility Study	Order of Cost Estimate	Formal Cost Plan 1	Formal Cost Plan 2	Formal Cost Plan 3/Pre-Tender Estimate	Construction	Final Account	In Use

2.00 Schedule of Areas

Ref	Description	Floor	GIA (m²)	GIA (ft²)	Use
	Commercial				
.1	Office Space	G	545	5,866	Commercial
	Total Commercial		**545**	**5,866**	

Ref	Description	Floor	GIA (m²)	GIA (ft²)	Use
	Residential				
.2	Circulation	G	33	355	Residential
.3	Circulation	G	26	280	Residential
.4	Circulation	1	81	872	Residential
.5	Apartment 1	1	97	1,044	Residential
.6	Apartment 2	1	59	635	Residential
.7	Apartment 3	1	54	581	Residential
.8	Circulation	2	78	840	Residential
.9	Apartment 4	2	70	753	Residential
.10	Apartment 5	2	39	420	Residential
.11	Apartment 6	2	54	581	Residential
.12	Apartment 7	2	63	678	Residential
	Total Residential		**654**	**7,040**	

Ref	Description	Floor	GIA (m²)	GIA (ft²)	Use
	Total Areas by Usage				
.1	Residential		654	7,040	From above
.2	Commercial		545	5,866	From above
	Total Areas		**1,199**	**12,906**	

Ref	Description	Floor	GIA (m²)	GIA (ft²)	Use
	Floor Plates				
.1	Ground	G	604	6,501	Commercial
.2	First	1	291	3,132	Residential
.3	Second	2	304	3,272	Residential
	Total		**1,199**	**12,906**	

Notes

.1 The above areas should be considered approximate

.2 The above areas have been measured to the internal face of the perimeter walls at each floor level in accordance with the RICS Code of Measuring Practice (6th edition).

.3 Where commerical and residitial are adjacent to each other we have measured to the centre point of the partition for the purpose of apportioning Gross Internal Floor Area.

3.00 Order of Cost Estimate Summary

Ref	Description	Area		£/m²	£/ft²		Total
		m²	ft²	£	£		
.1	Commercial	545	5866	869.72	80.80		474,000
.2	Residential	654	7040	1128.44	104.83		738,000
.3	Externals						41,000
	Total of Cost Estimate					**£**	**1,253,000**
	Aggregated £/m²					**£**	**1,045.04**
	Aggregated £/ft²					**£**	**97.09**

4.02 Commercial - Ground Floor

Ref	Description	Qty	Unit	Rate	Total	£/m^2	£/ft^2
.1	**Facilitating Works**				See Summary Page		
	General strip out of all internal areas	545	m²	75	40,875	75.00	6.97
	Seal all redundent soil outlets in ground floor	39	nr	50	1,950	3.58	0.33
	Remove existing window	1	nr	200	200	0.37	0.03
	Extend opening for door	1	nr	500	500	0.92	0.09
	Levelling Screed	545	m²	6	3,270	6.00	0.56
.2	**Substructure**				Not Applicable		
.3	**Frame**				No Works Allowed		
.4	**Upper Floors**				No Works Allowed		
.5	**Roof**				Not Applicable		
.6	**Stairs and Ramps**				Included in Residential		
.7	**External Walls**				No Works Allowed		
.8	**Windows and External Doors**						
	New glazed doors; pair	1	nr	2500	2,500	4.59	0.43
	Windows; assume retained						
.9	**Internal Walls and Partitions**						
	New plasterboard wall to create lift lobby	28	m^2	70	1,960	3.60	0.33
	Make good retained walls following demolition	1	item	5000	5,000	9.17	0.85
.10	**Internal Doors**						
	Single Door	6	nr	1200	7,200	13.21	1.23
	Doubles Door	3	nr	1800	5,400	9.91	0.92
.11	**Wall Finishes**						
	Decoration to new stud walls	55	m^2	7	385	0.71	0.07
	Redecoration to perimeter walls	444	m^2	7	3,108	5.70	0.53
	Redecoration to retained walls	968	m^2	7	6,776	12.43	1.16
	Redecorate Skirtings	734	m	5	3,670	6.73	0.63
.12	**Floor Finishes**						
	Raised Access Floor	545	m^2	55	29,975	55.00	5.11
	Carpet Tiles	545	m^2	25	13,625	25.00	2.32
.13	**Ceiling Finishes**						
	Dune suspended ceiling	545	m^2	40	21,800	40.00	3.72
.14	**Furniture, Furnishings & Equipment**						
	Allowance for statutory signage	1	item	2000	2,000	3.67	0.34
	Carried Forward			£	150,194	275.59	25.60

4.02 Commercial - Ground Floor

Ref	Description	Qty	Unit	Rate	Total	£/m²	£/ft²
	Brought Forward			£	150,194	275.59	25.60
.15	**Services; To CAT A including AC**						
	Mechaniclal Installation; Offices	545	m^2	225	122,625	225.00	20.90
	Electrical Installation; Offices	545	m^3	180	98,100	180.00	16.72
	Lift			Included in Block A residential			
.18	**Externals Works**				See Externals Tab		
				Sub- Total	370,919	680.59	63.23
.19	**Main Contractors Preliminaries**			13%	48,219	88.48	8.22
				Sub- Total	419,138	769.06	71.45
.20	**Overheads and Profit**			7.5%	31,435	57.68	5.36
.21	**Total Building Works Estimate**			**C/F**	450,574	826.74	76.81
.22	**Risk Allowance Estimate:**						
	Design Development Risk Estimate			2.5%	11,264	20.67	1.92
	Construction Risk Estimate			2.5%	11,264	20.67	1.92
	Employer Change Risk Estimate				Excluded		
	Employer Other Risk Estimate				Excluded		
.23	**Total Building Works Estimate incl Risk**				473,103	868.08	80.65
.24	**Inflation Estimate**				Excluded		
.25	**Carried Forward to Summary**				**474,000**	**869.72**	**80.80**

4.03 Residential - Upper Floors

Ref	Description	Qty	Unit	Rate	Total	£/m^2	£/ft^2
.1	**Facilitating Works**				See Summary Page		
	General strip out of all internal areas	654	m²	75	49,050	75.00	6.97
	Remove existing window	1	nr	200	200	0.31	0.03
	Extend opening for enlarged window	1	nr	750	750	1.15	0.11
	Form opening for Rooflights	4	nr	1,000	4,000	6.12	0.57
	Form openings for internal openings	6	nr	400	2,400	3.67	0.34
	Block up existing openings	6	nr	200	1,200	1.83	0.17
.2	**Substructure**				Not Applicable		
.3	**Frame**				No Works Allowed		
.4	**Upper Floors**				No Works Allowed		
	Levelling Screed	654	m^2	6	3,924	6.00	0.56
.5	**Roof**						
	Roof lights	4	nr	1000	4,000	6.12	0.57
	EO for kerb	18	m2	150	2,700	4.13	0.38
.6	**Stairs and Ramps**				Excluded		
.7	**External Walls**				No Works Allowed		
.8	**Windows and External Doors**						
					0		
	New window to match existing; approc 2.2 x 1.80 m	1	nr	3500	3,500	5.35	0.50
	Ease & adjust all other windows	1	item	5000	5,000	7.65	0.71
.9	**Internal Walls and Partitions**						
						0.00	0.00
	Block work walls; existing					0.00	0.00
	Stud partitions	237	m^2	75	17,775	27.18	2.52
.10	**Internal Doors**					0.00	0.00
	Circulation Space Doors	4	nr	2000	8,000	12.23	1.14
	Apartment Entrance Doors	7	nr	2500	17,500	26.76	2.49
	Internal Single Doors	23	nr	800	18,400	28.13	2.61
.11	**Wall Finishes**	654	m^2	80	52,320	80.00	7.43
.12	**Floor Finishes**	654	m^2	90	58,860	90.00	8.36
.13	**Ceiling Finishes**	654	m^2	50	32,700	50.00	4.65
.14	**Furniture, Furnishings & Equipment**					0.00	0.00
	Apartments; Kitchens; Average	7	nr	5000	35,000	53.52	4.97
	Apartments; Wardrobes average	7	nr	1500	10,500	16.06	1.49
	Carried Forward			£	327,779	501.19	46.56

4.03 Residential - Upper Floors

Ref	Description	Qty	Unit	Rate	Total	£/m²	£/ft²
	Brought Forward				327,779	501.19	46.56
.15	**Services**						
	Mechanical Installation				included below		
	Electrical Installations	654	m^2	375	245,250	375.00	34.84
	Lifts ; service only	1	nr	5000	5,000	7.65	0.71
.18	**Externals Works**				See Externals Tab		
				Sub- Total	578,029	883.84	82.11
.19	**Main Contractors Preliminaries**			13%	75,144	114.90	10.67
				Sub- Total	653,173	998.74	92.78
.20	**Overheads and Profit**			7.5%	48,988	74.91	6.96
.21	**Total Building Works Estimate**				702,161	1,073.64	99.74
.22	**Risk Allowance Estimate:**						
	Design Development Risk Estimate			2.5%	17,554	26.84	2.49
	Construction Risk Estimate			2.5%	17,554	26.84	2.49
	Employer Change Risk Estimate				Excluded		
	Employer Other Risk Estimate				Excluded		
.23	**Total Building Works Estimate incl Risk**				737,269	1,127.32	104.73
.24	**Inflation Estimate**				Excluded		
.25	**Carried Forward to Summary**				**738,000**	**1,128.44**	**104.83**

4.04 External Works and Services

Ref		Description	Qty	Unit	Rate	Total
.1		**Paving**				
	.1	Paving to mixed pedestrian and vehicular surface - minor repairs only	111	m^2	20	2,220
.2		**Soft Landscaping**				Assume no Works Required
.3		**Trees / Shrub Planting**				Assume no Works Required
.4		**Road markings**				Not Applicable
.5		**Street Furniture**				Not Applicable
		Allowance for covered cycle store	1	nr	5000	5,000
.6		**Ancillary Structures**				
		Refuse store	1	nr	7500	7,500
.7		**External Services**				
	.1	Service diversions				Excluded
	.2	Allowance for statutory services ; Assume supplies requite no alterations				Assume no Works Required
	.3	Below ground drainage; llowance for minor alterations	1	item	5,000	5,000
	.4	Suspended draingae in commercial unit	1	item	10,000	10,000
	.5	External lighting ; above entry doors only	1	item	2,000	2,000
					Sub- Total	31,720
.8		**Main Contractors Preliminaries**			13%	4,124
					Sub- Total	35,844
.9		**Overheads and Profit**			7.5%	2,688
.10		**Total Building Works Estimate**				38,532
.11		**Risk Allowance Estimate:**				
		Design Development Risk Estimate			2.5%	963
		Construction Risk Estimate			2.5%	963
		Employer Change Risk Estimate				Excluded
		Employer Other Risk Estimate				Excluded
.12		**Total Building Works Estimate incl Risk**				40,458
.13		**Inflation Estimate**				Excluded
.14		**Carried Forward to Summary**			£	**41,000**

5.00 Information Used for Order of Cost Estimate

Ref	Description	
.1	Location of site	Spring Place, London, NW5 3ER
.2	Building use	Mixed Use - Commercial/Resi
.3	Gross internal areas (GIA)	1,199m²;12,906ft²
.4	New build/ remodelling/ refurbishment	Refurbishment
.5	Project/design brief	Refer to Drawings
.6	Enabling works	Strip out existing building
.7	Indicative programme	
	• Pre-contract	TBC
	• Contract	TBC
.8	Restraints	Central London Site
.9	Site conditions	Central London Site
.10	Budget/ cashflow restraints	TBC
.11	Assumed procurement route	Single Stage Tender, Design & Build
.12	Building life span	50+ years
.13	Proposed/ assumed storey height	As Drawings
.14	Proposed/ assumed M&E Installation	Domestic to resi, shell and core to commercial
.15	Project team fees	Excluded (Including contractor fees)
.16	Other development/project costs	Excluded
.17	Inflation	Excluded
.18	Value added tax	Excluded
.19	Other considerations	TBC

5.00 Information Used for Order of Cost Estimate

Ref	Description	Rev	Ref
	Architect	Rev	Ref
.20	Existing Ground Floor Plan	P	403
.21	Existing First Floor Plan	P	404
.22	Existing Second Floor Plan	P	405
.23	Site Block Plan	P	601
.24	Site Location Plan	P	602
.25	Proposed Ground Floor	P	603
.26	Proposed First Floor	P	604
.27	Proposed Second Floor	P	605
.28	Proposed Roof	P	606
.29	North Elevation	P	607
.30	South Elevation	P	608
.31	East West Elevation	P	609

Structural Engineer - No Information

MEP Engineers - no Information

Landscape Architect - no Information

6.00 Notes

Ref	Description
.1	This Order of Cost Estimate is a desktop study and should only be used as a guide to the potential cost of the scheme. Should the scheme proceed to the next stage the design and specification of the facility should be undertaken. At this stage a more detailed cost plan will be produced which will provide a more representative guide as to the target cost of this scheme.
.2	No site visit has been undertaken, this represents a desktop order of cost estimate.
.3	No structural or services information was available for the preparation of this order of cost estimate.
.4	No site investigations or surveys were available for the preparation of this order of cost estimate.
.5	No topographical survey was available at the time of preparation of this report therefore levels have been assumed for the purposes of this study.
.6	Disposal of material off site has been assumed generally as inert and extra over allowance has been included for disposal of 'non hazardous' low landfill tax material. Disposal or remediation of any hazardous material has been excluded.
.7	No details regarding the existing statutory services provisions on site was available. It has been assumed that all services are local to the site and allowances for statutory services has been included based on projects of a similar size and nature.
.8	It has been assume that no statutory services diversions or off site upgrades are required.
.9	The order of cost estimate assumes no Breeam requirement.
.10	Commercial units are assumed to be shell only, fit out by tenant.
.11	The specification has been assumed to be a concrete frame, brick and blockwork external walls, plasterboard finishes to walls and generally mid level specification throughout. The commercial areas are shell only.
.12	The order of cost estimate is 'Current Day', increased cost projections are excluded. It is assumed that any increase in construction cost once the start on site date is established will be offset by any increase in sales values.
.13	No specification has been provided and as such assumptions of the specification of the finishes have been made and as noted above is to a mid level specification.
.14	Stripout has been assumed as per the existing vs proposed
.15	No works have been included for replacement of the staircases / balustrades / handrails.
.16	No roof works have been included with the exception of new roof lights to the highest roof level and associated repair.
.17	Window and door replacements have been assumed to all windows and doors.

7.00 Exclusions and Risk Commentary

Ref	Description
.1	**Exclusions**
.1.1	Professional fees
.1.2	VAT
.1.3	Employer change risk, Employer other risk
.1.4	Insurances
.1.5	Legal Fees
.1.6	Finance costs and interest charges
.1.7	Planning fees
.1.8	Building regulation fees
.1.9	Rights of light cost or alterations to accommodate affected parties
.1.10	Site investigation costs
.1.11	Asbestos survey and/or removal costs
.1.12	Section 106 contributions and/ or costs
.1.13	Remediation and/or removal of contaminated material
.1.14	Major 278/highway junction works
.1.15	Statutory service diversions and/or off site infrastructure upgrades
.1.16	Party wall awards and/or costs
.1.17	Works outside of the site boundary
.1.18	Tenant fittings, loose furniture or other equipment not specifically described
.1.19	Tenant costs as a result of lease negotiations or re-negotiations
.1.20	Marketing
.1.21	IT wiring and equipment including media and audio visual equipment
.1.22	Fire fighting appliances
.1.23	Major work to the highways including realignment of existing carriageway
.1.24	Any income loss during construction and vacant tenant periods
.1.25	Site remediation/disposal of contaminated spoil.
.1.26	Fit out of commercial (assumed shell)
.1.27	Breeam requirements
.1.28	Fit out over shell and core to commercial areas
.2	**Risk Commentary**
.2.1	**Design development risks – an allowance for use during the design process to provide for the undefined risks including:**
.2.1.1	Risks associated with design development, changes in estimating data, third party risks (e.g. planning requirements, legal agreements, covenants, environmental issues and pressure groups), statutory requirements, procurement methodology and delays in tendering
.2.1.2	Covenants
.2.1.3	Environmental issues
.2.1.4	Statutory requirements
.2.1.5	Procurement methodologies
.2.1.6	Tendering delays
.2.1.7	Site cut and fill

7.00 Exclusions and Risk Commentary

Ref	Description
.2.2	**Construction Risk - an allowance for use during the construction process to provide for the risks associated with the following:**
.2.2.1	Extensive services
.2.2.2	Restrictions/limitations on access
.2.2.3	Ground conditions
.2.2.4	Remediation of contaminated land
.2.2.5	Asbestos related works (allowance included for surveys) associated with any existing buildings that may be present on site
.2.2.6	Abnormal structural/substructure works to the proposed or existing buildings
.2.2.7	Archaeological cost or associated delays
.2.2.8	Site specific planning requirements
.2.2.9	Existing buildings
.2.2.10	Boundaries
.2.2.11	Existing occupants and users
.2.2.12	Decontamination
.2.2.13	Abnormal acoustic measures
.2.2.14	Measures to deal with air quality
.2.2.15	Additional cost of consequential upgrading for Building Regulations compliance
.2.2.16	Additional cost of compliance with future changes in Building Regulations
.2.3	**Employer Changes (excluded from this Feasibility Study - an allowance for use during both the design process and the construction process to provide for risks associated with Employer driven changes including the following:**
.2.3.1	Changes in scope of works or brief
.2.3.2	Changes in quality
.2.3.3	Changes in time
.2.4	**Employer Other Risks (excluded from this Feasibility Study) - an allowance for other Employer risks including:**
.2.4.1	Funding and the availability of funds
.2.4.2	Special contractual arrangements
.2.4.3	Early handover
.2.4.4	Postponement
.2.4.5	Acceleration
.2.4.6	Availability of funds
.2.4.7	Liquidated damages or premiums on other contracts due to late provision of accommodation, unconventional tender action and special contract arrangements
.2.5	**Other Considerations (excluded from this Feasibility Study)**
.2.5.1	Capital allowances for taxation purposes
.2.5.2	Land remediation relief
.2.5.3	Grants
	Note: As the project develops risk analyses should be undertaken and properly considered assessments of risks will be calculated. At this stage of the project we prefer to highlight all the potential risks associated with a project and utilise our experience of project type, site conditions, level of design etc to provide a considered percentage against each heading.

7.00 Exclusions and Risk Commentary

Ref	Description

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Appendix 3 – Financial Appraisal – Viability Benchmark

8-9 Spring Place NW5
BLV Appraisal (Not a Valuation)
Magenta Planning

Development Appraisal
Prepared by Robert Grimshaw
Grimshaw Consulting Limited
12 July 2021

8-9 Spring Place NW5
BLV Appraisal (Not a Valuation)
Magenta Planning

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Office (Lawful) Use	1	12,906	27.00	348,462	348,462	348,462

Investment Valuation

Office (Lawful) Use					
Market Rent	348,462	YP @	5.7500%	17.3913	
(6mths Rent Free)		PV 6mths @	5.7500%	0.9724	5,893,149

NET REALISATION	**5,893,149**

OUTLAY

ACQUISITION COSTS			
Residualised Price		2,907,743	
			2,907,743
Stamp Duty		134,887	
Effective Stamp Duty Rate	4.64%		
Agent Fee	1.00%	29,077	
Legal Fee	0.50%	14,539	
			178,503

CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Office (Lawful) Use	12,906	77.00	993,762	
Contingency		5.00%	49,688	
				1,043,450
PROFESSIONAL FEES				
Professional Fees		12.00%	125,214	
				125,214
MARKETING & LETTING				
Marketing		1.00%	58,931	
Letting Agent Fee		15.00%	52,269	
Letting Legal Fee		3.00%	10,454	
				121,655
DISPOSAL FEES				
Purchaser's Costs			360,071	
Effective Purchaser's Costs Rate		6.11%		
Sales Agent Fee		1.50%	88,397	
Investment Sales Legal Fee		0.50%	29,466	
				477,934

FINANCE
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)

8-9 Spring Place NW5
BLV Appraisal (Not a Valuation)
Magenta Planning

Land	72,432	
Construction	6,363	
Letting	75,882	
Total Finance Cost		154,677
TOTAL COSTS		**5,009,176**
PROFIT		
		883,972

Performance Measures

Profit on Cost%	17.65%
Profit on GDV%	15.00%
IRR% (without Interest)	44.00%
Land Cost pAcre	0