Maryon House, Goldhurst Terrace, London NW6 3EY

Independent Viability Review

Prepared on behalf of London Borough of Camden

6th September 2017

BPS Chartered Surveyors

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Planning Reference: 2016/3545/P

1.0 INTRODUCTION

1.1 BPS Chartered Surveyors have been instructed by London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by Affordable Housing Solutions on behalf of Hive 1 Ltd ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The site currently comprises a purpose-built residential block (115-119 Goldhurst Terrace). Located on the eastern side of Goldhurst Terrace, it is a four storey building currently accommodating six duplex flats. There are communal front and rear gardens. The site is approximately 0.06 Hectares.

1.3 The location is predominantly residential in nature. The existing building is located within the South Hampstead Conservation Area but it is not listed.

1.4 The proposals, as per the Application Form, are for:

Demolition of 115-119 Goldhurst Terrace and the construction of a new four storey residential block over a basement to provide 10 residential flats (2x1 bed, 5x2 beds and 3x3 beds), associated landscaping and refuse store to the front of the site.

1.5 The proposals appear to have since been revised and the scheme we have reviewed will provide 11 units. The new block will provide an additional floor area of 6,431 sq ft (597 sq m) than the existing residential space.

1.6 The basis of our review is '115-119 Goldhurst Terrace LB Camden Financial Viability Report' prepared by Affordable Housing Solutions, dated August 2017. This review concludes that the scheme is showing a deficit of approximately £510,000 and therefore no affordable housing can viably be offered. We have also downloaded documents available on Camden Council's planning website. We have received a live version of the Toolkit appraisal included in the report.

1.7 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make any affordable housing contributions.

1.8 We have searched the Camden Council planning website and have not identified any other recent or outstanding planning applications relating to the site. A Land Registry search shows that the applicant purchased the property in November 2015 for £4,151,047.

2.0 CONCLUSIONS AND RECOMMENDATIONS

2.1 We have reviewed the Viability Assessment prepared by Affordable Housing Solutions (AHS) on behalf of the applicant for the proposed scheme which concludes that the scheme generates a residual land value of £2,550,000 which is approximately £510,000 below their Benchmark Land Value of £3,060,000. The proposals do not include any affordable housing provision nor any S106 contributions.

2.2 AHS have approached the Benchmark Land Value on an Existing Use Value (EUV) basis. They have been advised by Carter Jonas on the value of the existing flats. They have valued the three ground/first floor flats at £505,000 each, and the three second/third floor flats at £515,000 each. This means a total existing building value of £3,060,000. This figure has been adopted by AHS as the Benchmark Land Value.

2.3 We have reviewed the information supplied in relation to the Benchmark Land Value and we have carried out our own research into values for second hand properties of this type and age. We broadly agree with the Existing Use Value proposed by Carter Jonas and have adopted AHS' proposed Benchmark Land Value. No Landowner's Premium has been added.

2.4 The proposed scheme will provide a new block of eleven residential units, all of which are proposed to be for private sale. These will be set over five storeys, including a basement floor. The flats all appear to be well sized for their individual function. They will all have the same number of bathrooms as bedrooms, resulting in at least one bathroom being en suite in the two and three bed flats. Rear facing flats have access to private terraces. The basement floor flats all have lightwells to provide natural light, whilst the two rear facing basement and ground floor flats have private access to a rear communal garden.

2.5 AHS, through the advice of Carter Jonas, have provided a pricing schedule showing the total Gross Development Value of the proposed scheme to be [redacted]. We have reviewed the comparable evidence presented and identified some more recent transactions in the locality. Having reviewed the proposed sales values and based on the information we have gathered, we are of the opinion that the two and three bedrooms have been undervalued. We have made adjustments to reflect the greater value of two and three bedroom flats in the locality. We have also been careful to reflect the desirability of the penthouse apartment in our valuation, given its large living area, private lift access, rear terrace and top floor location. We arrive at a GDV of [redacted] which is an increase of approximately 15% on the values proposed by AHS.

2.6 Ground rents have been assigned at [redacted] per flat and the income has been capitalised at [redacted] We are satisfied that this is a reasonable approach albeit we expect that the ground rent charges will vary based on the size of the flat.

2.7 No car parking will be provided by the development. The six existing parking permits will be offered to the occupants of the larger flats. No provision has been made for disabled parking.

2.8 Our Cost Consultant, Neil Powling, has reviewed the Cost Plan for the proposed scheme prepared by Trogal Griffin Associates, dated 31 July 2017, and concludes that:

"The allowance for contingencies is 7.5% - we consider a reasonable allowance to be 5%. The difference between a 5% and a 7.5% allowance is [redacted]. Our

benchmarking (with the contingency calculated at 5%) results in an adjusted benchmark of £[redacted]/m² that compares to the Applicants £[redacted]/m² a difference of £[redacted]/m² - £[redacted]. We therefore consider the Applicant's cost to be high by £[redacted] of which £[redacted] is the result of the allowance of 7.5% contingency instead of the 5% we consider reasonable."

2.9 We note that AHS did adjust their build costs to apply just a 5% contingency in their appraisal. Adjusting the Trogal Griffin Associates build costs to reflect our Cost Consultant's advice results in a total build cost of £[redacted].

2.10 We have been provided with a live version of the Toolkit appraisal included in AHS' report and which we have inputted to an Argus Developer appraisal. We have then applied our amendments which include: residential sales values and build costs. We have used the profit target proposed by AHS of 17% on GDV, which reflects a profit of 20.48% on costs. We note that no S106 contribution has been allowed for. The resulting Residual Land Value is £3.3million. When compared to the benchmark of £3,060,000 it shows that the scheme generates a surplus of £240,000. On this basis it would appear that the scheme may be able to contribute towards or provide some affordable housing.

2.11 It should be noted however that AHS did not add a Landowner's Premium to their Existing Use Value on this occasion, although within their report suggest that their position is reserved pending further analysis. The surplus of £240,000 equates to a Landowner's Premium of 7.8% which would be a reasonable allowance.

2.12 The addition of a 10% Landowner's Premium to the EUV would result in a Benchmark Land Value of £3,366,000. When compared to our Residual Land Value of £3.3million, the scheme would appear in deficit of £66,000. We are therefore satisfied that the proposed scheme could be considered at 'break-even' point and we conclude that the scheme cannot viably make any affordable housing contributions.

2.13 Considering the nature of the site and the lack of very similar residential comparable evidence, we consider that there is scope for the proposed residential values to change. A viability review mechanism would be a useful method of capturing any improvement in viability from any uplift in values over the course of the development. Given the current 'break-even' nature of the scheme we recommend the Council may wish to seek an outturn review once actual development revenue and expenditure can be identified.

3.0 BENCHMARK LAND VALUE

Viability Benchmarking

3.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

Gross Development Value – Development Costs (including Developer's Profit) = Residual Value

3.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.

3.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.

3.4 We note the Mayor's Housing SPG published March 2016 states a clear preference for using EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. This is evidenced through the following extract:

"…….either 'Market Value', 'alternative use value', 'existing use value plus' based approaches can address this requirement where correctly applied (see below); their appropriate application depends on specific circumstances. **On balance, the Mayor has found that the 'Existing use Value plus' approach is generally most appropriate for planning purposes, not least because of the way it can be used to address the need to ensure that development is sustainable in terms of the NPPF and Local Plan requirements, he therefore supports this approach**. The 'plus' element will vary on a case by case basis based on the circumstances of the site and owner and policy requirements." [Emphasis original]

3.5 We find the Market Value approach as defined by RICS Guidance Viability in Planning 2012 if misapplied is potentially open to an essentially circular reasoning. The RICS Guidance promotes use of a modified standard definition of "market Value" by reference to an assumption that the market values should reflect planning policy and should disregard that which is not within planning policy. In practice we find that consideration of compliance with policy is generally relegated to compliance somewhere on a scale of 0% to the policy target placing land owner requirements ahead of the need to meet planning policy.

3.6 Furthermore the RICS guidance is in conflict with PPG in that PPG adopts a different level of emphasis in respect of the importance of planning policy. This is evident from the PPG extract set out below:

reflect policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;

3.7 The requirement to reflect policy is unambiguous. PPG is statutory guidance whereas RICS guidance is a simply a material consideration.

3.8 There is also a high risk that the RICS Guidance in placing a very high level of reliance on market transactions is potentially exposed to reliance on bids which might

a) Represent expectations which do not mirror current costs and values as required by PPG.

b) May themselves be overbids and most importantly

c) Need to be analysed to reflect a policy compliant position.

To explain this point further, it is inevitable that if site sales are analysed on a headline rate per acre or per unit without adjustment for the level of affordable housing delivered then if these rates are applied to the subject site they will effectively cap delivery at the rates of delivery achieved of the comparable sites. This is an essentially circular approach which would effectively mitigate against delivery of affordable housing if applied.

3.9 The NPPF recognises at paragraph 173 the need to provide both land owners and developers with a competitive return. In relation to land owners this is to encourage land owners to release land for development. This has translated to the widely accepted practice when using EUV as a benchmark of including a premium. Typically in a range from 5-30%. Guidance indicates that the scale of any premium should reflect the circumstances of the land owner. We are of the view that where sites represent an ongoing liability to a land owner and the only means of either ending the liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable.

<u>The Proposed Benchmark</u>

3.10 The £3,060,000 benchmark proposed by Carter Jonas for viability testing, on behalf of AHS, is based on an Existing Use Value approach.

3.11 The existing building on site is a four storey residential block consisting of six flats. The flats are arranged as duplexes, with three flats covering the ground and first floors and another three flats covering the second and third floors. The property has a small communal garden at the front and a larger one at the back. The style of the building is out of keeping with the other more attractive buildings on Goldhurst Terrace, as it was built after an original property was destroyed by World War II bombing.

3.12 The existing accommodation can be summarised as follows:

Flat no.	Floor	Bedrooms	GIA sq m	GIA sq ft	Outside space
1	GF/1F	2	66.43	715	Balcony
2	GF/1F	2	66.43	715	Balcony
3	GF/1F	2	66.43	715	Balcony
4	2F/3F	2	66.43	715	Balcony
5	2F/3F	2	66.43	715	Balcony
6	2F/3F	2	66.43	715	Balcony
			398.58	**4,290**	

3.13 AHS have provided a report from Carter Jonas who have valued the three ground/first floor flats at £505,000 each (£706psf), and the three second/third floor flats at £515,000 each (£720psf). Their Existing Use Value is therefore £3,060,000.

3.14 Evidence of recently sold properties has been found in the local area and included in Carter Jonas' report. The properties appear similar in style to the existing building and are located in residential areas. The properties are all two bedroom and range in price paid from £425,000 to £675,000 (£585psf to £988psf). The properties also range in size from 506 sq ft to 840 sq ft.

3.15 We are of the view that a number of the comparable properties are in more desirable locations and some appear in better condition although we have limited information on the condition of the existing properties. One of the most closely comparable properties is Flat 28, Waltham House NW8. This property was sold for £540,000 on 09/01/2017, and at 743 square feet, this equates to £727psf.

3.16 Photographs included in the Design and Access statement downloaded from the Camden Council planning website show that the property is very different in design from the other properties on Goldhurst Terrace which create an attractive terrace. We have limited information on the condition of the flats in Maryon House and no photographs of the interior.

3.17 We support the Existing Use Value approach to Benchmark Land Value. We have sought to update the schedule of transactions provided by Carter Jonas and identified the following transactions of similar properties in the area surrounding the property:

Address	Description (and Floor Area)	Size SqFt	Date	Sale Price	Price psf
Flat 27, Besant House, Boundary Road NW8 0HX	Two bed apartment in large ex-local authority block. Similar distance from train links to Goldhurst terrace. Appears to be in need of renovation.	667	31/03/17	£470,000	£598
Flat 46, Burnham, Fellows Road, NW3 3JR	Flat on high rise block. Two bedroom and large reception room. Similar distance to Swiss cottage underground station but further from overground services.	786	15/02/17	£455,000	£579
Flat 34, Hickes House, Harben Road, NW6 4RP	Two bedroom flat in large block. Modern fittings. Very close to transport services (0.1 miles from Swiss Cottage underground station). Balcony and large reception room.	661	22/12/16	£504,240	£763

Flat 3, Northways, College Crescent, NW3 5DR	Ground floor two bedroom flat in block. Well maintained and light. Portered building. Very close to underground and overground train services.	645	25/11/16	£540,000	£837
85b Rowley Way, NW8 0SN	Two bedroom flat set over two storeys. Appears to be in need of renovation. Very unusual appearance from outside. Close to underground and overground train services.	904	14/11/16	£437,500	£484

3.18 Of the comparable properties we have found there is a range in value from £437,500 to £540,000 (£487psf to £837psf), and an average value of £481,348 (£652psf). This places the estimated value for the 115-119 Goldhurst Terrace at the higher end of those found in the area, however the estimate is within these ranges.

3.19 Flat 34, Hickes House, Harben Road, London, Greater London NW6 4RP is a useful comparable property as it is similar in size to the properties on Goldhurst Terrace. Furthermore, it is the closest in value to the estimations made by Carter Jonas. However, this flat appears to have been finished to a high standard with modern fittings and furnishings. We have little information on the flats within Maryon House so it is difficult to make comparisons on this point although we have assumed that the existing flats are in a satisfactory condition. The flat within Hickes House is on a higher floor level to the properties on Goldhurst Terrace and therefore commands a good view from its balcony. It is closer to Swiss Cottage underground station meaning it has a slightly better link to central London than the flats in Maryon House.

3.20 Having considered the above, broadly we agree with the Existing Use Value proposed by Carter Jonas which results in a rate of £713psf and an overall value of £3,060,000. AHS have opted not to add a Landowner's Premium to the EUV on this occasion.

3.21 On this basis we too have adopted the figure of £3,060,000 as the Benchmark Land Value.

4.0 RESIDENTIAL UNIT VALUES

4.1 The residential element of the proposed scheme, as sought by the planning application is for ten residential units, however it appears that the application scheme has been amended to now provide eleven residential units comprising the following accommodation:

Floor	One bedroom	Two bedroom	Three bedroom	Total
Basement	2	1	-	3
Ground	-	-	2	2
First	1	2	-	3
Second	-	2	-	2
Third	-	1	-	1
Total	**3**	**6**	**2**	**11**

4.2 All eleven units are proposed to be for private sale and the values have been assumed as follows:

Flat no.	No. of Bedrooms	GIA sq ft	GIA sq m	Value	Value £psf	Value £psm
1	1	721	67	[redacted]	[redacted]	[redacted]
2	1	818	76	[redacted]	[redacted]	[redacted]
3	2	1,141	106	[redacted]	[redacted]	[redacted]
4	3	1,270	118	[redacted]	[redacted]	[redacted]
5	3	1,421	132	[redacted]	[redacted]	[redacted]
6a	1	431	40	[redacted]	[redacted]	[redacted]
6b	2	786	73	[redacted]	[redacted]	[redacted]
7	2	1,033	96	[redacted]	[redacted]	[redacted]
8	2	753	70	[redacted]	[redacted]	[redacted]
9	2	969	90	[redacted]	[redacted]	[redacted]
Penthouse	2	1,378	128	[redacted]	[redacted]	[redacted]
Totals		**10,721**	**996**	[redacted]	[redacted]	[redacted]

4.3 The flats all appear to be well sized for their individual function. They will all have the same number of bathrooms as bedrooms, resulting in at least one bathroom being en suite in the two and three bed flats. Rear facing flats have access to private terraces. The basement floor flats all have lightwells to provide natural light, whilst the two rear facing basement and ground floor flats have private access to a rear communal garden. The proposal maintains the current front and rear gardens, however the front garden will be 50% smaller than currently. Both gardens will have comprehensive garden landscaping to improve them aesthetically and provide screening from neighbouring properties. The flats will have a communal entrance at ground level which contains a staircase and lift providing access to upper and lower floors.

4.4 The flats will be accessed from a communal entrance on Goldburn Terrace. Two short ramps will lead down to the main entrance doors. There are stairs and a lift to all floors.

4.5 We have reviewed the information provided by Carter Jonas and we have also undertaken our own research into transactions in the area surrounding the subject

site and have identified the following additional market evidence, all properties are located within 0.5miles of the subject property:

Address	Beds.	Description	Size SqFt	Date	Sale Price	Price psf
Flat 56, Sheringham, St John's Wood Park, NW8 6RA	3	Large fifth floor apartment with two balconies, a garage, 24hr porterage and two bathrooms. Purpose built.	1,305	31/05/17	£1,967,500	£1,508
Flat 16, Park Lodge, St John's Wood Park, NW8 6QT	3	Large apartment with modern fittings, but unfurnished. Attractive building. Very light with lots of windows. Purpose built.	1,485	25/04/17	£1,840,000	£1,239
Flat 47, Eton Court, Eton Avenue, NW3 3HJ	3	Ground floor apartment. Purpose built. En suite plus shower room.	1,008	07/04/17	£1,055,000	£1,047
Flat 81, Walsingham, St John's Wood Park, NW8 6RL	2	Not newly built. Good views from balcony. 24hr porterage and video entrance. En suite to master bedroom. Appears recently refurbished. Purpose built.	837	17/03/17	£1,025,000	£1,225
38a Greencroft Gardens, NW6 3LU	2	Lower ground floor flat conversion with private entrance. Modern fitted flat with private patio and access to communal garden.	773	30/03/17	£735,000	£981
30 Maresfield Gardens NW3 5SX	2	Good sized first floor apartment with balcony and communal garden. Closest underground station is Finchley Road which is on the Jubilee line, like Swiss Cottage. Not newly built. Fittings and furnishing appear outdated. Purpose built.	1,375	24/02/17	£1,156,000	£1,135
Flat 17, St. Johns Court, Finchley Road, NW3 6LL	1	Purpose built flat in a large block. Located on higher level with balcony and view. Closest station is Finchley Road underground. Located above a retail parade.	594	09/12/16	£600,000	£1,010

Garden Flat, 105 Greencroft Gardens, NW6 3PE	1	Large ground floor flat with balcony and garden access. Not new built and fittings could be modernised. A conversion flat. Not a basement property.	1,141	01/02/17	£1,335,000	£1,170

4.6 It can be seen that rates of flats in the area appear to range from £780psf to £1,508psf, and averaging at £1,164 psf, depending on a number of factors including the size of the property, condition and location. The market evidence appears generally in line with Carter Jonas' findings for new build properties in the area which averaged at £1,109psf. However, this figure is higher than their estimated average for the proposed Maryon House properties [redacted]

4.7 The range for three bed flats in the area is £1,055,000 to £1,967,500 (£1,047psf to £1,508psf). The properties at the higher end of this range are bigger than the three bed flats within the proposed development whilst the lowest price achieved was for a smaller property. None of these comparable properties are new builds however some appear recently refurbished. The closest property in size to the proposed flats is Flat 16 Park Lodge which sold for £1,840,000 (£1,129psf), this is significantly higher than the figures estimated for the three bed flats in Maryon House.

4.8 The two bed properties we have identified as comparable to the proposed properties at Maryon House range from £735,000 to £1,156,000 (£981psf to £1,225psf) in price. The majority of the proposed two bed flats (Flats 3, 7, 9 and Penthouse) in Maryon House are closer in size to the properties at the high end of the range. The Penthouse also benefits from a private staircase and lift into the flat as well as a large terrace.

4.9 We have not found any relevant transactions of lower ground floor flats which would have been useful to compare to the two proposed one bedroom flats located in the basement of the new block. The one bedroom flats we have identified range from £600,000 to £1,335,000 and are much smaller and larger respectively than the proposed flats. However, Flat 17, St. Johns Court, Finchley Road, sold for £600,000 (£1,010 psf), higher the price proposed for the basement flats (Flat 1, 2) in Maryon House and slightly under the rate per square foot of unit 6a. This property was not new build nor was it particularly well fitted with modern utilities.

4.10 Generally, we have found that some of the values proposed by Carter Jonas are lower than the market evidence would indicate. In particular the three bedroom units appear to have been undervalued when compared with the three bedroom units we have identified above. These units are on the ground floor with good access and we are of the opinion that they will likely achieve in the region of [redacted] Additionally the two bedroom flat values appear low and we have increased the values to reflect the fact that the properties will be new built and, we assume, finished to a high standard. There is good access and all flats have en suite bathrooms, with the two bedroom flats on the first and second floor also having private terraces. The penthouse apartment has private access via lift into the property and a private staircase leading from the main staircase, two bedrooms, a large living space, and a terrace to the rear. We are of the opinion that, although the flat only has two bedrooms, its top floor position and large terrace means we expect the property to achieve circa [redacted]

4.11 We have considered that the flats are well located for public transport and are located in an attractive residential street. We have considered the private space available to each flat as well as communal outside areas. The larger flats will also benefit from having an allocated parking space.

4.12 Our revised values are as follows:

Floor	Flat No.	Beds	GIA sq m	GIA sq ft	Value	£psf
Basement	1	1	67	721	[redacted]	[redacted]
Basement	2	1	76	818	[redacted]	[redacted]
Basement	3	2	106	1,141	[redacted]	[redacted]
Ground	4	3	118	1,270	[redacted]	[redacted]
Ground	5	3	132	1,421	[redacted]	[redacted]
First	6a	1	40	431	[redacted]	[redacted]
First	6b	2	73	786	[redacted]	[redacted]
First	7	2	96	1,033	[redacted]	[redacted]
Second	8	2	70	753	[redacted]	[redacted]
Second	9	2	90	969	[redacted]	[redacted]
Third	Penthouse	2	128	1,378	[redacted]	[redacted]
Total			**996**	**10,721**	[redacted]	[redacted]

4.13 Overall, the values reflect an increase of approximately 15% on the values proposed by Carter Jonas.

Ground Rents

4.14 Ground rents have been assumed at [redacted] per annum for each of the flats. The income has been capitalised at a yield of [redacted] and the investment has been valued by Carter Jonas at [redacted] before purchase costs. We agree that this approach is reasonable however we would expect to see a higher ground rent for three bedroom flats and a lower ground rent for one bedroom flats. We have adopted Carter Jonas' figure in our appraisal.

Parking

4.15 No additional parking will be provided for the occupants of Maryon House. There are six existing parking permits for the current residents of 115-119 Goldhurst Terrace, and these will be allocated to the residents of the larger flats in the new development. There will be no provision of disabled parking. We have accounted for parking provision when arriving at our sales values for the flats.

5.0 BUILD COSTS

5.1 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Trogal, Griffin Associates, dated 31st July 2017, and concludes that:

"The allowance for contingencies is 7.5% - we consider a reasonable allowance to be 5%. The difference between a 5% and a 7.5% allowance is [redacted]*… Our benchmarking (with the contingency calculated at 5%) results in an adjusted benchmark of* [redacted]*m² that compares to the Applicants* [redacted]*/m² a difference of* [redacted]*m² -* [redacted] *We therefore consider the Applicant's cost to be high by* [redacted] *of which* [redacted] *s the result of the allowance of 7.5% contingency instead of the 5% we consider reasonable."*

5.2 Taking into account this advice we have arrived at a total build cost of [redacted] including contingency.

5.3 Neil's full cost report can be found at Appendix 1.

5.4 The applicants consultants have applied the following additional cost assumptions:

- Professional fees of 10%
- Marketing and disposal fees of 3%

5.5 Generally, we accept that these percentages are realistic and in line with market norms.

5.6 CIL charges have been assumed at £230,000. We have not tested this figure.

5.7 Finance has been included at [redacted] assuming that the scheme is 100% debt financed. This is a reasonable assumption.

5.8 There is no indication within the report on the development programme. For our appraisal, we have assumed a three month pre-construction period, followed by a 12-month construction period and a three month sales period.

5.9 The developer profit target adopted by Affordable Housing Solutions is 17% on GDV which equates to 20.48% on cost. This is a reasonable allowance. If any affordable housing units were included within the scheme we would expect the profit target to be lower for these units.

BPS Chartered Surveyors

6th September 2017

Appendix 1: Build Cost Report

Project: Maryon House 115-119 Goldhurst Terrace, Camden

1 SUMMARY

1.1 The cost plan is at a base of 4Q2017 whereas our benchmarking is current 3Q2017 – however as the current all-in TPI for both 3Q2017 and 4Q2017 is unchanged at 291 there is no material effect. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 3Q2017 is 291 and for 4Q2017 also 291 – both figures are forecasts.

1.2 The allowance for contingencies is 7.5% - we consider a reasonable allowance to be 5%. The difference between a 5% and a 7.5% allowance is [redacted] All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

1.3 Our benchmarking (with the contingency calculated at 5%) results in an adjusted benchmark of [redacted] m^2 that compares to the Applicants [redacted] m^2 a difference of [redacted] m^2 - [redacted]. We therefore consider the Applicant's cost to be high by [redacted] of which [redacted] is the result of the allowance of 7.5% contingency instead of the 5% we consider reasonable.

2 METHODOLOGY

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

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

2.3 BCIS average prices are available on an overall £ per sqm and for new build work

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

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

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

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

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

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

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

2.10 We undertake this adjusted benchmarking by determining the appropriate

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

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the Financial Viability Report issued by Affordable Housing Solutions dated August 2017. Included at Appendix 3 is the Preliminary cost plan Rev 1 31st July 2017 Trogal, Griffin Associates base date 4Q2017.

3.2 The cost plan is at a base of 4Q2017 whereas our benchmarking is current 3Q2017 – however as the current all-in TPI for both 3Q2017 and 4Q2017 is unchanged at 291 there is no material effect. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 3Q2017 is 291 and for 4Q2017 also 291 – both figures are forecasts.

3.3 The cost plan includes an allowance of [redacted] for preliminaries which we consider reasonable. There is no allowance for overheads and profit (OHP) so the allowance is included within the rates.

3.4 The allowance for contingencies is 7.5% - we consider a reasonable allowance to be 5%. The difference between a 5% and a 7.5% allowance is [redacted] All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

3.5 We have extracted the cost information provided by the Applicant into a standard BCIS/NRM format to facilitate our benchmarking. The cost plan has reasonable detail to assist this exercise. The Applicants fittings section includes lift installations and sanitary appliances – both of these have been transferred to the appropriate BCIS/NRM sections.

3.6 Sales have been included in the Appraisal at average figures of [redacted] (Net Sales Area).

3.7 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 129 that has been applied in our benchmarking calculations.

3.8 Refer to our attached file "Elemental analysis and BCIS benchmarking".

3.9 The building is a 5 storey building of flats; BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6+ storey. The elemental information makes no distinction

for storey height resulting in an anomaly for flats below 6 storeys. We have adjusted for this anomaly in our benchmarking.

3.10 Our benchmarking (with the contingency calculated at 5%) results in an adjusted benchmark of [redacted] m² that compares to the Applicants [redacted] m² a difference of [redacted] m² - [redacted]. We therefore consider the Applicant's cost to be high by [redacted] of which [redacted] is the result of the allowance of 7.5% contingency instead of the 5% we consider reasonable.

BPS Chartered Surveyors

Date: 29th August 2017

Maryon House 115-119 Goldhurst Terrace, Camden
Elemental analysis & BCIS benchmarking

		GIA m²		1,207	LF100	LF129
			£	£/m²	£/m²	£/m²
	Demolitions					
1	**Substructure**					
2A	Frame					
2B	Upper Floors					
2C	Roof					
2D	Stairs					
2E	External Walls					
2F	Windows & External Doors					
2G	Internal Walls & Partitions					
2H	Internal Doors					
2	**Superstructure**					
3A	Wall Finishes					
3B	Floor Finishes					
3C	Ceiling Finishes					
3	**Internal Finishes**					
4	**Fittings**					
5A	Sanitary Appliances					
5B	Services Equipment (kitchen, laundry)					
5C	Disposal Installations					
5D	Water Installations					
5E	Heat Source					
5F	Space Heating & Air Treatment					
5G	Ventilating Systems					
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)					
5I	Fuel Installations					
5J	Lift Installations					
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)					
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)					
5M	Special Installations - (window cleaning, BMS, medical gas)					
5N	BWIC with Services					
5O	Management of commissioning of services					
5	**Services**					
6A	Site Works					
6B	Drainage					
6C	External Services					
6D	Minor Building Works					
6	**External Works**					
	SUB TOTAL					
7	**Preliminaries 9.63%**					
	Overheads & Profit					
	SUB TOTAL					
	Design Development risks					
	Construction risks 7.5%					
	Employer change risks					
	Employer other risks - to balance					
	TOTAL					

Benchmarking
Elemental Storey height adjustment
Add demolitions
Add external works
Add additional cost of substructure
Add additional cost of frame & upper floors
Add additional cost of stairs
Add additional cost of int walls
Add additional cost of wall, floor & ceiling finishes
Add additional cost of fittings
Add additional cost of sanitary appliances
Add additional cost of heat source & space heating
Add additional cost of electrical installation
Add additional cost of gas/fuel installation
Add additional cost of lift installation
Add additional cost of communications installations

Add preliminaries 9.63%

Add contingency 5%
Total adjusted benchmark
Difference