



Affordable
Housing
Solutions

Panther House

S73 review

10th August 2021. (With addendum at 25th August 2021 on final page).

We have set out our comments in relation to the BPS report of July 2021.

Site Benchmark

This remains at £20.5m.

Private Residential Values

We accept an increase of £120k, as it is only a 0.74% increase.

Affordable resi values

We accept these at £546k as we have not yet entered into a contract.

Ground rents

These have been accepted at the current time as the legislation to reduce these to a nominal sum has not, at this date, been put into place by the Government.

Commercial

We have attached a schedule of commercial floor areas. Looking into this further we have found that the floor areas for the commercial values put forward were incorrect. The build cost was based on the areas in the attached schedule but the commercial values were not. We have also attached an amended calculation for the commercial rents based upon this floor area schedule.

Affordable workspace: there is also affordable space on the ground floor which we have now shown in the schedule. Rental values of £24psf are accepted.

Office: We have altered the floor areas and the average rental value is now £66.59psf.

Retail units: the overall floor area has risen slightly and the individual unit areas are as set out in the attached report from Exigere.

The purchasers' costs, lettings and sale and disposal costs will vary accordingly but are agreed on the same percentage basis as put forward by BPS.

Build Costs

We accept BPS' slightly higher build cost of £42,182,522 and the consequential changes to contingency and fees.

CIL and s106

Agreed, subject to confirmation from the Council

Abnormals

As this is very sensitive information we will provide supporting evidence under separate confidential cover to BPS alone. The evidence substantiates our figures.

Finance

BPS has undertaken a Fixed Land Cost appraisal and so the interest calculation will be different.

BPS has assumed interest at 6.5% at the current time, rather than our 6.75%. We accept this for current purposes.

Profit

This is accepted at 20% of GDV for private residential, 6% of GDV for affordable residential and 17% for commercial.

Acquisition Costs

We accept 1% for agents and 0.8% for legal but we believe the stamp duty should be nearer 4.95%.

Table of differences between AHS appraisal and BPS and BPS with revised areas

		AHS £	BPS £	BPS (with revised areas) £
Revenues				
Private resi values		16,295,000	16,415,000	16,415,000
Affordable resi values		700,000	546,000	546,000
Ground rents		91,855	91,855	91,855
Affordable Workspace value			6,880,000	6,627,000
Office value	AHS: incl affordable workspace in total.	81,585,660	£74,434,709 Total incl affordable workspace: £81,014,709	73,365,215 Total incl affordable workspace: £79,992,215
Retail value		3,748,644	3,748,644	3,789,474
Total GDV		102,421,159	101,816,208	100,834,543

Costs				
Purchasers' costs		4,954,717	4,921,602	4,864,665
Build		42,140,000	42,182,522	42,182,522
Contingency	5%	2,107,000	2,109,126	2,109,126
Fees	12%	5,363,549	5,363,549	5,3683,549
S106		852,011	852,011	852,011
CIL		649,313	649,313	649,313
Abnormals		2,556,240	?	?
Lettings		627,824	628,546	624,998
Marketing and sales		3,047,861	2,906,838	2,879,096
Finance	6.75% AHS on Residual Land Value 6.5% BPS on higher Fixed Land Value			
Profit		17,872,492	17,741,145	17,574,262
Acquisition Costs	AHS on Residual Land Value. BPS on Fixed Land Cost. Stamp duty should be c4.95%?			
Deficit			(£6,983,321) with abnormal costs (£3,977,339) with no abnormal costs	(£8,187,207) with abnormal costs (£5,181,226) with no abnormal costs

Conclusion

With the revised floor areas for the commercial and assuming the abnormal costs are accepted, the deficit increases from BPS' estimate of £6,983,321 to £8,187,207.

This demonstrates that the proposed s73 does not bring the scheme into surplus and so no additional affordable housing can be supported.

Attachments:

Commercial Floor Area Schedule
Calculation of office and affordable workspace rents
Schedule of retail units

Appraisal in BPS format with revised areas (Live appraisal and PDF).

Addendum: Additional Comments 25th August 2021

This is a response to BPS' 25th August 2021 appraisal (attached).

Commercial Floor areas

BPS has altered these in line with the recent schedule. BPS has inputted the affordable workspace as a gross revenue but has applied the purchasers' costs, as with all the other commercial elements.

Abnormal Costs

BPS has increased the abnormal costs in line with discussions. These costs now include the costs agreed to date by the client, as confirmed by the surveyors, and the cost of an insurance policy. The total is £1,231,740 for current purposes. In the future there are likely to be additional costs to be included on the same basis but these have not been agreed by the client with third parties to date.

Results and Conclusion

We have set out below the inputs accepted for this appraisal, which gives a deficit of £6,270,277 against the site benchmark of £20,500,000. This shows that no additional affordable housing and/or contribution is due at this stage due to the amendments made to the scheme under the s73 application.

		AHS £	BPS 25 th August 2021 Appraisal
Revenues			
Private resi values		16,295,000	16,415,000
Affordable resi values		700,000	546,000
Ground rents		91,855	91,855
Affordable Workspace value	Gross revenue now included		7,110,232
Office value	AHS: incl affordable workspace in total.	81,585,660	73,365,215
			Total incl affordable workspace: £80,475,447
Retail value		3,748,644	3,789,474
Total GDV		102,421,159	101,317,775
Costs			
Purchasers' costs		4,954,717	4,892,693
Build		42,140,000	42,182,522
Contingency	5%	2,107,000	2,109,126

Fees	12%	5,363,549	5,209,711
S106		852,011	852,011
CIL		649,313	649,313
Abnormals		2,556,240	1,231,740
Lettings		627,824	624,998
Marketing and sales		3,047,861	2,892,752
Finance	6.75% AHS on Residual Land Value 6.5% BPS on higher Fixed Land Value		7,198,024
Profit		17,872,492	17,656,412
Acquisition Costs	AHS on Residual Land Value. BPS on Fixed Land Cost. Stamp duty at 4.95%		1,588,750
Deficit			(6,270,277)