Former Royal Exchange Tavern, 57 Hartland Road NW1 8DG

Independent Viability Review

Prepared on behalf of the London Borough of Camden

7th September 2021
Planning Reference: 2021/2905/P

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1.0 INTRODUCTION

1.1 BPS Chartered Surveyors have been instructed by the London Borough of Camden to review a Financial Viability Assessment prepared by Newsteer dated 29th April 2021 on behalf of the applicant, The Arch Company. This report provides an independent assessment of development viability for the proposed scheme under planning reference 2021/2905/P, which proposes "*refurbishment and conversion of existing building to create a Class E unit and two dwellings (Class C3) and construction of a house (Class C3) to the rear*".

1.2 Newsteer's report concludes that the residual land value is -£177,176. This includes £435,809 in developer's profit (19.25% on GDV). Against a benchmark land value of £430,000, they argue that the scheme is at an unviable deficit of -£252,824.

1.3 Newsteer calculate that there would need to be a 15% discount on construction cost rates and 30% increase on sales values before the scheme "*gets close to breaking even*". No further explanation has been provided as to how the applicant intends to make the proposal economically sustainable and deliverable.

1.4 The CPG Housing Chapter 6 provides guidance on the payment in lieu ('PIL') for smaller housing sites like the proposed. The Council have advised that based on the uplift of 267.26 sq m GIA to residential floor space and a 6% affordable housing target (3 properties x 2%), the PIL sought would be £80,100. The Newsteer appraisal seeks to justify nil contribution. The purpose of our report is to review the viability of the proposed scheme in light of the Newsteer findings to ensure that the development contributes the maximum reasonable level towards affordable housing.

1.5 The advice set out in this report is provided in the context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2020, the provisions of VPS1–5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation. The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the Council and with any associated Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Council.

1.6 This Viability Review adheres to the RICS Professional Statement on Financial Viability in Planning (published May 2019). In accordance with this Statement, we refer you to our standard terms and conditions which incorporate details of our Quality Standards Control & Statement on Limitation of Liability/ Publication.

2.0 CONCLUSIONS AND RECOMMENDATIONS

Benchmark land value

2.1 PPG states that where an existing use is to be refurbished this is an Alternative Use Value for viability assessment purposes (see paragraph 017). It is therefore inappropriate to include a landowner's premium and this element has been removed.

2.2 Our Cost Consultant has noted that the refurbishment costs proposed by the applicant's consultants on the public house appear light. Increasing the cost to the BCIS median rate would result in £240,000 in additional expenditure, having a significant impact on benchmark land value. After an allowance for refurbishment and a minor 8% professional fees, this reduces the AUV to £12,000. This is before consideration of developer profit or finance costs, which are normally reasonable assumptions in an AUV.

2.3 It is our Cost Consultant's view that the refurbishment costs at BCIS median rates are reasonable given the condition of the property shown in the Planning Statement for the proposed scheme. However, even if refurbishment costs were at a midpoint between the two parties, the AUV would only increase to £141,600. Further clarity may be achieved through inspection. It is not clear whether Newsteer have inspected the existing property.

Proposed scheme values

2.4 We appreciate that the proposed residential units are disadvantaged by the lack of private outdoor amenity for the flats, and proximity to a railway line. Despite this, we consider the values to be pessimistic. We have increased the values resulting in an additional £75,000 on GDV.

2.5 The valuation of the nursery in Newsteer's report differs from the value in the appraisal. In the report, the blended rental value is £20 per sq ft per annum. In the appraisal, nil value has been applied to the basement level, which results in a blended £13 per sq ft per annum. The latter is below any of the rental evidence provided in the Newsteer report and we do not think it reasonable to apply nil value to this space. Instead, we have applied a rental value of £30 per sq ft per annum to the ground floor accommodation and applied a half-rate to the basement space, resulting in a blended £25 per sq ft per annum across the commercial space.

2.6 The yield applied is in part influenced by the restriction of the Use Class E unit for nursery use. It is not clear how the restriction on use will be enforced, and our views on yield will change if it is found that the use is flexible, as in our view this improves the value of the asset to investors. Even after that restriction is considered, we view 6.75% as a more reasonable yield to apply.

2.7 Finally, we have adjusted the rent-free period of the nursery space to 3 months in line with Newsteer's evidence.

Proposed scheme costs

2.8 Our Cost Consultant Neil Powling has reviewed the costs for the proposed scheme and is satisfied they are reasonable. He also recommends we accept the allowances for contingency costs. His full report can be found in Appendix 1.

2.9 The Newsteer appraisal does not include acquisition fees such as Stamp Duty Land Tax or agency/ legal fees, nor does it include purchaser's costs on the commercial floorspace. We have included these fees in our appraisal.

2.10 In our view the 7% finance rate does not reflect the exceptionally low base rate in the UK at this time. Taking into account the risks of the scheme that may impact the rate offered by a lender, we have adopted 6.75%.

2.11 Whilst we agree with the 15% profit on commercial GDV, in our view a 20% profit on private residential GDV is excessive given the scale of the scheme. The 20% represents the upper end of the allowance in PPG and is typically reserved for large, tower-block schemes. The subject by comparison has the complications of being beneath a railway line and part of a conversion proposal, but otherwise is not high-risk. The inclusion of the Mews House further de-risks the scheme by allowing an earlier injection of income into the cash flow. With this in mind we have adjusted the required profit on private residential GDV to 17.5%.

2.12 The Newsteer appraisal concludes that the scheme produces a negative residual land value of -£177,176, and adding a benchmark land value worsens this deficit. The appraisal before land produces a net effective profit of 11.43%. This is the level at which the applicant is choosing to pursue the development and therefore our position on developer's profit in the appraisal is reasonable.

2.13 Typically we would expect town planning and survey costs to be included in the 10% professional fees. We have therefore removed their inclusion from the acquisition cost section.

Conclusions and recommendations

2.14 After our recommended changes, we calculate that the proposed scheme produces a residual land value of £253,799, which is generously in excess of the proposed benchmark land value of £12,000.

2.15 We have inserted the £80,100 as an upfront payment in lieu towards affordable housing. The scheme retains a positive residual land value of £178,501 which is more than our benchmark land value and is therefore viable.

2.16 We have sensitivity-tested the impacts of changes to base construction cost and sales values on the appraisal. According to our testing, Construction costs could increase by over 10% before the viability of the scheme including an affordable housing contribution is compromised. Alternatively, there could be a 10% drop in values before viability would be strained.

2.17 Were we to take a middle ground position on benchmark land value in regards to refurbishment costs on the existing public house, adopting a cost of £1,279 per sq m (midpoint between the applicant's £966 per sq m and Mr Powling's £1,592 per sq m), this produces an AUV of £141,600, which maintains the viability of the scheme including the PIL.

3.0 PRINCIPLES OF VIABILITY ASSESSMENT

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 Development appraisals can also be constructed to include a fixed land value and fixed profit targets. If an appropriate Benchmark Land Value is included as a fixed land value within a development appraisal, this allows for interest to be more accurately calculated on the Benchmark Land Value, rather than on the output residual value. By including fixed profit targets as a cost within the appraisal, programmed to the end of development so as not to attract interest payments, the output represents a 'super' profit. This is the profit above target levels generated by the scheme which represents the surplus available towards planning obligations.

3.5 This Viability Review report adheres to the RICS Professional Statement on Financial Viability in Planning: Conduct and Reporting (published May 2019). In accordance with this Statement, Section 8 below incorporates details of our Quality Standards Control & Statement on Limitation of Liability/ Publication. This report has been prepared according to the Professional Statement's requirement for objectivity and impartiality, without interference and with reference to all appropriate available sources of information. Where information has not been obtainable, we have stated this expressly in the body of the report.

4.0 BENCHMARK LAND VALUE

Viability Benchmarking

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4.5 We note the Planning Policy Guidance, published May 2019, states:

Benchmark land value should:

- *be based on existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. These may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

The evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

[…] Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

4.6 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.

4.7 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.

4.8 The NPPF recognises 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 is set out in PPG as follows:

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. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)

4.9 Guidance indicates that the sale 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 this liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable.

The Proposed Benchmark

4.10 Newsteer have assumed a rental value of £15 per sq ft per annum capitalised at a yield of 8%, giving a value of £690,000. This is based upon the value of the property after £238,815 of refurbishment works, which have been calculated by Prime

Building Consultants Ltd, and 10% contingency allowances. This gives a residual value of £360,000 to which they have added a 20% landowner's incentive premium.

4.11 Newsteer have described this as an Existing Use Valuation. However, paragraph 017 states that "*Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV* [Alternative Use Value] *when establishing BLV*". This is therefore an Alternative Use Valuation.

4.12 It is not typically appropriate to include an additional landowner's incentive premium, as PPG states "*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*". We have therefore removed the 20% landowner's premium applied by Newsteer.

4.13 Our Cost Consultant Neil Powling has reviewed the refurbishment costs recommended by Prime Building Consultants Ltd and is of the view that the Outline Cost Plan provides some detail of the estimate. Mr Powling is of the view that the extended vacancy of the property has resulted in its poor condition and therefore he would anticipate the refurbishment costs to be higher than the recommended £967 sq m, closer to the BCIS median rate of £1,592 per sq m. He is satisfied that a contingency cost of 10% is reasonable.

4.14 Adopting the higher rate would increase the refurbishment cost from £360,000 to £600,000 including contingency. Given the photographs in Appendix 2 of the Planning Statement our Cost Consultant is of the view that the higher allowance is more appropriate.

4.15 It is reasonable to allow for developer profit and professional fees when determining an AUV. Given the level of refurbishment proposed, there may also be a need to incorporate finance costs. For the purposes of this report, we have assumed a minimal 8% of cost. We have not included finance costs or profit at this stage but reserve the right to do so. We are also conscious that if there are extensive works required to building structure or refurbishment then our professional fees may also be light.

4.16 We are of the view that where a refurbishment is proposed, it is reasonable to assume a refurbishment period as part of the valuation. We have assumed 6 months. We have not adopted a rent-free or letting period but reserve the right to do so in the future, particularly given the uncertain condition of the leisure market post-Covid 19.

4.17 The rental value of £15 per sq ft per annum has been informed by comparable evidence. We have taken particular interest in units of a similar size to the subject and let 2020 onwards, and have assumed that refurbishment would bring the pub into a similar condition to the evidence presented. Evidence of this analysis can be found in Appendix 2.

4.18 In light of the evidence we are satisfied that £15 per sq ft per annum appears reasonable, assuming licencing arrangements are in place. We note that obtaining licences may introduce additional fees that have not been included in the AUV calculation at present. We reserve the right to revisit this in future.

4.19 We note the yield comparables provided by Newsteer but appreciate their inherent limitations. The comparables provided are either income producing or potential candidates for change of use and so have little relevance in this context. We also note that Newsteer make no attempt to analyse this evidence. However, the yield quoted of 8.00% results in a capital value psf which sits within the range of evidence presented and we therefore accept this as reasonable for the purposes of this report.

4.20 Our changes to valuation inputs result in a considerable decrease to benchmark land value to £12,000. Our calculations are shown in Appendix 2.

4.21 This £12,000 land value would be further penalised were we to adopt allowances for finance and profit, rent free, letting void etc. The main differences in value between our assessment of BLV and the applicant's are the level of works required to refurbish the existing premises and the introduction of an optimistic voids period for refurbishment works.

4.22 In our view a Benchmark Land Value for this site in accordance with PPG would be dependent on the level of works undertaken. If evidence of condition is provided to support the level of costs put forward we will reassess land value. We have been advised that the BCIS median is likely very reasonable in light of the photographs received of the existing accommodation. We are also mindful of the costs that at this stage have been excluded. We have therefore proceeded on the basis of an AUV of £12,000.

5.0 RESIDENTIAL UNIT VALUES

5.1 The scheme proposes 3 private residential units, two within the footprint of the existing public house and the erection of an additional dwelling on the area of land to rear of the existing pub. The pricing schedule used by Newsteer is as follows:

Unit reference	Size	Value (£psf)
Flat 1: 2-bed flat from public house conversion	723 sq ft	£500,000 (£692)
Flat 2: 1-bed flat from public house conversion	669 sq ft	£440,000 (£657)
Mews House: 3-bedroom new-build house	1,427 sq ft	£985,000 (£690)

5.2 It is unusual that the price per sq ft of the 1-bed unit is below the 2-and 3-bed counterparts. We would typically expect to see the value per sq ft of the smaller units to be the highest in the scheme due to economies of scale and request some additional narrative in this regard.

5.3 We appreciate that as a smaller scheme beneath a railway line, there is greater importance on the interpretation of comparable, local new-build schemes in relation to valuing the subject site. We also consider the dynamic between ground floor nursery uses and private residential accommodation above to be significant, as residents of these properties may find the downstairs uses result in reduced privacy from congestion/ drop-offs and increased noise only expedited by the noise of the railway above.

Newsteer evidence

5.4 The Newsteer evidence appears to be of asking and sold prices for period conversion flats, houses, purpose-build flats and new-build property sales in 2021. We have kept this evidence base in mind when considering Newsteer's valuation, acknowledging that sold values should be given greater weight than asking prices or agent commentary. Evidence provided by Newsteer of particular relevance is as follows:

Address	Sales information	Additional details
81 Clarence Way	Sold 2nd September 2020 £1.125m (£1,243 per sq ft)	905 sq gt 2-bed terraced property with roof terrace and south-facing garden, in second-hand condition, considered superior to the 2-bed and 3-bed offering at the subject.
Camden Mews, NW1	Under Offer March 2021 £1.395m (£905 per sq ft)	3-bed, new-build Mews House under offer. Other new-build, 3-bed terraces on the market for £1.175m (£719 per sq ft).
53 Harland Road	Sold 22nd October 2020 £755,000 (£832 per sq ft)	3-bed duplex flat within a period building. We were unable to find internal photographs. We anticipate a 3-bed mews house

	will achieve in excess of this value.

5.5 Newsteer observe that "*there is a significant decrease in the values the closer to the railway you get*". This may be the case, although more evidence would need to be submitted to support this claim as equally differences in value psf, such as that of 53 Hartland Road (£755,000) and 21 Hartland Road (£1.328m), are likely to be impacted by other factors (one is a flat and one is a terraced house).

Additional new-build evidence

5.6 The Agar Grove Estate is a considerably larger development than the proposed, being delivered by the London Borough of Camden. The development features a courtyard with play area at the centre and will likely generate higher values than the subject on account of its placemaking benefits. We have focussed on asking prices set in June 2021 for 1-and 2-bed units on the ground-2nd floors:

Plot ref	Floor	Bed	Sq Ft	Most recent price	£PSF	Date of price
1	G	1	575	£570,000	£991	Jun-21
2	G	1	575	£575,000	£1,000	Jun-21
3	G	1	575	£575,000	£1,000	Jun-21
4	G	1	578	£575,000	£995	Jun-21
5	G	1	634	£590,000	£931	Jun-21
6	1	2	816	£765,000	£938	Jun-21
11	G	2	815	£765,000	£939	Jun-21
17	2	2	773	£780,000	£1,009	Jun-21

Additional second-hand evidence

5.7 We appreciate some of the units will be conversion rather than new-build, however we would anticipate a premium over resale evidence generally.

Address	Sales information	Additional details
First floor flat, 264 Camden Road, NW1 9AB	Sold June 2021 £530,000 (£754 per sq ft)	703 sq ft 2-bed Smaller than the 2-bed proposed,. Moderate second-hand condition. Split bathroom.
First Floor Flat, 266 Camden Road, NW1 9AB	Sold March 2021 £557,500 (£732 per sq ft)	762 sq ft 2-bed Similar in size to the 2-beds at the proposed. Moderate second-hand condition.
48 Price of Wales Road, NW5 3LN	Sold November 2020 £1,000,000	1-bed flat in good condition
Flat 58b Lawford Road, NW5 2LN	Sold March 2021 £570,000 (£891 per sq ft)	640 sq ft 1-bed Recently refurbished shower suite. On the raised ground floor. Share of rear garden.
Flat 99, Eton Hall, NW3 2DN	Sold March 2021 £505,000 (£932 per sq ft)	542 sq ft 1-bed

		Smaller than any unit in the subject scheme. Third floor apartment. No private outdoor amenity space.
3 Harmood Street, NW1 8DN	Sold March 2021 £1,151,000 (£903 per sq ft)	1,274 sq ft 3-bed terrace 3 bathrooms, dual-aspect, street parking, in good second-hand condition.

Private residential values conclusion

5.8 Even after consideration of the weaknesses of the site for residential occupation - the railway line above, the layout restraints of conversion units, and the lack of private outdoor amenity space in the flats – we are of the view that the scheme has been valued pessimistically. The Mews House will be detached and in close proximity but not directly beneath the railway. We have made the following adjustments to the flat's values:

Unit reference	Size	Value (£psf)
2-bed flat	723 sq ft	£530,000 (£733)
1-bed flat	669 sq ft	£475,000 (£710)
Mews House	1,427 sq ft	£995,000 (£690)

Ground rents

5.9 Noting the Government's restated intentions to introduce legislation reforming current leasehold practices within the Leasehold Reform (Ground Rent) Bill last updated 21st July 2021 which would reduce ground rents to a nominal sum, we have excluded capitalised ground rental income from our appraisal. This is supported by limitations from many mortgage lenders lending on new build properties with such provisions and by the help to buy scheme not being eligible to apartments subject to ground rents.

Parking

5.10 We understand that the proposed scheme will not include car parking.

6.0 COMMERCIAL VALUES

6.1 The proposed scheme will deliver 187.93 sq m of Use Class E space intended to be used as a nursery. The nursery use is said to be in line with preapplication discussions, wherein a residential or commercial (which we take to mean offices or retail) use to the ground floor was not preferable. The accommodation is spread across ground and basement floors.

6.2 It is not clear how the space will be restricted to nursery use given the flexibility owed to Use Class E. We have valued the space on the basis that it will only be used as a nursery or similar previous Use Class D1 occupiers, but note that the yields used and the rental value potentially obtainable for the space may change if it is found that there is no way of restricting the use. Fortunately, the requirement for nurseries to remain open during lockdown for key worker children means that many properties remained operational and were not so harshly impacted during Covid-19.

6.3 In their appraisal, Newsteer have applied a rental value of £20 per sq ft per annum on the ground floor and nil rental value on the basement space. We do not think it reasonable to assume that this space will have no value. Floor plans show 65.51 sq m / 705 sq ft of storage space on the basement? floor which would be valuable to other commercial uses such as retail, but as nursery space, this could still be used as play areas. We appreciate the lack of natural light will make the space less attractive but certainly not without any value. Removing the value of the basement space means that Newsteers' position on rental value is a blended £13 per sq ft per annum as opposed to £20 per sq ft per annum. This is substantially below Newsteers evidence base, even after considering possible discounts for the basement space. We have taken the most recent of their evidence and analysed below:

Address	Lettings information	Additional details
1-4 Christopher Place, NW1	Let March 2021 Stepped rent of between £152,000-£165,000 per annum across 5 years which is said to break back to a net rent of £34 per sq ft per annum.	Includes outside play areas Lease included 3-months rent-free
55 Cricklewood Broadway NW2	Let February 2021 £35,000pa (£22.17 per sq ft)	Planning permission for Class E use. Was let to a dentist rather than a nursery which further emphasises the impact of flexibility of investment and rental values. 3-months rent-free
48-50 Parkway, NW1	Let November 2020 £85,000pa (£53 per sq ft) Appendix G then describes the achieved rent as a lower £83,583pa (£44.70 per sq ft)	Prominent High Street location. 10-year term with 2-months rent-free period. Garden to the rear. Measurement according to Business Rates is 148 sq m / 1,597 sq ft as opposed to the 1,870 sq ft cited in the report.

6.4 The Newsteer report (as opposed to the appraisal) refers to a value on the creche of £40,000pa, which is closer to the value of the asset were the basement to also have a value of £20 per sq ft per annum applied. This differs from the £26,340pa in the appraisal. We have taken our lead from the appraisal as this is the basis on which a negative residual value is reported later in the Newsteer report. However, we view the rent referenced in the report as closer to reasonable.

6.5 In our view, even after considering the lack of outdoor space the currently applied rental value is unduly pessimistic. We have amended the valuation to £30 per sq ft per annum on the ground floor and applied a half rate to the basement space, giving a blended value of £25 per sq ft per annum or c.£50,000 per annum overall.

6.6 The Newsteer evidence base implies that their 6-month rent-free incentive period is pessimistic. We have adjusted this to 3 months in line with Christopher Place and Cricklewood Broadway.

6.7 The applied yield of 7.50% presumably reflects the restriction of the space's use, as it is higher than the two gross yield examples cited on the Broadway (6.8% GIY, capital value £351psf) and Northumberland Park (4.44% GIY, capital value £361 per sq ft), both marginally historic being sold in May 2019 and July 2018.

6.8 We are aware of a September 2019 transaction of a nursery at the Spiritualist Temple, Rochester Square, NW1 9RY with a purchase price of £2.175m (£625 per sq ft across 3,478 sq ft) achieved a Net Initial Yield of 5.28%. More recently, Pentonville Road Dental at 245 Pentonville Road, N1 sold at auction for £780,000 (£696 per sq ft) as a tenanted asset on a 20 year lease starting in 2006. The income was £32,500pa (£29 per sq ft per annum) and the net initial yield was 3.95%. This yield was low on account of there being a rent review due in 2021.

6.9 On the basis that the unit will not be useable as retail or offices in line with the Use Class E, but more in line with the previous Use Class D1 (nursery), and on the basis of the evidence above, we have improved this yield to 6.75%.

6.10 Newsteer's valuation produces a capital value of £338,727 (£167.52 per sq ft). On a capital value basis, this is significantly below any of the available evidence. This is taken from the appraisal as opposed to the main report which gives a value of £495,000 (£245 per sq ft). After our recommended changes to rental value distribution, rent-free period and yield we estimate the value of the proposed Use Class E space to be £730,000 (£361 per sq ft).

6.11 We note the Newsteer report refers to this as an investment value. Whilst the method of valuation is the investment method, for clarity we should reinforce that this is not an investment value, which the RICS Valuation – Global Standards 2020 defines as the value to a particular individual, but rather is a Market Value per standard industry practice.

7.0 DEVELOPMENT COSTS

7.1 We have instructed our independent Cost Consultant Neil Powling to review the cost plan prepared by Prime Building Consultants Ltd dated March 2021, both for the proposed scheme and the refurbishment scenario informing Benchmark Land Value. In terms of the proposed scheme, Mr Powling is satisfied that the applicant's allowances for preliminaries and contingencies are reasonable, and the overall cost per sq m is in line with BCIS benchmarking.

7.2 We have added purchaser's costs on commercial floorspace at 6.8% in line with standard industry practice. We have also added Stamp Duty Land Tax and acquisition fees of 1.8% on land value into the appraisal.

7.3 Newsteer have included £50,000 in their appraisals for town planning and surveys. We request that these costs are expanded upon as we would usually see them contained within the professional fees allowance, which at 10% appears reasonable.

7.4 We have not interrogated inputs in relation to Borough or Mayoral CIL and Section 106 costs on the basis that these will need to be agreed with relevant persons at the Council.

7.5 Letting legal and agency fees of a total 15% and sales legal and agency fees of 1.5% are both standard industry assumptions. The disposal fees do not make any additional allowances for marketing, which appears reasonable.

7.6 A debit finance rate of 7% is at the upper end of the range we typically consider reasonable given the exceptionally low interest rates currently in the UK. We appreciate that smaller schemes often have higher funding requirements and working on existing property may be seen as a higher risk to lenders, however, we view 6.75% as more reasonable and at a suitable premium over the levels we are seeing applied elsewhere to viability assessments in the Borough.

7.7 The timescales of 3 months pre-construction, 12 months construction and 3 months of sales appear reasonable. We have assumed the commercial unit will be sold on completion to an investor, and that the Mews House will be sold 3 months prior to construction completion, given that this will be capable of completion independently from the public house refurbishment element of the scheme.

7.8 We are satisfied that commercial profit at 15% of GDV is a standard industry assumption. The 20% private residential profit on GDV is at the upper end of the 15-20% range cited by PPG and is typically reserved for tower-block schemes that carry more developer risk. The subject scheme by comparison is of a small scale and the mews home offers the opportunity to inject income earlier in the cash flow than tower-block developments, lowering its risk. Appreciating the difficulties of logistics below a railway line we have applied a higher rate than would normally be seen as competitive, at 17.5% of private residential GDV (where typically we see 15% on GDV for low-rise residential development, per the *London Plan Viability Study* 2017).

8.0 SIGNATORIES

The following persons have been involved in the production of this report.

Elise Thompson MSc MRICS
RICS number: 6681015
For and on behalf of BPS Chartered Surveyors

&

Clare Jones MRICS
Associate Director
RICS number: 0095561
For and on behalf of BPS Chartered Surveyors

This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.

The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information, and our instruction is not on a success-related or contingent fee basis.

Appendix 1
Cost Consultant report

Project: 57 Hartland Road, Camden (Former Royal Exchange Tavern), NW1 8DG
2021/2905/P

Independent Review of Assessment of Economic Viability

Interim Draft Report
Appendix A Cost Report

1 SUMMARY

1.1 The allowance for contingencies for the proposed scheme is 7.1% and for the EUV refurbishment scheme 10%. We consider these allowances reasonable for the proposed form of construction.

1.2 Our benchmarking of the proposed scheme results in an adjusted benchmark of £3,339/m² that compares to the Applicant's £3,314/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable.

1.3 The Applicants costs for refurbishment of the Tavern are £328,816 (£967/m²). A BCIS mean rate for rehabilitation of public houses is £1,820/m² (the median rate is £1,593/m².) The Outline Cost Plan provides some detail of the estimate; we have not been instructed to undertake a site inspection. The FVA at 3.4 states that the site has been vacant for a number of years. It seems probable therefore that the condition will be poor. We would expect the costs of refurbishment to be higher than £967/m² and closer to the BCIS median rate of £1,593/m².

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 its 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 Assessment issued 29th April 2021 by Newsteer for The Arch Co and the Outline cost plan for Proposed Scheme issued by Prime Building Consultants Ltd 26 March 2021 together with the Outline cost plan for Tavern refurbishment issued by Prime Building Consultants Ltd 23 April 2021

3.2 We have also downloaded a number of files from the planning web site.

3.3 The cost plan for the proposed scheme is dated April and we assume is on a current day basis. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 2Q2021 is 331 (Provisional) and for 3Q2021 336 (forecast).

3.4 The design information used to produce the cost plan has not been scheduled.

3.5 The cost plan includes an allowance of 12.5% for preliminaries. There is no separate allowance for overheads and profit (OHP. We consider the allowance for preliminaries reasonable.

3.6 The allowance for contingencies for the proposed scheme is 7.1% and for the EUV refurbishment scheme 10%. We consider these allowances reasonable for the proposed form of construction. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

3.7 We have extracted the cost information provided by the Applicant for both the proposed scheme and the refurbishment of the Tavern into a standard BCIS/NRM format to facilitate our benchmarking.

3.8 Sales have been included in the Appraisal at average figures from £657/ft² to £691/ft² (Net Sales Area).

3.9 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 132 that has been applied in our benchmarking calculations.

We have adopted the same GIA used in the Applicant's cost plan; we assume
this to be the GIA calculated in accordance with the RICS Code of Measurement
3.10 6th Edition 2007.

The main building is a 4-storey building of flats and a nursery above a basement,
the mews house is 3 storeys; BCIS average cost data is given in steps: 1-2 storey,
3.11 3-5 storey, 6 storey or above.

We have calculated a blended rate for benchmarking the propose scheme as the table below.

3.12

3.13

	ft²	m²	%	BCIS £/m²	Blended £/m²
1B flat	680	63			
2B flat	770	72			
Total of flats	1,450	135	30%	1,988	588
Detached Mews house	1,427	133	29%	2,214	645
Nursery	2,023	188	41%	3,324	1,372
Total	4,900	455	100%	7,525	2,605

3.14 Our benchmarking of the proposed scheme results in an adjusted benchmark of £3,339/m² that compares to the Applicant's £3,314/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable.

3.15 The Applicants costs for refurbishment of the Tavern are £328,816 (£967/m²). A BCIS mean rate for rehabilitation of public houses is £1,820/m² (the median rate is £1,593/m².) The Outline Cost Plan provides some detail of the estimate; we have not been instructed to undertake a site inspection. The FVA at 3.4 states that the site has been vacant for a number of years. It seems probable therefore that the condition will be poor. We would expect the costs of refurbishment to be higher than £967/m² and closer to the BCIS median rate of £1,593/m².

3.16 The areas and costs included in the appraisal are consistent with the areas and costs in the cost plan.

BPS Chartered Surveyors
Date: 31st August 2021

57 Hartland Road, Camden (Former Royal Exchange Tavern), NW1 8DG
Elemental analysis & BCIS benchmarking
Proposed scheme - 2 flats, mews house & Nursery

				BCIS new build flats	
		GIA m²	455	LF100	LF132
		£	£/m²	£/m²	£/m²
	Demolitions 4.7%	**56,210**	**123**		
1	**Substructure**	**132,494**	**291**	**150**	**198**
2A	Frame			132	174
2B	Upper Floors	69,195	152	82	108
2C	Roof	133,072	292	92	121
2D	Stairs	21,500	47	30	40
2E	External Walls	193,998	426	192	253
2F	Windows & External Doors	52,185	115	90	119
2G	Internal Walls & Partitions	79,525	175	70	92
2H	Internal Doors	23,541	52	50	66
2	**Superstructure**	**573,016**	**1,259**	**738**	**974**
3A	Wall Finishes	143,402	315	74	98
3B	Floor Finishes	91,729	202	61	81
3C	Ceiling Finishes	65,461	144	39	51
3	**Internal Finishes**	**300,592**	**660**	**174**	**230**
4	**Fittings**	**33,300**	**73**	**62**	**82**
5A	Sanitary Appliances			30	40
5B	Services Equipment (kitchen, laundry)			25	33
5C	Disposal Installations			13	17
5D	Water Installations	52,745	116	33	44
5E	Heat Source			49	65
5F	Space Heating & Air Treatment			105	139
5G	Ventilating Systems, smoke extract & control			18	24
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)	52,569	115	89	117
5I	Fuel Installations			7	9
5J	Lift Installations			37	49
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)			11	15
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)			23	30
5M	Special Installations - (window cleaning, BMS, medical gas)			42	55
5N	BWIC with Services			14	18
5O	Management of commissioning of services				
5	**Services**	**105,314**	**231**	**496**	**655**
6A	Site Works	34,700	76		
6B	Drainage	8,000	18		
6C	External Services				
6D	Minor Building Works				
6	**External Works 3.6%**	**42,700**	**94**	**0**	**0**
	SUB TOTAL	**1,243,626**	**2,732**	**1,620**	**2,138**
7	**Preliminaries 12.5%**	**156,000**	343		
	Overheads & Profit				
	SUB TOTAL	**1,399,626**	**3,075**	**1,620**	**2,138**
	Design Development risks				
	Construction risks 7.1%	100,000	220		
	Employer change risks				
	Employer other risks - to balance casting error	9,000	20		
	TOTAL	**1,508,626**	**3,314**		

Benchmarking		2,605
Add demolitions	123	
Add external works	94	
Add additional cost of external walls	173	
Add additional cost of floor finishes	121	
	511	
Add prelims 12.5%	64	575
		3,180
Add contingency 5%		159
Total adjusted benchmark		3,339

57 Hartland Road, Camden (Former Royal Exchange Tavern), NW1 8DG
Elemental analysis & BCIS benchmarking
Refurbishment of Tavern

				BCIS Mean Rehab pub		Median
	GIA m²		340	LF100	LF132	LF132
		£	£/m²	£/m²	£/m²	£/m²
	Demolitions	**22,495**	**66**			
1	**Substructure**			73	96	0
2A	Frame					
2B	Upper Floors	3,150	9			
2C	Roof	8,400	25			
2D	Stairs	9,000	26			
2E	External Walls	2,100	6			
2F	Windows & External Doors	8,295	24			
2G	Internal Walls & Partitions	24,917	73			
2H	Internal Doors	25,452	75			
2	**Superstructure**	**81,314**	**239**	803	1,060	919
3A	Wall Finishes	16,482	48			
3B	Floor Finishes	31,323	92			
3C	Ceiling Finishes	29,271	86			
3	**Internal Finishes**	**77,076**	**227**	267	352	379
4	**Fittings**	**20,500**	**60**	177	234	248
5A	Sanitary Appliances					
5B	Services Equipment (kitchen, laundry)					
5C	Disposal Installations					
5D	Water Installations	27,170	80			
5E	Heat Source					
5F	Space Heating & Air Treatment					
5G	Ventilating Systems, smoke extract & control					
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)	33,869	100			
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**	**61,039**	**180**	537	709	719
6A	Site Works	1,500	4			
6B	Drainage					
6C	External Services	3,000	9			
6D	Minor Building Works					
6	**External Works**	**4,500**	**13**	0	0	
	SUB TOTAL	**266,923**	**785**	1,857	2,451	2,265
7	**Preliminaries**	**32,000**	**94**			
	Overheads & Profit					
	SUB TOTAL	**298,923**	**879**	1,857	2,451	2,265
	Design Development risks					
	Construction risks 10%	29,892	88			
	Employer change risks					
	Employer other risks					
	TOTAL	**328,816**	**967**			

Benchmarking - Public house rehab/convert	2,402
Add contingency 10%	240
Total Mean cost of	2,643

Appendix 2
Benchmark land value research and calculation

Address	Lettings information	Additional details
Former Lazy Fox PH, 18 Farm Lane, SW6 1PP	Let January 2021 £80,000pa (£26.67 per sq ft)	3,000 sq ft Three storey building from basement to second floors. A planning application was submitted to Hammersmith & Fulham in March 2021 to install a monopole. Lease was free of tie, and achieved rent was significantly below the asking rent of £95,000pa, likely negotiated on the back of Covid-19 risk.
Marquess Tavern, 32 Canonbury Street, N1 2TB	Let March 2021 £60,000	Tripadvisor photographs show interior in good condition, but most recent reviews 2020. In 2017 the property received permission for refurbishment. The property is a Grade II listed building. Without an idea of size it is difficult to compare to the subject but we would anticipate a higher rental value than at the subject is achievable at Marquess Tavern on account of the recent refurbishment.
The Monarch, 40-42 Chalk Farm Road, NW1 8BG	Let December 2019 (pre-Covid) £162,500pa (£54 per sq ft)	3,000 sq ft 25-year lease let with 15 years remaining. From description in Newsteer report we assume this to be assignment.
Favela 61-65 Crowndale Road, NW1 1TN	On the market £175,000pa (£45.70 per sq ft)	3,839 sq ft Includes a £100,000 premium. The Newsteer report describes an existing lease expiring in 2033, so we assume this to be an assignment. The passing rent from September 2019 was £125,000pa (£33 per sq ft).
Duke of York, 86 Steyne Road, W3 9NU	On the market Asking £40,000pa (£14 per sq ft)	2,854 sq ft Property appears to be boarded and will likely require refurbishment, presumably from an incoming tenant. It is therefore likely there will be a rent-free or tenant incentive included in the lease, which will lower net effective rent.
Marquis of Lansdowne, 48 Stoke Newington Road, N16 7XJ	On the market Asking £90,000pa (£26.91 per sq ft)	3,345 sq ft Includes c.£100k premium. Anticipated 5-yearly, upward-only rent reviews on a 15-year term lease and free of tie basis.

	Newsteer Position	BPS Position
Refurbishment cost	£966	£1,592
Sq m	340	340
Sq ft	3,665	3,665
Total	£328,815	£542,060
Contingency	10%	10%
	£32,882	£54,206
Total	£361,697	£596,265
	£360,000	£600,000
Rental value	Applicant	BPS
Per sq ft	£15	£15
Total	£54,975	£54,975
Say	£55,000	£55,000
Yield	8%	8%
Lettings/ rent free	0	0
Refurbishment	0	0.5
PV	1.0000	0.9623
Capital value	£687,500	£661,547
Say	£690,000	£660,000
Benchmark Land Value	Applicant	BPS
Capital value	£690,000	£660,000
Refurb inc contingency	£360,000	£600,000
Profit	0%	0%
	£0	£0
Fees	0%	8%
	£0	£48,000
AUV	£330,000	£12,000

Appendix 3
BPS appraisals

57 Hartland Road

Development Appraisal
Prepared by BPS
BPS Surveyors
03 September 2021

57 Hartland Road

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Flat 1 (2 Bed)	1	723	733.06	530,000	530,000
Flat 2 (1 Bed)	1	669	710.01	475,000	475,000
Mews House (3 Bed)	1	1,427	697.27	995,000	995,000
Totals	**3**	**2,819**			**2,000,000**

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Nursery (Ground Floor)	1	1,317	30.00	39,510	39,510	39,510
Nursery (Basement Floor)	1	705	15.00	10,575	10,575	10,575
Totals	**2**	**2,022**			**50,085**	**50,085**

Investment Valuation

Nursery (Ground Floor)					
Market Rent	39,510	YP @	6.7500%	14.8148	
(2mths Unexpired Rent Free)		PV 2mths @	6.7500%	0.9892	578,996
Nursery (Basement Floor)					
Market Rent	10,575	YP @	6.7500%	14.8148	
(2mths Unexpired Rent Free)		PV 2mths @	6.7500%	0.9892	154,970
Total Investment Valuation					**733,966**

GROSS DEVELOPMENT VALUE			**2,733,966**
Purchaser's Costs		(49,910)	
Effective Purchaser's Costs Rate	6.80%		
			(49,910)
NET DEVELOPMENT VALUE			**2,684,056**
NET REALISATION			**2,684,056**

OUTLAY

ACQUISITION COSTS			
Residualised Price		178,501	
			178,501
Stamp Duty		2,570	
Effective Stamp Duty Rate	1.44%		
Agent Fee	1.00%	1,785	
Legal Fee	0.80%	1,428	
			5,783

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Nursery (Ground Floor)	1,317	233.63	307,691	
Nursery (Basement Floor)	705	233.63	164,709	
Flat 1 (2 Bed)	770	233.63	179,895	
Flat 2 (1 Bed)	680	233.63	158,868	
Mews House (3 Bed)	1,427	233.63	333,390	
Totals	**4,899 ft²**		**1,144,553**	
Contingency			100,000	
Demolition			56,210	
				1,300,763
Other Construction				
MCIL2			36,415	
BCIL			178,129	
External works, services & drainage			51,700	
Other construction			156,000	
				422,244
Section 106 Costs				
Section 106 Costs			6,810	
PIL			80,100	
				86,910

57 Hartland Road

PROFESSIONAL FEES				
Professional Fees		10.00%	119,625	
Residential profit		17.50%	350,000	
Commercial profit		15.00%	110,095	
				579,720
MARKETING & LETTING				
Letting Agent Fee		10.00%	5,009	
Letting Legal Fee		5.00%	2,504	
				7,513
DISPOSAL FEES				
Sales Agent Fee		1.00%	26,841	
Sales Legal Fee		0.50%	13,420	
				40,261
FINANCE				
Timescale	**Duration**	**Commences**		
Pre-Construction	3	Apr 2017		
Construction	12	Jul 2017		
Sale	3	Jul 2018		
Total Duration	18			
Debit Rate 6.750%, Credit Rate 0.000% (Nominal)				
Land			14,974	
Construction			44,336	
Other			3,051	
Total Finance Cost				62,361
TOTAL COSTS				**2,684,056**
PROFIT				
				0
Performance Measures				
Profit on Cost%		0.00%		
Profit on GDV%		0.00%		
Profit on NDV%		0.00%		
Development Yield% (on Rent)		1.87%		
Equivalent Yield% (Nominal)		6.75%		
Equivalent Yield% (True)		7.04%		
IRR% (without Interest)		5.61%		
Profit Erosion (finance rate 6.750)		0 mths		