

## STATEMENT OF COMMON GROUND - VIABILITY MATTERS

London Borough of Camden and Essential Living (Swiss Cottage) Limited

**COUNCIL REFERENCE: 2021/0025/P**

**PLANNING INSPECTORATE (APPEAL) REFERENCE: APP/X5210/Q/21/3276844**

### VIABILITY PARAMETERS

(notwithstanding the Council's views that viability is not relevant to the appeal)

The following matters are agreed between the two parties:

#### Appraisal Inputs

The table below reflects the agreed inputs.

	Appraisal Input	Assumption
Costs	Construction Cost	£103,630,000
	Retention on Demolition	£120,000
	Parkland Licence Extension	£644,000
	S106	£239,000
	S278	£250,000
	Professional Fees	£12,435,600 (12%)
	Letting Agent Fees	10% of annual rent
	Letting Legal Fees	5% of annual rent
	Sales Agent Fee	1% of GDV
	Sales Legal Fee	0.5% of GDV
	Purchaser's Costs	6.8%
	Marketing Fees – market sale	1% of GDV
	Finance Rate (Debit)	6.75%
Profit	Profit on Market Sale	17.5% on GDV
	Profit on Affordable Housing (Social Rent / Shared Ownership / Discount Market Rent where sold to an RP)	6% on GDV
	Profit on Build to Rent	15% on GDV
Development Timescale	Pre-Construction Period	3 months
	Construction	24 months

	Appraisal Input	Assumption
Market Sales Period	Sales Period Post Completion	18 months
	Off Plan Sales	50%
Build to Rent Sales Timing	Assumes Sale of a stabilised asset, i.e. after a let-up period following practical completion	6 months stabilisation
Benchmark		£31m
Consented Scheme Income - assuming Market Sale	Market Sales Income GDV for 130 homes	£118,051,200 (£1,200/sqft)
	Affordable Housing GDV 36 homes	£8,170,000
	Discounted Market Rent GDV 18 homes	£6,970,831
	Retail including ancillary retail	£5,419,200
Consented Scheme Income – assuming Build for Rent	Market Rent GDV	£102,583,846
	Affordable Housing GDV 36 homes	£8,170,000
	Discounted Market Rent GDV 18 homes	£6,970,831
	Retail including ancillary retail	£5,419,200
Proposed Scheme Income	Market Rent GDV	£131,651,539
	Discounted Market Rent GDV 18 homes	£6,970,831
	Retail including ancillary retail	£5,419,200

## Appraisal Results

Appraisal Iteration	Residual Deficit*1
Existing Consent. Assumes Market Sale	-£59,073,122 (Deficit)
Existing Consent. Assumes Build to Rent	-£70,964,078 (Deficit )
Proposed Scheme	-£56,651,291 (Deficit )

### Note

The residual deficit has been derived using a conventional residual appraisal incorporating a fixed land cost at the BLV, together with the Appellant's profit target embedded as a fixed cost. The output deficit from each appraisal therefore identifies the overall deficit driven by each appraisal.

## Surplus Profit for Post Completion Viability Assessment

The worked examples at Appendix 2 on the S106 deed will be adjusted such that the post completion viability assessment reflects the following depending on whether the appeal is allowed or not:

### Assumes the Appeal is refused (i.e. consent is maintained)

The wording will be adjusted to refer to Worked Example of Calculation of Deferred Affordable Housing Contribution pursuant to **3.16** of the S106 agreement:

Review GDV less Application GDV = Surplus

50% of Surplus is payable to the Council.

Total Review GDV: to be calculated as follows:

[Gross Market Rent per sqft in Block A and Block B] x x 5% YP (20)

+ Retail GDV

+ Affordable Housing Sale

= Total Review GDV

Application GDV: £215,560,031

### Example:

Gross Rent Received of x 11,000,000x 5% YP (20) = £220,000,000

+ Retail GDV (example): 5,419,200

+ Affordable Housing Sale (example): £8,170,000

Total Review GDV = £233,589,200

Application GDV: £215,560,031

Surplus: £233,589,200- £215,560,031 = £18,029,169

50% of Surplus = £9,014,584.5 due to the Council

Assumes the Appeal is allowed (i.e. the scheme is amended)

Review GDV less Application GDV = Surplus

50% of Surplus is payable to the Council.

Review GDV: to be calculated as follows:

[Gross Market Rent] x 5% YP (20)

+ Retail GDV

= Total Review GDV

Application GDV: £217,815,135

Example:

£15,000,000 x 5% YP (20) = £300,000,000

+ Retail GDV (example): 5,419,200

Total Review GDV = £305,419,200

Application GDV: £217,815,135

Surplus: £305,419,200 - £217,815,135 = £87,604,065

50% of Surplus = £43,802,033 due to the Council



**Signed on behalf of the Council by Andrew Jones of BPS:**

**Date: 18.10.2021**

**Signed on behalf of the Appellant by Gareth Turner (Savills, on behalf of Essential Living (Swiss Cottage) Limited):**



**Date: 18.10.2021**

## **APPENDIX**

Financial Appraisals:

- 1 – Consented Scheme assuming delivery as Market sale
- 2 – Consented Scheme assuming Build to Rent
- 3 – Proposed Scheme
- 4 – Consented Scheme Breakeven Appraisal to inform S106
- 5 – Proposed Scheme Breakeven Appraisal to inform S106

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## Appendix 1 – Consented Scheme Assuming Delivery as Market Sale

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100 Avenue Road, Swiss Cottage  
Consented Scheme  
Assumes Market Sale

Development Appraisal  
Savills  
18 October 2021

# APPRAISAL SUMMARY

SAVILLS

100 Avenue Road, Swiss Cottage  
Consented Scheme  
Assumes Market Sale

## Appraisal Summary for Phase 1

Currency in £

### REVENUE

Sales Valuation	Units	ft <sup>2</sup>	Sales Rate ft <sup>2</sup>	Unit Price	Gross Sales
Block A Market	130	98,376	1,200.00	908,086	118,051,200
36 Affordable Housing Units	36	35,099	232.77	226,944	8,170,000
<b>Totals</b>	<b>166</b>	<b>133,475</b>			<b>126,221,200</b>

### Rental Area Summary

	Units	ft <sup>2</sup>	Rent Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Block B DMR	18	13,518	21.61	16,233	219,141	292,188	219,141
Retail + Ancillary Retail	1	12,598	30.00	377,940	377,940	377,940	377,940
<b>Totals</b>	<b>19</b>	<b>26,116</b>			<b>597,081</b>	<b>670,128</b>	<b>597,081</b>

### Investment Valuation

#### Block B DMR

Manual Value 6,970,831

#### Retail + Ancillary Retail

Manual Value 5,419,200

#### Total Investment Valuation

12,390,031

### GROSS DEVELOPMENT VALUE

138,611,231

Purchaser's Costs

(842,522)

Effective Purchaser's Costs Rate

6.80%

(842,522)

### NET DEVELOPMENT VALUE

137,768,709

### NET REALISATION

137,768,709

### OUTLAY

#### ACQUISITION COSTS

Fixed Price

31,000,000

Fixed Price

31,000,000

31,000,000

Stamp Duty

1,539,500

Effective Stamp Duty Rate

4.97%

Agent Fee

1.00%

310,000

Legal Fee

0.80%

248,000

2,097,500

#### CONSTRUCTION COSTS

##### Construction

Units

Unit Amount

Cost

Construction Costs

1 un

103,630,000

103,630,000

Retention on Demolition

120,000

S106

239,000

S278

250,000

Parkland License Extension

644,000

104,883,000

#### PROFESSIONAL FEES

All Professional Fees

12.00%

12,435,600

12,435,600

#### MARKETING & LETTING

Marketing

1.00%

1,180,512

Letting Agent Fee

10.00%

37,794

Letting Legal Fee

5.00%

18,897

1,237,203

#### DISPOSAL FEES

Sales Agent Fee

1.00%

1,377,687

Sales Legal Fee

0.50%

688,844

2,066,531

#### Additional Costs



**100 Avenue Road, Swiss Cottage**
**Consented Scheme**
**Assumes Market Sale**

Profit on private residential	17.50%	20,658,960	
Profit on DMR	15.00%	1,045,625	
Profit on affordable housing	6.00%	490,200	
Profit on commercial	15.00%	812,880	
			23,007,665

**FINANCE**

Debit Rate 6.750%, Credit Rate 0.500% (Nominal)			
Land		5,166,845	
Construction		7,446,180	
Other		7,501,308	
Total Finance Cost			20,114,332

**TOTAL COSTS**
**196,841,831**
**PROFIT**
**(59,073,122)**
**Performance Measures**

Profit on GDV%	-42.62%
IRR% (without Interest)	-17.42%

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## Appendix 2 – Consented Scheme Assuming Build to Rent

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100 Avenue Road, Swiss Cottage  
Build to Rent As Consented

# APPRAISAL SUMMARY

SAVILLS

100 Avenue Road, Swiss Cottage  
Build to Rent As Consented

## Appraisal Summary for Phase 1

Currency in £

### REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Affordable Rent Block D	28	28,611	232.77	237,850	6,659,787
Intermediate Block F	8	6,488	232.77	188,777	1,510,213
<b>Totals</b>	<b>36</b>	<b>35,099</b>			<b>8,170,000</b>

### Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Block A Market Rent	130	98,966	44.92	34,195	3,333,975	4,445,300	3,333,975
Block B DMR	18	13,518	21.61	16,233	219,141	292,188	219,141
Retail + Ancillary	1	12,598	30.00	377,940	377,940	377,940	377,940
<b>Totals</b>	<b>149</b>	<b>125,082</b>			<b>3,931,056</b>	<b>5,115,428</b>	<b>3,931,056</b>

### Investment Valuation

<b>Block A Market Rent</b>					
Current Rent	3,333,975	YP @	3.2500%	30.7692	102,583,846
<b>Block B DMR</b>					
Manual Value					6,970,831
<b>Retail + Ancillary</b>					
Manual Value					5,419,200
<b>Total Investment Valuation</b>					<b>114,973,877</b>

### GROSS DEVELOPMENT VALUE 123,143,877

Purchaser's Costs	(7,818,224)
Effective Purchaser's Costs Rate	6.80%
	(7,818,224)

### NET DEVELOPMENT VALUE 115,325,654

<b>Additional Revenue</b>	
Stabilisation Rent	890,194
	890,194

### NET REALISATION 116,215,848

### OUTLAY

#### ACQUISITION COSTS

Fixed Price	31,000,000	
Fixed Price		31,000,000
		31,000,000
Stamp Duty		1,539,500
Effective Stamp Duty Rate	4.97%	
		1,539,500

#### Other Acquisition

Other Acquisition	1.8000%	558,000
		558,000

### CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Construction Costs	1 un	103,630,000	103,630,000
Retention on Demolition			120,000
Parkland License Extension			644,000
S278			250,000
S106			239,000
			104,883,000

### PROFESSIONAL FEES

All Professional Fees	12.00%	12,435,600
		12,435,600

### MARKETING & LETTING

Letting Agent Fee	10.00%	37,794
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**APPRAISAL SUMMARY****SAVILLS****100 Avenue Road, Swiss Cottage****Build to Rent As Consented**

Letting Legal Fee	5.00%	18,897	56,691
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**DISPOSAL FEES**

Sales Agent Fee	1.00%	1,153,257	
Sales Legal Fee	0.50%	576,628	1,729,885

**Additional Costs**

Profit on BtR	15.00%	16,433,202	
Profit on Affordable Housing	6.00%	490,200	
Profit on Commercial	15.00%	812,880	17,736,282

**FINANCE**

Debit Rate 6.750%, Credit Rate 0.500% (Nominal)			
Land		5,166,845	
Construction		7,477,569	
Letting		4,596,553	
Total Finance Cost			17,240,968

**TOTAL COSTS****187,179,925****PROFIT****(70,964,078)****Performance Measures**

Profit on GDV%	-57.63%
IRR% (without Interest)	-23.79%

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## Appendix 3 – Proposed Scheme

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100 Avenue Road, Swiss Cottage  
Proposed Scheme  
Build to Rent.

**100 Avenue Road, Swiss Cottage**  
**Proposed Scheme**  
**Build to Rent.**

**Appraisal Summary for Phase 1**

Currency in £

**REVENUE**

**Rental Area Summary**

	Units	ft <sup>2</sup>	Rent Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Block A Market Rent	130	98,966	44.92	34,195	3,333,975	4,445,300	3,333,975
Block B DMR	18	13,518	22.37	16,800	226,800	302,400	226,800
Block D - Market Rent	28	28,611	34.99	35,754	750,825	1,001,100	750,825
Block F Market Rent	8	7,288	35.47	32,312	193,875	258,500	193,875
Retail + Ancillary Retail	<u>1</u>	<u>12,598</u>	<u>30.00</u>	<u>377,940</u>	<u>377,940</u>	<u>377,940</u>	<u>377,940</u>
<b>Totals</b>	<b>185</b>	<b>160,981</b>			<b>4,883,415</b>	<b>6,385,240</b>	<b>4,883,415</b>

**Investment Valuation**

<b>Block A Market Rent</b>					
Current Rent	3,333,975	YP @	3.2500%	30.7692	102,583,846
<b>Block B DMR</b>					
Manual Value					6,970,831
<b>Block D - Market Rent</b>					
Current Rent	750,825	YP @	3.2500%	30.7692	23,102,308
<b>Block F Market Rent</b>					
Current Rent	193,875	YP @	3.2500%	30.7692	5,965,385
<b>Retail + Ancillary Retail</b>					
Manual Value					5,419,200
<b>Total Investment Valuation</b>					<b>144,041,569</b>

**GROSS DEVELOPMENT VALUE** **144,041,569**

Purchaser's Costs	(9,794,827)
Effective Purchaser's Costs Rate	6.80%
	(9,794,827)

**NET DEVELOPMENT VALUE** **134,246,743**

**Additional Revenue**

stabilisation rent	1,314,097
	1,314,097

**NET REALISATION** **135,560,840**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	31,000,000	
Fixed Price	31,000,000	31,000,000
Stamp Duty	1,539,500	
Effective Stamp Duty Rate	4.97%	1,539,500

**Other Acquisition**

Other Acquisition	1.8000%	558,000
		558,000

**CONSTRUCTION COSTS**

**Construction**

	Units	Unit Amount	Cost
Construction Costs	1 un	103,630,000	103,630,000
Retention on Demolition			120,000
Parkland License Extension			644,000
S278			250,000
S106			239,000
			104,883,000



**100 Avenue Road, Swiss Cottage**
**Proposed Scheme**
**Build to Rent.**
**PROFESSIONAL FEES**

All Professional Fees	12.00%	12,435,600	12,435,600
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**MARKETING & LETTING**

Letting Agent Fee	10.00%	37,794	
Letting Legal Fee	5.00%	18,897	56,691

**DISPOSAL FEES**

Sales Agent Fee	1.00%	1,342,467	
Sales Legal Fee	0.50%	671,234	2,013,701

**Additional Costs**

Profit on BtR and DMR	15.00%	20,793,355	
Profit on Commercial	15.00%	812,880	21,606,235

**FINANCE**

Debit Rate 6.750%, Credit Rate 0.500% (Nominal)			
Land		5,166,845	
Construction		7,442,660	
Letting		5,509,898	
Total Finance Cost			18,119,403

**TOTAL COSTS**
**192,212,131**
**PROFIT**
**(56,651,291)**
**Performance Measures**

Profit on GDV%	-39.33%
IRR% (without Interest)	-15.75%

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## Appendix 4 – Consented Scheme Breakeven Appraisal to Inform S106

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100 Avenue Road, Swiss Cottage  
Build to Rent As Consented  
Break-even to inform 106

**100 Avenue Road, Swiss Cottage**  
**Build to Rent As Consented**  
**Break-even to inform 106**

**Appraisal Summary for Phase 1**

Currency in £

**REVENUE**

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Affordable Rent Block D	28	28,611	232.77	237,850	6,659,787
Intermediate Block F	8	6,488	232.77	188,777	1,510,213
<b>Totals</b>	<b>36</b>	<b>35,099</b>			<b>8,170,000</b>

**Rental Area Summary**

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Block A Market Rent	130	98,966	85.38	65,000	6,337,500	8,450,000	6,337,500
Block B DMR	18	13,518	21.61	16,233	219,141	292,188	219,141
Retail + Ancillary	1	12,598	30.00	377,940	377,940	377,940	377,940
<b>Totals</b>	<b>149</b>	<b>125,082</b>			<b>6,934,581</b>	<b>9,120,128</b>	<b>6,934,581</b>

**Investment Valuation**

**Block A Market Rent**

Current Rent	6,337,500	YP @	3.2500%	30.7692	195,000,000
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**Block B DMR**

Manual Value					6,970,831
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**Retail + Ancillary**

Manual Value					5,419,200
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**Total Investment Valuation**

**207,390,031**

**GROSS DEVELOPMENT VALUE**

**215,560,031**

Purchaser's Costs	(14,102,522)
Effective Purchaser's Costs Rate	6.80%
	(14,102,522)

**NET DEVELOPMENT VALUE**

**201,457,509**

**Additional Revenue**

Stabilisation Rent	890,194
	890,194

**NET REALISATION**

**202,347,703**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	31,000,000	
Fixed Price	31,000,000	
		31,000,000
Stamp Duty	1,539,500	
Effective Stamp Duty Rate	4.97%	
		1,539,500

**Other Acquisition**

Other Acquisition	1.8000%	558,000
		558,000

**CONSTRUCTION COSTS**

Construction	Units	Unit Amount	Cost
Construction Costs	1 un	103,630,000	103,630,000
Retention on Demolition			120,000
Parkland License Extension			644,000
S278			250,000
S106			239,000
			104,883,000

**PROFESSIONAL FEES**

All Professional Fees	12.00%	12,435,600
		12,435,600

**MARKETING & LETTING**

**100 Avenue Road, Swiss Cottage**
**Build to Rent As Consented**
**Break-even to inform 106**

Letting Agent Fee	10.00%	37,794	
Letting Legal Fee	5.00%	18,897	
			56,691

**DISPOSAL FEES**

Sales Agent Fee	1.00%	2,014,575	
Sales Legal Fee	0.50%	1,007,288	
			3,021,863

**Additional Costs**

Profit on BtR	15.00%	30,295,625	
Profit on Affordable Housing	6.00%	490,200	
Profit on Commercial	15.00%	812,880	
			31,598,705

**FINANCE**

Debit Rate 6.750%, Credit Rate 0.500% (Nominal)			
Land		5,166,845	
Construction		7,477,569	
Letting		4,596,553	
Total Finance Cost			17,240,968

**TOTAL COSTS**
**202,334,326**
**PROFIT**
**13,377**
**Performance Measures**

Profit on GDV%	0.01%
IRR% (without Interest)	6.58%

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## Appendix 5 – Proposed Scheme Breakeven Appraisal to Inform S106

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100 Avenue Road, Swiss Cottage  
Proposed Scheme  
Build to Rent - Breakeven

# APPRAISAL SUMMARY

SAVILLS

100 Avenue Road, Swiss Cottage  
Proposed Scheme  
Build to Rent - Breakeven

## Appraisal Summary for Phase 1

Currency in £

### REVENUE

#### Rental Area Summary

	Units	ft <sup>2</sup>	Rent Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Block A Market Rent	130	98,966	77.22	58,786	5,731,616	7,642,155	5,731,616
Block B DMR	18	13,518	22.37	16,800	226,800	302,400	226,800
Block D - Market Rent	28	28,611	34.99	35,754	750,825	1,001,100	750,825
Block F Market Rent	8	7,288	35.47	32,312	193,875	258,500	193,875
Retail + Ancillary Retail	1	12,598	30.00	377,940	377,940	377,940	377,940
<b>Totals</b>	<b>185</b>	<b>160,981</b>			<b>7,281,056</b>	<b>9,582,095</b>	<b>7,281,056</b>

#### Investment Valuation

<b>Block A Market Rent</b>					
Current Rent	5,731,616	YP @	3.2500%	30.7692	176,357,412
<b>Block B DMR</b>					
Manual Value					6,970,831
<b>Block D - Market Rent</b>					
Current Rent	750,825	YP @	3.2500%	30.7692	23,102,308
<b>Block F Market Rent</b>					
Current Rent	193,875	YP @	3.2500%	30.7692	5,965,385
<b>Retail + Ancillary Retail</b>					
Manual Value					5,419,200
<b>Total Investment Valuation</b>					<b>217,815,135</b>

#### GROSS DEVELOPMENT VALUE 217,815,135

Purchaser's Costs	(14,811,429)
Effective Purchaser's Costs Rate	6.80%
	(14,811,429)

#### NET DEVELOPMENT VALUE 203,003,706

#### Additional Revenue

stabilisation rent	1,314,097
	1,314,097

#### NET REALISATION 204,317,803

#### OUTLAY

#### ACQUISITION COSTS

Fixed Price	31,000,000
Fixed Price	31,000,000
	31,000,000
Stamp Duty	1,539,500
Effective Stamp Duty Rate	4.97%
	1,539,500

#### Other Acquisition

Other Acquisition	1.8000%	558,000
		558,000

#### CONSTRUCTION COSTS

##### Construction

Units	Unit Amount	Cost
Construction Costs	1 un	103,630,000
Retention on Demolition		120,000
Parkland License Extension		644,000
S278		250,000
S106		239,000
		104,883,000



**100 Avenue Road, Swiss Cottage**
**Proposed Scheme**
**Build to Rent - Breakeven**
**PROFESSIONAL FEES**

All Professional Fees	12.00%	12,435,600	12,435,600
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**MARKETING & LETTING**

Letting Agent Fee	10.00%	37,794	
Letting Legal Fee	5.00%	18,897	56,691

**DISPOSAL FEES**

Sales Agent Fee	1.00%	2,030,037	
Sales Legal Fee	0.50%	1,015,019	3,045,056

**Additional Costs**

Profit on BtR and DMR	15.00%	31,859,390	
Profit on Commercial	15.00%	812,880	32,672,270

**FINANCE**

Debit Rate 6.750%, Credit Rate 0.500% (Nominal)			
Land		5,166,845	
Construction		7,442,660	
Letting		5,509,898	
Total Finance Cost			18,119,403

**TOTAL COSTS**
**204,309,520**
**PROFIT**
**8,283**
**Performance Measures**

Profit on GDV%	0.00%
IRR% (without Interest)	6.60%