

Response to financial viability information

GLA Case Number:	2022/0003
Scheme Address:	Murphy's Yard
Applicant:	Folgate Estates Ltd
Local Planning Authority:	London Borough of Camden
Date:	07/04/2022
Prepared by:	Joseph Ward

1. Introduction

1.1 This document represents the position of the Greater London Authority's Viability Team in relation to the following viability submission made in relation to the planning application on this site:

- *Financial Viability Assessment ("FVA")* prepared by DS2 on behalf of the applicant, dated 22nd December 2021.
- *Financial Viability Review ("FVA Review")* prepared by BPS on behalf of the Local Planning Authority ("LPA") dated 15th February 2022.

1.2 In their review, the GLA's Viability Team consider the extent to which the viability assessment submitted comply with the London Plan 2021 and Mayoral, National and Professional Guidance.

1.3 This report has been prepared to advise the GLA's Development Management Team and the Mayor of London and is also provided onto the LPA and applicant. Relevant professional guidance has been taken into account and this is confirmed in Section 12 of this report.

1.4 This document covers the following (where appropriate):

- Proposed development and affordable housing.
- Site and context.
- Form and methodology of the FVA and Review.
- Viability inputs
- Gross Development Value.
- Development Costs.
- Benchmark Land Value.
- Appraisal results and analysis.
- Conclusion.
- Photographs and plans.

2. Non-Technical Summary

Scope of Report

- 2.1 This report constitutes a review of the Financial Viability Assessment prepared by DS2, on behalf of Folgate Estates Limited, in relation to the planning application (GLA Reference 2022/0003) on the Murphy's Yard site.
- 2.2 This report assesses the proposed scheme to establish whether the proposed affordable housing offer represents the maximum viable amount.

Conclusions of Report

- 2.3 The FVA finds that the application as proposed is significantly unviable and indicates that it may not be deliverable. The "R&D Scenario" has been identified as more viable than the option that proposes to deliver a greater quantum of industrial floorspace.
- 2.4 There are a number of inputs adopted in in the Financial Viability Assessment and Financial Viability Assessment Review with which the GLA do not agree. The key items are listed below:
- Market tenure residential sales value
 - London Affordable Rent sales value
 - Yield used to derive the capital value of the proposed office floorspace
 - Yield used to derive the capital value of the proposed industrial floorspace
 - The allowance for developer return for the Research and Development floorspace.
 - The Benchmark Land Value.
- 2.5 The GLA are also concerned that the floor areas and mix of residential units appraised may be understating viability.
- 2.6 Further information is required before the GLA is able to produce a conclusion on whether the affordable housing offer represents the maximum viable amount.

3. Proposed Development and Affordable Housing

The Application: Key Information

3.1 The proposed masterplan scheme is described as seeking outline permission for:

“Outline planning permission with all matters reserved for the demolition of existing buildings and structures and redevelopment to be carried out in phases (with each phase being an independent act of development) comprising the following mix of uses: residential (Use Class C3), residential institution (Use Class C2), industrial (Use Class B2 and/or B8), commercial floorspace (Class E), flexible commercial and Sui Generis floorspace (Use Class E and/or Sui Generis Use), Community (F1 and/or F2), Sui Generis, and cycle and vehicle parking, refuse and recycling storage, plant, highway and access improvements, amenity space, landscape and public realm improvements, and all associated works.”

3.2 The outline application proposes a minimum of 750 homes and a maximum of 825 homes. There are two scenarios considered within the FVA, one is an ‘Indicative Scheme’ and the other an ‘R&D Scenario’. The R&D Scenario comprises of less industrial floorspace given the scheme is configured in a way to accommodate research and development facilities.

3.3 The application proposes a range of residential typologies including high rise flatted units of up to 19 storeys, low to mid-rise mansion blocks, articulated mews houses and terraced town houses.

3.4 The scheme proposes to provide affordable workspace totalling 3,000 sqm Gross External Area (“GEA”). Half will be provided as offices and half will be provided as industrial uses. The workspace will be let at 50% of market rent.

3.5 Alongside the residential, industrial, office and healthcare uses, it is also proposed that. c2.3 acres of public open spaces and cycleways will be provided, including ‘The Heathline’, which enables public access from Kentish Town to Gospel Oak and Hampstead Heath via a new pedestrian access through the site.

3.6 The proposed development is to be phased in four stages. There are 9 blocks proposed (C, J, K, L, M, O, P, Q, S) to be delivered as follows:

- Phase 1: Blocks C, F and E, which will comprise primarily of commercial uses. ‘Block C’ of this phase is to comprise of 28 (out of 106) intermediate rented units (of the total 752 units).
- Phase 2: Blocks J, S, K and L, which will predominantly be of residential uses (563 of the total 752 units). Blocks J and K will comprise of retail use and S of office use.
- Phase 3: Shed 2, Shed 3, Block I and Block G, which will comprise solely of commercial uses (mainly industrial and office). Block I would provide the proposed healthcare facility. In the scenario the R&D model is delivered, Blocks G and H will be converted in part to R&D.
- Phase 4: Blocks Q, P, M, O, A and B. This will be predominantly residential (161 of the total 752 units), with blocks A and B providing solely industrial uses.

The Appraised Scheme

3.7 The GLA have concerns that:

- The build costs could be overstated as a consequence of the Cost Plan assume too high a floor area.
- The residential scheme appraised in the FVA is sub-optimal in terms of overall floor area and unit mix.

Build Costs

3.8 The Cost Plan appended to the FVA considers a scheme with a GIA of 1,770,465 sq. ft or 164,481.74 sq. m.

3.9 Cast's approach for converting Gross External Area ("GEA") to GIA is to assume that GIA is 90% of GEA. According to the FVA, the maximum non-residential GEA is 95,000 sq. m. The maximum residential GEA is 85,200 sq. m. Therefore, the maximum overall scheme GEA is 180,200 sq. m or 1,939,655 sq. ft. If you convert the maximum overall scheme GEA to GIA using Casts approach to conversion the GIA would be 162,180 sq. m or 1,745,689 sq. ft. Therefore the area Cast assumes is overstated by 2,302 sq. m or 24,776 sq. ft.

Residential Scheme Appraised

3.10 The FVA states:

The Illustrative Masterplan schedule of accommodation presents a range to the total number of residential units and therefore DS2 have adopted the mid-point of the unit numbers as an Indicative Scheme 'IS' for assessing the financial viability of the scheme in this FVA.

3.11 Whilst the GLA have not had sight of the Illustrative Masterplan Schedule of Accommodation referred to (a Schedule of Accommodation is attached to the FVA although this doesn't present a range of total residential units), it is apparent that proposal is to provide a minimum of 750 homes (1,983 habitable rooms) and a maximum of 825 homes (2,182 habitable rooms). DS2 have appraised an Indicative Scheme of 752 units so this does not appear to reflect a 'mid-point of the unit numbers' as described.

3.12 As an overarching point, assessing a number of units at the bottom end of the range for which permission is sought could have the effect of understating the viability of the scheme. If a scheme of 825 units were to be delivered within the same GEA then the units provided would be smaller. Smaller units tend to attract higher values per sq. ft so could generate greater income for the developer than the indicative scheme.

3.13 The scheme appraised in the FVA doesn't seem to accord to the outline application target mix identified. For example, this target mix seeks that 15% of the market tenure units can be Studios and 25% of these units can be 1 bed. The appraised scheme assumes a lower quantum of these types of unit (14.5% Studio and 8.2% 1 bed).

3.14 The appraisals in the FVA apply residential value to a floor area of 51,704 sq. m or 556,546 sq. ft NIA. The GEA of the proposed residential floor areas (excluding ancillary areas) is 78,410 sq. m or 843,997 sq. ft. The schedule of accommodation attached to the FVA derives GIA by assuming that it is 90% of GEA. It calculates NIA by assuming that it is 75% of GIA. Converting the GEA of 78,410 sq. m using this approach produces an NIA of 52,927 sq. m or

569,698 sq. ft. The scheme appraised in the FVA is therefore at least 1,222 sq. m NIA (or 13,158 sq. ft) smaller (2.31%) than the application seeks.

- 3.15 The position set out in the paragraph above is based on the GEA floor areas that assume exclusion of ancillary areas of 6,790 sq. m or 73,087 sq. ft. It is understood that these ancillary areas comprise of residential plant, bike store, back of house space and refuse areas. It is the case that it is normal for most (if not all) of these areas to form part of the GEA and the conversion rates applied when converting floorspace to GIA and NIA account for these areas. As such, the extent to which the FVA appraises a scheme smaller than the application seeks is likely to be even greater than identified in the paragraph above.
- 3.16 Where viability is considered for a planning application seeking to secure minimum and maximum parameters for development the assessment of viability should assess the most viable option available to the developer – the FVA doesn't appear to do this and as a consequence understates the viability of the scheme. The applicant should provide further explanation for the approaches adopted.

Affordable Housing

- 3.17 The proposal includes an affordable housing offer of 35% by habitable room, of which 21% is to be provided as London Affordable Rent and 14% as Intermediate Rent (a total split of 60/40). This equates to 158 London Affordable Rented units (122,646 sq. ft, NIA) and 106 Intermediate Rented units (69,394 sq. ft, NIA).
- 3.18 The Planning Statement indicates that at least some of the Intermediate Rented units will be delivered at London Living Rent levels albeit this doesn't seem to be the position appraised in the FVA. Clarification should in relation to the rental levels for the Intermediate Rented units proposed should be provided. Where these are not proposed to be delivered at London Living Rent levels, information on the percentage of market rent the rents proposed equate to should be provided.
- 3.19 Where Intermediate units are proposed they need to be affordable to a range of income below the relevant income cap.

Fast Track Route

- 3.20 Approximately 30% of the site is owned by Network Rail. The threshold for being eligible for the Fast Track Route to viability is 39.2% affordable housing by habitable room.
- 3.21 It is strongly advised that the applicant consider improving the offer to be eligible for the Fast Track Route to viability. From the GLA's perspective:
- The additional units above 35% could be delivered as an Intermediate product
 - Doing so would mean no mid or late stage reviews. Review mechanisms could require the delivery of 50% affordable housing on-site at the local plan tenure split.

4. Site and Context

- 4.1 The site is situated in the London Borough of Camden, between Kentish Town and Gospel Oak. The site is reported to extend to 6.23 hectares (15.4 acres). The south of the site is

circa. 1 mile away from Camden Town, with the southeast of the site bordering Kentish Town High Street.

- 4.2 The surrounding area is predominantly of industrial and residential use (mixture of Georgian and Victorian terraces). The site has a mixture of PTAL ratings ranging from 1b (poor) to 6a (excellent) and has good transport links being in close proximity to Kentish Town Station (southeast of the site) and Gospel Oak station (northwest of the site).
- 4.3 The site contains industrial uses (E(g)(iii), B2 and B8) with provisions for warehouse space, office space, storage facilities, car parking and other miscellaneous structures. It is understood that the existing floorspace is 197,014 sq. ft (GIA).
- 4.4 Photographs and plans of the site are shown in Appendix 1.

5. Form and Methodology of the FVA

- 5.1 The appraisal of the proposed scheme in the FVA includes the Benchmark Land Value as a fixed input and arrives at a residual profit which is compared to a target rate of return.
- 5.2 The appraisal of the proposed scheme in the FVA Review includes both the Benchmark Land Value and target profit as fixed inputs, producing a residual profit.

6. Viability Inputs

Gross Development Value

Residential: Build for Sale

- 6.1 The FVA assumes a range of values between £950psf-£1000psf for the market tenure units, adopting a blended rate of c£986 per sq. ft across the site. The higher end of this range is assumed on taller blocks and lower end on blocks with lower heights. Blocks J and S (due to increased heights) are assumed at £1000psf, £975psf on midrise blocks (K,L,Q,M and O) and £950psf on blocks P given the larger number of terraced homes.
- 6.2 The FVA refers to a number of new-build schemes to establish appropriate residential values, including:
- Agar Grove Estate
 - St Martins Walk (Bacton Low Rise Estate)
 - XY Maiden Lane Estate
 - Jewel House, 5 Sterling Way
- 6.3 The GLA consider that the most relevant comparable identified in the FVA is the Agar Grove Estate, given its scale and the fact that its prices are more up to date. The FVA states that it is expected that the proposed scheme will achieve lower values than Agar Grove given it is centrally located and not expected to benefit from Help to Buy as this is being phased out.

- 6.4 The GLA disagree that the proposed scheme will achieve lower values than the Agar Grove Estate. Whilst Agar Grove has good access to Kings Cross, the subject scheme is approximately 10 minutes' walk from both the London Underground and Overground (Gospel Oak). It is also a short walk from Hampstead Heath which will be a substantial selling point and it has more units at height (which will attract premium pricing) than Agar Grove which comprises only 2 tall buildings and one of those will be entirely occupied by affordable housing.
- 6.5 It is noted that the comparables referred to (or at least the units analysed) in the FVA do not seem to contain Studio units whereas 14% of the units in the indicative scheme will comprise of studio units. Studios typically achieve higher values per sq. ft than larger units. In addition, the units/schemes analysed in the FVA are smaller in scale (Jewel House is the tallest and extends to 9 storeys).
- 6.6 The GLA consider that another appropriate comparable schemes to refer to is Thirty2 by Fairfield Homes which has achieved average values of c£1,000 psf. This scheme of 73 units is located approximately 1 km to the west of the subject scheme and has similar access to London Underground and Overground. Thirty2 benefits from better access to Hampstead Village and Hampstead Heath however is not as tall as the subject scheme. The proposed scheme will benefit from placemaking and it is noted that the majority of the transactions for Thirty2 took place in mid to late 2017 and prices for new build schemes in Camden have, according to the Land Registry House Price Index, increased c5% - 7% since this time.
- 6.7 For reasons above, the GLA consider higher values than adopted by DS2 are achievable on the subject site. An average value of at least £1,075 per sq. ft is achievable.
- 6.8 The off-plan sales rate of 50% is considered appropriate given the nature of the proposal.

Residential: Affordable

- 6.9 The FVA and FVA Review adopt the following average values per sq. ft for the affordable units:

Tenure	Average Value £PSF	
	FVA	FVA Review
London Affordable Rent (LAR)	£200	£240
Intermediate Rent	£325	£325

- 6.10 In relation to the values adopted in relation to the London Affordable Rent units, the allowance adopted by DS2 is considered to be too low. An appropriate allowance is £230 per sq. ft.
- 6.11 Commentary on the value per sq. ft for the Intermediate Units will be provided when further information on the intended rental levels is provided.

Commercial

- 6.12 The proposal includes provision various Commercial uses (Use Class E), including industrial, office and retail. The values assumed in the FVA are based on advice provided by Cushman and Wakefield in their 'Commercial Market Assessment' ("C&W Report").

Office Values

- 6.13 A total office floor area of 259,455 sq. ft (NIA) is assumed which will be provided across four plots (F, S, Shed 2 and Shed 3). A letting and management strategy for the Site will secure floorspace for SME's and support the letting of floorspace to larger corporate occupiers.
- 6.14 DS2 have assumed a rental value of £45psf, void periods ranging from 6-9 months and rent-free periods ranging from 17-21 months. The rental income has been capitalised using a yield of 5.25%. A total capital value of £204,973,582 (£790psf) is generated.
- 6.15 BPS have adopted a higher rent of £50 per sq. ft but otherwise similar assumptions to those adopted by DS2. The GLA agree that a rent of £50psf is appropriate. The following leasing comparables support this position:

Address	Tenant	Price £ per sq. ft	Comments
Jamestown Wharf, Camden	Arabesque	£67psf	Floor Area: 5,522 sq. ft Lease Term: 2 years
Rolling Stock Yard, North of Kings Cross	Pacific BioScience UK Ltd	£67.13psf	Floor Area: 7,322 sq. ft Lease Term: 5 years
Laszlo Scheme, Archway:	Rapha Racing	£41.28psf	Floor Area: 32,220 sq. ft Lease Term: 15 years
West Tower, Fonthill Road, Finsbury Park	Regus	£45psf	Floor Area: 18,537 sq. ft Lease Term:

- 6.16 The comparables above comprise of a range of sizes and occupiers so are useful in terms of comparison with the proposed scheme.
- 6.17 It is not considered that the proposed scheme will achieve as high a rent as a similar scheme at Camden or North of Kings Cross albeit these are listed above as a point of reference. Finsbury Park is considered to be a reasonable comparable in terms of location – whilst the West Tower scheme identified is more closely located to public transport, the proposed scheme will benefit from placemaking; in addition, the West Tower scheme has an irregular floor shape which will have adversely affected the rent achieved. It is considered that the proposed scheme will achieve a higher rent than the Laszlo scheme in Archway which is an inferior location and the office premises itself isn't to the same specification as the proposed scheme.
- 6.18 In terms of the yield adopted, 5.25% is considered to be too high. The Rolling Stock Yard scheme identified above transacted in December 2021 at a Net Initial Yield of 4.4%. Whilst the proposed scheme might not achieve this low a yield, 5% is considered appropriate.

Industrial Values

- 6.19 The indicative scheme massing proposes industrial floorspace of 331,884 sq. ft (NIA) whereas the R&D Scenario assumes floorspace of 161,295 sq. ft (NIA).
- 6.20 With respect to the indicative scheme, the floorspace will be provided across eight plots (F, E, G, H, Shed 2, Shed 3, A and B. DS2 (based on advice from Cushman & Wakefield) assume:
- An average rental value of £20psf across the plots.
 - Voids of between 0 and 24 months, alongside a running void of 5%.
 - Rent free periods of up to 12 months.

- A yield of 5.25%. The total capital value adopted by DS2 is £331 per sq. ft.
- 6.21 BPS present evidence with comparable ranging in rent up to £27.51psf on various lease terms and adopt a rental value of £25psf. In light of the range of unit types proposed the GLA are, for the purpose of appraising the scheme, prepared to adopt this rent albeit note that it may be on the low side; the Heartland Road Arches at Chalk Farm have recently achieved £25psf whereas space is being marketed at the Kentish Town Business Park for £32.50 psf (asking).
- 6.22 BPS have reduced the maximum void and rent-free period assumed by DS2 to a maximum of 24 months. The GLA agree that this is an appropriate position.
- 6.23 BPS state (at paragraph 5.27 of the FVA Review) that they consider a yield of 4.5% to be appropriate. However, it appears that they have adopted a yield of 5.5% in their appraisals so may undervalue the proposal.
- 6.24 The C&W Report describes that the proposals intend to make much of the significant amount of industrial space at the site available to SMEs. Whilst it appears to be the case that some of the proposed floorspace on site will constitute 'maker space' and be geared towards SMEs, the floorplates proposed mostly appear unrestricted and a substantial amount of floorspace can be provided in the form of large floorplates which will be attractive to occupiers with good covenants. It doesn't appear to be the case that there will be a planning requirement to produce a letting and management strategy which secures the floorspace for a specific type of occupier.
- 6.25 The C&W Report contends that the yield applicable to the industrial units will be adversely affected by the desire to maintain the integrity of the public realm and issues with shared access. The GLA don't see this as a substantial issue; industrial space is separately located from the residential uses and the industrial units are principally located next to a main access point, turning head, integrated drop off and delivery bays. The industrial units will be attractive to prospective occupiers who will benefit from the planned placemaking.
- 6.26 The yield of 5.5% adopted in the FVA (and as advised by the C&W Report) is considered to be too high. The flexible nature of the proposed floorspace will mean it will be able to meet the demands of occupiers into the future. In addition, the site is located within inner London so will be appealing to a range of occupiers including operators of last mile/logistics floorspace.
- 6.27 The planning application seeks flexibility on the quantum of industrial floorspace proposed so provides flexibility to the developer, allowing adaptation to the extent of demand. The larger scheme will only come forward if the scheme drives enough value.
- 6.28 The latest Knight Frank Yield Guide describes yields ranging from 3% to 5.25% for Warehouse and Industrial Space with 5.25% being at the highest end for 'Secondary Estates'. It is not accepted that the yield applicable to the subject scheme will be worse than which would apply to a low quality secondary industrial estate. A yield of 5% is considered reasonable and perhaps conservative.
- 6.29 When applying the void/rent free assumptions adopted by BPS, a rent of £25psf and a yield of 5%, the GLA derive a total capital value of £145,172,373 or £454.22psf. In order to sense check these inputs, research has been carried out by the GLA in relation to sales of industrial units in the area in recent years for units of a range of sizes and occupier types. The comparable schemes identified are set out in the table below:

Address	Parties	Price £ per sq. ft	Comments
Proposed Scheme: DS2 Appraised Position	N/A	Value: £331 per sq. ft	
Proposed Scheme BPS Appraised Position	N/A	Value: £411 per sq. ft	
1 – 3 North Road	Vendor: Ashburton Trading Ltd Purchaser: City of London	Price: £429.37psf	Size: TBC Date: 30/07/2021
5-10 Brandon Rd, N7 9AA	Vendor: Argo Real Estate Management Ltd Purchaser: Kadans Science Partner	Price: £1,166.67psf	Size: 30,000 sq. ft Date: 07/07/2021
Regis Rd, NW5 3EW	Vendor: Augustus Land Purchaser: Department of Health	Price: £333.92psf	Size: 27,277 sq. ft Date: 26/02/2021
14-20 Vale Royal, N7 9AP	Vendor: Strollmoor Ltd Purchaser: Precis Advisory Limited	Price: £624.58psf	Size: 67,245 sq. ft Date: 24/05/2021
260-266 York Way, N7 9PQ	Vendor: The British Feather Company Ltd Purchaser: Attic Self- Storage Ltd	Price: £275.35psf	Size: 15,817 sq. ft Date: 21/12/2020
6-9 Early Mews, NW1 7HG	Vendor: K.I.A.F.A Limited Purchaser: Early Mews Limited	Price: £566.85psf	Size: 5,511 Date: 21/08/2020
353 Regis Rd	Vendor: Harmsworth Pooled Property Unit Trust Purchaser: UPS	Price: £628.05psf	Size: 97,317 sq. ft Date: 14/01/2020

- 6.30 The transactions listed above range from £275.35 to £1,166 per sq. ft, reflecting an average sale price of £574.97 per sq. ft. If the 5-10 Brandon Road transaction is removed the average price equates to £476.35 per sq. ft.

Retail, Food and Community Floorspace Values

- 6.31 Based on advice provided by Cushman and Wakefield the FVA adopts rents of between £25 and £35psf for the Retail and Food and Beverage Floorspace. Voids of 0 – 12 months have been assumed and a rent-free period of 18 months has been assumed. These allowances are in line with expectations.
- 6.32 For the community floorspace, a rent of £15psf has been adopted as has a yield of 6 months and a rent-free period of the same. These allowances are considered to be in line with expectations.
- 6.33 The rental income for the floorspace described above has been capitalised using a yield of 5.5%. This allowance is in line with expectations.

Healthcare Floorspace

- 6.34 Based on advice provided by Cushman and Wakefield the FVA adopts a rent of £45psf with a 6-month void and a 24 month rent free period. A yield of 4.5% has been assumed. The rent and yield allowances are in line with expectations.
- 6.35 The FVA Review adopts the same assumptions as above except the rent-free period is reduced to 18 months. The GLA agree with this position.

R&D Scenario/Life Sciences

- 6.36 Based on advice provided by Cushman and Wakefield the FVA adopts a rent of £60psf. A yield of 4.25% has been assumed. Whilst there is very limited evidence for this type of floorspace, the allowances adopted do not appear unreasonable.

Affordable Industrial Workspace/Office

- 6.37 Affordable Office/Industrial Workspace comprising of 30,386 sq. ft (GIA) is being provided across four plots (F, Shed 3, A and G). For the industrial element, a rental value of £10psf has been assumed, whereas a rental value of £22.50psf is assumed for the affordable office element. The rents assumed are at a rent of 50% of market comparable rents.
- 6.38 No rent-free period is assumed, however, a 5% running non-recoverable cost has been applied to the units given the running voids in lettings for such spaces given the flexible lease terms and the fact an operator of the affordable workspace would require a margin on the affordable rents to operate the units. The yield on the affordable workspace has also been pushed out by 25 bps to 5.75% to, according to the FVA, account for the reduced market for such property.
- 6.39 The allowances adopted are in line with expectations.

Development CostsConstruction costs

- 6.40 The following table sets out the construction cost allowances adopted in both the FVA and FVA Review:

Indicative Scenario	£566,146,450 (£319.79 psf)
R&D Scenario/Life Sciences	£592,090,114 (£334.44 psf)

- 6.41 The FVA is informed by a Cost Plan (dated 21st December 2021) prepared by Cast whereas the FVA Review is informed by advice from BPS' in-house Cost Consultant Neil Powling.
- 6.42 Mr Powling's report states:

'As the costs have been provided with limited detail, we have not been able to undertake our usual benchmarking to reflect enhanced specifications. At this stage we are unable to confirm that the costs are reasonable.'

- 6.43 It is urged that the respective Cost Consultants engage so that a more definitive conclusion is reached. The build costs identified are substantial and are key to understanding the viability of the scheme.
- 6.44 It is advised that the Cost Consultant acting for the LPA consider the issues relating to the floor area assumptions identified in section 3 above.
- 6.45 The FVA states that a total contingency of 7.5% is appropriate. However, only an allowance of 2.5% appears to have been applied (unless the remaining 5% is aggregated within the construction costs). Confirmation should be provided as to the position. For the avoidance of doubt the GLA are of the position that an allowance of no more than 5% is appropriate.

Profit

- 6.46 The profit allowances adopted by the assessors, on behalf of the applicant and LPA, are broken down as follows. These are applicable to both the Indicative Scheme scenario and R&D scenario:

Type of Development	FVA % GDV	FVA Review: % GDV
Build for Sale Housing	17.5%	17.5%
Affordable Housing	6%	6%
Commercial	15%	15%
Stacked Industrial (Blocks G and H)	17.5%	15%
R&D Space (Only relevant under the R&D Scenario)	18.5%	15%

- 6.47 The GLA agree with the position set out in the FVA Review notwithstanding it is appropriate to adopt a higher allowance of 17.5% of GDV for the R&D space.

Professional fees

- 6.48 Professional fees have been included at 10% of build costs in both the FVA and FVA Review. This allowance is in line with expectations.

Finance

- 6.49 A finance rate of 6.5% has been adopted in the FVA and FVA Review. This rate is in line with expectations.
- 6.50 The finance costs in the FVA equate to £110,323,096 (12.5% of total costs) for the indicative scheme and £84,353,096 (9.5% of total costs) for the R&D/Life Sciences scheme.
- 6.51 As a percentage of total costs these finance costs are high. This relates in part to the Development Programme. Further comments on this are provided under the 'Development Programme' section below.

Sales, Letting, Disposal and Marketing Costs

- 6.52 The following disposal costs have been adopted in the FVA:
- Residential marketing – 1.50% of market sale residential GDV
 - Commercial marketing cost – £3 per sqft of commercial NIA

- Sales agent fee – 1.00% of market sale residential and commercial GDV
- Affordable Housing Sales Agents Fee – 0.5% of affordable housing GDV
- Residential Sales legal fee – £1000 per market sale residential unit
- Commercial Sales Legal Fee – 0.5% of commercial and affordable housing GDV
- Lettings Agents Fee – 15% of commercial ERV
- Lettings Legal Fee – 5% of commercial ERV
- Purchasers Costs – 6.8% of commercial GDV

6.53 The FVA Review adopts the assumptions identified above except it reduces the commercial letting agent fees to 10.00% and Affordable Housing sale fees to £50,000. It is agreed that this is an appropriate approach.

Development Programme

6.54 The FVA is informed by an indicative phased construction programme which describes an overall build programme of 7.75 years.

6.55 Given the substantial finance costs included within the appraisals in the FVA and FVA Review, it is advised that the LPA consider instructing a specialist construction programme consultant to advise on an appropriate construction programme for the scheme.

Community Infrastructure Levy and Financial Section 106 Planning Obligations

6.56 The FVA assumes an allowance of £31,900,000 with respect to local CIL payments and £8,800,000 with respect to MCIL. Payments relating to financial planning obligations is estimated to be £5,000,000. Carbon offset contributions is stated to be £3,200,000, split across the four phases. A payment of £250,000 is also stated for S278 contributions. These amounts should be checked and verified by the LPA.

6.57 It is understood that a number of on-site works comprising of the cycle route 'Heathline', pedestrian bridge connections to Regis Road and Kentish Town, and electricity connection costs totalling c£18.79m are excluded from the scheme costs and are assumed to be paid for via CIL. These items are subject to ongoing discussions.

7. Benchmark Land Value

7.1 The FVA relies on Cushman and Wakefield's Existing Use Value Report dated December 2021 to establish a Benchmark Land Value (BLV) based on the existing use value of the site and have added a premium to incentivise the landowner to sell the site. The table below sets out each of the components of the BLV:

Existing Use Value	£48,920,000
Premium	20%
Total	£58,704,000

7.2 The FVA Review adopts a similar approach to the FVA except:

- It applies a premium of 10%.
- Deducts £13,081,623 of 'additional acquisition costs' from the amount established when the premium adopted is added to the existing use value.

- Rentalises the Network Rail Land in relation to the reversionary term.

7.3 The table below sets out each of the components of the BLV set out in the FVA Review:

Existing Use Value	£58,474,000
Premium	10%
Sub-Total	£64,321,400
Deduction of abnormal costs	£13,081,623
Total	£51,239,777

7.4 With respect to the deduction of the amount of £13,081,623, Viability PPG confirms that BLVs need to reflect the implications of abnormal costs. The GLA will consider this point further when a response from DS2 to BPS' position has been provided.

7.5 The site is broken down in the FVA into three areas, set out below:

Area	Site Area	Uses on Site	Freehold Owner	Leasehold Interest
Main Depot	377,999 sq. ft	Shed 2 Shed 3 Light Industrial Ancillary Buildings Storage Land	Folgate Estates Ltd	J Murphy & Sons Ltd (expires 24 December 2027). It is also understood Network Rail have right of access across elements of this area for operational purposes.
Gospel Oak	135,336 sq. ft	Warehouse Storage Land	Folgate Estates Ltd	J Murphy & Sons Ltd (expires 24 December 2027). It is also understood Network Rail have right of access across elements of this area for operational purposes.
Network Rail	207,487	Warehouse Storage Land	Network Rail	J Murphy & Sons Ltd (expires 24 December 2027).

7.6 Further information on the terms of the existing leases should be provided. In particular the timing of the latest rent reviews (which are assumed to be in late 2017) should be confirmed. The assumed increase in rents in rents adopted by Cushman and Wakefield appears to be substantial, in the case of the main depot the overall rent is assumed to increase from £2.21psf to £6.06psf (174%) whereas the rent applicable to the Gospel Oak site is increased from £2.42psf to £4.40psf (82%). It is not clear that rents for industrial and open storage floorspace have increased to this extent since 2017 (if this was when the last rent review was carried out).

7.7 A clear site plan should be provided which identifies the areas of the site which are assumed as open storage floorspace and are therefore not access routes or supplemental to the warehouse/workshop floorspace on-site (loading/parking etc).

7.8 With respect to the rents applied to the existing floorspace, these are set out in the table below:

Part of Site	Building Name	Floor Area (Sq. Ft)	Rent Per Sq. Ft
Main Depot	Shed 2	38,657	£9.50 psf
	Shed 3	58,204	£12.00 psf
	Light Industrial	38,973	£22.50 psf
	Ancillary Buildings	4,659	£9.50 p sf
	Storage Land	61,198	£5.00 psf
Gospel Oak	Warehouse	13,777	£8.00 psf
	Storage Land	107,782	£4.50 psf
Network Rail	Warehouse	16,310	£0.00 psf
	Storage Land	174,867	£0.00 psf

- 7.9 With respect to the rents applied to the existing site, these appear to be reasonable, with the exception of the allowances for the Storage Land. The GLA has been unable to verify the comparables identified (further information would be appreciated) in the C&W Report which are generally smaller than the storage on the existing site so would attract a higher rent rate per sq. ft.
- 7.10 The GLA has carried out some research and found examples of open storage yards to let at rents lower than identified by C&W:
- 72- 76 River Road, Barking: This 1 acre of site (43,560) is available to let on a short term lease for £3.44psf. The site is fully concreted and serviced with power, water and drainage.
 - Stansfield Road, E6: The site 56,628 sq. ft is available for a term of 5 years with a 3 year break, outside the 1954 act, for a rent of £3.89psf. The site comprises is clear hardstanding and has the benefit of power, water and drainage and is level throughout.
- 7.11 Subject to receiving further information on the comparables identified, the GLA are of the position that, given the size of the existing storage space, that lower values per sq. ft of £4.25psf (Main Depot) and £3.75psf (Gospel Oak) are more appropriate.
- 7.12 The C&W Report advises that a yield of 5% should be applied to the rental income of the existing site. In light of the nature of the space on site, this yield is in line with expectations although it may be reasonable to consider that the proposed scheme has better long-term prospects and would attract a lower yield than the existing site.
- 7.13 The existing sites have been valued using term and reversion valuations. The GLA have been unable to replicate the valuations so a breakdown should be provided.
- 7.14 The scheme is divided into four phases. Confirmation should be provided in relation to the extent to which it is reasonable to assume that the site will be released for development on a staggered basis. This may assist with the extensive finance costs included in the appraisals attached to the FVA.

Premium on top of the EUV

- 7.15 The FVA a premium of 20% on top of the identified EUV, concluding that industrial supply with favourable access to residential surroundings are in demand. The FVA considers that a 10% premium is more reasonable.

- 7.16 The GLA do not consider that the application of a premium in this case has been justified. The premium should provide a reasonable incentive for a landowner to bring forward land for development, while allowing a sufficient contribution to fully comply with policy requirements. Given that both the FVA and FVA Review both produce a deficit with the inclusion of the aforementioned premiums, their application does not allow a sufficient contribution to fully comply with policy requirements.
- 7.17 It is apparent that the condition of the site will continue to deteriorate without substantial investment. This reduces the prospect of a landowner needing an incentive to release the site.
- 7.18 The FVA Review identifies potential abnormal costs of £13,081,623. The FVA describes these costs as “third party rights, vacant possession costs and contributions to neighbouring landowners to mitigate the impacts of the development”. It is likely to be the case that these costs and those for remediation within the Cost Plan relate to preparing the site for development. In accordance with the RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 an adjustment to the premium may be appropriate as these costs would not affect the EUV but do affect the value of the development site. This also points to the application of no premium in this case.

BLV Conclusions

- 7.19 The GLA’s current position on the BLV of the scheme is:
- The EUV should be reflective of the one identified in the FVA, save for adjustments to the values for open storage land. Following the provision of a breakdown of how the EUV is calculated, the GLA will confirm the exact amount.
 - No premium has been justified.
- 7.20 For the purpose of appraising the scheme the GLA has, for the time being, adopted the EUV identified in the FVA as the BLV. This amounts to £48,920,000 (£7.85m per hectare or £3.18m per acre).

8. Appraisal Results and Analysis

- 8.1 The table below describes the appraisal findings set out in the FVA and FVA Review.

	Scheme	% Profit on GDV	Target Profit (% of GDV)	Deficit Against Target	Deficit as a Monetary Amount
FVA	Indicative	-7.17%	15.81%	-22.98%	£195,149,139*
	R&D Scenario	9.11%	16.23%	-7.12%	£72,264,238*
FVA Review	Indicative	-1.6%	15.48%	-17.08%	£155,628,773
	R&D Scenario	12.26%	15.41%	-3.15%	£33,650,306

* Estimated by the GLA.

- 8.2 Whilst the GLA have concerns over the residential unit mix and floor areas adopted in relation to the appraised scheme, the GLA has, on a without prejudice basis, appraised the schemes, adopting the residential unit mix and floor areas in the FVA. These appraisals are attached at Appendix B and C. The inputs/assumptions that vary from those adopted in the FVA Review are set out below:

- Market Tenure Residential Value: £1,075 per sq. ft.
 - London Affordable Rent Sales Values: £230 per sq. ft
 - Office Values: A yield of 5% has been applied.
 - Industrial Values: A yield of 5% has been applied.
 - Developer Return: An allowance of 17.5% on GDV for the R&D space has been applied (only applied to the R&D scenario appraisal).
 - A Benchmark Land Value of £48,920,000 has been adopted although this figure will be reduced following receiving a breakdown of the term and reversion carried out on behalf of the applicant.
- 8.3 The GLA have adopted the floor areas, construction costs, development programme and Benchmark Land Value on a without prejudice basis, subject to the provision of further information.
- 8.4 The GLA's appraisals are attached at Appendix B and C. The results are summarised below:

Scheme	Surplus/Deficit Identified
Indicative	-£59,465,526
R&D Scenario	£28,206,865

- 8.5 The results of the appraisal testing carried out by the GLA indicate that the R&D scenario is viable. Whilst further information is required and discussions between the parties are ongoing, it may be the case that additional affordable housing can be provided in relation to the R&D Scenario.

Sensitivity Analysis

- 8.6 In relation to a sensitivity analysis, the GLA have considered the impact of changes to the construction costs and sales values in line with comments on the floor areas stated in section 3 above. If residential floor areas are increased by 2.31% and the floor area against which construction costs is applied are decreased by 1.43% then the deficit for the indicative scheme appraised by the GLA falls to approximately £39,000,000.

9. Sense Checking Exercise

- 9.1 Residual valuations are sensitive to changes in value and cost assumptions. The RICS Financial viability in planning: conduct and reporting Professional Statement requires that Chartered Surveyors undertake a "Stand back" sense checking exercise, described as follows:

Following a detailed component review of the inputs into an FVA and running the appraisal, to stand back is to consider the output(s) objectively, and with the benefit of experience, given the complexity of the proposed scheme. This may often be assisted by reviewing the sensitivity analysis.

- 9.2 Given the extent to which the FVA considers that the proposed scheme is not able to provide a reasonable return for the developer, it may not be the case that a sense checking exercise

has been carried out. In accordance with paragraph 3.10 of the AH&VSPG the applicant is required to demonstrate how the scheme is deliverable. The FVA states that the applicant is willing to make a commercial decision to deliver the application. Given that the FVA indicates that retaining the site in its existing use is a better option for the applicant, further information should be provided on the commercial decision referred to.

10. Overall Comments and Recommended Next Steps

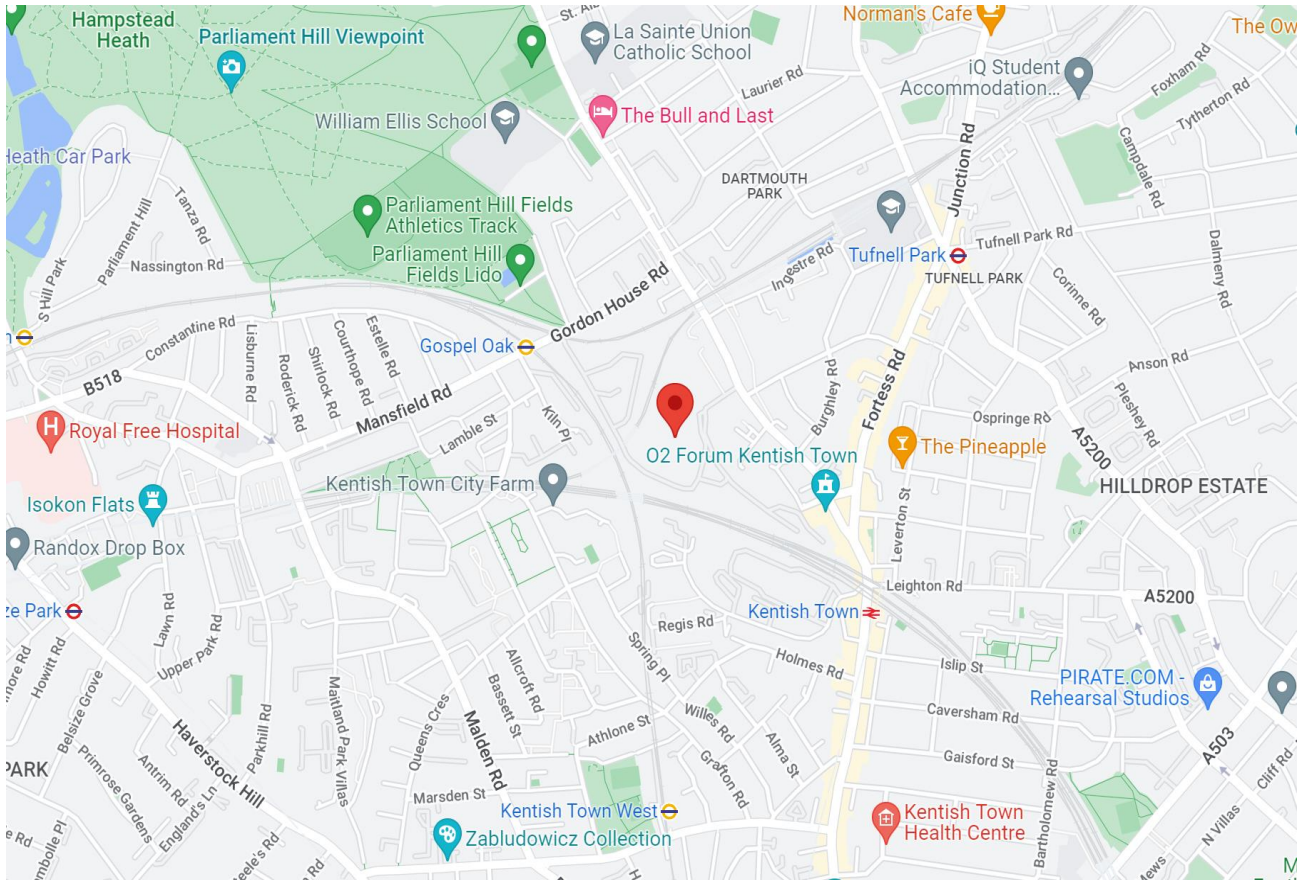
- 10.1 Based on current information, the GLA consider that the R&D Scenario scheme is more viable than the indicative scheme.
- 10.2 It is considered that, based on current information, the proposed scheme is not providing the maximum viable amount of affordable housing. The GLA will reassess the proposal once the further information requested in this document is provided.

11. Review Mechanisms

- 11.1 The Section 106, in accordance with the London Plan 2021, will need to include early, mid and late stage review mechanisms.
- 11.2 Given the outline nature of the scheme it may be appropriate for the viability reviews to be considered on a whole scheme basis. It may also be appropriate for the mid and late stage reviews to be triggered in accordance with reserved matters applications although further discussion can take place in due course.

Appendix A: Plans and Photographs

Location Plan. Source: Google Maps



Site Boundary. Source: Cushman & Wakefield's EUV Report, December 2021



Aerial View of Existing Site. Source: Design and Access Statement



Photographs of Existing Site. Source: FVA Review

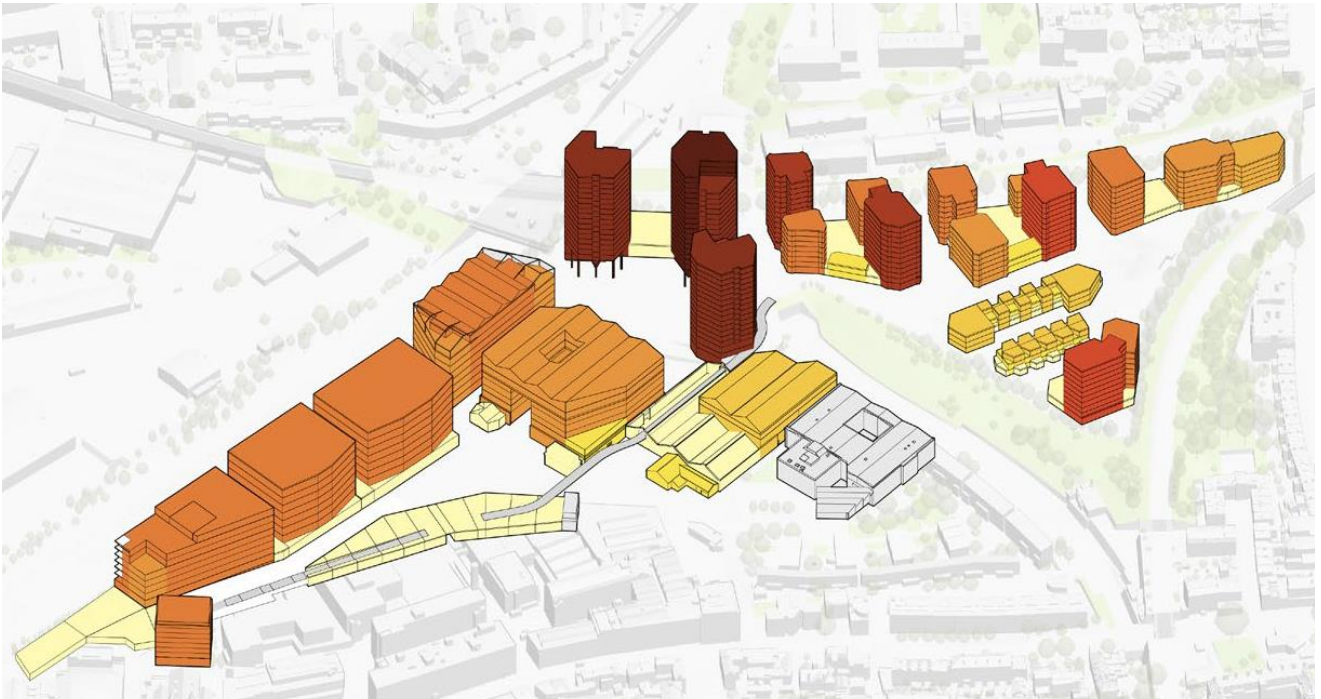




Photographs of Existing Site. Source: Design and Access Statement



Proposed Scheme Massing. Source: Design and Access Statement



Murphy's Yard
35% Affordable Housing
Proposed Scheme

**Murphy's Yard
35% Affordable Housing
Proposed Scheme**

Project Pro Forma for Merged Phases 1 2 3 4

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
C - Intermediate	28	22,720	325.00	263,714	7,384,000
J - Market Sale	172	126,088	1,090.00	799,046	137,435,920
J - Intermediate	7	3,666	325.00	170,207	1,191,450
J - Low Cost Rent	56	42,425	230.00	174,246	9,757,750
S - Market Sale	62	46,394	1,090.00	815,636	50,569,460
S - Intermediate	13	8,369	325.00	209,225	2,719,925
S - Low Cost Rent	20	15,610	230.00	179,515	3,590,300
K - Market Sale	81	61,165	1,063.00	802,696	65,018,395
K - Intermediate	18	11,033	325.00	199,207	3,585,725
K - Low cost rent	28	20,581	230.00	169,058	4,733,630
L - Market Sale	72	50,967	1,063.00	752,471	54,177,921
L - Intermediate	15	9,194	325.00	199,203	2,988,050
L - Low cost rent	19	17,149	230.00	207,593	3,944,270
Q - Market Sale	35	26,300	1,063.00	798,769	27,956,900
Q - Intermediate	8	4,744	325.00	192,725	1,541,800
Q - Low Cost Rent	12	8,849	230.00	169,606	2,035,270
P - Market Sale	19	16,708	1,036.00	911,026	17,309,488
M - Market Sale	23	17,152	1,063.00	792,721	18,232,576
M - Intermediate	5	3,094	325.00	201,110	1,005,550
M - Low Cost Rent	8	5,771	230.00	165,916	1,327,330
O - Market Sale	26	19,732	1,063.00	806,735	20,975,116
O - Intermediate	6	3,560	325.00	192,833	1,157,000
O - Low Cost Rent	9	6,639	230.00	169,663	1,526,970
P - Intermediate	4	3,014	325.00	244,888	979,550
P - Low Cost Rent	<u>6</u>	<u>5,622</u>	230.00	215,510	<u>1,293,060</u>
Totals	752	556,546			442,437,406

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
F- F&B	1	1,996	35.00	69,860	69,860	69,860	69,860
F - Office	1	97,106	50.00	4,855,300	4,855,300	4,855,300	4,855,300
F - Industry / Storage	1	5,134	25.00	128,350	128,350	128,350	128,350
F - Affordable Office	1	5,546	25.00	138,650	131,718	138,650	131,718
C - F&B	1	2,963	35.00	103,705	103,705	103,705	103,705
E - Industry / Storage	1	11,899	25.00	297,475	297,475	297,475	297,475
J - Retail	1	4,920	25.00	123,000	123,000	123,000	123,000
S - Office	1	11,042	50.00	552,100	552,100	552,100	552,100
K - Retail	1	1,370	25.00	34,250	34,250	34,250	34,250
Shed 2 - Retail / F&B	1	10,513	25.00	262,825	262,825	262,825	262,825
Shed 2 - Office	1	31,000	50.00	1,550,000	1,550,000	1,550,000	1,550,000
Shed 2 - Light Industry	1	9,507	25.00	237,675	237,675	237,675	237,675
I - Health Care	1	123,827	45.00	5,572,215	5,572,215	5,572,215	5,572,215
G - Industrial	1	123,860	25.00	3,096,500	2,941,675	3,096,500	2,941,675
Shed 3 - Office	1	120,307	50.00	6,015,350	6,015,350	6,015,350	6,015,350
Shed 3 - Light Industry	1	14,133	25.00	353,325	353,325	353,325	353,325
H - Industry	1	141,546	25.00	3,538,650	3,361,718	3,538,650	3,361,718

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Shed 3 - Affordable Office	1	6,338	25.00	158,450	150,528	158,450	150,528
G - Affordable Industrial	1	8,310	12.50	103,875	98,681	103,875	98,681
Q - Community	1	2,564	15.00	38,460	38,460	38,460	38,460
P - Retail	1	1,719	25.00	42,975	42,975	42,975	42,975
A - Industry	1	4,690	25.00	117,250	117,250	117,250	117,250
B - Industry	1	8,841	20.00	176,820	176,820	176,820	176,820
O - Retail	1	1,869	25.00	46,725	46,725	46,725	46,725
A - Affordable Industrial	1	3,961	12.50	49,513	47,037	49,513	47,037
Totals	25	754,961			27,309,016	27,663,298	27,309,016

Investment Valuation

F- F&B							
Market Rent	69,860	YP @	5.5000%	18.1818			
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	1,172,161		
F - Office							
Market Rent	4,855,300	YP @	5.0000%	20.0000			
(1yr 9mths Rent Free)		PV 1yr 9mths @	5.0000%	0.9182	89,158,918		
F - Industry / Storage							
Market Rent	128,350	YP @	5.0000%	20.0000			
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	2,444,762		
F - Affordable Office							
Current Rent	131,718	YP @	5.5000%	18.1818	2,394,864		
C - F&B							
Market Rent	103,705	YP @	5.5000%	18.1818			
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	1,740,036		
E - Industry / Storage							
Market Rent	297,475	YP @	5.0000%	20.0000			
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	5,666,190		
J - Retail							
Market Rent	123,000	YP @	5.5000%	18.1818			
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	2,063,782		
S - Office							
Market Rent	552,100	YP @	5.0000%	20.0000			
(1yr 9mths Rent Free)		PV 1yr 9mths @	5.0000%	0.9182	10,138,331		
K - Retail							
Market Rent	34,250	YP @	5.5000%	18.1818			
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	574,671		
Shed 2 - Retail / F&B							
Market Rent	262,825	YP @	5.5000%	18.1818			
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	4,409,865		
Shed 2 - Office							
Market Rent	1,550,000	YP @	5.0000%	20.0000			

Murphy's Yard
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Proposed Scheme

(1yr 5mths Rent Free)		PV 1yr 5mths @	5.0000%	0.9332	28,929,673
Shed 2 - Light Industry					
Market Rent	237,675	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	4,527,143
I - Health Care					
Market Rent	5,572,215	YP @	4.5000%	22.2222	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.5000%	0.9361	115,915,341
G - Industrial					
Market Rent	2,941,675	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	56,031,905
Shed 3 - Office					
Market Rent	6,015,350	YP @	5.0000%	20.0000	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.0000%	0.9294	111,816,772
Shed 3 - Light Industry					
Market Rent	353,325	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	6,730,000
H - Industry					
Market Rent	3,361,718	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	64,032,714
Shed 3 - Affordable Office					
Current Rent	150,528	YP @	5.5000%	18.1818	2,736,864
G - Affordable Industrial					
Current Rent	98,681	YP @	5.7500%	17.3913	1,716,196
Q - Community					
Market Rent	38,460	YP @	5.7500%	17.3913	
(6mths Rent Free)		PV 6mths @	5.7500%	0.9724	650,431
P - Retail					
Market Rent	42,975	YP @	5.5000%	18.1818	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	721,065
A - Industry					
Market Rent	117,250	YP @	5.0000%	20.0000	
(6mths Rent Free)		PV 6mths @	5.0000%	0.9759	2,288,486
B - Industry					
Market Rent	176,820	YP @	5.0000%	20.0000	
(6mths Rent Free)		PV 6mths @	5.0000%	0.9759	3,451,173
O - Retail					
Market Rent	46,725	YP @	5.5000%	18.1818	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	783,985
A - Affordable Industrial					

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Current Rent	47,037	YP @	5.7500%	17.3913	818,033
Total Investment Valuation					520,913,359

GROSS DEVELOPMENT VALUE 963,350,765

Purchaser's Costs			(35,422,108)		
Effective Purchaser's Costs Rate		6.80%			(35,422,108)

NET DEVELOPMENT VALUE 927,928,657

TOTAL PROJECT REVENUE 927,928,657

DEVELOPMENT COSTS

ACQUISITION COSTS

Fixed Price	48,920,000				
Fixed Price			48,920,000		48,920,000
Land Transfer Tax		5.00%	2,446,000		
Agent Fee		1.00%	489,200		
Legal Fee		0.50%	244,600		
					3,179,800

Other Acquisition Costs

Additional Acquisition Costs			13,081,623		13,081,623
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CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
E - Industry / Storage	14,874	209.54	3,116,710
F - Build Cost	137,228	288.23	39,553,883
J - Retail	6,150	234.63	1,442,987
S - Office	13,799	264.14	3,644,909
K - Retail	1,713	133.50	228,692
Shed 2 - Overall Build	63,774	347.00	22,129,477
I - Health Care	154,783	286.37	44,325,740
G - Industrial	165,209	207.44	34,271,394
Shed 3 - Overall Build	175,973	314.63	55,366,698
H - Overall Build Cost	176,933	208.45	36,882,124
Q - Community	3,208	153.93	493,811
P - Retail	2,153	157.92	340,001
B - Industry	11,052	141.64	1,565,422
O - Retail	2,336	101.36	236,786
A - Build Cost	10,814	141.67	1,532,029
C - Build Cost	36,104	273.02	9,857,101
J - Car Park	5,688	188.04	1,069,592
K - Car Park	4,943	94.17	465,480
L - Car Park	6,022	91.08	548,457
J - Residential Build Cost	249,176	302.49	75,374,338
K - Residential Build Cost	131,730	308.50	40,638,412
L - Residential Build Cost	111,407	317.20	35,338,014

Murphy's Yard
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Proposed Scheme

S - Residential Build Cost	101,720	309.55	31,487,686	
Q - Car Park	1,940	107.97	209,465	
M - Car Park	2,775	101.37	281,310	
M - Residential Build Cost	37,539	325.25	12,209,684	
O - Residential Build Cost	45,212	302.06	13,656,712	
P - Residential Build Cost	37,375	331.39	12,385,756	
Q - Residential Build Cost	<u>58,739</u>	301.06	<u>17,684,107</u>	
Totals	1,770,369 ft²		496,336,777	
Developer Contingency		2.50%	13,808,450	
Demolition and Enabling			10,493,519	
Landscaping			21,460,628	
Utilities			24,047,076	
				566,146,450
Section 106 Costs				
S106			1,250,000	
Borough CIL			310,255	
MCIL			909,294	
Carbon Offset			800,000	
S106			1,250,000	
Borough CIL			24,615,667	
MCIL			3,248,801	
Carbon Offset			800,000	
S106			1,250,000	
Borough CIL			523,514	
MCIL			3,667,002	
Carbon Offset			800,000	
S106			1,250,000	
Borough CIL			6,425,354	
MCIL			997,939	
Carbon Offset			800,000	
				48,897,826
Section 278 Costs				
S278			250,000	
				250,000
PROFESSIONAL FEES				
Professional Fees		10.00%	55,233,800	
				55,233,800
MARKETING & LEASING				
Commercial Marketing	734,553 ft ²	3.00	2,203,659	
Marketing		1.50%	5,875,137	
Letting Agent Fee		10.00%	2,730,902	
Letting Legal Fee		5.00%	1,365,451	
				12,175,148
DISPOSAL FEES				
Sales Agent Fee		1.00%	9,027,880	
Sales Agent Fee - AH			50,000	
Sales Legal Fee		0.50%	2,809,369	
Sales Legal Fee - Market Sale	490 un	1,000.00 /un	490,000	
				12,377,250
MISCELLANEOUS FEES				
Profit Comm		15.00%	15,386,540	

**Murphy's Yard
35% Affordable Housing
Proposed Scheme**

Profit AH	6.00%	443,040	
Profit Comm	15.00%	1,916,518	
Profit PMS	17.50%	53,760,297	
Profit AH	6.00%	1,950,666	
Profit Comm	15.00%	59,526,971	
Profit Comm	15.00%	1,306,976	
Profit PMS	17.50%	14,782,964	
Profit AH	6.00%	651,992	
			149,725,962
TOTAL COSTS BEFORE FINANCE			909,987,859
FINANCE			
Debit Rate 6.50%, Credit Rate 0.00% (Nominal)			
Total Finance Cost			77,406,323
TOTAL COSTS			987,394,182
PROFIT			(59,465,526)

Performance Measures

IRR% (without Interest)	2.20%
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Murphy's Yard

35% Affordable Housing - R&D Scenario

Murphy's Yard
35% Affordable Housing - R&D Scenario

Project Pro Forma for Merged Phases 1 2 3 4

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
C - Intermediate	28	22,720	325.00	263,714	7,384,000
J - Market Sale	172	126,088	1,090.00	799,046	137,435,920
J - Intermediate	7	3,666	325.00	170,207	1,191,450
J - Low Cost Rent	56	42,425	230.00	174,246	9,757,750
S - Market Sale	62	46,394	1,090.00	815,636	50,569,460
S - Intermediate	13	8,369	325.00	209,225	2,719,925
S - Low Cost Rent	20	15,610	230.00	179,515	3,590,300
K - Market Sale	81	61,165	1,063.00	802,696	65,018,395
K - Intermediate	18	11,033	325.00	199,207	3,585,725
K - Low cost rent	28	20,581	230.00	169,058	4,733,630
L - Market Sale	72	50,967	1,063.00	752,471	54,177,921
L - Intermediate	15	9,194	325.00	199,203	2,988,050
L - Low cost rent	19	17,149	230.00	207,593	3,944,270
Q - Market Sale	35	26,300	1,063.00	798,769	27,956,900
Q - Intermediate	8	4,744	325.00	192,725	1,541,800
Q - Low Cost Rent	12	8,849	230.00	169,606	2,035,270
P - Market Sale	19	16,708	1,036.00	911,026	17,309,488
M - Market Sale	23	17,152	1,063.00	792,721	18,232,576
M - Intermediate	5	3,094	325.00	201,110	1,005,550
M - Low Cost Rent	8	5,771	230.00	165,916	1,327,330
O - Market Sale	26	19,732	1,063.00	806,735	20,975,116
O - Intermediate	6	3,560	325.00	192,833	1,157,000
O - Low Cost Rent	9	6,639	230.00	169,663	1,526,970
P - Intermediate	4	3,014	325.00	244,888	979,550
P - Low Cost Rent	<u>6</u>	<u>5,622</u>	230.00	215,510	<u>1,293,060</u>
Totals	752	556,546			442,437,406

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
F- F&B	1	1,996	35.00	69,860	69,860	69,860	69,860
F - Office	1	97,106	50.00	4,855,300	4,855,300	4,855,300	4,855,300
F - Industry / Storage	1	5,134	25.00	128,350	128,350	128,350	128,350
F - Affordable Office	1	5,546	25.00	138,650	131,718	138,650	131,718
C - F&B	1	2,963	35.00	103,705	103,705	103,705	103,705
E - Industry / Storage	1	11,899	25.00	297,475	297,475	297,475	297,475
J - Retail	1	4,920	25.00	123,000	123,000	123,000	123,000
S - Office	1	11,042	50.00	552,100	552,100	552,100	552,100
K - Retail	1	1,370	25.00	34,250	34,250	34,250	34,250
Shed 2 - Retail / F&B	1	10,513	25.00	262,825	262,825	262,825	262,825
Shed 2 - Office	1	31,000	50.00	1,550,000	1,550,000	1,550,000	1,550,000
Shed 2 - Light Industry	1	9,507	25.00	237,675	237,675	237,675	237,675
I - Health Care	1	123,827	45.00	5,572,215	5,572,215	5,572,215	5,572,215
G - R&D	1	123,860	60.00	7,431,600	7,431,600	7,431,600	7,431,600
Shed 3 - Office	1	120,307	50.00	6,015,350	6,015,350	6,015,350	6,015,350
Shed 3 - Light Industry	1	14,133	25.00	353,325	353,325	353,325	353,325
H - R&D	1	46,726	60.00	2,803,560	2,803,560	2,803,560	2,803,560
Shed 3 - Affordable Office	1	6,338	25.00	158,450	150,528	158,450	150,528

Murphy's Yard

35% Affordable Housing - R&D Scenario

G - Affordable Industrial	1	8,310	12.50	103,875	98,681	103,875	98,681
H - Industry	1	94,820	25.00	2,370,500	2,251,975	2,370,500	2,251,975
Q - Community	1	2,564	15.00	38,460	38,460	38,460	38,460
P - Retail	1	1,719	25.00	42,975	42,975	42,975	42,975
A - Industry	1	4,690	25.00	117,250	117,250	117,250	117,250
B - Industry	1	8,841	25.00	221,025	221,025	221,025	221,025
O - Retail	1	1,869	25.00	46,725	46,725	46,725	46,725
A - Affordable Industrial	1	3,961	12.50	49,513	47,037	49,513	47,037
Totals	26	754,961			33,536,963	33,678,013	33,536,963

Investment Valuation

F- F&B

Market Rent	69,860	YP @	5.5000%	18.1818	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	1,172,161

F - Office

Market Rent	4,855,300	YP @	5.2500%	19.0476	
(1yr 9mths Rent Free)		PV 1yr 9mths @	5.2500%	0.9143	84,560,605

F - Industry / Storage

Market Rent	128,350	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	2,444,762

F - Affordable Office

Current Rent	131,718	YP @	5.5000%	18.1818	2,394,864
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C - F&B

Market Rent	103,705	YP @	5.5000%	18.1818	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	1,740,036

E - Industry / Storage

Market Rent	297,475	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	5,666,190

J - Retail

Market Rent	123,000	YP @	5.5000%	18.1818	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	2,063,782

S - Office

Market Rent	552,100	YP @	5.0000%	20.0000	
(1yr 9mths Rent Free)		PV 1yr 9mths @	5.0000%	0.9182	10,138,331

K - Retail

Market Rent	34,250	YP @	5.5000%	18.1818	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	574,671

Shed 2 - Retail / F&B

Market Rent	262,825	YP @	5.5000%	18.1818	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	4,409,865

Shed 2 - Office

Market Rent	1,550,000	YP @	5.0000%	20.0000	
(1yr 5mths Rent Free)		PV 1yr 5mths @	5.0000%	0.9332	28,929,673

Murphy's Yard

35% Affordable Housing - R&D Scenario

Shed 2 - Light Industry

Market Rent	237,675	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	4,527,143

I - Health Care

Market Rent	5,572,215	YP @	4.5000%	22.2222	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.5000%	0.9361	115,915,341

G - R&D

Market Rent	7,431,600	YP @	4.2500%	23.5294	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.2500%	0.9395	164,277,960

Shed 3 - Office

Market Rent	6,015,350	YP @	5.0000%	20.0000	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.0000%	0.9294	111,816,772

Shed 3 - Light Industry

Market Rent	353,325	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	6,730,000

H - R&D

Market Rent	2,803,560	YP @	4.2500%	23.5294	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.2500%	0.9395	61,973,615

Shed 3 - Affordable Office

Current Rent	150,528	YP @	5.5000%	18.1818	2,736,864
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G - Affordable Industrial

Current Rent	98,681	YP @	5.7500%	17.3913	1,716,196
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H - Industry

Market Rent	2,251,975	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	42,894,762

Q - Community

Market Rent	38,460	YP @	5.7500%	17.3913	
(6mths Rent Free)		PV 6mths @	5.7500%	0.9724	650,431

P - Retail

Market Rent	42,975	YP @	5.5000%	18.1818	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	721,065

A - Industry

Market Rent	117,250	YP @	5.0000%	20.0000	
(6mths Rent Free)		PV 6mths @	5.0000%	0.9759	2,288,486

B - Industry

Market Rent	221,025	YP @	5.0000%	20.0000	
(6mths Rent Free)		PV 6mths @	5.0000%	0.9759	4,313,966

O - Retail

Market Rent	46,725	YP @	5.5000%	18.1818	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.5000%	0.9228	783,985

Murphy's Yard
35% Affordable Housing - R&D Scenario

A - Affordable Industrial					
Current Rent	47,037	YP @	5.7500%	17.3913	818,033
Total Investment Valuation					666,259,557
GROSS DEVELOPMENT VALUE					1,108,696,963
Purchaser's Costs			(45,305,650)		
Effective Purchaser's Costs Rate		6.80%		(45,305,650)	
NET DEVELOPMENT VALUE					1,063,391,313
TOTAL PROJECT REVENUE					1,063,391,313
DEVELOPMENT COSTS					
ACQUISITION COSTS					
Fixed Price	48,920,000				
Fixed Price			48,920,000		
				48,920,000	
Land Transfer Tax	5.00%		2,446,000		
Agent Fee	1.00%		489,200		
Legal Fee	0.50%		244,600		
				3,179,800	
Other Acquisition Costs					
Additional Acquisition Costs			13,081,623		
				13,081,623	
CONSTRUCTION COSTS					
Construction	ft²	Build Rate	ft²	Cost	
E - Industry / Storage	14,874	209.54		3,116,710	
F - Build Cost	137,228	288.23		39,553,883	
J - Retail	6,150	234.63		1,442,987	
S - Office	13,799	264.14		3,644,909	
K - Retail	1,713	133.50		228,692	
Shed 2 - Overall Build	63,774	347.00		22,129,544	
I - Health Care	154,783	286.37		44,325,875	
G - R&D	165,209	329.88		54,499,657	
Shed 3 - Overall Build	175,973	314.63		55,366,867	
H - Overall Build Cost	176,933	243.11		43,013,423	
Q - Community	3,208	153.93		493,811	
P - Retail	2,153	157.92		340,001	
B - Industry	11,052	141.64		1,565,422	
O - Retail	2,336	101.36		236,786	
A - Build Cost	10,814	141.67		1,532,029	
C - Build Cost	36,104	273.02		9,857,101	
J - Car Park	5,688	188.04		1,069,592	
K - Car Park	4,943	94.17		465,480	
L - Car Park	6,022	91.08		548,457	
J - Residential Build Cost	249,176	302.49		75,374,338	
K - Residential Build Cost	131,730	308.50		40,638,412	

Murphy's Yard**35% Affordable Housing - R&D Scenario**

L - Residential Build Cost	111,407	317.20	35,338,014	
S - Residential Build Cost	101,720	309.55	31,487,686	
Q - Car Park	1,940	107.97	209,465	
M - Car Park	2,775	101.37	281,310	
M - Residential Build Cost	37,539	325.25	12,209,684	
O - Residential Build Cost	45,212	302.06	13,656,712	
P - Residential Build Cost	37,375	331.39	12,385,756	
Q - Residential Build Cost	<u>58,739</u>	301.06	<u>17,684,107</u>	
Totals	1,770,369 ft²		522,696,710	
Developer Contingency		2.50%	13,392,114	
Demolition and Enabling			10,493,534	
Landscaping			21,460,650	
Utilities			24,047,106	
				592,090,114
Section 106 Costs				
S106			1,250,000	
Borough CIL			310,255	
MCIL			909,294	
Carbon Offset			800,000	
S106			1,250,000	
Borough CIL			24,615,667	
MCIL			3,248,801	
Carbon Offset			800,000	
S106			1,250,000	
Borough CIL			523,514	
MCIL			3,667,002	
Carbon Offset			800,000	
S106			1,250,000	
Borough CIL			6,425,354	
MCIL			997,939	
Carbon Offset			800,000	
				48,897,826
Section 278 Costs				
S278			250,000	
				250,000
PROFESSIONAL FEES				
Professional Fees		10.00%	53,568,458	
				53,568,458
MARKETING & LEASING				
Commercial Marketing	639,733 ft ²	3.00	1,919,199	
Marketing		1.50%	5,875,137	
Letting Agent Fee		10.00%	3,128,499	
Letting Legal Fee		5.00%	1,564,249	
				12,487,084
DISPOSAL FEES				
Sales Agent Fee		1.00%	10,052,395	
Sales Agent Fee - AH			50,000	
Sales Legal Fee		0.50%	3,321,627	
Sales Legal Fee - Market Sale	490 un	1,000.00 /un	490,000	
				13,914,021
MISCELLANEOUS FEES				
Profit Comm		15.00%	14,696,793	

Murphy's Yard**35% Affordable Housing - R&D Scenario**

Profit AH	6.00%	443,040	
Profit Comm	15.00%	1,916,518	
Profit PMS	17.50%	53,760,297	
Profit AH	6.00%	1,950,666	
Profit Comm	15.00%	47,951,492	
Profit R&D	17.50%	39,594,026	
Profit Comm	15.00%	1,436,395	
Profit PMS	17.50%	14,782,964	
Profit AH	6.00%	651,992	
			177,184,181
TOTAL COSTS BEFORE FINANCE			963,573,108
FINANCE			
Debit Rate 6.50%, Credit Rate 0.00% (Nominal)			
Total Finance Cost			71,611,340
TOTAL COSTS			1,035,184,448
PROFIT			28,206,865

Performance Measures

IRR% (without Interest)	9.15%
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