S106 MANAGEMENT

Financial Viability Appraisal

Address:	**Barkat House, 116-118 Finchley Road, London, NW3 5HT**
LPA:	**London Borough of Camden**
Planning ref:	**N/A**
Client:	**Rion Investments Ltd**
Date:	**9th February 2023**

Contents

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Executive Summary

This report provides a Financial Viability Appraisal (FVA) of proposed development at Barkat House, 116-118 Finchley Road, London, NW3 5HY. The process involves utilising Market Comparison and Residual Methods following RICS Guidance Valuation of Development Property (2019), Assessing Viability in Planning under the NPPF Framework (2021), and National Planning Policy Guidance on Viability (NPGV 2019).

Following NPGV para 008, wherever possible this FVA utilises assumptions used in the underlying local plan evidence base. Where changes have been made, these are fully supported by market evidence demonstrating current local circumstances.

The key outputs of this FVA are summarised in the below table:

GDV	£14,588,964.77
Costs exc land and profit	£6,233,338.98
Finance	£226,368.84
Return	£2,917,792.95
BLV	£7,452,500.00
RLV	£5,211,463.99
RLV-BLV	(£2,241,036.01)
Target profit	20.00%
Actual profit	4.64%

Target developer return includes a risk-adjusted rate for market residential (20%). Sensitivity analysis demonstrates this is the minimum return necessary to offset a high-risk environment. This is broadly policy and precedent compliant.

Benchmark Land Value (BLV) is assessed via the EUV+ method in line with national policy. A 20% landowner premium has been added in this instance.

As such, this FVA demonstrates that, on a 100% open market basis, the resulting actual return to the developer following all costs including land value subtracted from gross development value would be significantly below target return. Therefore, the development cannot viably provide additional s106 contributions.

Full appraisal inputs and evidence are found in the Schedules, referred to throughout.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Introduction

S106 Management is instructed by Rion Investments Ltd to produce a Financial Viability Appraisal (FVA) to determine the level of Affordable Housing contribution that should be expected from proposed development at Barkat House, 116-118 Finchley Road, London, NW3 5HY.

The London Borough of Camden seeks an Affordable Housing contribution in accordance with Policy H4 of the Camden Local Plan (adopted 2017).

The existing site comprises the property at Barkat House - a mixed-use building comprising 2 retail units at ground floor, office accomodation over floors 1 to 4 and residential accomodation over floors 5 and 6. The total GIA of the existing building is 1,543.3m2. The existing accommodation is described in the table below:

EXISTING				
Floor	**GIA (m2)**	**NIA (m2)**	**Common Area (m2)**	**Type**
Ground Floor	264.00	192.40	67.00	Retail
1st Floor	213.40	189.90	26.50	Offices
2nd Floor	213.40	189.90	26.50	Offices
3rd Floor	213.40	189.90	26.50	Offices
4th Floor	213.40	190.90	22.50	Offices
5th floor	213.40	192.90	20.50	Residential
6th floor	213.40	191.80	20.40	Residential
Total Retail		**192**		
Total Offices		**761**		
Total Residential		**385**		
Total	**1544**	**1338**		

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

The proposed accommodation is described by the table below:

EXISTING				
Floor	**GIA (m2)**	**NIA (m2)**	**Common Area (m2)**	**Type**
Ground Floor	270.10	159.50	95.50	Retail
1st Floor	317.40	233.80	79.20	Offices
2nd Floor	365.20	290.40	74.80	Offices
3rd Floor	365.20	290.40	74.80	Offices
4th Floor	291.10	248.10	43.00	Offices
5th floor	291.10	268.40	22.70	Residential
6th floor	291.10	268.40	22.70	Residential
Total Retail		**159.50**		
Total Offices		**1,062.70**		
Total Residential		**537**		
Total	**2191.20**	**1759.00**		

This FVA is to be viewed in conjunction with a new planning application. The proposed development seeks to rehabilitate and extend the existing building, providing two retail spaces at ground floor level, office spaces over floors 1-4 and 8 x 1-bedroom and 2-bedroom units over floors 5-6. The total GIA of the proposed scheme will be 2,191.2m2.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Location Plan

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

S106 Management

S106 Management is a viability consultancy established in 2011 by Robin Furby, retired solicitor and developer. Formed initially to capitalise on 35 years of specialist experience in planning law, viability assessment and development, the company has expanded over the last 10 years and now benefits from the expertise of chartered surveyors, town planners, solicitors, architects and an extensive network of planning professionals.

With over a decade of experience in creating expert financial viability appraisals, advising on complex planning obligations, and negotiating with LPAs, **S106 Management** has often been at the forefront of new statutory procedures, making one of the first Commons De-registration Applications, and one of the first S106BA viability review applications. The company is now one of the most effective viability consultancies in the UK, combining expertise from all corners of the industry.

S106 Management have worked with clients on more than 1,000 developments, facilitating over 20,000 homes across the UK. Our viability reports have been successfully used at pre-application discussions with Planning Officers and Affordable Housing Officers, supporting planning applications, written appeals, and planning appeal hearings.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Planning Policy

By virtue of section 38 (6) of the 'Planning and Compulsory Purchase Act', planning applications must be determined in accordance with the adopted plan of the Local Authority, unless material considerations indicate otherwise.

Policy H2 must first be considered

Policy H2 Maximising the supply of self-contained housing from mixed-use schemes

To support the aims of Policy H1, where non-residential development is proposed the Council will promote the inclusion of self-contained homes as part of a mix of uses.

- In all parts of the borough the Council will encourage the inclusion of self-contained homes in non-residential development.
- In the Central London Area and the town centres of Camden Town, Finchley Road/ Swiss Cottage and Kilburn High Road, where development involves additional floorspace of more than 200sqm (GIA), we will require 50% of all additional floorspace to be self-contained housing, subject to the following considerations.

In the specified areas, the Council will consider whether self-contained housing is required as part of a mix of uses taking into account:

a. the character of the development, the site and the area;
b. site size, and any constraints on developing the site for a mix of uses;
c. the priority the Local Plan gives to the jewellery sector in the Hatton Garden area;
d. whether self-contained housing would be compatible with the character and operational requirements of the proposed non-residential use and other nearby uses; and
e. whether the development is publicly funded or serves a public purpose.

Where housing is required as part of a mix of uses, we will require self-contained housing to be provided on site, particularly where 1,000sqm (GIA) of additional floorspace or more is proposed. Where the Council is satisfied that providing on-site housing is not practical or housing would more appropriately be provided off-site, we will seek provision of housing on an alternative site nearby, or exceptionally a payment-in-lieu.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

In this case the additional commercial and residential floorspace is summarised by the table below:

	Existing Residential	Proposed Residential	Increase
5th floor	213.40	291.10	78
6th floor	213.40	291.10	78
Total			**155**
	Existing Residential	**Proposed Residential**	**Increase**
Ground Floor	192.40	159.50	-33
1st Floor	189.90	233.80	44
2nd Floor	189.90	290.40	101
3rd Floor	189.90	290.40	101
4th Floor	190.90	248.10	57
Total			**269**

The residential floor space is 57% of the commercial floorspace and 37% of the total floor space hence it would appear that the scheme offers insufficient residential floor space to comply with policy H2 and a payment in lieu is required.

The table below has been prepared using example 1.2 of the Camden Housing SPD.

Policy H2 Commuted Sum Calculation	
Additional floor space proposed	425
self-contained housing target	212
capacity additional homes	2
on site addition to market housing floorspace	155
on site addition to affordable housing floorspace provided	0
affordable housing percentage target (capacity x 2%)	4%
affordable housing floorspace shortfall	8
payment in lieu Affordable Housing (shortfall x £1500)	£12,738
market housing target	94%
market housing target	200
market housing shortfall	45
payment in lieu of market housing (shortfall x £1500psm)	£66,843
Total Payment	**£79,581**

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

We conclude (subject to confirmation by the Council) that the policy H2 payment in lieu is £79,581. The next consideration is the affordable housing policy, H4 of the Camden Local Plan (adopted 2017).

Policy H4 Maximising the supply of affordable housing

The Council will aim to maximise the supply of affordable housing and exceed a borough wide strategic target of 5,300 additional affordable homes from 2016/17 - 2030/31, and aim for an appropriate mix of affordable housing types to meet the needs of households unable to access market housing.

We will expect a contribution to affordable housing from all developments that provide one or more additional homes and involve a total addition to residential floorspace of 100sqm GIA or more. The Council will seek to negotiate the maximum reasonable amount of affordable housing on the following basis:

a. the guideline mix of affordable housing types is 60% social-affordable rented housing and 40% intermediate housing;
b. targets are based on an assessment of development capacity whereby 100sqm (GIA) of housing floorspace is generally considered to create capacity for one home;
c. targets are applied to additional housing floorspace proposed, not to existing housing floorspace or replacement floorspace;
d. a sliding scale target applies to developments that provide one or more additional homes and have capacity for fewer than 25 additional homes, starting at 2% for one home and increasing by 2% of for each home added to capacity;
e. an affordable housing target of 50% applies to developments with capacity for 25 or more additional dwellings;
f. for developments with capacity for 25 or more additional homes, the Council may seek affordable housing for older people or vulnerable people as part or all of the affordable housing contribution;
g. where developments have capacity for fewer than 10 additional dwellings, the Council will accept a payment-in-lieu of affordable housing;
h. for developments with capacity for 10 or more additional dwellings, the affordable housing should be provided on site; and
i. where affordable housing cannot practically be provided on site, or off-site provision would create a better contribution (in terms quantity and/ or quality), the Council may accept provision of affordable housing off-site in the same area, or exceptionally a payment-in-lieu.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

We will seek to ensure that where development sites are split or separate proposals are brought forward for closely related sites, the appropriate affordable housing contribution is comprehensively assessed for all the sites together. The Council will seek to use planning obligations to ensure that all parts or phases of split or related sites make an appropriate affordable housing contribution.

In considering whether affordable housing provision should be sought, whether provision should be made on site, and the scale and nature of the provision that would be appropriate, the Council will also take into account:

j. the character of the development, the site and the area;
k. site size and any constraints on developing the site for a mix of housing including market and affordable housing, and the particular types of affordable provision sought;
l. access to public transport, workplaces, shops, services and community facilities;
m. the impact on creation of mixed, inclusive and sustainable communities;
n. the impact of the mix of housing types sought on the efficiency and overall quantum of development;
o. the economics and financial viability of the development including any particular costs associated with it, having regard to any distinctive viability characteristics of particular sectors such as build-to-let housing; and
p. whether an alternative approach could better meet the objectives of this policy and the Local Plan.

Where the development's contribution to affordable housing falls significantly short of the Council's targets due to financial viability, and there is a prospect of viability improving prior to completion, the Council will seek a deferred contingent contribution, based on the initial shortfall and an updated assessment of viability when costs and receipts are known as far as possible.

Policy H4 suggests that in the case of developments with a capacity of fewer than 10 additional dwellings, the council will accept a payment in lieu.

In this case the additional residential floorspace provided by the development is shown by the table below:

	Existing Residential	Proposed Residential	Increase
5th floor	213.40	291.10	78
6th floor	213.40	291.10	78
Total			**155**

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

The Camden Housing SPD 2021 provide as formula for calculating the policy compliant affordable housing contribution.

Figure 3. Sliding scale for affordable housing percentage targets

Floorspace range 1 or more additional homes with an additional residential floorspace of...	**Capacity** (rounded floorspace addition ÷ 100 sq m)	**Affordable housing percentage target** (capacity x 2%)
...100 sq m GIA and above, but less than 150 sq m GIA	1 additional home	2%
...150 sq m GIA and above, but less than 250 sq m GIA	2 additional homes	4%

Figure 9. Calculating payments in lieu of affordable housing

Additional residential floorspace (GIA)	**Capacity** (rounded floorspace addition/ 100 sq m)	**Affordable housing %ge target** (capacity x 2%)	**Affordable housing floorspace target** (%ge target x GIA)	**Payment in lieu required** (floorspace target x £5,000)
105 sq m GIA	1 additional home	2%	2% x 105 = 2.1	2.1 x £5,000 = £10,500
259 sq m GIA	3 additional homes	6%	6% x 259 = 15.54	15.54 x £5,000 = £77,700
578 sq m GIA	6 additional homes	12%	12% x 578 = 69.36	69.36 x £5,000 = £346,800
941 sq m GIA	9 additional homes	18%	18% x 941 = 169.38	169.38 x £5,000 = £846,900

From figure 9 we calculate the target payment in accordance with the table below:

Additional Floorspace	Capacity rounded	Target %	Affordable housing floorspace target m2	Payment in Lieu
155	2 additional homes	4%	6.20	£31,000

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

The sum of the contributions under policy H2 (£79,581) and H4 (£31,000) is therefore £110.581, subject to confirmation by the Council

The purpose of this FVA is to determine whether the development can support such a contribution.

These policies have been informed by the 'London Borough of Camden Strategic Housing Market Assessment' (February 2016), hereafter referred to as the SHMA and the 'London Borough of Camden Local Plan Review Evidence Base: Financial Viability Study' (October 2015). Details from these documents are used where possible to corroborate the assumptions set out later in our report.

PPG Viability para 008 states:

> ***'How should a viability assessment be treated in decision making?***
>
> ***Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.'***

This creates a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties, with the burden of proof relating to what changes have occurred since adoption of the local plan equally applicable to all parties.

As such, where appropriate the conclusions of the underlying local plan evidence base are used to inform our report and corroborate assumptions. Where we believe changes must be made these are fully evidenced.

National Guidance is a material consideration; therefore, we also consider the 'National Planning Policy Framework' (NPPF) (2021), and the 'National Planning Guidance for Viability' (NPGV) (May 2019).

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

National Guidance

National guidance on the delivery of Affordable Housing is provided by the NPPF, which replaced the previous advice in PPS3.

Paragraph 58 of the NPPF is of relevance:

> 58. Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

The recommended approach referred to above is set out in the NPGV (https://www.gov.uk/guidance/viability).

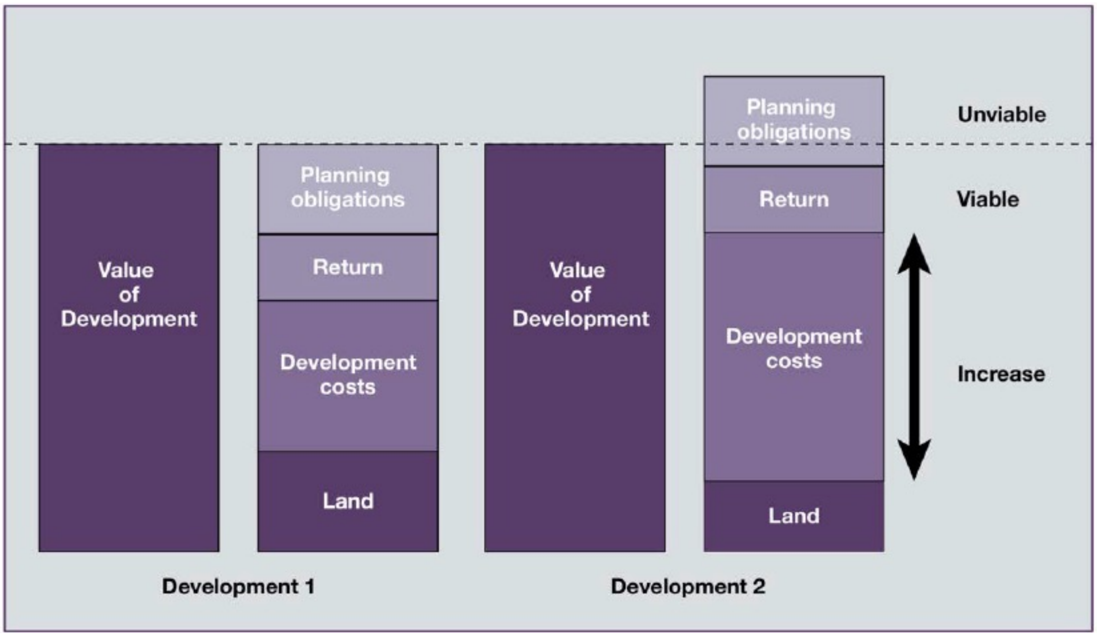
The standard approach to viability is explained at para. 10 of the NPGV:

> ***'Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it.'***

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

This is summarised well in the below figure from RICS guidance:



Paragraphs 11-18 lay out the required approach to calculating gross development value (GDV), development costs, benchmark land value, landowner and developer return.

The concept of viability is well expressed by the NPGV, in particular para 12 which sets out the costs that should be included in any viability statement, and paras 13-17 which seek to ensure that the landowner should receive the Existing Use Value (EUV) of the site plus a premium, thus providing an incentive to the landowner to bring the site forward for development.

Our report has been written in accordance with the principles set out in both the NPPF, and the NPGV.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Viability

The relevance of viability is accepted in Policy H4 which states:

> Where the development's contribution to affordable housing falls significantly short of the Council's targets due to financial viability, and there is a prospect of viability improving prior to completion, the Council will seek a deferred contingent contribution, based on the initial shortfall and an updated assessment of viability when costs and receipts are known as far as possible.

This policy statement should be seen in the context of the NPPF, and indeed subsequent Government guidance.

There are several proprietary spreadsheets in use to justify viability. We use the Housing Corporation Economic Appraisal Tool (HCEAT), developed by GVA Grimley in partnership with the Housing Corporation (now HCA); it is one of the Toolkits commonly used when considering development viability.

Our report and its conclusions are based on the application of this tool.

The next section sets out the assumptions that have been made in the preparation of the HCEAT spreadsheet examining the viability of this site; the spreadsheet is shown in **Schedule 1** of this report. The comments below address the inputs to the spreadsheet sequentially and an electronic copy can be provided to the LPA on request.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Spreadsheet Inputs

Proposed Development - Input Sheet 1

The development is summarised by the table below (plans are shown at **Schedule 2** to this report):

Unit	NIA	Type
1 - 5th floor	73.40	2B4P flat
2 - 5th floor	50.20	1B2P flat
3 - 5th floor	73.00	2B4P flat
4 - 5th floor	41.60	1B1P flat
5 - 6th floor	73.40	2B4P flat
6 - 6th floor	50.20	1B2P flat
7 - 6th floor	73.00	2B4P flat
8 - 6th floor	41.60	1B1P flat
Total area (m2)	**476.40**	
Avg. unit size (m2)	**59.55**	

The unit mix comprises 4 x 1-bedroom flats and 4 x 2-bedroom flats, with an average unit size of 59.55 m2.

Affordable Housing Values - Input Sheet 2

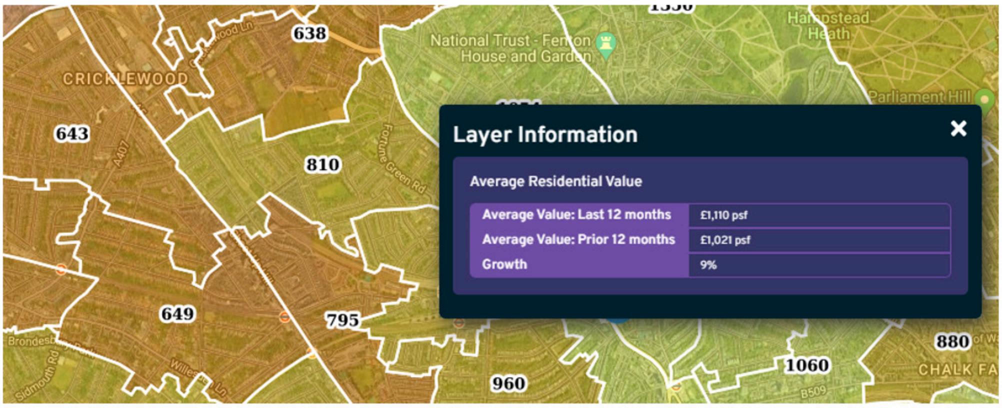
We approach this issue by firstly modelling a scheme with no contributions towards Affordable Housing; if the Residual Value of this model exceeds the Benchmark Value of the site (as described below) then we produce further modelling to illustrate the whether a contribution towards Affordable Housing can viably be delivered by the development.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Open Market Housing Values - Input Sheet 2

The Nimbus Maps data for the subject postcode is shown below:



The Nimbus data suggests average values in the area of £11,836/m2. However this data is compiled considering all property types rather than focussed on flatted units. We therefore complete more site specific research below:

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Transactional Data

We have compared this data to relevant recent 'sold' transactions extrapolated from Rightmove (see **Schedule 3**). As noted, values in Camden are extremely sensitive to small changes in search area; therefore, we have limited our transactional search to within 1 year and 1/2 mile of the scheme.

Sold Flats within 1/2 mile Last 1 Years					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
38a, Greencroft Gardens, London, Greater London NW6 3LU	2-bed flat	07.10.2022	69.48	£11,514.10	£800,000
55, Broadhurst Gardens, London, Greater London NW6 3QT	2-bed flat	30.09.2022	77.30	£9,637.77	£745,000
57b, Broadhurst Gardens, London, Greater London NW6 3QT	2-bed flat	21.07.2022	61.00	£10,188.52	£621,500
St. Johns Court, Flat 18, Finchley Road, London, Greater London NW3 6LL	2-bed flat	27.05.2022	83.20	£7,692.31	£640,000
Broadfield, Flat 137, Broadhurst Gardens, London, Greater London NW6 3QR	1-bed flat	09.02.2022	51.30	£7,066.28	£362,500
27, Minton Mews, London, Greater London NW6 1XX	1-bed flat	14.04.2022	52.80	£7,481.06	£395,000
156b, Belsize Road, London, Greater London NW6 4BJ	1-bed flat	11.04.2022	49.89	£6,514.33	£325,000
32, Doulton Mews, London, Greater London NW6 1XY	1-bed flat	04.03.2022	54.07	£7,120.40	£385,000
Broadfield, Flat 137, Broadhurst Gardens, London, Greater London NW6 3QR	1-bed flat	09.02.2022	51.30	£7,066.28	£362,500
			Avg. £/m2 value	**£8,424.79**	

The average achieved prices extrapolated from Rightmove are higher than the average suggested by Nimbus. This is because Nimbus data is compiled from across the NW3 postcode and is also the average price for properties in general and not flats only.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

There is also evidence of the commonly seen 'quantum' inverse correlation between unit area and £/m2 value, meaning we would expect the smaller units to achieve higher £/m2 values than the larger.

We have also studied properties which are currently on the market within 1/4 mile of the subject site:

Flats For Sale within 1/4 Mile					
Address	**Type**	**SSTC/for sale?**	**Area m2**	**£/m2**	**Price**
Sumpter Close, London, NW3	2-bed flat	For sale	85.00	£10,000.00	£850,000
Greencroft Gardens, London, NW6	2-bed flat	Sold STC	66.42	£11,592.14	£769,950
Greencroft Gardens, South Hampstead, London	2-bed flat	For sale	79.79	£8,522.37	£680,000
St. Johns Court, South Hampstead, London, NW3	2-bed flat	For sale	63.00	£10,634.92	£670,000
Fairfax Road, London	1-bed flat	Sold STC	51.00	£10,294.12	£525,000
Finchley Road, Hampstead, London, NW3	1-bed flat	For sale	60.00	£8,333.33	£500,000
College Crescent, Belsize Park NW3	1-bed flat	Sold STC	55.00	£9,090.91	£500,000
College Crescent, London, NW3	1-bed flat	Sold STC	48.00	£10,312.50	£495,000
Greencroft Gardens, South Hampstead, London, NW6	2-bed flat	For sale	61.00	£10,655.74	£650,000
			Avg. £/m2 value	**£9,908.38**	

Furthermore, we have reviewed new-build data; however, we had to extend our search to +1 miles due to constrained supply and for the reasons noted above the proposed results might not necessarily be applicable to the proposed development.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

NB Flats For Sale within 1 Mile					
Address	**Type**	**SSTC/for sale?**	**Area m2**	**£/m2**	**Price**
Rowland Hill Street, Hampstead, London, NW3	**1-bed flat**	**NB for sale**	**53.00**	**£13,113.21**	**£695,000.00**
West Hampstead Central, West End Lane, London, NW6	1-bed flat	Under offer	50.10	£13,872.26	£695,000.00
West Hampstead Central, West End Lane, London, NW6	1-bed flat	NB for sale	50.10	£13,373.25	£670,000.00
West Hampstead Central NW6	1-bed flat	NB for sale	50.00	£12,900.00	£645,000.00
Neos, Camden, NW3	2-bed flat	NB for sale	73.00	£9,780.82	£714,000.00
Belsize Road, London, NW6	2-bed flat	NB for sale	84.00	£8,452.38	£710,000.00
The Ivery, West Hampstead, NW6	2-bed flat	NB for sale	77.00	£9,077.92	£699,000.00
Lessing Building, West Hampstead Square, West Hampstead, London, NW6	**2-bed flat**	**NB for sale**	**76.80**	**£11,718.10**	**£899,950.00**
West Hampstead Central, West End Lane, London, NW6	2-bed flat	NB for sale	70.70	£12,517.68	£885,000.00
			Avg. £/m2 value	**£11,309.99**	

The average £/m2 values and GIAs from the data sets above are summarised below:

	Nimbus	**Sold**	**For Sale**	**NB For Sale**
Avg £/m2 Values - Flats	£6,079	£4,973	£4,684	N/A
	Sold	**For Sale**	**NB For Sale**	**As Proposed**
Avg. GIA m2 - Flats	103.74	72.10	N/A	89.72

Average asking prices are inflated when compared to wider achieved values and the dataset supplied by Zoopla, suggesting asking prices are unlikely to be achieved. Consultation with local agents suggests prices are often being discounted 5-10% in the current market.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

When looking at new build data, we have focused on flats that are located in similar developments and have excluded luxury units located in period house conversions. We note however that the proposed flats will be located in a mixed-use building above commercial units which will negatively effect the projected sales values.

In order to reach a value for the proposed 2-bedroom flats, we have looked at the new build unit for sale at **Lessing Building**, currently on the market for £899,950 or £11,718/m2. This unit is marginally smaller than the proposed 2-bedroom units. We expect the proposed to achieve a similar value, but marginally less due to the fact the subject units will be located above commercial premises.

Similarly, in order to value the proposed 1-bedroom units, we have looked at the new build unit for sale at **Rowand Hill Street**, currently on the market for £695,000 or £13,113/m2. We expect the proposed units to achieve a similar value.

Taking into consideration the data presented above, we have valued the proposed flats as shown below:

NB changed to the NIA excluding the winter gardens

Unit	NIA	Type	£/m2	Price
1 - 5th floor	73.40	2B4P flat	£10,831	£795,000
2 - 5th floor	50.20	1B2P flat	£12,450	£625,000
3 - 5th floor	73.00	2B4P flat	£10,890	£795,000
4 - 5th floor	41.60	1B1P flat	£13,221	£550,000
5 - 6th floor	73.40	2B4P flat	£10,831	£795,000
6 - 6th floor	50.20	1B2P flat	£12,450	£625,000
7 - 6th floor	73.00	2B4P flat	£10,890	£795,000
8 - 6th floor	41.60	1B1P flat	£13,221	£550,000
	476.40			**£5,530,000**

The proposed valuation above has been reached following extensive market research, consideration of comparable characteristics in recent transactions, new build and external amenity premiums and advice from local agents and therefore should be considered robust. The figures represent the very top end of what can be achieved in today's market and considering current trends should be considered optimistic.

For the sake of clarity, we have run with the average £/m2 values, thus £12,799/m2 for the 4 x 1-beds and £10,860/m2 for the 4 x 2-bed.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Freehold Ground Rent

The capital value of the Freehold Ground Rents from the project is therefore included at zero for the purposes of this viability appraisal. **The Leasehold Reform (Ground Rent) Bill received Royal Assent on 8 February 2022 meaning it is now an Act of Parliament (law).**

The Act limits ground rent to a 'peppercorn rent.'

The rationale behind the limit is to prevent leaseholders becoming trapped by rapidly escalating ground rents and in turn create fairer, more transparent ownership for leaseholders.
The Act also prohibits administration charges for peppercorn rents as an anti-avoidance measure.

As such all viability assessors are currently including ground rent at either a zero or nominal rate as this income will not be realised.

Timing - Input Sheet 2

This FVA is to be read in conjunction with a detailed planning application which we expect to be granted within 3 months. There will be a 3-month period following this to produce building regs. drawings and obtain all fixed price quotations.

Construction is projected over a 14-month period with sales expected between months 12 and 16.

The 6-month period before commencement of build has not been included in our calculations.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Construction Costs - Input Sheet 2

Although the economic turmoil of the Truss premiership has been allayed somewhat by the Autumn Statement, some ramifications remain, and these are still uncertain times. A recession combined with high inflation provides a bleak outlook for construction over the next two years. Construction demand will shrink, and with fewer opportunities there will be greater keenness to secure work. Although materials prices will fall long term, in the short term, current inflationary pressures will keep labour costs rising resulting in increases in both costs and tenders. Tender prices will be rising more slowly than input costs over the next two years as contractors seek to fill order books and it is not until the last two years of the BCIS forecast period that margins and output are expected to recover.

Building costs as measured by the BCIS General Building Cost Index rose 12.7 in the year to Q3 2022 but are forecast to slow to approximately 2.5% per annum over the rest of the forecasted period. Although, in 2022 the increase in buildings costs was mainly driven by escalating costs of materials, going forward, labour is expected to be the main driver.

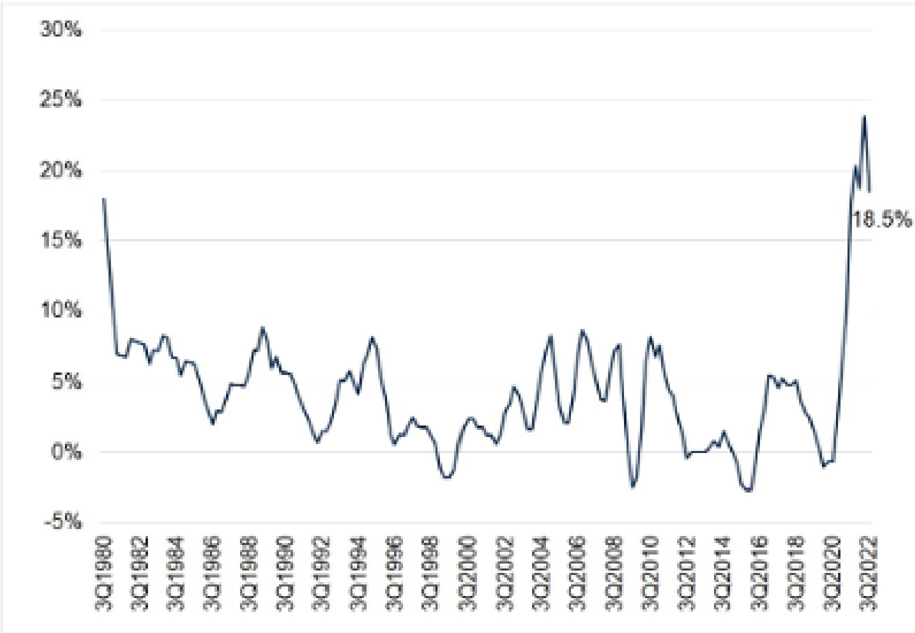
RICS released further advice in December 2022:

- *Tender prices in 4Q2022 rose by 1.1% compared with the previous quarter, and by 7.6% on an annual basis. Economic uncertainty will make contractors keen to tender, however, it also increases their risk of delivery. Although labour site rates are rising faster than wage awards, supply issues with materials have largely been resolved. Tender prices are likely to be suppressed in the first two years of the forecast due to reduced demand. It is not until the last two years of the forecast period that tender prices are likely to rise faster than basic costs, with tender prices forecast to rise by 13% in the five years to 4Q2027.*
- *Materials prices rose by 2.3% in 3Q2022 compared with the previous quarter, and by 18.5% compared with a year earlier. Some materials prices are easing (timber, steel, metals); however, soaring energy costs will result in escalating prices for energy-intensive construction materials.*
- *Wage awards over the next year will come under pressure from high inflation. Some of the 2% and 3% increases already agreed for 2023 may be renegotiated. Wage awards will peak in 2023 and the average annual wage awards over the forecast period will be around 3.5% per annum. Site rates have already risen in line with inflation and may steady in 2023. This will be reflected in the market conditions element of the TPI.*
- *The BCIS General Building Cost Index rose by 2.3% in 3Q2022 compared with 2Q2022, and by 12.7% compared with 3Q2021. Costs will rise by 13% over the forecast period (4Q2022 to 4Q2027).*
- *Total new work output increased by 2.4% in 3Q2022 compared with the previous quarter and by 5.7% compared with a year earlier. New construction output is expected to contract in 2023-2024, before returning to growth thereafter, and rising 5% over the forecast period (2022-2027).*

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Figure 11: Annual growth in BCIS Materials Cost Index



Source: BCIS

We have referred to the BCIS dataset for projects of this nature:

816. Flats (apartments)							
Generally (15)	2,296	661	1,355	1,787	2,377	7,836	79
1-2 storey (15)	2,923	974	1,501	1,857	3,407	7,836	17
3-5 storey (15)	1,971	661	1,380	1,736	2,158	7,332	46
6 storey or above (15)	2,652	764	1,235	1,801	3,664	6,568	15

Taking the above into consideration, we have adopted the median quartile costs of £1,787/m2 for rehabilitation and conversion of flats (General).

The NIA of the residential development is 476m2 – the Gia is 582m2 – the gross to net areas is 81.83% and the spreadsheet includes this correction factor.

Our modelling has been run with a corresponding correction factor.

Non-BCIS

As mentioned previously, the BCIS makes no allowance for all external works and associated infrastructure costs. We have therefore referred to the Camden Local Plan Viability Study, which suggests an appropriate allowance for residential schemes of 15% at paragraph 5.42 (page 40).

In our experience an allowance of 10-15% of the base build cost is adopted for external works unless there are significant abnormal costs onsite. We have adopted a modest c. 10% within our appraisal. This is equivalent to £104,036 , rounded up to £105,000.

The HCEAT has been run with a corresponding figure.

Fees - Input Sheet 2

10% for fees is the default value of the HCEAT Spreadsheet and the commonly accepted industry standard allowance. This is confirmed as an appropriate assumption by the Camden Local Plan Viability Study at paragraph 5.61 (page 45).

Contingency - Input Sheet 2

5% for contingencies is the default value of the HCEAT Spreadsheet and the commonly accepted industry standard allowance. This is the same input adopted in the Camden Local Plan Viability Study at Table A18.6 and hence we run our appraisal with the same level.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Section 106 Payments - Input Sheet 2

We have calculated the CIL payment for the residential element as below:

	LPA CIL	MCIL2
Adopted Charging Schedule (£/m2)	£648	£80
Following indexation (£/m2)	£718	£80
Total proposed GIA (m2)	582.20	582
Existing GIA (m2)	425.70	426
Retained GIA (m2)	425.70	426
Lost GIA (m2)	0.00	
Applicable GIA (m2)	156.50	156
CIL (total)	**£112,408**	**£12,480**
	Total	**£124,888**

This is subject to confirmation by the charging authority.

The HCEAT has been run with the corresponding figure.

Site Acquisition Costs - Input Sheet 2

The EUV of the building is £6,775,000 as explained below. We have included acquisition costs of £350,000, which accounts for £328,250 in SDLT.

Finance Costs - Input Sheet 2

Given the macro-economic context, lenders have become increasingly risk adverse and therefore funding is becoming harder to acquire. The Bank of England raised the base rate to 4% in December, with further rate rises currently suggested throughout 2022. Therefore, a minimum interest figure of 8% is appropriate and has been used in the spreadsheet.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Marketing Costs - Input Sheet 2

We have adopted a marketing cost of 3% and legal fees of £1,000 per unit.

Developer Profit - Input Sheet 2

The NPGV contains the following advice at paragraph 18:

> ***How should a return to developers be defined for the purpose of viability assessment?***
>
> *'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.'*
>
> *As previously noted, Paragraph 008 of the NPGV provides a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties. The Camden Local Plan Viability Study at Para. 5.69 (page46) identifies 20% on gross development value as an appropriate assumption for private residential. This aligns with national policy and precedent.*

Taking into account the risk profile of the development we have adopted the assumption adopted in the Camden Financial Viability Assessment as appropriate (20%). This is supported by our sensitivity analysis, which further demonstrates the relative risk profile of the development (see below).

The HCEAT appraisal has been run accordingly.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Commercial Assumptions - Input Sheet 3

Size of Scheme

In addition to the residential dwelling the development will also provide commercial units over floors 0 to 4 with a total GIA of 1,609m2. The commercial element of the scheme is summarised below, and plans are shown at **Schedule 2.**

Floor	GIA (m2)	NIA (m2)	Common Area (m2)	Type
Ground Floor	270.10	159.50	95.50	Retail
1st Floor	317.40	233.80	79.20	Offices
2nd Floor	365.20	290.40	74.80	Offices
3rd Floor	365.20	290.40	74.80	Offices
4th Floor	291.10	248.10	43.00	Offices
Total Retail		**159.50**		
Total Offices		**1,062.70**		
Total	**1609.00**	**1222.20**		

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Values

Offices

Our client has provided us with a Valuation Report for the existing building produced by Colliers (see Schedule 4), which includes information about the existing office accommodation. The total combined area of the existing retail spaces is 751.56m2. Colliers places the total rental value of the current office premises at £212,500 PA, equivalent to £282.75/m2.
In order to assess the achievable rent by the proposed office accommodation, we have conducted Rightmove research looking at similar properties that are currently offered for leas in the area.

We start by looking at offices currently offered for rent, located within 1 mile of the subject site.

Offices for Rent within 1 Mile				
Address	**Type**	**Area m2**	**PA Cost**	**£/m2 Cost (PA)**
Kilburn High Road, London, NW6	Office - 2 x parking, own kitchen, shared entry and toilet, utilities, in need of modernisation	74.00	£21,000.00	£283.78
159 Iverson Road, West Hampstead, NW6 2RB	Office - open plan office, meeting room, own kitchen, CCTV, shower, high ceilings	162.00	£59,000.00	£364.20
Suite D, 4-6 Canfield Place, Finchley Road, NW6 3BT	Office - newly redecorated throughout, own kitchen and WC, private meeting room, AC, arched windows, sky light	155.00	£41,750.00	£269.35
West Hampstead Square, Unit 6 Hardy Building, Heritage Lane, West Hampstead, NW6 2BR	Office - 1st floor, open plan, plenty of natural light	132.00	£49,908.00	£378.09
Sumatra House, 215 West End Lane, West Hampstead, NW6 1XJ	Office - 2nd floor, AC, natural light throughout, own kitchen and WC, parivate terrace	117.00	£45,000.00	£384.62
Unit 2, Beckford Building, West Hampstead Square, London, NW6 2AQ	Office - ground floor, self contained, AC and heating system, 1 x parking, own kitchen + WC + shower room	104.00	£36,432.00	£350.31
8 Hampstead West, 224 Iverson Road, West Hampstead, NW6 2HL	Office - ground floor, purpose built office complex, open plan,	89.00	£33,456.00	£375.91
Lower Ground, 179 West End Lane, West Hampstead, London, NW6 2LH	Office - newly refurbished, private terrace, electric windows, AC, WCs	84.00	£32,000.00	£380.95
1st Floor, 167 Broadhurst Gardens, West Hampstead, NW6 3AU	Office - modern interiors, open plan, industrial features, polished concrete floor	65.00	£24,500.00	£376.92
			Avg. £/m2 (PA)	**£349.33**

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

The average PA value (£/m2) from the market evidence is £349.33. We note however that the average size of the comparable units (109.11m2). Few of the comparable units are refurbished and some are in need of modernisation, and we therefore expect the proposed offices to achieve a higher £/m2 rental value following the modernisation facilitated by the planning application now being considered.

Our clients operate the 1st, 2nd and 3rd floors as serviced offices which are smaller than the comparables listed above. These smaller units are expected to yield a higher rental value that the market evidence.
The fourth floor is partly let and a self-contained office and will achieve a lower rental than the serviced accommodation.
Following the rehabilitation of the existing building, we our clients advise that the proposed offices can achieve the following PA rental values:

OFFICES			£/m2 Cost (PA)	PA Rent
1st Floor	233.80	Serviced Office 1F	£390.33	£91,260.00
2nd Floor	290.40	Serviced Office 2F	£425.21	£123,480.00
3rd Floor	290.40	Serviced Office 3F	£425.21	£123,480.00
4th Floor	248.10	Office 4F	£350.00	£86,835.00
	1,063		**£399.98**	**£425,055.00**

Therefore, the average projected rent adopted in this analysis is £399.98 /m2 (PA) (rounded to £400/m2 pa) , which we have adopted in our calculations. We apply a yield of 5.25% in accordance with the valuation report at Schedule 4.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Retail

Our client has provided us with a Valuation Report for the existing building produced by Colliers (see Schedule 4), which also include information about the existing retail units at the ground floor level. Therefore, the total combined area of the existing retail spaces is 201.23m2. Colliers places the rental value of the current retail premises at £67,000 PA, equivalent to £332.80/m2.

We have conducted research into comparable retail units that are currently offered for rent in the area, located within 1 mile.

Retail Units for Rent within 1 Mile				
Address	**Type**	**Area m2**	**PA Cost**	**£/m2 Cost (PA)**
3 Holly Hill, Hampstead, London, NW3 6QN	Retail unit - high street location, ground floor shop and basement, shell condition	118.00	£45,000.00	£381.36
280 West End Lane, West Hampstead, London, NW6 1LJ	Retail unit - variety of uses (retail, restaurant, health & fitness etc.), ground + lower ground floor, WCs	77.00	£42,500.00	£551.95
80 Mill Lane, West Hampstead, London, NW6 1NL	Retail unit - recently refurbished, private garden to the rear	45.00	£17,500.00	£388.89
Mill Lane, West Hampstead	Retail unit - busy area surrouded by outlets and shops, large open space and 2 x office rooms, kitchenete & toilets, in need of refurbishment	36.00	£15,000.00	£416.67
Boundary Road, St John's Wood NW8	Retail unit - newly refurbished, high ceilings, popular location, ground and lower ground floor, front forecourt	72.00	£25,000.00	£347.22
Englands Lane, London	Retail unit - highly visible corner unit, popular area, newly refurbished kitchenette and office area	71.00	£48,000.00	£676.06
Finchley Road, London	Retail unit - highly visibile unit, open retail space, popular location	43.00	£22,000.00	£511.63
Kilburn High Road, London, NW6	Retail unit - popular location, carpeted, exposed brick, secure rear stores	40.00	£29,300.00	£732.50
			Avg. £/m2 (PA)	**£486.65**

The average PA value (£/m2) proposed is £486.55. We note however that the average size of the comparable units (62.75m2) is considerably smaller than that of the proposed retail unit at 159.5m2. Moreover, few of

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

the comparable units are refurbished and some are in need of modernisation, and we therefore expect the proposed retail unit to achieve a higher £/m2 rental value.

Following the rehabilitation of the existing building, our clients advise that the proposed retail units can achieve the following PA rental values:

RETAIL			£/m2 Cost (PA)	PA Rent
Ground floor	159.50	Retail	£485.89	£77,500.00

Therefore, the average projected rent in our spreadsheet is £485.89 /m2 (PA), which we have adopted in our calculations, applying a yield of 5.25% as per the Colliers valuation report.

Building Costs

We refer to the BCIS data shown below for this type of commercial projects:

Rehabilitation/Conversion							
320.1 Offices with shops, banks, flats, etc (15)	2,385	519	1,057	2,408	3,550	5,873	15
345. Shops (15)	1,361	224	386	606	782	4,807	5

We have adopted the median quartile costs for both the proposed retail and office units, respectively £2,408/m2 and £606/m2.

The HCEAT has been run with corresponding figures.

Fees

Professional fees (10%) and contingencies (5%) have been included for both commercial elements, as per the residential element of the scheme.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Section 106 Payments - Input Sheet 2

We have calculated the CIL payment for the commercial element as below:

OFFICES		
	LPA CIL	**MCIL2**
Adopted Charging Schedule (£/m2)	£110	£185
Following indexation (£/m2)	£124	£185
Total proposed GIA (m2)	1,338.90	1,339
Existing GIA (m2)	853.60	854
Retained GIA (m2)	853.60	854
Lost GIA (m2)	0.00	0
Applicable GIA (m2)	485.30	485
CIL (total)	**£60,219**	**£89,781**
	Total	**£149,999**

RETAIL		
	LPA CIL	**MCIL2**
Adopted Charging Schedule (£/m2)	£32	£165
Following indexation (£/m2)	£36	£165
Total proposed GIA (m2)	270.10	270
Existing GIA (m2)	264.00	264
Retained GIA (m2)	264.00	264
Lost GIA (m2)	0.00	0
Applicable GIA (m2)	6.10	6
CIL (total)	**£220**	**£1,007**
	Total	**£1,227**

This is subject to confirmation by the charging authority.

The HCEAT has been run with the corresponding figure.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Timing

This is identical to the 'residential' section of the report, respectively 18 month for construction, with the commercial units being let in month 12.

Letting Fees

We have adopted the default values of the spreadsheet, thus letting fees at 10%, advertising at 1%, and sales fees at 1.75%.

Developer Profit

We have run with developer profit for the commercial section at 20 %.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Benchmark Land Value

The NPGV provides a standard methodology for determining Benchmark Land Value (BLV). Paragraph 15 requires that the EUV of the site should be identified:

> *'Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).*
>
> *Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.'*

The existing site comprises the property at Barkat House - a mixed-use building comprising 2 retail units at ground floor, serviced office accommodation over floors 1 to 3, a self-contained office on floor 4 and residential accomodation over floors 5 and 6. The total GIA of the existing building is 1,543.3m2.

As previously mentioned, our client has provided a Valuation Report for the assessment of the existing building, conducted by Colliers as shown at Schedule 4. Colliers are of the opinion that the building as existing has a total value of £6,775,000 (see page 34) .
We have studied their assessment and consider this to be reasonable. Therefore, we adopt an EUV of £6,775,000 in the HCEAT.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Paragraph 16 requires that a premium should be added to the EUV (EUV +) to *incentivise* the landowner to bring the site forward for development:

> *'The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. 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.*
>
> *Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

In this case we have applied a landowner premium of 10%, as suggested by the guidance above.

We therefore adopt £7.452 m as the BLV.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Paragraph 17 allows the BLV to be determined by an alternative Use Value (AUV):

> *'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.*
> *Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.*
>
> *Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. 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.'*

In this instance we have not assessed an AUV as this is not required.

The standard approach to viability is to compare the BLV of the development site with the Residual Value calculated by the (HCEAT) viability spreadsheet. It is only if the Residual Value of the development exceeds the Market Value (Benchmark), that it will be viable for a contribution to be made towards Affordable Housing.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

HCEAT Spreadsheet Conclusions (Spreadsheet Summary)

The full spreadsheet appears at **Schedule 1**, and the key conclusions are set out in the summary section. They are also repeated for convenience below:

Sales	**£14,588,964.77**
Less Costs	
Construction Costs (Resi)	£1,040,360.26
Commercial Costs (Build & Fees)	£4,126,708.88
Other Site Costs	£892,369.84
Marketing	£173,900.00
Finance Costs	£226,368.84
Developer Return	£2,917,792.95
Residual Site Value	£5,211,463.99
Benchmark Land Value	£7,452,500.00
Result	**(£2,241,036.01)**

To determine the viability of the provision of Affordable Housing, the Benchmark Value of the site as stated above (£7,452,500), is deducted from the Residual Value calculated by the HCEAT spreadsheet. If the result is negative, as it is in this case (£2,241,036), the development cannot viably provide a contribution towards Affordable Housing.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Conclusion

The following table has been compiled using data from the HCEAT spreadsheet to reveal the return that the developers will earn from this project:

Spreadsheet Residual Value	£5,211,463.99
Plus Target Developer Return	£2,917,792.95
Less Benchmark Value	£7,452,500.00
Actual Profit	£676,756.95
Percentage actual profit	4.64%

This presents a return of 4.64% which is clearly significantly lower than the 20% target identified previously.

Any contribution towards Affordable Housing would further reduce this level.

This report demonstrates that the scheme can be considered policy compliant without the provision of any Affordable Homes or S106 contributions towards Affordable Housing.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk

Sensitivity Matrix

Following RICS guidance we have provided a sensitivity analysis of the assumptions in this report, demonstrating the impact on developer profit of +/-5-10% changes in build costs and sales values. This is particularly important given current material valuation uncertainty resulting from the Covid-19 pandemic and Brexit. As advised by RICS build costs, and in particular materials costs, have already been subject to considerable fluctuation which is not reflected in the current BCIS average data. Further, the negative trend already identified in recent flatted sales values due to changing homeowner preferences may be further compounded following the end of the current stamp duty holiday.

Sensitivity testing conclusions are included below.

Testing the variance associated with changes in sales and build costs of +/- 5-10% results in the below matrix:

Developer profit %		Sales values				
		-10%	-5%	0%	5%	10%
Build Costs	-10%	-4.65%	0.35%	5.35%	10.35%	15.35%
	-5%	-5.00%	0.00%	5.00%	10.00%	15.00%
	0%	-5.36%	-0.36%	4.64%	9.64%	14.64%
	5%	-5.72%	-0.72%	4.28%	9.28%	14.28%
	10%	-6.07%	-1.07%	3.93%	8.93%	13.93%

This demonstrates that the maximum profit likely to be achieved is below the 20% target with no supra profit likely in any event.

S106 Management
Unit 1 Imbert Green Technology Park
Stoke Cannon, Exeter, EX5 4RJ

Telephone 01392 840002
Mobile 07500 041832
info@s106management.co.uk
www.s106management.co.uk