



Review of “Economic Viability Assessment Report” and “Economic Viability Assessment Report – Addendum”

13 Bedford Road, London N22 7AU

Prepared for
London Borough of Haringey

August 2024

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1 Introduction

London Borough of Haringey (“the Council”) has commissioned BNP Paribas Real Estate (“BNPPRE”) to advise on a viability assessment of the redevelopment (“the Development”) of 13 Bedford Road, London N22 7AU (“the Site”) submitted by U.L.L Property (“ULL”) on behalf of Adelfia Properties (“the Applicant”).

This report provides an objective assessment of ULL’s Viability Assessment Report to determine whether the affordable housing offer and Section 106 contributions as proposed have been optimised.

1.1 BNP Paribas Real Estate

BNP Paribas Real Estate is a leading firm of chartered surveyors, town planning and international property consultants. The practice offers an integrated service from nine offices in eight cities within the United Kingdom and over 180 offices, across 37 countries in Europe, Middle East, India and the United States of America, including 16 wholly owned and 21 alliances. In 2005, the firm expanded through the acquisition of eight offices of Chesterton and in 2007, the firm acquired the business of Fuller Peiser. We are a wholly owned subsidiary of BNP Paribas, which is the number one bank in France, the second largest bank in the Euro Zone and one of only six top rated banks worldwide.

BNP Paribas Real Estate has a wide ranging client base, acting for international companies and individuals, banks and financial institutions, private companies, public sector corporations, government departments, local authorities, and registered providers (“RPs”).

The full range of property services includes:

- Planning and development consultancy;
- Affordable housing consultancy;
- Valuation and real estate appraisal;
- Property investment;
- Agency and Brokerage;
- Property management;
- Building and project consultancy; and
- Corporate real estate consultancy.

This report has been prepared by Nicholas Pell MRICS, RICS Registered Valuer and reviewed by Anthony Lee MRTPI, MRICS, RICS Registered Valuer.

The Development Viability and Affordable Housing Consultancy of BNP Paribas Real Estate advises landowners, developers, local authorities, and registered providers on the provision of affordable housing.

The firm has extensive experience of advising landowners, developers, local authorities and RPs on the value of affordable housing and economically and socially sustainable residential developments.

1.2 Report structure

This report is structured as follows:

- **Section two** provides a brief description of the Development and planning history;
- **Section three** describes the methodology that has been adopted;
- **Section four** reviews the inputs the Applicant has adopted and where we disagree, the inputs we have adopted in our appraisals;
- **Section five** sets out the results of the appraisals;
- Finally, in **Section six**, we draw conclusions from the analysis.

1.3 The Status of our advice

In preparing this report and the supporting appraisals, we have given full regard to the RICS Practice Statement ('PS') 'Assessing viability in planning under the National Planning Policy Framework for England 2019' (first edition, March 2021). However, paragraph 2.2.3 of the PS acknowledges that statutory planning guidance takes precedence over RICS guidance. Conflicts may emerge between the PS and the PPG and/or other adopted development plan documents. In such circumstances, we have given more weight to the PPG and development plan documents.

In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

We are not aware of any conflicts of interest in relation to this assessment.

In preparing this report, no 'performance-related' or 'contingent' fees have been agreed.

This report is addressed to the London Borough of Haringey only. No liability to any other party is accepted.

2 Background and description of the Development

2.1 Site Background

The Application Site is located within the London Borough of Haringey. The Site is located on Bedford Road to the south of Palace Gates Road and north of Alexandra Palace Way. Alexandra Palace Station is within 0.1 mile providing access to the National Railway Network and onward journeys via the wider London Underground Network. The surrounding properties are primarily used for a mix of commercial and residential purposes.

According to the planning application, the proposed Development is for:

“Demolition of the existing building and the erection of a new mixed-use development up to five storeys high with commercial uses (Use Class E) at ground level, 13no. self-contained flats (Use Class C3) to upper levels and plant room at basement level. Provision of cycle parking, refuse, recycling and storage. Lift overrun and pv panels at roof level”.

2.2 Proposed Development – reports submitted by ULL

As stated in Section 2.1, the proposed Development as originally submitted was for the demolition of the existing building and erection of a new mixed-use development up to five storeys including 13 self-contained flats and commercial (Class E) at the ground floor. This scheme is assessed as part of the Economic Viability Assessment Report dated August 2023 prepared by ULL.

However, the Economic Viability Assessment Report – Addendum, dated February 2024 prepared by ULL refers to design changes as a result of discussions with the Council. The ULL report states in Section 2.1 that *“as a result of discussions with the Local Planning Authority following submission of the Planning Application in August 2023, there are now 2 fewer residential apartments in the development proposal”*.

ULL have included an updated schedule of accommodation in Section 2.1 of their report, which we have included below for ease of reference. We note that ULL have stated that the number of residential units has reduced by 2; however, the previously submitted 13 units has only reduced by 1 to 12 units in the ULL assessment.

Table 2.2.1: Updated proposed development accommodation schedule

Floor	Unit No.	Area (sq m)	Area (sq ft)	No of bedrooms	No. of persons
First	Flat 1	63	678	2	3
First	Flat 2	50	538	1	2
First	Flat 3	73	786	2	3
First	Flat 4	87	936	3	5
Second	Flat 5	61	657	2	3
Second	Flat 6	50	538	1	2
Second	Flat 7	81	872	3	5
Third	Flat 8	63	678	2	3
Third	Flat 9	50	538	1	2
Third	Flat 10	111	1,195	3	6
Fourth	Flat 11	64	689	2	3
Fourth	Flat 12	61	657	2	3



Floor	Unit No.	Area (sq m)	Area (sq ft)	No of bedrooms	No. of persons
Total		814	8,762		

We understand that the commercial accommodation is also reduced from the original application and now extends to 243 square metres (2,616 square feet).

3 Methodology

ULL have undertaken their assessment using Argus Developer (“Argus”).

We have also used Argus to appraise the development proposals. Argus is a commercially available development appraisal package in widespread use throughout the industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuation. Further details can be access at www.argussoftware.com.

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

We are of the opinion that Argus provides an accurate reflection of the economics of the Development. Therefore, we have adopted this tool for the purposes of our assessment.

The difference between the total development value and total costs equates to the residual land value (“RLV”). The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable it is necessary to compare the RLV that is produced with a benchmark land value. Benchmark land value should be based on EUV plus a site-specific premium or an Alternative Use Value, in line with the requirements of the Planning Practice Guidance. If the Development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing additional affordable housing. However, if the Development generates a RLV that is lower than the benchmark it should be deemed economically unviable and the quantum of affordable housing should be reduced until viability is achieved.

4 Review of Assumptions

In this section, we review the assumptions adopted by ULL for the purposes of running their appraisal of the Development.

4.1 Gross Development Value (“GDV”)

4.1.1 Private residential sales values

The proposed Development comprises 12 residential units including one, two and three bedroom units. The Applicant has proposed the scheme comprise 100% private housing. In summary, ULL have assumed an average value of £767 per square foot in their appraisal.

Market Commentary

Since early 2020, the global economy has been subject to a degree of turbulence arising from the consequences of the Covid-19 pandemic; subsequent supply chain and labour market issues; and steep increases in energy prices resulting from Russia’s invasion of Ukraine. In addition to these global issues, the UK economy has also been adversely affected by its departure from the European Union and the resulting impact on trade and tourism, as well as the government’s September 2022 ‘Fiscal Event’. The combined effect of these issues resulted in a sharp increase in inflation to 10.7% in October 2022. In response, the Bank of England (‘BoE’) increased its base rate from 0.1% in March 2020 to 5.25% in September 2023 and in May 2024, inflation fell to 2.3%.

Despite the impact of these events, the UK housing market outperformed expectations between 2020 and mid 2022 and has subsequently remained resilient despite increasing costs of borrowing.

In its June 2024 House Price Index release, Nationwide reported that UK house prices increased by 0.2% month-on-month in June, after having increased by 0.4% month-on-month in May 2024 and falling by 0.4% month-on-month in April 2024. As a result, the annual rate of change increased to 1.5% from 1.3% in May. Commenting on these changes, Nationwide’s Chief Economist, Robert Gardener, noted that *“while earnings growth has been much stronger than house price growth in recent years, this hasn’t been enough to offset the impact of higher mortgage rates, which are still well above the record lows prevailing in 2021 in the wake of the pandemic”*. He notes that house prices are now circa 3% below the all time highs recorded in the summer of 2022, after taking account of seasonal effects.

Nationwide is not forecasting significant growth in 2024 and indicates that significant change is unlikely until interest rates start to fall and affordability improves; *“housing market activity has been broadly flat over the last year with the total number of transactions down by 15% compared with 2019 levels. Transactions involving a mortgage are down even more (nearly 25%), reflecting the impact of higher borrowing costs”*.

Halifax report a slightly less optimistic picture in its June 2024 release, with a month-on-month fall of -0.2% and annual growth of 1.6% (unchanged from the previous month).

Commenting on the modest month-on-month fall, Amanda Bryden (Head of Mortgages, Halifax Mortgages) observed that *the continued stability in house prices – rising by just 0.4% do far this year – reflects a market that remains subdued, though overall activity has been recovering. For now it’s the shortage of available properties, rather than demand from buyers, that continues to underpin higher prices”*.

Halifax points to ongoing affordability constraints for both first time buyers and existing mortgage holders who need to refinance at the end of fixed term deals. Providing the Bank of England reduces the base rate in the short term, Halifax expects prices to rise modestly over the remainder of 2024.

In their May 2024 Housing Market Update, Savills reflect improvements in market sentiment in response to falling mortgage rates, which has triggered an increase in demand from potential buyers.

Savills note that “*greater demand will be unlocked by a drop in mortgage rates, with all eyes on the Bank of England and an anticipated base rate cut which Oxford Economics expect in August*”. Savills now expect that UK house prices will increase by 2.5% in 2024.

Forecasts for house price growth indicate that values for the UK as a whole are expected to increase over the next five years. Savills forecast an increase of 21.6% across the UK as a whole over the period 2024 to 2028 (up from 17.9% in their November forecast). They forecast lower cumulative growth of 18.2% over the same period in south-east England (up from 16.7% in their November forecast) and 14.2% in London (up from 13.9% in their November 2023 forecast). The other major agents report similar rates of cumulative growth over the same period.

Comparable evidence

As stated above, the proposed Development includes 12 private residential units comprising one, two and three bedroom apartments. ULL have included evidence upon which they have relied in Section 5 of their original report. We have reviewed the evidence provided by ULL in addition to undertaking further research into the local market through using online research facilities.

We have reviewed the evidence provided by ULL including Ewart Grove; Clarendon; Caxton Square; and The Icon. We have also undertaken further research into the local resale market to establish a wider context to the market. After due consideration, we have adopted the average value proposed by ULL of £767 per square foot in our assessment.

4.1.2 Ground rents

ULL have not included ground rents within their appraisal.

The Leasehold Reform (Ground Rent) Act 2022 received Royal Assent on 8 February 2022 and came into effect on 30 June 2022. From that date, freeholders were no longer permitted to charge ground rents that exceed “permitted rent” which is usually a peppercorn. We have therefore not included ground rents within our appraisal.

4.1.3 Affordable housing revenue

ULL have not undertaken an appraisal including affordable housing; therefore, we are unable to comment upon their assumptions.

To value the affordable housing units, we have used a bespoke model specifically created for this purpose. This model takes into account factors such as standard levels for individual RPs management and maintenance costs; finance rates currently obtainable in the sector, and a view on the amount of grant that may be obtainable.

The ‘*Affordable Homes Programme 2021-2026 – Prospectus*’ document provides a clear indication that Section 106 schemes are unlikely to be allocated Grant funding, except in exceptional circumstances. It is therefore considered imprudent to assume that Grant will be secured. Therefore, our assessment relies upon the assumption that none is provided.

For rented tenures the model operates a 40 year discounted cashflow in order to arrive at a net present value of the units today. For the shared ownership tenure, the model values a percentage of the Initial Tranche sold to the purchaser and capitalises the net rent on the unsold equity. The rent on the retained equity is set at a level at which total housing costs (ie. the rent plus mortgage on the initial tranche) do not exceed 40% of net household incomes.

We consider the following affordable housing values to be achievable at the proposed Development:

Table 4.1.3.1: Affordable housing values

Tenure	Capital value (£ per square foot)
Social rent	£249

Tenure	Capital value (£ per square foot)
Shared ownership	£523

4.1.4 Commercial revenue and yield

The proposed Development includes 243 square metres (2,616 square feet) of commercial space, split across 2 units. ULL have assumed a rental value of £25 per square foot, capitalised at a 6.75% yield with a 6 month void / rent free period.

We have reviewed the evidence submitted by ULL in addition to undertaking further research into the local market through using online research facilities. After due consideration, we have adopted the assumptions proposed by ULL in our assessment.

4.2 Development costs

4.2.1 Construction costs

To establish construction costs for the proposed Development, ULL have relied upon a cost plan prepared by Stace resulting in a total construction cost of £4,253,000 equating to £3,139 per square metre (£292 per square foot) for the proposed Development.

The Council have instructed Johnson Associates ("JA") to undertake a review of the Stace cost plan. In summary, JA have concluded that the total costs assumed by Stace are above what is reasonable. We have therefore assumed a total construction cost of £4,069,000 (equating to £3,003 per square metre) in line with advice received from JA.

A copy of the JA cost plan review can be found in Appendix 2.

4.2.2 Contingency

ULL have included a contingency allowance of 5% within their assessment. We do not consider an overall allowance of 5% to be above what is reasonable and have therefore adopted it within our assessment.

For the avoidance of doubt, due to the 5% allowance being included within the cost plan, we have not included a separate allowance within our appraisal.

4.2.3 Professional fees

ULL have assumed a professional fees allowance of 10% of construction costs within their appraisal.

We have taken factors into account such as site constraints and scheme complexity and consider an overall allowance of 10% of construction costs to be reasonable for this scheme. We have also taken into account the monetary value of the percentage included within the appraisal. We have therefore assumed a total allowance of 10% of construction costs within our assessment.

4.2.4 Planning obligations

ULL have included the following planning obligation payments within their appraisal for a 100% private housing scheme:

- Combined Mayoral and Borough CIL: £417,000.

We note that ULL have not included any Section 106 or Carbon offset payments within their appraisal. We have adopted the above payments on a 'subject to confirmation' and 'without prejudice' basis pending discussions with the Council. When additional affordable housing is incorporated into the appraisals, this will benefit from social housing relief and the overall CIL liability will fall.

4.2.5 Interest

ULL have assumed a finance rate of 7.5% within their appraisal.

We consider this assumption to be above what is reasonable in the current market and have adopted an all-inclusive rate of 7% within our appraisal. We consider ULL to have disregarded the normal relationship between development finance rates and movements in the base rate. Prior to the period of ultra-low rates between 2009 and 2022, the Bank of England Base Rate stood at 5%, whilst development finance rates were at 6%.

Due to the lack of movement in development finance rates, the margins increased; however, after a significant number of consecutive base rate increases, it is unreasonable to simply assume that margins would remain at the same levels when historically this has not been the case.

In addition, ULL have not taken into account that although a bank would not provide 100% of the funding required for the proposed Development, it is conventional to assume finance on all costs in order to reflect the opportunity cost (or in some cases the actual cost) of committing equity to the project. Credit rates currently available in the market have not kept pace with debit rates. Therefore, the finance rates that should be applied in the appraisal should be a blend reflecting debit rates as well as the rates associated with the opportunity cost of committing equity to the project.

4.2.6 Disposal costs

ULL have assumed the following disposal costs within their assessment:

- Marketing allowance: 1% of GDV;
- Letting agency fee: 10% of first year's revenue;
- Letting legal fee: 5% of first year's revenue;
- Private residential sales agency fee: 1.5% of GDV;
- Commercial sales agency fee: 1% of GDV;
- Private residential sales legal fee: £850 per unit; and
- Commercial sales legal fee: 0.5% of GDV.

We consider the above disposal costs assumed by ULL to be reasonable in the current market and have therefore adopted them within our appraisal.

4.2.7 Developer's profit

ULL have assumed profit levels of 17.5% of GDV and 15% of GDV for the private residential and commercial elements of the scheme respectively.

We have assessed the profit on private GDV in the first instance. We have taken into account the uncertainty that is now apparent after the United Kingdom's departure from the European Union and the potential risks associated with our future trading relationships with other countries now that the transition period has expired, in addition to the risks associated with this specific development.

We have also taken into account the residual impacts of the Coronavirus Pandemic and the subsequent supply chain and cost inflation issues that have emerged, the geopolitical situation which has resulted in an increase in commodities prices (which have subsequently fallen) and higher interest rates. We have taken into account the development timetable for the Application Scheme in addition to the comments included above. As noted in the market commentary at Section 4.1.1, both the Nationwide and Halifax have recently reported a return to annual house price growth and increasing volumes of mortgage applications.

Our assessment of profit is based upon the perceived risks associated with the proposed Development. In reaching a conclusion on the profit level, we have taken into account the price point of the units included in the scheme in addition to the development timetable. We consider that there will be sufficient demand for the units at the value assumed. We consider a profit level of 17.5% of GDV to be reasonable reflecting the risk of the private residential units.

The commercial rental levels are set at levels which will be attractive to the market and the yield reflects risks of letting and long term occupation. We consider a profit level of 15% of GDV to be reasonable.

Where applicable, we consider a profit level of 6% of GDV to be reasonable for the affordable housing. The reduced level of profit on affordable housing reflects the risk of delivery. The developer will contract with an RP prior to commencement of construction and they are – in effect – acting as a contractor, with their risk limited to cost only. After contracting with the RP, there is no sales risk. In contrast, the private housing construction will typically commence before any units are sold and sales risk is present well into the development period.

4.3 Project timetable

ULL have assumed the following programme timetable in their appraisal of the proposed Development:

- Purchase: 1 month;
- Pre-construction period: 4 months;
- Construction period: 18 months;
- Letting period: 6 months; and
- Sales period: 3 months.

Whilst we consider the purchase and pre-construction periods to be reasonable, we have reduced the construction period from 18 months to 14 months in line with the BCIS Duration Calculator.

We have assumed the commercial units disposal at PC and a sales period of 3 months assuming 30% off plan sales and a sales rate of 2.8 units per month thereafter.

5 Appraisal Results

In this section, we consider the outputs of the appraisals and the implications for the provision of affordable housing at the proposed Development.

5.1 Viability benchmark

The Application Site currently comprises a commercial building, currently used as an MOT and car servicing station. The commercial floor space extends to 172 square metres (1,851 square feet) with 6 car parking spaces to the north of the existing building. ULL have assumed a viability benchmark of £689,000.

ULL state in Section 7.4 of their report that *“the premises are the subject of an existing lease dated December 2012 and which expired in December 2022. [ULL] understand the tenant does not desire to lease the premises, however is holding over while the landlord seeks the necessary permission to redevelop the site”*. ULL go on to state that the passing rent is £41,600 per annum, equating to £22.47 per square foot.

ULL consider the passing rent to be reflective of what is achievable in the current market and have provided evidence in support of this assertion within their report. ULL have also provided evidence in support of their assumed yield of 6.75%.

We have reviewed the evidence provided by ULL in addition to undertaking further research into the local market through using online research facilities. We have taken into account the comparable evidence in addition to the relationship between the existing space and proposed Development assumptions. After due consideration, we have adopted the rental value of £22.47 per square foot in line with the passing rent; however, we have increased the yield from 6.75% to 7% in our assessment.

As a result of the above amendments, we have reduced the EUV from £574,388 (proposed by ULL) to £560,000.

Landowner premium

ULL have assumed a 20% premium to incentivise the landowner to bring the Site forward for development.

We have based our opinion of a landowner premium on a number of factors including whether or not the existing space is occupied. We have assessed the condition of the existing space and the likely demand from alternative occupiers in addition to the likely covenant strength of potential tenants. We have applied varying percentages based upon the perceived strength of each of the factors taken into account with 10% being considered to be appropriate for the existing units. For the avoidance of doubt, our premium takes into account the rental value and yield assumed in our assessment. Any adjustment in these assumptions may result in a change in our landowner premium assumption.

For the avoidance of doubt, we have assumed a viability benchmark of £616,000 (EUV of £560,000 plus a 10% landowner premium).

5.2 Appraisal results

ULL have undertaken an appraisal including 100% private housing, concluding that the proposed Development generates a deficit of -£179,000 against the viability benchmark.

In our review of ULL's appraisal assumptions, we have recommended the following amendments:

- Include affordable housing revenue where applicable;
- Reduce construction costs in line with advice received from JA;
- Reduce finance rate to reflect what is achievable in the current market;
- Adjust programme timetable to reflect current market expectations; and
- Reduce the viability benchmark.

We have undertaken an appraisal of the proposed Development in line with the Applicant's proposals (100% private housing), taking into account the recommended amendments. We have summarised the appraisal results in Table 5.2.2.

Table 5.2.2: BNPPRE Appraisal results

Scenario	RLV (£)	Viability benchmark (£)	Surplus / deficit (£)
Scenario 1: Proposed Development with 100% private housing	£823,158	£616,000	£207,158
Scenario 2: Proposed Development with 8% affordable housing (1 social rent unit)	£617,000	£616,000	£1,000
Scenario 3: Proposed Development with 25% affordable housing (3 shared ownership units)	£683,033	£616,000	£67,033

Due to the surplus identified within the 100% private housing scheme, we have undertaken further appraisals to establish the quantum of affordable housing that could viably be provided at the proposed Development. The scheme would be able to viably provide either 8% affordable housing (1 social rent units) or 25% affordable housing (3 shared ownership units).

5.3 Sensitivity analysis – value growth and cost inflation

To provide a more comprehensive understanding of the financial performance of the project, we have undertaken a series of sensitivity analyses of the proposed Development. For the avoidance of doubt, value growth has been applied to private residential values only. We have summarised the results in Tables 5.3.1.

Table 5.3.1: Sensitivity analysis growth / inflation (100% private housing)

Change in values	Change in costs	RLV (£)	Viability benchmark (£)	Surplus / deficit (£)
0%	+5%	£626,903	£616,000	£10,903
0%	+10%	£430,648	£616,000	-£185,352
+5%	0%	£1,049,604	£616,000	£433,604
+10%	+5%	£1,079,795	£616,000	£463,795

5.4 Review mechanism

For the avoidance of doubt, we recommend the Council include both early and late stage review mechanisms within the Section 106 Agreement. We note that there is a potential variance in the construction costs due to the early information upon which the cost estimate is based in comparison to the costs when the works are undertaken.

Value engineering exercises may be undertaken by the Developer after securing planning permission in an attempt to reduce their costs. Alternative construction methodologies may also be used.

In addition, there is potential for 'real growth' in values achieved at the proposed Development providing sufficient justification for a review mechanism to be included within the Section 106 Agreement.

6 Conclusion

ULL have concluded that the proposed Development with 100% private housing generates a deficit of -£179,000 against the viability benchmark.

We have undertaken an assessment of the proposed Development with 100% private housing. Taking into account the recommended amendments outlined in Section 5 of this report, we have concluded that the proposed Development with 100% private housing generates a surplus of £207,158 against the viability benchmark.

We have therefore undertaken a further appraisal to establish the quantum of affordable housing that could viably be provided. The scheme can viably provide either with 8% affordable housing (1 social rent unit) or 25% affordable housing (3 shared ownership units).

For the reasons outlined in Section 5.4, we recommend the Council include early and late stage review mechanisms within the Section 106 Agreement.

Appendix 1 - Argus Appraisal proposed Development 100% private housing

APPRAISAL SUMMARY**LICENSED COPY**

Bedford Road
100% private housing

Summary Appraisal for Phase 1

Currency in £

REVENUE**Sales Valuation**

	Units	ft²	Rate ft²	Unit Price	Gross Sales
Private residential units	12	8,762	766.95	560,000	6,720,000

Rental Area Summary

	Units	ft²	Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial space	1	2,616	25.00	65,400	65,400	65,400

Investment Valuation**Commercial space**

Market Rent	65,400	YP @	6.7500%	14.8148	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.7500%	0.9679	937,756

GROSS DEVELOPMENT VALUE**7,657,756**

Purchaser's Costs	6.80%	(63,767)	(63,767)
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NET DEVELOPMENT VALUE**7,593,989****NET REALISATION****7,593,989****OUTLAY****ACQUISITION COSTS**

Residualised Price		823,158	
Stamp Duty	5.00%	41,158	
Agent Fee	1.00%	8,232	
Legal Fee	0.50%	4,116	
			876,663

APPRAISAL SUMMARY**LICENSED COPY****Bedford Road****100% private housing****CONSTRUCTION COSTS****Construction**

	Units	Unit Amount	Cost	
Build costs	1 un	4,069,000	4,069,000	4,069,000
Combined Mayoral and Borough CIL			417,000	417,000

PROFESSIONAL FEES

Professional fees		10.00%	406,900	406,900
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MARKETING & LETTING

Marketing		1.00%	67,200	
Letting Agent Fee		10.00%	6,540	
Letting Legal Fee		5.00%	3,270	77,010

DISPOSAL FEES

Sales Agent Fee		1.50%	100,800	
Sales Agent Fee		1.00%	9,378	
Sales Legal Fee		0.50%	4,689	
Sales Legal Fee	12 un	850.00 /un	10,200	125,066

Additional Costs

Profit on private		17.50%	1,176,000	
Profit on commercial		15.00%	140,663	1,316,663

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			96,237	
Construction			188,090	
Other			21,359	
Total Finance Cost				305,686

TOTAL COSTS**7,593,989**

Bedford Road
100% private housing
PROFIT

0

Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.86%
Equivalent Yield% (Nominal)	6.75%
Equivalent Yield% (True)	7.04%
IRR	6.43%
Profit Erosion (finance rate 7.000%)	N/A

Appendix 2 - JA Cost Plan Review

3.02 Order of Cost Estimate Summary

Ref	Description	Area		£/m ²	£/ft ²	Total £
		m ²	ft ²			
.1	Enabling Works					124,000
.2	Commercial	345	3,714	1,264	117	436,000
.3	Residential	1,010	10,872	3,419	318	3,453,000
.4	External Works					240,000
Total of Cost Estimate		1,355	14,585	3,139	292	4,253,000
Aggregate £/m ²						3,139
Aggregate £/ft ²						292

£/m ²	£/ft ²	Total £	JA Comments
		117,000	Refer to comments on breakdown
1,191	111	411,000	Refer to comments on breakdown
3,270	304	3,303,000	Refer to comments on breakdown
		238,000	Refer to comments on breakdown
3,003	279	4,069,000	Variance: £184,000
		3,003	
		279	

4.01 Enabling Works

Ref	Description	Qty	Unit	Rate	Total	Qty	Unit	Rate	Total	JA Review
.1	Demolition of existing structures (Approx.)	1,386	m³	40.00	55,440	1,386	m³	40.00	55,440	ok
.2	Break up existing surfacing (Approx.)	781	m²	30.00	23,430	781	m²	30.00	23,430	ok
.3	Site clearance generally / vegetation removal	1,012	m²	15.00	15,180	1,012	m²	15.00	15,180	ok
.4	Remediation				Excluded				Excluded	
.5	Asbestos Removal				Excluded				Excluded	
	Sub-total				94,050	Sub-total			94,050	
	Main Contractor's Preliminaries		13.0%		12,000		13.0%		12,000	13% ok
	Sub-total				106,050	Sub-total			106,050	
	Overheads and Profit		6%		6,000		5%		5,000	reduce to 5% as per other sections
Total Building Works Estimate			£		112,050		£		111,050	
Risk Allowance Estimate:										
	• Design Development Risks Estimate		5.0%		6,000		2.5%		3,000	overall 5% risk acceptable, amend to 2.5% as per other sections
	• Construction Risks Estimate		5.0%		6,000		2.5%		3,000	as above
	• Employer Change Risks Estimate				Excluded				Excluded	
	• Employer Other Risks Estimate				Excluded				Excluded	
Total Building Works Estimate incl. Risk			£		124,000		£		117,000	



#REF!
#REF!

4.02 Commercial

CAT-A Commercial fit out

Ref	Description	Qty	Unit	Rate	Total	GIA:	
						345	3,714
						£/m ²	£/ft ²
.1	Facilitating Works						
.1.1	Refer to Enabling works						
.2	Substructure						
.2.1	Refer to residential						
.3	Frame						
.3.1	Frame & Upper floors; RC Frame	345	m2	180.00	62,100	180.00	16.72
.4	Upper Floors						
.4.1	Refer to residential						
.5	Roof						
.5.1	Refer to residential						
.6	Stairs and Ramps						
.6.1	Staircase;						-
.7	External Walls						
.7.1	Brick clad external walls; gross	280	m2	450.00	126,000	365.22	33.93
.8	Windows and External Doors						
.8.1	Windows / glazed openings with doors	67	m2	650.00	43,550	126.23	11.73
.8.2	Entrance door; double	2	nr	3,500.00	7,000	20.29	1.88
.9	Internal Walls and Partitions						
.9.1	Internal Walls and Partitions	18	m2	130.00	2,366	6.86	0.64
.10	Internal Doors						
.10.1	Internal doors	2	nr	300.00	600	1.74	0.16

Qty	Unit	Rate	Total	GIA:		JA Review
				345	3,714	
				£/m ²	£/ft ²	
345	m ²	180.00	62,100	180.00	16.72	ok
280	m ²	450.00	126,000	365.22	33.93	ok
67	m ²	600.00	40,200	116.52	10.83	£600/m ² for double glazed
2	nr	3,500.00	7,000	20.29	1.88	ok
18	m ²	130.00	2,366	6.86	0.64	ok
2	nr	300.00	600	1.74	0.16	ok

4.02 Commercial

CAT-A Commercial fit out

					GIA:	345	3,714
Ref	Description	Qty	Unit	Rate	Total	£/m²	£/ft²
.11	Wall Finishes						
.11.1	No Works	345	m2	Shell & core only			
.12	Floor Finishes						
.12.1	No Works	345	m2	Shell & core only			
.13	Ceiling Finishes						
.13.1	No Works	345	m2	Shell & core only			
.14	Fittings, Furnishings & Equipment						
.14.1	No Works	1	item	Shell & core only			
.15	Services						
.15.1	Shell & Core only including incoming services & sprinkler	345	nr	300.00	103,500	300.00	27.87
.15.2	BWIC with services			5.00%	5,175	15.00	1.39
			Sub-total		350,291	1,015.34	94.33
	Main Contractor's Preliminaries			13.0%	46,000	133.33	12.39
			Sub-total		396,291	1,148.67	106.71
	Overheads and Profit			5%	20,000	57.97	5.39
Total Building Works Estimate		£			416,291	1,206.64	112.10
	Risk Allowance Estimate:						
	• Design Development Risks Estimate			2.5%	10,000	28.99	2.69
	• Construction Risks Estimate			2.5%	10,000	28.99	2.69
	• Employer Change Risks Estimate				Excluded		
	• Employer Other Risks Estimate				Excluded		
Total Building Works Estimate incl. Risk		£			436,000	1,263.77	117.41

			GIA:		345	3,714	
Qty	Unit	Rate	Total	£/m²	£/ft²	JA Review	
345	m²	Shell & core only					
345	m²	Shell & core only					
345	m²	Shell & core only					
1	item	Shell & core only					
345	nr	250.00	86,250	250.00	23.23	£250/m² for communal / common services sufficient	
		5.00%	4,313	12.50	1.16	ok	
Sub-total			328,829	953.13	88.55		
		13.0%	43,000	124.64	11.58	13% ok	
Sub-total			371,829	1,077.76	100.13		
		5%	19,000	55.07	5.12	5% ok	
£			390,829	1,132.84	105		
		2.5%	10,000	28.99	2.69	overall 5% risk acceptable	
		2.5%	10,000 Excluded Excluded	28.99	2.69	as above	
£			411,000	1,191.30	111		

4.03 Residential

GIA: 1,010 10,872								GIA: 1,010 10,872					
Ref	Description	Qty	Unit	Rate	Total	£/m ²	£/ft ²	Rate	Total	£/m ²	£/ft ²	JA Review	
.1	Facilitating Works												
.1.1	Refer to Enabling works												
.2	Substructure												
.2.1	Piled foundations	345	m2	450.00	155,250	153.71	14.28	450.00	155,250	153.71	14.28	ok	
.2.2	Suspended ground slab				included above				included above				
.3	Frame												
.3.1	Frame & Upper floors; RC Frame	1,010	m2	180.00	181,800	180.00	16.72	180.00	181,800	180.00	16.72	ok	
.4	Upper Floors												
.4.1	Included												
.5	Roof												
.5.1	Roof slabs; included to frame												
.5.2	Flat Roof coverings	345	m2	180.00	62,100	61.49	5.71	180.00	62,100	61.49	5.71		
.5.3	Parapets coping	171	m	150.00	25,650	25.40	2.36	150.00	25,650	25.40	2.36		
.5.4	Lift shaft overrun	1	item	10,000.00	10,000	9.90	0.92	7,500.00	7,500	7.43	0.69	can reduce	
.5.5	AOV to stairwell top	1	item	3,000.00	3,000	2.97	0.28	3,000.00	3,000	2.97	0.28		
.5.6	Plant enclosure	48	m2	450.00	21,600	21.39	1.99	450.00	21,600	21.39	1.99	ok; assume louvred	
.5.7	Frame, floor and finishes to balconies	40	m2	300.00	12,000	11.88	1.10	300.00	12,000	11.88	1.10	excl. balustrade as incl. below	
.5.8	Brise Soleil	50	m2	650.00	32,500	32.18	2.99	650.00	32,500	32.18	2.99		
.6	Stairs and Ramps												
.6.1	Staircase; GF to 5th floor	5	nr	8,000.00	40,000	39.60	3.68	8,000.00	40,000	39.60	3.68	ok; incl. handrail and finishes	
.6.2	Staircase to Flat 3	1	nr	3,500.00	3,500	3.47	0.32	3,500.00	3,500	3.47	0.32	ok	
.6.3	Access to roof-top	1	nr	3,000.00	3,000	2.97	0.28	3,000.00	3,000	2.97	0.28	ok	
.7	External Walls												
.7.1	Brick cladded external walls; gross	1,264	m2	450.00	568,800	563.17	52.32	450.00	568,800	563.17	52.32	ok	
.7.2	Brickwork detailing	87	m2	450.00	39,330	38.94	3.62	450.00	39,330	38.94	3.62	ok	
.7.3	Cladding panelling	288	m2	700.00	201,600	199.60	18.54	650.00	187,200	185.35	17.22	£650/m² should be sufficient	
.7.4	Soffit cladding to terraces/balconies	40	m2	150.00	6,000	5.94	0.55	150.00	6,000	5.94	0.55	ok	
.7.5	Architectural metalwork balustrades	171	m	600.00	102,600	101.58	9.44	500.00	85,500	84.65	7.86	£500/lm should be sufficient	
.8	Windows and External Doors												
.8.1	Windows / glazed openings with doors	241	m2	650.00	156,650	155.10	14.41	600.00	144,600	143.17	13.30	£600/m² for double glazed	
.8.2	Extra over for single doors	24	nr	1,000.00	24,000	23.76	2.21	1,000.00	24,000	23.76	2.21	ok	
.8.3	Block's entrance door; single	1	nr	3,000.00	3,000	2.97	0.28	3,000.00	3,000	2.97	0.28	ok	

4.03 Residential

					GIA:		1,010	10,872
Ref	Description	Qty	Unit	Rate	Total	£/m ²	£/ft ²	
.9	Internal Walls and Partitions							
.9.1	Internal Walls and Partitions	1,089	m2	130.00	141,570	140.17	13.02	
.10	Internal Doors							
.10.1	Apartments; entrance doors	12	nr	1,400.00	16,800	16.63	1.55	
.10.2	Apartments; internal doors	65	nr	600.00	39,000	38.61	3.59	
.10.3	Communal doors	12	nr	1,200.00	14,400	14.26	1.32	
.10.4	Riser doors	3	nr	1,000.00	3,000	2.97	0.28	
.11	Wall Finishes							
.11.1	Wall finishes	1,089	m2	80.00	87,120	86.26	8.01	
.12	Floor Finishes							
.12.1	Floor finishes	1,089	m2	150.00	163,350	161.73	15.03	
.13	Ceiling Finishes							
.13.1	Ceilings	1,089	m2	60.00	65,340	64.69	6.01	
.14	Fittings, Furnishings & Equipment							
.14.1	To apartments; Kitchens	12	nr	6,000.00	72,000	71.29	6.62	
.14.2	Refuse bins				Excluded			
.14.3	Cycle storage	35	nr	650.00	22,750	22.52	2.09	
.14.4	Signage	1	item	5,000.00	5,000	4.95	0.46	
.15	Services							
.15.1	Mechanical & Electrical incl sanitaryware and drainage; apartments	12	nr	30,000.00	360,000	356.44	33.11	
.15.2	Lifts ; GF to 5th floors	1	item	85,000.00	85,000	84.16	7.82	
.15.3	PV Array	70	m ²	300.00	21,000	20.79	1.93	
.15.4	BWIC with services			5.00%	23,300	23.07	2.14	
	Sub-total				2,772,010	2,744.56	254.98	
	Main Contractor's Preliminaries			13.0%	360,000	356.44	33.11	
	Sub-total				3,132,010	3,101.00	288.09	
	Overheads and Profit			5%	157,000	155.45	14.44	
Total Building Works Estimate				£	3,289,010	3,256.45	302.53	
Risk Allowance Estimate:								
• Design Development Risks Estimate				2.5%	82,000	81.19	7.54	
• Construction Risks Estimate				2.5%	82,000	81.19	7.54	
• Employer Change Risks Estimate					Excluded			
• Employer Other Risks Estimate					Excluded			
Total Building Works Estimate incl. Risk				£	3,453,000	3,418.81	317.62	

					GIA:		1,010	10,872	
Rate	Total	£/m ²	£/ft ²	JA Review					
130.00	141,570	140.17	13.02	ok					
1,400.00	16,800	16.63	1.55	ok					
600.00	39,000	38.61	3.59	ok					
1,200.00	14,400	14.26	1.32	ok					
1,000.00	3,000	2.97	0.28	ok					
60.00	65,340	64.69	6.01	assume T&J and paint; reduce					
110.00	119,790	118.60	11.02	assume LVT or similar; reduce					
60.00	65,340	64.69	6.01	ok based on T&J and paint					
6,000.00	72,000	71.29	6.62	ok					
650.00	22,750	22.52	2.09	ok					
5,000.00	5,000	4.95	0.46	ok					
30,000.00	360,000	356.44	33.11	£30k per unit ok					
75,000.00	75,000	74.26	6.90	£17k per storey; reduce to £15k					
300.00	21,000	20.79	1.93	ok					
5.00%	22,800	22.57	2.10	ok					
	2,650,120	2,623.88	243.76						
13.0%	345,000	341.58	31.73	13% ok					
	2,995,120	2,965.47	275.50						
5%	150,000	148.51	13.80	5% ok					
3,145,120				3,113.98	289				
2.5%	79,000	78.22	7.27	overall 5% risk acceptable					
2.5%	79,000	78.22	7.27	as above					
	Excluded								
	Excluded								
3,303,000				3,270.30	304				

4.05 External Works

Ref	Description	Qty	Unit	Rate	Total
Residential					
.1	Hard surfacing; communal	145	m2	150.00	21,750
.2	Brick clad free-standing walls; 2.00m high; repairs	20	m	850.00	17,000
External Services					
.3	Incoming services	12	nr	5,000.00	60,000
.4	Allowance for Foul drainage	1,355	m2	15.00	20,325
.5	Allowance for site drainage; below ground	1,355	m2	30.00	40,650
.6	Allowance for attenuation	1	item	20,000.00	20,000
.7	External lighting	1	item	10,000.00	10,000
Sub-total					189,725
Main Contractor's Preliminaries			13.0%		25,000
Sub-total					214,725
Overheads and Profit			6%		13,000
Total Building Works Estimate			£		227,725
Risk Allowance Estimate:					
• Design Development Risks Estimate			2.5%		6,000
• Construction Risks Estimate			2.5%		6,000
• Employer Change Risks Estimate					Excluded
• Employer Other Risks Estimate					Excluded
Total Building Works Estimate incl. Risk			£		240,000

Qty	Unit	Rate	Total	JA Review
145	m ²	150.00	21,750	ok
20	m	850.00	17,000	ok
12	nr	5,000.00	60,000	ok
1,355	m ²	15.00	20,325	ok
1,355	m ²	30.00	40,650	ok
1	item	20,000.00	20,000	ok
1	item	10,000.00	10,000	ok
Sub-total			189,725	
13.0%			25,000	13% ok
Sub-total			214,725	
5%			11,000	reduce to 5% as per other sections
£			225,725	
6,000 overall 5% risk acceptable				
6,000 as above				
Excluded				
Excluded				
£			238,000	

Appendix 3 - Argus Appraisal proposed Development 8% affordable housing

APPRAISAL SUMMARY**LICENSED COPY**

13 Bedford Road
Social rent units

Summary Appraisal for Phase 1

Currency in £

REVENUE**Sales Valuation**

	Units	ft²	Rate ft²	Unit Price	Gross Sales
Private residential units	11	8,084	766.33	563,182	6,195,000
Social rent units	<u>1</u>	<u>678</u>	249.00	168,822	<u>168,822</u>
Totals	12	8,762			6,363,822

Rental Area Summary

	Units	ft²	Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial space	1	2,616	25.00	65,400	65,400	65,400

Investment Valuation**Commercial space**

Market Rent	65,400	YP @	6.7500%	14.8148	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.7500%	0.9679	937,756

GROSS DEVELOPMENT VALUE**7,301,578**

Purchaser's Costs	6.80%	(63,767)	(63,767)
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NET DEVELOPMENT VALUE**7,237,811****NET REALISATION****7,237,811****OUTLAY****ACQUISITION COSTS**

Residualised Price		617,511
Stamp Duty	5.00%	30,876
Agent Fee	1.00%	6,175

APPRAISAL SUMMARY**LICENSED COPY****13 Bedford Road****Social rent units**

Legal Fee	0.50%	3,088	
			657,650

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Build costs	1 un	4,069,000	4,069,000	4,069,000
Combined Mayoral and Borough CIL			410,000	410,000

PROFESSIONAL FEES

Professional fees	10.00%	406,900	
			406,900

MARKETING & LETTING

Marketing	1.00%	61,950	
Letting Agent Fee	10.00%	6,540	
Letting Legal Fee	5.00%	3,270	
			71,760

DISPOSAL FEES

Sales Agent Fee	1.50%	92,925	
Sales Agent Fee	1.00%	9,378	
Sales Legal Fee	0.50%	4,689	
Sales Legal Fee	11 un	850.00 /un	9,350
			116,341

Additional Costs

Profit on private	17.50%	1,084,125	
Profit on commercial	15.00%	140,663	
Profit on affordable	6.00%	10,129	
			1,234,918

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		71,982	
Construction		179,826	
Other		19,434	
Total Finance Cost			271,242

APPRAISAL SUMMARY**LICENSED COPY****13 Bedford Road
Social rent units****TOTAL COSTS** 7,237,811**PROFIT**
0**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.90%
Equivalent Yield% (Nominal)	6.75%
Equivalent Yield% (True)	7.04%
IRR	6.37%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	N/A

Appendix 4 - Argus Appraisal proposed Development 25% affordable housing

APPRAISAL SUMMARY**LICENSED COPY**

13 Bedford Road
Shared ownership units

Summary Appraisal for Phase 1

Currency in £

REVENUE**Sales Valuation**

	Units	ft²	Rate ft²	Unit Price	Gross Sales
Private residential units	9	6,760	768.49	577,222	5,195,000
Shared ownership units	3	<u>2,002</u>	523.00	349,015	<u>1,047,046</u>
Totals	12	8,762			6,242,046

Rental Area Summary

	Units	ft²	Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial space	1	2,616	25.00	65,400	65,400	65,400

Investment Valuation**Commercial space**

Market Rent	65,400	YP @	6.7500%	14.8148	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.7500%	0.9679	937,756

GROSS DEVELOPMENT VALUE**7,179,802**

Purchaser's Costs	6.80%	(63,767)	(63,767)
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NET DEVELOPMENT VALUE**7,116,035****NET REALISATION****7,116,035****OUTLAY****ACQUISITION COSTS**

Residualised Price		683,033
Stamp Duty	5.00%	34,152
Agent Fee	1.00%	6,830

APPRAISAL SUMMARY**LICENSED COPY****13 Bedford Road
Shared ownership units**

Legal Fee	0.50%	3,415	
			727,430

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Build costs	1 un	4,069,000	4,069,000	4,069,000
Combined Mayoral and Borough CIL			406,000	406,000

PROFESSIONAL FEES

Professional fees	10.00%	406,900	
			406,900

MARKETING & LETTING

Marketing	1.00%	51,950	
Letting Agent Fee	10.00%	6,540	
Letting Legal Fee	5.00%	3,270	
			61,760

DISPOSAL FEES

Sales Agent Fee	1.50%	77,925	
Sales Agent Fee	1.00%	9,378	
Sales Legal Fee	0.50%	4,689	
Sales Legal Fee	9 un	850.00 /un	7,650
			99,641

Additional Costs

Profit on private	17.50%	909,125	
Profit on commercial	15.00%	140,663	
Profit on affordable	6.00%	62,823	
			1,112,611

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		77,703	
Construction		139,605	
Other		15,385	
Total Finance Cost			232,692

APPRAISAL SUMMARY**LICENSED COPY**

13 Bedford Road
Shared ownership units

TOTAL COSTS 7,116,035

PROFIT 0

Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.92%
Equivalent Yield% (Nominal)	6.75%
Equivalent Yield% (True)	7.04%
IRR	6.25%
Profit Erosion (finance rate 7.000%)	N/A