



DEVELOPMENT VIABILITY REVIEW – 13 BEDFORD ROAD, LONDON N22 7AU

In August 2024, London Borough of Haringey (“the Council”) commissioned BNP Paribas Real Estate 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”).

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

ULL concluded that the proposed Development with 100% private housing generated a deficit of - £179,000 against the viability benchmark. After review of the ULL submission, we concluded that the proposed Development with 100% private housing generated a surplus of £207,158 against the viability benchmark.

For the reasons outlined in Section 5.4 of our original report, we recommended the Council include both early and late-stage review mechanisms within the Section 106 Agreement.

ULL further correspondence

ULL have provided further correspondence dated 2 May 2025 within which they have sought to provide further evidence / justification in relation to their appraisal assumptions. We have reviewed the ULL response and have responded in the same structure for ease of reference.

Construction costs: To establish construction costs for the proposed Development, ULL 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).

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

In their most recent correspondence, ULL state that they *“have accepted the costs contained within BNP’s appraisal in the interests of reaching agreement on this point”*. We therefore consider this assumption to be agreed between the parties.

Commercial marketing costs: In relation to disposal costs, whilst we accepted the majority of the assumptions proposed by ULL, we removed the commercial marketing allowance. In their most recent correspondence, ULL state that they have *“accepted this in the interest of reaching agreement on this point”*. We therefore consider this assumption to be agreed between the parties.

Interest: ULL assumed a finance rate of 7.5% which they have maintained in their most recent correspondence.

We considered this assumption to be above what is reasonable in the current market and adopted an all-inclusive rate of 7% within our appraisal. ULL have incorrectly asserted that we have stated that the Bank of England Base Rate has *“no impact on the costs of development finance”*. Rather, our comments are in relation to the level of impact that ULL claim.

Noting that ULL have made clear that they consider the Bank of England Base Rate to have a very clear and significant impact on finance rates within the appraisal, we note that the Base Rate has reduced in recent weeks. Therefore, we assume that ULL will be reducing their finance rate accordingly.

We also note that a significant number of viability consultants are now adopting an all-inclusive 7% finance rate in their submissions. We do not consider ULL to have provided any justification that would warrant a change in our assessment. We have therefore maintained our finance rate of 7% all-inclusive in our appraisal.



Development timetable: We assumed the disposal of the commercial space at PC; however, ULL have responded by stating that such an assumption would warrant an adjustment to the yield of circa 50 basis points. For the avoidance of doubt, we took into account the disposal assumption in our assessment of the yield in our August 2024 report. Therefore, we do not consider there to be a need to adjust our assessment.

Benchmark land value: ULL have identified that we mis-quoted them in our August report where we referred to the word “*lease*” rather than “*leave*”. For the avoidance of doubt, this was a typographical error and did not have any impact on our assessment of the viability benchmark.

We are pleased to note that ULL have adopted our yield adjustment of 7% and therefore consider this assumption to be agreed between the parties.

We are therefore in agreement with ULL in relation to the Existing Use Value (“EUV”) equating to £553,875.

ULL have applied a premium of 20% to incentivise the landowner to bring the Site forward for development. We set out in our August 2024 report that we considered this allowance to be excessive and reduced the premium to 10% in our assessment. We referred to a number of factors including whether or not the existing space is occupied in addition to the condition and likely demand from alternative occupiers. We applied varying percentages based upon the perceived strength of each of the factors taken into account with 10% considered to be appropriate for the existing units.

In their most recent correspondence, ULL state that the 10% allowance is at the bottom of the range identified by the GLA and note that it therefore should reflect “*a non-functioning asset such as a derelict building incapable of occupation, or a cleared site*”. We do not agree with the statement made by ULL and question why an existing building that cannot be let and is derelict requires incentive for the landowner to bring it forward for development. To justify a premium at all, the existing building should be (as a minimum) in better condition than derelict in order to generate an income without the need for capital expenditure. If capital expenditure is required to bring a building back into a lettable standard, this would constitute a refurbishment, which the PPG treats as an Alternative Use Value (to which no premium can be applied).

Notwithstanding the above, we have re-considered our landowner premium and have adopted a marginally increased allowance of 15% resulting in a viability benchmark of £636,955.

Section 106 contributions: In their original submission, ULL did not include any Section 106 or Carbon Offset payments within their appraisal. We adopted this assumption on a ‘subject to confirmation’ and ‘without prejudice’ basis pending discussions with the Council.

In their most recent correspondence, ULL have included the following updated payments within their appraisal:

- Transport: £59,200;
- Carbon offset: £2,850; and
- Monitoring: £3,100.

We have adopted the above payments on the same basis as our original report.

Updated appraisal results

ULL have provided an updated conclusion whereby they state that the proposed Development generates a deficit of -£40,464 against the viability benchmark and is therefore unable to provide any affordable housing contributions.

In our August 2024 report, we concluded that the proposed Development with 100% private housing generated a surplus of £207,158 against the viability benchmark. Alternatively, the scheme would be able to provide either 8% affordable housing (1 social rent unit) or 25% affordable housing (3 shared ownership units).



We have undertaken an updated appraisal taking into account the amendments referred to above.
We have summarised the updated appraisal results in Table 1.1.

Table 1.1: BNPPRE updated appraisal results

Scenario	RLV (£)	Viability benchmark (£)	Surplus / deficit (£)
Scenario 1: Proposed Development with 100% private housing	£764,039	£636,955	£127,084
Scenario 2: Proposed Development with 25% affordable housing (3 shared ownership units)	£662,281	£636,955	£25,326

14 May 2025