Private and Confidential

# 87-89 Loampit Vale, Lewisham SE13

## London Borough of Lewisham

Viability Report | February 2016

urbandelivery

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# 1.0 Introduction

**Background**

1.1 Urban Delivery was instructed by the London Borough of Lewisham (the "Council") to assess a viability assessment provided by Family Mosaic (the "Applicant") in support of its planning application. The purpose of this report is to provide guidance on the reasonableness of assumptions proposed by the Applicant with regard to the viability of the proposed development of the property known as 87-89 Loampit Vale, Lewisham, London, SE13 (the "Property").

**Conflict of Interests**

1.2 We confirm that in providing this advice to the Council there is no conflict of interest between Urban Delivery and Family Mosaic. The advice provided in this report does not represent a Valuation in accordance with the RICS Valuation Standards (The Red Book) 2014, published by the Royal Institution of Chartered Surveyors, and should not be regarded as such. The advice provided herein must only be regarded as an indication of potential value, on the basis that all assumptions are satisfied.

1.3 In undertaking this review Urban Delivery have collected evidence from a number of third party sources. Urban Delivery cannot be held responsible for the accuracy of this data.

1.4 This report contains confidential information provided by the Applicant and the report must not be used by any other person other than who it has been commissioned for, without Urban Delivery's expressed permission. In any event, Urban Delivery accepts no liability for any costs, liabilities or losses as a result of the use of, or reliance upon, the contents of this report by any other person other than the commissioner for planning purposes.

**Information Provided**

1.5 In undertaking the review of the Applicant's viability report, Urban Delivery has been provided with the following information:

i. A copy of the Applicant's viability report – prepared by Planning and Development Associates (undated), provided by the Council in February 2016. This report contained information on:
   a. Viability assessment rationale.
   b. Proposed scheme details and dwelling type and numbers.
   c. A summary of indicative unit price adopted for each unit type in the Applicant's appraisal.
   d. The HCA Development Appraisal Tool summary appraisal model.

ii. A copy of the planning application submission documents including proposed floor plans and accommodation schedules and Design and Access Statement which have been downloaded from the LB Lewisham planning web site.

# 2.0 Project Details

### Location

2.1 The Property is located close to the centre of Lewisham in south east London within the London Borough of Lewisham. The Property is situated between Loampit Vale to the north and Bertrand Street to the south with an elevated railway line running along the eastern boundary. The Property is situated just outside of the designated Town Centre Boundary. Loampit Vale is part of the A20 and provides a direct route to other arterial routes and on to the motorway network. Lewisham railway and DLR stations are located within 350m to the east of the Property, providing regular services into central London.

2.2 The surrounding area is experiencing significant change and regeneration with the site immediately to the east having been redeveloped by Barratt Homes to provide a mix of new homes, retail units and a leisure centre. Land to the north of the Property had been used for commercial uses but much of this land is currently being redeveloped to provide new housing. We understand that further commercial sites are also due to be redeveloped in the near future.

2.3 Areas to the south and west of the Property comprise mainly residential uses, with some secondary retail uses continuing along Loampit Vale.

### The Site

2.4 The site comprises 0.18 hectares (0.44 acres) of land with two former retail units fronting on to Loampit Vale and five existing dwellings on the upper floors. The site is now vacant.

2.5 We understand that the site is currently owned by L&C Railways and the Applicant has exchanged contracts to acquire the site on a subject to planning basis. However, we are not aware of any leasehold obligations to current occupiers, if any. It is our understanding that the majority of the site, comprising the builders yard, is now vacant. We have therefore assumed that vacant possession of the Property can be achieved without any compensation payments being made by the Applicant.

2.6 We have only inspected the Property from the road and have not undertaken an internal inspection or carried out a measured survey. We are therefore reliant on the accuracy of the information provided by the Applicant and its advisors.

### Development Overview

2.7 The Applicant proposes the development of 49 new apartments, totalling 4,346 sq m (46,780 sq ft) of gross internal floorspace (GIA) within two blocks between four to seven storeys. We understand that the Net Sales Are will be 3,508 sq m (37,760 sq ft), reflecting an overall net to gross ratio of circa 80.73%.

2.8 The development will provide the following units:

Private

| | |
|---|---|
| 1 Bedroom Apartment: | 16 (including 2 wheelchair units) |
| 2 Bedroom Apartment: | 11 (Including 1 wheelchair unit) |
| 3 Bedroom Apartment: | 7 |

Affordable

| | |
|---|---|
| 1 Bedroom Apartment: | 6 (of which all are shared ownership) |
| 2 Bedroom Apartment: | 6 (of which 3 are shared ownership) |
| 3 Bedroom Maisonette: | 3 (of which all are social rented) |

2.9 The planning application states that 15 dwellings will be available for affordable homes which reflects a proportion of 30.60% in terms of units and 31% with regard to habitable rooms (45 affordable habitable rooms). The proposed ratio of social rented to shared ownership tenure however is 40/60 while the Council's target is 70/30.

**Planning**

2.10 The Property is not designated for any particular use within the adopted Development Plan and sits just outside of the defined Major Centre of Lewisham and the Sustainable Living Area. The Property is not Listed and does not sit within a Conservation Area.

**Section 106 and CIL Proposals**

2.11 Discussions between the Council and the Applicant have resulted in the following S106 and CIL contributions being provided if the proposed development is granted planning permission.

- Mayoral CIL: £104,671
- LBL CIL: £209,342

**S106 Contributions**

- Air quality monitoring: £4,900
- Employment & Training: £25,970
- S278 Highways contributions: £18,130 (To be Confirmed)

**TOTAL MCIL & S106 COST: £363,013**

2.12 We understand that under the S106 agreement the provision of two on-site disabled parking bays will be secured for use by the residents of the affordable housing.

# 3.0 Approach to Viability Appraisal

**Limitation of residual development appraisals**

3.1 We have prepared a series of development appraisals using the industry standard Argus Developer software to appraise the project viability. Please note the following;

- Development appraisals are highly sensitive to their inputs (i.e. small changes in inputs can lead to a marked change in outputs).
- Development appraisals are required to assess viability as at today's date, which is reinforced in the RICS *Financial Viability in Planning* guidance note. They are permitted to factor in historic costs and also potential future market and cost inflation. However this all needs to be considered as at today's date.

**Approach to Appraisal**

3.2 In undertaking a viability assessment for planning purposes Urban Delivery gives full consideration of the RICS Guidance Note 94/2012 (GN94) – Financial Viability in Planning. GN94 provides an objective methodology framework to support Affordable Housing viability assessment. The GN94 highlights that it is grounded in the statutory and regulatory planning regime that currently operates in England. It is consistent with the *Localism Act* 2011, the NPPF and *Community Infrastructure Levy (CIL) Regulations* 2010. GN94 concludes that the fundamental issue in considering viability assessments in a town planning context is whether an otherwise viable development is made unviable by the extent of planning obligations or other requirements.

3.3 GN94 defines financial viability for planning purposes as follows:

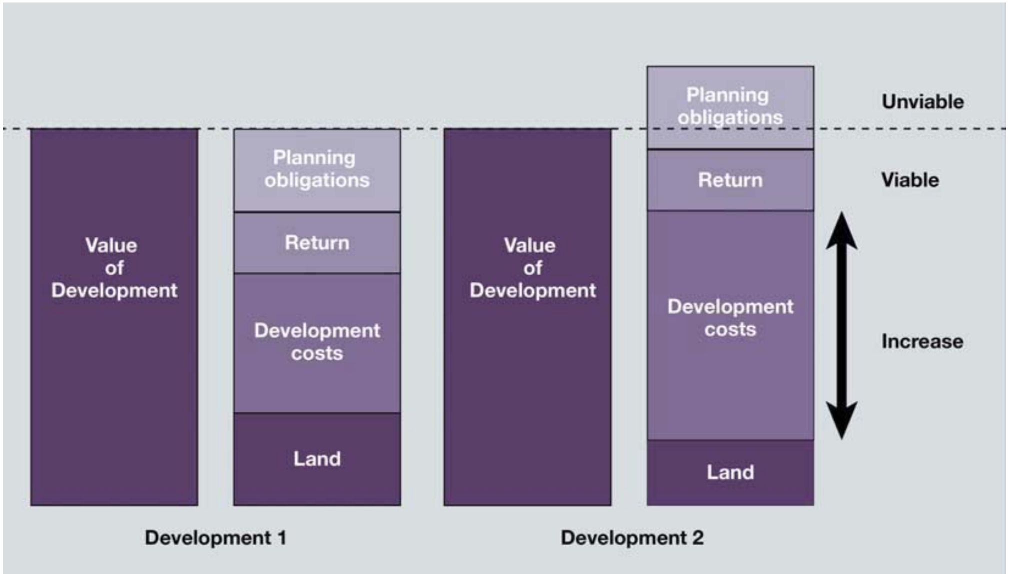
> *"An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project".*

3.4 GN94 proposes the use of a residual appraisal methodology for financial viability testing and that such a methodology is normally used, where either the level of return or site value can be an input and the consequential output (either a residual land value or return respectively) can be compared to a benchmark having regard to the market in order to assess the impact of planning obligations or policy implications on viability. GN94 defines site value as follows:

> *"Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan".*

3.5 It is accepted however that any assessment of site value will have regard to potential planning obligations, and the purpose of the viability appraisal is to assess the extent of these obligations while also having regard to the prevailing property market.

3.6 This principle is demonstrated by the diagram found in GN94. The costs and necessary returns of Development 1 are such that policy can be met in delivering all planning obligations while meeting a site value for the land, all other development costs and a market risk adjusted return. In contrast, Development 2 indicates that an increase in costs results in an inability of that development to absorb the original planning obligations and is therefore unviable. A financial viability assessment would be required to ascertain what could viably be delivered in the way of planning obligations while ensuring that the proposed development was viable and deliverable.




Source: RICS Guidance Note 94/2012.

3.7 Urban Delivery adopts the RICS definition of Market Value as the appropriate basis to assess site value.

3.8 This is consistent with the NPPF, which acknowledges that 'willing sellers' of land should receive 'competitive returns'. Competitive returns can only be achieved in a market context (i.e. Market Value) not one which is hypothetically based on an arbitrary mark-up applied, as in the case of Existing Use Value (or Current Use Value) plus a premium.

3.9 In the absence of any definitive guidance, a variety of practitioners have evolved approaches to assess a reasonable benchmark land value. One approach has been to adopt Current Use Value (CUV) plus a margin or a variant of this, i.e. Existing Use Value (EUV) plus a premium. GN94 states that the problem with this singular approach is that it does not reflect the workings of the market as land may not be released at CUV or CUV plus a margin (EUV plus). It is however, possible that its current use represents the Market Value if the CUV is in excess of the residual value produced by a proposed development.

3.10 Where the existing site or property is undeveloped or in a condition unsuitable for use or occupation, an alternative approach could be to consider the Alternative Use Value (AUV). This methodology seeks to identify an alternative use or development that could be permitted on the site, in line with planning policy. The cost of constructing this hypothetical development must be considered and deducted from the potential development value in order to generate a Residual Land Value (RLV). This RLV can then be suggested as the Benchmark Land Value.

3.11 This viability assessment has been undertaken in accordance with the LB Lewisham's Supplementary Planning Document (SPD) on Planning Obligations, adopted on the 25th February 2015. This includes guidance on financial viability assessments (paragraphs 4.31 to 4.38). In respect of land value, the SPD notes that the analysis should be based on land values as set by the application of planning policy in determining the permissible scope of development rather than the price actually paid for the land.

3.12 The site value adopted in this viability assessment is based on a risk adjusted Market Value. The risk adjustment allows for the fact that the subject Property does not yet have a planning permission for the proposed use whereas evidence of similar land sales may reflect land sold with the benefit of a planning permission or a sale agreed on a 'subject to planning' basis. As such, the site value will normally be less than current market prices for development land for which planning permission has been secured and planning obligation requirements are known.

3.13 In determining the site value Urban Delivery will give regard to AUV and transactional evidence of other residential land sales and all other material considerations that might impact on site value.

**Residual Development Appraisal Assumptions**

3.14 Our residual development appraisal has been prepared using Argus Developer, a recognised industry standard package that models individual development schemes and development phases. The model is based on costs and values adopted by the appraiser and can then be applied to a bespoke timeframe with assumptions on cost breakdown throughout the life of the project. This assumption on costs, revenues and the timing of such is then used to calculate finance costs.

3.15 In our residual development appraisal we have adopted our own assumptions on the amount and timing of income and expenditure, explaining why these differ from the Applicant's assumptions, if applicable. As part of our review we have examined all assumptions and formed our own independent view on whether these assumptions are applicable in the current market conditions.

3.16 We have appraised the development scheme as a single phase. We provide a copy of this appraisal in the Appendix 1 and set out the revenue and cost assumptions adopted.

# 4.0 Market Analysis

**Local Property Market**

4.1 We have undertaken a review of the local property market to identify evidence of other development land sales and new build residential unit sales.

4.2 In considering evidence of land sales transactions where the land is sold with the benefit of planning permission we have sought to discount the achieved price by 30% to make an allowance for the time, cost and associated planning risk that a purchaser is likely to incur if purchasing a parcel of land unconditionally and without a planning permission for the proposed land use or scale of development they are seeking. This level of discount has been chosen to reflect the cost of making a planning application, an allowance for adverse changes in property market conditions as well as the uncertainty over agreeing S106 contributions and the viable number of affordable homes that may be provided on-site.

*Land Sales*

<u>223-225 High Street, Lewisham, SE13</u>

4.3 This property comprises an existing office building on a site of 0.07 ha (0.17 acres) and was granted planning permission in March 2015 for a development with 195 sq m (2,100 sq ft) of ground floor office space and 22 apartments over four upper floors. The planning permission does not require any on-site affordable housing but includes a S106 agreement with a total of £308,918 of financial contributions plus potential for overage payable to the Council. The ground floor commercial unit is pre-let to estate agent, Acorn, for a term of 15 years. The property sold in October 2015 for a price of £3,250,000.

4.4 In applying this comparable to the subject Property we would allow for a discount of circa 30% to reflect the cost and risk of achieving a suitable planning permission. This discounted price would reflect a land value of circa £33,050,000 per hectare (£13,380,000 per acre).

4.5 This would suggest a land value for the subject Property of circa £5,880,000 based on site area and approximately £3,500,000 based on the equivalent of £103,000 per private sale plot. We believe this evidence is a relatively close comparable that reflects the current demand for centrally located development sites in this part of the borough.

<u>29 Pomeroy Street, New Cross Gate, SE14</u>

4.6 This property comprises an existing commercial premises with a site area of 0.16 ha (0.39 acres) and was granted planning permission in September 2015 for a development of 37 apartments (including six affordable homes) over four and five storeys. The planning permission includes a S106 agreement requiring a financial contribution of approximately £152,000 plus CIL liabilities of circa £108,000. The property sold in late 2015 for a price of £5,400,000.

4.7 In applying this comparable to the subject Property we would allow for a discount of circa 30% to reflect the cost and risk of achieving a suitable planning permission. This discounted price would reflect a land value of circa £23,940,000 per hectare (£9,690,000 per acre).

4.8 This would suggest a land value for the subject Property of circa £4,260,000 based on site area and approximately £3,470,000 based on the equivalent of £102,000 per private sale plot.

4.9 We would comment that the indicative land values suggested by these two comparables would reflect the price a developer may pay for the whole Property with the prospect of securing a planning permission to construct 49 dwellings, of which 15 would be provided as affordable homes, as proposed by the Applicant.

<u>120-122 Tanners Hill, Lewisham, SE8</u>

4.10 This land comprises an area of approximately 0.44 ha (1.09 acres) and was sold in October 2014 with the benefit of a planning permission for 58 residential units. We are advised by the sales agent that the site achieved a price of £7,600,000.

4.11 The development of this site proposes a similar number of dwellings in total to the subject Property, although the site areas result in substantially different development densities with this comparable reflecting only 53 dwellings per acre compared with 270 for 87-89 Loampit Vale.

4.12 In applying this comparable to the subject Property we would allow for a discount of circa 30% to reflect the cost and risk of achieving a suitable planning permission. This discounted price would reflect a land value of circa £12,060,000 per ha (£4,880,000 per acre).

4.13 Applying the analysis above, this would suggest a land value for the subject Property of circa £2,180,000 based on site area. On the basis that the subject Property has potential to achieve a greater density there is scope to suggest that the site could achieve a greater value per hectare than this comparable indicates. The discounted transaction price reflects a value of approximately £92,000 per dwelling which applied to the proposed 34 private sale units at Loampit Vale would indicate a value of circa £3,130,000.

*Residential Sales*

4.14 In order to form a view on a reasonable sales value we have undertaken an independent investigation into private residential sale values in the vicinity of the proposed development, as set out in the tables below.

**Renaissance, Loampit Vale – Barratt Homes**

4.15 Barratt Homes is nearing completion of its development of this scheme, located adjacent to the subject Property.

4.16 The development comprises eight buildings ranging from five to twenty-four storeys, incorporating balconies and terraces, comprising 788 residential units (including up to 186 affordable), a leisure centre, 1,856 sq m of commercial floorspace (Use Classes A1, A2, and B1, including 626 sq m for creative industries), an energy centre, replacement London City Mission facilities, public and private amenity space, together with associated landscaping, bin stores, 866 cycle, 26 motorcycle and 181 car parking spaces on ground and first floor levels, associated highway works, plant and servicing.

4.17 We understand that all homes within this development have now been reserved. However, details of actual sale prices for the most recent phases are not currently available and will not be released until the sales are legally completed. As an indication of asking prices and sales values within this scheme, we set out in the table below details of some more recent sales within the Roma Corte phase.

| Barratt Developments - Renaissance, Loampit Vale | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Phase** | **Unit** | **No Beds** | **Area sq m** | **Area sq ft** | **Price** | **£psf** | **Sold Date** |
| Roma Corte | Plot 207 | 1 | 49.4 | 532 | £303,000 | £ 570 | Q2 2015 |
| Roma Corte | Plot 212 | 1 | 45.2 | 487 | £297,000 | £ 610 | Q2 2015 |
| Roma Corte | Plot 213 | 1 | 49.4 | 532 | £306,000 | £ 575 | Q2 2015 |
| Roma Corte | Plot 218 | 1 | 45.2 | 487 | £300,000 | £ 617 | Q2 2015 |
| Roma Corte | Plot 278 | 1 | 45.2 | 487 | £353,000 | £ 726 | Q3 2015 |
| Roma Corte | Plot 290 | 1 | 45.2 | 487 | £359,000 | £ 738 | Q3 2015 |
| Roma Corte | Plot 366 | 1 | 45.7 | 492 | £325,000 | £ 661 | Q2 2015 |
| Roma Corte | Plot 210 | 2 | 64.2 | 691 | £399,000 | £ 577 | Q2 2015 |
| Roma Corte | Plot 211 | 2 | 64.0 | 689 | £394,000 | £ 572 | Q2 2015 |
| Roma Corte | Plot 216 | 2 | 64.2 | 691 | £403,000 | £ 583 | Q2 2015 |
| Roma Corte | Plot 217 | 2 | 64.0 | 689 | £398,000 | £ 578 | Q2 2015 |
| Roma Corte | Plot 273 | 2 | 53.8 | 579 | £455,000 | £ 786 | Q3 2015 |
| Roma Corte | Plot 285 | 2 | 53.8 | 579 | £465,000 | £ 803 | Q3 2015 |
| Roma Corte | Plot 288 | 2 | 64.0 | 689 | £475,000 | £ 690 | Q3 2015 |
| Roma Corte | Plot 289 | 2 | 64.2 | 691 | £475,000 | £ 687 | Q3 2015 |
| Roma Corte | Plot 369 | 2 | 56.3 | 606 | £423,000 | £ 698 | Q2 2015 |
| **Average Price** | | | **54.6** | **588** | **£383,125** | **£ 652** | |

4.18 As can be seen, average sales values over the second and third quarters of 2015 were in the region of £7,020 per sq m (£652 per sq ft) for one and two bedroom apartments. It should be noted however that a number of these units are located on higher floors within the building and could therefore reflect a premium compare with typical apartments closer to ground level.

4.19 We note that the average unit size of these one and two bedroom units is slightly smaller than those proposed in the subject scheme. Combined with the potential premium for units on higher floors and the smaller floor areas in general, we are of the view that the average price of £7,020 per sq m (£652 per sq ft) is towards the higher end of the value range although since these units were sold in 2015 there is potential for prices to have increased further.

**Portrait Tower**

4.20 Portrait Tower is part of the Lewisham Gateway development situated to the west of the subject Property. Muse Developments is currently building out its development of 125 one, two and three bedroom apartments.

4.21 The development is currently selling units off-plan. Information on initial sales is limited although a review of property marketing web sites suggests that a good proportion of units have been bought by investors now looking to 'flip' units for a profit. The table below indicates the pricing for units being marketed directly by Muse:

| Portrait Tower 1, Lewisham Gateway, SE13 | | | | | | |
|---|---|---|---|---|---|---|
| **Unit** | **Floor** | **No Beds** | **Area sq m** | **Area sq ft** | **Price** | **£psf** |
| 031 | 3rd | 1 | 50.0 | 538 | £333,000 | £ 619 |
| 041 | 4th | 1 | 50.0 | 538 | £299,000 | £ 556 |
| 012 | 1st | 2 | 64.5 | 694 | £359,000 | £ 517 |
| 032 | 3rd | 2 | 61.0 | 657 | £395,000 | £ 601 |
| 052 | 5th | 2 | 61.0 | 657 | £405,000 | £ 616 |
| 065 | 6th | 2 | 61.2 | 659 | £377,000 | £ 572 |
| 085 | 8th | 2 | 61.2 | 659 | £410,000 | £ 622 |
| **Average Asking Price** | | | **58.4** | **629** | **£368,286** | **£ 586** |

4.22 As can be seen, average asking prices are in the region of £6,310 per sq m (£586 per sq ft) for one and two bedroom apartments. In comparing this comparable sales/pricing evidence with the subject Property we have sought to use only those apartments up to the 8th floor. Apartments on the higher floors attract a premium pricing that cannot be achieved at the Applicant's scheme.

**Tower Loft Apartments, Tower House, Lewisham High Street**

4.23 This development is situated on Lewisham High Street and benefits from permitted development rights approved for the second and third floors of the scheme, although the developer has submitted a planning application for a two storey roof extension to provide an additional 20 private sale dwellings.

4.24 In summer 2015 the developer released the first 18 units for sale off-plan. We understand that these have now sold. The table below identifies the agreed pricing for this first phase of sales.

| Tower Loft Apartments, Lewisham High Street, SE13 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Unit | Floor | No Beds | Area sq m | Area sq ft | Price | £psf | Reservation Date |
| 3.1 | 3rd | 1 | 55.0 | 592 | £381,522 | £ 644 | Jun-15 |
| 3.2 | 3rd | 1 | 46.5 | 501 | £330,000 | £ 659 | Jun-15 |
| 3.3 | 3rd | Studio | 45.5 | 490 | £322,000 | £ 657 | Jun-15 |
| 3.4 | 3rd | Studio | 49.5 | 533 | £336,000 | £ 630 | Jun-15 |
| 3.5 | 3rd | 1 | 52.0 | 560 | £347,225 | £ 620 | Jun-15 |
| 3.6 | 3rd | 1 | 49.0 | 527 | £340,000 | £ 645 | Jun-15 |
| 3.7 | 3rd | 1 | 50.0 | 538 | £345,000 | £ 641 | Jun-15 |
| 3.8 | 3rd | 1 | 50.0 | 538 | £358,000 | £ 665 | Jun-15 |
| 3.9 | 3rd | 1 | 48.5 | 522 | £337,000 | £ 646 | Jun-15 |
| 3.10 | 3rd | 1 | 51.5 | 554 | £352,000 | £ 635 | Jun-15 |
| 3.11 | 3rd | Studio | 42.5 | 457 | £322,245 | £ 705 | Jul-15 |
| 3.12 | 3rd | Studio | 47.5 | 511 | £318,000 | £ 622 | Jun-15 |
| 3.13 | 3rd | Studio | 37.0 | 398 | £288,000 | £ 724 | Jun-15 |
| 3.14 | 3rd | 1 | 44.5 | 479 | £305,000 | £ 637 | Jun-15 |
| 3.15 | 3rd | 1 | 67.0 | 721 | £408,000 | £ 566 | Jun-15 |
| 3.16 | 3rd | 1 | 49.0 | 527 | £335,000 | £ 636 | Jun-15 |
| 3.17 | 3rd | 1 | 52.0 | 560 | £350,000 | £ 625 | Jun-15 |
| 3.18 | 3rd | 2 | 66.5 | 716 | £409,370 | £ 572 | Jun-15 |
| **Average Asking Price** | | | **50.2** | **540** | **£343,576** | **£ 636** | |

4.25 The majority of units on the third floor are one bedroom homes of varying floor areas. Our analysis suggests that these sold units are slightly smaller than the average size of unit proposed at the subject Property and average sales values may therefore be slightly higher on a sq m basis.

**Prime Place, Norman Road, Greenwich, SE10**

4.26 With a lack of suitable sales evidence for three bedroom apartments in Lewisham town centre we have considered evidence from further afield. Prime Place Greenwich is a development situated on Norman Road, located on the eastern side of Deptford Creek, approximately 1.6km to the north of the site on Loampit Vale. Although this development is located in a higher value location we have sought to draw a comparison with a number of three bedroom units that have been sold in order to provide an indication of the pricing that could be achieved in Lewisham.

4.27 The table below identifies a range of three bedroom units sold in the past 12 months:

| East Tower, Block C, Prime Place, Norman Road, Greenwich, SE10 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Unit/Type | Floor | No Beds | Area sq m | Area sq ft | Price | £psf | Sold Date |
| C201 | 2nd | 3 | 102.6 | 1104 | £ 580,000 | £ 525 | 2H 2014 |
| C202 | 2nd | 3 | 86.1 | 927 | £ 530,000 | £ 572 | 2H 2014 |
| C301 | 3rd | 3 | 107.8 | 1160 | £ 570,000 | £ 491 | 2H 2014 |
| C302 | 3rd | 3 | 86.1 | 927 | £ 540,000 | £ 583 | 2H 2014 |
| C401 | 4th | 3 | 86.0 | 926 | £ 565,000 | £ 610 | 2H 2014 |
| C403 | 4th | 3 | 86.1 | 927 | £ 530,000 | £ 572 | 2H 2014 |
| C405 | 4th | 3 | 91.2 | 982 | £ 590,000 | £ 601 | 2H 2014 |
| C502 | 5th | 3 | 86.1 | 927 | £ 565,000 | £ 610 | 2H 2014 |
| C504 | 5th | 3 | 91.2 | 982 | £ 590,000 | £ 601 | 2H 2014 |
| **Average** | | | **91.5** | **985** | **£ 562,222** | **£ 571** | |

4.28 We note that with the Applicant proposing that the three bed units on Loampit Vale will be in the order of 86 sq m (925 sq ft), the average private sale three bedroom unit at Prime Place is slightly larger. Allowing for this difference in size, location and house price inflation since these sales were achieved, we are of the opinion that the average value achieved of £6,146 per sq m (£571 per sq ft) provides a reasonable comparable for the three bedroom units within the Applicant's proposed development, should they be offered as private market homes rather than social rented units.

*Summary*

4.29 As can be identified from the comparable evidence tables above, the range of average sales values vary considerably from £5,290 and £8,640 per sq m (£491 and £803 per sq ft).

4.30 While the units at Barratt's Renaissance development, situated on the opposite side of the railway line from the subject Property, have sold well and achieved some high average values, the subject Property does not present a similar scale of development with on-site resident amenities and may therefore be expected to achieve a slightly lower average value per unit.

4.31 We have therefore considered indicative unit prices applicable to the proposed units based on the nature of the scheme, its location and the availability of similar sized units elsewhere in Lewisham. We note that certain units within the proposed development are relatively large compared with other schemes in the local area. Where a comparison is made with units that were sold during 2015 or as far back as 2014, we have also sought to allow for house price inflation over the relevant period.

4.32 Based on the average sales values achieved on other schemes in the area and in consideration of average unit prices referred to above, we are of the opinion that the private sales homes could achieve a total sales price in the order of £14,745,000, reflecting an average sales value of £6,080 per sq m (£565 per sq ft). While this may appear low compared with average values at other schemes, the proposed units are larger than average which has the effect of reducing the value per sq m/sq ft.

*Residential Rental Values*

4.33 We have reviewed the local property market and identified that rental values for one to three bedroom apartments are in the region of:

- 1 bed @ £265 per week (@ 60% = £160 per week)
- 2 bed @ £345 per week (@ 60% = £210 per week)
- 3 bed @ £410 per week (@ 60% = £250 per week) (Maisonette)

4.34 We have had regard to the above rental values in order to assess the potential value of any rented affordable homes that could be provided. These values have been adopted to test the value that could be attributed to on-site affordable homes and therefore their impact on viability and the total number and mix of tenures that could be provided by the Applicant.

4.35 The value of the rented units takes into account the government's requirement for Registered Providers to reduce social rents by 1% per annum over the next four years, starting from April 2016. The value per sq ft adopted in the relevant appraisals for the social rented units is a blended rate for the one, two and three bedroom units at £2,260 per sq m (£210 per sq ft).

4.36 With regard to shared ownership units we have adopted market values and made an assumption on the initial sale of equity to the purchaser. This is typically 25%. The rental payments on the interest retained by a Registered Provider are then calculated based on a maximum of 2.75% of the outstanding value per annum. We have however adjusted these rental figures to comply with maximum thresholds and affordability levels adopted by LB Lewisham.

4.37 We have based our value for the shared ownership units on the current household income thresholds, which are as follows: (The figures in brackets represent the maximum housing cost)

- 1 bed @ £36,795 per annum (£12,252 per annum)
- 2 bed @ £42,663 per annum (£14,206 per annum)
- 3 bed @ £59,810 per annum (£19,916 per annum)

4.38 Current policy requires that total housing costs are limited to no greater than 45% of net household income (Net housing income is assumed to be 74% of gross household income). This should include mortgage payment, rent and service charge.

4.39 In preparing our assessment we have ensured that total housing costs are kept below the figures in brackets above. In doing so, we have assumed that purchasers will acquire a 25% share of equity with an average mortgage rate of 5% per annum and an allowance for annual service charge of between £1,500 and £2,000.

4.40 The value per sq ft adopted in the relevant appraisals is a blended rate for the one, two and three bedroom units at £3,660 per sq m (£340 per sq ft).

# 5.0 Viability Assessment

**Land Value Benchmark**

5.1 In order to ascertain if the proposed Land Value Benchmark was reasonable Urban Delivery investigated the Applicant's proposed Land Value Benchmark and compared this to an estimate of Market Value.

5.2 We understand that the Applicant has exchanged contracts to acquire the freehold interest in the Property for a price of £3,400,000, subject to planning. This is the price the Applicant has adopted as its Benchmark Land Value.

*Existing Use Value*

5.3 In considering the EUV for the Property we have had regard to the current premises and the existing use and occupation. It is our understanding that the various commercial premises are currently vacant although there are five residential units that may remain occupied or lettable.

5.4 We have not been provided with any details for the five existing dwellings. With limited information available for these units we have assumed they are one bedroom units and have applied an arbitrary value of £250,000 per dwelling, suggesting a total of £1,250,000 for the existing residential units.

5.5 We understand however that the retail unit fronting Loampit Vale extends to an area of approximately 50.3 sq m (541 sq ft).

5.6 In considering a potential Existing Use Value for the retail unit we have applied a rental value of £215 per sq m (£20 per sq ft) and applied an investment yield of 7%. This generates a figure of approximately £150,000, net of purchasers costs at 3.8%.

5.7 With regard to the former builder's yard, this consists of an open yard extending to approximately 1,590 sq m (17,115 sq ft) and has previously been used for storing plant and materials. There is little evidence of similar sites transacting recently. The evidence that we have seen typically includes sites with a greater proportion of built space and ranges in value from £1,290 to £1,937 per sq m (£120 to £180 per sq ft) in terms of capital value. Applying a figure equivalent to 40% of these ranges to reflect the land value would suggest a site value in the region of £1,230,000 to £1,850,000.

5.8 Combining the indicative Existing Use Values suggested above would result in a maximum value in the order of £3,250,000. Applying a premium of 20% to incentivise a landowner to sell would indicate a land value in the order of £3,900,000.

5.9 However, given the on-going changes to the location and the development of residential uses on the adjoining sites, it is unlikely that the Property would now be sold as a commercial site and a vendor would seek to secure a price to reflect the strong likelihood of achieving a residential use on the site.

5.10 We are therefore of the opinion that it would be inappropriate to apply an EUV as a Benchmark Land Value and have sought to rely on evidence of other residential land sales from the local area.

*Market Value*

5.11 In order to adopt a preferred Market Value approach to assessing the Land Value Benchmark we have reviewed the local property market for evidence of land sales or the sale of premises that are suitable for residential development.

5.12 A review of the evidence referred to in Section 4 of this report highlights the range of values achievable for residential land within this area. There is evidence from sites within Lewisham and nearby areas at New Cross and Tanners Hill which would suggest a site with the ability to develop 49 dwellings would achieve a price ranging from £3,130,000 to £3,500,000.

5.13 Considering the evidence referred to above and applying this to the subject Property it is our opinion that a Benchmark Land Value of £3,400,000 for the Property is reasonable.

**Appraisal Inputs**

*Residential Revenue*

5.14 Based on the evidence of recent sales in the local vicinity we have applied our own view on indicative unit prices for the private sale unit types proposed. We have assumed the following pricing:

- 1 bed flat (2 person): £360,000
- 1 bed flat (2 person W/C): £375,000
- 2 bed flat (3 person): £465,000
- 2 bed flat (4 person): £475,000
- 2 bed flat (3 person W/C): £480,000
- 3 bed flat (5 person): £535,000

5.15 Based on these unit prices the average sales value for the private units is in the order of £6,080 per sq m (£565 per sq ft).

5.16 While the sales values on other schemes in the locality range between £5,280 and £8,640 per sq m (£491 and £803 per sq ft), the higher values tend to be achieved on the smaller one bedroom units, often located on the higher floors of tower schemes.

5.17 We estimate that the total revenue achievable for the private sale units could be in the order of £14,745,000. Assuming an average ground rent per private dwelling of £350 per annum, and applying an investment yield of 5.50%, we estimate that an investor may be prepare to purchase the ground rent investment for the 34 private dwellings for around £215,000.

*Affordable Homes*

5.18 We have appraised the value of the proposed affordable homes on the basis that the average rented unit will be capped at 60% of market rent. Our appraisal is based on the Applicant's initial proposal for a tenure split of 40% social rented and 60% shared ownership. We note that the Council's preferred split is 70/30 in favour of social rented accommodation.

5.17 Having applied these capped rents for one, two and three bedroom units we have derived that the average value of a social rented unit is in the region of £2,260 per sq m (£210 per sq ft).

5.18 With regard to the shared ownership units, assuming an initial sale of 25% of the freehold and gradual 'staircasing' by tenants over a 30 to 40 year period, we estimate the average value could be in the order of £3,660 per sq m (£340 per sq ft).

5.19 We have applied these broad values to our appraisal and estimated that the combination of social rented and shared ownership units would be in the order of £3,170.000.

*Housing Grant*

5.20 We note that Family Mosaic has access to approximately £570,000 of grant monies from the GLA which it has allocated to this development.

*Cost Advice*

5.21 Although the Applicant has commissioned a cost estimate from Messrs BPM, the overall build cost adopted within the viability appraisal reflects a rate of £2,150 per sq m (£200 per sq ft). In order to check the Applicant's cost assumptions we have taken advice from Trident Building Consultancy which has undertaken a review of the proposed development scheme. Overall, Trident has indicated that the broad cost assumptions applied by the Applicant appear reasonable and we provide a copy of the cost review summary at Appendix 3.

5.22 We have therefore adopted within our appraisal the costs set out in the Applicant's GLA Toolkit appraisal which breaks back to a figure of £2,150 per sq m (£200 per sq ft). In addition, the Applicant has included a contingency allowance of £200,000 which reflects a proportion of approximately 2.15% of build costs. We would typically expect a contingency to be in the order of 5%.

*S106 and CIL Contributions*

5.23 We have applied the final LBL and Mayoral CIL and S106 financial contributions to our appraisal as set out in paragraph 2.11. These total £314,013 for Mayoral CIL plus approximately £49,000 for S106 contributions.

*Professional Fees*

5.24 The Applicant has set out a list of specific fees for professional consultants. These total £683,000 which reflects a percentage of approximately 7.60% against build costs. We would typically adopt professional fees in the range of 10% to 12%. On this basis, we are of the view that this is reasonable.

*Marketing Costs*

5.25 The Applicant has allowed for marketing costs of £636,574 with respect to both the private sale and affordable homes. This reflects a rate of 3.50% against the projected GDV which appears to include sales agent fees as well as associated marketing costs for advertising, preparation of websites, and preparation of marketing suite and show flat.

5.26 In our experience we would typically allow for agency fees of between 1% and 1.5% plus a marketing budget of around 2% to 3% of GDV. As such, we are of the opinion that marketing allowance is reasonable and we have therefore adopted a rate of 3.50% within our own appraisal.

*Legal Sales Fees*

5.27 We have included a cost of £600 per private dwelling to cover the cost of the Applicant's conveyancing costs. We believe this to be a reasonable cost allowance for processing the sale of long leasehold interests for the proposed units.

*Finance Costs*

5.28 The Applicant has adopted an average finance rate of 6.75% within its Three Dragons Toolkit model.

5.29 Some larger and financially secure developers are now able to secure more favourable finance rates in the region of 6% or 6.5% and while we do not believe that the rate suggested by the Applicant is unreasonable on the basis of the schemes location and the requirement to deliver the full scheme as a single phase, we are of the opinion that the applicant would be able to secure favourable terms with a lender and we have therefore applied a finance rate of 6.5% to our own appraisal. We would comment that it is also common practice for banks to charge an arrangement fee for investment and development finance and this can typically range from 1% to 2%, however, this may be rolled-up into the overall loan cost.

*Developer Profit*

5.30 The Applicant is seeking a developer profit of 20% profit on GDV. We would typically reduce this profit rate to 6% for the affordable homes. Based on our own estimates this would return a total profit sum of approximately £3,200,000 to the Applicant.

5.31 On the basis that the proposed scheme will need to be delivered as a single phase and that the site presents added risk in working in close proximity to an operational railway, we are of the opinion that this level of return is reasonable.

5.32 With regard to a suitable development return for a standard development project, we consider the GLA Toolkit's default allowance of 20% of Gross Residential Development

Value a reasonable benchmark. However, we are aware that other viability toolkits permit a range of profit levels to suit the phasing and perceived risk of the project.

5.33 We have also had regard to recent appeal cases where the Planning Inspectorate has passed judgement on the acceptability of certain profit levels within viability assessments. One particularly prominent case being The University of Reading *Vs* Wokingham BC in which the Inspector accepted a developer return of 20% profit on GDV.

5.34 At the current time many developers and consultants are in agreement that average levels of return should be in the region of 20% profit on GDV, which typically translates to 25% profit on cost. As such, the level of profit sought in the Applicant's viability assessment is reasonable.

*Miscellaneous Costs*

5.35 We note that the Applicant will be required to make an additional payment of £50,000 to the land owner on the granting of planning permission for the proposed scheme. We are advised that the purchase price of £3,400,000 was subject to an overage clause requiring payment of a sum up to £425,000 depending on the scale of planning permission granted. Based on the 49 unit scheme the estimated overage payment will be £50,000. However, we have not seen any legal agreement confirming this provision.

# 6.0 Viability Outputs

**Viability Findings**

6.1 We have undertaken our own appraisal and have arrived at the main outcomes described below.

6.2 Based on the proposed GDV, the development costs, target developer profit and the Benchmark Land Value, we are of the opinion that the proposal by the Applicant to offer 15 affordable homes (six rented units and nine shared ownership units), equating to a proportion of 30.60% of all homes proposed, is a reasonable offer.

6.3 Our findings suggest that the offer submitted by the Applicant does reflect the maximum number of affordable homes that can be provided at the current time, based on the proposed tenure split of 40% rented and 60% shared ownership. Our appraisal indicates a residual land value of circa £3,030,000 which falls short of the target land value by approximately £370,000.

**Sensitivity Testing**

6.4 As part of the sensitivity testing we have sought to run our appraisals adopting a tenure split as close as possible to the Council policy compliant mix of 70% rented and 30% shared ownership units, albeit restricted to the Applicant's offer of 15 affordable homes in total. On the assumption that four of the one bedroom shared ownership units are converted to social rented units the residual land value is reduced to approximately £2,770,000. This produces a deficit of around £630,000.

6.5 In order to allow for a more acceptable mix of affordable tenures we have estimated that it would be possible to include six social rented units (including the three maisonettes) and three shared ownership homes. This mix of unit types reflects a 67/33 tenure split. We would comment however that while this configuration is regarded as financially viable, we estimate that an additional surplus of approximately £90,000 could be generated. However, this surplus is not sufficient to off-set the provision of an additional affordable home without it impacting negatively on the overall viability.

6.6 We have also considered how many affordable homes could potentially be provided on the basis that 100% of the affordable homes were to be provided as social rented tenure. Our review indicates that it would be possible to include a broad mix of 5No. two bedroom apartments and 3No. three bedroom maisonettes. This mix of social rented units would generate a financially viable development scheme.

6.7 We understand that the Applicant may be prepared to offer the affordable housing as 100% social rented and this would include a total of 10 dwellings. The mix of units would include 2No. 1 bed (2 person) flats, 5No. 2 bed (3 person) flats and 3No. 3 bed (5 person) maisonettes. We have tested these assumptions and estimate that the resultant residual land value would be in the order of £3,200,000. This reflects a deficit of c.£200,000 and would be regarded as technically financially unviable.

*Sensitivity Testing – Original Proposal (15 Affordable Homes)*

6.8 We have run a series of sensitivity tests in order to understand the impact of changes to the assumptions on the viability of the originally proposed scheme with 15 affordable homes. The results of these are set out in the table below.

| | Construction: Rate pf² | | | | |
|---|---|---|---|---|---|
| Sales: Rate pf² | -10.000%<br>179.77 pf² | -5.000%<br>189.75 pf² | 0.000%<br>199.74 pf² | +5.000%<br>209.73 pf² | +10.000%<br>219.71 pf² |
| -10.000% | (£2,637,442)<br>17.647% | (£2,210,764)<br>17.697% | (£1,784,086)<br>17.747% | (£1,357,408)<br>17.797% | (£930,730)<br>17.847% |
| -5.000% | (£3,258,009)<br>17.608% | (£2,833,090)<br>17.644% | (£2,406,412)<br>17.691% | (£1,979,734)<br>17.739% | (£1,553,056)<br>17.786% |
| 0.000% | (£3,876,115)<br>17.588% | (£3,453,651)<br>17.607% | (£3,028,738)<br>17.641% | (£2,602,060)<br>17.686% | (£2,175,382)<br>17.731% |
| +5.000% | (£4,493,025)<br>17.577% | (£4,071,861)<br>17.587% | (£3,649,293)<br>17.605% | (£3,224,375)<br>17.638% | (£2,797,709)<br>17.681% |
| +10.000% | (£5,109,392)<br>17.570% | (£4,688,844)<br>17.576% | (£4,267,587)<br>17.586% | (£3,844,936)<br>17.604% | (£3,420,007)<br>17.635% |

6.9 These sensitivity results are based on a change to the average sales value and the build costs by a factor of 5% and 10%. As can be seen, a movement resulting in a higher sales value or lower build cost will increase the residual land value and in theory enable the delivery of additional affordable homes.

6.10 Based on current values and costs, we estimate that private sales values would need to increase by approximately 4% to achieve a viable development scheme. Any subsequent increase in values could then enable the Applicant to make a further contribution towards affordable housing.

**Review Mechanism**

6.11 Should anything prevent the Applicant from implementing the planning permission for an extended period of time it would be advantageous to seek a review mechanism within the S106 agreement to review viability at the construction commencement date, or just prior to this date.

6.12 Should it be found that sales values have increased substantially in that time it may be feasible for the Applicant to provide a 'top-up' to the affordable homes contribution.

6.13 In order to provide for an additional financial contribution towards affordable housing it is necessary to understand what the average sales value will need to reach while ensuring the development scheme remains financially viable.

*Further Financial Contribution - Original Proposal (15 Affordable Homes)*

6.14 In arriving at an appropriate Target Sales Value we have assumed that the construction contract will be let imminently and construction prices will be fixed. As such, our calculations have not made any allowance for cost inflation over the next 24 months. In addition, we have assumed that the Applicant will acquire the land at £3,400,000.

6.15 Should average sales values for the private residential units reach £6,330 per sq m (£588 per sq ft) the Council may become eligible for a financial 'top-up'. It is assumed that any 'top-up' would reflect a 50% share of any development surplus in order to incentivise the developer to achieve a higher sales value.

6.16 We have calculated that based on the current Applicant offer of 30% affordable housing, should the scheme achieve a Target Sales Value of £7,300 per sq m (£679 per sq ft) or over, this will potentially signify that 50% affordable housing could be viable and the applicant could become liable to pay a maximum top-up contribution of £780,000.

6.17 As a further demonstration, should the average private sales value reach £6,930 per sq m (£643 per sq ft) then it may be viable for the Applicant to provide an additional £475,000 as this would signify it is viable to have offered 40% affordable housing by way of net sales area.

**Table: Estimated additional affordable housing contribution**

| Viable Scheme | Target Sales Value | Potential Top-Up |
|---|---|---|
| 40% Affordable | £643 per sq ft | £475,000 |
| 50% Affordable | £679 per sq ft | £780,000 |

*Further Financial Contribution - Revised Proposal (10 Social Rented Homes)*

6.17 Where the Applicant has offered to revise the provision of affordable homes to an on-site offer of 10 social rented units we have undertaken a similar exercise to identify under what circumstance the Applicant could potentially afford to make additional financial contributions towards off-site affordable homes. In undertaking this exercise we have based the increased provisions on a policy compliant mix of rented and shared ownership homes.

6.18 In order to achieve a viable scheme with 40% affordable housing (14 social rented and six shared ownership units) we estimate that the average private sales value would need to increase by approximately 16.25% in order for the scheme to break even. This would require an average sales value of c.£7,000 per sq m (£650 per sq ft).

6.19 In order to achieve a viable scheme with 50% affordable housing (17 social rented and seven shared ownership units) we estimate that the average private sales value would need to increase by approximately 27.25% in order for the scheme to break even. This would require an average sales value of c.£7,820 per sq m (£726 per sq ft).

6.20 These are summarised in the table below.

**Table: Estimated additional contribution – 10 Social Rented Homes**

| Viable Scheme | Target Sales Value | Potential Top-Up |
|---|---|---|
| 40% Affordable | £650 per sq ft | £780,000 |
| 50% Affordable | £726 per sq ft | £1,380,000 |

# 7.0 Conclusion

7.1 Having reviewed the Applicant's proposal for the site at 87-89 Loampit Vale we are of the opinion that the offer for 30.60% affordable housing is reasonable. It should be noted that this offer comprises a tenure mix of 40% social rented units and 60% shared ownership units.

7.2 Our appraisal indicates that this level of affordable housing would result in a potential deficit of £370,000 to the Applicant based on the agreed Benchmark Land Value and allowing the developer to achieve a return of 20% profit on GDV (6% profit for the affordable homes).

7.3 However, based on a revised offer by the Applicant to provide 10 social rented homes (20% affordable homes in total) the deficit is reduced to approximately £200,000. While this reflects a reduction in the number of affordable homes it does provide a greater number of social rented homes in this locality.

7.4 In light of this review, and based on the costs and sales values arrived at as at the date of this report, it is unlikely that the proposed scheme is able to support any additional affordable housing units above the respective numbers offered by the Applicant.

7.5 However given the results of the sensitivity testing and the anticipation that sales values will continue to increase over the next 12-24 months, the Council should incorporate a clause in the Section 106 Agreement which enables a review of this scheme at pre-determined scenarios to ensure that the Applicant provides a fair contribution towards affordable housing in the Borough.

# APPENDIX 1

Summary Viability Appraisal – 15 Affordable Homes

# 87-89 Loampit Vale, Lewisham
# Urban Delivery Viability Appraisal Review

30% Affordable Housing

Development Appraisal
Urban Delivery
11 February 2016

## 87-89 Loampit Vale, Lewisham
## Urban Delivery Viability Appraisal Review

**Summary Appraisal for Merged Phases 1 2**

**Currency in £**

**REVENUE**

| **Sales Valuation** | **Units** | **ft²** | **Rate ft²** | **Unit Price** | **Gross Sales** |
|---|---|---|---|---|---|
| 1 Bed Flats (2P) - Private | 14 | 7,784 | 647.48 | 360,000 | 5,040,000 |
| 1 Bed Flats (2P W/C) - Private | 2 | 1,526 | 491.48 | 375,000 | 750,000 |
| 2 Bed Flats (3P) - Private | 2 | 1,408 | 660.51 | 465,000 | 930,000 |
| 2 Bed Flats (4P) - Private | 8 | 6,464 | 587.87 | 475,000 | 3,800,000 |
| 3 Bed Flats (5P) - Private | 7 | 7,889 | 474.71 | 535,000 | 3,745,000 |
| 2 Bed Flats (3P W/C) - Private | 1 | 1,017 | 471.98 | 480,000 | 480,000 |
| 2 Bed Flats (3P) - AR | 1 | 816 | 210.00 | 171,360 | 171,360 |
| 2 Bed Flats (3P W/C) - AR | 2 | 1,864 | 210.00 | 195,720 | 391,440 |
| 3 Bed Maisonette (5P) - AR | 3 | 3,462 | 210.00 | 242,340 | 727,020 |
| 1 Bed Flats (2P) - SO | 6 | 3,258 | 340.00 | 184,620 | 1,107,720 |
| 2 Bed Flats (4P) - SO | 2 | 1,570 | 340.00 | 266,900 | 533,800 |
| 2 Bed Flats (3P) - SO | 1 | 710 | 340.00 | 241,400 | 241,400 |
| **Totals** | **49** | **37,768** | | | **17,917,740** |

| **Rental Area Summary** | **Units** | **Initial MRV/Unit** | **Net Rent at Sale** | **Initial MRV** |
|---|---|---|---|---|
| Ground Rent | 34 | 350 | 11,900 | 11,900 |
| **Totals** | **34** | | **11,900** | **11,900** |

| | | | | | |
|---|---|---|---|---|---|
| **Investment Valuation** | | | | | |
| **Ground Rent** | | | | | |
| Current Rent | 11,900 | YP @ | 5.5000% | 18.1818 | 216,364 |
| | | | | | **216,364** |
| **GROSS DEVELOPMENT VALUE** | | | | **18,134,104** | |
| Income from Tenants | | | | 2,975 | |
| **Additional Revenue** | | | | | |
| Housing Grant | | | 570,000 | | |
| | | | | 570,000 | |
| **NET REALISATION** | | | | **18,707,079** | |

**OUTLAY**

| | | | | |
|---|---|---|---|---|
| **ACQUISITION COSTS** | | | | |
| Residualised Price | | | 3,028,738 | |
| | | | | 3,028,738 |
| Stamp Duty | | 4.00% | 97,756 | |
| Agent Fee | | 1.00% | 24,439 | |
| Survey | | | 30,000 | |
| | | | | 152,195 |
| **CONSTRUCTION COSTS** | | | | |
| **Construction** | **ft²** | **Rate ft²** | **Cost** | |
| 1 Bed Flats (2P) - Private | 9,642 ft² | 199.74 pf² | 1,925,896 | |
| 1 Bed Flats (2P W/C) - Private | 1,890 ft² | 199.74 pf² | 377,559 | |
| 2 Bed Flats (3P) - Private | 1,744 ft² | 199.74 pf² | 348,364 | |
| 2 Bed Flats (4P) - Private | 8,007 ft² | 199.74 pf² | 1,599,306 | |
| 3 Bed Flats (5P) - Private | 9,772 ft² | 199.74 pf² | 1,951,875 | |
| 2 Bed Flats (3P W/C) - Private | 1,260 ft² | 199.74 pf² | 251,623 | |
| 2 Bed Flats (3P) - AR | 1,011 ft² | 199.74 pf² | 201,893 | |
| 2 Bed Flats (3P W/C) - AR | 2,309 ft² | 199.74 pf² | 461,186 | |
| 3 Bed Maisonette (5P) - AR | 4,288 ft² | 199.74 pf² | 856,559 | |
| 1 Bed Flats (2P) - SO | 4,036 ft² | 199.74 pf² | 806,086 | |
| 2 Bed Flats (4P) - SO | 1,945 ft² | 199.74 pf² | 388,445 | |
| 2 Bed Flats (3P) - SO | 879 ft² | 199.74 pf² | 175,666 | |
| **Totals** | **46,783 ft²** | | **9,344,457** | **9,344,457** |
| Contingency | | | 200,000 | |
| | | | | 200,000 |
| **Other Construction** | | | | |
| Contamination | | | 400,000 | |
| S106 | | | 49,000 | |

| | | | | |
|---|---|---|---|---|
| MCIL & LBL CIL | | | 314,013 | |
| | | | | 763,013 |
| **PROFESSIONAL FEES** | | | | |
| Architect Fees | | | 60,000 | |
| EA Fees | | | 156,000 | |
| Admin | | | 276,000 | |
| Legal Fees | | | 40,000 | |
| Party Wall Surveyor | | | 20,000 | |
| Structural Engineer | | | 10,000 | |
| Valuers Fee | | | 5,000 | |
| CDM Co-ordinator | | | 26,000 | |
| Other Consultant Fees | | | 60,000 | |
| | | | | 653,000 |
| **MARKETING & LETTING** | | | | |
| Marketing | | 3.50% | 516,075 | |
| Marketing | | | 58,500 | |
| | | | | 574,575 |
| **DISPOSAL FEES** | | | | |
| Sales Legal Fee | 34 un | 600.00 /un | 20,400 | |
| | | | | 20,400 |
| **Additional Costs** | | | | |
| Overage to L&C Railways | | | 50,000 | |
| | | | | 50,000 |
| **FINANCE** | | | | |
| Debit Rate 6.500%, Credit Rate 0.000% (Nominal) | | | | |
| Total Finance Cost | | | | 721,741 |
| **TOTAL COSTS** | | | | **15,508,119** |
| **PROFIT** | | | | |
| | | | | **3,198,959** |
| **Performance Measures** | | | | |
| Profit on Cost% | | 20.63% | | |
| Profit on GDV% | | 17.64% | | |
| Profit on NDV% | | 17.64% | | |
| Development Yield% (on Rent) | | 0.08% | | |
| Equivalent Yield% (Nominal) | | 5.50% | | |
| Equivalent Yield% (True) | | 5.69% | | |
| Gross Initial Yield% | | 5.50% | | |
| Net Initial Yield% | | 5.50% | | |
| IRR | | 29.89% | | |
| Rent Cover | | 268 yrs 10 mths | | |
| Profit Erosion (finance rate 6.500%) | | 2 yrs 11 mths | | |

# APPENDIX 2

Summary Viability Appraisal – 10 Social Rented Homes

# 87-89 Loampit Vale, Lewisham
# Urban Delivery Viability Appraisal Review
# 10 Social Rented Homes

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20% Affordable Housing
100% Social Rented

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Development Appraisal
Urban Delivery
18 February 2016

**87-89 Loampit Vale, Lewisham**
**Urban Delivery Viability Appraisal Review**
**10 Social Rented Homes**

**Summary Appraisal for Merged Phases 1 2**

**Currency in £**

**REVENUE**

| Sales Valuation | Units | ft² | Rate ft² | Unit Price | Gross Sales |
|---|---|---|---|---|---|
| 1 Bed Flats (2P) - Private | 14 | 7,784 | 647.48 | 360,000 | 5,040,000 |
| 1 Bed Flats (2P W/C) - Private | 2 | 1,526 | 491.48 | 375,000 | 750,000 |
| 2 Bed Flats (4P) - Private | 8 | 6,464 | 587.87 | 475,000 | 3,800,000 |
| 3 Bed Flats (5P) - Private | 7 | 7,889 | 474.71 | 535,000 | 3,745,000 |
| 2 Bed Flats (3P W/C) - Private | 1 | 1,017 | 471.98 | 480,000 | 480,000 |
| 1 Bed Flats (2P) - Private | 4 | 2,172 | 662.98 | 360,000 | 1,440,000 |
| 2 Bed Flats (4P) - Private | 2 | 1,570 | 605.10 | 475,000 | 950,000 |
| 2 Bed Flats (3P) - Private | 1 | 710 | 654.93 | 465,000 | 465,000 |
| 2 Bed Flats (3P) - AR | 1 | 816 | 210.00 | 171,360 | 171,360 |
| 2 Bed Flats (3P W/C) - AR | 2 | 1,864 | 210.00 | 195,720 | 391,440 |
| 3 Bed Maisonette (5P) - AR | 3 | 3,462 | 210.00 | 242,340 | 727,020 |
| 1 Bed Flats (2P) - AR | 2 | 1,086 | 210.00 | 114,030 | 228,060 |
| 2 Bed Flats (3P) - AR | 2 | 1,408 | 210.00 | 147,840 | 295,680 |
| **Totals** | **49** | **37,768** | | | **18,483,560** |

| Rental Area Summary | Units | Initial MRV/Unit | Net Rent at Sale | Initial MRV |
|---|---|---|---|---|
| Ground Rent | 39 | 350 | 13,650 | 13,650 |
| **Totals** | **39** | | **13,650** | **13,650** |

**Investment Valuation**
**Ground Rent**

| | | | | | |
|---|---|---|---|---|---|
| Current Rent | 13,650 | YP @ | 5.5000% | 18.1818 | 248,182 |
| | | | | | **248,182** |

| | | | |
|---|---|---|---|
| **GROSS DEVELOPMENT VALUE** | | **18,731,742** | |
| Income from Tenants | | 3,413 | |
| **Additional Revenue** | | | |
| Housing Grant | 570,000 | | |
| | | 570,000 | |
| **NET REALISATION** | | **19,305,154** | |

**OUTLAY**

**ACQUISITION COSTS**

| | | | |
|---|---|---|---|
| Residualised Price | | 3,206,695 | |
| | | | 3,206,695 |
| Stamp Duty | 4.00% | 125,187 | |
| Agent Fee | 1.00% | 31,297 | |
| Survey | | 30,000 | |
| | | | 186,484 |

**CONSTRUCTION COSTS**

| Construction | ft² | Rate ft² | Cost | |
|---|---|---|---|---|
| 1 Bed Flats (2P) - Private | 9,642 ft² | 199.74 pf² | 1,925,896 | |
| 1 Bed Flats (2P W/C) - Private | 1,890 ft² | 199.74 pf² | 377,559 | |
| 2 Bed Flats (4P) - Private | 8,007 ft² | 199.74 pf² | 1,599,306 | |
| 3 Bed Flats (5P) - Private | 9,772 ft² | 199.74 pf² | 1,951,875 | |
| 2 Bed Flats (3P W/C) - Private | 1,260 ft² | 199.74 pf² | 251,623 | |
| 1 Bed Flats (2P) - Private | 2,690 ft² | 199.74 pf² | 537,390 | |
| 2 Bed Flats (4P) - Private | 1,945 ft² | 199.74 pf² | 388,445 | |
| 2 Bed Flats (3P) - Private | 879 ft² | 199.74 pf² | 175,666 | |
| 2 Bed Flats (3P) - AR | 1,011 ft² | 199.74 pf² | 201,893 | |
| 2 Bed Flats (3P W/C) - AR | 2,309 ft² | 199.74 pf² | 461,186 | |
| 3 Bed Maisonette (5P) - AR | 4,288 ft² | 199.74 pf² | 856,559 | |
| 1 Bed Flats (2P) - AR | 1,345 ft² | 199.74 pf² | 268,695 | |
| 2 Bed Flats (3P) - AR | 1,744 ft² | 199.74 pf² | 348,364 | |
| **Totals** | **46,783 ft²** | | **9,344,457** | **9,344,457** |
| Contingency | | | 200,000 | |
| | | | | 200,000 |

**87-89 Loampit Vale, Lewisham**
**Urban Delivery Viability Appraisal Review**
**10 Social Rented Homes**

| | | | | |
|---|---|---|---|---|
| **Other Construction** | | | | |
| Contamination | | | 400,000 | |
| S106 | | | 49,000 | |
| MCIL & LBL CIL | | | 314,013 | |
| | | | | 763,013 |
| | | | | |
| **PROFESSIONAL FEES** | | | | |
| Architect Fees | | | 60,000 | |
| EA Fees | | | 156,000 | |
| Admin | | | 276,000 | |
| Legal Fees | | | 40,000 | |
| Party Wall Surveyor | | | 20,000 | |
| Structural Engineer | | | 10,000 | |
| Valuers Fee | | | 5,000 | |
| CDM Co-ordinator | | | 26,000 | |
| Other Consultant Fees | | | 60,000 | |
| | | | | 653,000 |
| **MARKETING & LETTING** | | | | |
| Marketing | | 3.50% | 483,525 | |
| Marketing | | | 58,500 | |
| | | | | 542,025 |
| **DISPOSAL FEES** | | | | |
| Sales Legal Fee | 32 un | 600.00 /un | 19,200 | |
| | | | | 19,200 |
| | | | | |
| **Additional Costs** | | | | |
| Overage to L&C Railways | | | 50,000 | |
| | | | | 50,000 |
| **FINANCE** | | | | |
| Debit Rate 6.500%, Credit Rate 0.000% (Nominal) | | | | |
| Total Finance Cost | | | | 808,665 |
| | | | | |
| **TOTAL COSTS** | | | | **15,773,539** |
| | | | | |
| **PROFIT** | | | | |
| | | | | **3,531,615** |

| | |
|---|---|
| **Performance Measures** | |
| Profit on Cost% | 22.39% |
| Profit on GDV% | 18.85% |
| Profit on NDV% | 18.85% |
| Development Yield% (on Rent) | 0.09% |
| Equivalent Yield% (Nominal) | 5.50% |
| Equivalent Yield% (True) | 5.69% |
| Gross Initial Yield% | 5.50% |
| Net Initial Yield% | 5.50% |
| | |
| IRR | 29.88% |
| | |
| Rent Cover | 258 yrs 9 mths |
| Profit Erosion (finance rate 6.500%) | 3 yrs 2 mths |

# APPENDIX 3

Trident Cost Report