

Private and Confidential

Amersham Vale, Deptford SE14

London Borough of Lewisham

Viability Report | April 2016

urbandelivery

Contents Page

| | | |
|-----|---------------------------------|----|
| 1.0 | Introduction | 1 |
| 2.0 | Project Details | 3 |
| 3.0 | Approach to Viability Appraisal | 6 |
| 4.0 | Market Analysis | 10 |
| 5.0 | Viability Assessment | 17 |
| 6.0 | Viability Outputs | 21 |
| 7.0 | Conclusions | 22 |

APPENDICES

- Appendix 1 Development Appraisal Summaries
- Appendix 2 Trident Cost Report

1.0 Introduction

Background

- 1.1 Urban Delivery was instructed by the London Borough of Lewisham (the “Council”) to assess the financial viability of the proposed redevelopment at Amersham Vale in Deptford by Sherrygreen Homes and Family Mosaic (to be collectively referred to as the “Applicant”) in support of its proposal to build 120 dwellings on the site of the former Deptford Upper School situated on the corner of Amersham Vale and Edward Road (the “Property”). The Applicant has proposed offering 19 dwellings as affordable homes.
- 1.2 It is understood that the redevelopment of this Property is connected with another site to the south of Frankham Street, approximately 500m to the southeast of the Property. Both sites are owned by the Council and the sale of these two sites is intended to provide the Council with a capital receipt to recover expenditure incurred in the completion of previous Council led development phases north of Frankham Street.
- 1.3 The purpose of this report is to provide guidance to the Council on the financial viability of the proposed Amersham Vale scheme to ensure that a sufficient capital receipt can be received and a fair proportion of on-site affordable homes is provided. However, the advice provided in this report (with regard to the Council’s land and the proposed development scheme) 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.

Conflict of Interests

- 1.4 We confirm that in providing this advice to the Council there is no conflict of interest between Urban Delivery and the Applicant.

Information Provided

- 1.5 In undertaking this review Urban Delivery has collected evidence from a number of third party sources. Urban Delivery cannot be held responsible for the accuracy of this data.
- 1.6 This report contains confidential information provided by the Applicant and the report must not be used by any person other than for whom it has been commissioned, 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.
- 1.7 In undertaking the review of the Applicant’s viability report, Urban Delivery has been provided with the following information:

- a. A copy of the Applicant's viability report, prepared by BNP Paribas Real Estate, dated January 2016. This includes a copy of the development appraisal for the proposed development.
- b. An accommodation schedule.
- c. A summary construction cost plan dated January 2016.
- d. An indicative unit pricing schedule prepared by a range of residential sales agents, dated January 2016.

1.8 In addition to the above information that was supplied as part of the Applicant's viability report, we have downloaded planning application documents from the Council's website. These include:

- e. Scheme drawings prepared by Pollard Thomas Edwards, dated November 2014.
- f. Design and Access Statement prepared by Pollard Thomas Edwards and dated January 2016.
- g. A planning Statement prepared by CMA Planning and dated January 2016.

2.0 Project Details

Location

- 2.1 The Property is located in Deptford, south-east London, within the Borough of Lewisham. It sits on the site of the former Deptford Upper School, bounded by Amersham Vale to the East, Edward Road to the North and Amersham Grove which sweeps around both the southern and western boundaries. Access to the Property can be gained from all three roads. Amersham Vale itself leads to the A2 New Cross Road to the south which provides a direct route to the arterial road and motorway network. New Cross railway station is situated approximately 300m to the south of the Property while Deptford station is approximately 400m to the east.

The Site

- 2.2 The Property comprises an area of land extending to 0.64 hectares (1.58 acres). The school which once occupied the site has now been demolished and the site cleared and secured with hoardings. We understand that the Property is currently owned by the Council.
- 2.3 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 advisers.

Development Overview

- 2.4 The Applicant proposes the development of a residential scheme to accommodate 102 new apartments and maisonettes within four principal blocks extending up to five storeys in height and 18 houses. The residential accommodation will total approximately 10,395 sq m (111,890 sq ft) of Net Sales Area.
- 2.5 The development will provide the following residential units:

| Unit Type | Private | Social Rented | Shared Ownership |
|----------------------|------------|---------------|------------------|
| 1 Bedroom Flat | 29 | 1 | 1 |
| 2 Bedroom Flat | 31 | 3 | 1 |
| 2 Bedroom Maisonette | 17 | 1 | 0 |
| 3 Bed Flat | 1 | 0 | 0 |
| 3 Bed Maisonette | 5 | 8 | 0 |
| 3 Bed House | 16 | 0 | 0 |
| 4 Bed Maisonette | 0 | 4 | 0 |
| 4 Bed House | 2 | 0 | 0 |
| Total | 101 | 17 | 2 |

- 2.6 We understand that the development will include a maximum of 12 on-street disabled car parking spaces and 212 cycle parking spaces. Due to the close proximity of public transport nodes it is understood that no on-site car parking will be provided for private residents.
- 2.7 The development proposal indicates that 19 dwellings will be provided as affordable homes adopting a tenure split of 79% social rented and 21% shared ownership. This reflects a level of 15.8% affordable housing in terms of total dwellings and 21% by habitable room.

Planning

- 2.8 In December 2015 the Applicant submitted a planning application seeking planning permission for the following development:

“The erection of two blocks up to 5 storeys in height to provide residential dwellings plus cycle parking, refuse / recycling facilities and access together with landscaping including public realm, communal and private amenity space.”

- 2.9 The site falls within part of a site allocation, SA17, which has an allocation to:

“Provide a new school (upper and lower) on Edward Street Annex, to include a small section of land at the north-east corner of Fordham Park. Redevelop Amersham Vale (upper school site) for new public open space (39%) and housing (61% of site).”

- 2.10 The Local Plan gives an indicative housing capacity of 120 dwellings and also says the following,

“To provide a single school on the Edward Street site, an element of land take from Fordham Park was agreed. Replacement open space on 39% of the Amersham Vale site is agreed with the remaining 61% allocated to residential.”

- 2.11 The new school has now been constructed.
- 2.12 Current LB Lewisham planning policy requires 50% of all proposed dwellings to be provided as affordable housing unless it can be demonstrated through viability that a lower provision is appropriate. In exceptional circumstances it is possible for the applicant to offer a payment in lieu of on-site affordable homes. In either circumstance an assessment must demonstrate that the maximum level of affordable housing has been secured or that an equivalent sum is paid to provide the equivalent number of affordable homes off-site.

Section 106 and CIL Proposals

- 2.13 In preparing its appraisal for the Amersham Vale scheme the Applicant has applied Mayoral CIL rates of £35 per sq m and Borough CIL rates of £100 per sq m to all new residential development. We note however that Amersham Vale and SE14 post codes are situated within CIL charging zone 2, which applies a Borough CIL rate of only £70 per sq m to new residential development.
- 2.14 Based on the floor areas set out in the scheme architect's accommodation schedule it does not appear that any relief has been included with respect to the proposed affordable homes.
- 2.15 The Applicant has therefore allowed for Mayoral CIL and Borough CIL of £1,688,850, which we believe to be overstated, albeit this does not include any indexation to account for build cost inflation. Based on our own calculations we have applied the below CIL and S106 contributions that would become payable should the scheme be granted planning permission.

Mayoral CIL

- 2.16 The calculation for the Mayoral CIL is based on the following assumptions:

- Total GIA of 12,359 sq m
- Less, GIA of Affordable Housing (2,154 sq m)
- Net GIA of 10,205 sq m
- MCIL + Indexation @ £42.40 per sq m: **£432,692**

LB Lewisham CIL

- 2.17 The calculation for the Borough CIL is based on the following assumptions:

- Net GIA of 10,205 sq m
- LBL CIL @ £70 per sq m: **£714,350**

Section 106 Contribution

- 2.18 We are advised by Council Officers that the following S106 contribution would be sought from the Applicant:

- S106 – Employment & Training: **£63,600**

TOTAL CIL & MCIL COST: £1,210,642

- 2.19 We would recommend that these CIL and S106 figures are confirmed by the Council. Should additional CIL or S106 contributions be required this will impact on the viability of the development and could affect the Applicant's ability to deliver the proposed scheme.

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.

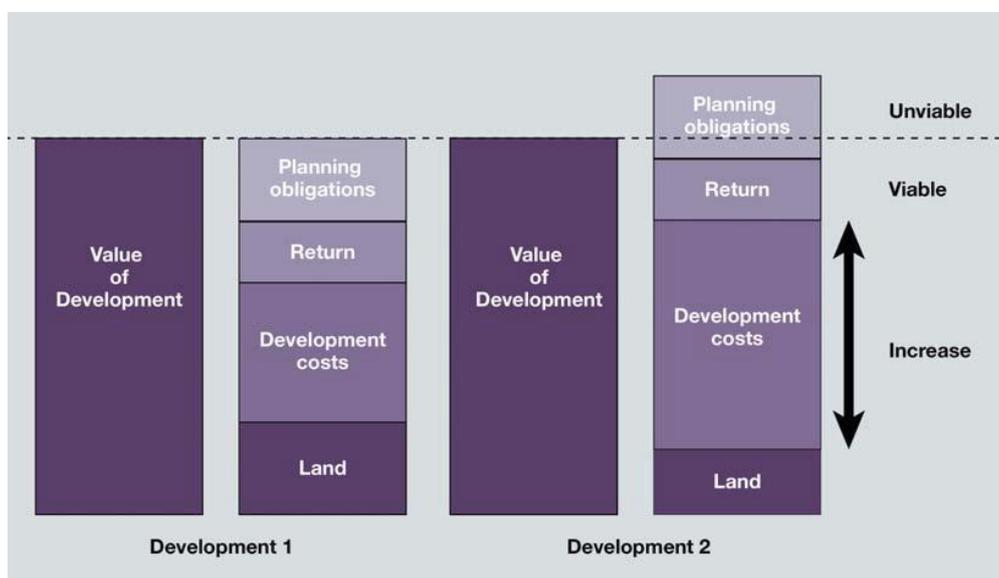
- 3.3 GN94 defines financial viability for planning purposes as follows:

“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 (although does comply with the development plan) 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 Consideration is also given to the requirement for the Applicant to pay a prescribed sum for the Council's land in order that the Council can recover expenditure from the delivery of the earlier phases of development north of Frankham Street.
- 3.14 In determining the site value Urban Delivery will have 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

- 3.15 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.
- 3.16 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.

- 3.17 We have appraised the development scheme as a single phase. We provide a copy of this appraisal in 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 a range of comparables relating to development land sales and new build residential unit sales.

Land Sales

- 4.2 In order to estimate the price a developer may pay to a land owner to acquire the subject Property for the proposed residential development scheme, we have sought to identify a series of land transactions in the local area that may provide an indication of a fair and reasonable land cost. This will be used to ascertain whether the Applicant's proposed Benchmark Land Value is acceptable. We are advised in this instance that the Applicant is paying a combined sum in the order of £21,250,000 for the subject Property and the site at Frankham Street. This figure equates to circa £64,400 per proposed dwelling and circa £11,185,000 per hectare (£4,530,000 per acre).

Greenwich Creekside East

- 4.3 This site was acquired by Essential Living in January 2014 for a sum in the order of £11,000,000. The site extends to approximately 0.48 ha (1.18 acres). We have sought confirmation from the LPA Fixed Charge Receiver and can confirm that the information relied upon is correct.
- 4.4 At the time of acquisition the site had the benefit of an historic planning permission permitting the development of 204 apartments (35% shared ownership) and 2,790 sq m (30,000 sq ft) of commercial space. A new planning permission was granted in July 2015 by Royal Borough of Greenwich for 249 dwellings and over 2,000 sq m of commercial and community accommodation – reflecting a reduction on the previous consent. This planning permission included 62 social rented units (circa 25%) with the remaining accommodation to be provided as private rented units.
- 4.5 The land price achieved for this site, based on the planning permission at the date of the transaction, reflects around £22,920,000 per hectare (£9,280,000 per acre) and breaks back to around £53,900 per dwelling. On the assumption that the acquisition of the subject Property will be on a subject to planning basis and that the purchase price for the land has been agreed with the Council following an open market procurement exercise, we believe it is unnecessary to apply a discount to the achieved land price.

Kent Wharf, Creekside, SE8

- 4.6 This site was acquired by Bellway Homes in January 2014 for a sum in the order of £6,700,000. We understand that the property was elected for VAT and as such a VAT payment of £1,340,000 was made in addition to the agreed land price. The site extends to approximately 0.40 ha (1.0 acre). We have sought confirmation from the LPA Fixed Charge Receiver and can confirm that the information relied upon is correct.

- 4.7 At the time of acquisition the site was subject to a previous planning application for a mixed use development dating back to August 2005 when LB Lewisham resolved to grant planning permission, subject to completion of a S106 Agreement, for the development of a seven storey building comprising 63 apartments and a mix of commercial (A1/A2/B1) floor space. The S106 agreement was never completed and planning permission was therefore not granted.
- 4.8 Upon acquisition, Bellway Homes sought planning permission for a higher density scheme with 143 dwellings and a mix of low-cost commercial premises, which was granted in April 2015.
- 4.9 On the basis that this site was acquired without a current planning permission it is not necessary to discount the acquisition price which reflects around £16,750,000 per hectare (£6,700,000 per acre) and £46,800 per dwelling. We would anticipate that were this site to have been acquired with the recent planning permission in place, the acquisition price could have been greater.

Sun Wharf, Creekside, SE8

- 4.10 This site was acquired by Family Mosaic (a member of the Applicant consortium) in February 2015 for a sum in the order of £15,150,000. The site extends to approximately 0.70 ha (1.70 acre) and is currently leased generating a rental income in the region of £400,000 per annum. We understand that Family Mosaic is seeking to redevelop the site to provide up to 280 dwellings and 4,000 sq m of commercial accommodation.
- 4.11 On the basis that this site was acquired without a current planning permission it is not necessary to discount the acquisition price which reflects around £21,640,000 per hectare (£8,910,000 per acre) and £54,100 per dwelling. Again, we would anticipate that were this site to have been acquired with a residential-led planning permission in place, the acquisition price could have been greater.

223-225 High Street, Lewisham, SE13

- 4.12 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.
- 4.13 This achieved price reflects a land value of circa £47,220,000 per hectare (£19,100,000 per acre) or £147,000 per residential plot. This value is considered to be relatively high on the basis that the site is compact and has the benefit of a pre-let commercial unit which will reduce developer risk and add to the profitability of the development scheme.

29 Pomeroy Street, New Cross Gate, SE14

- 4.14 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.
- 4.15 This price reflects a land value of circa £34,200,000 per hectare (£13,850,000 per acre) or £146,000 per residential plot. Again, we would expect this to reflect a value towards the higher end of the range of plot values on the basis that the site is relatively compact. We note however that the proportion of affordable housing, at 16%, is similar to that proposed within the subject Property.

Residential Sales

- 4.16 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.

The Glassworks, Deptford Bridge, SE8

- 4.17 Mura Estates is currently marketing its development at 33-49 Deptford Bridge, approximately 1km to the southeast of the Amersham Vale site. The development comprises 26 apartments, of which 3 are for shared ownership. These apartments are due to complete between Q4 of 2016 and Q1 of 2017.
- 4.18 As can be identified from the table below the units are priced from £385,000 for one bed dwellings, £540,000 for two bed dwellings and from £610,000 for the three bed dwellings. The average asking price equates to approximately £7,570 per sq m (£703 per sq ft) which is significantly higher than the Applicant has suggested at circa £5,850 per sq m (£543 per sq ft).
- 4.19 We would accept however that these are asking prices and are not necessarily the values that will be achieved, particularly with a period of uncertainty over the impact of SDLT changes on second homes and the reduction in tax relief on mortgage interest rates on buy-to-let homes, and the impact this could have on sales rates and values in general.
- 4.20 We would suggest however that these units provide a good comparable to those proposed at Amersham Vale and suggest the pricing included in the Applicant's assessment could be towards a conservative end of the price range.

| The Glass Works, Deptford Bridge, SE8 | | | | | | | |
|---------------------------------------|-------|---------|-------------|------------|------------------|--------------|-----------|
| Unit/Type | Floor | No Beds | Area sq m | Area sq ft | Price | £psf | Sold Date |
| Unit 1 | Grd | 1 | 66.9 | 720 | £ 470,000 | £ 653 | OTM |
| Unit 2 | 1st | 2 | 71.0 | 764 | £ 545,000 | £ 713 | OTM |
| Unit 3 | 1st | 1 | 52.3 | 563 | £ 385,000 | £ 684 | OTM |
| Unit 4 | 1st | 2 | 70.0 | 753 | £ 540,000 | £ 717 | OTM |
| Unit 5 | 1st | 2 | 70.0 | 753 | £ 540,000 | £ 717 | OTM |
| Unit 6 | 1st | 2 | 70.0 | 753 | £ 540,000 | £ 717 | OTM |
| Unit 7 | 1st | 2 | 70.0 | 753 | £ 540,000 | £ 717 | OTM |
| Unit 8 | 2nd | 2 | 71.0 | 764 | £ 550,000 | £ 720 | OTM |
| Unit 9 | 2nd | 1 | 52.0 | 560 | £ 385,000 | £ 688 | OTM |
| Unit 10 | 2nd | 2 | 70.0 | 753 | £ 545,000 | £ 724 | OTM |
| Unit 11 | 2nd | 2 | 70.0 | 753 | £ 545,000 | £ 724 | OTM |
| Unit 12 | 2nd | 2 | 70.0 | 753 | £ 545,000 | £ 724 | OTM |
| Unit 13 | 2nd | 2 | 70.0 | 753 | £ 545,000 | £ 724 | OTM |
| Unit 14 | 3rd | 2 | 70.0 | 753 | £ 550,000 | £ 730 | OTM |
| Unit 15 | 3rd | 2 | 70.0 | 753 | £ 550,000 | £ 730 | OTM |
| Unit 16 | 3rd | 2 | 70.0 | 753 | £ 550,000 | £ 730 | OTM |
| Unit 17 | 3rd | 2 | 70.0 | 753 | £ 550,000 | £ 730 | OTM |
| Unit 18 | 4th | 3 | 92.0 | 990 | £ 605,000 | £ 611 | OTM |
| Unit 19 | 4th | 2 | 70.0 | 753 | £ 560,000 | £ 744 | OTM |
| Unit 20 | 5th | 3 | 92.0 | 990 | £ 610,000 | £ 616 | OTM |
| Unit 21 | 5th | 2 | 70.0 | 753 | £ 565,000 | £ 750 | OTM |
| Unit 22 | 6th | 3 | 92.0 | 990 | £ 615,000 | £ 621 | OTM |
| Unit 23 | 6th | 2 | 70.0 | 753 | £ 570,000 | £ 757 | OTM |
| Average | | | 71.2 | 767 | £ 539,130 | £ 703 | |

Hatcham Works, Hatcham Park Mews, New Cross, SE14

- 4.21 Hatcham Works comprises a development of 20 apartments and two houses within a converted Victorian warehouse. The site is located approximately 1km to the southwest of Amersham Vale, close to New Cross Gate.

| Hatcham Works, Hatcham Park Mews, SE14 | | | | | | | |
|--|--------|---------|-------------|------------|------------------|--------------|---------------|
| Unit/Type | Floor | No Beds | Area sq m | Area sq ft | Asking Price | £psf | Reserved Date |
| Loft 4 | Ground | 1 | 56.1 | 604 | £ 345,000 | £ 571 | Aug 15 |
| Loft 9 | 1st | 1 | 58.8 | 633 | £ 399,000 | £ 630 | Aug 15 |
| Loft 8 | 1st | 2 | 58.9 | 634 | £ 410,000 | £ 647 | Aug 15 |
| Loft 5 | Ground | 2 | 71.1 | 765 | £ 449,000 | £ 587 | Aug 15 |
| Loft 6 | 1st | 2 | 68.7 | 739 | £ 449,000 | £ 607 | Aug 15 |
| Loft 3 | Ground | 2 | 68.7 | 739 | £ 449,000 | £ 607 | Aug 15 |
| Loft 1 | Ground | 2 | 77.5 | 834 | £ 469,000 | £ 562 | Aug 15 |
| Loft 2 | Ground | 2 | 75.4 | 812 | £ 475,000 | £ 585 | Aug 15 |
| Loft 10 | 1st | 2 | 72.2 | 777 | £ 489,000 | £ 629 | Aug 15 |
| Loft 7 | 1st | 2 | 67.4 | 725 | £ 449,000 | £ 619 | Aug 15 |
| Average | | | 67.5 | 726 | £ 438,300 | £ 603 | |

- 4.22 We would comment that the while the unit sizes are typically larger than others found in modern purpose built developments, they are slightly smaller than the average unit size proposed within the Amersham Vale development. Hatcham Works however is part of a converted period building and sits within a secure gated community and may be considered a more desirable location. As such, the average value of £6,490 per sq m (£603 per sq ft) is potentially greater than could be expected at the subject Property.

Spark Apartments, New Cross, SE14

- 4.23 This development comprises a mix of one, two and three bedroom apartments having been developed by Hyde New Homes as a range of rented and shared ownership homes. This site is located on New Cross Road, approximately 1.2km to the west of Amersham Vale.
- 4.24 While these units are only offered as shared ownership tenure, the full market prices are indicated in the table below which provides an indication of the pricing for one, two and three bedroom units in this location.

| Hyde New Homes, New Cross Road, SE14 | | | | | | | |
|--------------------------------------|-------|---------|-------------|------------|------------------|--------------|-----------|
| Unit/Type | Floor | No Beds | Area sq m | Area sq ft | Full Price | £psf | Sold Date |
| Plot 39 | Grd | 3 | 70.8 | 762 | £ 433,000 | £ 568 | Reserved |
| Plot 37 | Grd | 2 | 71 | 764 | £ 370,000 | £ 484 | Reserved |
| Plot 38 | Grd | 1 | 50.5 | 544 | £ 290,000 | £ 534 | Reserved |
| Average | | | 64.1 | 690 | £ 364,333 | £ 528 | |

- 4.25 Although the pricing for these indicative units is lower than some evidence we have seen, we would anticipate that private sale units on a smaller development than Sparks, aimed at the private buyer market would achieve higher values.

Marmont, 45-49 Marmont Road, SE15

- 4.26 Marmont is a collection of six 1 & 2 bedroom apartments and one 3 bedroom house located on the corner of Marmont Road and Goldsmiths Road close to the centre of Peckham, approximately 2.3km from Amersham Vale. We are advised that these units are now sold. The prices are set out in the table below:

| 45-49 Marmont Road, SE15 | | | | | | | |
|--------------------------|-------|---------|-------------|------------|------------------|--------------|------------|
| Unit/Type | Floor | No Beds | Area sq m | Area sq ft | Price | £psf | Sold Date |
| Flat 1 | Grd | 1 | 50.3 | 541 | £ 370,000 | £ 684 | 17/02/2016 |
| Flat 2 | Grd | 2 | 70.0 | 754 | £ 445,000 | £ 590 | 17/02/2016 |
| Flat 3 | 1st | 1 | 50.0 | 538 | £ 375,000 | £ 697 | 21/09/2015 |
| Flat 4 | 1st | 2 | 72.1 | 776 | £ 450,000 | £ 580 | 17/02/2016 |
| Flat 5 | 2nd | 1 | 50.3 | 541 | £ 380,000 | £ 702 | 17/02/2016 |
| Flat 6 | 2nd | 2 | 70.4 | 758 | £ 455,000 | £ 600 | 16/11/2015 |
| Flat 7 | 3rd | 1 | 50.4 | 542 | £ 395,000 | £ 729 | 17/02/2016 |
| House | N/A | 3 | 121.0 | 1302 | £ 675,000 | £ 518 | 16/11/2015 |
| Average | | | 66.8 | 719 | £ 443,125 | £ 616 | |

- 4.27 As can be seen, one bed units range from £370,000 to £395,000 while the two bed units range from £445,000 to £450,000. In addition, the three bedroom house is priced at £675,000. Overall the average sales value is in the order of £6,630 per sq m (£616 per sq ft), although the apartments average at £6,940 per sq m (£645 per sq ft).

Summary

- 4.28 As can be identified from the evidence above, the range of asking prices and sales values for individual units within schemes in the vicinity of the subject Property can vary significantly from £5,210 and £8,150 per sq m (£484 and £757 per sq ft). The units currently being marketed at the Glassworks at Deptford Bridge perhaps offer a closer indication of unit pricing at for this location, although could be considered bullish in the current property market with the two bedroom apartments seeking prices of over £500,000 each.
- 4.29 In view of the above evidence we are of the opinion that an achievable average sales value for the private sale units would be as set out below:
- 1 Bed Flat @ £350,000
 - 2 Bed Flat @ £470,000
 - 2 Bed Maisonette @ £515,000
 - 3 Bed Flat @ £610,000
 - 3 Bed Maisonette @ £630,000
 - 3 Bed House @ £675,000
 - 4 Bed House @ £775,000
- 4.30 This would generate an average sales value of circa £5,780 per sq m (£534 per sq ft) for the private units. While this may appear low, we note that the average floor area for the two and three bed units is larger than average at around 77 sq m (819 sq ft) for the two bed apartments and 113 sq m (1,219 sq ft) for the three bed maisonettes. As such this could slightly skew the average residential sales value where ceiling unit prices are applied to the proposed units. There is also a higher proportion of three and four bedroom houses which typically have a lower £/sq m (£/sq ft) than apartments.

Residential Rental Values

- 4.31 We have reviewed the local property market and identified that rental values for one to four bedroom apartments are in the region of:
- 1 bed @ £310 per week (@ 60% = £186 per week)
 - 2 bed @ £420 per week (@ 60% = £252 per week) (capped at £250)
 - 3 bed @ £520 per week (@ 60% = £312 per week) (capped at £250)
 - 4 Bed @ £550 per week (@ 60% = £330 per week) (capped at £250)
- 4.32 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. However, with regard to the two, three and four bed units, we have capped weekly rents at £250 per unit in line with rental caps imposed by the government. 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.

- 4.33 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. The value per sq m (sq ft) adopted in the relevant appraisals for the affordable rented units is a blended rate for the one, two, three and four bedroom units at £1,507 per sq m (£140 per sq ft).
- 4.34 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.
- 4.35 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)
- 4.36 We have limited this assessment to one, two and three bedroom homes on the assumption that shared ownership four bedroom homes in this location will not be offered by the Applicant and may not be considered affordable.
- 4.37 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.
- 4.38 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.
- 4.39 This approach indicates a blended value for the one, two and three bedroom units at £2,900 per sq m (£270 per sq ft).

5.0 Viability Assessment

Land Value

- 5.1 The Applicant's viability appraisal combines the two sites at Frankham Street and Amersham Vale and allows for a Benchmark Land Value of £21,250,000. This figure equates to circa £64,400 per proposed dwelling and circa £11,185,000 per hectare (£4,530,000 per acre). It is our understanding that this figure reflects the price agreed to be paid by the Applicant to the Council for these two sites. In order to complete an objective viability assessment however Urban Delivery has undertaken a review of development land transactions in order to provide an estimate of Market Value.

Market Value

- 5.2 Based on the evidence referred to in the previous section, it is reasonable to assume that larger sites with the benefit of a residential planning consent in the local area can range between £22,720,000 per ha (£9,200,000 per acre) and £34,000,000 per ha (£13,800,000 per acre) in value. Applying this value range to the subject site would indicate a land value of between £14,000,000 to £22,000,000, which for the proposed scheme and site density is unlikely to be achievable in practice.
- 5.3 The proposed site density will inevitably impact on land values and therefore it is believed to be more appropriate to consider the value attributable to each development plot. The evidence reviewed provides a range from £46,800 to £147,000 per plot with the average around £89,500 per plot, albeit skewed by the significantly higher values attributed to the smaller sites. The sites available for higher density development are indicating average plot values of circa £55,000 to £65,000 per plot. We would also anticipate that schemes with a proportion of larger units and maisonettes could achieve a value towards the higher end of the range, and in excess of this where houses are also to be provided.
- 5.4 Applying these values to the subject Property, on the assumption that 120 dwellings will be developed, would generate a land value in the range of £6,600,000 to £7,800,000. This figure is broadly in line with that suggested by the Applicant, which equates to circa £64,400 per plot, and we are therefore of the opinion that it would be acceptable to adopt the Applicant's suggested Benchmark Land Value equivalent to £7,730,000.

Appraisal Inputs

Residential Revenue

- 5.5 Based on the range of evidence of recent residential sales in the local vicinity, we are of the opinion that for the purpose of this viability assessment it would not be appropriate to adopt a strict value per sq m (or sq ft). As such, we have given consideration to the potential unit pricing for one, two, three and four bedroom units in this location, at the current time.
- 5.6 In consideration of this sales evidence for new-build homes in the local vicinity, we have applied an average sale price for the different unit types, as set out in paragraph 4.29

above. This generates a total capital receipt of £49,585,000 for the private sale units which reflects an average value of £5,780 per sq m (£537 sq ft). We note that the inclusion of larger maisonettes and houses within this analysis may skew the average value per sq m, which otherwise could be in excess of £6,450 per sq m (£600 per sq ft).

- 5.7 Based on our research of potential values and pricing, the capital value of the private sale housing in our appraisal is £2,160,000 greater than the Applicant has set out in its own viability appraisal in respect to the Amersham Vale scheme.
- 5.8 With regard to the affordable housing, our analysis concludes that the Applicant's applied revenue for the 19 dwellings equivalent to £141,000 per dwelling appears reasonable and results in a total sum of £2,679,000. This is based on an average sales value of £1,507 per sq m (£140 per sq ft) for the social rented units and £2,900 per sq m (£270 per sq ft) for the shared ownership units.

Ground Rent Revenue

- 5.9 The Applicant has applied a range of ground rents of £250, £300, £350 and £400 per annum for the one, two, three and four bed units respectively to each of the 83 private sale apartments. The Applicant has also applied a yield of 5.0% to arrive at the capital value of £475,000. We believe this reflects a reasonable sale price attributable to the ground rent investment.

Cost Advice

- 5.10 In order to check the Applicant's cost assumptions we have taken advice from Trident Building Consultancy. Trident has reviewed the Applicant's cost summary and analysed the broad inputs that make up the total construction costs. This includes a cost allowance of circa £1,675,000 in respect of the new park and public open space.
- 5.11 Overall, Trident has indicated that the cost summary is in line with what it would expect for the overall development. We provide a copy of the Trident cost review summary at Appendix 2.

S106 and CIL Contributions

- 5.12 We have applied the overall S106, Borough CIL and Mayoral CIL contributions to our appraisal as set out in paragraphs 2.16 to 2.19. These total £1,210,642. These calculations are understood to be based on the appropriate CIL contributions that would be due for the proposed development with relief applied to the affordable housing element. However, we would recommend that the Council check these figures are accurate based on the agreed floor areas and any indexation to be applied to the agreed CIL charge rates.
- 5.13 We note that our total CIL allowance is approximately £541,800 less than the figure included within the Applicant's viability appraisal. This is attributed to the relief applied to the affordable housing element and the application of the appropriate Borough CIL rate of £70 per sq m for this post code location.

Professional Fees

- 5.14 The Applicant states in the text of its viability report that it has adopted an average cost for professional fees reflecting 10% of construction costs. However, the financial appraisal applies a rate of 12%. For a new scheme, depending on scale and complexity, we would ordinarily allow for fees in the order of 10% to 12% of build costs. On the basis that this proposed development should enable certain economies of scale, we have adopted a rate of 10% within our own appraisal.

Marketing Costs

- 5.15 The Applicant states in the text of its viability report that it has applied marketing costs of 1.50% of private residential sales values. However, the financial appraisal applies a rate of 2.00%. In addition, it has also allowed for sales agency fees of 1.00% of sales values.
- 5.16 We are aware that different developers attribute different marketing rates and that such rates typically range from a relatively notional rate up to circa 3.5%. These costs would usually be expected to cover the preparation of a show apartment, production of brochures and website, running the marketing suite and paying marketing staff salaries and/or commission to achieve sales. Again, assuming certain efficiencies could be achieved on this project we have applied a combined rate of 2.50% for marketing and agency fees within our own appraisal.

Sale Legal Costs

- 5.17 The Applicant has allowed for sales legal fees at a rate of 0.5% of sales values. This rate is typically adopted as an average sales legal fee and we would agree that this appears reasonable in this instance.

Finance Costs

- 5.18 The Applicant has adopted a finance rate of 7.00%. We note that there is no separate fee for arrangement costs or loan exit fees which typically range from 1% to 2% of the funds borrowed.
- 5.19 It should also be borne in mind however that in practice, in order to limit loan to value ratios to no more than 60% to 70%, a proportion of the development funds will be drawn from internal reserves which can attract a higher 'cost of money' where opportunity costs require an internal rate of return in excess of finance rates offered by financial institutions. As such, for the purpose of this viability assessment the Applicant's adopted rate appears reasonable.

Developer Profit

- 5.20 The Applicant's viability assessment adopts a profit level of 20% on Gross Development Value with respect to the private sale units and 6% for the affordable units. This is the level of return we would typically expect a developer to seek for a scheme of this type and therefore we would accept that this rate of return appears reasonable.

- 5.21 With regard to a suitable development return for a standard development project, we consider the GLA Toolkit's default allowance of 20% of Gross 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.
- 5.22 We would also have regard to past 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.

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 our opinion of GDV for the proposed Amersham Vale development, the development costs and the Benchmark Land Value, we are of the opinion that the Applicant has offered the maximum number of affordable homes that can be provided at the current time. This offer comprises 19 affordable homes which are to be provided as 19 social rented units and 5 shared ownership units, which equates to 15.8% of the total number of units proposed by the Applicant or 21% based on habitable rooms.
- 6.3 Based on our assessment, the Applicant, in proposing 19 affordable homes, will receive a developer profit of circa 19.2% based on GDV. While this profit level achieves the Applicants blended target return, it should be noted that the residual land value of circa £2,920,000 is approximately £4,810,000 lower than the estimated Benchmark Land Value (or agreed pro rata acquisition price), in the order of £7,730,000.
- 6.4 We would comment that the appraisal currently allows for S106 costs to cover employment and training contributions. As such, should any further financial contributions be required to mitigate certain impacts of the development this will need to be verified by the Council and could impact on the financial viability of the proposed development.

Review Mechanism

- 6.5 It may be advantageous to seek a review mechanism within a S106 agreement to review viability of the scheme at pre-determined stages of development and achieved sales in order to assess the average sales values that have been achieved and ascertain whether any 'top-up' payments could be made to the Council.
- 6.6 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 in order to do so while ensuring the development scheme remains financially viable.
- 6.7 We have estimated that average private sales values would need to rise by approximately 15.40% before the scheme would break-even and be considered financially viable. At this point the average sales value would equate to £6,670 per sq m (£620 per sq ft). Should values rise beyond this level there would be potential for the Council to seek a financial 'top-up' to contribute towards affordable housing within the borough.

7.0 Conclusion

- 7.1 Having reviewed the Applicant's proposal for the development of the subject Property we are of the opinion that the offer for 19 affordable homes (15.8% based on unit numbers or 21% based on habitable rooms) is reasonable.
- 7.2 Our appraisal indicates that this level of affordable housing, based on costs and values adopted as at the date of this report, while generating the required level of developer profit, will potentially produce a deficit against the Benchmark Land Value by a sum in the order of £4,810,000.
- 7.3 In light of this review, it is evident that based on the costs and sales values arrived at as at the date of this report the proposal does not generate a sufficient surplus to provide any additional affordable housing other than the units currently proposed by the Applicant.
- 7.4 As part of any agreement we would recommend that the Council incorporates 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, should viability improve during the development programme.

APPENDIX 1

Development Appraisal Summary

Frankham Street & Amersham Vale
Urban Delivery Viability Appraisal
AMERSHAM VALE SITE

**Frankham Street & Amersham Vale
Urban Delivery Viability Appraisal
AMERSHAM VALE SITE**

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE

| Sales Valuation | Units | ft ² | Rate ft ² | Unit Price | Gross Sales |
|-------------------------|------------|-----------------|----------------------|------------|-------------------|
| 1 Bed Flat - Pvt | 29 | 16,538 | 613.74 | 350,000 | 10,150,000 |
| 2 Bed Flat - Pvt | 31 | 25,764 | 565.52 | 470,000 | 14,570,000 |
| 2 Bed Maisonettes - Pvt | 17 | 17,303 | 505.98 | 515,000 | 8,755,000 |
| 3 Bed Maisonettes - Pvt | 5 | 6,103 | 516.14 | 630,000 | 3,150,000 |
| 3 Bed House - Pvt | 16 | 22,002 | 490.86 | 675,000 | 10,800,000 |
| 3 Bed Flat - Pvt | 1 | 1,041 | 585.98 | 610,000 | 610,000 |
| 4 Bed House - Pvt | 2 | 3,645 | 425.24 | 775,000 | 1,550,000 |
| 1 Bed Flat - SO | 1 | 567 | 270.00 | 153,090 | 153,090 |
| 1 Bed Flat - SR | 1 | 638 | 140.00 | 89,320 | 89,320 |
| 2 Bed Flat - SO | 1 | 707 | 270.00 | 190,890 | 190,890 |
| 2 Bed Flat (Lge) - SO | 3 | 2,583 | 270.00 | 232,470 | 697,410 |
| 2 Bed Maisonette - SR | 1 | 861 | 140.00 | 120,540 | 120,540 |
| 3 Bed Maisonette - SR | 8 | 9,003 | 140.00 | 157,553 | 1,260,420 |
| 4 Bed Maisonette - SR | 4 | 5,137 | 140.00 | 179,795 | 719,180 |
| Totals | 120 | 111,892 | | | 52,815,850 |

Rental Area Summary

| | Units | Initial MRV/Unit | Net Rent at Sale | Initial MRV |
|--|-----------|------------------|------------------|---------------|
| Ground Rents - 1 Bed Flats | 29 | 250 | 7,250 | 7,250 |
| Ground Rents - 2 Bed Flats/Maisonettes | 48 | 300 | 14,400 | 14,400 |
| Ground Rents - 3 Bed Flats/Maisonettes | 6 | 350 | 2,100 | 2,100 |
| Totals | 83 | | 23,750 | 23,750 |

Investment Valuation

| Ground Rents - 1 Bed Flats | | | | | |
|---|--------|------|---------|---------|----------------|
| Current Rent | 7,250 | YP @ | 5.0000% | 20.0000 | 145,000 |
| Ground Rents - 2 Bed Flats/Maisonettes | | | | | |
| Current Rent | 14,400 | YP @ | 5.0000% | 20.0000 | 288,000 |
| Ground Rents - 3 Bed Flats/Maisonettes | | | | | |
| Current Rent | 2,100 | YP @ | 5.0000% | 20.0000 | 42,000 |
| | | | | | 475,000 |

GROSS DEVELOPMENT VALUE

53,290,850

| | | | |
|-------------------|-------|----------|----------|
| Purchaser's Costs | 5.80% | (27,550) | (27,550) |
|-------------------|-------|----------|----------|

NET DEVELOPMENT VALUE

53,263,300

Income from Tenants

| | |
|--|-------|
| Ground Rents - 1 Bed Flats | 3,021 |
| Ground Rents - 2 Bed Flats/Maisonettes | 6,000 |
| Ground Rents - 3 Bed Flats/Maisonettes | 875 |
| | 9,896 |

NET REALISATION

53,273,196

OUTLAY

ACQUISITION COSTS

| | | | |
|--------------------|-------|-----------|-----------|
| Residualised Price | | 2,922,338 | 2,922,338 |
| Stamp Duty | 5.00% | 146,117 | |
| Agent Fee | 1.00% | 29,223 | |
| Legal Fee | 0.50% | 14,612 | |
| | | | 189,952 |

CONSTRUCTION COSTS

| | | | |
|-------------|-------|-----------|-----------|
| Contingency | 5.00% | 1,439,276 | 1,439,276 |
|-------------|-------|-----------|-----------|

Other Construction

| | |
|-----------------------------|------------|
| Amersham Vale - Build Costs | 28,785,517 |
| Public Park - Amersham Vale | 1,674,890 |
| | 30,460,407 |

**Frankham Street & Amersham Vale
Urban Delivery Viability Appraisal
AMERSHAM VALE SITE**

Section 106 Costs

| | | | |
|------------------------------|--|---------|-----------|
| LBL CIL Payments - AV | | 714,350 | |
| Mayoral CIL Payments - AV | | 432,692 | |
| S106 - Employment & Training | | 63,600 | |
| | | | 1,210,642 |

PROFESSIONAL FEES

| | | | |
|-------------------|--------|-----------|-----------|
| Professional Fees | 10.00% | 3,046,041 | |
| | | | 3,046,041 |

MARKETING & LETTING

| | | | |
|---------------------------|-------|---------|---------|
| Marketing - Amersham Vale | 1.50% | 743,775 | |
| | | | 743,775 |

DISPOSAL FEES

| | | | |
|-----------------|-------|---------|---------|
| Sales Agent Fee | 1.00% | 500,325 | |
| Sales Legal Fee | 0.50% | 250,162 | |
| | | | 750,487 |

MISCELLANEOUS FEES

| | | | |
|---------------------------------|--------|------------|------------|
| Developer Profit @ 20% GDV (AV) | 20.00% | 10,012,000 | |
| Developer Profit @ 6% GDV (AV) | 6.00% | 193,851 | |
| | | | 10,205,851 |

FINANCE

| | | | |
|---|--|--|-----------|
| Debit Rate 7.000%, Credit Rate 0.000% (Nominal) | | | |
| Total Finance Cost | | | 2,304,427 |

TOTAL COSTS

53,273,196

PROFIT

0

Performance Measures

| | |
|--------------------------------------|------------------|
| Profit on Cost% | 0.00% |
| Profit on GDV% | 0.00% |
| Profit on NDV% | 0.00% |
| Development Yield% (on Rent) | 0.04% |
| Equivalent Yield% (Nominal) | 5.00% |
| Equivalent Yield% (True) | 5.16% |
| Gross Initial Yield% | 5.00% |
| Net Initial Yield% | 5.00% |
| IRR | 6.36% |
| Rent Cover | 0 yrs 0 mths |
| Profit Erosion (finance rate 7.000%) | 0 yrs 0 mths |

APPENDIX 2

Trident Cost Report

Financial Viability Report
London Borough of Lewisham

Amersham Vale and
Frankham Street Sites
Lewisham

Report No. 9 March 2016

Financial Viability Report

London Borough of Lewisham

Prepared for London Borough of Lewisham
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Reference IL/P2015-0833

Date issued 9 March 2016

Financial Viability Report

Contents

| | Page No. |
|---|-----------------|
| 1.0 Introduction | 1 |
| 2.0 Project Description and Information Received | 2 |
| 3.0 Review of Construction Cost | 5 |
| 4.0 Cost Benchmarking | 7 |
| 5.0 Summary | 9 |

1.0 Introduction

- 1.1 Trident Building Consultancy Limited were appointed by Urban Delivery to review the construction cost plan for the proposed developments at Amersham Vale, Lewisham, SE14 6LQ and Frankham Street, Deptford, SE8 4RL. The construction cost review will form part of the Financial Viability Study undertaken by Urban Delivery.
- 1.2 This report is for the purposes of Urban Delivery only and has been prepared in accordance with our scope of services document included within our appointment document.

2.0 Project Description and Information Received

2.1 PROJECT DESCRIPTION

2.1.1 The proposed development comprises of two separate sites, being Amersham Vale, Lewisham, SE14 6LG and Frankham Street, Deptford, SE8 4RL.

2.1.2 The proposed development at Amersham Vale comprises the erection of two blocks up to 5 storeys in height to provide residential dwellings including cycle parking, refuse/recycling facilities and access together with landscaping including public realm and communal and private amenity space. The site previously housed a school but this has been demolished and the site cleared.

2.1.3 The proposed development at Frankham Street, Deptford, SE8 4RL comprises the demolition of existing buildings excluding the former school buildings which will be converted and extended and the erection of three new buildings to provide residential dwellings including cycle parking, refuse/recycling facilities and access together with landscaping including public realm and communal and private amenity space.

2.1.4 The proposed developments will provide the following accommodation:

| | Accommodation | Nr. |
|----------------|------------------------------|------------|
| Amersham Vale: | 1-bed apartment | 31 |
| | 2-bed apartment | 35 |
| | 3-bed apartment | 1 |
| | 2-bed maisonette | 18 |
| | 3-bed maisonette | 13 |
| | 4-bed maisonette | 4 |
| | 3-bed house | 16 |
| | 4-bed house | 2 |
| | Total (Amersham Vale) | 120 |

| | Accommodation | Nr. |
|------------------|--------------------------------|------------|
| Frankham Street: | 1-bed apartment | 67 |
| | 2-bed apartment | 84 |
| | 3-bed apartment | 21 |
| | 4-bed apartment | 3 |
| | 1-bed maisonette/duplex | 11 |
| | 2-bed maisonette/duplex | 13 |
| | 3-bed maisonette/duplex | 5 |
| | 4-bed maisonette/duplex | 5 |
| | 3-bed house | 1 |
| | Total (Frankham Street) | 210 |

2.1.5 The Developer / Applicant is Family Mosaic and Sherrygreen Homes and the Economic Viability Report has been prepared by BNP Paribas Real Estate.

2.1.6 We also understand that part of the Amersham Vale site has been sold to the residential developer Mulalley who will use the site to provide an open space development / park.

2.2 INFORMATION RECEIVED

2.2.1 We have included a list of the documents which have been provided to us in respect of the proposed developments at Amersham Vale and Frankham Street at Appendix 1.

2.3 DEVELOPMENT AREAS

2.3.1 The Economic Viability Report is based on Gross Internal Floor Areas as follows:

| Location | GIFA |
|-----------------|------------------------------|
| Amersham Vale | 12,358.7m ² |
| Frankham Street | 18,889.0m ² |
| TOTAL | 31,247.7m² |

2.3.2 We have undertaken our own measurement of the Gross Internal Floor Area and we can confirm that the area used in the Applicant's Economic Viability Report is correct.

2.3.3 The area of the open space development used by Mulalley in its Cost Plan is 5,690.96m². We have undertaken an independent measure of this area and we can confirm that we concur with the area used by Mulalley in its Cost Plan.

3.0 Review of Construction Cost

3.1 SUMMARY OF CONSTRUCTION COST

- 3.1.1 The Applicant has prepared two Construction Costs, one for Amersham Vale and one for Frankham Street.
- 3.1.2 It is unclear to what base date the Applicant has prepared its Construction Costs, however the Economic Viability Report is dated January 2016 therefore we have assumed that the Construction Costs are base dated 4th Quarter 2015.
- 3.1.3 The Applicant's Cost Plans consist of a single page summary of the Construction Costs on an elemental basis therefore whilst we are able to comment on the general costs per square metre we are unable to interrogate the detail behind this i.e. we are unable to investigate individual items, quantities and rates.
- 3.1.4 The Applicant's Construction Costs can be summarised as follows:

| Ref | Description | Amersham Vale Total (£) | Frankham Street Total (£) |
|-----|-------------------------------|----------------------------|------------------------------|
| 1 | Demolition & Site Clearance | 25,000 | 235,000 |
| 2 | Building Costs | 20,889,114 | 32,470,312 |
| 3 | External Works | 1,771,087 | 2,782,280 |
| | Direct Works Sub-Total | 22,685,201 | 35,487,592 |
| 4 | Preliminaries | 4,735,499 | 7,046,503 |
| 5 | Pre-Contract Costs | 257,680 | 257,680 |
| | Sub-Total | 26,678,380 | 42,791,775 |
| 6 | OHP | 1,107,135 | 1,711,671 |
| | TOTAL | 28,785,517 | 44,503,445 |

- 3.1.5 The Build Costs equate to a cost per m² of £2,145/m² for Amersham Vale and £2,156/m² for Frankham Street.
- 3.1.6 We have undertaken a review of the elemental costs used in the Applicant's Build Cost and we can confirm that the allowances are within cost parameters that we would typically expect and we have no particular concerns.
- 3.1.7 We have reviewed the demolition and site clearance allowance contained within the Cost Plans and we can confirm that these appear to be in accordance with the type and extent of works described.
- 3.1.8 The external works element accounts for approximately 6.5% of the Works total for both Amersham Vale and Frankham Street. We would comment that this falls within expected cost parameters for external works and we have no concerns.
- 3.1.9 The Applicant's Development Appraisal includes within the construction costs an allowance of £1M in respect of "*Provision of Public Park*". We have been provided with a Cost Plan prepared by the developer Mulalley in the sum of £1,674,889.38.
- 3.1.10 We have reviewed the items, quantities, rates and prices used by the developer in estimating the cost of providing the open space development and we can confirm that the allowances are within cost parameters that we would typically expect and we have no particular concerns (with the estimated construction cost of £1,674,889.38).

4.0 Cost Benchmarking

- 4.1 This section compares the cost of new build residential units against other sources of cost data.
- 4.2 We have collated construction cost data from various sources and this is summarised in the table below.

| | Source | Sample Size Nr | Residential Units Cost Range £/m ² | Mean Average £/m ² | Median Average £/m ² |
|--|--|-------------------|--|----------------------------------|------------------------------------|
| 1. | Urban Delivery Cost Data from LB Lewisham & LB Bromley Projects | | | | |
| 1.1. | Total (Mixed Tenure) | 14 | 1838 to 2273 | 2024 | 2035 |
| 1.2. | High Rise Apartments | 5 | 2022 to 2361 | 2186 | 2067 |
| 2. | BCIS (See Note 3) | | | | |
| 2.1. | Apartments /Flats; generally | 858 | 1273 to 1735 | 1533 | 1462 |
| 2.2. | Apartments /Flats; 3-5 storey | 577 | 1270 to 1724 | 1509 | 1458 |
| 2.3. | Apartments /Flats - 6+ storeys | 73 | 1581 to 2116 | 1978 | 1893 |
| 3. | Spon's Price Book 2015 | | | | Range midpoint |
| 3.1. | Private Apartments standard quality; 3-5 storeys | N/A | 1614 to 2024 | N/A | 1819 |
| 3.2. | Private Apartments high quality apartments in residential tower - Inner London | N/A | 2178 to 2716 | N/A | 2447 |
| AVERAGE COST £/m² FOR MIXED TENURE APTS FOR ITEMS 1 TO 3 | | | | 1846.00 | 1883.00 |

Notes

- 1) - Costs exclude abnormal
- 2) - The range of costs for Trident historic data is based upon the lower and upper quartiles
- 3) - The range of costs for BCIS is based upon figures in the lower and upper quartiles, 4Q 2015
- 4) Spons Price Book and BCIS Figures exclude external works.

- 4.3 The Applicant has used a rate of £2,145/m² for Amersham Vale and £2,156/m² for Frankham Street (excluding abnormal costs). This falls within the cost ranges identified for previous LB Lewisham and Bromley projects but exceeds the cost ranges given in published cost data i.e. Spons Pricing Book and BCIS.

4.4 Potential reasons for the construction costs being above published cost parameters including the following:

- Development specification;
- Site logistics;
- Mixed use / density of the residential dwellings i.e. mix of apartments, maisonettes and houses.

4.5 We would consider that the construction cost of £2,145/m² for Amersham Vale and £2,156/m² for Frankham Street (excluding abnormal costs) falls within acceptable cost parameters.

5.0 Summary

5.1 Following our review of the construction costs submitted by the Applicant, we would summarise the key observations as follows:

- We have reviewed the quantities, rates and prices used by the Applicant and we can confirm that the allowances are within cost parameters that we would typically expect and we have no particular concerns;
- We have reviewed the demolition and site clearance allowance contained within the Cost Plans and we can confirm that these appear to be in accordance with the type and extent of works described;
- The external works element accounts for approximately 6.5% of the Works total for both Amersham Vale and Frankham Street. We would comment that this falls within expected cost parameters for external works and we would consider this a reasonable allowance;
- We have been provided with a Cost Plan prepared by the developer Mulalley in the sum of £1,674,889.38 in respect of open space development. We have reviewed the items, quantities, rates and prices used by the developer and we can confirm that the allowances are within cost parameters that we would typically expect and we have no particular concerns;
- The Build Costs equate to a cost per m² of £2,145/m² for Amersham Vale and £2,156/m² for Frankham Street;
- The construction cost of £28,785,517 for Amersham Vale, £44,503,445 for Frankham Street and £1,674,889.38 for open space is considered reasonable for use in a Financial Viability Study.



Appendices



Appendix 1 – Information Received

Amersham Vale

| Drawing Number | Title |
|-------------------|---|
| | Air Quality Assessment |
| | Application for Planning Permission |
| | Archaeological Desk Based Assessment |
| 029_PL_900 A | Balcony, Entrance Door and Roof Details |
| 029_PL_903 A | Balcony and Cladding Details |
| 029_PL_703 A | Block 1, 2 and 3 Sections |
| 029_PL_704 A | Block 4 and Typical House Details Sections |
| 029_PL_802 A | Building 1 Courtyard Elevations |
| 029_PL_800 B | Building 1 Elevations |
| 029_PL_801 A | Building 1 Elevations |
| 029_PL_804 A | Building 2 Courtyard Elevations |
| 029_PL_803 A | Building 2 Elevations |
| | Design and Access Statement Rev A |
| 9994-R-SWIDE-0001 | Energy Strategy Overview |
| 029_PL_902 A | Entrance Canopy and Balustrade Details |
| 029_PL_502 A | Existing Site Plan |
| 029_PL_601 A | Amersham First Floor Site Plan |
| | Flood Risk Assessment November 2015 |
| 029_PL_610 B | Amersham Floor Plans Typical Flats |
| 029_PL_612 A | Amersham Floor Plans Typical Houses |
| 029_PL_604 A | Amersham Fourth Floor Site Plan |
| | Desk Study & Ground Investigation Report |
| 029_PL_600 A | Amersham Ground Floor Site Plan |
| AV(90)LP001 A | Hard Landscape General Arrangement Plan |
| 029_PL_501 A | Location Plan |
| | Method Statement and Logistics Plan |
| | Noise Impact Assessment |
| | Extended Phase 1 Habitat Survey |
| | Planning Statement |
| 029_PL_700 B | Proposed Site Sections |
| 029_PL_701 A | Proposed Site Sections |
| 029_PL_605 A | Amersham Roof Site Plan |
| 029_PL_602 A | Amersham Second Floor Site Plan |
| 029_PL_503 A | Site Plan |
| AV(94)LP001 | Soft Landscape General Arrangement Plan |
| | Statement of Community Involvement |
| CH/ch/14315 | Daylight, Sunlight and Overshadowing Assessment |
| | Sustainability Statement |
| 029_PL_603 A | Amersham Third Floor Site Plan |
| | Transport Assessment |
| | Residential Travel Plan |
| | Arboriculture Development Report |
| 029_PL_613 B | Wheelchair Accessible Unit Type Layouts MT-05 |

Frankham Street

| Drawing Number | Title |
|---------------------|--|
| | Air Quality Assessment |
| 029_PL_216 A | Annexe and Main School Building Sections |
| 029_PL_119 A | Annexe School Building First Floor Plan |
| | Application for Planning Permission |
| | Arboricultural Development Plan |
| | Archaeological Desk Based Assessment |
| 029_PL_400 A | Balcony and Entrance Door Details |
| 029_PL_401 A | Balcony Details |
| | Bat Emergence Survey |
| 029_PL_120 | Block A Wheelchair Flat Floor Plan SELHP Complaint layout |
| 029_PL_215 A | Block B and C Sections |
| 029_PL_303 A | Block B Courtyard Elevations |
| 029_PL_301 A | Block B Elevations |
| 029_PL_302 A | Block B Elevations |
| 029_PL_214 A | Block B1 Sections |
| 029_PL_306 A | Block CD Courtyard Elevations |
| 029_PL_305 A | Block CD Elevations |
| 029_PL_304 A | Block CD Elevations |
| 029_PL_213 A | Block A and D Sections |
| 029_PL_300 A | Block A and School Annexe Elevations |
| | Construction Method Statement and Logistics Plan |
| CH/ch/14314 | Daylight, Sunlight and Overshadowing Assessment |
| 029_PL_003 A | Demolition Plan |
| 029_PL_005 A | Demolition Plan Tidemill School Ground Floor Plan |
| | Design and Access Statement Rev A |
| | Desk Study and Ground Investigation Report |
| | Detailed Unexploded Ordnance Threat Assessment |
| 029_PL_405 A | Details Annexe Building |
| 029_PL_404 A | Duplex Detail Design Main School Building |
| | Energy Strategy Overview |
| 029_PL_402 A | Entrance Canopy and Boundary Details |
| 029_PL_002 A | Existing Site Plan |
| P2006487(91)LP001 A | Existing Trees to be Removed and Retained |
| | Flood Emergency Evacuation Plan |
| | Flood Risk Assessment |
| 029_PL_110 C | Floor Plans Typical Flats |
| 029_PL_111 C | Floor Plans Typical Flats |
| 029_PL_112 B | Floor Plans Typical Flats |
| 029_PL_113 C | Floor Plans Typical Layouts |
| 029_PL_105 A | General Arrangement Fifth Floor Site Plan |
| 029_PL_101 A | General Arrangement First Floor Site Plan |
| 029_PL_104 A | General Arrangement Fourth Floor Site Plan |
| 029_PL_100 B | General Arrangement Ground Floor Site Plan |

| Drawing Number | Title |
|-------------------|---|
| 029_PL_106 A | General Arrangement Roof Plan |
| 029_PL_102 B | General Arrangement Second Floor Site Plan |
| 029_PL_103 B | General Arrangement Third Floor Site Plan |
| | Extended Phase 1 Habitat Survey |
| P2006487(90)LP001 | Hard Landscape General Arrangement Plan |
| | Health Impact Assessment |
| 029_PL_001 A | Location Plan |
| 029_PL_217 A | Main School Building Sections |
| 029_PL_308 A | Main School and Extension Elevations |
| 029_PL_403 A | Metal Roof Cladding Details |
| | Noise Impact Assessment |
| | Planning Statement |
| 029_PL_004 A | Proposed Site Plan Ground Floor Site Plan |
| 029_PL_200 A | Proposed Site Sections Long Elevations in Context |
| | Reptile and Great Crested Newt Surveys |
| 029_PL_115 A | School Main Building First Floor Plan |
| 029_PL_114 A | School Main Building Ground Floor Plan |
| 029_PL_116 A | School Main Building Second Floor Plan (Duplex GF) |
| 029_PL_117 A | School Main Building Third Floor Plan (Duplex FF) |
| 029_PL_211 | School Sections Annexe |
| 029_PL_212 A | School Sections Main School |
| | Statement of Community Involvement |
| | Structural Report |
| | Sustainability Statement |
| 029_PL_309 A | Tidemill School Main Building and Annexe Elevations |
| | Transport Assessment |
| | Residential Travel Plan |
| | Tree Survey |
| 029_PL_121 A | Unit Name Key |
| | Economic Viability Report |



Open Space

| Drawing Number | Title |
|----------------|--|
| (90)LP002 | Existing Site and Tree Protection Plan |
| (90)LP004 D | General Arrangement Plan |
| (90)LP003 E | Landscape Masterplan |
| (90)LP001 | Site Location Plan |
| | Landscape Report |
| | Cost Plan |