



**GL Hearn**

Part of Capita Real Estate

# 19 Yeoman Street, Lewisham, London, SE8 5DT

## **Viability Assessment**

for  
London Borough of Lewisham

November 2016

## **Prepared by**

GL Hearn Limited  
280 High Holborn  
London WC1V 7EE

T +44 (0)20 7851 4900  
[glhearn.com](http://glhearn.com)

## Contents

Section	Page
1 INTRODUCTION	4
2 GENERAL METHODOLOGY	8
3 CRITIQUE OF BENCHMARK LAND VALUE	10
4 ASSESSMENT OF APPLICATION SCHEME INPUTS	14
5 FINANCIAL APPRAISALS & INITIAL CONCLUSIONS	29
6 NOVEMBER UPDATE AND FINAL RECOMMENDATION	31

## Appendices

APPENDIX A: BUILD COST ANALYSIS	33
APPENDIX B: FINANCIAL APPRAISALS	54

## Quality Standards Control


The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.


DATE  
18 November 2016

ORIGINATORS  
Chris Hemmings  
Associate Director

APPROVED  
Guy Ingham  
Director



---



---

### Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

## 1 INTRODUCTION

- 1.1 GL Hearn has been instructed by London Borough of Lewisham (LBL) to undertake a viability assessment in respect of a proposed development at 19 Yeoman Street, Lewisham, for which a planning application has been submitted by Fairview New Homes Limited (the Applicant).
- 1.2 The site has a total area of approximately 0.27 hectares (0.67 acres). It is currently in use as a building contractor's yard and comprises of a large shed structure and ancillary low grade office space, with a single access off Yeoman Street.
- 1.3 The site is situated to the north of Deptford Park and 0.4 miles away from Surrey Quays Overground train station. The site is located 0.9 miles away from Canada Water train station which is served by the Overground line and the Jubilee Line underground line which provides fast access to central London. Bus services are also available from Plough Way at the north side of Yeoman Street providing services around London.
- 1.4 Surrey Quays shopping centre is located 0.5 miles to the north west of the subject site. The site is also located within walking distance to both Deptford Park and Southwark Park.
- 1.5 Fairview New Homes Limited is the lead author of the Financial Viability Assessment (FVA) but they have relied on a number of sources of third party advice. Specifically the following information has been incorporated in their assessment:-
- Savills - Valuation Report on AUV of the site (forming basis of benchmark land value) dated 1<sup>st</sup> September 2016
  - DBK - Feasibility Cost Estimate for the proposed scheme dated 2<sup>nd</sup> September 2016
  - BCIS - Comparison of Build Cost dated 2<sup>nd</sup> September 2016
  - One Housing – Affordable Housing Values dated 5<sup>th</sup> September 2016
  - Currell Estate Agents – Advice on Proposed Commercial Unit Value dated August 2016
- 1.6 GL Hearn has sub instructed quantity surveyors Johnson Associates (JA) to review the DBK summary cost plan on behalf of the Council.

### **The Application Scheme**

- 1.7 The Applicant is seeking permission for the *“demolition of existing structures and the erection of a 5 to 8 storeys building comprising of 72 residential units, 371sqm of commercial floorspace (Use Class B1) and energy centre, a single storey storage building for refuse and cycle parking, provision of an electrical substation and associated landscaped courtyards and amenity areas at 19 Yeoman Street, SE8 5DF”*.

- 1.8 The site forms part of the 'Plough Way' Strategic Site Allocation 5 (SSA5) identified in the Core Strategy. The development is car free and includes landscaped courtyards.
- 1.9 This proposed scheme includes 72 residential units within a building of five to eight storeys. The proposed private residential accommodation comprises 60 units totalling 41,021 sq ft incorporating a mix of one, two, three bedroom apartments.
- 1.10 The scheme proposes 12 affordable units which equates to an affordable housing provision of 16.67%. The units are located in Block F situated on the south west corner of the site, comprising 100% Affordable Rented units split between one, two and three bedroom apartments.
- 1.11 An accommodation schedule for the proposed residential content detailing the individual unit mix and sizes has been provided by Fairview New Homes Limited and the average price per sq ft rate has been applied to the total floor areas within the HCA Financial Viability Assessment for both the private and affordable elements. Summaries of both the private and affordable accommodation are detailed in the tables below;-

Private Units				
Plots	No. of Bedrooms	Unit Floor Area (sq ft)	Value	£ / sq ft
1	1	635	£461,000	£726
2	1	538	£419,000	£779
3	2	771	£535,000	£694
4	2	755	£537,000	£712
5	1	538	£419,000	£779
6	1	538	£419,000	£779
7	3	926	£622,000	£672
8	2	807	£557,000	£690
9	1	538	£421,000	£782
10	2	771	£537,000	£697
11	2	755	£539,000	£714
12	1	538	£421,000	£782
13	1	538	£421,000	£782
14	3	926	£624,000	£674
15	2	807	£559,000	£692
16	1	538	£423,000	£786
17	2	771	£539,000	£699
18	2	755	£541,000	£717
19	1	538	£423,000	£786
20	1	538	£423,000	£786
21	3	926	£626,000	£676
22	2	807	£561,000	£695
23	1	538	£425,000	£790
24	2	771	£541,000	£702

25	2	755	£543,000	£720
26	1	538	£425,000	£790
27	1	538	£425,000	£790
28	3	926	£628,000	£678
29	2	807	£563,000	£697
30	1	538	£427,000	£793
31	2	771	£543,000	£705
32	2	755	£545,000	£722
33	1	538	£427,000	£793
34	1	538	£427,000	£793
35	3	926	£630,000	£681
36	2	807	£565,000	£700
37	1	538	£429,000	£797
38	2	771	£545,000	£707
39	2	755	£547,000	£725
40	1	538	£429,000	£797
41	1	538	£429,000	£797
42	3	926	£632,000	£683
43	3	939	£645,000	£687
44	1	546	£453,000	£830
45	2	809	£596,000	£736
46	1	538	£450,000	£836
47	2	687	£535,000	£779
48	1	578	£439,000	£759
49	2	762	£523,000	£686
50	1	578	£439,000	£759
51	2	762	£535,000	£702
52	1	578	£439,000	£759
53	2	762	£537,000	£705
54	1	578	£439,000	£759
55	2	762	£539,000	£707
56	1	578	£441,000	£763
57	2	762	£541,000	£710
58	1	578	£443,000	£766
59	1	548	£437,000	£798
60	1	608	£456,000	£750

1.12 The table below provides a summary of the proposed affordable units.

Plots	No. of Bedrooms	Unit Floor Area (Sq. Ft.)	Value	£ / sq ft
61	2	680	£137,489	£202
62	2	691	£137,489	£199
63	2	774	£137,489	£178
64	3	929	£174,426	£188
65	2	774	£137,489	£178
66	3	929	£174,426	£188
67	2	774	£137,489	£178

68	3	929	£174,426	£188
69	2	774	£137,489	£178
70	3	929	£174,426	£188
71	3	797	£174,426	£219
72	1	538	£102,935	£191

- 1.13 The scheme also includes 3,993 sq ft of commercial accommodation located at ground floor. The FVA indicates that units are to be designated as B1 use class.
- 1.14 In addition the scheme proposes and energy centre, a single storey storage building for refuse and cycle parking, provision of an electrical substation and associated landscaped courtyards.

## 2 GENERAL METHODOLOGY

### Introduction

- 2.1 GL Hearn's review of the FVA has had regard to the RICS Guidance Note "Financial Viability in Planning".
- 2.2 We do not take issue with the overarching methodology used by Fairview New Homes within their assessment. They have:
- Assessed the realisable value of the proposed scheme;
  - Assessed the costs associated with delivering the scheme including provision of a build cost plan
  - Assessed a Benchmark Land Value which is treated as a development cost;
  - Undertaken a residual appraisal to calculate development surplus available for planning contributions (or shortfall suggesting contribution not viable).
- 2.3 Fairview New Homes has used the HCA Development Appraisal Tool (DAT) programme to assess the viability of development. However its outputs are somewhat unwieldy and not entirely transparent in some of the assumptions that have been made, particularly on certain items such as timing of payments. GL Hearn use the Argus Developer package for this type of exercise and have set up our own appraisal using this.
- 2.4 The methodology underpinning viability appraisals is the Residual Method of Valuation, commonly used for valuing development opportunities. Firstly, the gross value of the completed development is assessed and the total cost of the development is deducted from this.
- 2.5 The approach adopted by Fairview New Homes has been to fix the developer's assumed profit requirements (20% on Gross Development Value (GDV) on the private, 6% on GDV in respect of the affordable units and 20% on GDV for the commercial accommodation) in the appraisal producing an output which is the residual land value. With this approach, if the residual land value is lower than the benchmark land value, then the scheme is deemed to be unviable and is therefore unlikely to come forward for development unless the level of affordable housing and/or planning obligations can be reduced.
- 2.6 Fairview New Homes have undertaken an appraisal of the application scheme based on the value schedule at 1.11 which includes only 12 affordable units (16.67% of the total) of which 100% are allocated as Affordable Rented tenure.
- 2.7 From this, Fairview New Homes initial analysis indicates the following:
- Residual Land Value of £2,642,177
  - Benchmark Land Value of £6,600,000



- 2.8 With the latter significantly exceeding the former, they conclude that the scheme cannot viably provide affordable housing in excess of that currently proposed.
- 2.9 Given that the calculations are being made well in advance of even commencement of the development, the figures used in the applicant's appraisal can only be recognised as a projection. As such, it is essential that all assumptions are carefully scrutinised by the Council to ensure that they reflect current market conditions and have not been unreasonably depressed in respect of the value or overestimated in respect of the development costs.
- 2.10 GL Hearn's approach has been to critically examine all of the assumptions on which the appraisals are based.
- 2.11 It is also important to carefully scrutinise the applicant's methodology. In particular the measure of Benchmark Land Value, which we analyse in the following section, as it has a fundamental effect on the viability equation.

### 3 CRITIQUE OF BENCHMARK LAND VALUE

#### Introduction

3.1 Determining an appropriate Benchmark Land Value is often the most important factor in determining the viability. Put simply, if the value generated by the development does not produce a positive figure, there is no financial incentive to bring forward the development with all its associated risk.

3.2 Arriving at an appropriate Benchmark Land Value is not a straightforward exercise and this is acknowledged at 3.4.6 of the RICS Guidance Note which states that:

*“The assessment of Site Value in these circumstances is not straightforward, but it will be, by definition, at a level at which a landowner would be willing to sell which is recognised by the NPPF.”*

3.3 In arriving at an appropriate BLV regard should be had to existing use value (also referred to as current use value), alternative use value, market/transactional evidence (including the property itself if that has recently been subject to a disposal/acquisition), and all material considerations including planning policy.

#### Summary of Applicant’s Position

3.4 The Applicant has relied upon Savills to value the site based upon its alternative use value (AUV) as a residential development without the benefit of planning permission.

3.5 The site lies within an allocated mixed use residential and employment area known as Plough Way and therefore it is considered that the site has considerable scope for a mixed use redevelopment which is residential led with the likelihood of obtaining planning permission being strong.

3.6 Savills have made reference to land sales in the locality when arriving at their opinion of value for the site. These comparable transactions vary in size, mix of use and status of planning permission.

3.7 Savills have arrived at a Benchmark Land Value for the site of £6,600,000 for the subject site which equates to £10,000,000 per acre. Incorporated into this price is a premium for the planning potential of the site.

3.8 It is our opinion that the existing use value approach should also be considered as an appropriate methodology for establishing the site’s BLV to ensure that this does not reflect ‘overpayment’ for the site in the context of policy.

### **Existing Use Value**

- 3.9 In order to determine an appropriate level of value for the site we have undertaken research into the existing use of the site.
- 3.10 We have had regard to Lambert Smith Hampton's CIL Viability Appraisal (2012) which is a borough wide study providing evidence to support the Community Infrastructure Levy (CIL) Charging Schedule. LSH proposed Industrial Land Value for land in Lewisham at £2,810,000 per hectare (£1,137,191 per acre).
- 3.11 LSH within the CIL Viability Appraisal add a premium to the industrial land value for 'hope value' to reflect the potential to residential redevelopment. This premium is 20%. As at 2012, this created a benchmark land value of £1,364,629 per acre or a value for the subject site at Yeoman Street of £914,301.
- 3.12 We are aware that this information is dated and therefore we would expect an increase in value since 2012.

### **Land Transactions**

- 3.13 In order to determine our opinion of value we have had regard to local land transactions around the subject site and we detail these below.
- 3.14 *The Timberyard (The Wharves), Grove Street, SE8* – Situated to the south of the subject site. The site was purchased in August 2014 by Lend Lease Europe for £42.0m. The site was purchased with planning permission for the erection of buildings ranging from 4-18 storeys in height and comprising 905 residential units of which 189 have been designated as affordable units. The site will also comprise commercial accommodation, landscaping and parking. The purchase price reflects £58,660 per private residential unit and £3.7m per acre.
- 3.15 *Faircharm Trading Estate, SE8* – Situated to the south east of the subject site. The site was purchased in July 2014 by London & Quadrant Housing Trust in July 2014 for £9,500,000. The site was purchased with planning permission for the conversion of two existing buildings to provide new commercial uses. Construction of four new buildings ranging from 6 to 12 storeys to provide 148 residential units (62 x one-bed, 69 x two bed and 17 x 3 bed), and new commercial uses. The site. The purchase price reflects £74,803 per private unit and £6,885,714 per acre.
- 3.16 *Arklow Trading Estate, Arklow Road Deptford SE14* – An existing industrial site of 2.52 acres was sold to Anthology Deptford Foundry Ltd in July 2014 on an unconditional basis for £9,000,000.

This equates to £3,571,429 per acre. Subsequently, a planning application was granted in July 2016 for 287 dwellings and 3,039 sq.m. of commercial floorspace.

3.17 *Canada Waters Sites C & E Surrey Quays Road, SE16* – Situated to the north west of the subject site. The site was purchased in March 2014 for £48,526,438 by Nottinghill. Nottinghill will form part of a joint venture with Sellar Design & Development. The site has planning permission for erection of 5 buildings ranging from 5 to 40 storeys and comprising a maximum overall floorspace of up to 137,612.4sq.m GEA. This includes a maximum of up to: 97,541.4sq.m of residential accommodation (equating to up to 1,046 residential units), 12,308.9sq.m Class A1 retail store, 4,335sq.m of other Class A1/2/3/4 floorspace); 2,800sq.m of office space floorspace, up to 658 sqm of health centre floorspace and up to 698.2sq.m of cinema floor space. The purchase price reflects £60,734 per private unit and £6,942,266 per acre.

3.18 *The Biscuit Factory (Tower Bridge Business Complex) SE16* – Situated to the west of the subject site. The site was purchased in May 2014 for £17,941,480 by Southward GP Nominee 1 Limited. The site benefitted from Hybrid - Application for full planning permission for erection of new building of between four and nine storeys providing 119 residential units and 8,240 sq.m. of commercial floorspace, plus associated highway works, vehicle access, car and cycle parking and landscaping. The purchase price reflects £30,880 per unit and £2,395,391 per acre.

#### **Land for Sale for Residential Development**

3.19 *33-35 Deptford Bridge and 47-49 Deptford Bridge* – This site comprises two redundant commercial properties and extends to 0.1 acres together. The sites are currently on the market for purchase as two separate properties or on a collective basis. The sites both have development potential and planning permission for a residential development (33-49 Deptford Bridge). The site has a total sales price of £570,000 for the two lots together which equates to a land value of £5,700,000 per acre.

#### **Savills Evidence**

3.20 The Red Book Valuation of the site by Savills includes several land transactions, including Arklow Road Trading Estate. For completeness, we summarise these transactions below:

- *7-17 Yeoman Street, Deptford* – 0.22 acre site sold in October 2012 with planning permission (33 residential units) for £2,710,000, equating to £12,320,000 per acre.
- *Arklow Trading Estate* – vacant warehouse and industrial units on a site of 2.52 acres was sold in June 2014 for £10,650,000 without planning permission, equating to £4,226,190 per acre.

- *24-28 Quebec Way, Canada Way SE16* – an industrial park of 1.04 acres sold in March 2012 on receipt of planning permission for £12,200,000, equating to £11,730,769 per acre. The scheme comprised 94 residential units and flexible commercial floorspace;
- *Surrey Wharf, 30 Malt Street, Southwark SE1* – a warehouse and office site of 0.72 acres, which was sold in December 2014 on an unconditional basis for £4,000,000, equating to £5,555,556 per acre.

### **Conclusion on Benchmark Land Value**

- 3.21 Analysis of gross land prices for potential development sites is not especially scientific given that no two sites are the same. Each site will have different characteristics and planning potential which lead to differing levels of value even within close proximity to one another.
- 3.22 The Savills report details four land transactions, two of which were unconditional sales and two were sales with planning permission. There is a significant difference between these two sets of transactions - £4.2m-5.5m per acre versus £11.7m-£12.3m per acre respectively.
- 3.23 The comparable evidence that we have presented shows a range of land values between £2.4m-£6.9m per acre, the majority of which were sold with the benefit of planning permission.
- 3.24 The two key unconditional sales of industrial land (without the benefit of planning) are Arklow Trading Estate and Surrey Wharf. Both these transactions took place in the second half of 2014. Since then the Central London land market has experienced little change in terms of value growth, with Savills own research report 'UK Residential Development Land May 2016' showing relative stability in land prices over this period.
- 3.25 Therefore, even if we were to take the highest unconditional land transaction, this would provide a Benchmark Land Value of £5.5m per acre. We see no reason, why the BLV should be higher than this. On this basis, the Benchmark Land Value for the subject site would be £3,685,000.
- 3.26 This figure is of course significantly higher than the existing use value, and whilst arguments can be put forward for the latter, given the nature of the surrounding area and the precedent from previous decisions made by Lewisham in the vicinity (e.g. Deptford Wharves, Marine Wharf East) we consider it appropriate to use the Alternative Use Value figure for the purposes of our viability assessment.

## **4 ASSESSMENT OF APPLICATION SCHEME INPUTS**

4.1 The following section critically reviews the proposed scheme and the assumptions adopted in the applicant's FVA.

### **Residential Value Assumptions**

4.2 The proposed scheme includes 72 residential units, 60 designated as private comprising a mix of one, two and three bedroom apartments.

4.3 The units have been priced on an individual basis by Fairview's Sales and Marketing Team who have provided an individual schedule of accommodation and values for each of the units. Within the accommodation schedule the private residential units provide a total value of £30,039,000 which equates to an overall value rate of £732psf.

4.4 The HCA appraisal which has been provided within the viability report shows a total value of £30,566,405 for private residential units equating to an overall value rate of £745psf. We have reviewed the HCA appraisal and the blended average value of £745psf includes the revenue income from ground rents totalling £518,000 and an additional income figure of £9,405. For the purposes of our report and within our own appraisals we have separated the ground rent and additional income and placed an overall average value of £732psf solely on the private residential floor space.

4.5 In respect of the affordable housing provision, there are 12 designated on-site units of which all are affordable rented units. The affordable rent units provide a value of £1,800,000 equating to an average value rate of £189psf.

4.6 We have reviewed the evidence provided and also undertaken our own research in order to verify the assumptions adopted. Before commenting on the on the specific comparable evidence we briefly set out below an overview of the local market for context.

### **Local Market Context**

4.7 House prices have continued to grow at strong level since Autumn 2013 but there are signs that this continued rate of growth is beginning to ease. The Land Registry House Price Index (HPI) reported in June 2016 that the annual rate of growth of house prices in England was 9.07% but the monthly rate of change from June to July was a more limited 0.46%.

4.8 These findings were echoed in both Nationwide and Halifax's HPI reports for July 2016. Nationwide reported annual house price growth of 5.2% and monthly growth of 0.5% with Halifax reporting

figures of 8.4% (annual) and -1.0% (monthly). The growing trend is that house price growth is slowing with a level of 4-5% expected as an underlying rate of growth.

4.9 London continues to outperform the rest of the country. The Land Registry reported an annual change of 12.30% for the year to July 2016. Lewisham is a front runner with Land Registry recording house price growth of 17.87% for the year to July 2016.

4.10 Demand continues to outstrip supply resulting in upward pressure in house prices but the last six months have seen a number of government interventions to help cool the market and try and support a greater level of home ownership. The first action taken by the Chancellor was to announce tax relief changes for Buy-to-Let (BTL) landlords which will come in to force from April 2017. Currently, BTL investors have been able to claim tax relief on their mortgage interest payments at their marginal rate of tax, allowing higher rate tax payers to receive a 40% relief and top-rate taxpayers 45%. The new changes will see the tax relief set at a flat rate of 20% which will result in the higher and top rate tax payers receiving a significantly lower level of profit from the letting of property. The consequence of this has been that many mortgage lenders tightening their lending criteria, increasing the required level of rent cover over mortgage payments from 125% to 145% for BTL investments.

4.11 The Chancellor then subsequently announced that a stamp duty surcharge of 3% on each band of tax would be applied to the purchase of all second home purchases. This surcharge results in a significant increase on the SDLT payable on a transaction, increasing the upfront costs of a BTL landlord and putting a first time or main home buyer at a theoretical competitive advantage. The SDLT surcharge for second home purchases was introduced with effect from the 5<sup>th</sup> April 2016 which resulted in a significant spike of activity from investors and would be second home owners who wanted to beat the introduction of the higher charge. This has resulted in their being a strong competition for properties and upward pressure on values but this is very much of a short term nature and whether the recent increase in house price values can be sustained going forward with reduced investor activity is to be seen.

4.12 This is emphasised by the commentary in Nationwide's May 2016 HPI:

*"In the near term, it's going to be difficult to gauge the underlying strength of activity in the housing market due to the volatility generated by the stamp duty changes which took effect from 1 April. Indeed, the number of residential property transactions surged to an all-time high in March, some c11% higher than the pre-crisis peak as buyers of second homes sought to avoid the additional tax liabilities. While cash purchases accounted for a significant proportion of the increase in activity it is not possible to determine whether or not these were purchased by landlords. Mortgage data suggests that, while Buy to Let (BTL) purchases were a major driver of the increase, the purchase of second homes also accounted for a substantial proportion."*

- 4.13 The referendum which resulted in a majority voting to leave the EU has resulted in a significant level of economic uncertainty emerging. The value of UK Sterling has fallen significantly and stock markets across the globe have suffered falls. A sector of the FTSE particular affected has been the UK housebuilders with the share prices of the leading companies falling by up to 30%. The uncertainty caused by the vote is likely to lead to a period of caution in the property market as housebuilders and developers look to establish the likely effects on their businesses as the proposed terms of a British exit from the EU. This is likely to temper demand somewhat for development sites but, with the structural shortfall in supply in the south-east housing market resulting in significant demand, the underlying economics of residential development are still strong and we expect that there will continue to be strong demand for residential development opportunities in the borough.
- 4.14 Lewisham continues to be a popular destination for home buyers benefiting from good transport links, attractive housing stock and also being recognised as one of the more affordable inner London boroughs. Developer demand for sites is strong as illustrated by the number of schemes being delivered across the whole of the borough.
- 4.15 Local agents and Developers' sales teams are reporting that sales rates are still good, albeit down on the levels experienced in 2015 with part of this blamed on the EU referendum causing a level of uncertainty resulting in buyers waiting before they invest.
- 4.16 There are currently a number of ongoing developments in the immediate area around the subject site. 17 Yeoman Street is immediately to the north/west of the site and has recently been redeveloped for a 5 storey building containing 33 residential units. To the east is Marine Wharf West, a major mixed use scheme currently under construction. To the south is Cannons Wharf, a mixed use development comprising residential and commercial uses including two towers of 20 and 23 storeys.
- 4.17 As referred to in 4.3, Fairview New Homes have arrived at a blended private sales figure of £732psf within their financial modelling for the private residential units. These costs have been arrived upon by the Fairview Sales and Marketing team. We detail the breakdown of values in the table below:-

Unit Type	No. of Units	Area Range (sq ft)	Average Area (sq ft)	Value Range	Average Value	£ / sq ft Range	Average £ / sq ft
1 Bed	29	538-635	553	£419,000-£461,000	£432,034	£726-£836	£782
2 Bed	24	687-809	771	£523,000-£596,000	£545,958	£686-779	£709
3 Bed	7	926-939	928	£622,000-£645,000	£629,571	£672-667	£679



<b>Total</b>	60				£500,650		£741
--------------	----	--	--	--	----------	--	------

4.18 We have been provided with the individual pricing of each of the units within the development. The schedule demonstrates the following floor area range;-

- 1 bed - 538 - 635 sq ft
- 2 bed – 687 - 809 sq ft
- 3 bed – 926 - 939 sq ft

4.19 Within the report the applicant has not provided any comparable evidence of sales or further detail within their report to determine and justify how they have arrived at their opinion of value. We have therefore undertaken our own research of comparable developments in close proximity to the subject site to verify the appropriateness of the value assumptions arrived at by Fairview New Homes.

4.20 *Yeoman's Wharf - 7-17 Yeoman Street, Lewisham, SE8 5DT* – A development brought forward by One Housing Group located immediately next to the subject site. The development comprises a five storey building, to provide 8 one-bedroom, 20 two-bedroom and 5 three-bedroom apartments, together with 33 bicycle spaces and roof top communal garden.

Plot ref	Floor	Bed	Sq Ft	Most recent price	£PSF	Date of price
A11	3	2	778	£460,000	£591	Mar-15
A12	4	3	924	£500,000	£541	Mar-15
A13	4	1	557	£320,000	£575	Mar-15
A14	4	2	778	£435,000	£559	Mar-15
B01	G	2	795	£425,000	£535	Mar-15
B02	G	2	764	£400,000	£524	Mar-15
B03	G	2	787	£395,000	£502	Mar-15
B04	1	2	764	£395,000	£517	Mar-15
B05	1	2	787	£395,000	£502	Mar-15
B06	1	1	540	£305,000	£565	Mar-15
B07	1	2	818	£402,500	£492	Mar-15
B08	2	2	764	£398,000	£521	Mar-15
B09	2	2	787	£400,000	£508	Mar-15
B10	2	1	540	£310,000	£574	Mar-15
B11	2	2	818	£407,500	£498	Mar-15

4.21 The development launched on 21 Jan 2015 and had sold out before the end of March 2015. Construction also completed during the quarter with an average price of £537/psf. It is important to note that this development is now dated and prices have significantly moved on since March 2015 however it provides a good benchmark to values achieved for a small development. According to

Land Registry's House Price Index Values have increased by 19.77% since March 2015 to July 2016.

4.22 *The Timberyard (The Wharves), Lewisham, SE8 3QS* – A development being brought forward by Lendlease comprising the phased redevelopment to provide up to 10,413 square meters non-residential floorspace comprising (A1) Shops, (A2) Financial & Professional Services, (A3) Restaurants & Cafes, (A4) Drinking Establishments, (A5) Hot Food Takeaways, (B1) Business, (D1) Non-Residential Institutions and (D2) Assembly & Leisure uses and an energy centre and up to 1132 residential units in buildings ranging from 3 to 24 storeys in height and detailed planning permission (Phase 1) for up to 568 residential units and up to 5,625 square metres of non-residential floorspace in buildings ranging from 3 to 24 storeys in height.

4.23 This is a large scale redevelopment which is located less than a mile south of the subject site. We have used Molior to find the current pricelist and availability of the scheme which is set out in the table below:-

Plot ref	Floor	Bed	Sq Ft	Most recent price	£PSF	Date of price
2B.00.DP1	G	3	1044	£647,000	£620	Jun-16
2B.00.DP2	G	2	550	£560,000	£1,018	Jun-16
2B.02.AP1	2	3	1001	£670,000	£669	Jun-16
2B.02.AP6	2	2	829	£590,000	£712	Jun-16
2B.02.AP7	2	1	554	£399,950	£722	Mar-16
2B.07.AB3	7	1	549	£436,000	£794	Jun-16
2C.TH1		4	1431	£850,000	£594	Mar-16
2D.00.DP5	G	2	875	£565,000	£646	Jun-16
2D.02.AP1	2	2	775	£520,000	£671	Jun-16
2D.02.AP2	2	3	947	£615,000	£649	Jun-16
2D.02.AP6	2	1	678	£470,000	£693	Jun-16
2D.06.AP2	6	2	840	£595,000	£708	Jun-16
2E.02.AP6	2	3	1216	£760,000	£625	Jun-16
2E.03.AP2	3	1	560	£423,000	£755	Jun-16
2E.05.AP1	5	2	799	£575,000	£720	Jun-16

4.24 The site has been cleared but construction is yet to commence. The first phase, consisting of 173 units was released on 12 February 2016 and 65 have sold. The current price list shows 1-beds from £423,000, 2-beds from £520,000, 3-beds from £615,000 and an average of £714 psf. The agents at this development have told us that the asking prices are being achieved at the development with average prices currently however sales have slowed following Brexit.

4.25 *Marine Wharf East, Plough Way, Lewisham, SE16 7UD* – A development being brought forward by Galliard Homes comprising 225 residential dwellings (comprising 102 x 1 bed, 79 x 2 bed, 40 x 3 bed and 4 x 4 bed) and 1,054 sqm of flexible commercial floor space (Use Classes A1, A2, A3, B1

and D2) in buildings up to 10 storeys with access onto Plough Way, 86 car parking spaces, 285 cycle spaces, landscaping and public realm improvements. This development sits east of the subject site and due to its close proximity would provide an accurate assumption of achievable values at Yeoman Street.

Plot ref	Floor	Bed	Sq Ft	Most recent price	£PSF	Date of price
A001	G	1	629	£465,000	£739	Jun-16
A002	G	2	933	£630,000	£675	Jun-16
A104	1	3	967	£630,000	£651	Jun-16
A105	1	1	566	£430,000	£760	Jun-16
A107	1	3	1027	£670,000	£652	Jun-16
A110	1	3	1021	£665,000	£651	Jun-16
A114	4	3	1027	£705,000	£686	Jun-16
A124	1	1	612	£460,000	£752	Jun-16
A126	1	2	822	£565,000	£687	Jun-16
A128	1	2	887	£605,000	£682	Jun-16
A227	2	2	822	£575,000	£700	Jun-16
B159	1	3	1114	£715,000	£642	Jun-16
B161	1	2	883	£605,000	£685	Jun-16
B255	2	3	1035	£690,000	£667	Jun-16
B354	3	2	550	£570,000	£1,036	Jun-16
B359	3	3	1140	£740,000	£649	Jun-16
B360	3	2	902	£625,000	£693	Jun-16
B454	4	2	790	£580,000	£734	Jun-16
B459	4	3	1140	£750,000	£658	Jun-16

4.26 The scheme launched in Q3 2014 and by the end of Q2 2016 99 units had sold. The current price list shows 1-beds from £440,000, 2-beds from £565,000, 3-beds from £665,000 and an average of £712 psf. Construction began in Q2 2016 and is due to complete in Q1 2018.

4.27 *Greenland Place (Cannon Wharf), Lewisham, SE8 5RT* – A development being brought forward by Barratt London comprising the construction of buildings up to 23 storeys, a business centre (3,964 m<sup>2</sup>), studio/workshop space (2,405 m<sup>2</sup>), commercial units, a children's nursery (Use Classes B1, A1, A2, A3, A5 & D1), 279 one, 337 two, 78 three bed and 46 studio residential units, plus 5 three, 7 four and 4 five bed two/three storey houses, an energy centre, associated landscaping and provision of refuse stores, 354 cycle and 484 car parking spaces

Plot ref	Floor	Bed	Sq Ft	Most recent price	£PSF	Date of price
Helsinki 367	1	3	1039	£616,000	£593	Mar-16
Helsinki 368	1	2	765	£516,000	£675	Mar-16
Helsinki 370	2	2	765	£521,000	£681	Mar-16
Helsinki 372	3	3	1039	£626,000	£603	Mar-16
Helsinki 378	5	3	1039	£636,000	£612	Mar-16

Helsinki 380	5	2	839	£548,000	£653	Mar-16
Helsinki 455	5	2	794	£523,000	£659	Mar-16
Helsinki 324	1	2	768	£536,000	£698	Jun-16
Helsinki 347	5	1	548	£432,000	£788	Jun-16
Helsinki 349	5	1	547	£419,000	£766	Jun-16
Helsinki 352	5	2	768	£556,000	£724	Jun-16
Helsinki 359	6	3	921	£617,000	£670	Jun-16
Helsinki 365	7	3	929	£632,000	£680	Jun-16
Helsinki 681	6	1	548	£435,000	£794	Jun-16
Helsinki 684	6	2	747	£565,000	£756	Jun-16
Helsinki 686	6	2	824	£568,000	£689	Jun-16
Helsinki 687	6	3	1039	£631,000	£607	Jun-16

4.28 At the end of Q1 2016 the situation was as follows: Stockholm Court, Bergen Court, Copenhagen Court and Oslo Tower are 263 units, complete and sold out. Helsinki Court is 238 units, a third of the units are already occupied and completions will run to the end of 2016. 21 units are left to sell. The current price list shows 1-beds from £419,000, 2-beds from £536,000, 3-beds from £617,000 and an average of £717 psf. Agents at this development have told us that asking prices are being achieved with some units achieving over the asking price and an average asking price of £725/psf currently being achieved.

4.29 *Tavern Quay 2 - Commercial Centre, Rope Street, Southwark, SE16 7TX* – A development being brought forward by Vision Homes Limited comprising the construction of a nine storey building (with top two floors set back) for mixed use purposes comprising business use on the ground and first floors, a restaurant on the ground floor and 71 residential units on the upper floors with associated access, servicing, car parking and landscaping.

Plot ref	Floor	Bed	Sq Ft	Most recent price	£PSF	Date of price
12G	2	2	1145	£745,000	£651	Jun-16
16G	3	2	1145	£750,000	£655	Jun-16
20G	4	2	1145	£760,000	£664	Jun-16
24G	5	2	1145	£780,000	£681	Jun-16
27F	6	2	1096	£775,000	£707	Jun-16
30L	8	3	1227	£1,100,000	£896	Jun-16
31K	8	3	1776	£1,650,000	£929	Jun-16
33G	1	2	1145	£740,000	£646	Jun-16
37G	2	2	1145	£745,000	£651	Jun-16
41G	3	2	1145	£750,000	£655	Jun-16
45G	4	2	1145	£760,000	£664	Jun-16
49G	5	2	1145	£780,000	£681	Jun-16
52J	6	3	1351	£895,000	£662	Jun-16
53F	6	2	1096	£775,000	£707	Jun-16
57L	8	3	1227	£1,100,000	£896	Jun-16

- 4.30 No units sold here during Q2 2016 leaving 15 units on the market. The current price list shows 2-beds from £740,000 and 3-beds from £895,000. Construction is progressing and is due to complete in September 2016. The agents at this development have told us that current asking prices are largely being achieved and where they have not been achieved an asking price with a 3% discount has been accepted. There are ten units currently left to sell on the site.
- 4.31 There is also a large development which has received planning permission located to the immediate south of The Timberyard Scheme, this scheme is being brought forward by Hutchison Property Group (UK) Ltd and gained full planning permission on 10th March 2015. The site comprises the redevelopment of Convoys Wharf to provide a mixed-use development which will comprise a mixed use scheme with up to 3500 residential units.
- 4.32 The new and proposed developments in the area surrounding the subject site demonstrate the increasing desirability of the area.

### **Summary and Conclusions**

- 4.33 After undertaking our own research into values, it is evident that there is a significant amount of new development taking place close to the subject site at present with a number of large schemes currently under construction and in planning stages. There has been a significant amount of off plan units sold on these developments which demonstrates the interest in the area. The area benefits from its close proximity to central London and from its public transport links via the Jubilee and Overground train lines.
- 4.34 The majority of schemes referred to above are significantly larger than the subject scheme. We consider that a scheme which is lower density and built to a high standard would warrant a slightly higher average value in terms of sales values £/psf, similarly to the Tavern Quay development which has achieved a slightly higher asking price of £738/psf and is a similar scale development than the subject site.
- 4.35 The applicant's viability consultant Fairview New Homes has adopted an average private sales value rate of £732psf within their HCA Viability Review. Having undertaken our own research we are in agreement that the values adopted reflect the current market.

### Affordable Unit Values

- 4.36 The applicant's viability consultants have proposed the inclusion of 12 affordable units within the proposed scheme. Fairview New Homes explain within their report that there is currently an oversupply of shared ownership units within the borough and so they are proposing that 100% of the affordable units should be affordable rented tenure. The blended average figure of £189psf has

been adopted for the affordable rented units based upon a proposed accommodation schedule within Appendix 1. GL Hearn's affordable housing team has reviewed the values adopted and consider that they undervalue the units. For the purposes of our modelling we have adopted £265 psf reflecting affordable rent tenure.

#### Residential Ground Rent

- 4.37 Fairview New Homes has assumed a ground rent income of £400pa for the 1 bed units, £450pa for the 2 bed units and £500pa for the 3 bed units. These have been capitalised at a yield of 5%.
- 4.38 We consider these assumptions appropriate and in line with the market and have therefore adopted these assumptions within our modelling.
- 4.39 We do note that Fairview New Homes have included the ground rent values within sheet 5 & 6 of Appendix 1 and this total cost of £518,000 is not followed through into the residential values and costs section of the appraisal. We have included the capitalised ground rent costs within our own appraisal.

#### Commercial Accommodation

- 4.40 As outlined in section 1.7, the application scheme proposes the following commercial accommodation:-

Type	Gross Internal Area Sq. m	Gross Internal Area Sq. Ft.
Commercial (B1 use)	371	3,993

- 4.41 Comparable Evidence Analysis
- 4.42 Fairview New Homes have valued the commercial element of the scheme as an office location, with B1 use classes. The report does not provide any comparable evidence for the commercial element of the scheme within their report.
- 4.43 Fairview New Homes have adopted a rental value of £25psf which is capitalised at a yield of 8%. We have undertaken our own research in order to verify the values and assumptions adopted. The planning applications for the sites allow for Use Classes A1, A2, A3 and B1 on the site. Therefore we have considered both office and retail comparables in arriving at our opinion of value for the commercial element of the scheme.

### **Office Lettings**

- 4.44 *Unit 1 Arden House, 54 Thurston Road, London, SE13 7SD* - JBS Solicitors has taken 990 sq ft (92 sq m) of office space from Fuse Pension Fund & C & C Pension Fund on a five year lease at £18,000 pa commencing 26th August 2016, equating to £18.18 psf (£195.69 psm), subject to a rent review and a tenant option to break after the third year. No rent free period was agreed. The unit is located to the south of the subject site close to Lewisham DLR within a new build block.
- 4.45 *Unit 10, 7 Arts Lane, London, SE16 3GB* - An unknown tenant has taken 862 sq ft (80.08 sq m) of ground floor office accommodation in Unit 8-10 on a 15-year lease commencing on 1st July 2015 at £39,060 pa, equating to £17.50 psf (£188.37 psm). The unit is situated to the west of the subject site within a new build block close to Bermondsey underground station.
- 4.46 *161-163 Deptford High Street, London, SE8 3NU* - Excel Centres UK Ltd has taken 909 sq ft (84.45 sq m) of ground-floor D1 space from Lewisham Council on a 10-year lease commencing 12<sup>th</sup> August 2015 at £18,000 pa, equating to £19.80 psf (£213.15 psm), subject to a three-yearly rent review and a mutual rolling option to break in year two. No incentives were agreed. The site is located on the ground floor of a unit on the high street.

### **New Developments**

- 4.47 We have also had regard to two new build developments close by where there is office space available to let and detail these below;
- 4.48 *Cannon Wharf Pell Street, SE8* - The property is located on Pell Street, just off Yeoman Street. We have been informed by the agent for the development that achieved rents on site currently range from £25.00/psf – 33.00/psf with the higher prices being achieved on the smaller work units measuring to around 500-600 sq. ft. The entire top floor of the development is currently on the market with flexible options for configuration.
- 4.49 *Adagio Greenwich Creekside, SE8* – A new build development block within the mixed use Creekside development comprising commercial accommodation on the first two floors and residential accommodation on the upper floors. We are told by the agents at the development that the accommodation which is currently available on the second floor is easily capable of being provided to suit prospective tenant's requirements at an asking rent of £25/psf.
- 4.50 We have had regard to the comparable evidence above when determining our own opinion of values for the office accommodation at the subject site. The site sits within close proximity to public transport links and close to Canary Wharf therefore we believe the site would achieve a high rental value to reflect this. We consider that the rental value of £25/psf is well supported.

### **Investment Comparables**

- 4.51 *Bridge House, 4 Borough High Street, London, SE1 9QR* - GMS Estates Ltd, the privately owned London-based property company, has purchased the freehold interest in Bridge House, SE1, from Marcol Group Ltd for £27.25 million as an investment on 30<sup>th</sup> March 2016. The income pa is £1,251,243. A price at this level reflects a net initial yield of 4.34%. The quoting price was not originally disclosed. Prominently located close by to London Bridge Underground Station and the Shard, the property is multi-let to tenants including; Adecco UK, Wilkins Kennedy LLP & International Airline Services.
- 4.52 *Bermondsey Square, 10-15 Bermondsey Square, London, SE1 3UN* - TIAA Henderson Real Estate, the investment management company, has purchased the freehold interest in Bermondsey Square from Igloo Regeneration Fund (in a joint venture with Aviva Investors Global Services Ltd) for £16.26 million as an investment on 1st February 2015, reflecting a net initial yield of 5.89%. The 40,049 sq ft mixed use property is multi-let to a variety of tenants including Sainsbury's, Red Bull Media House Ltd, Killmanjaro Live Ltd and Colour Point Studio Ltd. The rent at February 2015 was confirmed as £1,012,633 pa.
- 4.53 *Bramah House, 65-71 Bermondsey St London, SE1 3XF* - Canada Life Investments has purchased the freehold interest in Bamah House, a 15,714 sq ft (1,460 sq m) office building from Hermes Real Estate Investment Management Ltd for £14,250,000 as an investment on 11th March 2016, reflecting a net initial yield of 4.48%. The property is multi-let to tenants including Next plc and SSE Services plc. The annual rent is £675,085 pa.
- 4.54 *75 Bermondsey Street, London, SE1 3XF* - Barts and The London Charity has purchased the freehold interest in 75 Bermondsey Street, an 11,500 sq ft (1,068 sq m) office building for £9,000,000 as an investment on 4th January 2016, reflecting a net initial yield of 5%. The building has recently undergone full refurbishment, following Hermes Investment Management's purchase of the property in 2011 for just under £3m. The building is currently let to Lexis Agency Limited on a 10-year lease. The annual rent is £488,750 pa.
- 4.55 We consider that the comparable sales transactions above are located in a more desirable area close to Bermondsey which is closer to central London and London Bridge. The subject site is located close to Canary Wharf and benefits from easy access to transport links on the Overground Line and DLR. For this reason we consider that a yield of 7% is well supported.



## Cost Assumptions

### Base Build Costs

- 4.56 A budget cost estimate was prepared by DBK on behalf of the applicant to inform the viability assessment. GL Hearn has sub instructed quantity surveyors Johnson Associates (JA) to review the cost plan on behalf of the Council. The DBK cost estimate resulted in an estimated construction cost of £16,820,617 with a breakdown of cost items set out in the table below;-

Cost Item	Estimated Cost
Block A - Residential	£13,436,863
Commercial (shell & core)	£365,375
Demolition / Site preparation	£3,018,378
<b>Total</b>	<b>£16,820,617</b>

- 4.57 A line by line review of the DBK cost estimate has been undertaken and this is provided at Appendix B.
- 4.58 In overall terms it is JA's opinion that the scheme as proposed could be delivered for a total cost of £16,440,984 which represents a cost reduction of £379,633.

### Other Costs

- 4.59 Within the Fairview appraisal, there are other costs to cover site security, National Housing Building Council warranties, Manco expenditure, aftersales and maintenance. These costs amount to £239,975. We have no reason to doubt these costs.

### Professional Fees

- 4.60 Fairview New Homes has assumed professional fees of 12% of construction costs which totals £2.1m based on the present day scenario.
- 4.61 We would usually expect professional fees to be in the order of 10% or below for a scheme of this size and we therefore consider 12% adopted to represent an overestimate. For the purposes of our modelling we have adopted an allowance of 10% for professional fees.

### Marketing and Transactional fees

- 4.62 The following allowances have been made in Fairview New Homes development appraisal;-

Cost Item		Estimated Cost
Sales Fee & Marketing – 4%	Private Residential	£1,226,656
Sales Legal Fee - £800 per unit	Private Residential	£48,000
Sales Legal Fee – £1,500 per unit	Affordable Housing	£18,000

4.63 There appears to be a discrepancy within the HCA appraisal with regards to the sales and lettings fees for the commercial element of the scheme. No sales or lettings costs have been allocated to this element of the scheme; however this may be included elsewhere within the appraisal, potentially within the 4% marketing costs.

4.64 We presume the 4% marketing costs include agent's fees. We consider this is slightly excessive and have used 3.5% for the purposes of our own modelling.

#### Finance Costs

4.65 Fairview's finance costs have been assumed at 7% debit rate and 0% credit rate. Most developers are currently assuming an overall rate of between 6-7% in appraisals for schemes of this nature and so we have adopted a rate of 7% within our modelling.

#### Contingency

4.66 Fairview New Homes have adopted a contingency of 6% of build costs. The industry standard contingency cost is generally set at 5% of build costs. Fairview New Homes state that their reasons for doing so are justified given the presence of contamination on site and uncertainty relating to groundworks at the subject site. We would seek further clarification on this issue in order to determine whether an increased contingency is necessary. For the purposes of our modelling we have used 5%.

#### S106 / CIL Costs

4.67 In respect of planning contributions, the following has been assumed in the Fairview New Homes modelling:-

- A Mayoral CIL allowance £165,000
- A Local Borough CIL allowance of £375,000
- £20,000 Solicitors Fees
- £250,000 Planning Obligations

4.68 We assume that these CIL payments have been agreed with the local planning authority and for the purpose of our own modelling we have mirrored the assumptions above as adopted by the applicant.

### Developer's Profit

4.69 Fairview New Homes has adopted a separate profit on GDV for the affordable rent, commercial and private residential elements of the scheme. This has been arrived at by applying the following profit targets:

- Private Residential Units 20% on GDV
- Affordable Units 6% on GDV
- Commercial Units 20% on GDV

4.70 Whilst 20% will often be argued by applicants, in the current competitive development market, particularly in attractive locations such as the subject site, we would expect developers to require a profit of 15% for the commercial element and this has been adopted within our modelling.

### Summary Table

4.71 The table below provides a summary of the above analysis highlighting any areas of difference, which will form the basis of our sensitivity testing in the following section

Assumption	Fairview figure	GLH figure (where different)	Comments
<b>Sales and Revenue</b>			
Private Residential Sales Values	£732psf	-	We consider that the values adopted reflect current market values
Affordable Units	£189psf	£265psf	We consider that the affordable rent values are too low
Residential Ground Rent	£400 for 1 bed £450 for 2 bed £500 for 3 bed	-	We consider that these ground rents reflect current market values
<b>Development Costs</b>			
Construction Costs	£16,820,617	£16,440,984	We have adopted JA's opinion of construction costs
Contingency	6%	5%	We have adopted 5% until the higher figure of 6% is justified
Professional Fees	12%	10%	We are of the opinion 10% is reasonable given the context of the scheme.
Private Sales Agency and Marketing Fees	4% GDV Private Residential	3.5% GDV Private Residential	Clarification required as to whether the marketing costs include the commercial component
Private Sales Legal Fees	£800 per private residential unit		

Affordable Legal Fees	£18,000 (£1,500 per unit)	-	-
Commercial Letting Agent Fees	?	-	See above
Commercial Letting Legal Fees	?	-	-
Combined Mayoral/Borough CIL/S.106 costs	£810,000		We assume that these payments have been agreed with the local planning authority
Interest / Finance Costs	7%	-	Acceptable rate.
Developers Profit	20% on GDV Private Units & Commercial 6% on GDV Affordable Units	15% on GDV for Commercial	We have adopted the same rates for the residential components, but have reduced the commercial profit to 15%
Benchmark Land Value	£6,600,000	£3,685,000	A review of comparable evidence suggests that the applicant's BLV is too high

## 5 FINANCIAL APPRAISALS & INITIAL CONCLUSIONS

5.1 Where our own market research has indicated that the inputs used have not been fully justified we have sought to illustrate the potential impact on land value. In this respect we have undertaken sensitivity analysis using Argus Developer, which is a leading industry-standard development appraisal package commonly used by developers and agents to assess development viability.

5.2 Although this analysis does not constitute formal valuations under the provisions of the RICS Valuation Standards ('Red Book') it will help in providing evidence to inform the Council's decision making process in respect of the applicant's planning application.

5.3 As has been highlighted in summary table in the previous section we are not in disagreement with the majority of assumptions adopted. However there are some inputs where we believe the assumptions to be overstated namely build costs, contingency, professional fees and the commercial profit margin. In addition it is our opinion that the values adopted for the affordable rent tenure units have been understated.

5.4 Given the above we have undertaken sensitivity analysis making adjustments to:-

- Build costs - a cost reduction of £379,633
- Professional fees – a reduction of the allowance of 12% to 10%
- Contingency – a reduction of the allowance of 6% to 5%
- Private Residential Sales and Marketing Costs – a reduction from 4% to 3.5%
- Commercial profit margin – a reduction from 20% on GDV to 15% on GDV
- Stamp Duty Land Tax – to reflect recent Government changes
- Affordable housing values – and increase in the sales value attributed to the affordable rent accommodation from £189 psf to £265 psf

5.5 The table below shows the key differences between the two appraisals:

Appraisal	Benchmark Land Value	GDV	Total Costs	Residual Land Value	Surplus/Deficit	Affordable Housing
Fairview New Homes	£6,600,000	£33.6m	£30.96m	£2.64m	-£3.96m	16.67% (12 units)
GL Hearn	£3,685,000	£34.2m	£30.03m	£4.17m	£485,000	16.67% (12 units)

5.6 Making the above adjustments to the application scheme our analysis indicates that there is a surplus of £485,000 above our benchmark land value. This additional amount equates to two affordable rent units, taking the quantum from 12 to 14 flats, which is 19.4% of the total of 72 units.

Alternatively, the sum of £485,000 could be taken as a financial contribution to fund other affordable housing schemes in the Borough.

### **Overall Summary & initial Conclusions**

- 5.7 Based on our analysis, it is our opinion that the Benchmark Land Value adopted by the applicant has been overstated at £6.6m, although we recognise that Fairview New Homes is still offering to deliver 12 affordable rent units, equating to 16.67% of the total number of 72 dwellings, which based on their figures falls well below the viability threshold.
- 5.8 Our own modelling of the scheme has indicated a residual land value of £4.17m, due to the increase in affordable rent values, a reduction in build costs, and a lowering of professional fees, contingency, private sales and marketing costs and commercial profit margin. This produces a surplus of £485,000 when compared to our Benchmark Land Value of £3.685m.
- 5.9 The additional sum of circa £485,000 could deliver an additional two affordable rent units within the scheme, increasing the number from 12 to 14 flats, which represents an overall proportion of 19.4%.
- 5.10 It should also be noted that Fairview New Homes is providing 100% affordable rent tenure units, with no shared ownership units being offered. A policy compliant mix of affordable homes would increase the GDV further, as the typical values for shared ownership units are between £350-£400 psf. This would potentially enable the Council to seek a higher number of affordable units if it elected to pursue a policy compliant mix.

## 6 NOVEMBER UPDATE AND FINAL RECOMMENDATION

6.1 Since submitting the draft viability assessment, GL Hearn met with Fairview New Homes on 21<sup>st</sup> October 2016, and subsequently the Applicant responded to our draft assessment on 9<sup>th</sup> November 2016, including a revised development appraisal.

6.2 We reviewed Fairview's response and commented on their key points, including:

- **Revenues 2) : Affordable Housing** – we note that Fairview has secured a higher bid for the affordable element from Phoenix CH and this equates to £266 psf, which is in-line with our analysis at £265 psf.
- **Costs 2a) : Build Costs** – Fairview has reduced their build costs by a further £201,956 and as such there is only a very small gap between us. It is our view and given the concessions they have made on over items that we adopted their position of costs for modelling purposes.
- **Costs 2b) : Contingency Sum** – Fairview has provided some explanation for the higher contingency level of 6%, although we would suggest that this is probably a similar issue for the majority of brownfield sites in this part of Lewisham. However, we are prepared to increase the contingency to reflect a potentially higher risk of contamination to and therefore adopt a mid-point of 5.5%.
- **Costs 2c) : Professional Fees** – Fairview has provided a lengthy explanation of why professional fees should be at 12% rather than 10% (including additional technical work on sewerage, contamination, and rights to light issues), and also acknowledge that all of the planning fees/costs to date would also be within the Professional fees allowance. On this basis, we accept that 12% in this particular circumstance is reasonable.
- **Costs 2d) : Commercial Sales and Legal Fees** – Fairview acknowledge that they did not include provision for fees and marketing in relation to the commercial element and have included £50,000 to reflect this. It is fair that these costs are included and the level indicated we would deem to be in line with market levels.
- **Costs 2e) : Benchmark Land Value** – On one hand Fairview seems to support our BLV, whilst also in the same section suggesting it is too low. We continue to support our position that the BLV should be £3,685,000.
- **Costs 2f) : Marketing Costs** – Fairview suggests that marketing costs should be at 4% and not at our suggested level of 3.5%. We continue to support our position at 3.5%, as there is little justification from Fairview for the higher figure. 3.5% is more reflective of other FVA we have reviewed in the Borough and therefore indicates market acceptance.
- **Costs 2g) : CIL and Section 106 Costs** – We would recommend that you check this revised figure of £1,056,075 and ensure that this is reflected in the s.106 agreement and CIL payments. The original estimate was £810,000.
- **Conclusion 1) : Revised viability assessment** – Fairview has revised its appraisal based on the changes set out within their response, which generates a residual land value of **£3,155,941**, indicating that even with 12 affordable rent units, the BLV of £3,685,000 cannot be reached. We have revised our own appraisal, which is attached, which models the changes as set out in the bullet points above. This generates a residual land value of **£3,744,340**, which is **£59,340** above the BLV. We would suggest that given the issues that Fairview has with introducing additional affordable units within a separate block within the scheme, which can have management

issues/costs, the additional sum of circa £59,000 should be taken as a payment for off-site affordable housing within the Borough as part of the s.106 agreement.

- **Conclusion 2) : Tenure Change** – This was discussed at the meeting with Fairview, and my understanding is that the Council are general supportive of the 100% affordable rent tenure being proposed.

6.3 Our recommendation to seek an additional payment of £59,000 in addition to the 12 affordable units from Fairview New Homes was put to the Applicant by the Council, and accepted in an email response dated 18<sup>th</sup> November 2016. However this was subject to final agreement being reached in respect of 106 costs and confirmation of the CIL payment. The email also stated that the offer was based on a viability review mechanism not being imposed, provided that the planning permission is implemented within 12 months of the s.106 being signed.

6.4 Subsequently, through negotiations of the s.106 agreement and CIL payment, the revised amounts have been confirmed as £439,590 and £529,748.99 respectively, creating a total of £969,338.99. Therefore the revised in-lieu payment, including the £59,000 additional sum would be £145,736.01. The Applicant has agreed to the above including the updated in-lieu payment figure.

6.5 To conclude, the offer put forward by Fairview New Homes is considered reasonable and one that the Council should accept.



**APPENDIX A: BUILD COST ANALYSIS**

COST PLAN NR. 3

**DBK**

# YEOMAN STREET

**Proposed Residential Development**

Job Nr. 9653

**PREPARED FOR FAIRVIEW NEW  
HOMES LTD**

**2nd September 2016**

	<b>DBK LLP</b>	
	<b>Initial</b>	<b>Date</b>
Prepared by	GW	02/09/16
Comp Check	GW	02/09/16
Approved by	NRA	02/09/16

## Contents

1. Introduction & Objectives
  2. Executive Summary
  3. Functional & Financial Analysis
  4. Exclusions
  5. Assumptions & Outline Specification
  6. Risk Profile
  7. Data Used In Preparation of Cost Model
- Appendix A - Cost Analysis

## 1. Introduction & Objectives

The scheme comprises the construction of 1 Nr residential block and the shell only to commercial space . Accommodation is a combination of Private and affordable units. Site specific costs are included in accordance with the Technical Report together with external siteworks, drainage & incoming services.

The report is an integral element of the design process, the objectives being:

- review viability of concept proposals set against Client budgets
- provide accurate market based costs relative to design stage
- provide management tool from which to manage construction cost information
- benchmark design / auditing process
- define risk analysis and value engineering targets
- determine functional analysis and cost

### Inflation Statement

This document is base dated at 3Q 2016

The costs stated forecast the anticipated tender sum & include for inflation during the anticipated 18-20 month construction period.

Deferment from the base date to anticipated commencement is excluded. Current market forecasts indicate a tender inflation rate of 4-6% per annum for next year. For the purposes of this Cost Plan tender inflation is excluded.

Noted but TPI All-In index is indicating a reduction in the tender levels over the next period.

## 2. Executive Summary

## Main Summary

Block A	£13,436,863	
Commercial	£365,375	
Site Specific Costs	£3,018,378	
Design Fees (Excluded)	£0	
<b>SCHEME TOTAL (excl design fees)</b>	<b>£16,820,617</b>	
£/m2 Resi GIFA	£2,580	
£/ft2 Resi GIFA	£240	
<b>Estimated Cost Range</b>	<b>£15.98</b>	↔ <b>£17.66 M</b>

Projected Inflation Forecast to 4Q 2016

Excluded

## JA Total

£13,086,151	
£362,252	
£2,992,580	
£0	
<b>£16,440,984</b>	Variance: £379,633
<b>£2,522</b>	
<b>£234</b>	

BLOCK A		£	£/m <sup>2</sup>	£/ft <sup>2</sup>	£/ft <sup>2</sup>
			gross		saleable
			6,520	70,181	50,535
Substructures		£128,005	£19.63	£1.82	£2.53
Frame & Upper Floors		£1,539,192	£236.07	£21.93	£30.46
Stairs		£119,700	£18.36	£1.71	£2.37
Roof		£592,080	£90.81	£8.44	£11.72
External Walls, Windows and External Doors		£1,242,010	£190.49	£17.70	£24.58
Architectural Metalwork		£520,600	£79.85	£7.42	£10.30
Internal Walls		£402,968	£61.80	£5.74	£7.97
<b>Shell &amp; Core - sub-total</b>		<b>£4,544,554</b>	<b>£697.02</b>	<b>£64.75</b>	<b>£89.93</b>
<b>Private Rented Sector</b>					
1 Bed 2 Person Apartments		£591,004	£90.64	£8.42	£11.69
2 Bed 3 Person Apartments		£28,002	£4.29	£0.40	£0.55
2 Bed 4 Person Apartments		£726,320	£111.40	£10.35	£14.37
3 Bed 5 Person Apartments		£260,492	£39.95	£3.71	£5.15
<b>Affordable Housing - Rented</b>					
1 Bed 2 Person Apartments		£18,300	£2.81	£0.26	£0.36
2 Bed 3 Person Apartments		£52,872	£8.11	£0.75	£1.05
2 Bed 4 Person Apartments		£114,928	£17.63	£1.64	£2.27
3 Bed 4 Person Apartments		£29,940	£4.59	£0.43	£0.59
3 Bed 5 Person Apartments		£136,508	£20.94	£1.95	£2.70
Circulation		£333,552	£51.16	£4.75	£6.60
Mechanical Services Installation		£1,760,400	£270.00	£25.08	£34.83
Electrical Installations		£1,108,400	£170.00	£15.79	£21.93
Lift Installations		£380,000	£58.28	£5.41	£7.52
Builders Work in Connection with MEP		£143,440	£22.00	£2.04	£2.84
<b>Fitting Out - sub-total</b>		<b>£5,684,158</b>	<b>£871.80</b>	<b>£80.99</b>	<b>£112.48</b>
Siteworks		£291,920	£44.77	£4.16	£5.78
Drainage		£97,800	£15.00	£1.39	£1.94
Utilities		£216,000	£33.13	£3.08	£4.27
<b>External Works - sub-total</b>		<b>£605,720</b>	<b>£92.90</b>	<b>£8.63</b>	<b>£11.99</b>
<b>Sub-total - building works</b>		<b>£10,834,432</b>	<b>£1,661.72</b>	<b>£154.38</b>	<b>£214.39</b>
Preliminaries	17%	£1,841,854	£282.49	£26.24	£36.45
Overheads	6%	£760,577	£116.65	£10.84	£15.05
Design Development Contingencies	0%	£0	£0.00	£0.00	£0.00
<b>Total Build Cost</b>		<b>£13,436,863</b>	<b>£2,060.87</b>	<b>£191.46</b>	<b>£265.89</b>
Design Fees (Excluded)	0%	£0	£0.00	£0.00	£0.00
<i>Projected 12 Month Inflation Forecast</i>		<b>Excluded</b>			

JA Total	JA Comments
	Refer to backup tabs for detailed comments
£128,005	
£1,539,192	
£94,500	
£492,080	
£1,222,010	
£476,100	
£402,968	
£4,354,854	
£591,004	
£28,002	
£726,320	
£260,492	
£18,300	
£52,872	
£114,928	
£29,940	
£136,508	
£331,428	
£1,760,400	
£1,108,400	
£380,000	
£143,440	
£5,682,034	
£291,920	
£97,800	
£216,000	
£605,720	
£10,642,608	
£1,702,817	Propose 16% preliminaries based on current market feedback and the level of pricing of the measured works.
£740,726	6% OH&P ok and reflects market level for this size of project.
£0	Noted
£13,086,151	
£0	Noted
<b>Excluded</b>	See comment above

Commercial		£	£/m <sup>2</sup>	£/ft <sup>2</sup>	£/ft <sup>2</sup>
			gross		saleable
			438	4,715	4,715
Substructures		£102,930	£235.00	£21.83	£21.83
Frame & Upper Floors		£0	£0.00	£0.00	£0.00
Stairs		£0	£0.00	£0.00	£0.00
Roof		£0	£0.00	£0.00	£0.00
External Walls, Windows and External Doors		£147,420	£336.58	£31.27	£31.27
Architectural Metalwork		£0	£0.00	£0.00	£0.00
Internal Walls		£0	£0.00	£0.00	£0.00
<b>Shell &amp; Core - sub-total</b>		<b>£250,350</b>	<b>£571.58</b>	<b>£53.10</b>	<b>£53.10</b>
			£0.00	£0.00	£0.00
Circulation		£0	£0.00	£0.00	£0.00
Mechanical and Public Health Services Installation		£0	£0.00	£0.00	£0.00
Electrical Installations		£0	£0.00	£0.00	£0.00
Lift Installations		£0	£0.00	£0.00	£0.00
Builders Work in Connection with MEP		£0	£0.00	£0.00	£0.00
<b>Fitting Out - sub-total</b>		<b>£0</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>
			£0.00	£0.00	£0.00
Siteworks		£0	£0.00	£0.00	£0.00
Drainage		£8,760	£20.00	£1.86	£1.86
Utilities		£35,500	£81.05	£7.53	£7.53
<b>External Works - sub-total</b>		<b>£44,260</b>	<b>£101.05</b>	<b>£9.39</b>	<b>£9.39</b>
<b>Sub-total - building works</b>		<b>£294,610</b>	<b>£672.63</b>	<b>£62.49</b>	<b>£62.49</b>
Preliminaries	17%	£50,084	£114.35	£10.62	£10.62
Overheads	6%	£20,682	£47.22	£4.39	£4.39
Design Development Contingencies	0%	£0	£0.00	£0.00	£0.00
<b>Total Build Cost</b>		<b>£365,375</b>	<b>£834.19</b>	<b>£77.50</b>	<b>£77.50</b>
Design Fees (Excluded)	0%		£0.00	£0.00	£0.00
<i>Projected 12 Month Inflation Forecast</i>		<b>Excluded</b>			

JA Total	JA Comments
£102,930	
£0	
£0	
£0	
£147,420	
£0	
£0	
£250,350	
£0	
£0	
£0	
£0	
£0	
£0	
£0	
£0	
£8,760	
£35,500	
£44,260	
£294,610	
£47,138	Propose 16% preliminaries based on current market feedback and the level of pricing of the measured works.
£20,505	6% OH&P ok and reflects market level for this size of project.
£0	Noted
£362,252	
	Noted
<b>Excluded</b>	See comment above



BLOCK A				
<b>Functional data</b>				
Apartment Mix - Private				
1 bed 2 person apartments	29 Nr	area m <sup>2</sup> 1489.3	area ft <sup>2</sup> 16,031	mix % 48%
2 bed 3 person apartments	1 Nr	63.8	687	2%
2 bed 4 person apartments	23 Nr	1,654.4	17,808	38%
3 bed 5 person apartments	7 Nr	603.2	6,493	12%
<b>Nr of apartments</b>	<b>60 Nr</b>			
Apartment Mix - Affordable Housing - Rented				
1 bed 2 person apartments	1 Nr	50.0	538	8%
2 bed 3 person apartments	2 Nr	127.4	1,371	17%
2 bed 4 person apartments	4 Nr	287.6	3,096	33%
3 bed 4 person apartments	1 Nr	74.0	797	8%
3 bed 5 person apartments	4 Nr	345.2	3,716	33%
<b>Nr of apartments</b>	<b>12 Nr</b>			
<b>Net saleable residential area</b>		<b>4,695</b>	<b>50,535</b>	
Circulation		708.0		
Party wall area		1,117.1	12,024	
Residential gross floor area		6,520.0	70,181	
Net: gross floor area ratio		72%		
Average saleable area per apartment		702	ft <sup>2</sup>	

COMBINED				
<b>Functional data</b>				
Unit Mix				
1 bed 2 person apartments	30 Nr	area m <sup>2</sup> 1,539	area ft <sup>2</sup> 16,569	mix % 33%
2 bed 3 person apartments	3 Nr	191.2	2,058	4%
2 bed 4 person apartments	27 Nr	1,942	20,903	41%
3 bed 4 person apartments	1 Nr	74	797	2%
3 bed 5 person apartments	11 Nr	948	10,208	20%
<b>Nr of Units</b>	<b>72 Nr</b>			
<b>Net saleable residential area</b>	<b>72 Nr</b>	<b>4,695</b>	<b>50,535</b>	67%
Circulation		708	7,621	
Party wall area		1,117	12,024	
<b>Residential gross floor area</b>		<b>6,520</b>	<b>70,181</b>	
Net: gross floor area ratio		72%		
Average saleable area per apartment / dwelling		702	ft <sup>2</sup>	



#### 4. Exclusions

The following items and issues are excluded but should be considered for inclusion by the Client within the overall Development Appraisal.

##### Development Appraisal exclusions

VAT  
 Land purchase costs & Stamp Duty  
 Finance charges  
 Legal costs (acquisition & construction)  
 Design fees  
 Overheads and Profit  
 Project Manager / QS / EA fees  
 CDM Coordinator  
 Party wall costs & fees  
 Other specialist consultants  
 Site surveys  
 SI/GI reports  
 Planning consultant  
 Planning application fees  
 Associated survey & report costs & fees  
 S106 Agreement costs & fees  
 S278 Agreement costs & fees  
 Building Regulation Fees  
 Premier Guarantee / NHBC  
 CIL  
 Archaeology  
 Ecology  
 Brand / promotion signage  
 Right to light compensation (if required)  
 Oversailing costs & fees  
 Inflation (increased construction costs beyond base date)  
 Contingencies

##### Technical Exclusions

Ground probing  
 UXO's  
 Fire engineering abnormals  
 Comfort cooling  
 Blinds, screens, shutters & curtains  
 Enhanced specification

Basement plantroom  
 Sewer diversions  
 Off site highway works  
 Service diversions

Main Contractors OH&P included.

Check if any s278 works anticipated.

Are any anticipated ?

Specification presumable reflects the values being quoted.

## 5. Assumptions & Outline Specification

### Procurement

These costs are based upon competitive tender using JCT Design & Build contract  
Estimated Build Programme 18-20 months

Noted

### ASSUMPTION / OUTLINE SPECIFICATION

#### General

DBK has based assumptions on the documentation provided and has not visited site.  
Preliminaries allowance is at 17%.  
Overheads allowance is at 6%.

See previous comments.  
See previous comments.

**NEW BUILD**

**Shell & Core Structure**

Piled foundation  
 Reinforced Concrete Frame structure  
 Reinforced/ pcc concrete staircases with balustrades and handrails  
 Concrete structure to main flat roof,  
 Facing brick outer skin, cavity, blockwork inner skin  
 Metal cladding to top floor  
 Windows; double glazed, Aluminium/ timber composite  
 Acoustic partitions generally as corridor & party walls;  
 Balconies; Bolt on balconies, cantilevered from the RC upper floor slabs

**Fit Out**

Internal metal stud partitioning & doors  
 Apartments - Floor, wall & ceiling finishings throughout  
 General fittings  
 Kitchen fittings & appliances - Provisional allowances as follows:  
Private  
 1B2P - £3,500, 2B3P - £4,500, 2B4P - £5,000, 3B5P - £5,500  
Rented  
 1B2P - £3,000, 2B3P/2B4P - £4,000, 3B4P - £4,250 3B5P - £4,500  
 Bathroom and ensuite allowance: Private £2,500 each; Rented £2,300 each  
 M&E

**External works & services**

Hard paving areas  
 Permeable paving to private road and car parking areas  
 Soft landscaping / trees etc  
 Allowance for street furniture & external signage  
 External lighting  
 Drainage & storm water attenuation  
 Allowance of £1.2m for ex-situ remediation as per technical report  
  
 Allowance for single substation  
 Allowance for incoming services

All noted.

Noted

Noted

Noted - significant figure which is included within the cost figures (Site costs).

## 6. Risk Profile

The following specific risks may have financial implications on the viability of the scheme. Where possible and appropriate cost allowances, as noted, have been included in the assessment of cost.

The following is a preliminary review & it is recommended that further investigation, as noted, be implemented seeking to obviate, reduce or minimise such costs within the scheme.

### *Item/Issue*

Planning - massing / mix / elevations key  
Deliverable net floor areas  
Demolitions  
Ground  
Piling  
Drainage  
Incoming services  
Service diversions & reinforcement  
Highways  
Acoustic attenuation  
Fire strategy  
Building Regulations  
Right to light compensation / fees  
Crane oversail licence - compensation  
External specification  
Elevational treatment  
Internal specification  
M&E specification  
Carbon reduction technologies  
Refuse strategy  
Product spec relation to sales values  
Tender market fluctuations



## Appendix A - Cost Analysis

BLOCK A				JA Rate	JA Total	JA Comments
<b>STRUCTURAL SHELL - LOADBEARING MASONRY CONSTRUCTION</b>						
<b>Substructures</b>				<b>128,005</b>		<b>128,005</b>
Reinforced concrete raft foundation, 225mm deep RC slabs;	545 m2	110	59,917	110	59,917	Ok but note EO cost for piling in Site Costs tab
Ground beams & foundation bases (notional allowance)	545 m2	125	68,088	125	68,088	Ok
<b>Frame &amp; Upper Floors</b>				<b>1,539,192</b>		<b>1,539,192</b>
Reinforced concrete frame	6,413 m2	240	1,539,192	240	1,539,192	Top end for frame and upper floor
<b>Stairs</b>				<b>119,700</b>		<b>94,500</b>
Precast or insitu concrete; straight flights; half landings	21 Nr	5,700	119,700	4,500	94,500	High as balustrade and handrails allowed separately - see below. £4,500 should be achievable.
<b>Roof</b>				<b>592,080</b>		<b>492,080</b>
Concrete structure to main flat roof, battens, felt membranes etc	967 m2	240	232,080	240	232,080	Ok.
Allowance for gutters/down pipes	1 item	10,000	10,000	10,000	10,000	Ok
Allowance for PV panels	1 item	350,000	350,000	250,000	250,000	For review seems excessive given level of costs of PV's currently.
<b>External Envelope</b>	3,703 m2 EUQ			<b>1,242,010</b>		<b>1,222,010</b>
Facing brick cavity walls, buff (PC sum £400 - £450 per 1000); cavity, insulation, concrete blockwork inner skin (60%)	2,222 m2	270	599,935	270	599,935	Top end of expectation but brick price will be a challenge to achieve in the current market so retain as allowed.
Windows; double glazed, (30%)	1,111 m2	350	388,847	350	388,847	Ok - lower end of range.
Timber Cladding (5%)	185 m2	380	70,363	380	70,363	Ok
Metal cladding to top floor (5%)	185 m2	400	74,066	400	74,066	Ok
Single entrance door	6 Nr	1,000	6,000	1,000	6,000	Ok
Double entrance door	6 Nr	1,800	10,800	1,800	10,800	Ok
Louvered entrance door	1 Nr	2,000	2,000	2,000	2,000	Ok
Terrace; slab, decking, insulation & drainage	200 m2	450	90,000	350	70,000	Seems high but small areas but adjust to £350/m2
<b>Architectural Metalwork</b>				<b>520,600</b>		<b>476,100</b>
Bolt on balconies; galvanized structure, open slat timber floor, drainage and balustrade - large	27 Nr	8,500	229,500	7,500	202,500	Would propose £7,500 for balconies would reflect the size / quality required.
Bolt on balconies; galvanized structure, open slat timber floor, drainage and balustrade - small	35 Nr	6,500	227,500	6,000	210,000	Would propose £6,000 for balconies would reflect the size / quality required.
Balustrade to terraces(1.1m high)	106 m	600	63,600	600	63,600	
<b>Internal Walls</b>				<b>402,968</b>		<b>402,968</b>
Acoustic party / corridor / other walls	3,987 m2	80	318,968	80	318,968	Ok
Form stair cores (per floor)	21 Nr	3,000	63,000	3,000	63,000	Ok
Form ducts & risers (per floor)	21 Nr	1,000	21,000	1,000	21,000	Ok

## FITTING OUT WORKS

**Private**

<b>1 Bed 2 Person Apartments</b>				<b>591,004</b>			<b>591,004</b>	
Generally	1,489 m2	280	417,004		280	417,004	Ok - see further cost / comment below.	
Extra; kitchens	29 Nr	3,500	101,500		3,500	101,500	Ok.	
Extra; bathroom suites	29 Nr	2,500	72,500		2,500	72,500	Ok.	
<b>2 Bed 3 Person Apartments</b>				<b>28,002</b>			<b>28,002</b>	
Generally	64 m2	290	18,502		290	18,502	Ok - see further cost / comment below.	
Extra; kitchens	1 Nr	4,500	4,500		4,500	4,500	Ok.	
Extra; bathroom suites	1 Nr	2,500	2,500		2,500	2,500	Ok.	
Extra; ensuite bathroom	1 Nr	2,500	2,500		2,500	2,500	Ok.	
<b>2 Bed 4 Person Apartments</b>				<b>726,320</b>			<b>726,320</b>	
Generally	1654 m2	300	496,320		300	496,320	Ok - see further cost / comment below.	
Extra; kitchens	23 Nr	5,000	115,000		5,000	115,000	Ok.	
Extra; bathroom suites	23 Nr	2,500	57,500		2,500	57,500	Ok.	
Extra; ensuite bathroom	23 Nr	2,500	57,500		2,500	57,500	Ok.	
<b>3 Bed 5 Person Apartments</b>				<b>260,492</b>			<b>260,492</b>	
Generally	603 m2	310	186,992		310	186,992	Ok - see further cost / comment below.	
Extra; kitchens	7 Nr	5,500	38,500		5,500	38,500	Ok.	
Extra; bathroom suites	7 Nr	2,500	17,500		2,500	17,500	Ok.	
Extra; ensuite bathroom	7 Nr	2,500	17,500		2,500	17,500	Ok.	
<b>Rented</b>								
<b>1 Bed 2 Person Apartments</b>				<b>18,300</b>			<b>18,300</b>	
Generally	50 m2	260	13,000		260	13,000	Ok - see further cost / comment below.	
Extra; kitchens	1 Nr	3,000	3,000		3,000	3,000	Ok.	
Extra; bathroom suites	1 Nr	2,300	2,300		2,300	2,300	Ok.	
<b>2 Bed 3 Person Apartments</b>				<b>52,872</b>			<b>52,872</b>	
Generally	127 m2	280	35,672		280	35,672	Ok - see further cost / comment below.	
Extra; kitchens	2 Nr	4,000	8,000		4,000	8,000	Ok.	
Extra; bathroom suites	2 Nr	2,300	4,600		2,300	4,600	Ok.	
Extra; ensuite bathroom	2 Nr	2,300	4,600		2,300	4,600	Ok.	
<b>2 Bed 4 Person Apartments</b>				<b>114,928</b>			<b>114,928</b>	
Generally	288 m2	280	80,528		280	80,528	Ok - see further cost / comment below.	
Extra; kitchens	4 Nr	4,000	16,000		4,000	16,000	Ok.	
Extra; bathroom suites	4 Nr	2,300	9,200		2,300	9,200	Ok.	
Extra; ensuite bathroom	4 Nr	2,300	9,200		2,300	9,200	Ok.	
<b>3 Bed 4 Person Apartments</b>				<b>29,940</b>			<b>29,940</b>	
Generally	74 m2	285	21,090		285	21,090	Ok - see further cost / comment below.	
Extra; kitchens	1 Nr	4,250	4,250		4,250	4,250	Ok.	
Extra; bathroom suites	1 Nr	2,300	2,300		2,300	2,300	Ok.	
Extra; ensuite bathroom	1 Nr	2,300	2,300		2,300	2,300	Ok.	
<b>3 Bed 5 Person Apartments</b>				<b>136,508</b>			<b>136,508</b>	
Generally	345 m2	290	100,108		290	100,108	Ok - see further cost / comment below.	
Extra; kitchens	4 Nr	4,500	18,000		4,500	18,000	Ok.	
Extra; bathroom suites	4 Nr	2,300	9,200		2,300	9,200	Ok.	
Extra; ensuite bathroom	4 Nr	2,300	9,200		2,300	9,200	Ok.	



<b>Circulation</b>				<b>333,552</b>	<b>331,428</b>		
<u>Stairs</u>							
Balustrades; glass & s/s steel; generally	21 Nr	2,000	42,000	2,000	42,000	Ok noted and see comment above re stairs	
Handrails; generally	21 Nr	500	10,500	500	10,500	Ok noted and see comment above re stairs	
Carpet nosings & risers	21 Nr	800	16,800	800	16,800	Ok noted and see comment above re stairs	
<u>Internal Doors / screens</u>							
Single doors	33 Nr	500	16,500	500	16,500	Ok.	
Electrical cupboard doors; double	20 Nr	550	11,000	550	11,000	Ok.	
Meter cupboard doors; single	35 Nr	260	9,100	260	9,100	Ok.	
<u>Wall Finishes</u>							
Plasterboard linings (generally to stair concrete walls); decoration (GIFA)	708 m2	100	70,800	100	70,800		
Entrance lobby / waiting area enhancement	3 Nr	5,000	15,000	5,000	15,000		
<u>Floor Finishes</u>							
Screed / insulation	708 m2	48	33,984	45	31,860	Screed and insulation rate appears high. £45/m2 should be sufficient.	
Carpet	708 m2	37	26,196	37	26,196	Ok	
Joinery; decoration	708 m2	27	19,116	27	19,116	Ok	
Mat & well	3 Nr	1,500	4,500	1,500	4,500	Ok	
<u>Ceiling Finishes</u>							
Ceiling finishings - suspended acoustic Gyproc; plaster & emulsion	708 m2	40	28,320	40	28,320	Ok	
<u>Fittings</u>							
Allowance	708 m2	42	29,736	42	29,736	Ok	
<b>Mechanical Services Installation</b>				<b>1,760,400</b>	<b>1,760,400</b>		
General allowance based on av cost/m2	6,520 m2	270	1,760,400	270	1,760,400	Ok at £24,450 per unit - check MVHR.	
<b>Electrical Installations</b>				<b>1,108,400</b>	<b>1,108,400</b>		
General allowance based on av cost/m2	6,520 m2	170	1,108,400	170	1,108,400	Ok at £15,394 per unit	
<b>Lift Installations</b>				<b>380,000</b>	<b>380,000</b>		
Allowance for lift from Ground to 5th floor	2 Nr	70,000	140,000	70,000	140,000	Ok	
Allowance for lift from Ground to 6th floor	1 Nr	75,000	75,000	75,000	75,000	Ok	
Allowance for lift from Ground to 7th floor	1 Nr	80,000	80,000	80,000	80,000	Ok	
E/O firefighting lift	1 Nr	85,000	85,000	85,000	85,000	EO rate seems high - £25,000 should be sufficient.	
<b>Builders Work in Connection with MEP</b>				<b>143,440</b>	<b>143,440</b>		
BWIC allowance	5%	2,868,800	143,440	2,868,800	143,440	Ok but top end.	

**EXTERNAL WORKS**

<b>Site Works</b>				<b>291,920</b>			<b>291,920</b>	
See separate site works build up								
<b>Drainage</b>				<b>97,800</b>			<b>97,800</b>	
Drainage based on gross floor area	6,520 m2	15	97,800		15	97,800		Ok
<b>Utilities</b>				<b>216,000</b>			<b>216,000</b>	
Incoming services	72 Nr	2,500	180,000		2,500	180,000		Ok
BWIC services	72 Nr	500	36,000		500	36,000		Ok

**COMMERCIAL (SHELL ONLY)**

				JA Rate	JA Total	JA Comments
<b>STRUCTURAL SHELL</b>						
<b>Substructures</b>						
Reinforced concrete raft foundation, 225mm deep RC slabs;	438 m2	110	48,180	110	48,180	Ok
Ground beams & foundation bases (notional allowance)	438 m2	125	54,750	125	54,750	
<b>Frame &amp; Upper Floors</b>						
Reinforced concrete frame	See residential block					Ok
<b>External Envelope</b>						
Facing brick cavity walls, buff (PC sum £400 - £450 per 1000); cavity, insulation, concrete	126 m2	270	34,020	270	34,020	See previous comments
Windows; shopfront glazing	189 m2	600	113,400	600	113,400	NB shop fronts allowed.
<b>Internal Walls</b>						
Acoustic party / corridor walls	See residential block					Noted
<b>STRUCTURAL SHELL</b>				<b>250,350</b>	<b>250,350</b>	
<b>Fitting Out - By Tenant</b>						
<b>FITTING OUT</b>				<b>0</b>	<b>0</b>	
<b>Drainage</b>						
Drainage based on gross floor area	438 m2	20	8,760	20	8,760	Ok
<b>Utilities</b>						
Incoming supplies to commercial	1 item	30,000	30,000	30,000	30,000	Ok
Car charging points	1 Nr	4,000	4,000	4,000	4,000	Ok
	1 Nr	1,500	1,500	1,500	1,500	Ok
<b>Commercial net total</b>				<b>294,610</b>	<b>294,610</b>	

SITE SPECIFIC COSTS				JA Rate	JA Total	JA Comments
<b>Demolitions</b>			<b>316,176</b>		<b>316,176</b>	
Site clearance - hard/Soft landscaping; disposal off site	2,696 m2	6	16,176	6	16,176	Noted
Demolition of existing buildings	1 item	300,000	300,000	300,000	300,000	Noted
<b>Ground Works</b>			<b>1,261,000</b>		<b>1,261,000</b>	
Remediation: Ex-situ soil stabilisation - Allowance as per technical report	1 item	1,241,000	1,241,000	1,241,000	1,241,000	Noted significant abnormal cost
Gas membrane	1 item	20,000	20,000	20,000	20,000	
<b>Foundations</b>			<b>221,108</b>		<b>221,108</b>	
450 diameter x 14m deep piling to Commercial	438 m2	225	98,550	225	98,550	Refer to substructure cost note
450 diameter x 14m deep piling to Block A	545 m2	225	122,558	225	122,558	Refer to substructure cost note
<b>Drainage</b>			<b>105,000</b>		<b>105,000</b>	
Underpass over line of sewer; 7.35m wide x two storeys high - notional allowance	1 item	50,000	50,000	50,000	50,000	Noted - more detail required
Package pump allowance - notional allowance	1 item	20,000	20,000	20,000	20,000	Noted - more detail required
Attenuation Tank - notional allowance	1 item	30,000	30,000	30,000	30,000	Noted - more detail required
Civil Engineering works associate with the above	1 item	5,000	5,000	5,000	5,000	Noted - more detail required
<b>Superstructure</b>			<b>60,000</b>		<b>60,000</b>	
Extra thickness to floor slabs spanning over sewer easement underpass	1 item	60,000	60,000	60,000	60,000	Noted - building over consent would also be required.
<b>Service</b>			<b>470,500</b>		<b>470,500</b>	
Provisional allowance for 40% carbon reduction improvement on 2010 Building Regulations (Design solution to be confirmed)	72 Nr	4,000	288,000	4,000	288,000	This will allow for the EO cost of a CHP or similar - note previous comment on pv costs.
Single sub station	1 item	150,000	150,000	150,000	150,000	Ok
Fire Hydrant allowance	1 item	10,000	10,000	10,000	10,000	Ok
BT Off site re-inforcement - Allowance as per technical report	1 item	22,500	22,500	22,500	22,500	Ok
<b>Off Site Highway Works</b>			<b>0</b>		<b>0</b>	
<u>Excluded</u>						

**EXTERNAL WORKS**

<b>Siteworks</b>	<b>2,696 m2 site area</b>		<b>291,920</b>	<b>JA Rate</b>	<b>JA Total</b>	<b>291,920</b>	<b>JA Comments</b>
Concrete block vehicular paving & parking	625 m2	£90	56,250	90	56,250	Ok	
Concrete paving slabs	103 m2	£60	6,180	60	6,180	Ok	
Hard Landscaping areas	98 m2	£50	4,900	50	4,900	Ok	
Soft Landscaping areas	850 m2	£45	38,250	45	38,250	Ok	
Trees	1 item	£15,000	15,000	15,000	15,000	Ok	
Allowance for provision of crossover/bellmouth	1 Nr	£10,000	10,000	10,000	10,000	Ok	
Gates; single	1 Nr	£500	500	500	500	Ok	
Allowance for new boundary wall	1 item	£40,000	40,000	40,000	40,000	Ok	
Remedial works to existing retaining wall	1 item	£15,000	15,000	15,000	15,000	Ok	
Refuse store	1 Nr	£5,000	5,000	5,000	5,000	Ok	
Cycle store	2 Nr	£10,000	20,000	10,000	20,000	Ok	
Bike racks	31 Nr	£300	9,300	300	9,300	Ok	
Allowance for street furniture and signage	1 item	£15,000	15,000	15,000	15,000	Ok	
External lighting	826 m2	£20	16,520	20	16,520	Ok	
Car charging points; active	2 Nr	£4,000	8,000	4,000	8,000	Ok	
Car charging points; passive	2 Nr	£1,500	3,000	1,500	3,000	Ok	
Site drainage	826 m2	£20	16,520	20	16,520	Ok	
Extra over for permeable pavings to access road and car parking spaces	625 m2	£20	12,500	20	12,500	Ok	

**APPENDIX B: FINANCIAL APPRAISALS**

Lewisham Yeoman Street  
GLH Inputs

**Lewisham Yeoman Street  
GLH Inputs**

**Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Unit Price	Gross Sales
Private Residential Sales	60	41,018	732.30	500,625	30,037,481
Affordable Rented Unit Sales	<u>12</u>	<u>9,518</u>	265.00	210,189	<u>2,522,270</u>
<b>Totals</b>	<b>72</b>	<b>50,536</b>			<b>32,559,751</b>

**Rental Area Summary**

	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Office Accomodation	1	4,166	25.00	104,150	104,150	104,150
Ground Rents 1 Bed	29			400	11,600	11,600
Ground Rents 2 Bed	24			450	10,800	10,800
Ground Rents 3 Bed	<u>7</u>			500	<u>3,500</u>	<u>3,500</u>
<b>Totals</b>	<b>61</b>	<b>4,166</b>			<b>130,050</b>	<b>130,050</b>

**Investment Valuation**

Office Accomodation					
Market Rent	104,150	YP @	8.0000%	12.5000	
(6mths Unexpired Rent Free)		PV 6mths @	8.0000%	0.9623	1,252,730
<b>Ground Rents 1 Bed</b>					
Current Rent	11,600	YP @	5.0000%	20.0000	232,000
<b>Ground Rents 2 Bed</b>					
Current Rent	10,800	YP @	5.0000%	20.0000	216,000
<b>Ground Rents 3 Bed</b>					
Current Rent	3,500	YP @	5.0000%	20.0000	70,000
					<b>1,770,730</b>

**GROSS DEVELOPMENT VALUE**

**34,330,481**

Purchaser's Costs	(101,817)
-------------------	-----------

**NET DEVELOPMENT VALUE**

**34,228,664**

**NET REALISATION**

**34,228,664**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price	4,174,324	
		4,174,324
Stamp Duty	196,216	
Agent Fee	100,000	
Legal Fee	1.00%	41,743
		337,959

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Rate ft <sup>2</sup>	Cost
Office Accomodation	4,166 ft <sup>2</sup>	83.00 pf <sup>2</sup>	345,778
Private Residential Sales	41,018 ft <sup>2</sup>	318.50 pf <sup>2</sup>	13,064,233
Affordable Rented Unit Sales	<u>9,518 ft<sup>2</sup></u>	318.50 pf <sup>2</sup>	<u>3,031,483</u>
<b>Totals</b>	<b>54,702 ft<sup>2</sup></b>		<b>16,441,494</b>

Contingency	5.00%	822,075
NHBC/Maintenance/Security		239,975
S106 Contribution		250,000
Solicitors Fees		20,000
Mayoral CIL		165,000
Borough CIL		375,000
		<b>1,872,050</b>

**PROFESSIONAL FEES**

Professional Fees	10.00%	1,644,149
		<b>1,644,149</b>

**MARKETING & LETTING**

Marketing & Agent Fees	3.50%	1,051,312
		<b>1,051,312</b>

**DISPOSAL FEES**



**Lewisham Yeoman Street**

**GLH Inputs**

Private Residential Sale Legal Fees	60 un	800.00 /un	48,000	
Affordable Sales Legal Fees	12 un	1,500.00 /un	18,000	
				66,000

**Additional Costs**

Profit on Private		20.00%	6,007,496	
Profit on Affordable		6.00%	151,336	
Profit on Commercial		15.00%	187,909	
				6,346,742

**FINANCE**

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			886,315	
Construction			1,275,365	
Other			132,954	
Total Finance Cost				2,294,634

**TOTAL COSTS**

**34,228,664**

**PROFIT**

**0**

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.38%
Equivalent Yield% (Nominal)	7.15%
Equivalent Yield% (True)	7.48%
 IRR	 6.64%
 Rent Cover	 0 mths
Profit Erosion (finance rate 7.000%)	0 mths

Lewisham Yeoman Street  
GLH Inputs - Update

**Lewisham Yeoman Street  
GLH Inputs - Update**

**Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Unit Price	Gross Sales
Private Residential Sales	60	41,018	732.30	500,625	30,037,481
Affordable Rented Unit Sales	<u>12</u>	<u>9,518</u>	266.00	210,982	<u>2,531,788</u>
<b>Totals</b>	<b>72</b>	<b>50,536</b>			<b>32,569,269</b>

**Rental Area Summary**

	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Office Accomodation	1	4,166	25.00	104,150	104,150	104,150
Ground Rents 1 Bed	29			400	11,600	11,600
Ground Rents 2 Bed	24			450	10,800	10,800
Ground Rents 3 Bed	<u>7</u>			500	<u>3,500</u>	<u>3,500</u>
<b>Totals</b>	<b>61</b>	<b>4,166</b>			<b>130,050</b>	<b>130,050</b>

**Investment Valuation**

<b>Office Accomodation</b>						
Market Rent	104,150	YP @	8.0000%	12.5000		
(6mths Unexpired Rent Free)		PV 6mths @	8.0000%	0.9623	1,252,730	
<b>Ground Rents 1 Bed</b>						
Current Rent	11,600	YP @	5.0000%	20.0000	232,000	
<b>Ground Rents 2 Bed</b>						
Current Rent	10,800	YP @	5.0000%	20.0000	216,000	
<b>Ground Rents 3 Bed</b>						
Current Rent	3,500	YP @	5.0000%	20.0000	70,000	
					<b>1,770,730</b>	

**GROSS DEVELOPMENT VALUE**

**34,339,999**

Purchaser's Costs	(101,817)	
		(101,817)

**NET DEVELOPMENT VALUE**

**34,238,182**

**NET REALISATION**

**34,238,182**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price		3,744,340	
			3,744,340
Stamp Duty		174,717	
Agent Fee		100,000	
Legal Fee	1.00%	37,443	
			312,160

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Rate ft <sup>2</sup>	Cost
Office Accomodation	4,166 ft <sup>2</sup>	83.00 pf <sup>2</sup>	345,778
Private Residential Sales	41,018 ft <sup>2</sup>	314.50 pf <sup>2</sup>	12,900,161
Affordable Rented Unit Sales	<u>9,518 ft<sup>2</sup></u>	314.50 pf <sup>2</sup>	<u>2,993,411</u>
<b>Totals</b>	<b>54,702 ft<sup>2</sup></b>		<b>16,239,350</b>

**16,239,350**

Contingency	5.50%	893,164	
NHBC/Maintenance/Security		239,975	
S106 Contribution		518,980	
Solicitors Fees		20,000	
Mayoral CIL		163,526	
Borough CIL		373,569	
			2,209,214

**PROFESSIONAL FEES**

Professional Fees	12.00%	1,948,722	
			1,948,722

**MARKETING & LETTING**

Marketing & Agent Fees	3.50%	1,051,312	
Letting Fees and Marketing		50,000	
			1,101,312

**Lewisham Yeoman Street**

**GLH Inputs - Update**

**DISPOSAL FEES**

Private Residential Sale Legal Fees	60 un	800.00 /un	48,000	
Affordable Sales Legal Fees	12 un	1,500.00 /un	18,000	
				66,000

**Additional Costs**

Profit on Private		20.00%	6,007,496	
Profit on Affordable		6.00%	151,907	
Profit on Commercial		15.00%	187,909	
				6,347,313

**FINANCE**

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			796,789	
Construction			1,340,734	
Other			132,247	
Total Finance Cost				2,269,770

**TOTAL COSTS**

**34,238,182**

**PROFIT**

**0**

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.38%
Equivalent Yield% (Nominal)	7.15%
Equivalent Yield% (True)	7.48%
IRR	6.64%
Rent Cover	0 mths
Profit Erosion (finance rate 7.000%)	N/A