



**GL Hearn**

Part of Capita Real Estate

# Hesper House, Wells Park Road, Sydenham London

## **Independent Financial Viability Review**

for  
London Borough of Lewisham

December 2019

### **Prepared by**

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## 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 is has been signed by the Originators and approved by a Business or Associate Director.

DATE	ORIGINATORS	APPROVED
November 2019	Tom Mason MRICS Development Surveyor	James Hall MRICS Development 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 the London Borough of Lewisham to undertake an Independent Viability Review in respect of a proposed development at Hesper House, Wells Park Road, Sydenham for which a planning application has been submitted by The Edition Group Ltd. (the Applicant).
- 1.2 The subject site measures approximately 0.15 acres (6,591 sq. ft.) in size as measured on Promap and comprises of a four-bedroom single dwelling house known as Hesper House. We believe the property was built pre-war around the 1930s. The property benefits from a single door garage, modest driveway, front and rear gardens.
- 1.3 We understand from the applicant's Financial Viability Assessment (FVA), undertaken by JLL that the property is in average condition and requires the kitchens and bathroom fittings to be replaced. We have not inspected the property internally but note externally the property appears tired and dated in appearance.
- 1.4 We understand from the applicant that the subject property extends to 2,164 sq. ft. / 201 sq. m which includes the garage (16.5 sq. m on ground). We have not inspected, nor measured the property internally, but we have cross checked their measurements using their scaled plans attached to the report.
- 1.5 The site is situated on the north side of Wells Park Road approximately 100 metres north west of Sydenham Wells Park. The site is bound by blocks of flats on both sides; Droitwich Close to the north and Greyfriars to the East, with the Sydenham Hill Estate beyond. The site is situated approximately 0.75 miles north west of Sydenham London Overground station and 0.45 miles east of Sydenham Hill Station.
- 1.6 Jones Lang LaSalle (JLL) is the lead author of the Financial Viability Assessment (FVA) but they have relied on several sources of third-party advice. Specifically, the following information has been incorporated in their assessment: -
  - Craftworks - Architects
  - Tengu Limited – Order of Cost Estimate

## The Application Scheme

- 1.7 Planning permission reference (DC/19/113716) is sought by the Applicant for the following;

*“Demolition of existing buildings on site and the construction of a 5-storey building (plus basement for parking) consisting of 7x three bedroom and 3 x two bedroom self contained dwellings at the site known as Hesper House, Wells Park Road, SE26, incorporating 8 off-street parking spaces, together with associated landscaping and refuse and cycle parking facilities.*

- 1.8 In summary, there is no affordable housing being proposed in the scheme.

- 1.9 JLL has indicated that the assumed scheme results in an effective deficit of **£866,642** when the Residual Land Value is compared to JLL’s opinion of Benchmark Land Value (BLV) when adopting a profit margin of 20%. In other words, the BLV is £866,642 higher than the Residual Land Value. Despite the projected deficit indicated, JLL has stated that the Applicant is willing to bring forward the development and to deliver a high-quality scheme.

## 2 GENERAL METHODOLOGY

2.1 GL Hearn's review of the FVA has had regard to the following documents as appropriate:

- RICS Guidance Note "Financial Viability in Planning" (adopted August 2012);
- RICS Professional Statement "Financial Viability in planning: conduct and reporting" (adopted May 2019);
- GLA London Plan (adopted March 2016);
- GLA London Plan Annual Monitoring Report 14 (adopted September 2018);
- GLA Draft London Plan (currently under Examination in Public);
- GLA Affordable Housing and Viability SPG (adopted August 2017);
- National Planning Policy Framework ("NPPF") (adopted July 2018, updated Feb 2019);
- Planning Practice Guidance on Viability (adopted July 2018);
- LB Lewisham Core Strategy (adopted June 2011).

2.2 We do not take issue with the overarching methodology used by JLL Property within their assessment. They have:

- Assessed the realisable value of the proposed scheme;
- Assessed the costs associated with delivering the scheme;
- Assessed a Benchmark Land Value (based on a reported EUV)
- Undertaken a residual appraisal to calculate the Residual Land Value which is compared against the Benchmark Land Value to establish whether the scheme is viable or not assuming the current level of planning obligations.

2.3 JLL has used the Argus Developer appraisal programme to assess the viability of the development. This is a commercially available, widely used software package for the purposes of financial viability assessments. The methodology underpinning viability appraisals is the Residual Method of Valuation, commonly used for valuing development opportunities:

<b>Gross Development Value of the proposed scheme</b>
<b>LESS</b>
<b>Build costs, Section 106 costs and CIL, cost of sale, finance costs</b>
<b>LESS</b>
<b>Developers profit / Risk return</b>
<b>=</b>
<b>Residual Land Value</b>

- 2.4 The approach adopted by JLL has been to adopt several assumptions in relation to the proposed scheme which produces 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 policy compliant affordable housing and/or planning obligations can be reduced.
- 2.5 JLL has adopted a BLV of £1,280,250 based on the existing residential use. This comprised their opinion of the Existing Use Value of the property at £950,000, then applying a 30% landowner's premium and then deducting costs of 4.8%. We are of the view they have inflated their BLV; the correct methodology should be adopting an Existing Use Value, deducting purchaser's costs and then applying a % landowner's premium.
- 2.6 JLL has modelled the proposed development which results in a Residual Land Value of £413,608 assuming a profit of 20% on GDV and thus a deficit of **-£866,642** when compared to the assumed BLV of £1,280,250. Despite the projected deficit, JLL indicate that the applicant is willing to bring the scheme forward.
- 2.7 Given that the calculations are being made well in advance of 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.

- 2.8 GL Hearn's approach has been to critically examine all the assumptions on which the JLL appraisal is based.
- 2.9 It is also important to carefully scrutinise the applicant's methodology. In particular the measure of Benchmark Land Value has a fundamental effect on the viability equation.



### 3 CRITIQUE OF BENCHMARK LAND VALUE

- 3.1 Determining an appropriate Benchmark Land Value is often the most important factor in determining 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 BLV 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, 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. Existing Use Value is widely used in establishing Benchmark Land Value and is supported in the latest mayoral SPD and by the London Assembly Planning Committee.

#### Summary of Applicants Position

- 3.4 JLL has adopted a BLV of £1,280,250 based on the existing residential use. This comprised their opinion of the Existing Use Value of the property at £950,000, then applying a 30% landowner's premium and then deducting costs of 4.8%. We are of the view they have inflated their BLV; the correct methodology should be adopting an Existing Use Value, deducting purchaser's costs and then applying a % landowner's premium.
- 3.5 To inform their opinion of EUV, JLL has relied on second-hand sales of large residential properties only. JLL have analysed their comparable evidence on a capital value basis using their judgement, and we note this is due to a lack of consistency in terms of analysing the comparables on a £ / sq. ft. basis. The sales range widely in terms of value and date but are located within close proximity to the subject.
- 3.6 With respect to the evidence provided we have reviewed JLL's comparable evidence and undertaken our own research. We have analysed and attached the most weight to the 4 bedroom and 5 bedroom comparables, as having the most relevance to the subject property.

- **41 Longton Avenue, SE26 (400m south west of the subject property):** We understand from the Land Registry that the property was sold in November 2018 at a price of £800,000 reflecting a capital value rate of £448 psf. The property is a 4 bedroom semi-detached which benefits from a single garage. We understand that the property extends to a total size of 1,785 sq. ft. Contrary to JLL's view the property appears to be in very good condition both internally and externally, however we agree that the kitchen and bathroom are in need of modernisation.
- **25 Longton Avenue, SE26 (475m south of the subject property):** We understand from the Land Registry that the property was sold in May 2019 at a price of £1,126,000 reflecting a capital value rate of £588 psf. The property is a 5 bedroom detached benefiting from a single garage, with a large front and rear garden. We understand that the property extends to a total size of 1,916 sq. ft. The property is well presented and is in very good condition both internally and externally, but the kitchen is in need of modernisation.
- **59 Longton Avenue, SE26(175m south of the subject property):** We understand from the Land Registry that the property was sold in July 2018 at a price of £1,000,000 reflecting a capital value rate of £472 psf. The property is a 4 bedroom terraced house which benefits from both a large front and rear garden. We understand that the property extends to a total size of 2,117 sq. ft. The property is in good condition both internally and externally, and contrary to JLL's report the kitchen is fitted to a good specification.
- **81 Sydenham Hill, SE26 (125m north of the subject property):** We understand from the Land Registry that the property was sold in May 2018 at a price of £905,000 reflecting a capital value rate of £413 psf. The property is a 4 bedroom detached house which benefits from a garage, large front and rear garden. We understand that the property extends to a total size of 2,193 sq. ft. The property is in good condition both internally and externally and benefits from a good modern specification internally.
- **28 Kingswood Drive, SE19 (800m south west of the subject property):** We understand from the Land Registry that the property was sold in December 2018 at a price of £825,000 reflecting a capital value rate of £461 psf. The property is a 4 bedroom detached house which benefits from a double garage and rear garden. We understand that the property extends to a total size of 1,788 sq. ft. The property is in good condition both internally and externally and benefits from a good modern specification internally.

- **44 Great Brownings, SE21 (400m west of the subject property):** We understand from the Land Registry that the property was sold in March 2019 at a price of £805,000 reflecting a capital value rate of £380 psf. The property is a 4 bedroom detached house which benefits from garage en-bloc and patio rear garden. We understand that the property extends to a total size of 2,114 sq. ft. The property is in good condition both internally and externally and benefits from a modest specification internally.

### **Existing Use Value**

- 3.7 The subject property is a four-bedroom detached house dating back to the 1930s. We understand that the property extends to 2,164 sq. ft. / 201 sq.m in size GIA. The property benefits from a garage, driveway and modest front and rear garden. The property is generally poorly presented externally, and we understand from the applicant's advisor that the property is in average condition internally but requires updates, in particular a new bathroom and kitchen. The property is located on the top of the hill at Wells Park Road and is somewhat isolated from local amenities and backs onto the Sydenham Hill Estate which we understand is local authority housing stock.
- 3.8 We appreciate the applicant's point on the capital value £ psf lacking a consistent pattern and therefore we have also viewed the comparables on an overall capital value basis. We feel that generally all the comparables are superior to the subject in terms of condition, presentation, and specification, however accept the subject property is larger than some of the evidence presented in terms of the floor area; and in some instances, the garden as well.
- 3.9 We have undertaken a title registry search, but this has not yielded the price paid by the applicant. Based on the applicant advisor's comparable research coupled with our own, we are of the opinion an appropriate Existing Use Value for the property is in the region of £850,000 - £900,000 and therefore have adopted an EUV of £875,000.

### **Premium**

- 3.10 JLL has adopted a premium of 30% by way of a landowner's incentive to bring forward development. The latest Mayoral SPD states that premiums require justification and could be between 10 per cent and 30 per cent but must reflect site specific circumstances.
- 3.11 We feel that 30% is an excessive premium for the property especially given the applicant's agent has also include their removal fees (£5,000) and legal fees (£1,500) to allow the seller to purchase an equivalent property which we feel should be wrapped up in the premium. We appreciate that

there is re-development potential for the property, however feel that by the same breath the subject property requires works to bring it up to a good, modern marketable standard and is generally poorly presented, therefore we believe the seller is only forgoing limited value. We are of the view a 20% incentive would be more appropriate in reflection of the above considerations.

### **Benchmark Land Value**

- 3.12 Adopting our Existing Use Value of £875,000, and then deducting the appropriate purchasers' costs (Residential SDLT, 1% agency fees and 0.5% legal fees), and then by applying a landowner's premium of 20%, we have adopted a benchmark land value of **£993,750**.

## 4 THE PROPOSED DEVELOPMENT

- 4.1 The site is situated on the north side of Wells Park Road approximately 100 metres north west of Sydenham Wells Park. The site is bound by blocks of flats on both sides; Droitwich Close to the north and Greyfriars to the East, with the Sydenham Hill Estate beyond. The housing stock in the immediate surrounding area is a generally a mixture of local authority estate housing; post-war terraced housing and new build flats (St. Clements Heights - a Crest Nicholson scheme).
- 4.2 Wells Park Road is connected by Sydenham Hill to the West and the A2216 to the east. The A2216 heading north links with the A205. The site is situated approximately 0.75 miles north west of Sydenham London Overground station and 0.45 miles east of Sydenham Hill Station. Sydenham station provides London over ground connections into central London as does Sydenham Hill via a National Rail Service. Bus services are also available on the subject road with the no. 202 and 356 buses provides access to Sydenham.
- 4.3 The proposed scheme is a single residential block of flats arranged over 5 stories (plus basement for 8x parking spaces). We summarise below JLL's accommodation schedule along with their pricing.

Unit	Floor	Beds	Person	Sq m	Sq ft	Price	£ / psf
1	G	2	4	79	850	£530,000	£623
2	G	3	5	95	1,023	£585,000	£572
3	1	3	4	81	872	£555,000	£637
4	1	3	5	96	1,033	£600,000	£581
5	2	3	4	79	850	£545,000	£641
6	2	3	5	92	990	£590,000	£596
7	3	3	4	79	850	£550,000	£647
8	3	3	5	92	990	£595,000	£601
9	4	2	4	73	786	£525,000	£668
10	4	2	4	74	797	£530,000	£665
<b>Totals</b>				<b>840</b>	<b>9,042</b>	<b>£5,605,000</b>	<b>£620</b>

## 5 VIABILITY APPRAISAL INPUTS & ASSUMPTIONS

5.1 We consider below the various inputs and assumptions contained within the Financial Viability Assessment provided by JLL.

### **Development Phasing & Timescales**

5.2 JLL has adopted the following development timings:

- Pre-construction: 3 months;
- Construction: 15 months;
- Sales: 6 months

5.3 We are content with their pre-construction and construction period timings and have adopted them for the purposes of our own appraisals. We have adopted a shorter sales period of 4 months which equates to 2.5 sales / per a month which we feel is appropriate given the units will inevitably be marketed and sold off-plan over the construction period.

### **Market Residential Values**

5.4 JLL have included a schedule of sold/asking prices of both two and three comparable new build developments to arrive at a private sales rate of £620 per sq.ft. The applicant's agent has focused on only two comparable developments, and so we have reviewed their evidence and undertaken our own comparable research.

### ***General Market Commentary***

5.5 House prices have continued to grow with the Land Registry House Price Index (HPI) reporting an annual rate of growth across England at 1.3% and a monthly change of **-0.2%** (September 2019). The average house price in England currently stands at £234,370. London experienced a decrease in the year to September 2019 at -0.4% but the average house prices in London remain significantly higher than the UK average at £474,601.

- 5.6 The General Election result, with a hung parliament and a minority Government, following on from Britain having voted to leave the EU and triggering Article 50, has been a period of uncertainty as both the UK and indeed the world economy adjust to the implications. The short-term implications will be one of further adjustment and will be dependent upon financial stability, while markets, both in the UK and internationally, find a level. Compounding this will be whether a deal can be agreed with the European Union in October 2019 and indeed the prospect of another General Election or Referendum.
- 5.7 The impact on the UK property market will similarly lead to a period of 'wait and see' with an on-going reduction in the number of comparable property transactions in what could be a fluid and potentially volatile macro-economic climate. Transactional volumes are already significantly down and the result of a no deal with the European Union is only likely to compound this. A period of inertia might be expected and remains to be seen, although whether there is a more dramatic change, manifesting itself in a fall in values and disinclination to trade, is uncertain until it is clear how the market will be affected in the longer term.
- 5.8 Despite the uncertainty the Government are seeking to promote business as usual by reassuring the markets that investment in major infrastructure projects will continue as planned, and that increasing the supply of housing remains a national priority.
- 5.9 Lewisham generally continues to be a popular destination for home buyers benefiting from strong transport connectivity and its proximity to Central London. Developer interest and demand for sites is strong across the borough.
- 5.10 In terms of residential values, the London Borough of Lewisham has an average residential property value of £425,474 as at October 2019. According to the same data, from the Land Registry, residential property values in Lewisham demonstrated annual increase of 3.8% from October 2018 to October 2019.
- 5.11 Below are details of some recent sales of similar properties located near to the subject site, which share similar characteristics to the proposed scheme.

Address	Description	Sale Price	Agent
<b>2 Bed Flats</b>			
Apartment 9, 351 Sydenham Road, Sydenham, SE26	2 bed high specification flat. 3 <sup>rd</sup> floor. Close to both Lower Sydenham and Sydenham station. Open plan with small Juliette Balcony and 1 bathroom. Modern development. 576 sq. ft.	£365,000 (£633 psf)  Sold - June 2019	Acorn
Apartment 5, 351 Sydenham Road, Sydenham, SE26	2 bed high specification flat. 1st floor. Close to both Lower Sydenham and Sydenham station. Open plan with 1 bathroom. Modern development. 706 sq. ft.	£375,000 (£531 psf)  Sold - March 2019	Acorn, New Homes London
Flat 2, Zanara Court, 24 Sydenham Rd, Forest Hill SE25	2 bed flat with 1 bathroom and storage space. 1 <sup>st</sup> floor. Construction completed end of 2018. New build. 689sq ft.	£390,000 (£566 psf)  Sold - January 2019	Acorn
Dylon Works – 2, Flat 26, 1 Purbeck Gardens, SE26	2 bed. Good, modern specification. Located 2.85km south west of the subject property. New build. 872 sq. ft.	£490,000 (£562 psf)  Sold – April 19	Crest Nicholson
Dylon Works – 2, Flat 3, 1 Purbeck Gardens, SE26	2 bed. Good, modern specification. Located 2.85km south west of the subject property. New build. 947 sq. ft.	£494,995 (£522 psf)  Sold – January 19	Crest Nicholson
Wells Park Place, Flat 11, Dane House, Exeter Place, SE26	2 bed. Good, modern specification. Located 200m west of the subject property. New build. 797 sq. ft.	£525,000 (£659 psf)  Sold – August 18	Crest Nicholson
Wells Park Place, Flat 9, Dane House, Exeter Place, SE26	2 bed. Good, modern specification. Located 200m west of the subject property. New build. 797 sq. ft.	£527,560 (£662 psf)  Sold – August 18	Crest Nicholson
Flat 8, Zanara Court, 24 Sydenham Rd, Forest Hill SE25	Large open plan 2 bed flat. Duplex split over the 2 <sup>nd</sup> and 3 <sup>rd</sup> floor. New build 1,012sq ft.	£550,000 (£543 psf)  Sold - May 2019	Acorn / Rightmove prices



Address	Description	Sale Price	Agent
<b>3 Bed Flats</b>			
Flat 16, Zanara Court, 24 Sydenham Rd, Forest Hill SE25	3 bed high specification flat. Development completed end of 2018. Ground floor with large private terrace. Modern development. 947 sq. ft.	£540,000 (£570 psf)  Sold - March 2019	Acorn New Homes London
Flat 7, Zanara Court, 24 Sydenham Rd, Forest Hill SE25	3 bed high specification flat. Development completed end of 2018. Split over 2 <sup>nd</sup> and 3 <sup>rd</sup> Floor. Modern development. 1098 sq. ft.	£560,000 (£510 psf)  Sold - December 2018	Acorn, New Homes London
Wells Park Place, Flat 4, Dane House, Exeter Place, SE26	3 bed. Good, modern specification. Located 200m west of the subject property. New build. 969 sq. ft.	£599,000 (£618 psf)  Sold – July 19	Crest Nicholson
Wells Park Place, Flat 2, Dane House, Exeter Place, SE26	3 bed. Good, modern specification. Located 200m west of the subject property. New build. 969 sq. ft.	£635,000 (£655 psf)  Sold – August 18	Crest Nicholson

Wells Park Place is a Crest Nicholson Development which comprises of 26 no. 2 and 3 bedroom flats and 20 no.4 bedroom terraces and townhouses. The site is situated within a landscaped surrounding at the top of Sydenham Hill which offers far reaching views of London. The site is situated 1.3 miles to the east of the subject site and is in close proximity to Sydenham Hill Rail Station, from which Victoria can be reached in 15 minutes and City Thameslink in 27 minutes. The sales agent advised that the apartments were all sold 7 months post completion with only the townhouses now remaining available. The agent also indicated that demand had been consistent. Typically, 2 beds have been selling for £500,000-£700,000. We would consider the Wells Park Place development to have higher sales than the subject scheme because of the nature of the high specification development which includes communal gardens / courtyards and the presence of 20 townhouses within the scheme which are fetching over £1,000,000 in the current market.

Dylon Works is also a Crest Nicholson Development of 1, 2 and 3 bedroom apartments. The development is a 223 unit scheme in Lower Sydenham, the first phase of scheme achieved practical completion in 2017 and the second phase in Q3 2018 and the 3<sup>rd</sup> is in planning; most of the units are now sold with 17 units remaining. Dylon works is located approximately 2.85km south east of the subject property. The scheme is located within a very short walking distance of Lower Sydenham station which benefits from a fast railway service into London Bridge of approximately 14 minutes. The site is situated within an industrial estate situation and is considered inferior to the subject considerably, despite the site's superior transport links.

Zanara Court at 24 Sydenham Road is a new build development of 19 flats, which is arranged over 3 floors and we understand that the development completed in 2018. It includes 1, 2 and 3 bed flats including several flats which are split over 2 floors. It is 1.4km south east of the subject site and is in the centre of Sydenham, which according to local agents is a more desirable area than Lower Sydenham. 90% of the scheme has now been sold. The scheme is in close proximity to both Sydenham Overground and Sydenham National Rail Station, from which London Bridge can be reached in 20 minutes. The scheme has a relatively high specification and many of the flats have balconies. The sales agent advised that Flat 16 had sold in March 2019 for £540,000 (£570psf).

351-355 Sydenham Road is a relatively small development of 9 flats finished to a high specification in the centre of Lower Sydenham. It is located on the busy Sydenham Road close to the junction with Stanton Way, Bell Green and Southend Lane. It is located 0.7 miles to the north of the subject site. The agent Acorn New Homes London who also developed the site, advised that whilst the site was popular its proximity to a busy junction and an A road has negatively impacted the sale prices the flats have achieved. We would therefore expect the scheme to achieve a slightly lower level of value to the subject site. This is illustrated by the sale of Apartment 9 in March 2019 for £375,000 (£531psf).

Acorn advised that the local residential market has slowed down over the last 6 months and asking prices have not been achieved, but they commented that the 1 beds were the most popular and have consistently attracted the highest prices per square foot in both developments in Sydenham.

Whilst we appreciate that the statistical average for house prices indicates a rise of 3.8% for Lewisham from October 2018 to October 2019, we are mindful that our sales evidence suggests that new build flats within close proximity of the subject site are not achieving asking prices and are taking longer to transact than anticipated. Accordingly, we have adopted the applicant's private market rate of £619.88 per sq. ft. which we believe to be reasonable given recent market evidence of comparable schemes.

### **Affordable Housing**

- 5.12 The applicant is proposing a 100% private tenure residential scheme without any on-site affordable housing.

### **Development Costs**

- 5.13 For construction costs the applicant has provided a build cost estimate for the proposed scheme produced by a Quantity Surveyor. The total cost estimate for the proposed scheme, is reported as £2,935,185 which equates to £232 / sq. ft which the applicant's agent has adopted as their base build cost.
- 5.14 We have been provided with a cost assessment prepared for the Council by Johnson Associates (attached to this report at Appendix A). This arrives at an overall build cost of £2,858,636 (£226 / sq. ft.) and accordingly we have applied this figure within our appraisal. This figure is inclusive of main contractor prelims, external works, overheads and profit but excludes any allowance for professional fees and contingency.
- 5.15 We note that the Applicant's FVA suggests a rate of 12% for professional fees, and whilst this falls within a typical acceptable range of 8%-12% as a standard assumption we feel it is somewhat excessive given the project appears to be a relatively straight forward development of a low rise block of flats, and so we have made an allowance of 10% for professional fees.
- 5.16 The applicant has made an allowance of 5% for contingency within their appraisal which is reasonable. We have adopted the same figure in our appraisal.
- 5.17 The applicant has adopted a figure of £35,000 for demolition which represents a rate of £16.18 psf on the existing accommodation. Whilst we have not undertaken a quotation for demolition works, we feel this is a reasonable assumption and so we have adopted it for the purposes of our appraisal.

### **Planning Obligations**

- 5.18 The Applicant has adopted figures of £57,840 for Mayoral CIL liability and £67,480 Borough CIL liability within their appraisal (total of £125,320).
- 5.19 We have calculated the total CIL liability to be £126,490 using the Lewisham Council online CIL calculator. However, we have not been party to the discussions between the Council but assume the above amounts to be correct and have adopted them for the purposes of our modelling but

recommend that these are verified by the Council as they could have a material impact upon the viability of the scheme. We would recommend that the CIL calculations are provided to the Council's CIL Officer to a full review.

- 5.20 The Applicant's advisor has adopted a figure of £25,000 for S106 costs and £35,000 for a Carbon Offset contribution. We are unable to accurately calculate the Carbon Offset costs without being advised on the predicted emissions, nor are we able to advise on the appropriateness of the S106 costs without further advice from yourselves, or a planning consultant. For the purposes of our appraisal we have adopted the applicant's costs.

### **Marketing, Letting & Sales Fees**

- 5.21 We note the applicant has adopted the following assumptions within their appraisal:

- Sales agent's fees of 1.5%;
- Sales legal fees of £1,000 per unit;
- Marketing fees of 1.0%.

- 5.22 Our own assumptions align with those adopted by JLL.

### **Finance**

- 5.23 We note that the applicant has adopted a 7% finance rate in their appraisal. Typically finance costs fall within a range of 6-7% for this type of development; given the development is a relatively small scale and is a relatively short project we have adopted a finance rate of 6.5% as a fair assumption.

### **Developer's Profit**

- 5.24 For a commercially acceptable development to proceed, an acceptable level of developer's return is required from the project (as is detailed within the NPPF). Profit requirements extended significantly following the 2008 global downturn. Since the revival in the development market these margins narrowed but have more recently begun to extend again as risk appetite worsens given the uncertainty following the EU Referendum vote, uncertain national and local elections, growing interest rates and a slowing residential market across greater London.

- 5.25 Any expected return should reflect the risks to the developer and its funder's capital and together their potential liabilities. Accordingly, it should reflect the proposed uses, scale of development, site issues and market (both macro and micro). A reasonable level of profit will be typically acceptable on a conventional residential development situated in an established market location for apartments

with good transport connectivity. The proposed scheme falls within this category and will attract interest from both owner occupiers and buy-to-let investors alike thus reducing development risk.

5.26 JLL has adopted a 20% profit on GDV which represents a 25% profit on cost. Given the ongoing perceived risks and uncertainty with Brexit coupled with weak market sentiment towards residential housing and development we feel that a 20% profit on GDV is not unreasonable and accordingly we have adopted this assumption for the purposes of our appraisal.

### Sensitivity Analysis

5.27 We have carried out the below sensitivity analysis to allow the Council to consider how changes in inputs to a financial appraisal affect viability and provide a greater understanding to arrive at an appropriate conclusion on the viability of the proposed scheme. The below table demonstrates the affect of the change in construction cost and sales on the residual land value:

		Construction Cost				
		-£10 psf	-£5 psf	£0 psf	+£5 psf	+£10 psf
Sales Rate	-£20 psf	£587,451	£522,910	£458,370	£393,830	£329,289
	-£10 psf	£647,155	£582,615	£518,074	£453,534	£388,994
	£0 psf	£706,860	£642,319	<b>£577,779</b>	£513,239	£448,698
	+£10 psf	£766,564	£702,024	£637,483	£572,943	£508,403
	+£20 psf	£826,269	£761,728	£697,188	£632,647	£568,107

## 6 VIABILITY APPRAISALS & CONCLUSIONS

- 6.1 Attached as Appendix B is an Argus Developer development appraisal summary considering the proposed redevelopment in accordance with the submitted application and out adopted assumptions.
- 6.2 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 Residual Land Value. In this respect we have undertaken our own residual appraisal using Argus Developer, which is a leading industry-standard development appraisal package commonly used by developers and agents to assess development viability.
- 6.3 Although this analysis does not constitute formal valuations under the provisions of the RICS Valuation Standards ('Red Book') it does provide robust evidence to inform the Council's decision making process in respect of the applicants planning application.
- 6.4 We have not been provided with a working Argus Developer appraisal but have been provided with a static summary of JLL's appraisal.
- 6.5 As has been highlighted in the previous section there are several assumptions adopted within the proposed assessment which we are not in agreement with. Therefore, we have undertaken our own modelling applying our own assumptions which we believe to be more reflective of the market.
- 6.6 Given the above we have undertaken adjustments to;
- Build Cost – Adopted £226.21 psf
  - Finance Rate – Adopted 6.5%
  - Professional Fees – Adopted 10%
  - Sales period – Adopted 4 months
  - CIL (+ £1,170 difference)
- 6.7 Attached as Appendix B is an Argus Developer development appraisal summary reflecting our assumptions. The resultant Residual Land Value and the comparison to the Applicant's adopted Benchmark Land Value is summarised as follows:

6.8

<b>Residual Land Value</b>	<b>Benchmark Land Value</b>	<b>Surplus / Deficit</b>
£577,750	£993,750	-£416,000

It is evident from the above that the residual land value generated by the proposed development, based on our assumptions, is less than the Benchmark Land Value, adopted by the Applicant. Our appraisals from several scenarios indicate that the proposed scheme cannot viably deliver affordable housing.

# Appendix A

Johnson Associates construction cost  
assessment

(See Attachment)



Hesper House  
Section 2.1 - Elemental Breakdown

E/ GIA  
222.3 m<sup>2</sup>  
22,900 m<sup>2</sup>

GIA  
12,827 m<sup>2</sup>  
1,174 m<sup>2</sup>



Ref	Description	Quantity	Unit	Rate	Total	Comments	E Total	E/R GIA
1	Demolition & Enabling Works						£0	£0.0
1.1	Not Applicable					N/A		
Demolition & Enabling Works							£0	
2	Basement & Substructure						£288,249	£222.8
2.1	Excavation; incl disposal	721	m <sup>3</sup>	£50	£36,050	Assumes all excavated spoil is inert! Excludes contamination or toxic materials	£36,050	£103.8
2.2	Foundations; unknown (Assumed thickened concrete toes or pad foundations)	1	Sum	£30,000	£30,000	Provisional allowance! Subject to receiving detailed foundation design	£30,000	
2.3	75mm hardcore	267	m <sup>2</sup>	£40	£10,680		£10,680	
2.4	50mm blinding	267	m <sup>2</sup>	£15	£4,005		£4,005	
2.5	Insulation	267	m <sup>2</sup>	£40	£10,680		£10,680	
2.6	DFM	267	m <sup>2</sup>	£10	£2,670		£2,670	
2.7	Sand/cement screed				N/A			
2.8	Concrete basement slab; assumes 200mm depth	267	m <sup>2</sup>	£250	£66,750	Includes reinforcement & callite waterproof concrete	£66,750	
2.9	Concrete basement walls; assumes 220mm depth	178	m <sup>2</sup>	£250	£44,500	Includes reinforcement & callite waterproof concrete	£44,500	
2.10	Concrete suspended ground floor slab; assumes 300mm depth	267	m <sup>2</sup>	£250	£66,750	Includes reinforcement and formwork	£66,750	
2.11	Cavity drainage to basement walls	178	m <sup>2</sup>	£100	£17,800		£17,800	
2.12	Below ground drainage; assumes PVC	1	Sum	£10,000	£10,000	Provisional allowance	£10,000	
Basement & Substructure							£288,249	
3	Frame & Upper Floors						£229,600	£16.1
3.1	Block & beam flooring (Basement & Ground slab measured in Section 2)	907	m <sup>2</sup>	£100	£90,700		£90,700	
3.2	Insulation	907	m <sup>2</sup>	£50	£45,350	Includes for balcony slabs	£45,350	
3.3	Sand/cement screed	907	m <sup>2</sup>	£40	£36,280		£36,280	
3.4	Concrete spine wall (Central load bearing wall through building incl lift shaft walls)	378	m <sup>2</sup>	£150	£56,700		£56,700	
Frame & Upper Floors							£229,600	
4	Roof						£56,435	£4.5
4.1	Concrete roof slab; assumes 150mm depth	26	m <sup>3</sup>	£250	£6,375	Includes reinforcement and formwork	£6,375	
4.2	Liquid applied waterproof system	170	m <sup>2</sup>	£70	£11,900		£11,900	
4.3	Scum roof	170	m <sup>2</sup>	£100	£17,000	Assumed direct by Client	£17,000	
4.4	Balustrading to perimeter	53	m	£100	£5,300		£5,300	
4.5	Rooftops	3	Nr	£1,500	£4,500		£4,500	
4.6	Photo voltaic cells	1	Sum	£5,000	£5,000	Excluded		
4.7	Rain water pipework	1	Sum	£5,000	£5,000	Excluded		
4.8	Lift overrun	1	Sum	£5,000	£5,000		£5,000	
4.9	Roof terrace paviors	17	m <sup>2</sup>	£30	£5,100		£5,100	
Roof							£56,435	
5	Stairs & Ramps						£60,000	£4.7
5.1	Concrete staircase	6	Nr	£10,000	£60,000	Includes balustrade, treads, inserts, stringers and the like	£60,000	
Stairs & Ramps							£60,000	

JA Rate	JA Total	JA Comments 25/11/19
		N/A
£50	£43,254	Ok for excavation and removal of inert materials. NB basement car parking including a disabled space.
£30,000	£30,000	Approx 200m <sup>2</sup> footprint equates to £150/m <sup>2</sup> - ok.
£20	£5,340	Hardcore material say £35/m <sup>2</sup> say rate of £20/m <sup>2</sup> for realistic
£40	£10,680	Ok.
£10	£2,670	Ok.
£225	£39,075	£225/m <sup>2</sup> should be sufficient - edge formwork only.
£250	£66,750	Ok.
£250	£66,750	Includes soffit formwork.
£100	£17,800	Ok. NB include sump pump, BWHC, etc.
£10,000	£10,000	Ok.
	£288,249	
£100	£90,700	Ok.
£50	£45,350	Ok.
£40	£36,280	Ok.
£150	£56,700	Ok.
	£229,600	
£250	£6,375	Ok.
£70	£11,900	Ok.
£100	£17,000	Ok.
£100	£5,300	Ok.
£1,500	£4,500	Ok.
£5,000	£5,000	Ok.
£5,000	£5,000	Ok.
£30	£5,100	Ok.
	£56,435	
£10,000	£60,000	£8k for 5 flights plus basement should be sufficient balustrade trade stair handrail on outer wall.
	£48,000	

Hesper House  
Section 2.1 - Elemental Breakdown

E/ GIA  
222.3 m<sup>2</sup>  
22,900 m<sup>2</sup>

GIA  
12,827 m<sup>2</sup>  
1,174 m<sup>2</sup>



Ref	Description	Quantity	Unit	Rate	Total	Comments	E Total	E/R GIA
6	Facade						£402,200	£35.8
6.1	Scaffolding	801	m <sup>2</sup>	£50	£40,040		£40,040	
6.2	Cavity wall construction: brickwork outer skin, 75mm rigid insulation, blockwork inner skin Windows; Low specification to Vefaz or similar	801	m <sup>2</sup>	£200	£160,200		£160,200	
6.3	Brick Slip Linings	64	Nr	£2,000	£128,000		£128,000	
6.4	Mis steel balustrading to inset balconies	160	m	£1,000	£160,000		£160,000	
6.5	EO allowance for aluminium balcony patio double doors	16	Nr	£7,500	£120,000		£120,000	
Facade							£402,200	
7	External Doors						£2,500	£0.2
7.1	Main building entrance door	1	Nr	£2,500	£2,500	Specification unknown	£2,500	
7.2	Balcony patio double doors					See Item 6.6 for balcony patio double doors		
External Doors							£2,500	
8	Internal Walls						£94,016	£7.4
8.1	Concrete load bearing walls				Included	See Item 3.4 for concrete spine walls		
8.2	75mm timber stud partitions; taped and jointed Plasterboard lining to perimeters	1,250	m <sup>2</sup>	£60	£75,000		£75,000	
8.4	EO for Wedboards w waterproofing to bathroom areas	801	m <sup>2</sup>	£20	£16,016		£16,016	
8.5		1	Sum	£3,000	£3,000		£3,000	
Internal Walls							£94,016	
9	Internal Doors						£54,200	£4.3
9.1	Apartment entrance doors	10	Nr	£1,500	£15,000		£15,000	
9.2	Single door hollow moulded door; painted	49	Nr	£300	£14,700		£14,700	
Internal Doors							£54,200	
10	Wall Finishes						£69,758	£5.5
10.1	Ceramic tiles	593	m <sup>2</sup>	£90	£53,370	Assumes full height	£53,370	
10.2	Emulsion paint	2,673	m <sup>2</sup>	£9	£24,057	Assumes full height	£24,057	
10.3	Satin gloss paint	1	Sum	£1,500	£1,500	Provisional allowance	£1,500	
Wall Finishes							£69,758	
11	Floor Finishes						£119,927	£9.5
11.1	Tarmac to car park	234	m <sup>2</sup>	£100	£23,400		£23,400	
11.2	White line demarcations	10	Nr	£100	£1,000		£1,000	
11.3	Ceramic floor finish	87	m <sup>2</sup>	£30	£2,610		£2,610	
11.4	Timber floor finish	401	m <sup>2</sup>	£100	£40,100		£40,100	
11.5	Acoustic floor finish	1,302	m <sup>2</sup>	£10	£13,020		£13,020	
11.6	Softwood skirting; painted							
Floor Finishes							£119,927	

Rate	Total	Comments
£50	£40,040	Note: scaffold included here, not prelms.
£200	£160,200	Ok.
£2,000	£128,000	Ok.
£2,000	£160,000	Ok.
£1,000	£160,000	Ok.
£7,500	£120,000	Ok.
	£402,200	
£2,500	£2,500	Ok.
	Included	Ok.
£60	£75,000	Ok.
£20	£16,016	Ok.
£3,000	£3,000	Ok.
	£94,016	
£1,500	£15,000	Ok.
£300	£14,700	Ok.
	£54,200	
£90	£53,370	Ok.
£9	£24,057	Ok.
£1,500	£1,500	Ok.
	£69,758	
£100	£23,400	Ok.
£100	£1,000	Ok.
£30	£2,610	Ok.
£100	£40,100	Ok.
£10	£13,020	Ok.
	£119,927	
£25	£5,850	concrete slab so allow surface finish only.

Hesper House  
Section 2.1 - Elemental Breakdown

E/ GIA  
£232.3 /m<sup>2</sup>  
£2,500 /m<sup>2</sup>

GIA  
12,837 m<sup>2</sup>  
1,174 m<sup>2</sup>



Ref	Description	Quantity	Unit	Rate	Total	Comments	E/ Total	E/ m <sup>2</sup> GIA
12	Ceiling Finishes						£68,710	£5.4
12.1	Plasterboard ceiling	1,132	m <sup>2</sup>	£50	£56,610			
12.2	Emulsion paint	1,132	m <sup>2</sup>	£9	£10,100			
12.3	Access hatches	25	Nr	£100	£2,500	Provisional Quantity		
<b>Ceiling Finishes</b>							<b>£68,710</b>	
13	Furniture, Fixtures & Equipment						£50,000	£4.0
13.1	Fleed joinery to bedrooms	1	Sum	£50,000	£50,000	Provisional allowance		
<b>Furniture, Fixtures &amp; Equipment</b>							<b>£50,000</b>	
14	Kitchens & Sanitaryware						£179,000	£14.2
14.1	Kitchen; incl concrete worktops, cooker, sink, hood, cabinets, worktop etc (Excls White)	10	Nr	£12,500	£125,000	Provisional costs subject to receiving detailed bathroom design By Tenant By Tenant		
14.2	WC	20	Nr	£500	£10,000			
14.3	WHB	20	Nr	£350	£7,000			
14.4	Shower	10	Nr	£1,200	£12,000			
14.5	Bath	10	Nr	£500	£5,000			
14.6	Towel rail	20	Nr	£350	£7,000			
14.7	Shelving	20	Nr	£150	£3,000			
14.8	Mirror	20	Nr	£500	£10,000			
14.9	Toilet Brush				Excluded			
14.10	Toilet Roll Holder				Excluded			
14.11	Vanity units				Excluded			
<b>Kitchens &amp; Sanitaryware</b>							<b>£179,000</b>	
15	Mechanical, Electrical & Plumbing						£474,600	£37.4
15.1	Generally; Boilers, underfloor heating, lighting, small power, foul drainage, water installation, ventilation, fire alarm, intercom, misting system, builderswork etc (Excls comfort cooling)	1,174	m <sup>2</sup>	£400	£469,600	Provisional Allowance: Subject to receiving detailed MEP design		
15.2	External lighting	1	Sum	£5,000	£5,000	Provisional Allowance		
<b>Mechanical, Electrical &amp; Plumbing</b>							<b>£474,600</b>	
16	Lift Installation						£60,000	£4.7
16.1	Passenger lift; assumes 8 person	1	Sum	£60,000	£60,000			
<b>Lift Installation</b>							<b>£60,000</b>	
17	External Works & Utilities						£51,600	£4.1

Hesper House - 1 Tenge Limited - Order of Cost Estimate V1 - 23rd August 2019

Rate	Total
£50	£56,110 Ok.
£9	£10,100 Ok.
£100	£2,500 Ok.
<b>£68,710</b>	
£50,000	£50,000 27 bedrooms so this equates to £1,851 per bedroom so this would cover fitted wardrobes throughout.
<b>£50,000</b>	
£100,000	£100,000 Kitchens appear high given they are within KLD areas and their size. We would normally Budget £5.5k but have increased this to £16k given the quality aspirations on this project.
£500	£10,000
£350	£7,000
£1,200	£12,000
£500	£5,000
£350	£7,000
£150	£3,000
£500	£10,000
<b>£154,000</b>	
£400	£469,600 047k per unit is top end of expectations but may need ASHP's and this also includes common areas and basement.
<b>£5,000</b>	
<b>£474,600</b>	
£60,000	£60,000 Ok to include all BWC.
<b>£60,000</b>	
<b>£51,600</b>	

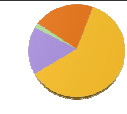
Hesper House  
Section 2.1 - Elemental Breakdown

E/ GIA  
£232.3 /m<sup>2</sup>  
£2,500 /m<sup>2</sup>

GIA  
12,837 m<sup>2</sup>  
1,174 m<sup>2</sup>



Ref	Description	Quantity	Unit	Rate	Total	Comments	E/ Total	E/ m <sup>2</sup> GIA
<b>Landscape</b>								
17.1	Turfed landscaping incl topsoil	136	m <sup>2</sup>	£100	£12,600			
17.2	Stone paving to front garden	30	m <sup>2</sup>	£150	£4,500	Provisional allowance		
17.3	Steel fence	40	m	£125	£5,000			
17.4	Steps	3	Nr	£2,500	£7,500			
17.5	Car park charging points	2	Nr	£1,000	£2,000	Provisional allowance		
<b>Utilities</b>								
17.6	Water statutory connection	1	Sum	£5,000	£5,000	Provisional allowance		
17.7	Gas statutory connection					N/A		
17.8	Electricity statutory connection	1	Sum	£10,000	£10,000	Provisional allowance		
17.9	Telecommunications statutory connection	1	Sum	£5,000	£5,000	Provisional allowance		
<b>External Works &amp; Utilities</b>							<b>£51,600</b>	
18	On-Costs						£214,881	£16.7
18.1	Preliminaries			10%	£2,320,305	£48,046		
18.2	Overheads & Profit			10%	£2,668,351	£366,835		
18.3	Contingencies					Excluded Held directly by Client		
<b>On-Costs</b>							<b>£214,881</b>	
<b>Total</b>							<b>£2,955,185</b>	
<b>Elemental Summary</b>								
							E/ Total	E/ m <sup>2</sup> GIA
1	Demolition & Siteing Works			0.0%	£0.0	£0		
2	Basement & Substructure			10.2%	£23,6	£236,249		
3	Frame & Upper Floors			7.8%	£18.1	£229,000		
4	Roof			1.9%	£4.5	£56,455		
5	Stairs & Ramps			2.0%	£4.7	£60,000		
6	Facade			15.4%	£35.8	£452,306		
7	External Doors			0.1%	£0.2	£2,500		
8	Internal Walls			3.2%	£7.4	£94,016		
9	Internal Doors			1.8%	£4.3	£54,000		
10	Wall Finishes			2.4%	£5.5	£69,708		
11	Floor Finishes			4.1%	£9.5	£119,927		
12	Ceiling Finishes			2.3%	£5.4	£68,710		
13	Furniture, Fixtures & Equipment			1.7%	£4.0	£50,000		
14	Kitchens & Sanitaryware			6.1%	£14.2	£179,000		
15	Mechanical, Electrical & Plumbing			16.2%	£37.6	£474,600		
16	Lift Installation			2.0%	£4.7	£60,000		
17	External Works & Utilities			1.8%	£4.1	£51,600		
18	On-Costs			20.9%	£48.7	£514,881		
<b>Total</b>							<b>£232.3</b>	<b>£2,955,185</b>



Rate	Total
£100	£12,600 Ok.
£150	£4,500 Ok.
£125	£5,000 Ok.
£2,500	£7,500 Ok.
£1,000	£2,000 Ok - will be required via planning.
<b>£51,600</b>	
£5,000	£5,000 Ok.
£10,000	£10,000 Ok.
£5,000	£5,000 Ok.
<b>£51,600</b>	
£2,320,305	£338,061 15% - ok.
£233,262	£366,835 Amended to 9%.
<b>Excluded</b>	
<b>£214,881</b>	
<b>£2,955,185</b>	
£22,6	£236,249
£18.1	£229,000
£4.7	£60,000
£4.5	£56,455
£3.9	£48,000
£35.8	£452,306
£0.2	£2,500
£7.4	£94,016
£4.3	£54,000
£5.5	£69,708
£9.5	£119,927
£5.4	£68,710
£4.0	£50,000
£14.2	£179,000
£37.6	£474,600
£4.7	£60,000
£4.1	£51,600
<b>£214,881</b>	
<b>£2,955,185</b>	
£226.21	£2,853,636
<b>Variance: £76,550</b>	

# Appendix B

Argus Developer Appraisal Summary  
(See Attached)

Economic Viability Assessment  
10x Private Apartments  
GL Hearn Review

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Hesper House  
Wells Park Road  
Sydenham  
London  
SE26 6RQ

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**Economic Viability Assessment  
10x Private Apartments  
GL Hearn Review**

**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	10	9,042	619.88	560,500	5,605,000

**NET REALISATION** **5,605,000**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			577,779		
				577,779	
Stamp Duty			18,389		
Agent Fee		1.00%	5,778		
Legal Fee		0.50%	2,889		
				27,056	

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Private Residential	12,637 ft <sup>2</sup>	226.21 pf <sup>2</sup>	2,858,636	<b>2,858,636</b>
Developers Contingency		5.00%	142,932	
Demolition			35,000	
Mayoral CIL			58,380	
LBL CIL			68,110	
S.106 Costs			25,000	
Carbon Offset			35,000	
				364,422

**PROFESSIONAL FEES**

Professional Fees		10.00%	285,864	
				285,864

**MARKETING & LETTING**

Marketing		1.00%	56,050	
				56,050

**DISPOSAL FEES**

Sales Agent Fee		1.50%	84,075	
Sales Legal Fee	10 un	1,000.00 /un	10,000	
				94,075

**FINANCE**

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)				
Land			57,868	
Construction			137,163	
Other			25,087	
Total Finance Cost				220,119

**TOTAL COSTS**

**4,484,000**

**PROFIT**

**1,121,000**

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	34.76%
Profit Erosion (finance rate 6.500%)	3 yrs 6 mths
Land Cost pAcre	0

**Economic Viability Assessment  
10x Private Apartments  
GL Hearn Review**

**Table of Land Cost and Land Cost**

Construction: Rate pf <sup>2</sup>					
Sales: Rate pf <sup>2</sup>	-10.00 pf <sup>2</sup>	-5.00 pf <sup>2</sup>	0.00 pf <sup>2</sup>	+5.00 pf <sup>2</sup>	+10.00 pf <sup>2</sup>
	216.21 pf <sup>2</sup>	221.21 pf <sup>2</sup>	226.21 pf <sup>2</sup>	231.21 pf <sup>2</sup>	236.21 pf <sup>2</sup>
-20.00 pf <sup>2</sup>	(£587,451)	(£522,910)	(£458,370)	(£393,830)	(£329,289)
599.88 pf <sup>2</sup>	(£587,451)	(£522,910)	(£458,370)	(£393,830)	(£329,289)
-10.00 pf <sup>2</sup>	(£647,155)	(£582,615)	(£518,074)	(£453,534)	(£388,994)
609.88 pf <sup>2</sup>	(£647,155)	(£582,615)	(£518,074)	(£453,534)	(£388,994)
0.00 pf <sup>2</sup>	(£706,860)	(£642,319)	(£577,779)	(£513,239)	(£448,698)
619.88 pf <sup>2</sup>	(£706,860)	(£642,319)	(£577,779)	(£513,239)	(£448,698)
+10.00 pf <sup>2</sup>	(£766,564)	(£702,024)	(£637,483)	(£572,943)	(£508,403)
629.88 pf <sup>2</sup>	(£766,564)	(£702,024)	(£637,483)	(£572,943)	(£508,403)
+20.00 pf <sup>2</sup>	(£826,269)	(£761,728)	(£697,188)	(£632,647)	(£568,107)
639.88 pf <sup>2</sup>	(£826,269)	(£761,728)	(£697,188)	(£632,647)	(£568,107)

**Sensitivity Analysis : Assumptions for Calculation**

**Construction: Rate pf<sup>2</sup>**

Original Values are varied in Fixed Steps of £5.00

Heading	Phase	Rate	No. of Steps
Private Residential	1	£226.21	2 Up & Down

**Sales: Rate pf<sup>2</sup>**

Original Values are varied in Fixed Steps of £10.00

Heading	Phase	Rate	No. of Steps
Private Residential	1	£619.88	2 Up & Down