



GL Hearn

Part of Capita Real Estate

**Cedars & Coach House,
34 Sydenham Hill,
London SE26 6LS**

Independent Viability Review

for
London Borough of Lewisham

December 2019

Prepared by

GL Hearn Limited
4th Floor
65 Gresham Street
London EC2V 7NQ

T +44 (0)20 7851 4900
glhearn.com

Contents

Section		Page
1	INTRODUCTION	4
2	GENERAL METHODOLOGY	6
3	CRITIQUE OF BENCHMARK LAND VALUE	9
4	THE PROPOSED DEVELOPMENT	14
5	VIABILITY APPRAISAL INPUTS & ASSUMPTIONS	15
6	VIABILITY APPRAISALS & CONCLUSIONS	26

Appendices

- APPENDIX A: SUBJECT SITE MARKETING PARTICULARS**
- APPENDIX B: ARGUS DEVELOPER APPRAISAL SUMMARY**
- APPENDIX C: JOHNSON ASSOCIATES CONSTRUCTION COST ASSESSMENT**
- APPENDIX D: 81 SYDENHAM HILL PARTICULARS**

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.

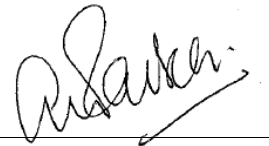
This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

DATE
December 2019

ORIGINATORS
James Hall
Development Director

APPROVED
Alistair Parker
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 Cedars and Coach House, 34 Sydenham Hill, Lewisham for which a planning application has been submitted by Sterlingbridge Property Development Group (the Applicant).
- 1.2 The subject site measures approximately 1.55 Acres (67,518 sq. ft.) and is comprised of a period building known as The Cedars built in 1899, which since 1944 has been owned by the Salvation Army and used recently as a residential in-service training centre. We understand The Cedars to measure approximately 11,483 sq. ft. Within the same site, there is also a four-bedroom Coach House which extends to approximately 1,904 sq ft.
- 1.3 We understand from the applicant's Financial Viability Assessment (FVA), undertaken by Newsteer that the property is in average condition. We have not inspected the property internally but note externally the property appears tired and dated in appearance.
- 1.4 We have not inspected, nor measured the property internally, but we have cross checked their measurements using scaled plans attached to the planning application.
- 1.5 The site is situated on the East side of Sydenham Hill approximately 0.2 miles north of Sydenham Wells Park. Sydenham Hill Road runs along the ridge of the hill which divides Dulwich and Sydenham and connects Crystal Palace and Forest Hill. Sydenham Hill Wood, a 10 hectare Local nature Reserve is located opposite the site. The site is bound by residential properties to North, East and South. The site is situated approximately 1.5 miles East of Sydenham Hill Overground station and 1.3 miles south east of Forest Hill Station, from which London Bridge can be reached in 15 minutes.
- 1.6 Newsteer Real Estate Advisers (Newsteer) is the lead author of the Financial Viability Assessment (FVA) but they have taken on sources of third-party advice. Specifically, the following information has been incorporated in their assessment: -
- Johnson Associate Limited – Budget Cost Plan
 - Danks Badnell Architects Limited – Scheme Plans

The Application Scheme

1.7 Planning permission (DC/17/103386) is sought by the Applicant for the following;

“The alteration, conversion and change of use of Cedars 34 Sydenham Hill SE26, and the construction of a part single/part two storey extension at the rear, terraces at lower ground level and the provision of associated car parking spaces and bicycle storage to provide 5 one bedroom and 7 two bedroom self-contained flats, together with the demolition of the existing Coach House and the construction of 8 two bedroom cottages and associated landscaping and parking area, and the felling of seven mature trees.”

1.8 Newsteer has indicated that the assumed scheme results in an effective deficit of **£1,960,116** when the Residual Land Value is compared to Newsteer’s opinion of Benchmark Land Value, with the projected deficit indicated Newsteer has stated that the residual land value generated by the proposed development does not exceed the Viability Benchmark based upon what would be considered as an acceptable return for a development of this nature.

2 GENERAL METHODOLOGY

- 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).

2.1 We do not take issue with the overarching methodology used by Newsteer 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.

2.2 Newsteer 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:

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

- 2.3 The approach adopted by Newsteer 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.
- 2.4 Newsteer has adopted a BLV of £3,950,000 based on the sales of properties with D1 consent and also office uses as well as residential sales comparable to the Coach House. This comprised their opinion of the Existing Use Value of the property at £3,291,895, then applying a 20% landowners' premium.
- 2.5 Newsteer has modelled the proposed development which results in a Residual Land Value of £1,989,884 and thus a deficit of -£1,960,116 when compared to the assumed BLV of £3,950,000. Despite the projected deficit, Newsteer indicate that the applicant is willing to bring the scheme forward.
- 2.6 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.

- 2.7 GL Hearn's approach has been to critically examine all the assumptions on which the Newsteer appraisal is based.
- 2.8 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 The subject site measures approximately 1.55 Acres (67,518 sq. ft.) and is comprised of a period building known as The Cedars built in 1899, which since the 1944 had been owned by the Salvation Army and used recently as a residential in-service training centre. In 2014, it was sold to the applicant. We believe the property to currently be vacant. We understand The Cedars to measure approximately 11,483 sq. ft. There are two staff apartments within the building which we believe measure 1086 sq ft in total. Within the same site, there is also a four bedroom Coach House which we understand to measure approximately 1,904 sq ft

3.5 Newsteer has adopted a BLV of £3,950,000 based on the sales of properties with D1 consent and C3 use status like the main house known as The Cedars. They valued the Coach house based on their residential specialist's opinion, providing no transactional evidence. This comprised their opinion of the Existing Use Value of the property at £3,291,895, before applying a 20% landowners' premium.

3.6 To inform their opinion of EUV, Newsteer has relied on sales of buildings with D1 consent in taking an average price per sq. ft. The sales range widely in terms of both location and value, but the dates of transaction are all within the last two years.

3.7 With respect to the additional evidence provided in Newsteers submission and we have undertaken our own research;

- **Date Valley School, Mitchem Court, Cricket Green, Surrey, CR4 4LB** We can confirm from the Land Registry that the property was sold in August 2018 for £2,270,000 which equates to a capital value of £256 psf. Newsteer considered this the best evidence as it's of a similar size and age to the subject property. In terms of location we would consider it to be inferior to the subject property as it's over 10 miles from central London. Saying this, it looks to be in better condition than the subject property
- **Busy Bees, 176 Charlton Road, Greenwich, SE7 7DW** We understand from the Land Registry that the property was sold in November 2018 at a price of £3,705,000. We understand that the tenant is paying a rent stipulated by Newsteer of £38.88 psf with a net initial yield of 4.75%. The capital value reflected was £768psf. However, the building is a modern build in a superior location so as a comparable it has limited use.

3.8 As well as reviewing Newsteer's comparable evidence, we have also undertaken our own research of comparable transactions:

- **71 Lordship Lane, Tottenham, London, N17 6RS** The former Magistrates Court is located on the junction of Lordship Lane with is approximately 1 mile from the centre of Tottenham. The site is approximately 0.3 miles southeast of the Bruce Grove Station. The building comprises a 19,202 sq ft two storey Grade II listed building which was built in the 1930's. It is of traditional brick construction, with two extensions having been added in recent years. The building consists of an old civic court with ancillary office accommodation (use class D1). The property was sold in March 2017 for £4,570,000 which equated to a capital value rate of £238 per sq ft. We would consider this a good comparable which is similar to the subject property
- **The Hippodrome and Land, rear of 5 North End Road, Golders Green, London, NW11 7RP** The property is situated in a prominent position on the junction of North End Road and Finchley Road. The building is a detached Grade II Listed Building of 39,942 sq ft previously used as a religious centre (D1 use). Built in 1913 as a 3,000 seater music hall the property was previously home to the BBC Concert Orchestra, but has had many uses over the years which include a music and concert venue, light entertainment venue and boxing arena. The interior is designed to mimic Roman splendour and includes an entrance foyer, auditorium with proscenium extended stage and two circles. The property consists of four floors, with

internal lower and upper circle floors. There are various office rooms and WCs over the interior levels. Similar to the subject property, the property is in need of refurbishment. The property was sold via auction with vacant possession on August 2017 for £5,250,000 which equated to a capital value rate of £131.45 per sq ft. We are of the opinion this is an inferior comparable to the subject though the subject is in a less prominent location.

3.9 Considering the above comparable evidence, we have adopted a capital value rate of £225 for the commercial element

3.10 Regarding the staff apartments, we have consulted internal residential valuers and discussed their value with local agents and arrived at the conclusion that the figure adopted by the applicant seems reasonable when considering that they are ancillary to the main D1 use rather than being self-contained.

3.11 In reaching the value for the Coach House we considered to following comparable evidence:

- **59 Longton Avenue, SE26** (1.1km 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** (160m south west 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, having recently been refurbished. Being so close to the subject property (0.1miles) means this is a very good comparable, it is slightly inferior in its location being on the busy Sydenham Hill Road but overall we would expect the capital value rate to be very similar for the subject property.
- **28 Kingswood Drive, SE19** (2km 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** (1km 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.

3.12 Considering the above recent transactional evidence, attaching the most weight to the sale of 81 Sydenham we have adopted a sales rate of £425psf.

3.13 The total existing use value is set out below:

Existing Use Value				
Main Building				
Flats				
	Sq m	Sq ft	Value	£/psf
	52.5	565	£223,175	395
	100.9	1086	£428,970	395
Commercial Space				
	Sq m	Sq ft	Value	£/psf
	913.6	9834	£2,212,650	£225
	Refurb Costs		£769,000	
	Net Value		£2,095,795	
Coach House				
	Sq m	Sq ft	Value	£/psf
	178	1916	£814,300	425
	Refurb Costs		£149,000	
	Net Value		£665,300	
Total Value			£2,761,095	

- 3.14 The refurbishment costs provided by the applicant were analysed by in-house specialists who advised that they were towards the top end of the spectrum. Having reviewed the BCIS price index, it's clear the cost for conversion is within the upper quartile range in Lewisham and therefore we have adopted the applicant's conversion cost.

Existing Use Value

- 3.15 We note that the applicant purchased the site in April 2014 at a purchase price of £3,375,000. A copy of the marketing details is attached as Appendix B. However, because of the length of time since this sale, we have not placed much weight on it.

Premium

- 3.16 Newsteer adopted a premium of 20% 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.
- 3.17 A 20% incentive is appropriate for standard existing built investment assets with a relatively high EUV relative to Market Value. We have also adopted a 20% premium.

Benchmark Land Value

- 3.18 In arriving at £2,761,095, to which we have deducted purchasers' costs of 6.8%, and applied a landowner's premium of 20%, we have reached a benchmark land value of **£3,100,000**.

4 THE PROPOSED DEVELOPMENT

- 4.1 The site is located on the eastern side of Sydenham Hill Road, adjacent to Sydenham Hill Wood. The northern extremity of the road joins the A205 and to the South the A212. The area contains a mixture of Victorian and Edwardian properties such as the subject property and a large amount of ex local authority flats. When 34 Sydenham Hill was built in the late 1800's, there were many similar properties in the area with large gardens and individual driveways. Today, the site is bordered by Sydenham Hill estate to the South, which is typical for of the local authority flats in the area.
- 4.2 Sydenham Hill Road is connected to South Circular (A205) at the Northern End of the road. Dulwich is 0.7 miles North of the subject site and provides a number of local amenities.
- 4.3 In terms of connectivity, the site is located approximately 1.5 miles to the north east of Sydenham Hill Station and 1.3 miles to the South East of Forest Hill London Overground Station. The stations provide access to National Rail Services which provides direct access into central London. Bus services are also available on the subject road providing access to Lewisham to the north east and Croydon to the south west. The subject property has a PTAL rating of 2.
- 4.4 The scheme comprises a refurbishment and conversion of the main house to form 11 flats, the demolition of the coach house and its replacement with 8no. 2 bed Alms houses. It will provide the following accommodation:

	The Cedars	
	Sq ft	Sq m
Ground Floor		
Flat 1	775	72
Flat 2	560	52
Flat 3	1464	136
Lower Ground floor		
Flat 5	1259	117
Flat 6	1044	97
Flat 7	947	88
First Floor		
Flat 4	689	64
Flat 8	657	61
Flat 9	560	52
Second Floor		
Flat 10	667	62
Flat 11	818	76
Total	9940	

The Alms Houses		
Unit no.	Sq ft	Sq m
No.1	753	70
No.2	753	70
No.3	753	70
No.4	753	70
No.5	753	70
No.6	753	70
No.7	753	70
No.8	753	70
Total	6028	

4.5 The site will contain cycle storage and will have provision for car parking.

5 VIABILITY APPRAISAL INPUTS & ASSUMPTIONS

5.1 We consider below the various inputs and assumptions contained within the financial viability assessment provided by Newsteer.

Development Phasing & Timescales

5.2 Newsteer has adopted the following development timings:

- Pre-construction: 6 months;
- Construction: 18 months
- Sales: 6 months
- Total: 24

5.3 We do not take issue with the timings above. We would expect a proportion of sales to be made prior to completion and a sales rate of 2-3 units per month post completion. Based upon the above timings we have assumed a total period of 24 months.

Market Residential Values

- 5.4 Newsteer includes a schedule of sales prices of the comparable new build developments to arrive at a private sales rate of £626psf for the converted element and £557psf for the new build element. We have 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% despite a monthly change of -0.1% (September 2019). The average house price in England currently stands at £250,677. 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 recent General Election result, and the subsequent forming of a conservative government with a strong majority follows a hung parliament and a minority Government. Britain having voted to leave the EU and triggering Article 50, has seen a period of uncertainty as both the UK and indeed the world economy adjust to the implications. The short-term implications of the 2019 election 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 2020, however the prospect of another General Election or Referendum now seems remote which could lead to a period of great stability compared to under the previous minority government but with the election being so recent, this remains to be seen.
- 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 down annually 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 new 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 September 2019. According to the same data, from the Land Registry, residential property values in Lewisham demonstrated annual increase of 3.8%.

5.11 Below are details of some recent sales of similar properties located in close proximity to the subject site, which share similar characteristics to the proposed scheme.

Address	Description	Sale Price	Agent
1 Bed Flats			
51 William Booth Road, London, SE20 8BX	5 th floor 1 bedroom flat in a modern new development with a balcony. 0.2miles from Anerley Overground Station. 664 sq ft.	£399,950 (£602psf) Exchanged August 2019	Rightmove House Prices
Catalpa Court, Hither Green Lane, London, SE13	1 bed flat in modern development with balcony. Second Floor. 504 sq ft.	£290,000 (£575psf) Exchanged February 2019	1 st Avenue
Purbeck Gardens, Dylon Works, Sydenham, SE26 5FG	1 bed flat in modern development with large balcony. High spec with video entry system. Second Floor. 535 sq ft.	£375,000* (£700psf) Asking (*Agent doesn't feel it will fetch this much) September 2019	Kinleigh Folkard & Hayward
Flat 32, Centralis OMS, Lewisham, SE13 7TG	1 bed 3rd floor flat in development completed mid 2018. Access to winter garden. 580 sq ft.	£375,000 (£646psf) Sold October 2018	Peabody / Acorn
Flat 37, Centralis OMS, Lewisham, SE13 7TG	1 bed 4th floor flat in development completed Mid- 2018. Access to winter garden. 578 sq ft.	£377,000 (£652psf) Sold	Peabody / Acorn

Address	Description	Sale Price	Agent
Flat 5, Zanara Court, 24 Sydenham Rd, Forest Hill SE25 5QW	First floor 1 bed new build flat with Balcony. Construction completed end of 2018. 592sq ft.	March 2019 £385,000 (£650psf) Sold June 2019	Acorn / Land registry
Flat 6, Zanara Court, 24 Sydenham Rd, Forest Hill SE25 5QW	First floor 1 bed new build flat with Balcony facing South. Construction completed end of 2018. 592sq ft.	£360,000 (£597psf) Sold November 2018	Acorn / Land registry

Address	Description	Sale Price	Agent
2 Bed Flats			
Apartment 5, 351 Sydenham Road, Sydenham, SE26 5SL	2 bed high spec flat in modern development. 1st floor. Close to both Lower Sydenham and Sydenham station. Open plan with 1 bathroom. 706sq ft.	£375,000 (£531 psf) Sold March 2019	Acorn, New Homes London
Apartment 9, 351 Sydenham Road, Sydenham, SE26 5SL	2 bed high spec flat in modern development. 3 rd Floor. Close to both Lower Sydenham and Sydenham station. Open plan with small Juliette Balcony and 1 bathroom. 576 sq ft.	£365,000 (£633psf) Sold June 2019	Acorn
Flat 2, Zanara Court, 24 Sydenham Rd, Forest Hill SE25 5QW	First floor 2 bed new build flat with 1 bathroom and storage space. Construction completed end of 2018. 689sq ft.	£390,000 (£566psf) Sold January 2019	Acorn
Flat 8, Zanara Court, 24 Sydenham Rd, Forest Hill SE25 5QW	Large open plan 2 bed new build flat. Duplex Split over the 2 nd and 3 rd floor. 1012sq ft.	£550,000 (£543psf) Sold May 2019	Acorn / Rightmove prices
Flat 12, Dane House, Exeter Place, Wells Park Place Lewisham, SE26 6AE	2 Bed new build flat in gated community. Access to communal gardens. 1 st floor. Views of London. Juliet Balcony. and 7 mins walk to Sydenham Hill Station. 797 sq ft.	£512,000 (£642psf) Sold October 2018	Crest Nicholson
Purbeck Gardens, Dylon Works, Sydenham, SE26 5FG	2 bed new build flat within development completed in February 2019. 3 rd floor with a balcony. 850 sq ft.	£495,000 within 5% of above (£582psf) Exchanged August 2019	Barnard Marcus

- 5.12 351-355 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 1.7 miles to the East 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 impacted the sale prices the flats have achieved. We would therefore expect the scheme to achieve a slightly lower level of value compared the Cedars Development. This is illustrated by the sale of Apartment 9 in March 2019 for £375,000 (£531psf).
- 5.13 Zanara Court at 24 Sydenham Road is a new build development of 19 flats made up of three floors completed in 2018. It includes 1, 2 and 3 bed flats including several flats which are split over 2 floors. It is 1 mile 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 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).
- 5.14 Acorn advised that the local market has slowed down over the last 6 months and asking prices had not been achieved, but they noted that the 1 beds were the most popular and have consistently attracted the highest prices per square foot for developments in Sydenham.
- 5.15 Wells Park Place is a Chrest Nicholson Development which comprises of 26, 2 and 3 bedroom flats and 20, 4 bedroom terraces and townhouses. It's within a landscaped surrounding at the top of Sydenham Hill which offers far reaching views of London. The site is 0.4 miles to the south west 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 all sold 7 months post completion with only 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 values than the subject scheme because of the nature of high specification development including the communal gardens / courtyards and the presence of 20 townhouses within the scheme which are fetching over £1,000,000 in the current market.

- 5.16 Centralis is a Peabody development of 49 homes completed at the end of 2018 comprised of 1, 2 and 3 beds spread over 6 floors. It is located in the centre of Lewisham, 2 miles to the North of the subject site. The agent Acorn informed that 80% of the development has now been sold but the remaining units were taking significantly longer to attract offers. Flat 32, a 1 bed 4th floor flat sold in March 2019 for £377,000 which equates to £652psf. The flat has access to a shared winter garden. We would consider the development to have many similarities with the subject scheme in terms of scale and specification but its superior location, being 200 metres from Lewisham Station and closer to central London, have resulted in higher values of £650psf.
- 5.17 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 with an average of £626 per sq ft for the converted element and an average of £557per sq ft for the new development which we believe to be reasonable given recent market evidence of comparable schemes.
- 5.18 Having given consideration the above sales we have adopted the applicants proposed scheme values listed below

The Cedars				
Ground Floor	Sq ft	Sq m	Value	£/psf
Flat 1	775	72	£495,000	£639
Flat 2	560	52	£360,000	£643
Flat 3	1464	136	£895,000	£611
Lower Ground floor				
Flat 5	1259	117	£775,000	£616
Flat 6	1044	97	£650,000	£623
Flat 7	947	88	£610,000	£644
First Floor				
Flat 4	689	64	£450,000	£653
Flat 8	657	61	£395,000	£601
Flat 9	560	52	£365,000	£652
Second Floor				
Flat 10	667	62	£390,000	£585
Flat 11	818	76	£525,000	£642
Total	9940		£5,910,000	£626

The Alms Houses				
Ground Floor	Sq ft	Sq m	Value	£/psf
No.1	753	70	£445,000	£591
No.2	753	70	£415,000	£551
No.3	753	70	£415,000	£551
No.4	753	70	£415,000	£551
No.5	753	70	£415,000	£551
No.6	753	70	£415,000	£551
No.7	753	70	£415,000	£551
No.8	753	70	£425,000	£564
Total	6028		£3,360,000	£557
Total	15468		£9,270,000	£599

Existing Staff Apartments			
Flats			
Sq m	Sq ft	Value	£/psf
52.5	565	£295,000	£522
100.9	1086	£570,000	£525

Coach House			
House			
Sq m	Sq ft	Value	£/psf
178	1916	£815,000	£425

Affordable Housing

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

Development Costs

- 5.20 For construction costs the applicant has used Johnson Associates to provide a cost plan. The applicant has adopted a total construction cost of £3,986,468.
- 5.21 We have consulted in-house specialists and reviewed internally whilst keeping BCIS rates for new builds in Lewisham in mind. Whilst the costs provided (minus preliminaries, contingency and external works) is towards the upper quartile we are happy to accept the Johnsons build costs as they fall within an acceptable range.
- 5.22 We have made an allowance of 10% for professional fees which is a standard assumption for this type of exercise. We note that the Applicant's FVA suggests that an equivalent allowance is adopted within its report of 12%.
- 5.23 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.

Planning Obligations

- 5.24 The Applicant has adopted figures of £24,000 for Mayoral CIL liability and £34,268 Borough CIL liability within their appraisal. They have provided a CIL schedule within the appendix.
- 5.25 We have calculated the total CIL liability to be £60,280. We have not been party to the discussions between the Council but have used the Lewisham CIL calculator with reference to the latest BCIS index available. We have adopted the mayoral CIL2 of £60psm and a local rate of £70psm. We would however recommend that the CIL calculations are provided to the Council's CIL Officer to carry out a full review.

Marketing, Letting & Sales Fees

- 5.26 We note the applicant has adopted the following assumptions within their appraisal:
- Sales agent's fees of 1.5%
 - Sales legal fees of 0.5%
 - Marketing fees of 2.0%.
- 5.27 Whilst we agree with the sales agent's fee and sales legal fee, we have adopted a marketing fee of 1.0% which we have included within the appraisal.

Finance

- 5.28 We note that the applicant has adopted a 6% finance rate in their appraisal. We would consider that the Applicant would be able to borrow at a rate of 6% and have therefore adopted this figure within our appraisal.

Developer's Profit

- 5.29 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.
- 5.30 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 lower 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.

5.31 Newsteer have adopted a 17.5% profit on GDV of the private development. Given the uncertain economic climate, we consider this figure to be reasonable and have therefore adopted it in our appraisal.

Sensitivity Analysis

5.32 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%	-5%	0%	+5%	+10%
Sales Rate	-10%	£1,921,130	£1,717,508	£1,513,883	£1,310,264	£1,106,642
	-5%	-2,234,022	£2,030,400	£1,826,778	£1,623,156	£1,419,534
	0%	£2,546,914	£2,343,292	£2,139,670	£1,936,047	£1,732,425
	+5%	£2,859,805	£2,656,183	£2,452,561	£2,248,939	£2,045,317
	+10%	£3,172,697	£2,969,075	£2,765,453	£2,561,831	£2,358,209

6 VIABILITY APPRAISALS & CONCLUSIONS

6.1 Attached as Appendix A 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 In this instance we have been provided with a working appraisal by Newsteer for the development scenario. This has enabled us to ensure the model has been constructed properly and the inputs are timed correctly within the cashflow.

6.5 As has been highlighted in the previous section there are 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;

- CIL Contribution
- Marketing and Professional Fees
- Benchmark Land value

6.7 Attached as Appendix A is an Argus Developer development appraisal summary reflecting our assumptions. The resultant Residual Land Value and Benchmark Land Value is summarised as follows:

Residual Land Value	Benchmark Land Value	Surplus / Deficit
£2,139,670	£3,100,000	-£960,330

6.8 It is evident from the above that the Benchmark Land Value generated by the proposed development, based on our assumptions, is greater than the Residual Value. Our appraisals from indicate that the proposed scheme cannot viably deliver affordable housing.

Appendix A

Argus Appraisal
(See Attachment)

Appendix B

Subject Site Marketing Particulars
(See Attachment)

Appendix C

Johnson Associates cost assessment
(See Attachment)

Appendix D

81 Sydenham Hill Brochure