

Private and Confidential

Frankham Street, Deptford SE8

London Borough of Lewisham

Viability Report | August 2016

urbandelivery

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1.0 Introduction

Background

- 1.1 Urban Delivery was instructed by the London Borough of Lewisham (the “Council”) to assess the financial viability of the proposed redevelopment at Frankham Street in Deptford by Sherrygreen Homes and Family Mosaic (to be collectively referred to as the “Applicant”) in support of its proposal to build 210 dwellings of the site of the former Tidemill School to the south of Frankham Street (the “Property”). The Applicant has proposed offering 34 dwellings as affordable homes. We understand that subsequent amendments to the development scheme has resulted in the omission on a three bedroom maisonette which has reduced the total number of dwellings to 209.
- 1.2 It is understood that the redevelopment of this Property is connected with another site on Amersham Vale, approximately 500m to the northwest of the Property. Both sites are owned by the Council and the sale of these two sites is intended to provide the Council with a capital receipt to recover expenditure incurred in the completion of previous Council led development phases north of Frankham Street.
- 1.3 The purpose of this report is to provide guidance to the Council on the financial viability of the proposed Frankham Street scheme to ensure that a sufficient capital receipt can be received and a fair proportion of on-site affordable homes is provided. However, the advice provided in this report (with regard to the Council’s land and the proposed development scheme) does not represent a Valuation in accordance with the RICS Valuation Standards (The Red Book) 2014, published by the Royal Institution of Chartered Surveyors, and should not be regarded as such. The advice provided herein must only be regarded as an indication of potential value, on the basis that all assumptions are satisfied.
- 1.4 Following the EU referendum held on 23 June 2016 concerning the UK’s membership of the EU, a decision was taken to exit. We are now in a period of uncertainty in relation to many factors that impact the housing market and commercial property investment and letting markets. Since the Referendum date it has not been possible to fully gauge the effect of this decision by reference to transactions in the market place. The probability of our opinion of achievable sales values exactly coinciding with the prices to eventually be achieved has therefore reduced. We would, therefore, recommend that particular attention is paid to the sensitivity analysis provided in section 6 of this report, considering both the impacts on future value growth as well as the potential for a downturn in property values over the duration of the proposed development.

Conflict of Interests

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

Information Provided

- 1.6 In undertaking this review Urban Delivery has collected evidence from a number of third party sources. Urban Delivery cannot be held responsible for the accuracy of this data.
- 1.7 This report contains confidential information provided by the Applicant and the report must not be used by any person other than for whom it has been commissioned, without Urban Delivery's expressed permission. In any event, Urban Delivery accepts no liability for any costs, liabilities or losses as a result of the use of, or reliance upon, the contents of this report by any other person other than the commissioner for planning purposes.
- 1.8 In undertaking the review of the Applicant's viability report, Urban Delivery has been provided with the following information:
- a. A copy of the Applicant's viability report, prepared by BNP Paribas Real Estate, dated January 2016. This includes a copy of the development appraisal for the proposed development.
 - b. An accommodation schedule.
 - c. A summary construction cost plan dated January 2016.
 - d. An indicative unit pricing schedule prepared by a range of residential sales agents, dated January 2016.
- 1.9 In addition to the above information that was supplied as part of the Applicant's viability report, we have downloaded planning application documents from the Council's website. These include:
- e. Scheme drawings prepared by Pollard Thomas Edwards, dated July 2014.
 - f. Design and Access Statement prepared by Pollard Thomas Edwards and dated January 2016.
 - g. A planning Statement prepared by CMA Planning and dated December 2015.

2.0 Project Details

Location

- 2.1 The Property is located on the site of the former Tidemill School on the southern side of Frankham Street in Deptford in south east London within the London Borough of Lewisham. Access to Frankham Street is from Deptford Church Street which itself can be accessed in the north from the A200 and to the south from the A2 New Cross Road. The A2 provides a direct route to the arterial road and motorway network. Deptford railway station is situated approximately 200m to the northwest of the Property while Deptford Bridge DLR station is approximately 400m to the south.

The Site

- 2.2 The Property comprises an area of land extending to 1.26 hectares (3.11 acres). The Property contains a mix of residential dwellings which will be demolished as part of the development as well as the former school buildings which will be retained as part of the development proposal. We understand that the Property is currently owned by the Council.
- 2.3 We have only inspected the Property from the road and have not undertaken an internal inspection or carried out a measured survey. We are therefore reliant on the accuracy of the information provided by the Applicant and its advisers.

Development Overview

- 2.4 The Applicant proposes the development of a residential scheme to accommodate 209 new dwellings within five principal blocks extending up to six storeys in height. The residential accommodation will total approximately 15,013 sq m (161,602 sq ft) of Net Sales Area.
- 2.5 The development will provide the following residential units:

Unit Type	Private	Social Rented	Shared Ownership
1 Bedroom Flat	56	7	4
1 Bedroom Maisonette	11	0	0
2 Bedroom Flat	73	7	4
2 Bedroom Maisonette	13	0	0
3 Bed Flat	18	3	0
3 Bed Maisonette	2	2	0
3 Bed House	1	0	0
4 Bed Flat	0	3	0
4 Bed Maisonette	1	4	0
Total	175	26	8

- 2.6 We understand that the development will include 11 disabled car parking spaces and 342 cycle parking spaces. Due to the close proximity of public transport nodes it is understood that no on-site car parking will be provided for private residents.
- 2.7 The development proposal indicates that 34 dwellings will be provided as affordable homes adopting a tenure split of 76% social rented and 24% shared ownership. This reflects a level of 16.2% affordable housing in terms of total dwellings and 19% based on habitable rooms.

Planning

- 2.8 In January 2016 the Applicant submitted a planning application seeking planning permission for the following development:

“Demolition of existing buildings, with the exception of the former school buildings which will be converted and extended, and the erection of three new buildings, to provide residential dwellings plus cycle parking, refuse / recycling facilities and access together with landscaping including public realm, communal and private amenity space.”

- 2.9 The application site forms part of Site Allocation SA3 which covers both the application site and an area to the north of the site (north of Frankham Street). The northern part of site allocation SA3 already benefits from planning permission granted in 2008 which has now been built.
- 2.10 Current LB Lewisham planning policy requires 50% of all proposed dwellings to be provided as affordable housing unless it can be demonstrated through viability that a lower provision is appropriate. In exceptional circumstances it is possible for the applicant to offer a payment in lieu of on-site affordable homes. In either circumstance an assessment must demonstrate that the maximum level of affordable housing has been secured or that an equivalent sum is paid to provide the equivalent number of affordable homes off-site.

Section 106 and CIL Proposals

- 2.11 In preparing its appraisal for the Frankham Street scheme the Applicant has applied Mayoral CIL rates of £35 per sq m and Borough CIL rates of £100 per sq m to all new residential development.
- 2.12 Based on the floor areas set out in the scheme architect's accommodation schedule it does not appear that any relief has been included with respect to the proposed affordable homes, nor for the retained building of the former Tidemill School, which is stated to extend to c.2,697 sq m in the Applicant's planning documents.
- 2.13 The Applicant has therefore allowed for Mayoral CIL and Borough CIL of £2,540,430, which we believe to be overstated, albeit this does not include any indexation to account for build cost inflation. Based on our own calculations we have applied the below CIL and S106 contributions that would become payable should the scheme be granted planning

permission.

Mayoral CIL

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

- Total GIA of 18,648 sq m
- Less, GIA of Affordable Housing (2,959 sq m)
- Less, GIA of existing building (2,697 sq m)
- Net GIA of 12,992 sq m
- MCIL + Indexation @ £42.40 per sq m: **£550,861**

LB Lewisham CIL

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

- Net GIA of 12,992 sq m
- LBL CIL @ £100 per sq m: **£1,299,200**

Section 106 Contribution

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

- S106 – Employment & Training: **£110,770**
- S106 – Controlled Parking Zone: **£30,000**

TOTAL CIL & MCIL COST: £1,990,831

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

3.0 Approach to Viability Appraisal

Limitation of residual development appraisals

- 3.1 We have prepared a series of development appraisals using the industry standard Argus Developer software to appraise the project viability. Please note the following;
- Development appraisals are highly sensitive to their inputs (i.e. small changes in inputs can lead to a marked change in outputs).
 - Development appraisals are required to assess viability as at today's date, which is reinforced in the RICS *Financial Viability in Planning* guidance note. They are permitted to factor in historic costs and also potential future market and cost inflation. However this all needs to be considered as at today's date.

Approach to Appraisal

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

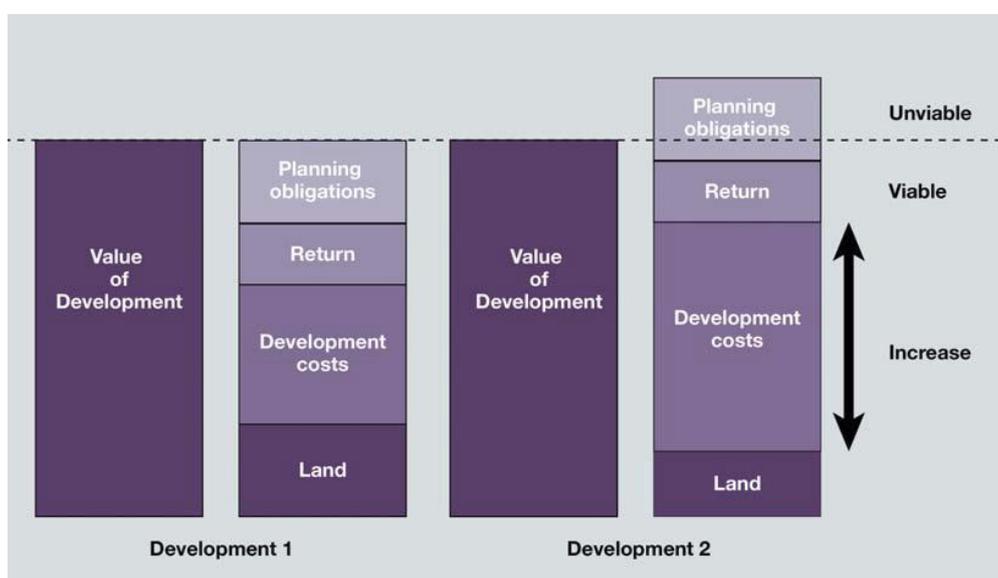
- 3.3 GN94 defines financial viability for planning purposes as follows:

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

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

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

- 3.5 It is accepted however that any assessment of site value will have regard to potential planning obligations, and the purpose of the viability appraisal is to assess the extent of these obligations while also having regard to the prevailing property market.
- 3.6 This principle is demonstrated by the diagram found in GN94. The costs and necessary returns of Development 1 are such that policy can be met in delivering all planning obligations while meeting a site value for the land, all other development costs and a market risk adjusted return. In contrast, Development 2 indicates that an increase in costs results in an inability of that development to absorb the original planning obligations and is therefore unviable. A financial viability assessment would be required to ascertain what could viably be delivered in the way of planning obligations while ensuring that the proposed development was viable and deliverable.



Source: RICS Guidance Note 94/2012.

- 3.7 Urban Delivery adopts the RICS definition of Market Value as the appropriate basis to assess site value.
- 3.8 This is consistent with the NPPF, which acknowledges that 'willing sellers' of land should receive 'competitive returns'. Competitive returns can only be achieved in a market context (i.e. Market Value) not one which is hypothetically based on an arbitrary mark-up applied, as in the case of Existing Use Value (or Current Use Value) plus a premium.
- 3.9 In the absence of any definitive guidance, a variety of practitioners have evolved approaches to assess a reasonable benchmark land value. One approach has been to adopt Current Use Value (CUV) plus a margin or a variant of this, i.e. Existing Use Value (EUV) plus a premium. GN94 states that the problem with this singular approach is that it does not reflect the workings of the market as land may not be released at CUV or CUV plus a margin (EUV plus). It is however, possible that its current use represents the Market Value if the CUV is in excess of the residual value produced by a proposed development.

- 3.10 Where the existing site or property is undeveloped or in a condition unsuitable for use or occupation, an alternative approach could be to consider the Alternative Use Value (AUV). This methodology seeks to identify an alternative use or development that could be permitted on the site, in line with planning policy. The cost of constructing this hypothetical development must be considered and deducted from the potential development value in order to generate a Residual Land Value (RLV). This RLV can then be suggested as the Benchmark Land Value.
- 3.11 This viability assessment has been undertaken in accordance with the LB Lewisham's Supplementary Planning Document (SPD) on Planning Obligations, adopted on the 25th February 2015. This includes guidance on financial viability assessments (paragraphs 4.31 to 4.38). In respect of land value, the SPD notes that the analysis should be based on land values as set by the application of planning policy in determining the permissible scope of development rather than the price actually paid for the land.
- 3.12 The site value adopted in this viability assessment is based on a risk adjusted Market Value. The risk adjustment allows for the fact that the subject Property does not yet have a planning permission for the proposed use (although does comply with the development plan) whereas evidence of similar land sales may reflect land sold with the benefit of a planning permission or a sale agreed on a 'subject to planning' basis. As such, the site value will normally be less than current market prices for development land for which planning permission has been secured and planning obligation requirements are known.
- 3.13 Consideration is also given to the requirement for the Applicant to pay a prescribed sum for the Council's land in order that the Council can recover expenditure from the delivery of the earlier phases of development north of Frankham Street.
- 3.14 In determining the site value Urban Delivery will have regard to AUV and transactional evidence of other residential land sales and all other material considerations that might impact on site value.

Residual Development Appraisal Assumptions

- 3.15 Our residual development appraisal has been prepared using Argus Developer, a recognised industry standard package that models individual development schemes and development phases. The model is based on costs and values adopted by the appraiser and can then be applied to a bespoke timeframe with assumptions on cost breakdown throughout the life of the project. This assumption on costs, revenues and the timing of such is then used to calculate finance costs.
- 3.16 In our residual development appraisal we have adopted our own assumptions on the amount and timing of income and expenditure, explaining why these differ from the Applicant's assumptions, if applicable. As part of our review we have examined all assumptions and formed our own independent view on whether these assumptions are applicable in the current market conditions.

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

4.0 Market Analysis

Local Property Market

- 4.1 We have undertaken a review of the local property market to identify a range of comparables relating to development land sales and new build residential unit sales.

Land Sales

- 4.2 In order to estimate the price a developer may pay to a land owner to acquire the subject Property for the proposed residential development scheme, we have sought to identify a series of land transactions in the local area that may provide an indication of a fair and reasonable land cost. This will be used to ascertain whether the Applicant's proposed Benchmark Land Value is acceptable. We are advised in this instance that the Applicant is paying a combined sum in the order of £21,250,000 for the subject Property and the site at Amersham Vale. This figure equates to circa £64,600 per proposed dwelling and circa £11,185,000 per hectare (£4,530,000 per acre).

Greenwich Creekside East

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

Kent Wharf, Creekside, SE8

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

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

Sun Wharf, Creekside, SE8

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

223-225 High Street, Lewisham, SE13

- 4.12 This property comprises an existing office building on a site of 0.07 ha (0.17 acres) and was granted planning permission in March 2015 for a development with 195 sq m (2,100 sq ft) of ground floor office space and 22 apartments over four upper floors. The planning permission does not require any on-site affordable housing but includes a S106 agreement with a total of £308,918 of financial contributions plus potential for overage payable to the Council. The ground floor commercial unit is pre-let to estate agent, Acorn, for a term of 15 years. The property sold in October 2015 for a price of £3,250,000.
- 4.13 This achieved price reflects a land value of circa £47,220,000 per hectare (£19,100,000 per acre) or £147,000 per residential plot. This value is considered to be relatively high on the basis that the site is compact and has the benefit of a pre-let commercial unit which will reduce developer risk and add to the profitability of the development scheme.

29 Pomeroy Street, New Cross Gate, SE14

- 4.14 This property comprises an existing commercial premises with a site area of 0.16 ha (0.39 acres) and was granted planning permission in September 2015 for a development of 37 apartments (including six affordable homes) over four and five storeys. The planning permission includes a S106 agreement requiring a financial contribution of approximately £152,000 plus CIL liabilities of circa £108,000. The property sold in late 2015 for a price of £5,400,000.
- 4.15 This price reflects a land value of circa £34,200,000 per hectare (£13,850,000 per acre) or £146,000 per residential plot. Again, we would expect this to reflect a value towards the higher end of the range of plot values on the basis that the site is relatively compact. We note however that the proportion of affordable housing, at 16%, is similar to that proposed within the subject Property.

Residential Sales

- 4.16 We have undertaken an independent investigation into private residential sale values in the vicinity of the proposed development, as set out in the tables below.

The Glassworks, Deptford Bridge, SE8

- 4.17 Mura Estates is currently marketing its development at 33-49 Deptford Bridge, approximately 300m to the southeast of the Frankham Street site. The development comprises 26 apartments, of which 3 are for shared ownership. These apartments are due to complete between Q4 of 2016 and Q1 of 2017.
- 4.18 As can be identified from the table below the units are priced from £385,000 for one bed dwellings, £540,000 for two bed dwellings and from £610,000 for the three bed dwellings. The average asking price equates to approximately £7,570 per sq m (£703 per sq ft) which is significantly higher than the Applicant has suggested at circa £5,850 per sq m (£543 per sq ft).
- 4.19 We would accept however that these are asking prices and are not necessarily the values that will be achieved, particularly with a period of uncertainty over the impact of SDLT changes on second homes and the reduction in tax relief on mortgage interest rates on buy-to-let homes, and the impact this could have on sales rates and values in general.
- 4.20 We would suggest however that from a location perspective, these units provide a good comparable to those proposed at Frankham Street and suggest the pricing included in the Applicant's assessment could be towards a conservative end of the price range.

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

Hatcham Works, Hatcham Park Mews, New Cross, SE14

- 4.21 Hatcham Works comprises a development of 20 apartments and two houses within a converted Victorian warehouse. The site is located approximately 1.3km to the west of Frankham Street, close to New Cross Gate.

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

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

Spark Apartments, New Cross, SE14

- 4.23 This development comprises a mix of one, two and three bedroom apartments having been developed by Hyde New Homes as a range of rented and shared ownership homes. This site is located on New Cross Road, approximately 1.6km to the west of Frankham Street.
- 4.24 While these units are only offered as shared ownership tenure, the full market prices are indicated in the table below which provides an indication of the pricing for one, two and three bedroom units in this location.

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

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

Marmont, 45-49 Marmont Road, SE15

- 4.26 Marmont is a collection of six 1 & 2 bedroom apartments and one 3 bedroom house located on the corner of Marmont Road and Goldsmiths Road close to the centre of Peckham, approximately 2.8km from Frankham Street. We are advised that these units are now sold. The prices are set out in the table below:

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

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

Summary

- 4.28 As can be identified from the evidence above, the range of asking prices and sales values for individual units within schemes in the vicinity of the subject Property can vary significantly from £5,210 and £8,150 per sq m (£484 and £757 per sq ft). The units currently being marketed at the Glassworks at Deptford Bridge perhaps offer a closer indication of unit pricing at for this location, although could be considered bullish in the current property market with the two bedroom apartments seeking prices of over £500,000 each.
- 4.29 In view of the above evidence we are of the opinion that an achievable average sales value for the private sale units would be as set out below:
- 1 Bed Flat @ £350,000
 - 1 Bed Maisonette @ £375,000
 - 2 Bed Flat @ £475,000
 - 2 Bed Maisonette @ £515,000
 - 3 Bed Flat @ £610,000
 - 3 Bed Maisonette @ £630,000
 - 4 Bed Maisonette @ £725,000
- 4.30 This would generate an average sales value of circa £6,376 per sq m (£592 per sq ft) for the private units. While this may appear low, we note that the average floor area for the two and three bed units is larger than average at around 75 sq m (808 sq ft) for the two bed apartments and 91 sq m (985 sq ft) for the three bed apartments plus larger maisonettes of the equivalent number of bedrooms. As such this could slightly skew the average residential sales value where ceiling unit prices are applied to the proposed units.

Residential Rental Values

- 4.31 We have reviewed the local property market and identified that rental values for one to four bedroom apartments are in the region of:
- 1 bed @ £310 per week (@ 60% = £186 per week)
 - 2 bed @ £420 per week (@ 60% = £252 per week) (capped at £250)
 - 3 bed @ £520 per week (@ 60% = £312 per week) (capped at £250)
 - 4 Bed @ £550 per week (@ 60% = £330 per week) (capped at £250)
- 4.32 We have had regard to the above rental values in order to assess the potential value of any rented affordable homes that could be provided. However, with regard to the two, three and four bed units, we have capped weekly rents at £250 per unit in line with rental caps imposed by the government. These values have been adopted to test the value that could be attributed to on-site affordable homes and therefore their impact on viability and the total number and mix of tenures that could be provided by the Applicant.

- 4.33 The value of the rented units takes into account the government's requirement for Registered Providers to reduce social rents by 1% per annum over the next four years. The value per sq m (sq ft) adopted in the relevant appraisals for the affordable rented units is a blended rate for the one, two, three and four bedroom units at £1,507 per sq m (£140 per sq ft).
- 4.34 With regard to shared ownership units we have adopted market values and made an assumption on the initial sale of equity to the purchaser. This is typically 25%. The rental payments on the interest retained by a Registered Provider are then calculated based on a maximum of 2.75% of the outstanding value per annum. We have however adjusted these rental figures to comply with maximum thresholds and affordability levels adopted by LB Lewisham.
- 4.35 We have based our value for the shared ownership units on the current household income thresholds, which are as follows: (The figures in brackets represent the maximum housing cost)
- 1 bed @ £36,795 per annum (£12,252 per annum)
 - 2 bed @ £42,663 per annum (£14,206 per annum)
 - 3 bed @ £59,810 per annum (£19,916 per annum)
- 4.36 We have limited this assessment to one, two and three bedroom homes on the assumption that shared ownership four bedroom homes in this location will not be offered by the Applicant and may not be considered affordable.
- 4.37 Current policy requires that total housing costs are limited to no greater than 45% of net household income (Net housing income is assumed to be 74% of gross household income). This should include mortgage payment, rent and service charge.
- 4.38 In preparing our assessment we have ensured that total housing costs are kept below the figures in brackets above. In doing so, we have assumed that purchasers will acquire a 25% share of equity with an average mortgage rate of 5% per annum and an allowance for annual service charge of between £1,500 and £2,000.
- 4.39 This approach indicates a blended value for the one, two and three bedroom units at £2,900 per sq m (£270 per sq ft).

5.0 Viability Assessment

Land Value

- 5.1 The Applicant's viability appraisal combines the two sites at Frankham Street and Amersham Vale and allows for a Benchmark Land Value of £21,250,000. It is our understanding that this figure reflects the price agreed to be paid by the Applicant to the Council for these two sites. This figure equates to circa £64,600 per proposed dwelling and circa £11,185,000 per hectare (£4,530,000 per acre). In order to complete an objective viability assessment however Urban Delivery has undertaken a review of development land transactions in order to provide an estimate of Market Value.

Market Value

- 5.2 Based on the evidence referred to in the previous section, it is reasonable to assume that larger sites with the benefit of a residential planning consent in the local area can range between £22,720,000 per ha (£9,200,000 per acre) and £34,000,000 per ha (£13,800,000 per acre) in value. Applying this value range to the subject site would indicate a land value of between £28,000,000 to £40,000,000, which for the proposed scheme and site density is unlikely to be achievable in practice.
- 5.3 The proposed site density will inevitably impact on land values and therefore it is believed to be more appropriate to consider the value attributable to each development plot. The evidence reviewed provides a range from £46,800 to £147,000 per plot with the average around £89,500 per plot, albeit skewed by the significantly higher values attributed to the smaller sites. The sites available for higher density development are indicating average plot values of circa £55,000 to £65,000 per plot. We would also anticipate that schemes with a proportion of larger units and maisonettes could achieve a value towards the higher end of the range, and in excess of this where houses are also to be provided.
- 5.4 Applying these values to the subject Property, on the assumption that 209 dwellings will be developed, would generate a land value in the range of £11,495,000 to £13,585,000. This figure is broadly in line with that suggested by the Applicant, which equates to circa £64,600 per plot, and we are therefore of the opinion that it would be acceptable to adopt the Applicant's suggested Benchmark Land Value equivalent to £13,520,000.

Appraisal Inputs

Residential Revenue

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

above. This generates a total capital receipt of £78,735,000 for the private sale units which reflects an average value of £6,376 per sq m (£592 sq ft). We note that the inclusion of larger maisonettes and houses within this analysis may skew the average value per sq m, which otherwise could be in excess of £6,450 per sq m (£600 per sq ft).

- 5.7 Based on our research of potential values and pricing, the capital value of the private sale housing in our appraisal is approximately £6,460,000 greater than the Applicant has set out in its own viability appraisal in respect to the Frankham Street scheme, allowing for the omission of the 3 bedroom maisonette.
- 5.8 With regard to the affordable housing, our analysis concludes that the Applicant's applied revenue for the 34 dwellings equivalent to £141,000 per dwelling appears reasonable and results in a total sum of £4,794,000. This is based on an average sales value of £1,507 per sq m (£140 per sq ft) for the social rented units and £2,900 per sq m (£270 per sq ft) for the shared ownership units.

Ground Rent Revenue

- 5.9 The Applicant has applied a range of ground rents of £250, £300, £350 and £400 per annum for the one, two, three and four bed units respectively to each of the private sale apartments. The Applicant has also applied a yield of 5.0% to the ground rent investments which we believe reflects a reasonable return attributable to the ground rent investment. Applying these assumptions to the 174 private sale apartments results in a total ground rent investment of £999,000.

Cost Advice

- 5.10 In order to check the Applicant's cost assumptions we have taken advice from Trident Building Consultancy. Trident has reviewed the Applicant's cost summary and analysed the broad inputs that make up the total construction costs. The build costs equate to £2,156 per sq m (£200 per sq ft).
- 5.11 Overall, Trident has indicated that the cost summary is in line with what it would expect for the overall development. We provide a copy of the Trident cost review summary at Appendix 2.
- 5.12 Based on the subsequent scheme amendments, we note that the overall GIA for the proposed development has reduced from 18,889 sq m to 18,647.8 sq m. In order to reflect this reduction in our appraisals we have reduced the initial cost estimate by £520,000 based on a cost of £2,156 per sq m and a reduction of 241.2 sq m.

S106 and CIL Contributions

- 5.13 We have applied the overall S106, Borough CIL and Mayoral CIL contributions to our appraisal as set out in paragraphs 2.14 to 2.16. These total £1,990,831. These calculations are understood to be based on the appropriate CIL contributions that would be due for the proposed development with relief applied to the affordable housing element. However, we

would recommend that the Council check these figures are accurate based on the agreed floor areas and any indexation to be applied to the agreed CIL charge rates.

- 5.14 We note that our total CIL allowance is approximately £690,000 less than the figure included within the Applicant's viability appraisal. This is attributed to the relief applied to the affordable housing element and the omission of CIL on buildings to be retained.

Professional Fees

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

Marketing Costs

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

Sale Legal Costs

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

Finance Costs

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

Developer Profit

- 5.21 The Applicant's viability assessment adopts a profit level of 20% on Gross Development Value with respect to the private sale units and 6% for the affordable units. This is the level of return we would typically expect a developer to seek for a scheme of this type and therefore we would accept that this rate of return appears reasonable.
- 5.22 With regard to a suitable development return for a standard development project, we consider the GLA Toolkit's default allowance of 20% of Gross Development Value a reasonable benchmark. However, we are aware that other viability toolkits permit a range of profit levels to suit the phasing and perceived risk of the project.
- 5.23 We would also have regard to past appeal cases where the Planning Inspectorate has passed judgement on the acceptability of certain profit levels within viability assessments. One particularly prominent case being *The University of Reading vs Wokingham BC* in which the Inspector accepted a developer return of 20% profit on GDV.

6.0 Viability Outputs

Viability Findings

- 6.1 We have undertaken our own appraisal and have arrived at the main outcomes described below.
- 6.2 Based on our opinion of GDV for the proposed Frankham Street development, the development costs and the Benchmark Land Value, we are of the opinion that the Applicant has offered the maximum number of affordable homes that can be provided at the current time. This offer comprises 34 affordable homes which are to be provided as 26 social rented units and 8 shared ownership units, which equates to 16.2% of the total number of units proposed by the Applicant or 19% based on habitable rooms.
- 6.3 Based on our assessment, the Applicant, in proposing 34 affordable homes, will receive a developer profit of circa 19.2% based on GDV. While this profit level achieves the Applicants blended target return, it should be noted that the residual land value of circa £7,160,000 is approximately £6,360,000 lower than the estimated Benchmark Land Value (or agreed pro rata acquisition price), in the order of £13,520,000.
- 6.4 We would comment that the appraisal currently allows for S106 costs to cover employment and training contributions and to implement a controlled parking zone. As such, should any further financial contributions be required to mitigate certain impacts of the development this will need to be verified by the Council and could impact on the financial viability of the proposed development.

Sensitivity Analysis

- 6.5 In view of the current property market uncertainties resulting from the recent vote for Britain to exit the EU we have undertaken a series of sensitivity analyses to identify the potential upside and downside risk to the Applicant.
- 6.6 The table below sets out the residual land value that the scheme could generate where the sales values of the private units fall and rise by the stated level.

Private Sales Value	Residual Land Value	Deficit / Surplus*
+5%	£9,569,000	-£3,951,000
+10%	£11,975,000	-£1,545,000
+15%	£14,381,000	£861,000
-5%	£4,747,000	-£8,773,000
-10%	£2,242,000	-£11,278,000
-15%	£395,000	-£13,125,000

*Target RLV is £13,520,000

- 6.6 As can be seen from the outputs in the table above, it will be necessary for private sales values to increase substantially for the scheme to be considered financially viable. However, should current market uncertainties have a detrimental impact on sales values and house prices fall during the development period, the current deficit will increase to a level where the Applicant will likely incur a significant loss. Assuming the Applicant will have acquired the land prior to development commencing, the only option available could be to negotiate a reduction in the number of affordable homes.

Review Mechanism

- 6.7 It may be advantageous to seek a review mechanism within a S106 agreement to review viability of the scheme at pre-determined stages of development and achieved sales in order to assess the average sales values that have been achieved and ascertain whether any 'top-up' payments could be made to the Council.
- 6.8 In order to provide for an additional financial contribution towards affordable housing it is necessary to understand what the average sales value will need to reach in order to do so while ensuring the development scheme remains financially viable.
- 6.9 We have estimated that average private sales values would need to rise by approximately 13.25% before the scheme would break-even and be considered financially viable. At this point the average sales value would equate to £7,222 per sq m (£671 per sq ft). Should values rise beyond this level there would be potential for the Council to seek a financial 'top-up' to contribute towards affordable housing within the borough.

7.0 Conclusion

- 7.1 Having reviewed the Applicant's proposal for the development of the subject Property we are of the opinion that the offer for 34 affordable homes (16.2% based on total units and 19% based on habitable rooms) is reasonable.
- 7.2 Our appraisal indicates that this level of affordable housing, based on costs and values adopted as at the date of this report, while generating the required level of developer profit, will potentially produce a deficit against the Benchmark Land Value by a sum in the order of £6,360,000.
- 7.3 In light of this review, it is evident that based on the costs and sales values arrived at as at the date of this report the proposal does not generate a sufficient surplus to provide any additional affordable housing other than the units currently proposed by the Applicant.
- 7.4 As part of any agreement we would recommend that the Council incorporates a clause in the Section 106 Agreement which enables a review of this scheme at pre-determined scenarios to ensure that the Applicant provides a fair contribution towards affordable housing in the Borough, should viability improve during the development programme.
- 7.5 It should be noted that since the Applicant submitted its planning application for this scheme there has been greater uncertainty in the housing market as a result of the UK vote to leave the European Union. The full impact of this decision is yet to be realised and could result in greater variations in house price inflation than would otherwise be anticipated.
- 7.6 As indicated by the sensitivity analysis set out in section 6 of this report, consideration should be given to current property market uncertainties caused by the referendum vote and the risk implications this has for the Applicant in proceeding with this project. Should house prices fall over the following 12 months and beyond, this will have significant implications on the financial viability of the project and the delivery of the proposed affordable housing.

APPENDIX 1

Development Appraisal Summary

Frankham Street & Amersham Vale
Urban Delivery Viability Appraisal
FRANKHAM STREET SITE

Development Appraisal
Urban Delivery
16 August 2016

**Frankham Street & Amersham Vale
Urban Delivery Viability Appraisal
FRANKHAM STREET SITE**

Summary Appraisal for Merged Phases 3 4

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
1 Bed Flats - Pvt	56	31,037	631.50	350,000	19,600,000
1 Bed Maisonette - Pvt	11	7,660	538.51	375,000	4,125,000
2 Bed Flats - Pvt	73	58,963	588.08	475,000	34,675,000
2 Bed Maisonettes - Pvt	13	11,797	567.52	515,000	6,695,000
3 Bed Flats - Pvt	18	17,740	618.94	610,000	10,980,000
3 Bed Maisonettes -Pvt	2	2,610	482.76	630,000	1,260,000
4 Bed Maisonettes - Pvt	1	1,614	449.19	725,000	725,000
3 Bed House- Pvt	1	1,480	456.08	675,000	675,000
1 Bed Flat - SO	4	2,213	270.00	149,378	597,510
1 Bed Flat - SR	7	3,798	140.00	75,960	531,720
2 Bed Flat - SO	4	2,831	270.00	191,093	764,370
2 Bed Flat (Lge) - SR	7	6,400	140.00	128,000	896,000
3 Bed Flat - SR	1	1,040	140.00	145,600	145,600
3 Bed Flat (Lge) - SR	2	1,999	140.00	139,930	279,860
4 Bed Flat - SR	3	3,526	140.00	164,547	493,640
3 Bed Maisonette - SR	2	2,019	140.00	141,330	282,660
4 Bed Maisonette - SR	4	4,883	140.00	170,905	683,620
Totals	209	161,610			83,409,980

Rental Area Summary

	Units	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground Rents - 1 Bed Flats/Maisonette	67	250	16,750	16,750
Ground Rents - 2 Bed Flats/Maisonette	86	300	25,800	25,800
Ground Rents - 3 Bed Flats/Maisonette	20	350	7,000	7,000
Ground Rents - 4 Bed Maisonette	1	400	400	400
Totals	174		49,950	49,950

Investment Valuation

Ground Rents - 1 Bed Flats/Maisonette					
Current Rent	16,750	YP @	5.0000%	20.0000	335,000
Ground Rents - 2 Bed Flats/Maisonette					
Current Rent	25,800	YP @	5.0000%	20.0000	516,000
Ground Rents - 3 Bed Flats/Maisonette					
Current Rent	7,000	YP @	5.0000%	20.0000	140,000
Ground Rents - 4 Bed Maisonette					
Current Rent	400	YP @	5.0000%	20.0000	8,000
					999,000

GROSS DEVELOPMENT VALUE

84,408,980

Purchaser's Costs	5.80%	(57,942)	(57,942)
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NET DEVELOPMENT VALUE

84,351,038

Income from Tenants

Ground Rents - 1 Bed Flats/Maisonette	12,563
Ground Rents - 2 Bed Flats/Maisonette	19,350
Ground Rents - 3 Bed Flats/Maisonette	5,250
Ground Rents - 4 Bed Maisonette	300
	37,463

NET REALISATION

84,388,501

OUTLAY

ACQUISITION COSTS

Residualised Price		7,163,542	7,163,542
Stamp Duty	5.00%	177,570	
Agent Fee	1.00%	35,514	
Legal Fee	0.50%	17,757	
			230,841

**Frankham Street & Amersham Vale
Urban Delivery Viability Appraisal
FRANKHAM STREET SITE**

CONSTRUCTION COSTS

Contingency	5.00%	2,199,172	
			2,199,172

Other Construction

Frankham Street - Build Costs		43,983,445	
			43,983,445

Section 106 Costs

LBL CIL Payments - FS		1,299,200	
Mayoral CIL payments - FS		550,861	
S106 - Employment & Training		110,770	
S106 - CPZ		30,000	
			1,990,831

PROFESSIONAL FEES

Professional Fees	10.00%	4,398,345	
			4,398,345

MARKETING & LETTING

Marketing - Frankham Street	1.50%	1,181,025	
			1,181,025

DISPOSAL FEES

Sales Agent Fee	1.00%	796,761	
Sales Legal Fee	0.50%	398,380	
			1,195,141

MISCELLANEOUS FEES

Developer Profit @ 20% GDV (FS)	20.00%	15,946,800	
Developer Profit @ 6% GDV (FS)	6.00%	280,499	
			16,227,299

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Total Finance Cost			5,818,819

TOTAL COSTS

84,388,459

PROFIT

42

Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.06%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%
Gross Initial Yield%	5.00%
Net Initial Yield%	5.00%

IRR	6.65%
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Rent Cover	0 yrs 0 mths
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Profit Erosion (finance rate 7.000%)	0 yrs 0 mths
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APPENDIX 2

Trident Cost Report

Financial Viability Report
London Borough of Lewisham

Amersham Vale and
Frankham Street Sites
Lewisham

Report No. 9 March 2016

Financial Viability Report

London Borough of Lewisham

Prepared for London Borough of Lewisham
C/O Urban Delivery Limited
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Reference IL/P2015-0833

Date issued 9 March 2016

Financial Viability Report

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3.0 Review of Construction Cost	5
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5.0 Summary	9

1.0 Introduction

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

2.0 Project Description and Information Received

2.1 PROJECT DESCRIPTION

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

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

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

2.1.4 The proposed developments will provide the following accommodation:

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

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

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

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

2.2 INFORMATION RECEIVED

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

2.3 DEVELOPMENT AREAS

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

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

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

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

3.0 Review of Construction Cost

3.1 SUMMARY OF CONSTRUCTION COST

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

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

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

4.0 Cost Benchmarking

4.1 This section compares the cost of new build residential units against other sources of cost data.

4.2 We have collated construction cost data from various sources and this is summarised in the table below.

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

Notes

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

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

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

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

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

5.0 Summary

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

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



Appendices



Appendix 1 – Information Received

Amersham Vale

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

Frankham Street

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

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



Open Space

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