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VIABILITY APPRAISAL & REPORT

FORMER VICTORIA PUBLIC HOUSE
32 North Hyde Road
Hayes
Hillingdon
UB3 4NE

Prepared by
Kempton Carr Croft

On behalf of FJC Developments Ltd
& North Hyde Investments Ltd

Regulated by RICS | Offices: Basingstoke | Camberley | Gerrards Cross | Maidenhead | Mayfair | Reading | Staines-Upon-Thames | Windsor

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1. Executive Summary

100% Private Scheme

Gross Development Value

Based on development of 4 no. studio flats, 7 no. 1-bed flats, 20 no. 2-bed flats
& 10 no. 3-bed flats £16,168,735

Total development costs having regard to the criteria set out in the report £15,068,381

Net Land Value £1,100,354

LESS: BENCHMARK LAND VALUE £3,030,000

Deficit -£1,929,646

In summary, having regard to the criteria as set out in this report, the proposed development is unable to provide any element of affordable housing provision, either on site or as an off-site commuted sum in lieu, already being in deficit by -£1,929,646 with an adjusted Developers Profit of 6.22%.

2. Instructions and Assumptions

- 2.1 We have been instructed by FJC Developments Ltd & North Hyde Investments Ltd to undertake a viability appraisal and report at the subject property to assess the possibility and viability of providing an affordable housing contribution on the above site having regard to the Benchmark Land Value of the property and the net land value of the proposed redevelopment.
- 2.2 We set out within the report and in the attached appendices information that we have relied upon in arriving at our conclusions.
- 2.3 All information contained within this report is supported by evidence and additional comments are made where necessary.
- 2.4 The viability has been undertaken by Michael Darroch BSc (Hons) MRICS and Petrina J Froud, whose CVs are attached **(Appendix A)**.
- 2.5 The viability is not intended to represent a Valuation in accordance with the RICS Valuation Global Standards 2019, and should not be relied on as such.

3. Methodology

- 3.1 In preparing this Viability Appraisal and Report, we have taken full consideration of RICS Guidance Note – Assessing viability in planning under the National Planning Policy Framework 2019 for England, 1st edition, March 2021, National Planning Policy Guidance (NPPF) updated February 2019 and National Planning Policy Guidance for Viability (NPPG) updated September 2019 and RICS Professional Statement Financial viability in planning: conduct and reporting 2019. Account has been taken specifically of the effect that planning obligations and other requirements have on the viability of the proposed development, whilst maintaining an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering the project.
- 3.2 In appraising the proposed scheme we have assessed the Residual Land Value on the basis that the flats can be sold on long leases.

4. Objectivity, Impartiality and Reasonableness

- 4.1 We confirm that in undertaking this review we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

5. Contingent Fees

- 5.1 We confirm that in preparing this report, no performance related or contingent fees have been agreed.

6. Date and Extent of Inspection

- 6.1 Our inspection of the above property has been undertaken by referring to Google Maps and other internet-based resources. However, we are very familiar with the area in which the property is located and Hillingdon in general.

7. Situation, Communications and Amenities

Location Plan annexed to rear of report (Appendix B)

- 7.1 The subject property comprises a site that accommodates:
- i) a former public house, The Victoria, which is currently known as Peaberry Court and configured to provide 7 no. flats; and
 - ii) Sandow Industrial Estate, an estate comprising 4 no. B1 office/light industrial units together with 4 no. terraces of garages.
- 7.2 The former public house part of the site fronts North Hyde Road, a short distance to the east of its junction with the A437 Station Road. The industrial estate is to the north and accessed from Nestles Avenue via Sandow Crescent. It is located around 175m to the south of Hayes & Harlington railway station, from where the town's main retail pitch stretches to the north. The Grand Union Canal is located 370m to the north.
- 7.3 Hayes & Harlington railway station provides Great Western Railway and TfL services to destinations including London Paddington, Reading and Heathrow Terminals 2 & 3. The station is on the Crossrail Line (Elizabeth Line) that is expected to be completed by mid-2022.

- 7.4 In terms of road links, the property is approximately 950m to the west of the A312 Parkway dual carriageway, which connects to the M4 at Junction 3 a further 600m to the south and to the A40 around 3.5 miles to the north.
- 7.5 Heathrow Airport is 1.75 miles to the south west of the subject property.
- 7.6 Hayes is a suburban town with neighbouring areas being West Drayton to the west, Northolt to the north, Southall to the east and Harlington to the south. Central London is located approximately 12.5 miles to the east.

8. Description of Property

Site Plan annexed to rear of report (Appendix C)

- 8.1 The property has a site area of around 3,587 sq m (38,610 sq ft), which currently accommodates Peaberry Court, the former Victoria public house on the southern part and Sandow Industrial Estate on the northern part.
- 8.2 Peaberry Court comprises a detached building that provides accommodation over two storeys and was converted into 7 no. flats following change of use planning permission granted in July 2015. Car parking for the flats wraps around the building. A schedule of the flat accommodation is set out below:

	No. bedrooms	GIA sq m	GIA sq ft
Ground floor			
Flat 1	1	56	603
Flat 2	1	53	570
Flat 3	1	50	538
Flat 4	1	50	538
Flat 5	1	55	592
First floor			
Flat 6	2	62	667
Flat 7	2	80	861

- 8.3 Sandow Industrial Estate comprises 4 no. low-eave office/light industrial units and 4 no. terraces of garages situated around two central yard areas. They are understood to date from the 1950s. A schedule of the accommodation is set out below:

	No. garages	GIA sq m	GIA sq ft
Unit 1		106	1137
Unit 2		56	604
Unit 3		64	689

Unit 4		88	950
Garage terrace 1	7	100	1074
Garage terrace 2	3	72	774
Garage terrace 3	7	97	1043
Garage terrace 4	7	102	1098

9. Proposed Scheme

(Plans of the proposed scheme together with a full schedule of accommodation are annexed to the rear of the report Appendix D)

9.1 It is proposed that the site is redeveloped to provide two four-storey blocks of residential accommodation with 16 residential units in the southern block (Block 1) and 25 residential units in the northern block (Block 2).

9.2 A summary of the unit types is provided below:

Flat type	Studio	1B 2P	2B 3P	2B 4P	3B 4P	3B 5P	Total
No. flats	4	7	9	11	3	7	41
Total GIA (sq m)	158	358	578	789	243	626	2752
Av. GIA per unit (sq m)	39.5	51.1	64.2	71.7	81.0	89.4	

9.3 Lift access is in both blocks.

9.4 On the ground floor the larger family units have gardens. On the first and second floors the units have balconies, and on the third floor the units have terraces. There is additional communal amenity space and landscaping between amenity areas.

9.5 There is additional amenity accommodation on the third floor of Block 2. This provides a community room, external seating and roof garden. Internal refuse rooms are on the ground floor of each block.

9.6 The development will benefit from a number of accessible parking spaces and secure cycle storage for the residents in accordance with the New London Plan, meaning a total of 75 bike spaces.

10. Planning and Background

- 10.1 Specific consideration has been given to Policy H2 of the Hillingdon Local Plan: Part 1 – Strategic Policies (Adopted November 2012), which sets out the basis upon which Affordable Housing is required:

Policy H2: Affordable Housing

Housing provision is expected to include a range of housing to meet the needs of all types of households and the Council will seek to maximise the delivery of affordable housing from all sites over the period of the Hillingdon Local Plan: Part 1- Strategic Policies. For sites with a capacity of 10 or more units the Council will seek to ensure that the affordable housing mix reflects housing needs in the borough, particularly the need for larger family units.

- 10.2 Paragraph 6.29 provides the percentage of affordable housing units that should be delivered, subject to viability:

6.29 Subject to viability and if appropriate in all the circumstances, the EVA indicates that 35% of all new units in the borough should be delivered as affordable housing, with an indicative tenure mix of 70% housing for social rent and 30% intermediate housing. Housing market conditions in Hillingdon are complex and a one size fits all approach to tenure provision will not be suitable for all areas in the borough. Subject to the provision of robust evidence, the Council will adopt a degree of flexibility in its application of Policy H2 to take account of tenure needs in different parts of the borough. In accordance with the London Plan, proposed targets in Policy H2 will be discussed and agreed with the Mayor.

- 10.3 The subject application is for 41 no. units with a total of 118 habitable rooms. We understand that the 35% level of provision will normally be assessed on the number of habitable rooms rather than the number of dwellings. We therefore understand that a mix of circa 14 affordable units would be sought to provide 41 habitable rooms, with the 70/30 split between social rented and intermediate units.
- 10.4 Where a developer disputes the level of affordable housing on viability grounds, the Council will require a financial appraisal together with supporting documentation in order to assess whether any particular scheme can support affordable housing and if so at what level.

- 10.5 It is assumed for the purposes of the viability that planning consent will be granted for the development as described above. It is further assumed that there will be no onerous or unusual conditions attached to any planning consent granted.

11. Viability Commentary

- 11.1 In order to assess the viability of the residential development scheme, in relation to the provision of affordable housing, it is necessary to establish the relationship between the development land value with the benefit of planning permission, and the Existing Use Value of the existing property and/or any existing consents (Alternative Use Value).
- 11.2 In order to undertake this exercise an assessment also must be undertaken to establish the end value of the development once completed, together with the associated costs of creating the development.
- 11.3 In order to assess the viability of providing an affordable housing contribution, we have considered the property's value based on its Existing Use Value as a flat investment (in the case of Peaberry Court) and office/light industrial/storage investment (in respect of Sandow Industrial Estate) and we provide this assessment below.

12. Benchmark Land Value

- 12.1 In order to establish the Existing Use Value, it is first necessary to consider the level at which a reasonable landowner would be prepared to sell their land.
- 12.2 In respect of Sandow Industrial Estate, The Bowen Partnership provided a Red Book valuation report in respect of the site providing the Market Value with existing use/planning at 1st March 2021. A copy of the report is attached as **Appendix E**.
- 12.3 The report states that the Market Value in March 2021 was £700,000 and given that this report was undertaken in full compliance with the RICS Valuation – Global Standards 2019 and UK National Supplement, we consider that the value of this part of the site was accurate as at that date.
- 12.4 We have not sought to undertake our own valuation of the Sandow Industrial Estate as we cannot assert that our valuation would be more accurate than a Red Book valuation. However, since this property is vacant and in a similar condition to when valued, we have considered how the value may have changed since March 2021 by reference to data published by CoStar Group.

- 12.5 The subject property falls within CoStar's Heathrow submarket in respect of the industrial sector. Average sale prices for industrial accommodation in Q1 2021 and Q4 2021 (forecast) are shown below:

	Average Sale Price (per sq m)		Percentage change
	Q1 2021	Q4 2021 (forecast)	
Industrial	£3,423	£3,692	7.9%

- 12.6 The above data shows a 7.9% increase in value between March 2021 and December 2021, which we have applied to the £700,000 value reported.
- 12.7 We are therefore of the opinion that the Existing Use Value of the part of the site comprising Sandow Industrial Estate is in the region of £755,000.
- 12.8 In respect of Peaberry Court, the property is fully let on Assured Shorthold Tenancies as set out below:

	No. bedrooms	GIA sq m	AST start date	AST end date	Rent pcm
Ground floor					
Flat 1	1	56	01/05/2020	31/10/2021	1400
Flat 2	1	53	20/09/2020	19/03/2022	1400
Flat 3	1	50	01/11/2020	30/04/2021	1200
Flat 4	1	50	01/02/2021	31/01/2022	1250
Flat 5	1	55	05/09/2020	04/09/2021	1300
First floor					
Flat 6	2	62	01/05/2020	30/10/2021	1580
Flat 7	2	80	01/09/2020	28/02/2022	1700
Total					9830

- 12.9 All of the ASTs were agreed in 2020/21 after letting on the open market.
- 12.10 In considering the Market Value of each of the flats within Peaberry Court, we have had regard to the following limited comparable evidence for flats sold within the last year that are in older flatted developments or converted houses:

ONE BEDROOM FLATS					
Address	Photo	Unit Type	Sale Price	Sale Date	Notes
36 Silverdale Road, Hayes UB3 3BX		1-bed	£205,000	Mar 2021	50 sq m (538 sq ft). Fair condition. 1970s flatted development. First floor with small terrace and no lift. One allocated parking space. Approx. 500m from subject property.
3C Hamilton Court, Botwell Common Road, Hayes UB3 1JA		1-bed	£225,000	Mar 2021	49 sq m (522 sq ft). Poor to fair condition. 1980s flatted development. First floor with no lift. No parking. Approx. 1.5km from subject property.
Flat 25, Clivesdale Drive, Hayes UB3 3PX		1-bed	£227,000	Apr 2021	50 sq m (538 sq ft). Fair condition. 1980s flatted development. On 3rd floor and without lift. One allocated parking space. Approx. 1.5km from subject property.

TWO BEDROOM FLATS					
Address	Photo	Unit Type	Sale Price	Sale Date	Notes
18 Nestles Avenue, Hayes UB3 4QA		2-bed	£295,000	Mar 2021	48 sq m (519 sq ft). Fair condition. 1930s converted house. Ground floor with garden. Two allocated parking spaces (nose to tail). Approx. 100m from subject property.

23 Laburnum Road, Hayes UB3 4JX		2-bed	£310,000	Jun 2021	54 sq m (581 sq ft). Fair condition. 1950s converted house. Ground floor with garden. One allocated parking space. Approx. 400m from subject property.
17 Hoskins Close, Hayes UB3 4LR		2-bed	£260,000	Jun 2021	65 sq m (700 sq ft). Fair condition. 1970s flatted development. Split across 2 nd and 3 rd floors with balcony but no lift. No parking. Approx. 800m from subject property.

- 12.11 It is our opinion that the most comparable sales of one-bedroom flats evidence values at between £205,000 and £227,000 for flat sizes in the region of 50 sq m but that these flats are within flatted developments without lifts since there is a dearth of sale evidence of 1-bed flats in converted houses within the vicinity. We are of the opinion that the average sale price for the 1-bedroom flats within the subject property would be slightly above the range provided by the comparable evidence as they are all on the ground floor and are generally slightly larger than the comparable flats sold.
- 12.12 The most comparable two-bedroom flats have sold for between £260,000 and £310,000 for flats between 48 and 65 sq m.
- 12.13 In forming our opinion of the existing values of the subject flats, we have considered their investment value as well as their value if sold off on long leases. We have considered the net rent that would be received by a landlord from Peaberry Court after we have deducted 25% from the gross rent to allow for the landlord's costs of maintenance, management and voids (a percentage in line with accepted industry norms).
- 12.14 The average gross rent receivable from each of the 1-bed flats is £15,720 per annum, which is reduced to £11,790 per annum after deduction of landlord costs. The average rent receivable from each of the 2-bed flats is £19,680 per annum, which is reduced to £14,760 per annum after deduction of landlord costs.

- 12.15 We have then applied a 5% yield to the income streams to provide average values for the 1-bed flats of £235,800 and average values for each of the 2-bed flats of £295,200. We consider that the above average values sit comfortably in line with the range of sale comparable evidence having regard to the sizes of the units.
- 12.16 We are therefore of the opinion that the Existing Use Value of the part of the site comprising the 5 no. 1-bed flats and 2 no. 2-bed flats in Peaberry Court is in the region of £1,770,000.
- 12.17 We have not made an additional allowance for the extra income that could be derived through letting parking spaces within the larger-than-required car park associated with Peaberry Court. We reserve the right to revisit this point at a later date if we consider this to be necessary.
- 12.17 In total, we consider that the value of both the Sandow Industrial Estate and Peaberry Court parts of the site is in the region of £2,525,000
- 12.13 However, in accordance with RICS Guidance, and NPPG – Viability – Updated July 2018, May 2019 and September 2019, and RICS Guidance Note – Assessing viability in planning under the National Planning Policy Framework 2019 for England, 1st edition, March 2021 it is usual to apply an uplift or premium to any Existing Use Value in order to encourage the landowner to bring the site forward for development rather than keeping it in its existing use (EUV Plus) :-

“Benchmark land value should:

- Be based upon existing use value*
- Allow for a premium to landowners (including equity resulting from those building their own homes.)*
- Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees”*

“Existing Use Value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if

appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development)..."

"The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements...."

- 12.14 This could be a premium of between 10% and 40% in accordance with RICS Guidance. We have applied a premium of 20% (£505,000), as we do not consider an uplift of a lower level would incentivise a landowner to release this property for development rather than keeping it in its existing use, therefore equating to an adopted Benchmark Land Value of approximately £3,030,000.

13. Gross Development Value

Private Sale GDV

- 13.1 In assessing the appropriate Gross Development Value for the Proposed Scheme, the applicant has sought advice from local agents, Spicerhaart and Bernard Marcus, whose advice is attached at **Appendix F**.

- 13.2 Spicerhaart have considered the long leasehold values of the flats, adopting specific values against each flat on the assumption of Help to Buy eligibility. The values adopted are summarised as follows:

Studios	£275,000 to £280,000
1-beds	£300,000 to £315,000
2-beds	£400,000 to £435,000
3-beds	£475,000 to £495,995

- 13.3 Their opinion of the aggregate of all prices is £16,509,970.

- 13.4 Similarly, Bernard Marcus have also adopted specific values against each flat with values summarised as follows:

Studios	£275,000 to £285,000
1-beds	£327,500 to £350,000
2-beds	£350,000 to £410,000
3-beds	£445,000 to £490,000

- 13.5 Their opinion of the aggregate of all prices is £15,827,500.

- 13.6 We have undertaken our own research into comparable new-build flats within the immediate vicinity of the subject property, as follows:

Development	Photo	Notes								
The Venue, Powerhouse Lane, Hayes UB3 1HA		Development of 181 no. 1, 2 & 3-bedroom flats within part of the site of The Old Vinyl Factory. All units have either a private balcony or a terrace. Retail accommodation on the ground floor. Marketing prices are: <table><tr><td>1-bed</td><td>£349,995 to £375,000</td></tr><tr><td>2-bed</td><td>£415,000 to £457,000</td></tr><tr><td>3-bed</td><td>£550,000</td></tr></table>	1-bed	£349,995 to £375,000	2-bed	£415,000 to £457,000	3-bed	£550,000		
1-bed	£349,995 to £375,000									
2-bed	£415,000 to £457,000									
3-bed	£550,000									
Hayes Village, Nestles Avenue, Hayes UB3 4QF		Development of over 1,500 no. 1, 2 & 3-bedroom flats within site of former Nestle Factory. Over 9 acres of communal gardens and open space with play and exercise equipment. Planned amenities include gym, coffee shop and community centre. Marketing prices are: <table><tr><td>Studio</td><td>£288,000 to £308,000</td></tr><tr><td>1-bed</td><td>£310,000 to £340,000</td></tr><tr><td>2-bed</td><td>£419,000 to £453,000</td></tr><tr><td>3-bed</td><td>£550,000</td></tr></table>	Studio	£288,000 to £308,000	1-bed	£310,000 to £340,000	2-bed	£419,000 to £453,000	3-bed	£550,000
Studio	£288,000 to £308,000									
1-bed	£310,000 to £340,000									
2-bed	£419,000 to £453,000									
3-bed	£550,000									

NewHayes, Pump Lane, Hayes UB3 3NB		Development of 331 no. Studio, 1, 2 & 3-bedroom flats and 3-bed duplexes within site of former Chailey Industrial Estate. Communal gardens and a public open space, Chalfont Square, at the centre of the development. Marketing prices are: <table><tr><td>Studio</td><td>£280,000</td></tr><tr><td>1-bed</td><td>£315,000 to £360,000</td></tr><tr><td>2-bed</td><td>£399,000 to £430,000</td></tr><tr><td>3-bed</td><td>£499,000</td></tr></table>	Studio	£280,000	1-bed	£315,000 to £360,000	2-bed	£399,000 to £430,000	3-bed	£499,000
Studio	£280,000									
1-bed	£315,000 to £360,000									
2-bed	£399,000 to £430,000									
3-bed	£499,000									
Bluenote Aptmts, Blyth Road, Hayes UB3		Development of 118 no. 1 & 2-bedroom flats within part of the site of The Old Vinyl Factory. All units have either a private balcony or a terrace. Residents only podium gardens and fourth floor terrace. Marketing prices are: <table><tr><td>1-bed</td><td>£335,000 to £365,000</td></tr><tr><td>2-bed</td><td>£380,000 to £435,000</td></tr></table>	1-bed	£335,000 to £365,000	2-bed	£380,000 to £435,000				
1-bed	£335,000 to £365,000									
2-bed	£380,000 to £435,000									

- 13.7 It is our opinion that the marketing prices of the nearby new-build flats sit comfortably against the pricing provided by Spicerhaart and Bernard Marcus. The prices quoted allow for negotiation and we see no reason why the prices provided by the estate agents will be far from the achieved prices once discounts are allowed.

- 13.8 We have therefore adopted midway prices taking an average of the Spicerhaart and Bernard Marcus opinion in reaching our opinion of Gross Development Value. Our calculation of the midway prices is as follows:

	Average price		Midway price
	Spicerhaart	Bernard Marcus	
Studios	£276,250	£278,125	£277,188
1B 2P	£306,429	£332,857	£319,643
2B 3P	£403,889	£363,333	£383,611
2B 4P	£428,182	£397,727	£412,954
3B 4P	£475,000	£450,000	£462,500
3B 5P	£498,567	£484,286	£491,427

- 13.9 We have inputted the midway prices into our appraisal, attached herewith (**Appendix G**). The total Gross Development Value derived is £16,168,735.

14. Development Value

14.1 Build Cost

- 14.1.1 In assessing the appropriate build costs for the proposed development, Harrabin Consultancy Ltd have provided a Construction Cost Estimate, which we attach herewith (**Appendix H**). Harrabin have assessed the necessary build costs in developing the scheme to be £9,346,214 (£3,396.15 per sq m [£315.51 per sq ft]), inclusive of contingency, overheads and builder's profit.

14.2 CIL/S106 Costs

- 14.2.1 Existing and proposed GIA Areas for the scheme are annexed to this report (**Appendix I**). In summary, the proposed development will provide 3,389.3 sq m (36,482 sq ft) GIA and replace 1,173.7 sq m (12,634 sq ft) existing GIA. There will therefore be an increase in GIA of 2,215.6 sq m (23,848 sq ft).
- 14.2.2 The Hillingdon CIL charging rates for 2021 are calculated for 2021 as provided by the Annual CIL Rate Summary 2021, an extract of which is below:

London Borough of Hillingdon CIL Charging rates 2014 / 2021

Use Type	Charging Schedule Rate 2014 (per sq.m.)	Rate including Indexation 2021 (per sq.m.)
Large format retail development (A1) greater than 1,000 sq. m, outside of designated town centres	£215.00	$£215 \times 333 / 237 = \textbf{£302.09}$
Offices (B1)	£35.00	$£35.00 \times 333 / 237 = \textbf{£49.18}$
Hotels (C1)	£40.00	$£40.00 \times 333 / 237 = \textbf{£56.20}$
Residential Dwelling Houses (C3)	£95.00	$£95.00 \times 333 / 237 = \textbf{£133.48}$
Industrial (B8)	£5.00	$£5.00 \times 333 / 237 = \textbf{£7.03}$
All other uses	£0.00	$£0.00 \times 333 / 237 = \textbf{£0.00}$

14.2.3 We have therefore adopted CIL at 2,215 sq m x £133.48 = £295,658.

14.2.4 The Mayor of London charges an additional CIL to help finance Crossrail. Hillingdon falls within Band 2. An extract from the MCIL Annual Rate Summary 2021 is shown below.

Table 1: MCIL2 charging rates for all development in London ¹			
MCIL2 Charging Band	London Boroughs and Mayoral Development Corporations	MCIL2 Charging Schedule Rate as Adopted 1 April 2019 (£ per square metre)	MCIL2 Charging Schedule Rate Including Indexation for Calendar Year 2021 (£ per square metre) ²
Band 1	Camden, City of London, City of Westminster, Hammersmith & Fulham, Islington, Kensington & Chelsea, Richmond-upon-Thames, Wandsworth	£80	£80.73
Band 2	Barnet, Brent, Bromley, Ealing, Enfield, Hackney, Haringey, Harrow, Hillingdon, Hounslow, Kingston upon Thames, Lambeth, Lewisham, Merton, Redbridge, Southwark, Tower Hamlets, Waltham Forest, London Legacy Development Corporation (LLDC), Old Oak & Park Royal Development Corporation (OPDC)	£60	£60.55
Band 3	Barking & Dagenham, Bexley, Croydon, Greenwich, Havering, Newham, Sutton	£25	£25.23

14.2.3 We have therefore adopted MCIL at 2,215 sq m x £60.55 = £134,118.

14.2.4 We have not yet adopted any S106 costs, but clearly if these are necessary then this will have a further negative impact on the viability which will need to be revisited.

14.3 Restrictive Covenant

14.3.1 Part of the site (along the western boundary of the northern part of the site) comprises a strip of land that is subject to restrictive covenants and a right of way. This area is currently inaccessible and it is the developer's intention to bring the land back into use. We have currently included no cost for the removal of the restrictive covenant, and we reserve the right to revisit this matter later if necessary.

14.4 Interest Charge

14.4.1 We have assumed an all-in interest rate of 6.5% which is consistent with other recent viability appraisals.

14.5 Agents marketing and legal costs

14.5.1 We have assessed these at 3% of the residential sales Gross Development Value, allowing for sales, marketing and legal costs, which is below the level of other recent viability appraisals for similar schemes and the minimum necessary for the level of marketing required to obtain the Gross Development Values adopted.

14.5.2 This is the very lowest figure that can be adopted bearing in mind the costs necessary in undertaking the thorough and open marketing campaigns required to ensure that best value has been achieved and in order that the values adopted can be realised.

14.6 Developer's profit

14.6.1 We have assessed Developer's Profit at 20%. It should be noted that single phase flatted schemes carry a much higher risk element than housing schemes as all costs need to be expended before any revenues are received. Indeed, it is difficult to obtain development finance with a return below this figure. In addition, there is currently a great deal of development coming forward within Hayes, which will dilute the number of purchasers for this product. The Covid-19 Pandemic has also driven changes in the property market and flatted units are becoming far less popular due to the lack of private outdoor area and immediate access to a garden area, with houses attracting a much higher level of demand due to the ability to use the garden as additional living space and to be able to access this directly from one's own back door. In addition, the mental health benefits of being able to tend to a garden have highlighted the drawbacks of flats and the benefits of houses, thus increasing their popularity.

14.7 Build Period

14.7.1 We set out in the table below the interest period adopted for the proposed scheme:-

	Proposed scheme
Lead-in Period	3months
Build Period	15 months
Letting Period	-
Sales Period	10 months
Total	28 months

14.7.2 We have adopted a build period of 15 months, which we consider to be conservative for the construction of a scheme given current labour and material shortages.

14.7.3 We have assessed interest for 28 months to allow for a 3-month pre-build period and a 10-month sales period (assuming 30% of sales off-plan and reflecting an optimistic sales rate of 3 units per month post completion of construction), which again is extremely optimistic for a scheme of this nature, particularly given the number of other new-build flats in the vicinity.

14.8 Professional Fees

14.8.1 Technical fees have been adopted at 10% of build costs which we consider to be reasonable for a scheme of this nature.

14.9 Contingency

- 14.9.1 Contingency has been adopted within the Harrabin build costs (and therefore not adopted by us in addition) at 7.5% of build costs, which we consider to be reasonable since our client has been required to reflect this rate by their funders.

15. VIABILITY APPRAISAL

- 15.1 We have set out above the values and inputs necessary to bring the proposed scheme forward for development.
- 15.2 We set out below, for the sake of clarity, a summary of our viability appraisal for the proposed scheme, demonstrating the effect that the necessary values and costs have on the viability of the proposed development. A full copy of this appraisal is appended. **(Appendix G).**

	Proposed Scheme
Gross Development Value	£16,168,735
Total Costs	£15,068,381
Net Land Value	£1,100,354
LESS: Benchmark Land Value	£3,030,000
Deficit	<u>-£1,929,646</u>

16. CONCLUSIONS AND ANALYSIS

- 16.1 It can be seen from the summary above that the proposed development cannot support any element of affordable housing contribution, already being in deficit by £1,929,646, which provides an adjusted Developer's Profit of 6.22%. This is below the necessary level of profit required by lenders in order to fund a scheme and if any further reduction in profit occurs then it is unlikely that the proposed scheme will be able to proceed.
- 16.2 As can be seen from the sensitivity analysis below, sale values will need to increase by 10% and construction costs would need to decrease by 10% before any surplus above the currently adopted Benchmark Land Value is achieved.

Construction: Rate /m ²					
Sales: Rate /m ²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
	3,056.54 /m ²	3,226.34 /m ²	3,396.15 /m ²	3,565.96 /m ²	3,735.77 /m ²
-10.000%	£948,637	£468,941	£11,089	£505,706	£1,002,539
	£948,637	£468,941	£11,089	£505,706	£1,002,539
-5.000%	£1,504,192	£1,024,496	£544,800	£65,104	£427,489
	£1,504,192	£1,024,496	£544,800	£65,104	£427,489
0.000%	£2,059,746	£1,580,050	£1,100,354	£620,658	£140,962
	£2,059,746	£1,580,050	£1,100,354	£620,658	£140,962
+5.000%	£2,615,300	£2,135,604	£1,655,908	£1,176,212	£696,516
	£2,615,300	£2,135,604	£1,655,908	£1,176,212	£696,516
+10.000%	£3,170,855	£2,691,159	£2,211,463	£1,731,766	£1,252,070
	£3,170,855	£2,691,159	£2,211,463	£1,731,766	£1,252,070

17. CERTIFICATION

- 17.1 The viability report and appraisal has been prepared in accordance with the RICS Guidance Note – Assessing viability in planning under the National Planning Policy Framework 2019 for England, 1st edition, March 2021, National Planning Policy Guidance (NPPF) updated February 2019 and National Planning Policy Guidance for Viability (NPPG) updated September 2019 and RICS Professional Statement Financial viability in planning: conduct and reporting 2019 and specifically in accordance with our Standard Conditions of Engagement – Residential Viabilities and Appraisals. During the preparation of our report we have made assumptions in regard to the property, which are set out within our Conditions of Engagement and these assumptions form an integral part of this report.



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FOR KEMPTON CARR CROFT



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FOR KEMPTON CARR CROFT

20th December 2021