

Our Ref: JGK/EH17/02C204240

30 March 2023

Major Applications Team
Planning Department
London Borough of Hillingdon
3N, Civic Centre, High Street
Uxbridge, Middlesex,
UB8 1UW

For the attention of: Christopher Brady

Dear Sirs

Property: COMAG, Tavistock Road, West Drayton, UB7 7QE

Applicant: Bellway Homes Limited (North London)

This letter has been prepared in response to various correspondence set to us by the Local Authority outlining the Applicants latest affordable housing offer. Our instructions are to review the revised Bellway offer of 23% affordable housing.

Context

Bellway acquired this site in April 2022. Their initial offer was 35% affordable housing made in the James Brown report dated April 2022. The tenure mix was 70:30 Affordable Rent to Shared Ownership. This was amended in August 2022 to include 35% with the tenure flipped to 70:30 Shared Ownership to Affordable Rent. Their affordable housing offer was reduced in November 2022 to 19% on a policy compliant mix of 70% London affordable rent (the policy requires Social Rent but we understand that LAR is acceptable to LBH) and 30% shared ownership).

We have received correspondence from the Council that indicates that the applicant's offer has been increased to 23% hab room with a split of 61% LAR and 39% Shared Ownership.

Comments on JRBC Rebuttal

James Brown has commented on the additional land evidence we had provided. This evidence was from the wider London market and was to emphasise that sites were transacting in 2022 and that none were transacting at a value equivalent to that suggested by James Brown. We have reviewed the commentary and we note that James Brown is still dismissive of using comparable land transactions as a cross check to his residual land value. We remain of the view that it is a relevant consideration and consistent with the RICS guidance.

AY Assessment

We have analysed the scheme (with 23% affordable housing) with our base assumptions (as set out in our initial report of 22 July 2022 and subsequent reports dated 16 November 2022 and 12 January 2022) but included profit at 15.00% and 17.50% on private residential GDV. The 15 % allowance reflects our interpretation of the land evidence and the need to adopt a more robust profit margin, to closer align with the land evidence.

Our results are as follows;

Table 1: Appraisal Results

Approach	Residual Land Value	Benchmark Land Value	Surplus / (Deficit)
Testing 17.50% Profit on Private GDV	£1,223,259	£2,025,000	(£801,741)
Testing 15.00% Profit on Private GDV	£1,918,427	£2,025,000	(£106,573)

Based on our assumption of 15.00% profit on private GDV the scheme returns a nominal deficit against the benchmark land value and should therefore be considered the maximum reasonable affordable provision.

Conclusions

Whilst the appraisal shows the scheme can do 23% affordable housing, we remain of the view that the land evidence suggests there could be further uplift in this figure. We recognise however the market challenges at the present time and the fact that in isolation, the land evidence route represents a riskier route for the Council. On this basis the offer represents the maximum reasonable as we have sensitised the profit margin to reflect the underlying tone of the land evidence to reach our conclusions.

As per GLA policy an early and late-stage review should be included within the S.106 agreement to ensure that a proportion of the potential uplift realised by the Council.

Yours faithfully

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Valuation Consultancy
For and on behalf of
Avison Young (UK) Limited

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Valuation Consultancy
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Avison Young (UK) Limited

Comag
Proposed 23% AH Scheme
15% Profit on Private GDV

Development Appraisal
Avison Young
31 March 2023

APPRAISAL SUMMARY**AVISON YOUNG**

Comag
Proposed 23% AH Scheme
15% Proift on Private GDV

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private Residential	83	59,489	598.36	428,867	35,596,000
Shared Ownership	8	6,829	409.60	349,645	2,797,158
Affordable Rent	14	11,160	200.00	159,429	2,232,000
Totals	105	77,478			40,625,158

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
D1 Community Space	1	1,152	10.00	11,520	11,520	11,520

Investment Valuation**D1 Community Space**

Market Rent	11,520	YP @	7.0000%	14.2857	
(1yr Rent Free)		PV 1yr @	7.0000%	0.9346	153,805

GROSS DEVELOPMENT VALUE**40,778,963****NET REALISATION****40,778,963****OUTLAY****ACQUISITION COSTS**

Residualised Price			1,918,427	
				1,918,427
Stamp Duty	4.85%	93,044		
Agent Fee	1.00%	19,184		
Legal Fee	0.80%	15,347		
				127,575

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Private Residential	120,046	226.72	27,217,050
Contingency		5.00%	1,360,852
MCIL2/CIL/S.106			200,000
			28,777,902

PROFESSIONAL FEES

Professionals	8.00%	2,177,364	
			2,177,364

MARKETING & LETTING

Letting Agent Fee	10.00%	1,152	
Letting Legal Fee	5.00%	576	
			1,728

DISPOSAL FEES

Residential Sales Agent Fee		2.00%	711,920	
Commercial Sales Agent Fee		1.00%	1,538	
Residential Sales Legal Fee	105 un	1,200.00 /un	126,000	
Commercial Sales Legal Fee		0.50%	769	
				840,227

FINANCE

Debit Rate 7.250%, Credit Rate 0.500% (Nominal)				
Land			239,957	

APPRAISAL SUMMARY**AVISON YOUNG****Comag****Proposed 23% AH Scheme****15% Profit on Private GDV**

Construction	1,203,898	
Other	3,036	
Total Finance Cost		1,446,891

TOTAL COSTS **35,290,115**

PROFIT **5,488,848**

Performance Measures

Profit on Cost%	15.55%
Profit on GDV%	13.46%
Profit on NDV%	13.46%
Development Yield% (on Rent)	0.03%
Equivalent Yield% (Nominal)	7.00%
Equivalent Yield% (True)	7.32%

IRR% (without Interest) 29.88%

Rent Cover 476 yrs 6 mths
Profit Erosion (finance rate 7.250) 2 yrs

Comag
Proposed 23% AH Scheme
17.50% Profit on Private GDV

Development Appraisal
Avison Young
31 March 2023

APPRAISAL SUMMARY**AVISON YOUNG**

Comag
Proposed 23% AH Scheme
17.50% Proift on Private GDV

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Currency in £

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(1yr Rent Free)		PV 1yr @	7.0000%	0.9346	153,805

GROSS DEVELOPMENT VALUE**40,778,963****NET REALISATION****40,778,963****OUTLAY****ACQUISITION COSTS**

Residualised Price			1,223,259	
				1,223,259
Stamp Duty		4.85%	59,328	
Agent Fee		1.00%	12,233	
Legal Fee		0.80%	9,786	
				81,347

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Private Residential	120,046	226.72	27,217,050
Contingency		5.00%	1,360,852
MCIL2/CIL/S.106			200,000
			28,777,902

PROFESSIONAL FEES

Professionals	8.00%	2,177,364	
			2,177,364

MARKETING & LETTING

Letting Agent Fee	10.00%	1,152	
Letting Legal Fee	5.00%	576	
			1,728

DISPOSAL FEES

Residential Sales Agent Fee		2.00%	711,920	
Commercial Sales Agent Fee		1.00%	1,538	
Residential Sales Legal Fee	105 un	1,200.00 /un	126,000	
Commercial Sales Legal Fee		0.50%	769	
				840,227

FINANCE

Debit Rate 7.250%, Credit Rate 0.500% (Nominal)				
Land			146,768	

APPRAISAL SUMMARY**AVISON YOUNG****Comag****Proposed 23% AH Scheme****17.50% Profit on Private GDV**

Construction	1,203,898	
Other	(2,425)	
Total Finance Cost		1,348,241

TOTAL COSTS **34,450,068**

PROFIT **6,328,895**

Performance Measures

Profit on Cost%	18.37%
Profit on GDV%	15.52%
Profit on NDV%	15.52%
Development Yield% (on Rent)	0.03%
Equivalent Yield% (Nominal)	7.00%
Equivalent Yield% (True)	7.32%

IRR% (without Interest) 35.32%

Rent Cover 549 yrs 5 mths

Profit Erosion (finance rate 7.250) 2 yrs 4 mths