

Home Consultancy Ltd

Development Viability Report for a development at Tavistock Works, Tavistock Road, Yiewsley, Middlesex, UB7 7QX

On behalf of Linea UB7 Ltd

June 2024

Report by
e-mail

Peter Griffiths CMCIH
homeconsultancy ltd@gmail.com

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1.0 Instructions and Compliance with RICS Professional Statement

- 1.1 Home Consultancy Ltd (HCL) have been instructed by Linea UB7 Ltd to carry out a viability assessment of the proposed development of 38 new build apartments and make recommendations for a viable level of S.106 contributions and affordable housing provision in accordance with para 57 of the NPPF. The site currently has consent for 33 units.
- 1.2 HCL have not inspected the property.
- 1.3 This assessment is provided for the purposes of agreeing appropriate S.106 and affordable housing obligations as part of the appeal and is not a valuation of the subject site or scheme. It is provided for the sole use of the party to whom it is addressed and the Local Planning Authority who will review it.
- 1.6 HCL accepts responsibility to the Client named at the start of this report alone that this report has been prepared with the skill, care and diligence reasonably to be expected of a competent consultant dealing with financial viability of developments but accept no responsibility whatsoever to any person other than the client themselves. As such it is exempted from the RICS "Red Book" (with the exception of PS 2 in relation to ethics, competency, objectivity and disclosures) on the basis of the parties negotiating and agreeing the planning obligations.
- 1.7 The Executive Summary may be extracted by the Local Planning Authority as a "Non-Technical Summary" in line with the requirements of para 21 of the NPPG.
- 1.8 This report may be made publicly available by the Local Planning Authority in accordance with its statutory duties and particularly in accordance with para 21 of the NPPG (Sept 2019).
- 1.9 HCL confirm compliance with the RICS Professional Statement "Financial Viability in Planning: Conduct and Reporting" May 2019. As required by the Professional Statement we confirm the following matters:
 - a) We have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.
 - b) We have identified no conflicts of interest or risk of conflicts in preparing this report.

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- c) We are not working under a performance related fee agreement or on a contingent fee basis.
 - d) We advocate reasonable, transparent and appropriate engagement between the parties in the planning process and we will do all that we can to assist in that process.
 - e) All of the sub-consultants who have contributed to this report have been made aware of the Professional Statement and its requirements, they in turn have confirmed compliance with it.
 - f) We have been allowed sufficient time since instruction to carry out this FVA bearing in mind the scale of the development and the status of the information as at the date of this report.
- 1.8 The status of this report is Final subject to any sensitivity testing that our client or the Council may require.

2.0 Executive Summary

- 2.1 The site currently has consent for 33 dwellings which was granted under a s73 application in May 2024 under Ref: 35810/APP/2024/243. This application is for 38 units comprising of the following mix:
- 20 x 1b 2person units
 - 13 x 2b 3 person units
 - 1 x 2b 4 person units
 - 4 x 3b 4 person units
- 2.2 The appraisal has been carried out to support an application for a further s73 application which will increase the quantum of residential accommodation. The updated schedule which forms the basis of this appraisal (ref: 0010-ADE-ZZ-ZZ-SH-A-3003) is included at Appendix B.
- 2.3 We have carried out the viability assessment using the HCA DAT and a summary of the results is shown at Appendix A.
- 2.4 The assumptions we have made are set out in Section 5 of this report are generally in line with industry norms, reflective of the site conditions and the local market.
- 2.5 The benchmark land value of the site has been calculated on the basis of an agreed position for the 33 unit scheme as reported by the council's consultant Carter Jonas in their report dated April 2024 which arrives at a value of -£1,074,175 (Residual Land Value) and a Benchmark Land Value of £625,000. For the purposes of this appraisal we have adopted these figures.
- 2.6 Based on the proposed scheme of 38 units the residual land value derived by the toolkit is - £1,150,467. This residual land value includes the removal of all planning obligations towards affordable housing. As the residual land value is still negative, and significantly negative considering the previously agreed Benchmark Land Value of £625,000 we consider that the

application scheme does not generate a surplus over the benchmark land value to fund affordable housing on site or additional S.106 Contributions.

- 2.7 This scheme does return a slightly worse position than the scheme for 33 units as agreed by Carter Jonas. The applicant is willing to proceed with the scheme because the profit from the additional 5 units proposed outweighs the slight reduction in residual land value.

3.0 Development Description

- 3.1 The scheme provides for a residential block of flats. The proposed s73 application seeks to make further alterations to the original scheme by way of an infill at the upper floors to provide an additional 5no dwellings totaling 38 proposed.
- 3.2 The site is to be redeveloped with 38 units comprising the following mix:
- 20 x 1b 2person units
 - 13 x 2b 3 person units
 - 1 x 2b 4 person units
 - 4 x 3b 4 person units
- 3.3 The increase in residential units to 38 in total leads to an increase in communal amenity space on the top floor and amended design to floors 6 and 7.
- 3.4 The site was previously used as an office for Redrow Homes as a site office for the adjacent development at Padcroft Works to the north and COMAG I to the west.

4.0 Housing Market Outlook

- 4.1 Political, economic and financial uncertainty due to the war in the Ukraine and impacts of Brexit, are having a dramatic effect on energy prices, and inflation which in turn is having a negative effect on the general economy. Most commentators expect this to have an impact on housing transactions with implications for those wishing to rent or buy a property.
- 4.2 Fixed rate mortgages (both 2yr and 5yr) peaked in October 2022 at over 6% which showed the increased uncertainty in the market with many products being withdrawn. Rates were less than 3% in July 2022. Fixed rates have slowly reduced from their peak over the last year despite the increases in BoE base rate to 5.25%
- 4.3 The outlook for borrowers is still negative as many are coming off fixed term deals in the coming months, so many valuers have revised down forecasts for prices and transactions with prices expected to fall overall in 2024 by 5% - 7%.
- 4.4 The dominant theme of the next two years will be tighter budgets due to higher monthly interest costs and energy bills.
- 4.5 In addition to this, the Government has ended the Help to Buy scheme, and this has affected sales values of smaller units on developments and increase the time to sell units (and thus interest payable on development loans). It is yet to be seen whether First Homes will fill the void created by HtB's withdrawal, but the current evidence suggests lack of interest from developers. Major housebuilders reported sales volumes down 25%-33% in 2023 and continued slowing in 2024.
- 4.6 The Bank of England has recently maintained base rate at 5.25% and it looks like any modest rate reduction will happen towards the end of 2024. This has acted as a further drag on house price growth, and transaction levels. Due to the general election there is no clear view on any potential stimulus into the housing market.

5.0 Policy Context

5.1 Hillingdon Local Plan

- 5.1.1 The Hillingdon Local Plan was adopted in 2012 and the affordable housing policies are contained in policy H2. This states that on developments of 10 or more units 35% provision would be required with a mix of 70% for social rented and 30% intermediate tenures.
- 5.1.2 The policy goes on to say on viability "*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*"
- 5.1.3 If the proposals are unviable the applicant will be expected to demonstrate this with a detail open book provision of all the financial information, sufficient to enable the council or independent consultant to assess the viability position. This accords with para 10 of the NPPG which states that a financial viability assessment should be supported by appropriate evidence.
- 5.1.4 Local Plan Viability Assessment Assumptions for the subject scheme typology

Item	Local Plan Allowance
Sales values per m ²	£2,690 to £5,920
Base build per m ²	£860 to £1,425
Professional fees	10%
Contingency	10%
Sales & Marketing costs	2% GDV
Finance interest rate	7%
Finance fees	Included above
Profit margin: Open market Affordable	20% on cost

5.2 National Planning Policy Framework (Dec 2023)

- 5.2.1 Para 56 sets out that "*Planning conditions should be kept to a minimum and only imposed where they are necessary, relevant to planning and to the development to be permitted,*

enforceable, precise and reasonable in all other respects. Agreeing conditions early is beneficial to all parties involved in the process and can speed up decision making. Conditions that are required to be discharged before development commences should be avoided, unless there is a clear justification.

5.2.2 The framework, in paragraph 57, states that planning obligations normally required under S.106 agreements should only be sought where they meet all of the following tests:

- Necessary to make the development acceptable in planning terms;
- Directly related to the development; and
- Fairly and reasonably related in scale and kind to the development.

5.2.3 Para 58 goes on to say; *“Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.”*

5.3 **National Planning Practice Guidance (Viability Feb 2024)**

5.3.1 Paragraph 2 states that the role of a financial viability assessment (FVA) is primarily at the plan-making stage. It is the responsibility of site promoters to engage in plan making and the price paid for land is not relevant justification for failing to accord with the relevant policies of the plan.

5.3.2 Paragraph 6 states that developers should have regard to the total cost of the relevant planning policies when buying land.

5.3.3 Paragraph 8 requires that the FVA should refer back to the information that supported the Local Plan making and explain the differences. Ultimately it is for the decision-maker having regard to the transparency of assumptions made in the FVA as to the weight to be applied to the FVA in coming to the final decision.

- 5.3.4 Paragraph 9 of the guidance advises that review mechanisms should be used where appropriate and there is no mention in the guidance of whether these should be pre or post-implementation or whether the size of a scheme impacts on the decision whether to use one.
- 5.3.5 Paragraph 10 states that any FVA should be supported by appropriate evidence and that the FVAs should be proportionate, simple, transparent and publicly available. This ethos is expanded upon in paragraphs 11-18 where the relative values and costs (including land value and profit) are discussed in further detail.
- 5.3.6 Paragraph 13 states that the benchmark land value should primarily be based on Existing Use Value (EUV) plus a premium and paragraph 14 expands upon this to say that the EUV should reflect the implications of abnormal costs, infrastructure, professional fees and be informed by market evidence.
- 5.3.7 Paragraph 15 states that the EUV is the value of the land in its existing without 'hope value'.
- 5.3.8 Paragraph 16 advises that the premium to be applied to the EUV should be a reasonable incentive to the landowner to bring forward the development whilst allowing for policy compliance. As a practice we have always taken this to mean that EUV plus a premium would equal market value as defined by the RICS Guidance Note 94/2012.
- 5.3.9 The guidance advises at para 17 that AUV should be based on a development that would fully comply with up to date plan policies. To such a value no landowner premium is to be added. If such an alternative use is being utilised as the benchmark, then the applicant should give a justification for why it is not being pursued.

6.0 Model Inputs and Assumptions

6.1 Mix of Units

6.1.1 The appraisal has been carried out on the Scheme dated March 2024 (see accommodation schedule at Appendix C) which has the following mix of units:

- 20 x 1b2P units
- 13 x 2b3P units,
- 1 x 2b4P unit
- 4 x 3b4P units

6.2 Market Research and Sale Prices

6.2.1 In order to maintain consistency with pricing adopted in our previous report (and agreed by Carter Jones in April 2024) we have adopted a sales value of £571.35 per sqft (£6,150 per m2) in our appraisal.

6.2.2 The final realisable sales values will of course be dependent on market conditions at the time of marketing and the final specification of the units and any sales incentives.

6.3 Development Timescale

6.3.1 We have allowed for a 6-month pre-commencement period with a year to build the development and sales taking place 6 months prior to build completion. A sales period of 10 months has been allowed which is above the current level of market activity in outer London.

6.4 Build Costs

6.4.1 We have been provided a build cost plan by Rosewood Project Services with a total cost of £11,309,176 inclusive of Prelims, OH&P, 5% contingency and 10% professional fees which we have included in our appraisal which represents £331 per sqft.

6.5 Abnormal Costs

6.5.1 All costs are accounted for in the Build Cost provided by Rosewood which is included at Appendix C.

6.6 General Development Cost Assumptions

6.6.1 Sales and Marketing costs have been taken at 2% in accordance with the Local Plan assessment.

6.6.2 The following s106 costs have been allowed for in accordance with the terms of the signed s106 agreement for the 33 unit scheme:

<u>Contribution</u>	<u>Amount (33 unit scheme) as approved</u>	<u>Amount pro rata for 38 unit scheme</u>
Affordable Housing	£0	£0
Air Quality	£21,183	£24,392
Carbon	£46,016	£52,988
Construction	£22,341	£25,726
Monitoring Fee	£6,653	£7,661
Open Space	£43,828	£50,486

6.6.3 CIL costs have been calculated as follows:

- Total GIA of new development 3184.6m²
- Demolitions 367.00m²
- Chargeable Area 2,817.6m²
- Total for LBH = £152.72 * 2817.6 = £430,304
- Total for Mayor = £69.27 * 2817.6 = £195,175

6.6.4 At the current time a finance interest rate of 7% - 8% is applicable, depending on whether fees are inclusive or allowed for separately. The availability of credit is still an issue and many lenders are reluctant to fund developments. They will put a margin on their lending rates to suit. In this appraisal an interest rate of 7.5% has been adopted inclusive of fees which we regard to be relevant and appropriate for the subject scheme.

6.6.5 A developer's profit has been included in the appraisal at 17.5% of Gross Development Value (GDV) of the private housing. In the current climate with relatively limited credit supply, most lenders will not lend unless a margin of 20% of GDV is achieved. For small, less complex, 'oven ready' schemes competition is strong and a lower margin of 17/18% may be applicable.

6.7 Benchmark Land Value and Comparable Land Market Evidence

- 6.7.1 The benchmark land value of the site has been calculated on the basis of an agreed position for the 33 unit scheme as reported by the council's consultant Carter Jonas in their report dated April 2024 which arrives at a value of -£1,074,175 (Residual Land Value) and a Benchmark Land Value of £625,000. For the purposes of this appraisal we have adopted these figures.

7.0 Conclusions

- 7.1 The benchmark land value of the site has been calculated on the basis of an agreed position for the 33 unit scheme as reported by the council's consultant Carter Jonas in their report dated April 2024 which arrives at a value of -£1,074,175 (Residual Land Value) and a Benchmark Land Value of £625,000. For the purposes of this appraisal we have adopted these figures.
- 7.2 Based on the proposed scheme of 38 units the residual land value derived by the toolkit is -£1,150,467. This residual land value includes the removal of all planning obligations towards affordable housing. As the residual land value is still negative, and significantly negative considering the previously agreed Benchmark Land Value of £625,000 we consider that the application scheme does not generate a surplus over the benchmark land value to fund affordable housing on site or additional S.106 Contributions.
- 7.3 This scheme does return a slightly worse position than the scheme for 33 units as agreed by Carter Jonas. The applicant is willing to proceed with the scheme because the profit from the additional 5 units proposed outweighs the slight reduction in residual land value.

Appendix A - Development Appraisal

Residual Land valuation

£0

HCA DEVELOPMENT APPRAISAL TOOL

SUMMARY

DETAIL

SCHEME

Site Address Appendix A Tavistock Works 38 units

Site Reference

File Source

Scheme Description

Housing Mix (Affordable + Open Market)

Date of appraisal 01/04/2024

Net Residential Site Area

Author & Organisation

Registered Provider (where)

Total Number of Units	38	units
Total Number of Open Market Units	38	units
Total Number of Affordable Units	0	units
Total Net Internal Area (sq m)	2,237	sq m
% Affordable by Unit	0.0%	
% Affordable by Area	0.0%	
Density	No Area input	units/ hectare
Total Number of A/H Persons	0	Persons
Total Number of Open Market Persons	0	Persons
Total Number of Persons	0	Persons
Gross site Area	0.00	hectares
Net Site Area	0.00	hectares
Net Internal Housing Area / Hectare	-	sq m / hectare

Average value (£ per unit)	Open Market Phase 1:	Open Market Phase 2:	Open Market Phase 3:	Open Market Phase 4:	Open Market Phase 5:	Total
1 Bed Flat Low rise	£321,153	£0	£0	£0	£0	
2 Bed Flat Low rise	£390,481	£0	£0	£0	£0	
3 Bed Flat Low rise	£467,400	£0	£0	£0	£0	
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	
1 Bed Flat High rise	£0	£0	£0	£0	£0	
2 Bed Flat High rise	£0	£0	£0	£0	£0	
3 Bed Flat High rise	£0	£0	£0	£0	£0	
4 Bed + Flat High rise	£0	£0	£0	£0	£0	
2 Bed House	£0	£0	£0	£0	£0	
3 Bed House	£0	£0	£0	£0	£0	
4 Bed + House	£0	£0	£0	£0	£0	
Total Revenue £	£13,759,395	£0	£0	£0	£0	£13,759,395
Net Area (sq m)	2,237	-	-	-	-	2,237
Revenue (£ / sq m)	£6,150	-	-	-	-	

CAPITAL VALUE OF OPEN MARKET SALES

£13,759,395

Capital Value of Private Rental

Phase 1

£0

Phase 2

£0

Phase 3

£0

Phase 4

£0

Phase 5

£0

Total PR

£0

CAPITAL VALUE OF OPEN MARKET HOUSING

£13,759,395

£ 3,965 psqm

BUILD COST OF OPEN MARKET HOUSING inc Contingency

£11,277,588 £ 3,250 psqm

CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING

£2,481,807

AH Residential Values

AH & RENTAL VALUES BASED ON NET RENTS

Type of Unit	Social Rented	Shared Ownership (all phases)	Affordable Rent (all phases)	Total
1 Bed Flat Low rise				
2 Bed Flat Low rise				
3 Bed Flat Low rise				
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House				
3 Bed House				
4 Bed + House				
	£0	£0	£0	£0

£ psqm of CV (phase 1)

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)

£0

RP Cross Subsidy (use of own assets)

£0

LA s106 commuted in lieu

£0

RP Re-cycled SHG

£0

Use of AR rent conversion income

£0

Other source of AH funding

£0

OTHER SOURCES OF AFFORDABLE HOUSING FUNDING

£0

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)

£0

BUILD COST OF AFFORDABLE HOUSING inc Contingency

£0 #DIV/0!

CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING

£0

Car Parking

No. of Spaces	Price per Space (£)	Value
-	-	£0

Value of Residential Car Parking

£0

Car Parking Build Costs

£0

Ground rent

	Capitalised annual ground rent	
Social Rented	£0	
Shared Ownership	£0	
Affordable Rent	£0	
Open market (all phases)	£0	
Capitalised Annual Ground Rents		£0

TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME		£13,759,395
TOTAL BUILD COST OF RESIDENTIAL SCHEME	£11,277,588	
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME		£2,481,807

Non-Residential

	Cost	Values
Commercial	£0	£0
Retail	£0	£0
Industrial	£0	£0
Leisure	£0	£0
Community Use	£0	£0
Community Infrastructure Levy	£0	

CAPITAL VALUE OF NON-RESIDENTIAL SCHEME		£0
COSTS OF NON-RESIDENTIAL SCHEME	£0	
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL		£0

GROSS DEVELOPMENT VALUE OF SCHEME		£13,759,395
TOTAL BUILD COSTS	£11,277,588	
TOTAL CONTRIBUTION TO SCHEME COSTS		£2,481,807

External Works & Infrastructure Costs (£)

		Per unit	% of GDV	per Hectare
Site Preparation/Demolition	£0			
Balancing cost	£31,588	831	0.2%	
Services (Power, Water, Gas, Telco and IT)	£0			
Strategic Landscaping	£0			
Off Site Works	£0			
Public Open Space	£0			
Site Specific Sustainability Initiatives	£0			
Terraces and Balconies	£0			
External Works & Infrastructure Costs (£)	£0			
parking costs	£0			
	£31,588		0.2%	

Other site costs

Fees and certification	0.0%	£0
Other Acquisition Costs (£)		£0

Site Abnormals (£)

De-canting tenants	£0
Decontamination	£0
Other	£0
Other 2	£0
Other 3	£0
Other 4	£0
Other 5	£0
	£0

Total Site Costs inc Fees	£31,588	831
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Statutory 106 Costs (£)

Affordable Housing	£0	
Air Quality	£24,392	642
Carbon Offset	£52,988	1,394
Construction Management	£25,726	677
Monitoring	£7,661	202
Open Space	£50,486	1,329
Traffic Management	£0	
Health	£0	
Public Art	£0	
Flood work	£0	
Community Infrastructure Levy	£0	
Other Tariff	£0	
Total CIL	£625,479	16,460
0	£0	
Other 3	£0	
Other 4	£0	

Statutory 106 costs	£786,732	20,703
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Marketing (Open Market Housing ONLY)

		per OM unit
Sales/letting Fees	2.0%	£275,188 7,242
Legal Fees (per Open Market unit):	£0	£0

Marketing (Affordable Housing)

		per affordable unit
Developer cost of sale to RP (£)		£0
RP purchase costs (£)		£0
Intermediate Housing Sales and Marketing (£)		£0

Total Marketing Costs	£275,188
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Total Direct Costs	£12,371,096
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Finance and acquisition costs

Land Payment	-£1,150,467	-30,275 per OM home	#DIV/0!	#DIV/0!
Arrangement Fee	£0	0.0% of interest		
Misc Fees (Surveyors etc)	£0	0.00% of scheme value		

Agents Fees	-£11,505
Legal Fees	-£8,628
Stamp Duty	-£57,523
Total Interest Paid	£208,527

Total Finance and Acquisition Costs **-£1,019,596**

Developer's return for risk and profit

Residential

Market Housing Return (inc OH) on Valu	17.5%	£2,407,894	63,366 per OM unit
Affordable Housing Return on Cost	6.0%	£0	per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit

Non-residential

Office	£0
Retail	£0
Industrial	£0
Leisure	£0
Community-use	£0
	£0

Total Operating Profit **£2,407,894**
(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST **£13,759,395**

Surplus/(Deficit) at completion 1/2/2026 **£0**

Present Value of Surplus (Deficit) at 1/4/2024 **£0**

Scheme Investment MIRR **29.6%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value	-8.4%	Peak Cash Requirement	-£4,417,427
Site Value (PV) per hectare	No area input per hectare	No area input per acre	

Appendix

airc.design
circular@airc.design

Area Schedule

Reference	0010-ADE-ZZ-ZZ-SH-A-3003-S73 Infill-P01
Project	Tavistock Works
REV ID	P01
Issue Date	29.05.24
Comments	Residential Accommodation Schedule for the S73 Application for the Proposed Infill
Approved by	ADE

Floor	Area	Description	1B2P	2B3P	2B4P	3B4P	Amenity m ²	GIA Resi. m ²	GIA m ²
08		Eighth Floor					302.6		25.3
	Communal	Amenity Space					302.6		
07		Seventh Floor	3	2			32.8	277.4	361.9
	07.01			61			7.4		
	07.02			61			7.4		
	07.03		50				5.0		
	07.04		50				5.0		
	07.05		55.4				8.0		
06		Sixth Floor	3	2			32.8	277.4	361.9
	06.01			61			7.4		
	06.02			61			7.4		
	06.03		50				5.0		
	06.04		50				5.0		
	06.04		55.4				8.0		
05		Fifth Floor	2	2		1	32.8	298	383.4
	05.01					76	8.0		
	05.02		50				5.0		
	05.03			61			7.4		
	05.04			61			7.4		
	05.05		50				5.0		
04		Fourth Floor	2	2		1	32.8	298	383.4
	04.01					76	8.0		
	04.02		50				5.0		
	04.03			61			7.4		
	04.04			61			7.4		
	04.05		50				5.0		
03		Third Floor	2	2		1	32.8	298	383.4
	03.01					76	8.0		
	03.02		50				5.0		
	03.03			61			7.4		
	03.04			61			7.4		
	03.05		50				5.0		
02		Second Floor	2	2		1	32.8	298	383.4
	02.01					76	8.0		
	02.02		50				5.0		
	02.03			61			7.4		
	02.04			61			7.4		
	02.05		50				5.0		
01		First Floor	4	1			117.2	297	383.4
	01.01	M4-3		76			8.0		
	01.02		50				5.0		
	01.03	M4-3	60.5				7.4		
	01.04	M4-3	60.5				7.4		
	01.05		50				5.0		
	Communal						84.4		
00		Ground Floor	2		1		84.8	186.9	518.5
	00.01		51.2				27.1		
	00.02	M4-3			80.9		35.2		
	00.03		54.8				5.5		
	Communal						17.0		
TOTAL			20	13	1	4	701.4	2230.7	3184.6
TOTAL		%	52.63%	34.21%	2.63%	10.53%			
TOTAL		Residential Units	38						
TOTAL		Amenity Space per Unit					18.5		
TOTAL		Communal Amenity Space					404.0		
TOTAL		Private Amenity Space					297.4		

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ROSEWOOD
PROJECT SERVICES
CLARITY | INTEGRITY | DILIGENCE

INITIAL COST PLAN

Project: Tavistock Works

Version: 10
Date: 12 June 2024

Discription: Demolition of Existing Commercial Building and New build of 38 Apartments, including Basement and Ground Floor Parking

Client:



2B Redbourne Avenue
London N3 2BS

Prepared By: Rosewood Project Services Limited

Basing House
46 High Street
Rickmansworth
Herts.
WD3 1HP



Tavistock Works
















Version: 10

Date: 12/06/2024

DRAWING SCHEDULE



Drawings used for Cost Plan: -

-  0010-ADE-ZZ-ZZ-SH-A-3003-S73 Infill-P01
-  0010-ADE-XX-ZZ-DR-A-0278-REV 02_S73-IF-Proposed-West-Elevation
-  0010-ADE-XX-ZZ-DR-A-0277-REV 02_S73-IF-Proposed-North-Elevation
-  0010-ADE-XX-ZZ-DR-A-0276-REV 02_S73-IF-Proposed-East-Elevation
-  0010-ADE-XX-ZZ-DR-A-0275-REV 02_S73-IF-Proposed-South-Elevation
-  0010-ADE-XX-ZZ-DR-A-0225-REV 02_S73-IF-Proposed-Section
-  0010-ADE-XX-08-DR-A-0108-REV 02_S73-IF-Proposed-Roof-Plan
-  0010-ADE-XX-07-DR-A-0107-REV 02_S73-IF-Proposed-Seventh-Floor
-  0010-ADE-XX-06-DR-A-0106-REV 02_S73-IF-Proposed-Sixth-Floor
-  0010-ADE-XX-05-DR-A-0105-REV 02_S73-IF-Proposed-Fifth-Floor
-  0010-ADE-XX-04-DR-A-0104-REV 02_S73-IF-Proposed-Fourth-Floor
-  0010-ADE-XX-03-DR-A-0103-REV 02_S73-IF-Proposed-Third-Floor
-  0010-ADE-XX-02-DR-A-0102-REV 02_S73-IF-Proposed-Second-Floor
-  0010-ADE-XX-01-DR-A-0101-REV 02_S73-IF-Proposed-First-Floor
-  0010-ADE-XX-00-DR-A-0100-REV 02_S73-IF-Proposed-Ground-Floor

Notes & Exclusions:

Excludes VAT
Cost Plan based on Drawings as listed in Drawing Schedule (above)
Structure: Assumed insitu RC Frame
No Basement Allowed
No specification made available
Current day pricing; no allowance for inflation
Allowance made for sprinklers
Heating Strategy based on Air Source Heat Pumps to radiators/Underfloor heating
No allowance made for comfort cooling
No allowance made for an Electrical Sub-station, as none is shown on drawings.
Second staircaase included
Winter Gardens excluded

Project: Tavistock Works

Version: 10

Date: 12/06/2024



3,174 m ² GIA Total	34,165 ft ²
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	TOTAL PROJECT			
	£	£/m ² GIA	£/ft ² GIA	£/Unit
Demolition	£178,500	£56.24	£5.22	£4,697.37
Sub-structure	£628,031	£197.87	£18.38	£16,527.14
Structure - RC Frame	£959,228	£302.21	£28.08	£25,242.83
Envelope	£2,390,362	£753.11	£69.97	£62,904.25
Mechanical + Electrical	£1,769,898	£557.62	£51.80	£46,576.27
Lifts	£176,400	£55.58	£5.16	£4,642.11
Internal Fit-out	£1,999,787	£630.05	£58.53	£52,625.98
External Works	£53,576	£16.88	£1.57	£1,409.90
Utilities	£91,770	£28.91	£2.69	£2,415.00
	£8,247,552	£2,598.47	£241.40	£217,040.85
Prelims 12%	£989,706			
	£9,237,259	£2,910.29	£270.37	£243,085.76
Contractor's OH&P 6%	£554,236			
	£9,791,494	£3,084.91	£286.59	£257,670.90
Design Fees 10%	£979,149			
	£10,770,644	£3,393.40	£315.25	£283,437.99
Contingency 5%	£538,532			
Total Cost	£11,309,176	£3,563.07	£331.02	£297,609.89

Tavistock Works**HIGH LEVEL COST PLAN****Demolition**

Demolition	1 item	£157,500.00	£157,500.00
Prov Sum for asbestos - PROV SUM	1 item	£21,000.00	£21,000.00

£178,500.00 £178,500.00

FLATS/DUPLEXES**Substructure**

CFA Piling	3,174 m2	£78.75	£249,952.50
Pile caps and ground beams	521 m2	£246.75	£128,556.75
RC slab to Basement	0 m2	£262.50	£0.00
E/O for waterproof concrete	0 m2	£52.50	£0.00
E/O for void former/clay board	0 m2	£47.25	£0.00
Excavate + cart away to form levels	261 m3	£57.75	£15,072.75
E/O for haz waste - say 25%	535 m3	£94.50	£50,557.50
Temporary works (Prov Sum)	m2	£157.50	£0.00
Retaining Walls - Contig Piling	m	£3,675.00	£0.00
Retaining Walls - Liner wall	m2	£262.50	£0.00
E/O for waterproof concrete	m2	£36.75	£0.00
RC walls, say 250 thick	m2	£210.00	£0.00
Waterproofing - Horizontal	m3	£78.75	£0.00
Waterproofing - Vertical	m3	£78.75	£0.00
Allowance for building drainage	3,174 m2	£7.88	£24,995.25
Attenuation	3,174 m2	£5.25	£16,663.50
Ground Floor Slabs, including external podium over basement	521 m2	£273.00	£142,233.00
Waterproofing to podium section	m2	£157.50	£0.00

£628,031.25

Structure - RC Frame

RC frame, 250 slab + blade columns, inc. roof slab	3,174 m2	£252.00	£799,848.00
E/O 1st Floor transfer slab, say additional 500 mm thick	384 m2	£210.00	£80,734.50
Core walls	m2	£273.00	Included
Podium slab	0 m2	£262.50	£0.00
Waterproofing to podium	0 m2	£157.50	£0.00
Precast concrete staircases incl.landing (per flight)	14 nr.	£3,675.00	£51,450.00

Metalwork

Stair balustrading per flight	14 nr	£1,312.50	£18,375.00
Stair Wall rail per flight	14 nr	£630.00	£8,820.00

£959,227.50

Envelope

Aluminium Copper Windows	490 m2	£472.50	£231,388.50
Curtain Walling to Winter Gardens	0 m2	£787.50	Excluded
E/O for glazed louvres	0 m2	£262.50	Excluded
Commercial Glazing	0 m2	£787.50	£0.00
Brick, external skin to RC floors (Labour)	3,021 m2	£131.25	£396,480.63
Brick, external skin RC floors (Materials)	3,021 m2	£141.75	£428,199.08
E/O for Articulation	15%		£123,701.96
Render on blockwork external skin	110 m2	£157.50	£17,350.20
E/O for curved work blockwork	110 m2	£31.50	£3,470.04
Metal fretwork/louvre	6 m2	£1,050.00	£6,027.51
Roller shutter doors	1 nr	£26,250.00	£26,250.00
Aluminium Copper Cladding to external services risers, including sub-frame	50 m²	£840.00	£42,000.00
SFS/Metsec lining to inner face of external wall	3,654 m2	£94.50	£345,303.00
Scaffolding	3,654 m2	£84.00	£306,936.00
Allowance for external balconies: Steel plate fixed to RC structure	204 m2	£997.50	£203,490.00
Terrace finishes	171 m2	£262.50	£44,887.50
Aluminium Copper planters to edge of roofs	30 m2	£1,575.00	£47,250.00
Frosted glass walls to amenity spaces	57 m2	£1,260.00	£71,820.00
Flat roof	521 m2	£131.25	£68,381.25
E/O for Green Roof	139 m2	£84.00	£11,676.00
Allowance for lift overrun	1 nr	£15,750.00	£15,750.00
Roof Structure to 6th Floor Winter Gardens	m2	£262.50	Excluded

£2,390,361.67**M&E**

Mechanical installation: CHP	38 nr	£25,200.00	£957,600.00
E/O for Air Source Heat Pumps	38 nr	£2,625.00	£99,750.00
E/O sprinklers	3,174 m2	£26.25	£83,317.50
E/O wet riser	0 Landings	£3,150.00	Excluded
MAOVs	1 Cores	£26,250.00	£26,250.00
Electrical installation:	38 nr	£13,650.00	£518,700.00
E/O for enhanced lighting	0 nr	£2,625.00	£0.00
E/O for basic lighting controls	0 nr	£3,150.00	£0.00
E/O for Home entertainment cabling	0 nr	£1,050.00	£0.00
E/O Video phone entrance	0 nr	£630.00	£0.00
E/O Security	0 nr	£525.00	£0.00
E/O Disabled refuge	0 nr	£131.25	£0.00
E/O Stand-by generator	0 nr	£105,000.00	Excluded

Builders work in connection with services (5% of M & E cost)	5%	£1,685,617.50	£84,280.88
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£1,769,898.38

Lifts

Passenger lifts	16 floors	£10,500.00	£168,000.00
Upgrade lift car finishes	0 cars	£10,500.00	£0.00
Disabled platform lift in WC duplex unit	0 item	£15,750.00	£0.00
Builders work in connection with services (5% of M & E cost)	5%	£168,000.00	£8,400.00

£176,400.00**Internals - Residential****Drylining**

Screed + insulation	3,174 m2	£36.75	£116,644.50
Internal Party Walls	1,844 m2	£99.75	£183,939.00
Internal walls			
1 bed flat	20 nr	£7,875.00	£157,500.00
2 bed flat	14 nr	£8,662.50	£121,275.00
3 bed flat	4 nr	£9,187.50	£36,750.00
4 bed flat	0 nr	£9,712.50	£0.00
E/O for Duplex	0 nr	£2,625.00	£0.00
M/F ceiling	3,174 m2	£27.30	£86,650.20
E/O for fire/accoustic insulation	0 m2	£15.75	£0.00
Allowance for access hatch and ladder	1 nr	£1,837.50	£1,837.50

Carpentry supply + fix - Private

1 bed flat	20 nr	£4,725.00	£94,500.00
2 bed flat	14 nr	£4,987.50	£69,825.00
3 bed flat	4 nr	£5,775.00	£23,100.00
4 bed flat	0 nr	£6,300.00	£0.00
Staircases to Duplex units	nr	£1,837.50	£0.00

Wardrobes

Private units - all bedrooms	60 nr	£840.00	£50,400.00
S/O units	0 nr	£682.50	£0.00
Rented units	0 nr	£682.50	£0.00

Kitchens

Private units	38 nr	£7,350.00	£279,300.00
HA units - Shared Ownership	nr	£4,200.00	£0.00
HA units - Affordable Rent	0 nr	£2,625.00	£0.00

Appliances

Private units - Kneff/Bosch	38 nr	£3,780.00	£143,640.00
E/O for wine cooler	0 nr	£787.50	£0.00
HA units - Shared Ownership - Bosch/Neff	nr	£3,780.00	£0.00
HA units - Affordable Rent - Contract	0 nr	£2,730.00	£0.00
Non recoverable VAT	1 item	£24,948.00	£24,948.00

Sanitaryware - Private

1 bed flat	20 nr	£2,730.00	£54,600.00
2 bed flat, 2 Bathroom	14 nr	£5,460.00	£76,440.00
3 bed flat, 2 Bathroom	4 nr	£5,460.00	£21,840.00
4 bed flat, 2 Bathroom	0	£5,460.00	£0.00

Tiling to Floors - Private:

1 bed 1 bath flat plus kitchen	20 nr	£997.50	£19,950.00
2 bed 2 bath flat plus kitchen	14 nr	£1,995.00	£27,930.00
3 bed 2 bath flat plus kitchen	4 nr	£1,995.00	£7,980.00
4 bed 2 bath flat plus kitchen	0 nr	£1,995.00	£0.00

Tiling to Walls

1 bed 1 bath flat plus kitchen	20 nr	£1,890.00	£37,800.00
2 bed 2 bath flat plus kitchen	14 nr	£3,780.00	£52,920.00
3 bed 2 bath flat plus kitchen	4 nr	£3,780.00	£15,120.00
4 bed 2 bath flat plus kitchen	0 nr	£3,780.00	£0.00

Decorations			
1 bed flat	20 nr	£1,995.00	£39,900.00
2 bed flat	14 nr	£2,310.00	£32,340.00
3 bed flat	4 nr	£2,520.00	£10,080.00
4 bed flat	0 nr	£2,730.00	£0.00
Enhanced decorations	0 nr	£1,050.00	£0.00
Carpet communal areas	943 m2	£26.25	£24,753.75
Carpet (Incl protection)			
Engineered wood floor to Halls+ Living Rooms	1,116 m2	£57.75	£64,420.13
Carpet to bedrooms	892 m2	£31.50	£28,110.60
Non rec vat 65% labour element x 20%			£15,246.98
Laytex	3,174 m2	£5.25	£16,663.50
Add for nosings / edgings etc	943 m2	£5.25	£4,950.75
Mastic			
1 bed 1 bath flat plus kitchen	14 nr	£236.25	£3,307.50
2 bed 2 bath flat plus kitchen	14 nr	£367.50	£5,145.00
3 bed 2 bath flat plus kitchen	4 nr	£367.50	£1,470.00
Ancillary Space			
Plant Room	0 nr	£420.00	Included
Bin Stores	0 nr	£210.00	Included
Cycle Storage	0 nr	£210.00	Included
Post boxes	34 nr	£210.00	£7,140.00
Cycle Racks	62 nr	£262.50	£16,275.00
Builders clean			
1 bed flat	20 nr	£525.00	£10,500.00
2 bed flat	14 nr	£787.50	£11,025.00
3 bed flat	4 nr	£892.50	£3,570.00
			£1,999,787.41
			£8,102,206.20
Total for Flats and Duplexes			
External Works			
External works - Blended rate	157 m2	£262.50	£41,212.50
Allowance for Section 278 Works	1 Item		Excluded
Drainage	157 m2	£78.75	£12,363.75
Bin Stores	0 nr	£3,150.00	£0.00
			£53,576.25
Utilities			
Utility connections - Residential:	38 nr	£2,415.00	£91,770.00
New Substation	1 nr	£84,000.00	Excluded
			£91,770.00
		£8,247,552.45	£8,247,552.45

Michael Prinsley
Department Leader
Portsmouth Area Planning Team
Planning, Regeneration and Environment
Millington Council
City Centre
High Street
Exmouth
EX10 1AA

One Chapel Place
London
E14 0AP
Tel 020 7460 2000
Fax 020 7460 2000
Email info@carterjonas.co.uk
Web www.carterjonas.co.uk

15 April 2024

Dear Michael,

REVIEW OF ADDITIONAL FINANCIAL VIABILITY MODELLING – TAVISTOCK WORKS

The date now completed of review of the Home Consultancy Limited's (HCL) revised financial viability Assessment dated March 2024 and set out below the background to the assessment and analysis and findings below.

Background

Carter Jonas has previously appointed the London Borough of Millington the Council as local planning authority to review the financial viability Assessment prepared by the Property Consultants PC on behalf of the Applicant, Linea Ltd. This application was granted on appeal in September 2022.

The case was subsequently appointed in October 2022 to review the PC prepared the Property Consultants Limited (CL) in support of a subsequent application to change the layout of the development which was granted permission in January 2024.

A further application has been made for changes to the layout of the site to replace the ground floor parking space and replace it with a plant room and additional residential units. It is also noted that the site of one 2p unit on each floor has been reduced from 100 sqm to 80 sqm in order to accommodate a second staircase. CL has submitted a new PC in relation to this application which is referred to in this letter.

The Council and Land Value of the site was agreed in our first PC review at £2,000 based on its existing use value as an office. This remains the agreed value for the site for assessing the viability of a new development.

CL has also compared the proposed amended scheme to the consented scheme in order to test the viability.

In regard to the proposed scheme and its inputs, an outline of these points have also already been agreed and set out below where there are any areas of difference.

Inputs – Scheme Revenue

In relation to scheme income prior periods refer in October 2020 accepted the proposed profit for ward MCIL for tot the consented and proposed scheme MCIL has adopted the same sales rate in the updated draft assessment the remain satisfied that this is an appropriate price Car parking has been valued separately at £100,000 per space which the have also previously agreed and believe to be an appropriate price

Inputs – Scheme Costs

In regard to the development costs a cost plan produced by Rosewood has been provided which calculates a total cost of £1,000,000 relating to £200ps. This cost is inclusive of contingency professional fees contractor's overheads and profits, and preliminaries. Excluding these below the line additions the base build cost equates to £220ps. Including preliminaries this increases to £240ps. CIS which includes preliminaries indicates that upper quartile build costs for flats stores or other is £240ps. Therefore Rosewood's costs are in line with this order when the characteristics of the scheme are considered this is acceptable. The costs provided are in line with the costs the have previously referred.

For their appraisal of the consented scheme MCIL have adopted a build cost of £220,000 relating to £220ps. This is in line with the cost plan provided for the proposed amended scheme. It is not clear how this build cost has been reached as it reflects a reduction against their previous appraisal of £240ps in October 2020. As scheme consider it acceptable. Regardless the main purpose of this review is to determine whether the proposed scheme results in an surplus against the tenanted land value. As a full cost plan has been produced for the proposed amended scheme this is the primary concern and we therefore consider this to be acceptable.

Marketing and sales costs have been applied at 2% of GDV for MCIL. The have previously agreed this rate and still consider it appropriate. We note that this has only been applied to MCIL to the sales values of the flats. We would expect the parking spaces to also attract a sales agent cost and have applied this rate to the GDV of the parking as well.

The consented scheme has an agreed CIL charge totalling £400,000 which has been adopted by MCIL in the modelling of the consented scheme. In their appraisal of the proposed amended scheme the have calculated CIL costs of £42,000 for L1 Millington and £200,000 for MCIL giving a total of £242,000. We would advise the local planning authority to check and verify the figures for the purposes of our own modelling. We are assured that these costs are correct and have adopted them within our appraisal.

The consented scheme also has some contributions which have been agreed and adopted by MCIL in their modelling. In their modelling of the proposed scheme their approach has been to fix the affordable housing contribution at £0 in order to test the viability and to increase the other contributions on a pro rata basis. We are informed that the contributions for air quality and construction are financed. Carcon offset has been reduced to £100,000 under the previous scheme application which we assume would be carried forward. It is understood that the open space contribution will increase to £44,000. In all a reduced monitoring fee appears to have been applied. The Planning Inspector at the planning appeal for our draft order the have adopted the same approach when the low cost of the maintenance fee we would not expect it to have a material impact on viability. We set out below the some costs adopted by MCIL and that we have included in our modelling.

Element	Approved Amount for 32-unit Scheme	Pro Rata Amount	LBH Advised Amount
Affordable housing	£200,000	£0 – to test viability	£0 – to test viability
Air quality	£20,000	£200,000	£20,000
Carcon Offset	£44,000	£40,000	£100,000
Construction	£200,000	£22,000	£200,000

Monitoring Fee	£400	£400	£400
Open Space	£42,000	£4,000	£44,000

A finance rate of 0% has been adopted. CL. All interest rates have risen sharply over the last year. We still recommend see. Considered to be an acceptable level for the purposes of modelling. We have adopted a debit rate of 0% and a credit rate of 2.0%.

In regard to profit, the appropriate level of developer profit will vary from scheme to scheme. Developer's profit margin is determined by a range of factors including property market conditions, individual characteristics of the scheme, comparable schemes and the development's risk profile. CL has adopted a profit margin of 10% on GDV for the private residential units. We consider this level of profit margin appropriate and reflective of the risk associated with a development of this scale and type. This profit margin has agreed in our previous. A reference to the note that no profit is applied to the car parking. GDV. We consider that this would also attract a profit margin and have therefore applied the same rate to this reference.

In all cases, sales for the consented scheme are 100 units pre-construction, 20 units construction and a 10-unit sales period relating to the sales per unit. The construction periods for the proposed amended are the same as the sales period has been increased to 100 units. When there is only 1 additional unit, we do not consider that there would be a material increase to the sales period and therefore we have maintained this at 10 units in our modelling of the proposed amended scheme.

We summarise the inputs for the appraisals.

Assumption	HCL Assumptions	Carter Jonas Assumptions (Where Different)	Comments
Sales and Revenue			
Private Residential Sales Value	£100ps	-	Pre-works agreed
Residential Ground Rent	Not included	-	Pre-works agreed
Car Parking	£10,000 per space – consented scheme only	-	Pre-works agreed
Development Costs			
Construction Costs	Consented Scheme £22,002ps Amended Scheme £10,000ps	-	Agreed
Continuation	Included in build costs at 10	-	Pre-works agreed

Professional Fees	Included in build costs at £0	-	Pre-works agreed
Marketing & Sales Agents Fees	2% - Market DD	2% - Market and parking DD	See comments above
CIL	Consented £20,000 Local CIL £42,440 MCIL Proposed £4,200,000 Local CIL £1,000,000 MCIL	-	The CIL adopted the CIL amount assessed by the Applicant but respondent this is reflected in the Council
S0	Consented s/e e £44,240 proposed s/e e	Consented s/e e £44,240 proposed s/e e	The CIL adopted the s0 contributions advised by the Council. See comments above
Interest Finance Costs	£0 debit £0.00 credit	£0 debit £2.00 credit	See comments above
Developer's Profit	£0 on DD excluding parking spaces	£0 on DD including parking spaces	See comments above
Pre-Sales and Sales Rate (Market Discount)	£ sales per unit £1,111,111 units before completion £0 units sales period for consented s/e e £0 units sales period for proposed ended s/e e	£0 units sales period for consented and proposed ended s/e e	See comments above

Analysis and Conclusions

The agreed with the reference assumptions adopted by CLC the CIL the agreed accepted the build costs and the agreed minor adjustments to the assumptions around marketing costs s0 as advised by the Council. Finance rates profit and sales period.

Based on our reference consider that there remains a viability gap and that the proposed ended s/e e does not generate an additional surplus which could contribute to aordable costs.

Given the worsening viability position as a result of the recent adjustments this does raise questions around the commercial rationale of the applicant's proposals. In this context we would recommend that the Council see a robust justification for the applicant to ensure the proposal are deliverable.

The results of our review are set out in the table below.

Assumption	Applicant (HCL)	Carter Jonas
Open Market Land Value	£2,000	£2,000
Alternative Use Value Consented Scheme – 2 units	-£100	-£240
Residual Land Value Amended Scheme – 1 units	-£2,100	-£0,400
Net Position Against All	-£4,100	-£4,400
Net Position Against L1	-£1,000,000	-£1,000,000

I trust the above is helpful in setting out our position but please let me know if you require anything further or have any queries

Yours sincerely



Richard Lundy MRICS
Associate

Richard Lundy Carter Jonas
T 020 002 0000
M 002 22 00