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Your Reference: 72470/APP/2016/4648

Please ask for : Anindita Maitra
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Date : 25th May 2018

Dear Rebecca,

Property Address: 579-583 Uxbridge Road, Uxbridge Road, Middlesex, UB4 8HP

I have reviewed the agent's further information, sent via e-mail, in relation to the above scheme. This addendum should be read in conjunction with my draft report, dated 15/12/2017.

Methodology

The recommended approach is to assess viability based on a residual valuation basis. This means assessing the development value of the proposed scheme and deducting from this the costs of the development, including profit, to leave a residual sum representing the site value. This residual site value is then compared to a Benchmark Site Value. If the residual site value is in excess of the Benchmark Site Value, the scheme is considered able to viably provide planning contributions, up to an amount equal to the difference between the two figures. If it falls below the Benchmark Site Value, it could be considered unviable.

Benchmark Land Value

The Benchmark Land Value for the subject scheme is based on the Existing Use Value of the three dwellings on site which equates to £1,478,084. I have had regard to RICS guidance and applied a 20% premium to the Existing Use Value to reflect a reasonable return to the landowner. This equates to a Benchmark Land Value of £1,773,700. I have then compared the residual site value of the subject scheme with the Benchmark Land Value in order to determine the impact on viability.

Construction costs

Further to my previous response dated 16/03/2018, the applicant, on request, has now provided details of actual costs incurred for the adjacent scheme, Blocks A1 to F Kingswood

Place, as well as a cost plan estimate for the subject scheme. I consider the actual costs of the neighbouring similar scheme are strong evidence.

I have reviewed the breakdown of actual costs for Blocks A1 to F as at August 2016. These equate to the following:

- £1,904 per sq m inclusive of external works, professional fees
- £1,553 per sq m exclusive of professional fees and external works

The applicant has had regard to BCIS and indexed the base build cost of £1,553 per sq m by 14.8% to £1,783 per sq m in order to reflect present day base build costs. I have undertaken my own review and am willing to accept this, given the similarity of the schemes, although do not consider justification has been provided that their higher cost plan is appropriate.

Based on the evidence provided, I have undertaken two appraisals (attached) to determine the impact on viability.

Appraisal 1- I have adopted an overall build cost of £1,904 per sq m inclusive of external works and professional fees (based on the costs) as at August 2016. This produces a Site Value of £1,925,300 which is in excess of the Benchmark Land Value of £1,773,700 and results in a surplus of £151,600 towards Affordable Housing contribution. However, this base build cost is somewhat dated and I agree this could be indexed up to reflect present day costs.

Appraisal 2- I have adopted a base build cost of £1,783 per sq m (the indexed sum based on actual build costs), plus 10% external works and 10% professional fees. This produces a Site Value of £1,572,576 which is below the Benchmark Land Value and therefore appears unviable.

Summary

I have had regard to present day BCIS median build costs, which is an industry-recognised reference for calculating build costs for development schemes. I have adopted £1,557 per sq m in line with BCIS median costs, plus £269,139 for professional fees etc. This produces a Site Value of £2,006,759 which is in excess of the Benchmark Land Value of £1,773,700 which results in a surplus of £233,059 towards Affordable Housing contribution.

I then had regard to the actual cost plan for the neighbouring scheme submitted by the applicant, which I consider is strong evidence. Based on this, I have adopted an overall build cost of £1,904 per sq m inclusive of external works and professional fees (based on the costs) as at August 2016, which is somewhat dated and costs have risen since this date. This produces a Site Value of £1,925,300 which is in excess of the Benchmark Land Value of £1,773,700 and results in a surplus of £151,600 towards Affordable Housing contribution.

To account for the rise in price since this date, I indexed the actual costs from 2016 to £1,783 per sq m. This produces a Site Value of £1,572,156 which is lower than the Benchmark Land Value of £1,773,700 which results in a deficit and demonstrates that the scheme cannot viably provide an Affordable Housing contribution. However, these costs are in excess of present-day BCIS median build costs, and whilst it is demonstrated that these costs have been incurred, no detailed justification or analysis was provided to support why their costs were high. However, this is strong evidence of actual costs of a very similar scheme and I therefore consider it is reasonable to adopt this in the appraisal.

Conclusion

Based on review of further evidence and reasoning outlined in this addendum, the range in reasonable costs result in a range of conclusions. Whilst basing my appraisal on actual costs shows the scheme is not viable, the Council may like to be aware that if adopting BCIS median costs, this would demonstrate a surplus is available to contribute towards Affordable Housing, in the range of £151,600 to £233,059.

Yours sincerely,



Anindita Maitra
Senior Surveyor
DVS

Appraisal 1- £1,904 per sqm overall construction cost

APPRAISAL SUMMARY		VALUATION OFFICE AGENCY			
579-583 Uxbridge Road					
Construction cost-£1904 psqm					
Summary Appraisal for Phase 1					
Currency in £					
REVENUE					
Sales Valuation		Units	m²	Sales Rate m²	Unit Price
Studio		1	175.00	5,914.27	1,034,997
1 bed		1	102.00	5,735.29	585,000
2 bed		1	734.00	5,252.05	3,855,005
3 bed		1	441.00	4,353.74	1,919,999
Totals		4	1,452.00		7,395,001
Rental Area Summary		Units	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground rents		21	350	7,350	7,350
Investment Valuation					
Ground rents					
Current Rent		7,350	YP @	5.0000%	20.0000
GROSS DEVELOPMENT VALUE					
NET REALISATION					
OUTLAY					
ACQUISITION COSTS					
Residualised Price					
Stamp Duty					
Agent Fee					
Legal Fee					
CONSTRUCTION COSTS					
Construction		m²	Build Rate m²	Cost	
Studio		208.33	1,904.00	396,667	
1 bed		121.43	1,904.00	231,200	
2 bed		873.81	1,904.00	1,663,733	
3 bed		525.00	1,904.00	999,600	
Totals		1,728.57		3,291,200	3,291,200
Contingency					
Demolition					
Statutory/LA					
MARKETING & LETTING					
Marketing					
DISPOSAL FEES					
Sales Agent Fee					
Sales Legal Fee					
FINANCE					
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)					
Land					
Construction					
Other					
Total Finance Cost					
TOTAL COSTS					
PROFIT					

APPRAISAL SUMMARY		VALUATION OFFICE AGENCY
579-583 Uxbridge Road		
Construction cost-£1904 psqm		1,319,850
Performance Measures		
Profit on Cost%	21.21%	
Profit on GDV%	17.50%	
Profit on NDV%	17.50%	
Development Yield% (on Rent)	0.12%	
Equivalent Yield% (Nominal)	5.00%	
Equivalent Yield% (True)	5.16%	
IRR	23.32%	
Rent Cover	179 yrs 7 mths	
Profit Erosion (finance rate 7.000)	2 yrs 9 mths	

Appraisal 2- £1,783 per sqm build cost + external works and professional fees

APPRAISAL SUMMARY		VALUATION OFFICE AGENCY			
579-583 Uxbridge Road		Construction cost-£1783 psqm			
Summary Appraisal for Phase 1					
Currency in £					
REVENUE					
Sales Valuation		Units	m²	Sales Rate m²	Unit Price
Studio		1	175.00	5,914.27	1,034,997
1 bed		1	102.00	5,735.29	585,000
2 bed		1	734.00	5,252.05	3,855,005
3 bed		1	441.00	4,353.74	1,919,999
Totals		<u>4</u>	<u>1,452.00</u>		<u>1,919,999</u>
					<u>7,395,001</u>
Rental Area Summary		Units	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground rents		21	350	7,350	7,350
Investment Valuation					
Ground rents					
Current Rent		7,350	YP @	5.0000%	20.0000
GROSS DEVELOPMENT VALUE					7,542,001
NET REALISATION					7,542,001
OUTLAY					
ACQUISITION COSTS					
Residualised Price				1,572,156	1,572,156
Stamp Duty				68,108	
Agent Fee			1.00%	15,722	
Legal Fee			0.80%	12,577	
					96,407
CONSTRUCTION COSTS					
Construction		m²	Build Rate m²	Cost	
Studio		208.33	1,783.00	371,458	
1 bed		121.43	1,783.00	216,507	
2 bed		873.81	1,783.00	1,558,002	
3 bed		525.00	1,783.00	936,075	
Totals		<u>1,728.57</u>		<u>3,082,043</u>	<u>3,082,043</u>
Contingency			5.00%	154,102	
Demolition				30,000	
Statutory/LA				205,285	
					389,387
PROFESSIONAL FEES					
Professional fees			10.00%	308,204	
External works			10.00%	308,204	
					616,409
MARKETING & LETTING					
Marketing			1.00%	73,950	
					73,950
DISPOSAL FEES					
Sales Agent Fee			1.00%	73,950	
Sales Legal Fee				21,000	
					94,950
FINANCE					
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)					
Land				140,767	
Construction				133,749	
Other				22,334	

APPRAISAL SUMMARY		VALUATION OFFICE AGENCY
579-583 Uxbridge Road		
Construction cost-£1783 psqm		
Total Finance Cost		296,850
TOTAL COSTS		6,222,151
PROFIT		1,319,850
Performance Measures		
Profit on Cost%		21.21%
Profit on GDV%		17.50%
Profit on NDV%		17.50%
Development Yield% (on Rent)		0.12%
Equivalent Yield% (Nominal)		5.00%
Equivalent Yield% (True)		5.16%
IRR		24.34%
Rent Cover		179 yrs 7 mths
Profit Erosion (finance rate 7.000)		2 yrs 9 mths