2-4 Ringers Road & 5 Ethelbert Road, Bromley, BR1 1HT

Independent Viability Review

Prepared on behalf of the London Borough of Bromley

19th April 2024

Planning Reference: 21/05585/FULL1 & 24/00044/S78

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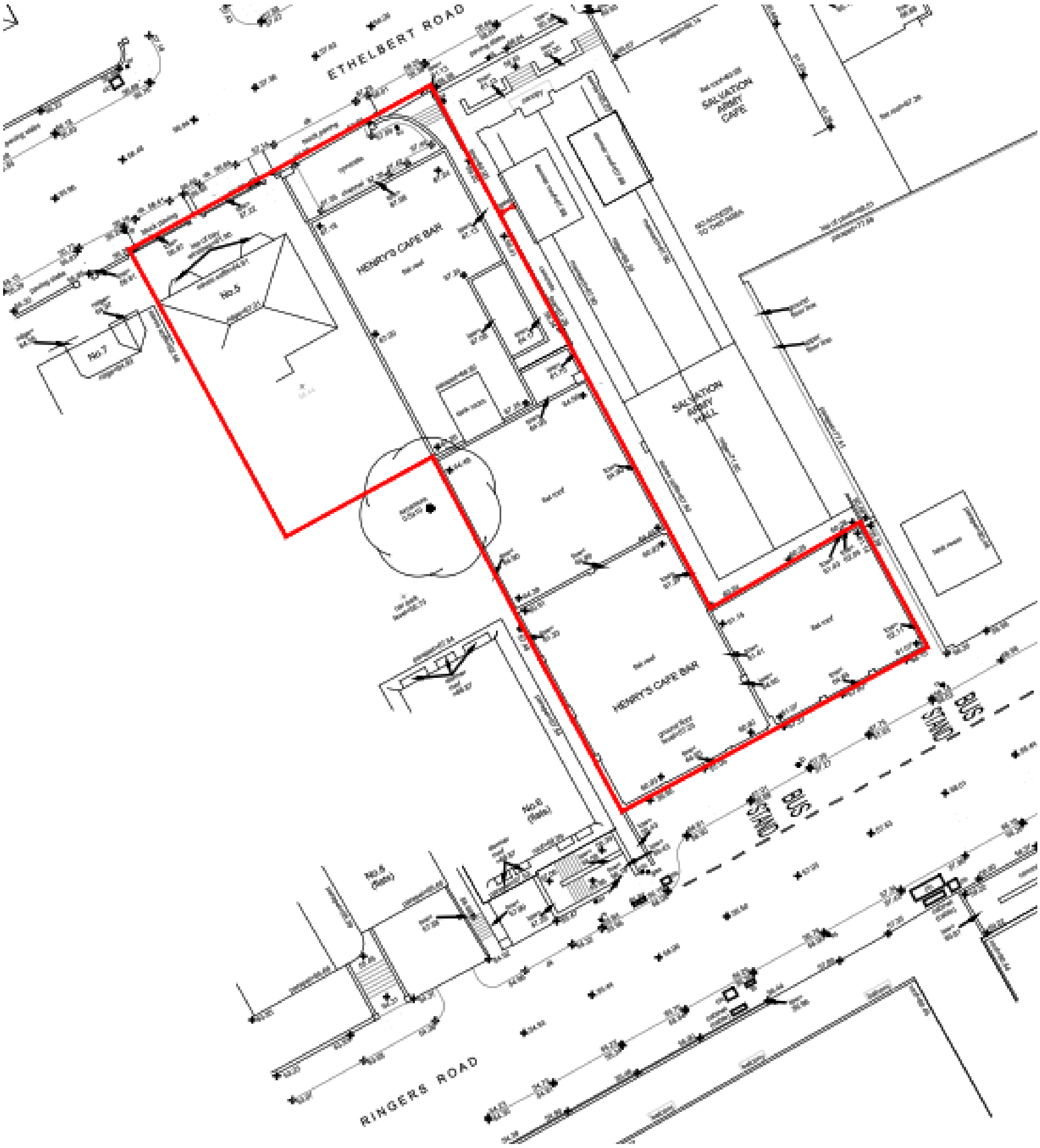
1.0 Introduction

1.1 BPS Chartered Surveyors have been instructed by the London Borough of Bromley ('the Council') to undertake a review of a Financial Viability Assessment ('FVA') prepared by Turner Morum ('TM') on behalf of Ringers Road Properties Limited ('the Appellant') in connection with a planning application for the redevelopment of the above site.

1.2 The site currently comprises two buildings of one to three storeys in use as a restaurant, a photography studio and six self-contained studio flats. The site extends to approximately 0.102 hectares (0.252 acres). We include below a site plan downloaded from the Council website:



1.3 The location is mixed in nature, being situated behind the TK Maxx store which fronts onto High Street. In the immediate vicinity are a church, a range of retail properties, a diverse range of residential properties and Bromley Park. The site is not located in a conservation area nor is it listed.

1.4 The proposals are for:

'Demolition of existing buildings and construction of a mixed use development comprising residential units, ancillary residents' facilities (including co-working space) and commercial floor space (Use Class E) across two blocks, along with associated hard and soft landscaping, amenity spaces, cycle and refuse storage (Revised scheme incorporating a second stair into Block A and Block B, internal layout and elevational changes, and changes to the on street parking bays and footpath along Ringers Road and Ethelbert Road).'

1.5 The basis of our review is the Viability Assessment prepared by TM, dated 7th March 2024, which concludes that the scheme currently shows a deficit of approximately -£2.267m and therefore no additional affordable housing can viably be offered.

1.6 We have downloaded documents available on the Council's planning website.

1.7 We have received a pdf version of the Excel based appraisals included in the report.

1.8 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make any affordable housing contributions.

1.9 We have searched the Council's planning website and have identified the following recent or outstanding planning applications relating to the site:

93/01999/FUL - 2-4 Ringers Road Bromley BR1 1HT – *Henry's Wine Bar part change of use of first and second floors to managers 3 bedroom flat*. Application permitted November 1993.

17/00004/FULL1 - 2 - 4 Ringers Road Bromley BR1 1HT - *Change of use of ground floor entrance lobby and first floor from A4 (drinking establishment) to D2 (leisure).* Application permitted May 2017.

91/02700/FUL - 5 Ethelbert Road Bromley BR1 1JA – *Change of use of basement from residential to offices.* Refused and dismissed at appeal January 1992.

1.10 A Land Registry search shows that the Appellant currently owns the property. The land is held in two titles:

SGL532665 (2-4 Ringers Road) - The freehold was purchased by Ringers Road Properties Limited in October 2016 for £1.55m.

SGL70442 (5 Ethelbert Road) – The freehold was purchased by Ringers Road Properties Limited in January 2020 for £1m.

In addition, a freehold title forming a strip not within the site boundary (SGL25447), separating 2-4 Ringers Road from the highway is in the ownership of the Mayor and Burgesses of the London Borough of Bromley and appears to be limited to use as part of the roadway. We assume that the title of the subject site is good and that access to the site is unaffected.

1.11 The advice set out in this report is provided in the context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2022, the provisions of VPS1–5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation. The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the Council and with any associated Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Council.

1.12 This Viability Review adheres to the RICS Professional Statement on Financial Viability in Planning (published May 2019). In accordance with this Statement, we refer you to our standard terms and conditions which incorporate details of our Quality Standards Control & Statement on Limitation of Liability/ Publication.

2.0 Summary Table

2.1 Our analysis presents the following outturn financial position for the project with 11.4% Affordable Housing by habitable room (10.6% by unit):

Input	TM	BPS	Comments
Income			
Open Market Sales	£33,753,125 (£6,728psm/£625psf)	£33,753,125 (£6,728psm/£625psf)	Agreed
Affordable Housing	£2,055,063 (£3,222psm/£299.31psf)	£2,055,063 (£3,222psm/£299.31psf)	Agreed
Affordable Workspace	£828,603 (£258 psm/£24 psf)	£948,343 (£258 psm/£24 psf)	Ambiguous – headline figures agreed, assuming terms in s106 agreement in perpetuity
Cafe	£604,283 (£3,874psm/£360psf) £30 psf pa, 6 mth rent free at 7%	£695,636 (£3,874psm/£360psf) £30 psf pa, 6 mth rent free at 7%	Ambiguous – headline figures agreed
Co-Working Space	£nil	£nil	Agreed – assuming non-revenue producing status secured in s106
Ground Rents	£nil	£nil	Agreed
Car Parking	£nil	£nil	Agreed
Expenditure			
EUV	£2.485m	£2.485m	Agreed
Landowner Premium	10%	10%	Agreed
Benchmark Land Value	£2.734m	£2.734m	Agreed
Build Costs	£21,079,917	£21,079,917	Agreed
Contingency	5%	5%	Agreed
Professional Fees	10%	10%	Agreed
Abnormals	£969,559	£969,559	Agreed
OMS Disposal Fees	3%	3%	Agreed
Commercial Letting fees	15%	15%	Agreed
Affordable disposal fees	0.5%	0.5%	Agreed
Purchaser's Costs	6.8%	6.8%	Agreed
S106	£118,624	£118,624	Ambiguous - We require confirmation from the Council on this input.
CIL	£1,309,478	£1,309,478	Ambiguous - We require confirmation from the Council on this input.

Finance	£2,455,922	£2,590,724	Agreed
Profit: OMS Affordable Housing Commercial	17.5% 6% 15%	17.5% 6% 15%	Agreed
Development Timeframes			
Pre-construction Period	6-months	6-months	Agreed
Construction Period	18-months	18-months	Agreed
Pre-Sales	50%	50%	Agreed
Sales Period	12-months	12-months	Agreed - 4 sales pcm
Viability Position	-£2.267m	-£2,262,253	Agreed – No affordable housing can be provided
Actual Profit	10.7%	10.7%	

3.0 FVA Checklist

3.1 On the 12th April we sent the Appellant a request to provide the following information to assist with our review of the FVA. The table below summarises the documentation received at the date of this submission.

Existing Site	
Land ownership plan	Downloaded.
Measurements of the Existing Site / Buildings	Not provided.
Floor plans	Downloaded.
Detailed Description of the existing site	Not provided.
A schedule of condition	Not provided.
External Photographs of the Existing Site / Buildings	Limited downloaded.
Internal Photographs of the Existing Site / Buildings	Not provided.
Copies of the existing or recent leases/occupational agreements	Received.
Current Tenancy Schedule	Not provided.
Recent transactional evidence to support their BLV assumptions	Not provided.
Modelling used to generate values (Residential/ Commercial)	Received.
Proposed Development	
Application plans	Downloaded.
Accommodation schedule	Downloaded.
Measurements for the proposed scheme (GIA)	Downloaded.
Design and Access statement	Downloaded.
Planning Statement	Downloaded.
Detailed design specification	Not provided.
Recent transactional evidence to support their GDV assumptions	Received (not new build).
Modelling used to generate values (Affordable Housing)	Not provided.
Modelling used to generate values (Residential/ Commercial)	Received.
Construction	
A detailed cost plan	Not provided.
Development programme	Received.
Appraisals	
Copy of the live appraisals	Pdf copy only supplied.

4.0 Conclusions And Recommendations

4.1 We have reviewed the FVS prepared by TM on behalf of the Appellant which concludes that the proposed scheme generates a residual value of £634,000 which is approximately £2,267,000 below their benchmark land value of £2,734,000 (£2,901,000 including acquisition costs). On this basis the scheme cannot provide any additional affordable housing contribution.

4.2 TM have provided three alternative scenarios with 50%, 35% and nil Affordable Housing, all of which they conclude are in deficit. In view of our conclusions below relating to the Applicant's proposed scheme, we have not tested TM's alternative scenarios.

Benchmark Land Value

4.3 TM have approached the Benchmark Land Value on an Existing Use Value (EUV) basis. They suggest that the existing rent receivable should be used as a proxy for the open market rental value.

4.4 Whilst we do not accept the TM methodology used, having undertaken our own research, we find their overall assessment of EUV to be broadly fair.

4.5 TM have applied a 10% landowner premium which we have accepted in view of the current income stream which indicates the property has continued value as an investment.

4.6 Having taken the above into consideration, we consider the proposed Benchmark Land Value of £2.734m to be reasonable.

Development Value

4.7 The scheme includes 94 self-contained residential units, of which, 84 are proposed for open market sale.

4.8 We have reviewed the information provided by TM in support of their Open Market Sales values and we have also undertaken our own research into recent transactions in the local area. We are of the view that the values proposed are in line with current market expectations.

Car Parking

4.9 No parking is proposed at the site.

Ground Rents

4.10 The Leasehold Reform (Ground Rent) Act 2022 is now in full force. We therefore consider the omission of capitalised ground rents as being a reasonable assumption.

Affordable Housing

4.11 We have been provided with insufficient information to produce a detailed review of the proposed Affordable Housing. Nevertheless, we find the values assumed broadly reasonable in the light of other schemes reviewed in recent months.

Commercial GDV

4.12 The scheme includes a class E unit described as a café, affordable workspace and co-working space for residents' use. We find the TM assessment of GDV for these areas to be broadly reasonable.

Development Costs

4.13 Our Cost Consultant, Neil Powling, has analysed the BCIS costs outlined in the TM FVA for the proposed scheme, and concludes that:

'*Our benchmarking results in an adjusted benchmark of £24,010,919 (£2,668/m²) that compares to the Applicant's £23,015,330 (£2,558/m²). We therefore consider the Applicant's costs to be reasonable*.'

4.14 We have reviewed the other costs outlined within the FVA and consider them broadly reasonable.

Recommendations

4.15 We have been provided with a pdf version of the Excel based appraisal included in TM's report to which we have applied our amendments. These amendments are outlined in the table included at Section 2.

4.16 After these changes we identify a deficit of around £2.26m. On this basis we calculate that the scheme would not be able to contribute towards or provide additional affordable housing. (Our appraisal is included in Appendix 3.)

4.17 We have undertaken sensitivity analysis to test the impact of changes to gross sales and build cost inputs. We include our sensitivity analysis in Appendix 3 and find that a 5% simultaneous increase in revenue and 5% decrease in build costs erodes the deficit.

4.18 We recommend that if a policy compliant offer is not made, the scheme should be subject to a pre-implementation and a late stage review of viability in order that the viability can be assessed over the lifetime of the development.

5.0 Principles Of Viability Assessment

5.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

Gross Development Value – Development Costs (including Developer's Profit)
= Residual Value

5.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.

5.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.

5.4 Development appraisals can also be constructed to include a fixed land value and fixed profit targets. If an appropriate benchmark is included as a fixed land value within a development appraisal this allows for interest to be more accurately calculated on the Benchmark Land Value, rather than on the output residual value. By including fixed profit targets as a cost within the appraisal, programmed to the end of development so as not to attract interest payments, the output represents a 'super' profit. This is the profit above target levels generated by the scheme which represents the surplus available towards planning obligations.

5.5 This Viability Review report adheres to the RICS Professional Statement on Financial Viability in Planning: Conduct and Reporting (published May 2019). In accordance with this Statement, Section 8 below incorporates details of our Quality Standards Control & Statement on Limitation of Liability/ Publication. This report has been prepared according to the Professional Statement's requirement for objectivity and impartiality, without interference and with reference to all appropriate available sources of information. Where information has not been obtainable, we have stated this expressly in the body of the report.

6.0 Benchmark Land Value

Viability Benchmarking

6.1 Planning Policy Guidance, published May 2019, states:

Benchmark land value should:

- *be based on 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 and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. These may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

The evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and Appellants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

[…] Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

6.2 The NPPF recognises the need to provide both landowners and developers with a competitive return. In relation to landowners this is to encourage landowners to release land for development. This is set out in PPG as follows:

To define land value for any viability assessment, a benchmark land value should be established on the basis of existing use value (EUV) of the land, plus a premium for the *landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The Premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*

6.3 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the NPPG's definition of Benchmark Land Value.

6.4 NPPG further defines EUV as follows:

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).

6.5 The Mayor of London's Affordable Housing and Viability SPG published August 2017 states a clear preference for using EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. This is evidenced through the following extract:

The Mayor considers that the 'Existing Use Value plus' (EUV) approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used.

6.6 Guidance indicates that the sale of any premium should reflect the circumstances of the landowner. We are of the view that where sites represent an ongoing liability to a landowner and the only means of either ending this liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable. This view is corroborated in the Mayor of London's Affordable Housing and Viability SPG which states:

Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/ costs, a *lower premium of no premium would be expected compared with a site occupied by profit-making businesses that require relocation. The premium could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary.*

6.7 While EUV is the primary approach to defining BLV, in some circumstances an Alternative Use Value approach can be adopted. This is the value of the land for a use other than its existing use. NPPG outlines:

If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.

[…] Plan makers can ser out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued.

6.8 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the definition of AUV from NPPG and reiterates that any AUV must reflect relevant policy requirements.

6.9 When adopting an AUV approach, the premium to the landowner is implicit and therefore an additional landowner premium should not be added as this would be double counting.

6.10 NPPG and RICS guidance are clear that if refurbishment or redevelopment is necessary to realise an existing use value then this falls under the AUV provision of NPPG and no landowner premium should be added.

<u>The Proposed Benchmark</u>

6.11 The benchmark proposed by TM for viability testing is based on an Existing Use Value approach.

6.12 TM have capitalised the claimed £68,724 pa current income from the flats, having deducted 20% for management, maintenance and voids. The net income calculated has been capitalised at 4%, resulting in a capital value of £1.374m.

6.13 Further, TM have capitalised the 'annual rent receivable' of £100,000 pa at 9%, resulting in a capital value of £1.111m.

6.14 No comparable evidence other than the claimed current rental income for the subject site has been cited. TM's reference to other valuations has been discounted as this is not admissible evidence under RICS regulations owing to the circularity of such arguments.

6.15 TM argue that a 10% Landowner Premium is justified as it is equal or below 3 other premiums agreed by the Council. Whilst we do not agree with the rationale employed by TM, we do, in this case, accept a 10% premium as fair.

6.16 TM therefore conclude a BLV of £2.734m.

6.17 The property comprises 2 buildings of varying ages and construction, and of 1-3 storeys in height, plus basement. We inspected the site on 17th April 2024 and found the buildings to be generally poorly maintained, but in a lettable condition. Not all of the buildings were accessible for our inspection, and we assume the areas not seen by us are in a broadly similar condition to those inspected.

6.18 We include photographs from our inspection in Appendix 5.

6.19 Following our inspection, we have received copy leases from the managing agents, and we summarise brief heads of terms in the table below:

Address	Unit	Lease Date	Term	Rent pa	Comments
5 Ethelbert Road	Flat A	18.04.23	1 year	£12,000	AST, annual upwards only rent reviews to RPI.
	Flat B	24.03.24	6 months	£12,600	AST, annual upwards only rent reviews to RPI.
	Flat C	16.08.23	1 year	£9,000	AST, annual upwards only rent reviews.
	Flat D	14.01.24	1 year	£12,960	AST, annual upwards only rent reviews.
	Flat E	30.03.24	1 year	£12,000	AST, annual upwards only rent reviews to RPI.
	Flat F	31.10.23	6 months	£12,000	AST, annual upwards only rent reviews to RPI.
2-4 Ringers Road	Ground and part 1st Floor	25.01.24	5 years	£75,000	Landlord or tenant's break effective after 28.5.25 with 6 months' notice. Outside LTA 54. Rent review 28.07.26.
	Part 1st and 2nd Floor	05.09.23	1 year	£25,000	Break with 6 months' notice at any time. Outside LTA 54.

Our Assessment of Benchmark Land Value

6.20 We have approached the Benchmark Land Value on an Existing Use Value basis. The current use of the property is C3 residential and Class E restaurant and photographic studio. which has been categorised on the planning application form as Use Classes A3, C3 and B1(a). We assume the current legal use of the property is C3 and E as presented.

6.21 Initially, we have reviewed the TM EUV of the residential properties. We have identified the following comparables in the area surrounding the property:

Address	Description (and Floor Area)	Asking Price	Price psf
Ravensbourne Road, BR1	Studio flat 301 sf (28 sm), period conversion, similar presentation and size to subject	£1,150 pcm	£46 psf pa
Masons Hill BR1	Large room in shared flat	£850 pcm	-
Bickley Park Road BR1	Studio Flat in large period house with mature gardens, better presented than subject, 492 sf (46 sm)	£1,200 pcm	£29 psf pa

6.22 The FVA states that the current annual rent receivable is £68,724, equating to an average monthly rent approximating £955 per unit (and this level of income is supported by the leases provided). The comparable asking rents above also support a rental value around this level. TM have then deducted a 20% OPEX allowance and capitalised the net income at 4%. Whilst we consider the yield to be somewhat low in the current market, the OPEX deduction results in a broadly fair approach overall, and we consider the resulting GDV of £1.374m (£229,000 per unit) to be achievable.

6.23 For the commercial element, TM state that the current rent receivable is £100,000 per annum. This is now supported by the documents provided.

6.24 The FVA states the lettable area of the photographic studio at 185 sq m but does not state an area for the remainder of the commercial space. We were unable to ascertain the NIA during our inspection as much of the commercial space was inaccessible. However, from the available plans and the areas inspected, we calculate the total GIA for the commercial space at 1,159 sqm (12,475 sq ft). We note the EPC certificate states an area for A3/4/5 space of 1,102 sq m.

6.25 In assessing the GDV in Section 7 below, we identified a number of retail comparables, in addition, we have considered the following additional evidence in view of the flexible class E use and in particular the current photography studio:

Address	Description (and Floor Area)	Date	Transaction	NIY/Rent psf
140-144 High Street, BR1 1EZ	B1a office, 1,802 sf NIA over retail	Jun 22	Let at £37,422 pa for 1 year, FRI	£20.77 psf pa
A Pamphilon House, BR1 1HE	B1a office, 1,070 sf NIA	Apr 22	Let at £26,750 pa for 10 years, with break and review at year 5	£25.00 psf pa
21A East Street, BR1 1QE	B1a office, 1,920 sq ft	Oct 22	Let at £45,000 pa FRI for 15 years, reviews at years 5 and 10	£23.44 psf pa
Compass House, 30-36 East street, BR1 1QU	B1a office, 245 sq ft NIA	Feb 23	Let at £8,000 pa FRI for 1 year	£32.65 psf pa

6.26 Whilst on site, we were informed that there is a manager's flat located on the upper floors, this was not available for our inspection, and we assume it is ancillary to the restaurant use and is included within the demise. We have valued the flat on this basis.

6.27 The passing rent equates to approximately £8 psf GIA pa, which appears reasonable in view of the achieved rents above and retail rents in Section 7. TM have applied a yield of 9%. In view of the scarcity of available yield evidence in the locality, we refer to the Knight Frank Prime Yield Guide April 2024 which shows Good Secondary High Street Retail at 10%, Secondary Offices in South East Towns is given as 11.50%+. In view of the competitive rent adopted and the London location, we consider a 9% yield to be fair.

6.28 TM have adopted a Landowner premium of 10% and in view of the income producing nature of the site, we consider this reasonable.

6.29 We therefore accept the TM BLV as reasonable.

7.0 Development Values

7.1 The residential element of the proposed scheme, as sought by the planning application, is for 94 residential units totalling 5,655 sq m (60,871 sq ft) NSA which equates to an average unit size of 60.2 sq m (648 sq ft) NSA and comprises the following accommodation:

Block	One bedroom	Two bedroom	Total
A	37	8	45
B	16	33	49
Total	**53**	**41**	**94**

Open Market Sales ('OMS') Residential Values

7.2 84 units are proposed to be for OMS and the values have been assumed as follows:

Unit type	Avg NSA (sq ft)	Avg NSA (sq m)	Avg Value	Avg Value £psf	No of units
One bedroom	563	52	-	-	49
Two bedroom	755	70	-	-	35
Total/Avg	**643**	**60**	**£401,823**	**£625**	**84**

7.3 The flats will be accessed from a lift core within each block. Each of the units has a private balcony/terrace.

7.4 Again, TM have not referred to any new build transactional evidence but have cited other valuations undertaken in respect of viability assessments in the borough. This is a circular argument and does not comply with any recognised RICS valuation approach. Remaining comparable evidence referred to by TM is second hand and of limited relevance.

7.5 We have undertaken our own research into transactions in the area surrounding the subject site and have identified the following additional market evidence, all properties are located within around 3 miles of the subject property:

Address	Description	Avg GIA (sq ft)	Date	Avg Sale Price	Avg Price psf
Langley Court (GlaxoSmithKline) BR3 3BS	Development of 161 houses in less accessible location.	1,352	Oct 21 – Dec 22	£844,836	£627
Land Adj. Bromley College BR1 1PE	Small new build scheme under 20 units north of Bromley town centre.	786	Mar 22 – Aug 22	£463,333	£589
Bromley South Central / St Mark's Square BR2 0QW	154 units new build scheme, close to Bromley South station.	967	Jan 21- Jun 21	£483,386	£482

7.6 It can be seen that prices of units in the area can be widely varied. There has been a scarcity of new build flat developments for open market sale in the area in recent years. From the evidence available, whilst it demonstrates that higher values psf can be achieved on houses in the borough, it does not currently evidence flat values higher than the £625 psf overall proposed by TM. We therefore accept their figure as reasonable.

Ground Rents

7.10 The Leasehold Reform (Ground Rent) Act 2022 is now in force. Now the act is in force, any ground rent demanded as part of a new residential long lease cannot be for any more than a peppercorn (no financial value). Therefore, ground rents should no longer be included as a future revenue stream for planning & viability purposes. We understand the act covers single ‘dwellings’ and will therefore capture student and retirement accommodation providing they are occupied or intended to be occupied as single dwellings throughout England and Wales.

7.11 We therefore consider the omission of capitalised ground rents as being a reasonable assumption.

Parking

7.9 No parking is proposed at the site.

Affordable Residential Values

7.10 The proposed scheme includes 10 affordable housing units. This represents a 11% provision by unit (12% by habitable room), with a tenure split of 60:40 Social Rent to Shared Ownership. The level of affordable housing proposed may be below the level we would anticipate an RP to commit to, we request confirmation from the Council as to whether this proposed affordable housing is realistic.

7.11 The Council's planning policy seeks an affordable housing contribution of 35% with a tenure split of 60:40 social rented/affordable rented to intermediate. The proposed scheme is therefore not policy compliant.

7.12 TM have assumed a Social Rent GDV of £185 psf (30% of OMV) and a Shared Ownership GDV of £469 psf (75% of OMV). No evidence to support the social rent GDV has been provided. Only previous viability valuations have been produced to support the shared ownership comparable. No breakdown of the proposed affordable by type is provided and we are unable, therefore, to provide a detailed review of the TM position.

7.13 In broad terms, however, we find the Affordable Housing GDVs presented to be broadly reasonable in the context of other schemes we have reviewed.

Commercial Valuation

7.14 The proposed scheme includes 510 sq m (5,489 sq ft) of commercial space.

7.15 We are advised that the commercial space is arranged as the following areas:

Type	Use Class	Block	sq m	sq ft
Affordable Workspace	E	B	257	2,766
Cafe	E	B	156	1,679
Co-Working Space for Residents	Not stated	A	97	1,044
Total			**510**	**5,489**

7.16 We note that the Affordable Workspace is described as 'office' on the plans. TM have valued this space on the basis that it will not be income producing and they have therefore submitted a nil value. We assume this position will be appropriately documented in the s106 Agreement.

7.17 For the Class E café space, TM have based their assessment of GDV on previous valuations for viability purposes rather than transactional evidence. They have assigned a rental value of £30 psf to the proposed space (with a 25% reduction on the 883 sq ft basement) and have assumed a 6 month rent free period. This has been capitalised at a yield of 7%.

7.18 We have sought to identify any transactions in the surrounding area to test whether the value assigned to this element of the scheme is reasonable. Our research can be summarised as follows:

Address	Description	Date	Transaction details	NIY%/ Rent £psf
107-109 High Street, BR1 1QJ	Large retail unit 7,839 sf NIA	Dec 23	Let for 5 years, FRI with break at year 3 at £125,000 pa	£15.95 psf pa
130 High Street, BR1 1EZ	Retail unit 2,277 sf	May 22	Let for 10 years at £55,000 pa FRI	£24.15 psf pa
132-134 High Street, BR1 1EZ	Retail unit 2,536 sf NIA	Nov 22	Let for 5 years at £75,000 pa with 6 months rent free, break at year 3	£29.57 psf pa
156-160 High Street, BR1 1HE	Large retail unit 15,553 sf NIA	Nov 23	Let for 15 years at £200,000 pa, 12 months rent free, break at year 10, review at year 5	£12.86 psf pa
23 High Street, BR1 1LG	Retail unit 721 sf NIA	Jun 23	Let for 10 years at £42,000 pa, FRI, review at year 5	£58.24 psf pa
148-154 High Street, BR1 1EZ	Large retail unit 52,415 sf NIA.	Nov 22	Freehold sold for £5.3m	6.19%

7.19 It can be seen from the above transactions that the headline TM assessment of GDV for the café unit is reasonable on an overall basis, although we have not accepted the 25% deduction for basement space. No attempt has been made to support this deduction within the FVA.

7.20 TM have assessed the Affordable workspace at 80% of the OMV and we assume this reflects the terms of the s106 Agreement and is secured in perpetuity. Again, whilst TM have deducted 25% for the first floor space, no attempt to justify this deduction has been made by TM and we have therefore adopted the headline figure of £24 psf on an overall basis.

8.0 Development Costs

Construction Costs

8.1 Our Cost Consultant, Neil Powling, has analysed the BCIS costs outlined in the TM FVA for the proposed scheme, and concludes that:

'*Our benchmarking results in an adjusted benchmark of £24,010,919 (£2,668/m²) that compares to the Applicant's £23,015,330 (£2,558/m²). We therefore consider the Applicant's costs to be reasonable*.'

8.2 Mr Powling's full cost report can be found at Appendix 1.

Additional Costs

8.3 TM have applied the following additional cost assumptions:

- Professional fees of 10%
- OMV disposal costs of 3%
- Affordable Housing legal fees of 0.5%
- Commercial disposal costs of 3%
- Commercial letting costs of 15%

8.4 Generally, we accept that these percentages are broadly reasonable in this instance.

8.5 S106 charges have been assumed at £118,624 and CIL has been based on £114.41 psm for borough and £69.27 psm for Mayoral. We request the Council verify these amounts.

8.6 TM have included finance at 7.5%, which they calculate at £2,455,922. Whilst we find the finance costs deducted to be broadly reasonable overall, we support a lower finance rate of 6.5%, which reflects the expectation that the Bank Base Rate will decrease in the near term and consequent anticipatory reductions in longer term borrowing costs.

8.7 We find that within the industry standard Argus model used by BPS, assuming that the scheme is 100% debt financed, a rate of 6.5% on this scheme results in finance costs of £2,590,724. We therefore find the TM finance allowance to be broadly reasonable.

Profit

8.8 The developer profit target adopted by TM is assessed on a blended basis equivalent to 17.5% on GDV for OMV residential, 6% on GDV for Affordable Housing and 15% on GDV for commercial. Generally, we find these percentages to be reasonable.

Development Timeframes

8.9 TM have adopted a pre-construction period of 6 months and a construction period of 18 months. Our Cost consultant has reviewed the programme with reference to the BCIS endurance indicator and finds it to be reasonable.

8.10 TM have adopted pre-sales of 50% and a sales period of 4 units per month. We have reviewed these assumptions in the light of recently completed schemes in the area and find them to be reasonable.

9.0 Author Sign Off

9.1 This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.

9.2 The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information.

9.3 The following persons have been involved in the production of this report:

Clare Jones MRICS
RICS Registered Valuer
RICS Membership no. 0095561
For and on behalf of
BPS Chartered Surveyors

Andrew Jones MRICS
RICS Registered Valuer
RICS Membership no. 0085834
For and on behalf of
BPS Chartered Surveyors

April 2024

Appendix 1: Build Cost Report

Project: 2-4 Ringers Road & 5 Ethelbert Road, Bromley BR1 1HT 21/05585/FULL1

Independent Review of Assessment of Economic Viability

Interim Draft Report Appendix A Cost Report

1 SUMMARY

1.1 The FVA has relied on BCIS median data with additions for demolitions and external works. We consider a properly detailed cost plan in elemental format a preferred option.

1.2 Our benchmarking results in an adjusted benchmark of £24,010,919 (£2,668/m²) that compares to the Applicant's £23,015,330 (£2,558/m²). We therefore consider the Applicant's costs to be reasonable.

1.3 The duration allowed in the Applicant's appraisal comprises a pre-construction period of 6 months and a construction period of 18 months. The results determined from the BCIS duration calculation provides an estimated average construction duration from start on site to construction completion of 82 weeks (18.9 months) with a 90% confidence interval for this estimate of 74 to 90 weeks (17.1 to 20.8 months). We consider the Applicant's allowance for pre-construction reasonable. We also consider the duration for construction compared to BCIS a reasonable allowance.

2 METHODOLOGY

2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element-by-element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5-year and also 30-year average prices. We have previously considered 5-year data more likely to reflect current regulations, specification, technology and market requirements, but because of reduce sample sizes in the last 5 years we consider the default values the most appropriate for benchmarking..

BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available an overall £ per sqm and on a group element basis i.e., substructure, superstructure, finishings, fittings and services – but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight
2.3 into any differences in cost. For example: planning and site location requirements may result in a higher-than-normal cost of external wall and window elements.

If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of
2.4 works proposed.

BCIS costs are available on a quarterly basis – the most recent quarters use forecast figures; the older quarters are firm. If any estimates require adjustment on a time basis, we use the BCIS all-in Tender Price Index (TPI).

BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant’s cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However, if the Applicant’s cost plan does not distinguish different categories, we may calculate a blended BCIS average rate for benchmarking based on the different
2.5 constituent areas of the overall GIA.

To undertake the benchmarking, we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS
2.6 elements. We usually have to undertake some degree of analysis and rearrangement before the applicant’s elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

2.7 To assist in reviewing the estimate we require drawings and (if available) specifications. Also, any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.

BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered
2.8 as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant’s cost estimate.

We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element-by-

2.9 element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

2.10

We have considered the duration of the construction period by reference to the average duration calculation resulting from use of the BCIS Duration Calculator, and if we consider appropriate have drawn attention to any significant divergence between the Applicant's duration and the BCIS calculation. The duration is expected to be the result of a programme in appropriate detail for the stage of the project that should be prepared by a specialist in the field. We consider our experience of construction and duration sufficient for benchmarking comparisons using BCIS, but do not possess the appropriate qualifications and experience for undertaking a more detailed examination of the construction duration.

2.11

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the Viability Assessment (VA) issued 7th March 2024 by Turner Morum

3.2 We have visited the planning web site but 0 documents were listed.

The information we require to undertake the cost benchmarking process outlined in
3.3 section 2 is a reasonably detailed cost estimate in elemental detail with each element separately costed, with separate sub-totals in accordance with the BCIS/NRM rules of measurement, preferably presented as an elemental summary, and supported by a sufficiently detailed build-up to indicate the proposed specifications. If fit-out is separated in the estimate it too should be in similar elemental detail.

The FVA has relied on BCIS median data with additions for demolitions and external works. We consider a properly detailed cost plan in elemental format a preferred option.

3.4

The base date of the build costs in the VA is 1Q2024. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 1Q2024 is 390 (Provisional) and for 2Q2024 391 (Forecast).

3.5 The allowance for contingencies is 5% which we consider reasonable. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

Sales of market units have been included in the Appraisal at average figures of £625/ft² (Net Sales Area).

3.6

We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Bromley of 119 that has been applied in our benchmarking calculations.

3.7 We have adopted the same GIA used in the Applicant's costs; we assume this to be the GIA calculated in accordance with the RICS Code of Measurement 6th Edition 2007.

3.8 The development comprises two blocks: Building A is a 14-storey building and Building B a 12-storey building both of flats with some commercial space at ground and first floors.

3.9 The Applicants allowance for construction costs is summarised in the table below. The Applicant has allowed BCIS average cost data for shops; we consider shell only appropriate for the shops.

3.10

3.11

3.12

Applicant cost			GIA	8,999
	m²	£/m²	£	£/m²
Flats over 6 storeys - median	8,586	2,369	20,340,234	2,260
Commercial - shops generally median	413	1,791	739,683	82
			21,079,917	2,342
Add contingency 5%			1,053,996	117
Demolitions			749,445	83
External works			90,000	10
Add contingency on demolitions & externals 5%			41,972	5
Total (excluding fees)			23,015,330	2,558

3.13 Our calculation of the construction cost using current BCIS data is summarised in the table below.

3.14

BPS cost			GIA	8,999
	m²	£/m²	£	£/m²
Flats over 6 storeys mean	8,586	2,498	21,446,197	2,383
Commercial - shell only - mean	413	1,409	581,900	65
			22,028,097	2,448
Demolitions			749,445	83
External works			90,000	10
			22,867,542	2,541
Add contingency 5%			1,143,377	127
Total (excluding fees)			24,010,919	2,668

3.15 Our benchmarking results in an adjusted benchmark of £24,010,919 (£2,668/m²) that compares to the Applicant's £23,015,330 (£2,558/m²). We therefore consider the Applicant's costs to be reasonable.

3.16 The duration allowed in the Applicant's appraisal comprises a pre-construction period of 6 months and a construction period of 18 months. The results determined from the BCIS duration calculation provides an estimated average construction duration from start on site to construction completion of 82 weeks (18.9 months) with a 90% confidence interval for this estimate of 74 to 90 weeks (17.1 to 20.8 months). We consider the Applicant's allowance for pre-construction reasonable. We also consider the duration for construction compared to BCIS a reasonable allowance.

BPS Chartered Surveyors
Date: 15th April 2024

Appendix 2: Glossary

Term	Definition (links provided for further information)
Actual Developer Return (or profit)	As opposed to target return, the actual return is what developers are due to receive from a development scheme.
Affordable Rent:	Affordable rent is rent that is set at up to 80% of market rent (including service charges). Includes SR, LAR and DMR housing.
Social Rent (SR)	Social rent is usually rent that is paid to registered providers and local authorities. It is low-cost rent that is set by a government formula.
London Affordable Rent (LAR)	London Affordable Rent (LAR) homes are rented by social landlords with rents capped at benchmark levels published by the Greater London Authority. They are lower than the 80% per cent of market rents at which affordable rents can be charged. The London Plan
Discounted Market Rent (DMR)	Usually at 80% or less of open market rent, or to LAR levels.
Alternative Use Value (AUV)	Ultimately, AUV considers other options for a property to ascertain the highest value and best use for the land. There's usually more than one thing that can be done to release value in a site, and it's logical that the landowner should consider all avenues before bringing a scheme forward. Government guidance allows viability assessors to consider the alternative use value of a building as a benchmark, provided this relates to a lawful use which complies with the adopted development plan. This alternative use can therefore be: - a legal permitted change of use or development (which does not require planning permission) - an existing planning permission (for example a smaller scheme) - or a proposal which fully complies with all development plan policies. Existing Use Value remains the preferred method of assessing BLV under PPG and AUV use is limited by a number of specific conditions. NPPG
Benchmark Land Value (BLV)	The benchmark land value (BLV) is the hypothetical land value used to assess planning viability; it does not include hope value. Established based on either the existing use value (EUV) or the Alternative Use Value (AUV) of the land and may include a Landowner Premium. NPPG
Construction Costs	Total build costs associated with the development.
Build to Rent (BTR)	Build to Rent is a property development that is designed with the sole intention of appealing to the rental market as opposed to long-term home ownership. The London Plan
Co-Living	the practice of living with other people in a group of homes that include some shared facilities (typically shared working, leisure spaces and kitchens). The London Plan
Community Infrastructure Levy (CIL)	The Community Infrastructure Levy (CIL) is a levy on development that councils across the country, are implementing. It helps to pay for local infrastructure including schools, paths, parks, open spaces and healthcare facilities.
Developer Return (or profit)	The amount or percentage return retained or retainable by the developer. NPPG
Developer return on cost	The amount of developer Return expressed as a percentage of Build Costs. NPPG
Developer return on GDV	The amount of Developer Return expressed as a percentage of GDV. NPPG
Development Appraisal	A financial appraisal of a development. It is normally used to calculate either the residual site value or the residual development profit, but it can be used to calculate other outputs. RICS Development Valuation
Existing Use Value (EUV)	What property or land is worth in its current form. In other words, the hypothetical price that it can be sold for on the open market, assuming it will only be used for the existing use for the foreseeable future and that no capital works will be undertaken. It excludes hope value for redevelopment. NPPG
Extra Care	The term 'extra care' housing is used to describe developments that comprise self-contained homes with design features and support services available to enable self- care and independent living.
Fair Value	'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.' (This definition derives from international Financial Reporting Standards IFRS 13.) The Red Book

Gross Development Value (GDV)	The value of a development once construction has been completed, or the total sum of the sales values for the finished development. NPPG
Gross External Area (GEA)	Broadly speaking the whole area of a building taking each floor into account, including the thickness of the external walls. Most similar to IPMS 1. Code of Measuring Practice IPMS
Gross Internal Area (GIA)	Broadly speaking the whole enclosed area of a building taking each floor into account and excluding the thickness of the external walls. Most similar to IPMS 2. Code of Measuring Practice IPMS
Ground Rent	An additional amount which many people who own leasehold properties must pay. It's charged by a "landlord", although the more accurate term is perhaps "freeholder" – the person who owns the land, and ultimately owns the lease. No longer applied on new dwellings.
House of Multiple Occupation (HMO)	A property shared by at least 3 people who are not from 1 'household' (for example a family) and share facilities like the bathroom and kitchen. You must have a licence if you're renting out a large HMO in England or Wales. Your property is defined as a large HMO if all of the following apply: • it is rented to 5 or more people who form more than 1 household. • some or all tenants share toilet, bathroom, or kitchen facilities. • at least 1 tenant pays rent (or their employer pays it for them) The London Plan
Internal Rate of Return (IRR)	The rate of interest (expressed as a percentage) at which all future project cash flows (positive and negative) will be discounted in order that the net present value (NPV) of those cash flows, including the initial investment, be equal to zero. IRR can be assessed on both gross and net of finance. RICS Development Valuation
Shared Ownership (SO)	The purchaser pays a mortgage on the share they own and pays a subsidised rent to a housing association on the remaining share. The purchaser has the option to increase their share during their time in the property via a process known as 'staircasing', and in most cases can staircase all the way to 100%. It is a form of intermediate housing.
London Living Rent (LLR)	London Living Rent is a type of intermediate affordable housing for Londoners to build up savings to buy a home. London Living Rent provides rented homes on stable tenancies, with rents based on a third of local household incomes. It is a form of intermediate housing. The London Plan
ITZA	ITZA is surveyor-abbreviation meaning 'area in terms of Zone A'. Totalling the Zone A equivalent of each zone (i.e. Zone B/2, Zone C/4 etc) and expressing the total in terms of Zone A is a method of analysing rents. Code of Measuring Practice
Landowner Premium	The premium (or the 'plus' in EUV+) is a component of benchmark land value. It is the amount (if any) above existing use value (EUV) that goes to the landowner and reflects an incentive for the landowner to dispose of the land for development. NPPG
Market Value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The Red Book
National Planning Policy Framework (NPPF)	The revised National Planning Policy Framework sets out government's planning policies for England and how these are expected to be applied. National Planning Policy Framework
Net Internal Area (NIA)	Broadly speaking the usable area within a building measured to the face of the internal finish of perimeter or party walls, excluding corridors and WCs etc and taking each floor into account. Most similar to IPMS 3. Code of Measuring Practice IPMS
Net Sales Area (NSA)	Net Sales Area is the GIA of a new or existing residential dwelling, including basements, mezzanines, galleries and hallways, but excluding garages, conservatories, balconies, outbuildings, terraces and restricted height areas under 1.5m. Code of Measuring Practice
Net Lettable Area (NLA)	As above, expressing the area to be rentalised. Code of Measuring Practice
Planning Obligations	Planning obligations are legal obligations entered into to mitigate the impacts of a development proposal. This is usually via s106 agreement. Planning obligations run with the land, are legally binding and enforceable. They can include affordable housing, infrastructure contributions, CIL etc.
NPPG	The National Planning Practice Guidance adds further context to the National Planning Policy Framework (NPPF) and it is intended that the two documents should be read together. Plan makers must have regard to national policies and advice contained in the guidance when developing their plans. The guidance is also a 'material consideration' when taking decisions on planning applications. This means that if a local policy is deemed out of date, local authorities may be directed by the national guidance's requirements.
Open Market Sale (OMS)	Housing that is to be sold at Market Value.

Residual Value	The amount remaining once the gross development cost of a project is deducted from its gross development value (GDV) and an appropriate return has been deducted. RICS Development Valuation
Retirement Living	A retirement village or development built specifically for older adults - often those aged 55, 60 or 65 and over. They come with a range of superb facilities and can offer on-site care.
RICS	Royal Institution of Chartered Surveyors.
Target Developer Return (or profit)	The target profit required by the developer. NPPG
The Red Book	The Red Book is issued by RICS and details mandatory practices for RICS members undertaking valuation services. It also offers a useful reference resource for valuation users and other stakeholders. The Red Book
Zoning	In retail property valuation, Zoning is the area closest to the street and the most valuable area of retail, with the value decreasing with distance from the frontage: Zone B is the next 6 metres and then Zone C until the entire depth of the retail area is allocated into a zone. Anything after Zone C is usually delegated as the remainder (of space). Code of Measuring Practice

The above definitions are indicative only and are not to be relied upon. Professional advice should always be sought.

Appendix 3: BPS Appraisals

2-4 Ringers Road & 5 Ethelbert Road
11% Affordable - As Proposed

Development Appraisal
BPS Surveyors
19 April 2024

2-4 Ringers Road & 5 Ethelbert Road
11% Affordable - As Proposed

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**	
Open Market Sales	84	54,005	625.00	401,823	33,753,125	
Affordable	10	6,866	299.31	205,506	2,055,062	
Totals	**94**	**60,871**			**35,808,187**	
Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Cafe	1	1,679	30.00	50,370	50,370	50,370
Affordable Workspace	1	2,766	24.00	66,384	66,384	66,384
Totals	**2**	**4,445**			**116,754**	**116,754**
Investment Valuation						
Cafe						
Market Rent	50,370	YP @	7.0000%	14.2857		
(6mths Rent Free)		PV 6mths @	7.0000%	0.9667	695,636	
Affordable Workspace						
Current Rent	66,384	YP @	7.0000%	14.2857	948,343	
Total Investment Valuation					**1,643,979**	
GROSS DEVELOPMENT VALUE				**37,452,165**		
Purchaser's Costs			(111,791)			
Effective Purchaser's Costs Rate		6.80%				
				(111,791)		
NET DEVELOPMENT VALUE				**37,340,375**		
NET REALISATION				**37,340,375**		

OUTLAY

ACQUISITION COSTS

Fixed Price		2,734,000

2-4 Ringers Road & 5 Ethelbert Road
11% Affordable - As Proposed

Fixed Price			2,734,000	
				2,734,000
Stamp Duty			126,200	
Effective Stamp Duty Rate		4.62%		
Agent Fee		1.50%	41,010	
Legal Fee		0.30%	8,202	
				175,412
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Build Costs	96,864	217.62	21,079,544	
Contingency		5.00%	1,053,977	
				22,133,521
Other Construction				
Abnormals			969,559	
				969,559
Section 106 Costs				
Section 106 Costs			118,624	
CIL			1,309,478	
				1,428,102
PROFESSIONAL FEES				
Architect		10.00%	2,204,910	
				2,204,910
MARKETING & LETTING				
Disposal Fees		3.00%	1,061,913	
AH Legal fees		0.50%	10,275	
Letting Agent Fee		10.00%	11,675	
Letting Legal Fee		5.00%	5,838	
				1,089,702
MISCELLANEOUS FEES				
OMS Profit		17.50%	5,906,797	
AH Profit		6.00%	123,304	
Comm Profit		15.00%	246,597	
				6,276,697
FINANCE				
Debit Rate 6.500%, Credit Rate 0.000% (Effective)				
Land			373,334	
Construction			1,752,791	
Other			464,599	
Total Finance Cost				2,590,724

2-4 Ringers Road & 5 Ethelbert Road
11% Affordable - As Proposed

TOTAL COSTS		**39,602,627**
PROFIT		
		(2,262,253)
Performance Measures		
Profit on Cost%	-5.71%	
Profit on GDV%	-6.04%	
Profit on NDV%	-6.06%	
Development Yield% (on Rent)	0.29%	
Equivalent Yield% (Nominal)	7.00%	
Equivalent Yield% (True)	7.32%	
IRR% (without Interest)	0.80%	
Rent Cover	-19 yrs -5 mths	
Profit Erosion (finance rate 6.500)	N/A	

TIMESCALE AND PHASING CHART BPS SURVEYORS

2-4 Ringers Road & 5 Ethelbert Road
11% Affordable - As Proposed

Project Timescale	
Project Start Date	May 2024
Project End Date	Feb 2027
Project Duration (Inc Exit Period)	34 months

Phase 1

	Start Date	Duration	End Date	May 24	Aug 24	Nov 24	Feb 25	May 25	Aug 25	Nov 25	Feb 26	May 26	Aug 26	Nov 26	Feb 27
Project	May 2024	34	Feb 2027												
Purchase	May 2024	0 Month(s)													
Pre-Construction	May 2024	6 Month(s)	Oct 2024												
Construction	Nov 2024	18	Apr 2026												
Post Development	May 2026	0 Month(s)													
Letting	May 2026	0 Month(s)													
Income Flow	May 2026	0 Month(s)													
Sale	May 2026	10	Feb 2027												
Cash Activity	May 2024	34	Feb 2027												
				1	4	7	10	13	16	19	22	25	28	31	34

2-4 Ringers Road & 5 Ethelbert Road
11% Affordable - As Proposed

Table of Profit Amount and Gross Development Value

	Construction: Gross Cost				
Sales: Gross Sales	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
	18,971,589	20,025,566	21,079,544	22,133,521	23,187,498
-10.000%	-£2,313,922	-£3,639,817	-£4,965,711	-£6,291,606	-£7,617,500
30,377,812	£34,076,853	£34,076,853	£34,076,853	£34,076,853	£34,076,853
-5.000%	-£962,193	-£2,288,087	-£3,613,982	-£4,939,876	-£6,265,771
32,065,469	£35,764,509	£35,764,509	£35,764,509	£35,764,509	£35,764,509
0.000%	£389,537	-£936,358	-£2,262,253	-£3,588,147	-£4,914,042
33,753,125	£37,452,165	£37,452,165	£37,452,165	£37,452,165	£37,452,165
+5.000%	£1,738,804	£415,371	-£910,523	-£2,236,418	-£3,562,312
35,440,781	£39,139,822	£39,139,822	£39,139,822	£39,139,822	£39,139,822
+10.000%	£3,083,902	£1,764,911	£441,206	-£884,688	-£2,210,583
37,128,437	£40,827,478	£40,827,478	£40,827,478	£40,827,478	£40,827,478

Sensitivity Analysis : Assumptions for Calculation

Construction: Gross Cost
Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Build Costs	1	£21,079,544	2.00 Up & Down

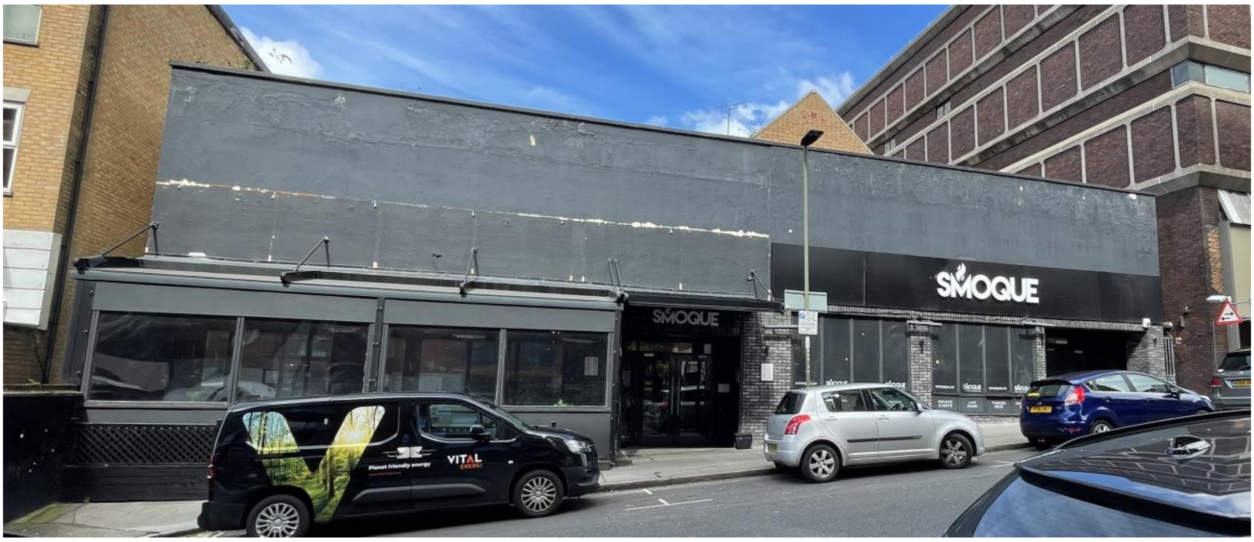
Sales: Gross Sales
Original Values are varied by Steps of 5.000%.

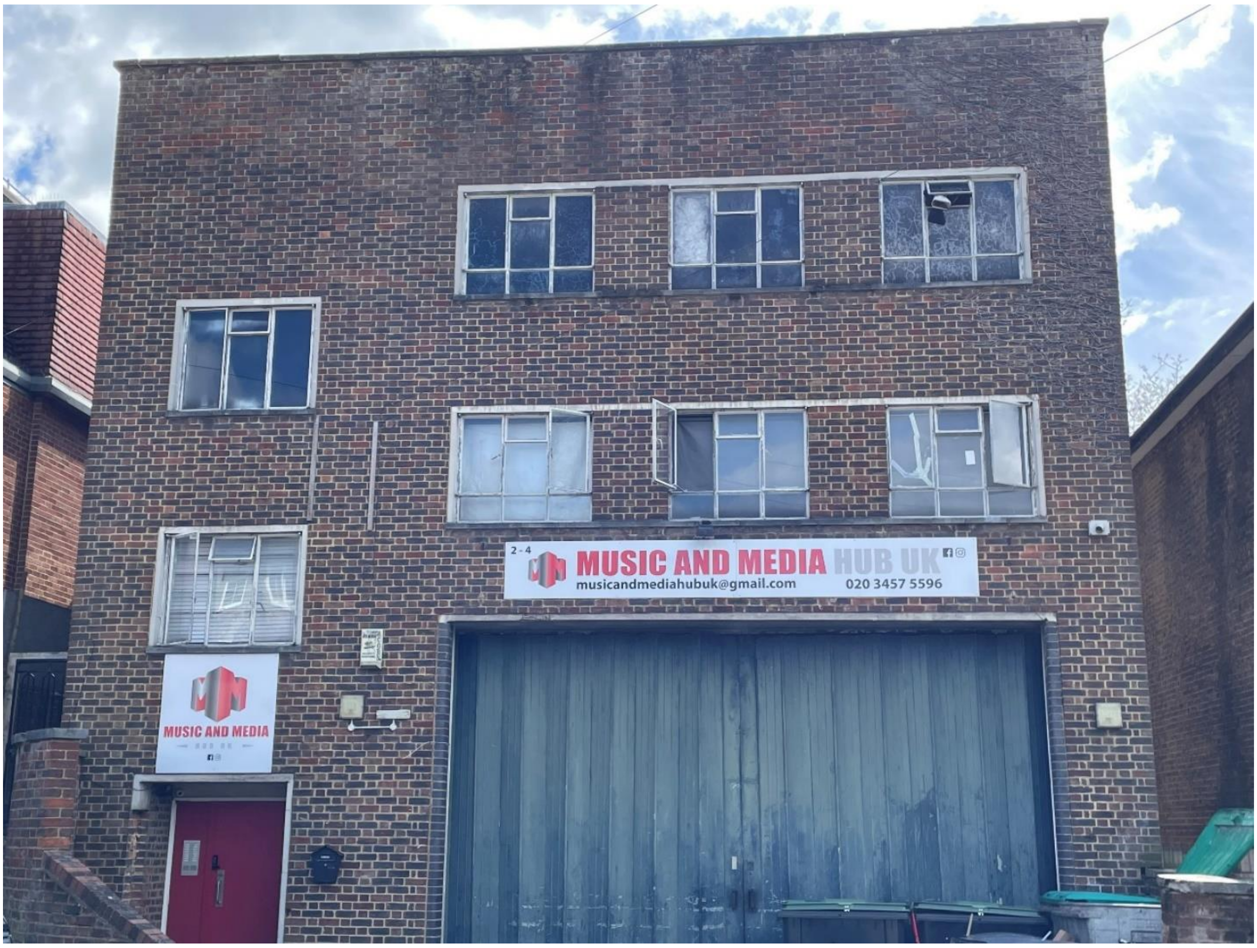
Heading	Phase	Amount	No. of Steps
Open Market Sales	1	£33,753,125	2.00 Up & Down

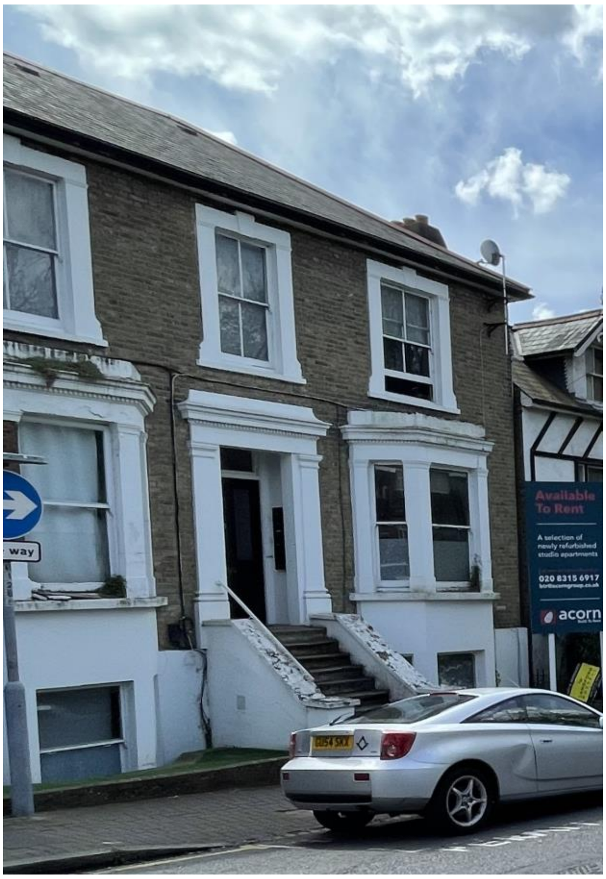
Appendix 4: Comparable Evidence

Bromley South Central / St Mark's Square BR2 0QW									
APARTMENT 85	BROUARD COURT, 13 ST MARK'S SQUARE	BR2 9YF	Flat	Leasehold	£699,950	30/06/2021	126	1,356	£516
APARTMENT 6	KEEPING COURT, 2 ST MARK'S SQUARE	BR2 9UY	Flat	Leasehold	£510,000	12/05/2021	83	893	£570
APARTMENT 54	VARNEY COURT, 10 ST MARK'S SQUARE	BR2 9YD	Flat	Leasehold	£91,250	07/05/2021	51	549	£166
APARTMENT 86	BROUARD COURT, 13 ST MARK'S SQUARE	BR2 9YF	Flat	Leasehold	£635,000	01/04/2021	124	1,335	£475
APARTMENT 29	BROUARD COURT, 13 ST MARK'S SQUARE	BR2 9YF	Flat	Leasehold	£440,000	26/03/2021	75	807	£545
APARTMENT 11	BROUARD COURT, 13 ST MARK'S SQUARE	BR2 9YF	Flat	Leasehold	£507,500	09/02/2021	85	915	£554
APARTMENT 5	BROUARD COURT, 13 ST MARK'S SQUARE	BR2 9YF	Flat	Leasehold	£500,000	14/01/2021	85	915	£546
					£483,386		90	967	£482
Land Adj. Bromley College BR1 1PE									
FLAT 3	COLUMBIUM COURT, 2 TWEEDY ROAD	BR1 3FA	Flat	Leasehold	£462,500	25/03/2022	73	786	£588
FLAT 4	COLUMBIUM COURT, 2 TWEEDY ROAD	BR1 3FA	Flat	Leasehold	£465,000	28/03/2022	73	786	£591
FLAT 5	COLUMBIUM COURT, 2 TWEEDY ROAD	BR1 3FA	Flat	Leasehold	£462,500	17/08/2022	73	786	£588
					£463,333		73	786	£589
Langley Court (GlaxoSmithKline) BR3 3BS									
	28 ROMAN WAY	BR3 3FH	Detached	Freehold	£950,000	22/12/2022	146	1,572	£604
	24 ROMAN WAY	BR3 3FH	Detached	Freehold	£850,000	21/12/2022	121	1,302	£652
	34 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£750,000	21/12/2022	107	1,152	£651
	36 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£750,000	21/12/2022	107	1,152	£651
	30 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£760,000	20/12/2022	107	1,152	£659
	32 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£750,000	14/12/2022	107	1,152	£651
	37 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£915,000	29/11/2022	147	1,582	£578
	33 ROMAN WAY	BR3 3FH	Terraced	Freehold	£965,000	31/10/2022	147	1,582	£609
	13 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£890,000	14/10/2022	147	1,582	£562
	8 SEVERUS PLACE	BR3 3FU	Detached	Freehold	£1,250,000	30/09/2022	167	1,798	£695
	3 SEVERUS PLACE	BR3 3FU	Semi-Detac	Freehold	£735,000	20/07/2022	108	1,163	£632
	22 ROMAN WAY	BR3 3FH	Terraced	Freehold	£725,000	30/06/2022	108	1,163	£623
	1 SEVERUS PLACE	BR3 3FU	Semi-Detac	Freehold	£599,950	30/06/2022	80	861	£696
	7 SEVERUS PLACE	BR3 3FU	Detached	Freehold	£1,250,000	30/06/2022	167	1,798	£695
	9 SEVERUS PLACE	BR3 3FU	Detached	Freehold	£945,000	30/06/2022	146	1,572	£601
	16 ROMAN WAY	BR3 3FH	Terraced	Freehold	£616,000	29/06/2022	80	861	£715
	18 ROMAN WAY	BR3 3FH	Terraced	Freehold	£620,000	29/06/2022	80	861	£719
	20 ROMAN WAY	BR3 3FH	Terraced	Freehold	£600,000	29/06/2022	80	861	£696
	14 ROMAN WAY	BR3 3FH	Detached	Freehold	£940,000	10/06/2022	146	1,572	£598
	7 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£895,000	27/05/2022	133	1,432	£625
	6 SEVERUS PLACE	BR3 3FU	Detached	Freehold	£1,205,000	10/05/2022	167	1,798	£670
	2 SEVERUS PLACE	BR3 3FU	Detached	Freehold	£1,180,000	31/03/2022	167	1,798	£656
	4 SEVERUS PLACE	BR3 3FU	Detached	Freehold	£1,200,000	31/03/2022	167	1,798	£667
	8 ROMAN WAY	BR3 3FH	Detached	Freehold	£900,000	25/02/2022	146	1,572	£572
	12 ROMAN WAY	BR3 3FH	Detached	Freehold	£900,000	31/01/2022	146	1,572	£572
	10 ROMAN WAY	BR3 3FH	Detached	Freehold	£910,000	22/12/2021	146	1,572	£579
	15 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£670,000	21/12/2021	107	1,152	£581
	25 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£715,000	20/12/2021	107	1,152	£620
	17 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£675,000	17/12/2021	107	1,152	£586
	23 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£690,000	17/12/2021	107	1,152	£599
	29 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£715,000	17/12/2021	107	1,152	£620
	27 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£695,000	01/12/2021	107	1,152	£603
	31 ROMAN WAY	BR3 3FH	Detached	Freehold	£780,000	30/11/2021	121	1,302	£598
	1 AURELIUS DRIVE	BR3 3FJ	Detached	Freehold	£705,000	29/11/2021	108	1,163	£606
	21 ROMAN WAY	BR3 3FH	Detached	Freehold	£743,000	11/11/2021	109	1,173	£633
	19 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£875,000	29/10/2021	142	1,528	£572
	9 ROMAN WAY	BR3 3FH	Semi-Detac	Freehold	£945,000	15/10/2021	156	1,679	£562
					£844,836		126	1,352	£627

Appendix 5: Site Photographs



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