Viability Assessment

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

Ref: 21/05585/FULL1

7th March 2024

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Contents

Appendices

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1. INTRODUCTION

1.1. Instructions

1.1.1. The Applicant Ringers Road Properties Limited has instructed Turner Morum LLP ('TM') to undertake a viability assessment for their proposed scheme at 2-4 Ringers Road and 5 Ethelbert Road, Bromley.

1.2. Turner Morum

1.2.1. TM is a London-based firm of Chartered Surveyors established in 1991 which provides specialist advice to a variety of clients covering a range of key areas.

1.2.2. The Development Consultancy team has built up an extensive portfolio of clients including Local Authorities, Landowners, Housing Associations and Developers across the whole of the UK.

1.2.3. The primary services which the department specialise in include advising on the viability of development projects, planning and Section 106 (s106) obligations, option agreements and valuations, land assembly and access issues.

1.2.4. The Partners within the department all regularly provide expert witness evidence within litigation and dispute resolution, which includes:

1. Planning Appeals – including public inquiries, and Local Plan / CIL Examinations.
2. Arbitrations and Independent Expert Determinations relating to disputes regarding S106 Agreements and Obligations, and
3. Arbitrations and Independent Expert Determinations regarding the Market Value and Price payable under Option Agreements,

1.3. About the Author

1.3.1. This report has been prepared by Ramsay Evans MRICS, Partner within the Development Consultancy department at TM.

1.3.2. Ramsay graduated from the University of the West of England (UWE) in 2012 with an RICS accredited Honours Degree in Property Development and Planning and joined TM in 2014, following two years at another property consultancy.

1.3.3. In 2017 Ramsay qualified as a Member of the Royal Institution of Chartered Surveyors (RICS) following completion of the Assessment of Professional Competence (APC).

1.3.4. Ramsay went on to complete the RICS Expert Witness Certificate in 2019 and is an RICS Registered Expert Witness, specialising in planning and development matters.

1.3.5. He was promoted to Partner in 2023 and is currently enrolled on the 18-month RICS Diploma in Arbitration.

1.3.6. Ramsay specialises in providing valuation and viability advice relating to sites across the country. He regularly gives evidence within arbitrations, independent expert determinations and planning appeals – including public inquiries.

1.4. Compliance

1.4.1. In undertaking this viability, the author confirms that they are aware of and have followed the RICS Professional Standard '*Financial Viability in Planning; Conduct & Reporting*' (2019).

1.4.2. They have also followed relevant viability guidance documents such the RICS Professional Standard '*Assessing viability in planning under the National Planning Policy Framework 2019 for England*' (2021), the Planning Practice Guidance (PPG) on Viability published following updates to the National Planning Policy Framework (NPPF) and the 2017 '*Affordable Housing and Viability Supplementary Planning Guidance*' (SPG) published by the Mayor of London.

1.4.3. In carrying out this assessment, the author can also confirm they have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information. They are not aware of any conflicts of interest in relation to this assessment.

1.4.4. The author also confirms that in preparing this report, they have not agreed any 'performance-related' or 'contingent' fees.

1.4.5. This report is addressed to the applicant only and it should not be reproduced without prior consent. This report has been provided for its stated purposes and singular use of the named clients and may not be relied upon by any third party.

1.5. The Site & Context

1.5.1. The subject site comprises the properties at 2-4 Ringers Road and 5 Ethelbert Road. The site is located in Bromley town centre, to the west of the High Street. It comprises a plot of land which is bound by Ringers Road to the south, Ethelbert Road to the north. A Salvation Army Church lies immediately to the east and residential development extends to the west.

1.5.2. The site forms part of Opportunity Site G 'West of the High Street' in the Bromley Town Centre Area Action Plan (TCAAP) which is anticipated to provide 1,180 residential units, 20,000 square metres (sqm) of additional retail floorspace, 5,000 sqm of catering services floorspace and 2,000 sqm community floorspace.

1.5.3. The application site also forms part of Site 10 'West of Bromley High Street and land at Bromley South' in Bromley's adopted Local Plan (2019). Allocation Site 10 is 4.54 hectares in size and extends from Churchill Gardens to the north west of the application site, covers the application site and the residential areas to the west and extends south to Bromley South Station. The allocation is for:

> ***"Redevelopment for mixed use including 1,230 residential units, offices, retail and transport interchange."***

1.5.4. The site also forms part of the London Plan designated Bromley Town Centre Opportunity Area (BTCOA), which is defined as having capacity to accommodate 2,500 new homes.

1.5.5. The site currently accommodates two buildings. The largest of these runs along the east of the site and fronts both Ethelbert Road and Ringers Road. The element to the south fronting Ringers Road is a single storey restaurant (Class E) occupied by 'Smoque' (2-4 Ringers Road). This building steps up to the north and the Ethelbert Road façade is three storeys in height. This part of the building provides 185 sqm of floorspace which has most recently been in use as a photography studio.

1.5.6. The second building on the site is a brick property (5 Ethelbert Road) which is three storeys in height. This building is in residential use and accommodates six flats. To the rear of this building is a grassed area which is used as communal amenity space for the property.

1.5.7. The surrounding area is characterised by a mix of uses, which is reflective of the site's location within Bromley town centre. To the immediate east of the site is the Salvation Army Church fronting Ethelbert Road and the substantial TK Maxx building which fronts the High Street. To the west of the site, the area is predominantly residential in character which includes a mix of houses and blocks of flats and to the south of the site is a more recent flatted development built by Crest Nicholson – which I refer to later.

1.5.8. The former Crest Nicholson development extends to 10 storeys. Other recent proposals and applications have included increased building heights. Prior to the application being withdrawn by Countryside, the latest plans for the Churchill Quarter scheme (to the immediate north of the site) involved buildings rising to 14 storeys. Additionally, at 66-70 High Street (at the corner of Ethelbert Road and the High Street), planning permission has now been granted for the construction of a 12-storey building – which I refer to later.

1.6. Proposed Scheme

1.6.1. The application description is:

> ***"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)."***

1.6.2. The development comprises the construction of 2 buildings. Building A fronts onto Ringers Road (to the south) and will stand to a maximum height of 14 storeys; Building B fronts onto Ethelbert Road and will stand to a maximum height of 12 storeys.

1.6.3. In total, the development will deliver 413 sqm of commercial space within Block B, comprising 257 sqm of affordable workspace and 156 sqm of Class E floorspace split across ground and first floor levels. The latter has indicatively been shown as a cycle café.

1.6.4. The development comprises a total of 94 flats across both blocks, comprising 53 no. one-bedroom and 41 no. two-bedroom flats.

1.6.5. The application included **35%** affordable housing, comprising 13 shared ownership flats and 20 social rent flats.

1.6.6. The application was reported to the Council's Development Control Committee on 30th November 2023, with a recommendation for refusal. Initially 7 grounds for refusal were suggested by officers, reduced to 6 following further work successfully carried out to resolve a late drainage comment. Planning permission was refused at that meeting.

1.6.7. One of the reasons for refusal is [my underlining]:-

> ***"The application does not comply with all the criteria listed in London Plan Policy H5C. The application therefore fails to meet the criteria necessary to qualify for the Fast Track Route and <u>in the absence of a Financial Viability Assessment the application fails to demonstrate that the proposal would maximise the delivery of affordable housing</u>, thereby contrary to Policy H4 and H5 of the London Plan and Local Policy 2."***

1.6.8. The Applicant intends to appeal the refusal and I have been instructed to produce a viability assessment, in response to the above reason for refusal, in preparation for the appeal. I understand the Applicant/Appellant wishes to seek to agree the viability ahead of the appeal, in order to minimise the amount of time required to be spent on viability during the appeal.

1.7. "Benchmarks"

1.7.1. It is, for context, I think relevant and helpful to note that several nearby schemes have not been able to viably meet the required affordable housing policy and have been subject to viability testing resulting in a reduced level of affordable housing being provided. Three of these schemes are stated below alongside the agreed level of affordable housing:-

1. 30-31 Masons Hill: **10%** (all provided as Discount Market Rent 'DMR')
2. 66-70 High Street: **11%** (all provided as Shared Ownership), and
3. 62 High Street: **0%**

1.7.2. To provide a "benchmark" to the inputs and assumptions which I have adopted within this assessment, I have summarised below the inputs/assumptions adopted by the Council's viability consultants [rather than the Applicant's viability consultant] on the above schemes (where the information was publicly available):

Scheme **Review date** **Assessor** **No. Resi Units** **% Affordable**	**30-31 Masons Hill** **Mar-22** **Gerald Eve** **50** **10% (Discount Market Rent)**	**66-70 High Street** **Nov-20** **BNP PRE** **47** **11% (Shared Ownership)**	**62 High Street** **Feb-22** **BPS** **30** **0%**
Private £/ft2	£592.00	£588.00	£585.57
Affordable £/ft2	£364.00	£358.00	[no affordable tested]
Commercial Rent	£27.50	£30.00	£37.50
Commercial Yield	7.0%	5.5%	7.0%
Incentives/void	24 month void/rent free	12 months rent free	6 months rent free
Purchaser's Costs	6.8%	6.8%	4.8%
Construction Costs	£266.00	£230.00	£282.23
Professional Fees	10.0%	10.0%	10.0%
Contingency	5.0%	5.0%	5.0%
Commercial - Letting Agent	10.0%	15.0%	10.0%
Commercial - Letting Legal	5.0%		5.0%
Sales Agent	1.0%	1.5%	1.0%
Sales Legal	0.5%		0.5%
Marketing	1.0%	2.0%	1.5%
Affordable - agent fees	1.0%	-	-
Affordable - legal fees	0.8%	-	-
Profit on market GDV	17.5%	20.0%	17.5%
Profit on affordable GDV	6.0%	6.0%	n/a
Profit on commercial GDV	15.0%	15.0%	15.0%
Finance Rate	6.75%	7.0%	6.5%
Land acquisition costs	-	6.8%	6.3%
EUV yield	7.50%		8.0%
EUV Rent	£13 psf retail. [G & LG] £259 psf resi		£27.50 GF, £3 FF, £1.50 SF
EUV Void/Rent Free	24 months		24 months (no tenant)
Land Owner Premium	11.80%		10.0%
Pre-construction months	6		6
Construction months	18		15
Letting months	6		-
Sales months	10		6
AH payment profile	30% golden brick		n/a
% private units sold off-plan	30%		50%
Sales rate	3 pcm from PC		3 pcm

1.7.3. It can be noted that the above reviews date from 2020-2022 and I have therefore sought to deduce the current day private market revenues and construction costs by indexing the:

1. Market Revenues – using the Land Registry House Price Index (HPI) for Flats/Maisonettes in Bromley, and

2. Construction costs – using the national Build Cost Information Service (BCIS) All-In Tender Price Index (TPI)

Scheme Review date Assessor No. Resi Units % Affordable	30-31 Masons Hill Mar-22 Gerald Eve 50 10% (Discount Market Rent)	66-70 High Street Nov-20 BNP PRE 47 11% (Shared Ownership)	62 High Street Feb-22 BPS 30 0%
Current Day Private £/ft2	£607.73	£625.39	£602.70
Current Day Construction Cost £/ft2	£296.49	£272.77	£314.58

1.8. I comment further on the above indexed revenues and costs in later sections of the report.

2. METHODOLOGY

2.1. I have carried out a development appraisal adopting a bespoke valuation model structure to analyse the viability of the proposed scheme. The residual appraisal and supporting information can be seen as **Appendix 2**.

2.2. I have been asked to test 4 percentages of affordable housing, ranging from 50% to 0% affordable housing. My residual appraisal analysis can be summarised as follows: -

1. **Appendix 2 Tab 1A –** Appraisal showing the viability of the proposed scheme including **50%** affordable housing.
2. **Appendix 2 Tab 1B –** Appraisal showing the viability of the proposed scheme including **35%** affordable housing.
3. **Appendix 2 Tab 1C –** Appraisal showing the viability of the proposed scheme including **10%** affordable housing.
4. **Appendix 2 Tab 1D –** Appraisal showing the viability of the proposed scheme including **0%** affordable housing.

3. APPRAISAL INPUTS

I will now summarise the various appraisal inputs in sequential order as they appear in my residual appraisal analysis:

3.1. Accommodation Schedule

3.1.1. The residential element of the scheme comprises **94** residential dwellings totalling **60,871** square feet (ft2).

3.1.2. The commercial elements of the scheme comprise:-

1. **2,766** ft2 of Affordable Workspace (Class E) in Block B
2. **1,679** ft2 of Café space (Class E) in Block B, and
3. **1,044** ft2 of Co-Working space (for residents) in Block A

3.1.3. The total area of the above demised uses is **66,361** ft2; **69%** of the total **96,864** ft2 whole scheme GIA.

3.2. Gross Development Value (GDV)

Residential

3.2.1. Private unit values are included at **£625** per square foot. This is at the upper end of the £603-£625 psf range derived from indexing the values adopted by the Council's consultant on the 3 no. reviews referred to above (see table at paragraph 1.7.3(2) above). It also aligns with the £625 psf indexed value arising from indexing the £592 psf average revenue agreed between TM and BNPPRE within the planning appeal [ref: APP/G5180/W/20/3257010] relating to the scheme proposed on land rear of the former Dylon International Premises in Bromley ('the Dylon scheme').

3.2.2. The research and analysis which I have undertaken [which is included at Tab 3 of **Appendix 2**] suggests average market revenues under £600 psf. The high average market revenue I have adopted reflects the high-quality nature and design of the scheme and attributes of the scheme, including co-working space for use by the residents (see later comments).

3.2.3. Within the scenarios where affordable housing has been included, the value of the affordable housing units has been included as follows:-

1. Social Rent: **£185** psf, based on **30%** of Open Market Value (OMV).

2. Shared Ownership: **£469** psf, based on **75%** of Open Market Value. It can be noted that:-
    - The shared ownership value adopted by the Council's viability consultant within the viability review for 66-70 High Street was £358psf equating to 61% of OMV.
    - The shared ownership value agreed between TM and the Council's viability consultant within the Statement of Agreed Inputs (SoAI) relating to the Dylon scheme was £447 psf, equating to 71% of OMV.

Commercial

3.2.4. The calculations which derive the capital value of the commercial scheme elements are included at Tab 4 of **Appendix 2**. By way of executive summary, I have adopted the following for the Class E café space in Block B:

1. Applied a **£30** psf rent to the ground floor space, based on my research and analysis. It can be noted that:
    - The Retail Submarket Report for Bromley produced by CoStar [at **Appendix 3**] shows a current asking rent of £30.53 psf for general retail.

- As shown in the table at paragraph 1.7.2 above, other viability reviews by the Council's consultant have adopted a retail rent of:
  - £27.50 psf on 30-31 Masons Hill [in conjunction with 24-month void/rent free]
  - £30 psf on 66-70 High Street [in conjunction with 12-month rent free], and
  - £37.50 psf on 62 High Street [in conjunction with 6-month rent free].

2. Applied a **25%** reduction to the above [ground floor] rents for the lower ground and first floor areas.

3. Assumed a **6-month** rent free period – being the "best-case" position adopted within the aforementioned viability reviews.

4. Adopted a **7.0%** yield, based on:
   - The CoStar Retail Submarket Report which shows an average yield of 7.0%.
   - The yield adopted on two of the previously mentioned viability reviews undertaken by the Council's consultant, which were:
     - 7.0% on 30-31 Masons Hill
     - 5.5% on 66-70 High Street, and
     - 7.0% on 62 High Street.

5. Allowed for purchaser's costs at **6.8%**.

3.2.5. The Affordable Workspace in Block B has been valued on the same basis but including a **20%** discount/reduction to market rent, resulting in a rental value of £24 psf.

3.2.6. I understand the Co-Working space in Block A is for the use of residents and I have therefore not reflected/included a value for the space. I would however reiterate that I have adopted an optimistic position in relation to private unit values, reflecting the benefit arising from the residents being able to use the co-working space.

3.3. Development Costs & Profit

3.3.1. Fees and marketing costs in respect of the market housing are included at **3.0%** of Market Housing GDV, which aligns with the allowance applied by the Council's consultant within the viability reviews referred to previously.

3.3.2. The legal costs associated with transferring the affordable units to an RP are included at **0.5%** of affordable GDV, equating to circa £1,000 per unit.

3.3.3. Marketing and sales agent/legal costs associated with the commercial is applied at **3.0%** of commercial GDV with letting agent/legal fees included at **15%** of annual rent. By way of comparison:-

1. Marketing and sales agent/legal costs range from 2.5-3.0% on the 3 no. viability reviews referred to earlier, and
2. Letting agent/legal fees are 15% in the case of all 3 of the viability reviews.

3.3.4. The standard construction costs have been included based on the latest available Q1'24 **Median** average BCIS rates [see Tab 5 of **Appendix 2**], assuming a the default age of results and including a location weighting for Bromley (20% above the national average) as follows:-

1. Flats (apartments) – 6 storey or above: £2,369/m2
2. Shops – Generally: £1,791/m2

3.3.5. When applied to the GIA of the relevant elements this results in a standard construction cost of £20.34m for the residential scheme element equating to **£220** psf and £0.74m for the commercial scheme element equating to **£166 psf**. These build costs 'blend' to an average standard construction cost of **£217.62** psf.

3.3.6. As summarised at Tab 6 of **Appendix 2**, an additional £0.969m of abnormal costs have been included which relate to the costs of site clearance and demolition (based on the Budget Estimate at **Appendix 4**), changes to parking bays & cycle spaces and landscaping, plus associated preliminaries, contingency (5%) and fees (10%). When these site-specific abnormal costs are added to the standard construction cost, the "all-in" build cost equates to **£227.63** psf.

3.3.7. By way of comparison, as set out in the "benchmarking" section of this report, the equivalent all-in build cost adopted by the Council's consultant on the 3 no. viability reviews referred to above were:

1. £230-£282 psf at the date of the respective assessments (in 2020-22), and
2. £272-£315 psf when indexed to today, using the BCIS All-Iin TPI.

It is also relevant to note that the Council's consultant on the Dylon scheme adopted build costs of £202 psf which, when indexed in the same way, results in an equivalent current day build cost of £240 psf.

3.3.8. It will be noted that my adopted construction costs are lower than the ranges/benchmarks referred to above. I believe this is due to me having adopted **Median** BCIS build costs. I would typically look to adopt Upper Quartile BCIS figures for developments such as this, particularly given the high average market revenue in excess of £600 psf. It can be noted the Council's assessor on 62 High Street is of the same view, stating *"We generally use mean or occasionally upper quartile for benchmarking."*

3.3.9. If I had adopted Upper Quartile BCIS build costs the "all-in" build cost would increase to circa £265 psf – which is still below the range of costs derived from indexing the costs adopted by the Council's consultant on the 3 no. schemes referred to earlier. I believe this serves to illustrate the reasonableness of my adopted construction costs.

3.3.10. A contingency allowance of **5%** has been included, which aligns with that adopted by the Council's consultant on the 3 viability reviews previously referred to and also in line with the allowance agreed within the appeal relating to the Dylon scheme.

3.3.11. An allowance for Technical/Professional Fees is included at **10%** of construction costs which reflects the costs associated with Architects, Quantity Surveyors, Engineers, Project Management and other technical / professional consultancy fees. This allowance aligns with that adopted by the Council's consultant on the 3 no. viability reviews referred to previously, and the allowance agreed within the appeal relating to the Dylon scheme.

3.3.12. The profit allowance applied to market housing GDV by the Council's consultant within the viability reviews referred to earlier ranged from 17.5% to 20.0% of GDV. Although I believe a 20% allowance is entirely appropriate for the proposed scheme in the current economy/market, I have – for the purposes of this assessment – adopted a profit rate at the lower end, of **17.5%**.

3.3.13. A **6.0%** developer profit margin has been applied to the affordable GDV, which aligns with the margin agreed on the Dylon scheme and also with the 2 no. reviews undertaken by the Council's consultant where affordable housing was included (BPS did not include/test the inclusion of affordable housing within their review of 62 High Street).

3.3.14. I have applied a **15%** profit margin to the commercial GDV, which aligns with the same margin adopted by the Council's consultant in all 3 of the reviews referred to earlier.

3.3.15. The adopted profit margins result in a blended target margin ranging from **13.7%** of GDV at 50% affordable housing to **17.4%** of GDV at 0% affordable housing.

3.3.16. S106 contributions are included at **£118,624**, comprising the following contributions:

- £77,493 Carbon Offset Payment
- £19,131 Children's Playspace, and
- £22,000 Legible London

It would be necessary for me to update my assessment should the s106 contributions change.

3.3.17. Community Infrastructure Levy (CIL) has been estimated for each scenario on the basis of the below 2024 indexed CIL rates:-

- Bromley CIL: **£114.41** psm
- Mayoral CIL: **£69.27** psm.

Within each scenario the CIL has been applied to the total GIA less the existing GIA and the GIA of the affordable dwellings (where applicable). This gives rise to a CIL total ranging from **£0.897m** to **£1.426m**. The full calculations are set out at Tab 8 of **Appendix 2**.

3.3.18. I have estimated scheme finance costs using a quarterly cashflow for each scenario, which can be seen at Tabs 9A-D of **Appendix 2**. The cashflows are intended to reflect the details of the scheme and scenario including the anticipated build and sale periods. There are a number of assumptions embedded within the finance cashflows but I would summarise the key inputs and assumptions as follows:-

1. I have applied an "all-in" finance rate of **7.5%**. By way of comparison, the interest rates adopted by the Council's consultant within the 3 no. reviews referred to earlier ranged from 6.5% to 7.0% although it should be noted that this was at a time when the Bank of England (BoE) base rate was 0.1%-0.5%, which is 4.75%-5.15% lower than the current BoE base rate of 5.25%. I have recently agreed finance rates of 9.0% on other brownfield sites within the London Boroughs so for these reasons I regard my adopted 7.5% finance rate as entirely conservative/optimistic.

2. I have included a **6-month** pre-construction period for site clearance and demolition. This aligns with the Budget Estimate at **Appendix 4** and also with the 6-month pre-construction period adopted by the Council's consultant within 2 of the viability reviews referred to earlier.

3. I have made the assumption that construction will commence on site in Q3 Year 1, following the 6-month pre-construction period, with construction lasting **18 months**. I would regard this construction period assumption for the (94-unit) subject scheme to be optimistic, given the Council's consultant adopted:
   - An 18-month construction period on the 50-unit scheme at 30-31 Masons Hill, and
   - A 15-month construction period on the 30-unit scheme at 62 High Street.

4. I have assumed **50%** off-plan sales for the market units, with income from those sales shown in the final quarter of standard construction (Q4, Y2) with **4** market sales per month thereafter leading to a **9-15**-month sale period, depending on the scenario. I would regard these assumptions as optimistic. By way of comparison to these assumptions, the Council's consultant adopted:
   - 30-50% off-plan sales on 2 of the 3 viability reviews referred to above, and
   - 3 sales per month on the same 2 viability reviews.

5. I have also assumed a **30%** Golden Brick payment from the affordable units, where included.

6. The above timing assumptions lead to a total development period (from site acquisition to last sale) of **2.5-3.0** years, which I would regard as optimistic for a complex brownfield scheme of this scale.

3.3.19. The above summarised assumptions lead to finance costs totalling circa **£2.3m-£2.6m** which equates to **6.4-7.8%** of GDV or **6.5-6.7%** of development costs. I would typically expect finance costs for a scheme of this nature to equate to up to 10% of costs so I believe the finance costs within my assessment are entirely reasonable for a cash-intensive, single-phase scheme on a brownfield development site.

4. RESIDUAL LAND VALUE (RLV)

4.1. My analysis generates an RLV of:-

1. **-£4.051m** at **50%** affordable housing,
2. **-£2.330m** at **35%** affordable housing,
3. **£0.634m** at **10%** affordable housing, and
4. **£1.927m** at **0%** affordable housing.

5. BENCHMARK LAND VALUE (BLV)

5.1. The aforementioned RLV is then required to be compared to an appropriate Benchmark Land Value (BLV). If the RLV exceeds the adopted BLV, a surplus is generated and the scheme can be deemed "Viable". However, if the RLV is less than the adopted BLV, a deficit is produced and the scheme should be considered "Non-Viable".

5.2. National planning guidance and RICS viability professional statements require the BLV to be based on the Existing Use Value (EUV) Plus Premium approach, or the Alternative Use Value (AUV) approach.

Existing Use Value

5.3. I have adopted an EUV of **£2.485m** which is based on the calculations at Tab 10 of **Appendix 2**, which I would summarise as follows:

1. Residential – 5 Ethelbert Road:
   I have taken the annual rent receivable from the existing 6 no. flats of **£68,724** and have deducted **20%** for management/ maintenance/ voids, and then capitalised the net rent at a **4.0%** yield to derive a capital value of **£1.374m**.
2. Commercial – 2-4 Ringers Road:
   I have taken the annual rent receivable from the existing ground, first and second floors of **£100,000** per annum and have capitalised the rent at a **9.0%** yield to derive a capital value of **£1.111m**. It can be noted that the [EUV] yield adopted by the Council's consultant was 7.5% within the 30-31 Masons Hill development and 8.0% within the 62 High Street development. I would therefore regard my adopted 9.0% as conservative.

Premium

5.4. Having established the EUV, it is then necessary to apply the Premium. I have adopted a **10%** premium which:

1. Aligns with the 10% adopted by the Council's consultant within their review of the scheme at 62 High Street, and

2. Is below the:
    - 11.8% premium which the Council's consultant adopted within the review of the scheme at 30-31 Masons Hill, and the
    - 20% premium which they agreed within the appeal relating to the Dylon scheme.

5.5. Once the **10%** premium is added to the **£2.485m** EUV the BLV totals **£2.734m**.

5.6. Site acquisition costs are then calculated on the BLV, with Stamp Duty Land Tax (SDLT) at the prevailing rates (equating to **4.6%**) and agent/legal costs at **1.5%**.

6. CONCLUSIONS

6.1. Summary Conclusions

6.1.1. The outturn of my analysis can be summarised as follows:

Tab	Affordable % (Hab Rms)	Affordable % (Units)	Residual Land Value (RLV)	BLV inc. Site Acquisition Costs	Surplus / Deficit	Viable/ Non-Viable?
1A	**50.7%**	**50.0%**	-£4.051m	£2.901m	**-£6.952m**	**NON-VIABLE**
1B	**35.4%**	**35.1%**	-£2.330m	£2.901m	**-£5.231m**	**NON-VIABLE**
1C	**11.4%**	**10.6%**	£0.634m	£2.901m	**-£2.267m**	**NON-VIABLE**
1D	**0.0%**	**0.0%**	£1.927m	£2.901m	**-£0.974m**	**NON-VIABLE**

6.1.2. It can be noted from the above summary table that the scheme is shown to incur a deficit in all tested scenarios (including 0% affordable housing) and can therefore be considered to be **NON-VIABLE** and unable to provide any affordable housing.

6.2. Sensitivity Analysis

6.2.1. In order to test the viability of the proposed scheme, I have undertaken sensitivity analysis which tests the impact of revenue & cost variations on the viability of the scheme when providing **35%** affordable housing, by up to a 10% variation:-

Surplus/ Deficit		GDV				
		-10%	***-5%***	***0%***	***+5%***	***+10%***
COSTS	***+10%***	-£10,413,446	-£9,293,040	-£8,172,633	-£7,052,227	-£5,931,821
	+5%	-£8,943,024	-£7,822,618	-£6,702,211	-£5,581,805	-£4,491,699
	0%	-£7,472,602	-£6,352,195	-£5,231,789	-£4,146,316	-£3,074,905
	-5%	-£6,002,179	-£4,881,773	-£3,800,932	-£2,729,521	-£1,677,979
	-10%	-£4,531,757	-£3,455,549	-£2,386,710	-£1,336,985	-£287,261

6.3. Conclusions

6.3.1. The scheme is in deficit and therefore **non-viable**, even when the affordable housing is removed altogether. The below table summarises the actual developer return (expressed as a % of total scheme GDV) resulting from the deficit in each scenario:-

Tab	Affordable % (Hab Rms)	Affordable % (Units)	Surplus / Deficit	Actual Developer Return as % GDV
1A	**50.7%**	**50.0%**	**-£6.952m**	**-10.0%**
1B	**35.4%**	**35.1%**	**-£5.231m**	**-1.2%**
1C	**11.4%**	**10.6%**	**-£2.267m**	**10.7%**
1D	**0.0%**	**0.0%**	**-£0.974m**	**14.9%**

6.3.2. I would reiterate that in reaching these conclusions I have:-

1. Adopted an "upper end" average market revenue and "best case" position on off-plan sales and sales rate
2. Alongside adopting "lower end" assumptions in relation to – for example:
   - Build costs – having adopted **Median** BCIS rates (not Upper Quartile)
   - Profit – having adopted **17.5%** on market housing GDV (not 20%), and
   - Finance – having adopted a **7.5%** finance rate (rather than say 9.0%)
3. And whilst also aligning numerous inputs and assumptions with those adopted by the Council's consultant within viability reviews undertaken in relation to nearby schemes (see table in next section). This is primarily in an attempt to facilitate agreement on the viability ahead of the appeal, thus minimising the appeal time which is required to spent discussing viability.

7. NON-TECHNICAL / EXECUTIVE SUMMARY

7.1. The Structure of my Residual Appraisals produces a Residual Land Value (RLV) which is then compared with an appropriate Benchmark Land Value (BLV). If the RLV exceeds the BLV, a surplus is generated and the scheme can be deemed "Viable". However, if the RLV is less than the BLV, a deficit is produced and the scheme should be considered "Non-Viable".

7.2. The inputs I have adopted within my analysis can be seen within the summary table below compared with those adopted by the Council's consultant within viability reviews on nearby schemes:

[see next page]

Scheme Review date Assessor No. Resi Units % Affordable	30-31 Masons Hill Mar-22 Gerald Eve 50 10% (Discount Market Rent)	66-70 High Street Nov-20 BNP PRE 47 11% (Shared Ownership)	62 High Street Feb-22 BPS 30 0%	Subject Site Feb-24 Turner Morum 94 10%
Private £/ft2	£592.00	£588.00	£585.57	£625.00
Affordable £/ft2	£364.00	£358.00	[no affordable tested]	£290.33
Commercial Rent	£27.50	£30.00	£37.50	£30.00
Commercial Yield	7.0%	5.5%	7.0%	7.0%
Incentives/void	24 month void/rent free	12 months rent free	6 months rent free	6 months rent free
Purchaser's Costs	6.8%	6.8%	4.8%	6.8%
Construction Costs	£266.00	£230.00	£282.23	£228.11
Professional Fees	10.0%	10.0%	10.0%	10.0%
Contingency	5.0%	5.0%	5.0%	5.0%
Commercial - Letting Agent	10.0%	15.0%	10.0%	15.0%
Commercial - Letting Legal	5.0%		5.0%	
Sales Agent	1.0%	1.5%	1.0%	3.0%
Sales Legal	0.5%		0.5%	
Marketing	1.0%	2.0%	1.5%	
Affordable - agent fees	1.0%	-	-	-
Affordable - legal fees	0.8%	-	-	0.5%
Profit on market GDV	17.5%	20.0%	17.5%	17.5%
Profit on affordable GDV	6.0%	6.0%	n/a	6.0%
Profit on commercial GDV	15.0%	15.0%	15.0%	15.0%
Finance Rate	6.75%	7.0%	6.5%	7.5%
Land acquisition costs	-	6.8%	6.3%	6.1%
EUV yield	7.50%		8.0%	9% commercial, 4% resi
EUV Rent	£13 psf retail. [G & LG] £259 psf resi		£27.50 GF, £3 FF, £1.50 SF	
EUV Void/Rent Free	24 months		24 months (no tenant)	None
Land Owner Premium	11.80%		10.0%	10%
Pre-construction months	6		6	6
Construction months	18		15	18
Letting months	6		-	-
Sales months	10		6	12
AH payment profile	30% golden brick		n/a	30%
% private units sold off-plan	30%		50%	50%
Sales rate	3 pcm from PC		3 pcm	4

7.3. The RLV of the proposed scheme does not exceed the adopted BLV even when the proportion of affordable housing is reduced **0%**, resulting in a **deficit** and a **non-viable** scheme, in all scenarios. The scheme is not therefore able to viably provide any affordable housing, or equivalent contribution.

END