APPENDIX 3

BROADWAY, HENDON BNP VIABILITY REPORT

BNP PARIBAS REAL ESTATE

Real Estate
for a changing
world

Review of "Affordable Housing Viability Study"

60-68 The Broadway, West Hendon

Prepared for

London Borough of Barnet

June 2016

Contents

Appendices

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BNP Par bas Rea Estate
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[redacted]

1 Introduction

BNP Par bas Rea Estate was comm ss oned by the London Borough of Barnet (“the Counc ”) to adv se on the deve opment (“the Deve opment”) of 60-68 The Broadway, West Hendon, London NW9 7AE (“the S te”) subm tted by Turner Morum (“TM”) on beha f of Topsy Turvey Des gn Ltd (“the App cant”).

Th s report prov des an ndependent assessment of TM s Affordab e Hous ng V ab ty Statement to determ ne whether the affordab e hous ng offer as proposed has been opt m sed.

1.1 BNP Paribas Real Estate

BNP Par bas Rea Estate s a ead ng f rm of chartered surveyors, town p ann ng and nternat ona property consu tants. The pract ce offers an ntegrated serv ce from n ne off ces n e ght c t es w th n the Un ted K ngdom and over 180 off ces, across 37 countr es n Europe, M dd e East, Ind a and the Un ted States of Amer ca, nc ud ng 16 who y owned and 21 a ances. In 2005, the f rm expanded through the acqu s t on of e ght off ces of Chesterton and n 2007, the f rm acqu red the bus ness of Fu er Pe ser. We are a who y owned subs d ary of BNP Par bas, wh ch s the number one bank n France, the second argest bank n the Euro Zone and one of on y s x top rated banks wor dw de.

BNP Par bas Rea Estate has a w de rang ng c ent base, act ng for nternat ona compan es and nd v dua s, banks and f nanc a   nst tut ons, pr vate compan es, pub c sector corporat ons, government departments, oca author t es and reg stered prov ders (“RPs”).

The fu   range of property serv ces nc udes:

- P ann ng and deve opment consu tancy;
- Affordab e hous ng consu tancy;
- Va uat on and rea estate appra sa ;
- Property nvestment;
- Agency and Brokerage;
- Property management;
- Bu d ng and project consu tancy; and
- Corporate rea estate consu tancy.

Th s report has been prepared by N cho as Pe   MRICS, RICS Reg stered Va uer under the superv s on of Anthony Lee MRTPI, MRICS, RICS Reg stered Va uer.

The Affordab e Hous ng Consu tancy of BNP Par bas Rea Estate adv ses andowners, deve opers, oca author t es and RPs on the prov s on of affordab e hous ng.

In 2007, we were appo nted by the Greater London Author ty (“GLA”) to rev ew ts ‘Deve opment Contro Too k t Mode   (common y referred to as the ‘Three Dragons mode). Th s rev ew nc uded test ng the va d ty of the Three Dragons approach to appra s ng the va ue of res dent a and m xed use deve opments; rev ew ng the var ab es used n the mode and adv s ng on areas that requ red amendment n the re-worked too k t and other ava ab e appra sa mode s and subm tted our report n February 2012.

In add t on, we are reta ned by the Homes and Commun t es Agency (“HCA”) to adv se on better management of procurement of affordab e hous ng through p ann ng ob gat ons.

The f rm has extens ve exper ence of adv s ng andowners, deve opers, oca author t es and RPs on the va ue of affordab e hous ng and econom ca y and soc a y susta nab e res dent a deve opments.

1.2 Report structure

Th s report s structured as fo ows:

- **Section two** prov des a br ef descr pt on of the Deve opment and p ann ng h story;

- **Section three** descr bes the methodo ogy that has been adopted;
- **Section four** out nes the nputs adopted w th n our appra sa s;
- **Section five** sets out the resu ts of the appra sa s;
- F na y, n **Section six,** we draw conc us ons from the ana ys s.

1.3 The Status of our advice

In accordance w th PS 1.6 of the RICS Va uat on – Profess ona Standards (January 2014 Ed t on) (the 'Red Book), the prov s on of VPS1 to VPS4 are not of mandatory app cat on and accord ng y th s report shou d not be re ed upon as a Red Book va uat on.

The report s addressed to the London Borough of Barnet on y and shou d not be reproduced w thout our consent.

2 Background and description of the Development

2.1 The Site and proposed Development

The 0.19 hectare (0.47 acre) App cat on S te s ocated on West Hendon Broadway to the north of Brent Park Road and west of the M1. Hendon Ra way Stat on s w th n 0.5 m es prov d ng access to London St Pancras w th n 15 m nutes and onward journeys v a the w der London Underground Network. The S te current y compr ses a T e and San taryware Showroom. The surround ng propert es are pr mar y used for commerc a and res dent a purposes.

Accord ng to the p ann ng app cat on, the proposed Deve opment s for:

"Demolition of existing building (Tile and Sanitaryware Showroom) and erection of an 8 storey mixed use building with 1,230 square metres of Sui Generis use (Tile and Sanitaryware showroom) on ground and first floors and 48 no self-contained residential units on the upper floors with green roof and solar panels. Provisions for basement parking, external parking spaces, cycle storage, refuse and amenity space."

3 Methodology

TM have undertaken the r assessment of the proposed Deve opment us ng a bespoke mode .

We have undertaken our assessment us ng Argus Deve oper (“Argus”). Argus s a commerc a y ava ab e deve opment appra sa package n w despread use throughout the ndustry. It has been accepted by a number of oca p ann ng author t es for the purpose of v ab ty assessments and has a so been accepted at p ann ng appea s. Banks a so cons der Argus to be a re ab e too for secured end ng va uat ons. Further deta s can be accessed at www.argussoftware.com.

Argus s essent a y a cash-f ow mode . Such mode s a work on a s m ar bas s:

- F rst y, the va ue of the comp eted deve opment s assessed.
- Second y, the deve opment costs are ca cu ated, nc ud ng e ther the prof t marg n requ red or and costs. In our appra sa s we nc ude prof t as a deve opment cost.

The d fference between the tota deve opment va ue and tota costs equates to the res dua and va ue (“RLV”). The mode s norma y set up to run over a deve opment per od from the date of the commencement of the project unt the project comp et on, when the deve opment has been constructed and s occup ed.

The cash-f ow approach a ows the f nance charges to be accurate y ca cu ated over the deve opment per od. Th s approach can accommodate more comp ex arrangements where a number of d fferent uses are prov ded or deve opment s phased.

In order to assess whether a deve opment scheme can be regarded as be ng econom ca y v ab e t s necessary to compare the RLV that s produced w th a benchmark and va ue. If the Deve opment generates a RLV that s h gher than the benchmark t can be regarded as be ng econom ca y v ab e and therefore capab e of prov d ng add t ona affordab e hous ng. However, f the Deve opment generates a RLV that s ower than the benchmark t shou d be deemed econom ca y unv ab e and the quantum of affordab e hous ng shou d be reduced unt v ab ty s ach eved.

We are of the op n on that Argus prov des an accurate ref ect on of the econom cs of the Deve opment subject of course to appropr ate nputs be ng adopted. Therefore we have adopted th s too for the purposes of our assessment.

4 Review of Assumptions

In th s sect on, we rev ew the assumpt ons adopted by TM for the purposes of runn ng the r appra sa of the Deve opment.

4.1 Gross Development Value ("GDV")

4.1.1 Private sale residential values

The proposed Deve opment compr ses 48 res dent a un ts nc ud ng one and two bedroom apartments.

TM have re ed upon adv ce rece ved from Rap eys w th the average va ue assumed w th n the appra sa equat ng to £575 per square foot. A copy of the Rap eys report can be found n Append x 3 of the TM report. For the avo dance of doubt, a though TM have referred to the Rap eys report as ' ndependent , un ess they s gn a Duty of Care to both the Counc and the App cant, th s s not the case.

We have rev ewed the nformat on prov ded by Rap eys as we as undertak ng research nto the oca area through d scuss ons w th act ve oca agents n add t on to us ng on ne research fac t es.

Hendon Waterside – Phase 3A

Rap eys have correct y dent f ed that Phase 3A s the atest phase to be brought forward compr s ng 358 new res dent a un ts rang ng from 5 to 26 storeys n he ght. They have reported that the un ts ocated be ow the e ghth f oor ref ect the fo ow ng range n va ues:

Unit type	Value (£)	Average value (£)	Average value (£ psf)
One bedroom apartment	£280,000 - £320,000	£295,000	£570
Two bedroom apartment	£390,000 - £440,000	£415,000	£565

We are broad y n agreement w th Rap eys regard ng the va ues ach eved at the scheme. However, Rap eys have fa ed to ment on the date at wh ch these un ts were so d. Each b ock has been bu t separate y, w th B ock G2 compr s ng 71 affordab e hous ng un ts comp et ng n March 2015. B ocks E1/E3/E4 compr se 142 un ts; however we note that 120 un ts had so d by the end of Q2 2015. Sure y Rap eys are not stat ng that va ues have not ncreased over the past 12 months n NW9? Land Reg stry data current y reports an ncrease of 4.38% over the past 12 months for f ats n NW9.

A further tem to note s that wh st we are n agreement w th Rap eys that the un ts ocated n the upper f oors are not d rect y comparab e, we do not cons der t appropr ate to comp ete y d sm ss them. When ook ng at B ock E2, we note that as at January 2016, 73 out of the 142 un ts were so d ref ect ng an average of £686 per square foot. The un ts were spread across a f oors and so wou d generate a h gher average than the proposed Deve opment. However, n Apr 2016, the average pr ce ncreased to £729 per square foot. At the very east, th s demonstrates the eve of growth current y exper enced n th s area.

Claremont Village

We are n agreement w th Rap eys that the major ty of th s scheme has not yet been re eased to the market and s due n January 2017. However, we are aware of two, two bedroom apartments current y on the market n W esden House, name y 'The Frost and 'The N sen . The ask ng pr ces of £425,000 ref ect a va ue of £647 per square foot.

We are aware that the apartment b ocks w th n th s scheme are no more than 5 storeys n he ght and n th s aspect wou d be comparab e to the proposed Deve opment. In add t on, as these un ts have just been re eased to the market, t prov des an up to date compar son of what deve opers are seek ng to ach eve at current day va ues rather than the more h stor c nature of a ternat ve comparab e deve opments.

<u>415 Edgware Road</u>

Th s deve opment s regarded as a Pr vate Rented Scheme (“PRS”) and therefore does not form a bas s from wh ch we can dent fy appropr ate bu d to sa e ach evab e va ues.

<u>Silver Works</u>

S ver Works s current y be ng deve oped by Ga ard Homes, compr s ng 227 res dent a un ts. We are broad y n agreement w th the va ues reported by Rap eys and acknow edge that the un ts w th n the scheme are s gn f cant y arger than those at the proposed Deve opment. Wh st we are n agreement w th Rap eys that th s offers a ‘ce ng pr ce for these un ts types n th s spec f c ocat on, we draw attent on to the fact that arger un ts often have a ower va ue on a ‘per square foot bas s. Th s shou d be taken nto account when us ng the deve opment as a comparab e scheme from wh ch to der ve va ues for the proposed res dent a un ts.

After due cons derat on of the ev dence prov ded by Rap eys n add t on to the research we have undertaken, we cons der the average va ue of £575 per square foot across the proposed Deve opment to be be ow current market expectat ons. We have therefore ncreased th s va ue to £585 per square foot.

4.1.2 Affordable housing revenue

TM have based the r op n on of affordab e hous ng va ues on the fo ow ng ca cu at ons:

- Shared ownersh p un ts: 70% of Open Market Va ue (“OMV”);
- Affordab e rent un ts: 50% of OMV.

To va ue the affordab e hous ng un ts, we have used a bespoke mode spec f ca y created for th s purpose. Th s mode takes nto account factors such as standard eve s for nd v dua RPs management and ma ntenance costs; f nance rates current y obta nab e n the sector, and a v ew on the amount of grant that may be obta nab e.

The ‘Affordab e Homes Programme 2015-2018 Prospectus document prov des a c ear nd cat on that Sect on 106 schemes are un ke y to be a ocated grant fund ng, except n except ona c rcumstances. It s therefore cons dered mprudent to assume that Grant w be secured. Therefore our assessment re es upon the assumpt on that none s prov ded.

TM refer to the recent budget Summer Budget (2015) w th part cu ar attent on to the reduct on n rents for soc a hous ng n Eng and by 1% a year for 4 years. For the avo dance of doubt, we can conf rm that our mode takes a changes nto account nc ud ng those stated by TM n the r report.

4.1.3 Ground rents

TM have assumed ground rents at the fo ow ng renta va ues w th n the r appra sa , cap ta sed at a 5.5% y e d:

- Stud o apartments: £250 per un t per annum;
- Two bedroom apartments: £300 per un t per annum; and
- Three bedroom apartments: £350 per un t per annum.

Wh st we cons der the assumed renta va ues to be reasonab e, we have reduced the y e d from 5.5% to 5% to ref ect current market expectat ons. We have deducted purchasers costs at 5.8%.

4.1.4 Commercial revenue and yield

The proposed Deve opment nc udes commerc a space equat ng to 15,699 square feet for showroom purposes. TM have re ed upon adv ce rece ved from Rap eys who have conc uded that the commerc a space wou d generate a cap ta va ue of c rca £3,000,000. A copy of the Rap eys report can be found n Append x 3 of the TM assessment.

We have undertaken research nto the oca market through d scuss ons w th act ve oca agents n add t on to us ng on ne research fac t es. We cons der the assumpt ons nc uded by Rap eys n the r assessment of the proposed commerc a space to be reasonab e and have therefore adopted them w th n our assessment.

4.1.5 Car parking

The proposed Deve opment nc udes 48 car park ng spaces for the res dent a un ts w th n the basement. There w   a so be 11 externa ground f oor park ng spaces for the commerc a un ts nc ud ng a d sab ed bay. It appears that TM have not nc uded a separate revenue for the car park ng spaces w th n the r appra sa ; we therefore assume that they have assumed that they w   be a ocated to each res dent a un t at no extra cost.

We have adopted th s pos t on n our appra sa ; however we recommend that the Counc   nc ude a statement w th n the Sect on 106 Agreement whereby the car park ng spaces cannot be so d for an add t ona cost. If th s s not agreed to, we w   need to update our appra sa to ref ect the s tuat on.

4.2 Development costs

4.2.1 Construction costs

TM have re ed upon a construct on cost p an prepared by McBa ns Cooper who have conc uded that the tota cost of the proposed Deve opment equates to £10,306,000 ref ect ng a cost of £149 per square foot (nc us ve of tender nf at on and cont ngency).

We have compared th s cost p an to schemes of s m ar s ze and comp ex ty w th n the surround ng area. After due cons derat on, we are of the op n on that these costs are reasonab e n the current market and have adopted them for the purposes of our appra sa .

Notw thstand ng the above, t shou d be noted that f the Counc   have concerns over the construct on costs assumed by TM n the r appra sa , an ndependent cost consu tant shou d be nstructed to undertake an tem sed rev ew of the cost p an.

4.2.2 Contingency

McBa ns Cooper have nc uded an a owance for cont ngency w th n the construct on cost p an at 2%. We do not cons der th s to be above current market expectat ons and have therefore adopted t w th n our appra sa .

4.2.3 Professional fees

TM have assumed profess ona fees n the r appra sa at 8% of construct on costs. Tak ng nto account the comp ex ty of the scheme, we cons der th s a owance to be reasonab e and have adopted t n our assessment.

4.2.4 Interest

TM have assumed a deb t rate of 6.5% w th n the r appra sa . We do not cons der th s assumpt on to be above current market expectat ons and have adopted t w th n our appra sa .

A though a bank wou d not prov de 100% of the fund ng requ red for the proposed Deve opment t s convent ona to assume f nance on a   costs n order to ref ect the opportun ty (or n some cases the actua cost) of comm tt ng equ ty to the project.

4.2.5 Marketing costs

TM have assumed the fo ow ng costs w th n the r appra sa :

- Pr vate res dent a un ts: 3% of GDV for sa es agent and market ng fees;
- Affordab e hous ng un ts: 0.5% of GDV for d sposa costs; and
- Commerc a d sposa costs at 2% of GDV.

We cons der these assumpt ons to be reasonab e n the current market and have adopted them w th n our assessment.

4.2.6 Planning obligations

TM have not nc uded any a owance for Sect on 106 payments w th n the r appra sa . At present, we have adopted th s pos t on w th n our appra sa ; however th s s on a 'subject to conf rmat on bas s. We are n agreement w th TM n that any add t ona payments wou d have an mpact on the v ab ty of the scheme and th s wou d need to be factored nto the assessment conc us on.

We note that TM have not nc uded any CIL payments w th n the r appra sa . Th s s a non-negot ab e payment that s requ red on a   deve opments, subject to any stated exempt ons. We have adopted the fo ow ng CIL payments w th n our appra sa , subject to conf rmat on from the Counc :

- Mayora CIL: £128,954; and
- Borough CIL: £497,395.

4.2.7 Developer's return

TM have assumed vary ng eve s of prof t for the d ffer ng e ements of the proposed Deve opment. We have summar sed these prof t eve s be ow:

- Pr vate res dent a e ement: 20% of GDV;
- Affordab e hous ng e ement: 6% of revenue; and
- Commerc a space: 15% of GDV.

We cons der these assumpt ons to be w th n the ranges we current y exper ence w th n the market. However, we note that the prof t assumpt on of 20% of GDV for the pr vate res dent a un ts s at the top of the acceptab e range. Pr or to the resu t of the referendum on the UK s membersh p of the European Un on, deve opers were target ng prof t eve s of between 17% - 20% of pr vate hous ng GDV. Up to that po nt, sa es r sk was perce ved to be ower than dur ng the hous ng market recess on of 2008 to 2012. However, the current uncerta nty assoc ated w th the future of the UK s membersh p of the European Un on has created uncerta nty wh ch may underm ne some buyers conf dence to a degree. In th s context, f nanc a   nst tut ons are   ke y to t ghten the r requ rement for prof t returns on deve opments. As a consequent, target prof t eve s are expected to ncrease back up to 20% n the short term.

The reduced prof t on affordab e hous ng ref ects the r sk of de very. The deve oper w   contract w th an RP pr or to commencement of construct on and they are – n effect – act ng as a contractor, w th the r r sk   m ted to cost on y. After contract ng w th the RP, there s no sa es r sk. In contrast, the pr vate hous ng construct on w   typ ca y commence before any un ts are so d and sa es r sk s present we   nto the deve opment per od.

We cons der the prof t assumpt on of 15% of GDV for the commerc a space to be reasonab e n the current market.

4.3 Project timetable

TM have adopted the fo ow ng t mesca es for deve opment:

- Pre-construct on per od: 3 months;
- Construct on per od: 12 months; and
- Sa es per od: 9 months.

Wh st we cons der the pre-construct on and construct on per ods to be reasonab e, we have concerns over the ength of the sa es per od. After due cons derat on, we have assumed off-p an sa es of 50% w th the rema n ng un ts so d over 6 months ref ect ng a sa es rate of 4 un ts per month.

5 Appraisal Results

In th s sect on, we cons der the outputs of the appra sa s and the mp cat ons for the prov s on of affordab e hous ng at the proposed Deve opment.

5.1 Viability benchmark

TM have re ed upon an Ex st ng Use Va uat on ("EUV") prepared by Rap eys to estab sh an appropr ate v ab ty benchmark. We cons der th s method to be reasonab e and have therefore adopted t w th n our appra sa . W th n the r report, Rap eys have conc uded that the EUV s £3,550,000; however we note that TM have then added stamp duty and ega fees to the va uat on resu t ng n a tota va ue of £3,754,000. We are confused as to why the stamp duty and ega fees have been added, and assume that th s s an error n the va uat on, as purchasers costs are deducted from va ue.

We have been prov ded w th the f oor areas of the ex st ng bu d ng w th n the Rap eys report. We have not undertaken a measured survey of the property and therefore our assessment of the EUV s based upon these f gures. If these f gures are found to be naccurate, th s w mpact on our appra sa . The areas have been summar sed n the fo ow ng tab e:

	Area (GIA / sq m)	Area (GIA / sq ft)
Ground floor		
Showroom	387.38	7,399
Warehouse / Product on Area	536.79	5,778
Recept on / Off ce Space	32.42	349
Corr dors / To ets / Serv ces / Sta r Core	89.34	962
Sub-tota	**1,345.93**	**14,487**
First Floor		
Showroom	129.74	1,396
Warehouse	976.83	10,515
Off ces	179.94	1,936
Corr dor / K tchen / Serv ces / Sta r Core	118.15	1,272
Sub-tota	**1,404.66**	**15,120**
Total GIA	**2,750.59**	**29,607**

Rap eys have app ed renta va ues rang ng between £5 per square foot and £16 per square foot for the d ffer ng areas of the ex st ng bu d ng. The subsequent renta va ue has been cap ta sed at a 7.7% a r sks y e d ref ect ng a cap ta va ue of £120 per square foot. Th s cap ta va ue has been compared to 38 Water oo Road ocated w th n 1.1 m es of the App cat on S te.

After due cons derat on, wh st we do not d sagree w th the method by wh ch Rap eys have undertaken the r assessment of the EUV, we cons der the cap ta va ue of £120 per square foot to be above what s cons dered to be reasonab e for a bu d ng of th s nature. We have taken nto account the cond t on of the ex st ng un ts n compar son to the cond t on of the comparab e ev dence prov ded by Rap eys. We have therefore marg na y reduced the cap ta va ue to £115 per square foot. Th s has therefore reduced the tota va ue from £3,550,000 to £3,404,805 for the EUV.

In the r report, TM have reserved the r ght to app y a andowner prem um to ncent v se the andowner to br ng the S te forward for deve opment. We are n agreement w th th s method; however we do not understand why TM have reserved the r ght to rev s t th s assumpt on and are concerned that th s wou d enab e them to retrof t the r assumpt ons. We have therefore undertaken an assessment of the appropr ate andowner prem um to avo d any confus on at a ater date. We have assumed a andowner prem um of 10% w th n our assessment that has ncreased the EUV from £3,404,805 to £3,745,285.

For the avo dance of doubt, we have adopted the va ue of £3,745,285 as our v ab   ty benchmark. Th s s n compar son to the assumed benchmark of £3,754,000 proposed by TM.

5.2 Appraisal results

In our rev ew of TM s assumpt ons we recommend the fo ow ng amendments:

- Increase pr vate res dent a va ues to ref ect current market expectat ons; and
- Ground rent y e d reduced from 5.5% to 5%.

We have undertaken an appra sa of the proposed Deve opment w th the App cant s offer of a 100% pr vate hous ng by un ts tak ng nto account the a terat ons recommended above. We have conc uded that the proposed Deve opment generates a Res dua Land Va ue (“RLV”) of £2,283,236 prov d ng a def c t of £1,462,049 aga nst the v ab   ty benchmark.

Gross to net ratio of the proposed Development

In our ana ys s of the proposed Deve opment, we note that the gross to net rat o s s gn f cant y be ow the eve usua y expected w th n the current market. Th s has had a cons derab e mpact on the v ab   ty of the scheme w th the quantum of space that s ‘revenue generat ng s gn f cant y ower than the quantum of space that s regarded as a ‘cost to the deve opment.

6 Conclusion

TM have conc uded n the r assessment of the proposed Deve opment that the scheme w th 100% pr vate hous ng s unv ab e aga nst the v ab ty benchmark.

Due to the a terat ons recommended n paragraph 5.2, we cons der the proposed Deve opment to be unv ab e aga nst the v ab ty benchmark generat ng a def c t of £1,462,049.

In an attempt to understand the reasons beh nd the conc us on that the proposed Deve opment s unv ab e w th 100% pr vate hous ng, we have undertaken further ana ys s of the scheme. One tem of note s the gross to net area rat o w th n the proposed Deve opment, wh ch we have ca cu ated to be approx mate y 62%. Typ ca y, we wou d expect a res dent a deve opment to ach eve c rca 85% and therefore regard the proposed Deve opment as be ng neff c ent. It s th s neff c ent rat o that s generat ng the arge costs and m ted revenue generat ng areas. If the gross to net rat o was mproved, we wou d see a s gn f cant mprovement n the v ab ty of the scheme.

In a ‘h gh eve sens t v ty ana ys s, we have mproved the gross to net rat o from 62% to 85% to estab sh the mpact th s wou d have on the v ab ty of the scheme. To do th s, we have app ed the cost rate on a ‘per square metre bas s as proposed by the App cant s adv sors for the proposed Deve opment, to a sma er Gross Interna F oor Area (“GIFA”) ref ect ng a gross to net rat o of 85%. We acknow edge that th s s ‘h gh eve and that scheme spec f cs wou d need to be addressed; however our ana ys s prov des an nd cat on of the outcome of a scheme that has an mproved eff c ency. We have conc uded that the a ternat ve scheme wou d generate a RLV of £4,971,220 prov d ng a surp us of £1,225,935 aga nst the v ab ty benchmark. Th s surp us cou d be used for further Sect on 106 payments (shou d th s be just f ab e n p ann ng terms), a commuted sum payment or affordab e hous ng prov s on ons te.

The sens t v ty of the scheme to rea pr ce growth means that we recommend the Counc nc ude a rev ew mechan sm w th n the Sect on 106 agreement.

BNP PARIBAS REAL ESTATE

Appendix 1 - Argus Appraisal 100% private housing

BNP Paribas Real Estate

Development Appraisal

60-68 West Hendon Broadway

Report Date: 28 June 2016

Prepared by BNPPRE

APPRAISAL SUMMARY **BNP PARIBAS REAL ESTATE**

60-68 West Hendon Broadway

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Stud o apartments	6	2,268	585.00	221,130	1,326,780
One bedroom apartments	30	16,680	580.00	322,480	9,674,400
Two bedroom apartments	12	8,484	575.00	406,525	4,878,300
Totals	**48**	**27,432**			**15,879,480**

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Ground rents - stud o apartments	6			250	1,500	1,500
Ground rents - one bedroom apartments	30			300	9,000	9,000
Ground rents - two bedroom apartments	12			350	4,200	4,200
Commerc a space	1	15,699		0	0	
Totals	**49**	**15,699**			**14,700**	**14,700**

Investment Valuation					
Ground rents - studio apartments					
Current Rent	1,500	YP @	5.0000%	20.0000	30,000
Ground rents - one bedroom apartments					
Current Rent	9,000	YP @	5.0000%	20.0000	180,000
Ground rents - two bedroom apartments					
Current Rent	4,200	YP @	5.0000%	20.0000	84,000
Commercial space					
Manua Va ue					3,000,000
					3,294,000

GROSS DEVELOPMENT VALUE			**19,173,480**
Purchaser's Costs	6.80%	(223,992)	
			(223,992)
NET DEVELOPMENT VALUE			**18,949,488**
NET REALISATION			**18,949,488**

APPRAISAL SUMMARY — BNP PARIBAS REAL ESTATE

60-68 West Hendon Broadway

OUTLAY			
ACQUISITION COSTS			
Res dua sed Pr ce		2,283,236	
Stamp Duty	4.00%	91,329	
Agent Fee	1.00%	22,832	
Lega Fee	0.50%	11,416	
			2,408,814
CONSTRUCTION COSTS			
Mayora CIL		128,954	
Borough CIL		497,395	
			626,349
Other Construction			
Construct on costs		10,306,000	
			10,306,000
PROFESSIONAL FEES			
Profess ona fees	8.00%	824,480	
			824,480
MARKETING & LETTING			
Market ng	3.00%	476,384	
			476,384
DISPOSAL FEES			
Commerc a d sposa fees	2.00%	61,400	
			61,400
Additional Costs			
Prof t on pr vate res dent a	20.00%	3,234,696	
Prof t on commerc a	15.00%	450,000	
			3,684,696
FINANCE			
Deb t Rate 6.500% Cred t Rate 0.000% (Nom na)			
Land		188,264	
Construct on		355,226	
Other		17,874	
Tota F nance Cost			561,364
TOTAL COSTS			**18,949,488**

60-68 West Hendon Broadway

PROFIT

0

Performance Measures

Prof t on Cost%	0.00%
Prof t on GDV%	0.00%
Prof t on NDV%	0.00%
Deve opment Y e d% (on Rent)	0.08%
Equ va ent Y e d% (Nom na)	5.00%
Equ va ent Y e d% (True)	5.16%
IRR	6.00%
Prof t Eros on (f nance rate 6.500%)	N/A