FINANCIAL VIABILITY ASSESSMENT

CRICKLEWOOD LANE, CRICKLEWOOD, NW2 1ES

JULY 2020

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EXECUTIVE SUMMARY

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1. This report constitutes a Financial Viability Assessment (FVA) in accordance with planning policy and has been prepared by Montagu Evans LLP on behalf of Montreaux Cricklewood Developments Ltd (the Applicant) to support an application for planning permission on the site known as Cricklewood Lane, London, NW2 1ES (the site).

2. The proposed development comprises the following principle elements:

- Up to 1,100 residential units;
- Up to 1,200 sq. m (GIA) of flexible commercial space;
- Provision for up to 110 residential car parking spaces and 1,972 cycle parking spaces.

3. The Applicant is proposing to provide 35% affordable housing. Policy DM10 of Barnet's Local Plan (Development Plan Document, Sept 2017) sets a borough wide target of 40% housing provision to be affordable, with the maximum reasonable amount of affordable to be provided on site **subject to viability.** Policy CS4 of the Core Strategy seeks a tenure mix of 60% social rented and 40% intermediate housing.

4. Montagu Evans LLP have therefore been instructed by the Applicant to assess the impact of the proposed provision of affordable housing and ensure it is the maximum reasonable amount possible by undertaking a Financial Viability Assessment in accordance with planning policy.

5. This report has been prepared by Jonathan Glaister, BSc MSc MRICS, RICS Registered Valuer and reviewed by Will Seamer, BA MSc MRICS, RICS Registered Valuer.

6. This report considers the financial viability of the proposals and in accordance with planning policy, provides justification for the levels of affordable housing and other planning benefits included within the planning application.

7. The financial viability of the proposals have been fully tested in order to ascertain the maximum levels of affordable housing and other planning contributions that the scheme is able to support. The report provides an overview of the scheme and presents evidence for the assumptions adopted within a residual viability appraisal. The residual land value (RLV) is then compared to an appropriate benchmark land value (BLV) based upon the existing use value (EUV) of the property on the site being demolished.

8. The comprehensive viability modelling has shown that it is not technically viable to provide the 35% affordable housing detailed later within this report whilst allowing for a competitive return to the Applicant to enable the development to be delivered.

9. It would be possible for the Applicant to reduce the proposed level of affordable housing using viability evidence in accordance with planning policy. However, the Applicant is prepared to adopt a pragmatic approach in order to avoid elongated viability discussions thereby expediting the delivery of this much needed affordable housing within the London Borough of Barnet.

10. The offer to provide 35% affordable housing is based upon not requiring any mid or late stage review mechanisms. **Should the Council or the GLA seek for a mid or late stage review to be contained within the S106 agreement then the Applicant will need to consider their options, including a potential reduction in the quantum of affordable housing or a tenure adjustment through the viability tested route in accordance with planning policy.**

02

INTRODUCTION

INTRODUCTION

1 We set out below our Financial Viability Assessment which has been prepared on behalf of the Applicant in support of the planning application.

2 The report has been prepared in accordance with RICS valuation guidance and with regard to relevant guidance on preparing Financial Viability Assessments for planning purposes. However, it is not a 'Red Book' valuation and should not be relied upon as such.

3 In undertaking the Financial Viability Assessment we have acted:

- With objectivity;
- Impartially;
- Without interference; and
- With reference to all appropriate available sources of information.

4 In preparing the Financial Viability Assessment, no performance related or contingent fees have been agreed.

5 We have been provided with the following information by the Applicant and their professional advisors:

- Illustrative plans and accommodation schedule for the proposed scheme – **Appendix 1**
- Floor areas & tenancy schedule for the existing properties on the site.
- Construction Cost Plan – **Appendix 2**

6 For planning purposes, viability is assessed by comparing the residual land value generated by the proposed development with an appropriate Benchmark Land Value (BLV). If the residual land value is lower than the BLV then the scheme is not technically viable with the level for affordable housing and other planning benefits required or being proposed.

7 The residual land value of the proposed development has been modelled using the industry recognised Argus Developer software.

8 The Existing Use Value (EUV) has been appraised using the industry recognised Argus Enterprise software.

9 This report will provide a summary of the development proposals, set out the assumptions and evidence used to undertake the residual appraisal, and will provide the assumptions and evidence used to arrive at a suitable Benchmark Land Value.

10 The report will summarise the results of the viability appraisal, compare the residual land value with the Benchmark Land Value and then provide conclusions.

11 We would comment that the current uncertainty as a result of the Covid-19 pandemic has added an extremely large level of risk into the market. It is still too early to be able to measure the impact on a number of the assumptions contained within this report and so the Financial Viability Assessment currently assumes a 'normalised' market broadly in line with conditions in Q3 2019. Given the project's programme length, we consider this to be a reasonable assumption at this stage. However, we would reserve the right to revise the report when more is known about the impact on the economy and property market generally.

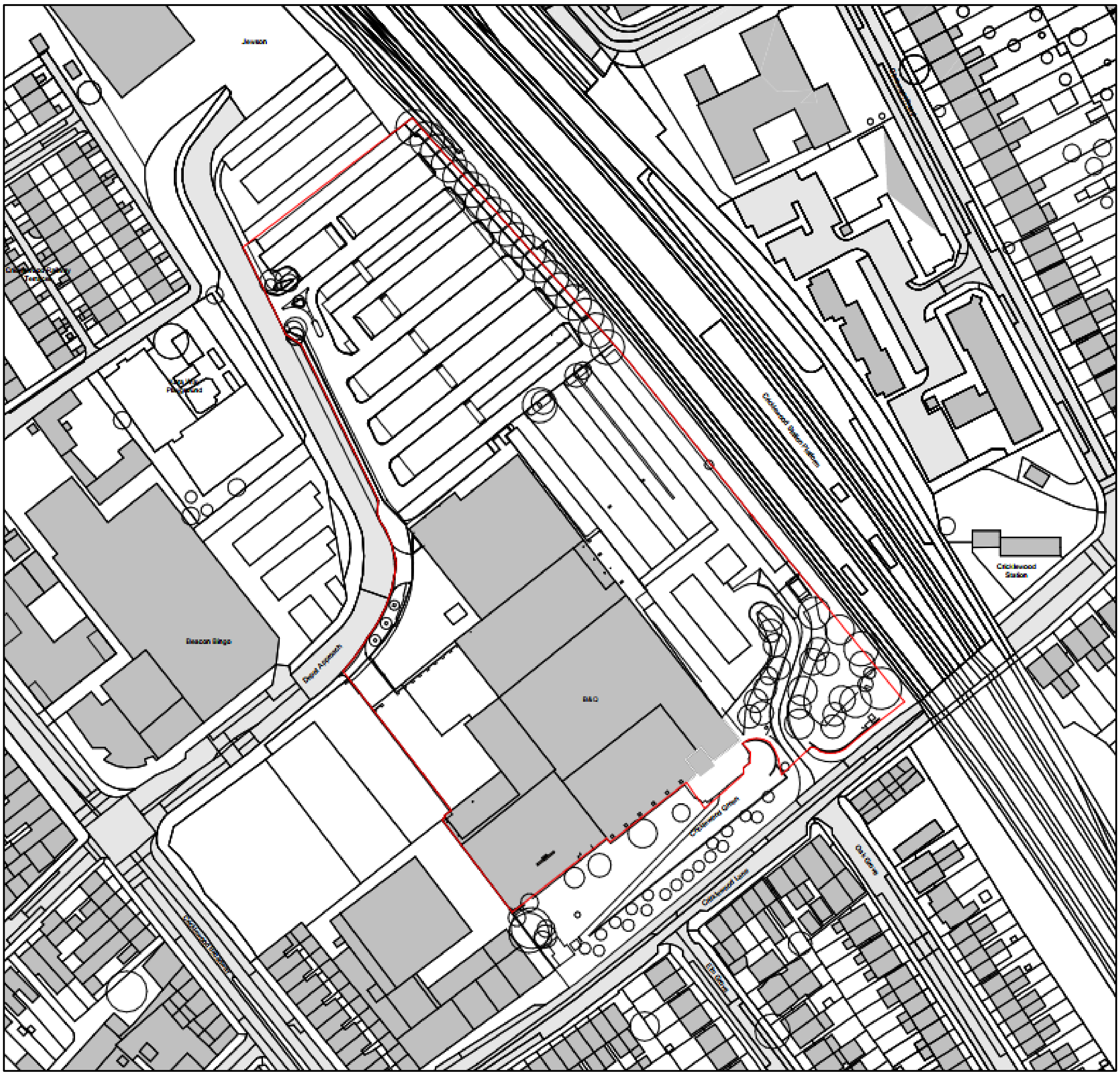
03

EXISTING PROPERTY

EXISTING PROPERTY

1 The site (outlined in red below), is located in Cricklewood in the London Borough of Barnet. Cricklewood is located approximately 4 miles north of Central London, between Kilburn and Brent Cross. The property comprises three adjoining retail warehouse units of steel portal frame construction with brick / blockwork elevations under a flat roof. Collectively, the three units are known as Broadway Retail Park and provide approximately 83,000 sq. ft. (GIA) of accommodation.

2 The property occupies a site that is irregular in shape and generally level, albeit it is raised above the level of Cricklewood Lane. Our understanding of the boundaries of the site is identified edged in red on the plan below (for identification purposes only).



3 The site extends to approximately 6.80 acres (2.75 hectares), and is bounded by Cricklewood Green and Cricklewood Lane to the south, Depot approach to the west and north, and a railway line to the east.

4 The largest retail warehouse unit (Unit 3) is occupied by B&Q, with an adjoining pair of smaller retail warehouse units that appear to have been added subsequently. These units, known as Unit 1 and Unit 2, are occupied by Saint-Gobain Building Distribution Ltd (t/a Tile Depot) and Poundstretcher respectively.

5 We have been provided with the following information about the site from the Applicant and/ or their advisors.

6 Unit 1 comprises a single storey retail warehouse unit extending to approximately 10,000 sq. ft. It provides an open plan tile showroom fitted out in the tenant's usual corporate style, with painted blockwork walls.

7 Unit 2 comprises a single storey retail warehouse unit extending to approximately 15,000 sq. ft. It provides an open plan sales area fitted out in the tenant's usual corporate style, with painted blockwork walls.

8 Unit 3 comprises a two storey "L"-shaped retail warehouse unit extending to approximately 58,000 sq. ft. It is fitted out in B&Q's usual trading style, with a small first floor providing design studios, separate mezzanine storage area and a garden centre to the rear.

9 The site is secured by metal palisade fencing along the eastern, northern and western boundaries, with the primary vehicular and pedestrian access from Cricklewood Lane and secondary vehicular access from Depot Approach. Deliveries to all three units are via secure yards accessed from Depot Approach.

10 The site also includes extensive surface level parking for 470 cars. This represents a car parking ratio of 1:183 sq. ft. The total site coverage is low at around 29%.

11 An office pod is located within the car park and is occupied by We Buy Any Car Ltd under the terms of a licence from the freeholder.

12 A food van is located within the car park and is occupied by The Lunch Box UK Ltd under the terms of a licence from the freeholder.

13 We have not measured the property and have relied, without verification, on floor areas provided by the Applicant.

14 Cricklewood is a predominantly residential area of Inner London, and benefits from proximity to the open spaces of Hampstead Heath 2.0 miles to the east and the extensive retail amenities of Brent Cross Shopping Centre (the UK's first US-style shopping mall, which opened in 1976) 1.75 miles to the north. Local green spaces include Hampstead Cemetery to the east and Gladstone Park to the west.

15 More specifically, the property is located around 75m to the east of Cricklewood Broadway (A5), on the north side of Cricklewood Lane (A407). The site is bounded by a railway line to the east, a small road called Depot Approach to the north, buildings and a cleared site to the west, and an area of green space known as Cricklewood Green to the south (between the site and Cricklewood Lane).

16 The property is located within TfL Zone 3 and benefits from excellent public transport connections, with a high PTAL rating of 5.

17 Thameslink train services are available from Cricklewood Station immediately to the east of the Property, providing connections to London St Pancras (14 minutes), Farringdon (18 minutes) and London Blackfriars (23 minutes) in one direction, and St Albans (20 minutes) and Luton (39 minutes) in the other. Beyond Central London, Thameslink provides services to Gatwick Airport and Brighton.

18 London Underground (Jubilee Line) services are available from Willesden Green and Kilburn stations, both of which are located within 15 minutes' walk of the Property (in TfL Zone 2). These stations provide rapid access to Bond Street (13 minutes), London Bridge (20 minutes) and Canary Wharf (27 minutes).

19 There are also numerous bus routes serving Cricklewood Broadway, with destinations including Brent Cross, Archway, White City, Marble Arch, Victoria and Paddington.

20 Cricklewood Broadway forms part of the A5 (also known as Edgware Road), and provides a direct road connection to Marble Arch to the south (3.8 miles) and the North Circular Road and M1 Motorway to the north (1.2 miles).

04

DEVELOPMENT PROPOSALS

DEVELOPMENT PROPOSALS

1 The proposed development comprises the following principle elements:

- Up to 1,100 residential units;
- Up to 1,200 sq. m (GIA) of flexible commercial space;
- Provision for up to 110 residential car parking spaces and 1,972 cycle parking spaces.

2 We summarise the proposals in further detail below.

THE PROPOSED DEVELOPMENT – RESIDENTIAL ACCOMMODATION

3 In light of the outline application approach, the Applicant's architects have prepared an illustrative masterplan which forms the basis of the FVA. The illustrative masterplan demonstrates one way in which the parameter plans and design guidelines could be interpreted to deliver a high quality development.

4 The precise application of the affordable housing tenure split cannot be unequivocally applied to the illustrative housing mix until the detailed design stage i.e. reserved matters. However, the illustrative masterplan has been used to demonstrate to the Council the mix of unit sizes that could be accommodated as affordable homes.

5 We have attached the illustrative plans and accommodation schedule at **Appendix 1** and summarise below including the assumed affordable housing provision contained within the viability appraisal at **Appendix 2.**

BLOCK	TENURE	UNIT TYPE	NO. OF UNITS	NO. OF HABITABLE ROOMS
A	Private - BTR	1B 1P	44	44
A	Private – BTR	1B 2P	79	158
A	Private – BTR	1B 2P WCA	18	36
A	Private – BTR	2B 4P	137	411
A	Private – BTR	2B 4P WCA	15	45
A	Private – BTR	3B 5P	26	104
A	Private – BTR	3B 5P WCA	3	12
C	Private - Sale	1B 1P	20	20
C	Private - Sale	1B 2P	50	100
C	Private - Sale	1B 2P WCA	14	28
C	Private - Sale	2B 4P	56	168
C	Private - Sale	2B 4P WCA	14	42
C	Private - Sale	3B 5P	16	64
C	Private - Sale	3B 5P WCA	2	8
D	Private - Sale	1B 1P	40	40

BLOCK	TENURE	UNIT TYPE	NO. OF UNITS	NO. OF HABITABLE ROOMS
D	Private - Sale	1B 2P	89	178
D	Private - Sale	1B 2P WCA	14	28
D	Private - Sale	2B 4P	52	156
D	Private - Sale	2B 4P WCA	6	18
D	Private - Sale	3B 5P	21	84
D	Private - Sale	3B 5P WCA	2	8
Subtotal	**Private**		**718**	**1,752**
A	Discounted Market Rent (80%)	1B 1P	24	24
A	Discounted Market Rent (80%)	1B 2P	31	62
B	Shared Ownership	1B 2P	34	68
B	Shared Ownership	1B 2P WCA	6	12
B	Shared Ownership	2B 4P	40	120
B	Shared Ownership	2B 4P WCA	4	12
C	Shared Ownership	1B 1P	20	20
C	Shared Ownership	1B 2P	64	128
C	Shared Ownership	1B 2P WCA	3	6
C	Shared Ownership	2B 4P	69	207
C	Shared Ownership	2B 4P WCA	1	3
Subtotal	**Intermediate**		**296**	**662**
B	Affordable Rent	1B 2P	11	22
B	Affordable Rent	2B 4P	36	108
B	Affordable Rent	2B 4P WCA	4	12
B	Affordable Rent	3B 5P	32	128
B	Affordable Rent	3B 5P WCA	3	12
Subtotal	**Affordable Rent**		**86**	**282**
TOTAL			1,100	2,696

6 The above results in the following overall residential provision:

TENURE	NO. OF HABITABLE ROOMS	% OVERALL	% AFFORDABLE
Private	1,752	65.0%	NA
Intermediate	662	24.5%	70%
Affordable Rent	282	10.5%	30%
TOTAL	2,696	100%	100%

THE PROPOSED DEVELOPMENT – COMMERCIAL ACCOMMODATION

7 The proposals will deliver up to 1,200 sq. m (GIA) of flexible commercial space with the illustrative masterplan demonstrating the following:

BLOCK	ACCOMMODATION TYPE	SIZE SQ. M (GIA)	SIZE SQ. FT. (GIA)
A	Flexible Commercial	405	4,359
B	Flexible Commercial	366	3,940
B	Community – D1	192	2,067
D	Community – D1	73	786
TOTAL		1,036	11,152

8 For the purposes of the viability appraisal we have assumed a 90% net: gross efficiency.

CAR & CYCLE PARKING

9 The illustrative masterplan has capacity to deliver up to 110 car parking spaces and 1,972 cycle spaces.

05

AFFORDABLE HOUSING STATEMENT

VIABILITY & PLANNING POLICY CONTEXT

PLANNING POLICY CONTEXT

1 Paragraph 34 of the National Planning Policy Framework (NPPF) confirms that the contributions expected from development, including the levels and types of affordable housing provision, should not undermine the deliverability of the relevant plan.

2 Paragraph 56 confirms that planning obligations should only be sought where they are:

- necessary to make the development acceptable in planning terms;
- directly related to the development; and
- fairly and reasonably related in scale and kind to the development.

3 Paragraph 57 goes on to state:

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

4 Paragraph 122 underlines how planning policies and decisions should support development that makes efficient use of land, "taking into account local market conditions and viability".

5 The London Plan states at Policy 3.11 that boroughs should set an overall target for the amount of affordable housing provision in their area based on an assessment of all housing needs and a realistic assessment of supply.

6 Policy 3.12 notes that boroughs should seek the "maximum reasonable amount of affordable housing having regard to their affordable housing targets, and the need to encourage rather than restrain residential development, and the individual circumstances of the Site."

7 Policy 3.11 of the London Plan proposes a split of 60/40 in favour of affordable/social rent, subject to viability.

8 Draft London Plan Policy H4 sets a strategic target for 50% of all new homes delivered across London to be affordable. Draft Policy SD1 also states that the Mayor will ensure the Opportunity Areas maximise the delivery of affordable housing.

9 Policy DM10 of Barnet's Local Plan (Development Plan Document, Sept 2017) sets a borough wide target of 40% housing provision to be affordable, with the maximum reasonable amount of affordable to be provided on site subject to viability. Policy CS4 of the Core Strategy seeks a tenure mix of 60% social rented and 40% intermediate housing.

VIABILITY CONTEXT & POLICY

10 In simple terms, the viability of the application should be assessed by comparing the residual land value of the proposed development with an appropriate Benchmark Land Value (BLV). The BLV can be considered as the value below which a reasonable land owner is unlikely to release a site for development. If the residual land value is lower than the BLV then the scheme is not technically viable.

11 The residual land value of the proposed development is arrived at by summing the revenues derived from the development and deducting from these the costs of development (including an appropriate profit allowance).

12 There are a number of different approaches adopted in order to reach an acceptable BLV depending on site specific factors such as whether there are any existing buildings and the planning history and potential of the site.

13 There are a number of documents that provide guidance on Benchmark Land Values such as those detailed below:

- The Royal Institution of Chartered Surveyors (RICS) – Financial Viability in Planning Guidance Note (1st Edition, April 2012);
- Mayor of London – Homes for Londoners – Affordable Housing and Viability Supplementary Planning Guidance 2017;
- The Planning Practice Viability Guidance in support of the National Planning Policy Framework (2018).
- The Royal Institution of Chartered Surveyors (RICS) professional statement – Financial viability in planning: conduct and reporting (1st edition, May 2019).

14 We detail the approach to arriving at a suitable BLV for the subject site in Section 6 of the report below.

PROPSOED AFFORDABLE HOUSING DELIVERY

1 The Applicant is proposing to provide 35% affordable housing (habitable rooms). We summarise the proposed affordable housing provision below.

BLOCK	TENURE	UNIT TYPE	NO. OF UNITS	NO. OF HABITABLE ROOMS
A	Discounted Market Rent (80%)	1B 1P	24	24
A	Discounted Market Rent (80%)	1B 2P	31	62
B	Shared Ownership	1B 2P	34	68
B	Shared Ownership	1B 2P WCA	6	12
B	Shared Ownership	2B 4P	40	120
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Subtotal	**Intermediate**		**296**	**662**
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B	Affordable Rent	2B 4P WCA	4	12
B	Affordable Rent	3B 5P	32	128
B	Affordable Rent	3B 5P WCA	3	12
Subtotal	**Affordable Rent**		**86**	**282**
TOTAL			382	944

2 The above would result in the following overall residential provision:

TENURE	NO. OF HABITABLE ROOMS	% OVERALL	% AFFORDABLE
Private	1,752	65.0%	NA
Intermediate	662	24.5%	70%
Affordable Rent	282	10.5%	30%
	2,696	100%	100%

3 The proposals result in the early delivery of affordable housing based upon the currently proposed indicative phasing as set out below. This is a significant benefit of the proposals and has a negative impact on the already challenging viability of the scheme.

PHASE	% OF AFFORDABLE
Phase 1 – Blocks A & B	61%
Phase 2 – Block C	39%
Phase 3 – Block D	0%

AFFORDABLE HOUSING TENURES AND AFFORDABILITY CRITERIA

DISCOUNTED MARKET RENT

4 Within the Build to Rent element of the development, the Applicant is proposing to provide approximately 55 units (86 habitable rooms) of Discounted Market Rent (DMR). The units will be provided at 80% of Market Rent to eligible households.

5 In accordance with the Intend to Publish Draft London Plan, all intermediate rented products such as Discounted Market Rent should be affordable to households on incomes of up to £60,000. Further information on the income cap and how they are applied can be found in the Annual Monitoring Report. For dwellings to be considered genuinely affordable, annual housing costs should be no greater than 40 per cent of net household income. The latest Annual Monitoring Report calculates net income as 70% of gross income.

6 The above means that to qualify as being genuinely affordable, the monthly rent payable should be £1,400 per month or less. As detailed further in Section 7 below, a range of studio and 1 bedroom apartments will be available at a 20% discount to Market Rents which will make them £1,080 and £1,320 per month respectively. This means that they are genuinely affordable in accordance with the criteria summarised above.

SHARED OWNERSHIP

7 The Applicant proposes to provide approximately 241 units (576 habitable rooms) as shared ownership apartments. The apartments will be affordable to households on gross incomes of up to £90,000 per annum, in line with the threshold set by the GLA.

AFFORDABLE RENT

8 We understand that Barnet Council has a rents policy where all newly built council homes are charged based on affordable rents at 65% of Market Rents. The Applicant proposes to provide approximately 86 units (282 habitable rooms) as Affordable Rent apartments. The Affordable Rents will be charged at a maximum of 65% of Market Rents in accordance with the Council's rent policy.

9 As detailed further in Section 7 below, Affordable Rent unit rents in London are typically capped at the Local Housing Allowance (LHA) rates specific to a Broad Rental Market Area (BRMA). LHA rates are the housing benefit

an eligible tenant can receive if renting from a private landlord. Therefore, the rents charged by Affordable Rent products do not exceed the LHA rates available to local residents.

10 This site is located within the Inner North London BRMA for which we have set out the 2020/21 LHA rates below. However, the Applicant is prepared to deliver the proposed Affordable Rent units at 65% of Market Rent which, in this instance, are below the local LHA rates.

APARTMENT TYPE	LHA RENT (£ PER WEEK)	65% (£ PER WEEK)
1B 2P	£295	£248
2B 4P	£366	£323
3B 5P	£442	£398

06

BENCHMARK LAND VALUE

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1 As set out in Section 3, the site extends to approximately 6.80 acres (2.75 hectares) and contains three adjoining retail warehouse units (known as Broadway Retail Park) which provide approximately 83,000 sq. ft. of floorspace (GIA).

2 The largest unit (Unit 3) is occupied by B&Q, with an adjoining pair of smaller retail warehouse units that appear to have been added subsequently. These units, known as Unit 1 and Unit 2, are occupied by Saint-Gobain Building Distribution Ltd (t/a Tile Depot) and Poundstretcher respectively.

3 Unit 1 comprises a single storey retail warehouse unit extending to approximately 10,000 sq. ft. It provides an open plan tile showroom fitted out in the tenant's usual corporate style, with painted blockwork walls.

4 Unit 2 comprises a single storey retail warehouse unit extending to approximately 15,000 sq. ft. It provides an open plan sales area fitted out in the tenant's usual corporate style, with painted blockwork walls.

5 Unit 3 comprises a two storey "L"-shaped retail warehouse unit extending to approximately 58,000 sq. ft. It is fitted out in B&Q's usual trading style, with a small first floor providing design studios, separate mezzanine storage area and a garden centre to the rear.

6 The site also includes extensive surface level parking for 470 cars. This represents a car parking ratio of 1:183 sq. ft. The total site coverage is low at around 29%.

7 An office pod is located within the car park and is occupied by We Buy Any Car Ltd under the terms of a licence from the freeholder.

8 A food van is located within the car park and is occupied by The Lunch Box UK Ltd under the terms of a licence from the freeholder.

9 In accordance with the Mayor's Affordable Housing and Viability Supplementary Planning Guidance (SPG), the 'Existing Use Value plus' (EUV+) approach is usually the most appropriate for planning purposes and in most circumstances, the Mayor will expect this approach to be used.

10 The National Planning Policy Framework and Viability Planning Practice Guidance (PPG), updated in September 2019, states that, "To define land value for any viability assessment, a benchmark land value should be established on the basis of the 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 comply with policy requirements."

11 The EUV + approach adopted and summarised below is therefore in accordance with both the NPPF and Mayor's SPG.

12 The property is subject to four leases and a number of licenses and concessions. We have been provided with the following tenancy schedule by the Applicant:

DEMISE	TENANT	START	END	RENT (PA)	COMMENTS
Unit 1	Saint-Gobain Building Distribution Ltd	19/08/2017	18/08/2020	£136,500	Mutual break option at any time on 6 months' notice. Contracted outside 1954 Act.
Unit 2	Poundstretcher Ltd	19/08/2017	18/08/2020	£127,650	Landlord break option at any time on 6 months' notice and payment of £212,000. Contracted outside 1954 Act
Unit 3	B&Q Plc	Applicant's purchase of site.	18/08/2020	£631,510	Leaseback by vendor. Contracted outside 1954 Act.
Car Parking	Ardent Tide Ltd	18/01/2018	17/01/2019	£6,142.50	Can be terminated on 1 months' notice by either party.
Concession	The Lunch Box UK Ltd	06/08/2018	Rolling	£14,124	Can be terminated on 1 months' notice by either party.
Concession	We Buy Any Car Ltd	07/07/2014	Rolling	£28,000	Can be terminated on 1 months' notice by either party.
Gas Governor	Cadent Gas Ltd	29/09/1991	28/09/2071	£0	
TOTAL				£943,926.50	

13 We understand that the car park licensee, Ardent Tide Ltd, remains in occupation following the expiry of its license in January 2019 and is in discussions about renewing the license on the same terms at a licence fee of £6,900 per annum.

RETAIL WAREHOUSE OCCUPATIONAL MARKET

14 The level of vacancy on retail parks is lower than other retail sectors despite the rationalisation and administration of several high profile retailers over recent years.

15 Bulky goods and value-food retailing remain the most active parts of the market. Lidl and Aldi are both expansionary at present, and landlords are increasingly aware of broadening customer base, willingness to take long leases, and the role of footfall drivers. Retailers such as Oak Furniture Land, Tapi and Wren all have plans for further store openings, reflecting the predicted strength of sales in this segment.

16 There is a very limited amount of new letting evidence in the Greater London retail warehouse market due to the very limited amount of new space being developed and the fact that most occupiers in the sector take units on long term leases.

17 Within the Greater London area, the loss of retail warehousing accommodation to redevelopment has resulted in many occupiers suffering from a shortage of appropriate sized and well-located stores. This has resulted in a number of occupiers agreeing to long-term re-gears and lease extensions at higher rents in order to secure their stores.

18 The rents paid by Saint-Gobain, Poundstretcher and B&Q equate to £13.65 per sq. ft., £8.51 per sq. ft. and £10.89 per sq. ft. respectively. The lettings to Saint-Gobain and Poundstretcher were agreed in August 2017 but constituted short term lettings with rolling break options in order to facilitate redevelopment of the site in the near future. The lease to B&Q is part of a short-term sale and leaseback arrangement. As such we do not believe any of the current tenancies reflect open market terms. We have identified the following leasing activity that we consider to be relevant:

ADDRESS	TENANT	SQ. FT.	RENT (PSF)	TERM	RFP	TYPE	DATE
Unit 2, Silk Bridge Retail Park	Wickes	22,000	£20.84			RR	Apr-18
Silk Bridge Retail Park	Halfords	11,100	£25,000			RR	Sep-17
Hanger Lane, Alperton	Wickes	30,740	£28.00	20	1 month	LR	Jun-17
Unit 8b, Friern Bridge Retail Park	Pets at Home	7,470	£29.99	15	6 months	OML	Jun-16
Unit 10, Friern Bridge Retail Park	Dunelm	20,515	£23.15	15	6 months	OML	Jun-16
Unit 7b, Hayes Bridge Retail Park	Tapi	8,627	£22.20	10		OML	Mar-16
428 Victoria Road, South Ruislip	B&M	24,300	£22.25	15		OML	Feb-16
317 Cricklew ood Broadw ay	Matalan	34,211	£22.14			RR	Aug-15

19 Rents agreed range from approximately £20.00 per sq. ft. to £30.00 per sq. ft.

20 We anticipate that, were the property to remain in its existing use, it would be possible to let the accommodation at significantly higher rents than those currently paid.

21 Based upon the above evidence, we consider a rent of £15.00 per sq. ft. to be reasonable for the larger Unit 3 (58,000 sq. ft.), and £20.00 per sq. ft. for Unit 1 (10,000 sq. ft.) and Unit 2 (15,000 sq. ft.).

22 The above assumptions would result in the following estimated rental value:

PROPERTY	SQ. FT.	ERV (£ PSF)	ERV (£ PA)
Unit 1 (Tile Depot)	10,000	£20.00	£200,000
Unit 2 (Poundstretcher)	15,000	£20.00	£300,000
Unit 3 (B&Q)	58,000	£15.00	£870,000
TOTAL	83,000		£1,370,000

RETAIL WAREHOUSE INVESTMENT MARKET

23 The retail warehousing investment market has shown some resilience, despite economic and political uncertainty, offering attractive yields and returns. The out-of-town format is also well placed to bridge the gap between online and in-store consumption, with the ability to provide for, and benefit from the growing Click & Collect market.

24 We have identified the following investment sales evidence that we consider to be relevant:

ADDRESS	TENANCIES	SQ. FT.	PRICE	PRICE (PSF)	NIY	DATE
Wickes, South Ealing Road, Ealing	Wickes for 13 years	30,876	£14,500,000	£470	4.00%	Jul-18
Wickes, Hertford Road, Barking	Wickes for 9.7 years	58,168	£20,000,000	£344	4.00%	Q1 2018
Wickes, Fraser Road, Erith	Wickes for 9.4 years	30,842	£8,720,000	£283	4.35%	Q1 2018
West Five Centre, Acton	B&Q and Staples until 2025 (9 years)	73,733	£40,000,000	£542	4.75%	Nov-16

ADDRESS	TENANCIES	SQ. FT.	PRICE	PRICE (PSF)	NIY	DATE
Hayes Bridge Retail Park, Hayes	7 tenants with AWULT 7.9 years (6.9 to breaks)	103,001	£39,000,000	£379	5.62%	Oct-16
Tile Superstore, 11-13 North Circular	Al Murad DIY Ltd	16,000	£3,000,000	£188	5.28%	Jan-17
Mid Sussex Retail Park, Burgess Hill	B&Q and Pets at Home for WAULT of 11 years	50,688	£17,325,000	£342	4.72%	Nov-17
B&Q, Bugsby Way, Greenwich	B&Q until Jun 2024 (7.75 years)	93,507	£43,320,000	£463	4.85%	Sep-16

25 The above transactions generally show that net initial yields range between approximately 4.00% and 5.50% for solus retail warehouse units or small parks let within Greater London or close to the M25 although some of this evidence is slightly historic.

26 We anticipate that, were the property to be retained in its existing use, it would attract pricing at around 6.5% based upon current market sentiment and the current short term leases in place to the existing occupiers. This ties in with investment research undertaken by large agents such as Knight Frank and CBRE.

27 In our opinion, if the property were not being brought forward for redevelopment the current tenants may be willing to engage with the landlord in lease renewal discussions. The shortage of good quality retail warehouse stock in the Greater London area and the continuing loss of space to redevelopment, has made occupiers very amenable to entering into new long term leases to secure their occupancy, often at an increased rent with minimal incentives from the landlord.

28 If the property were to be let on new leases of at least 15 years, we anticipate the smaller units (Unit 1 and Unit 2) could be let at a rent of around £20.00 per sq. ft., with the larger unit (Unit 3) attracting a rent of around £15.00 per sq. ft.

29 We have allowed for a total combined leasing void and tenant rent free package of 18 months from the valuation date and made an allowance of 15% (£205,500) for professional letting and legal fees.

30 We have not made an explicit allowance for any additional income receivable from concession licences, such as those currently in place with We Buy Any Car and The Lunch Box. The ability of a landlord to drive additional rental revenues is implicitly reflected in the capitalisation yield adopted.

31 We have capitalised the potential income receivable at a yield of 6.5% which results in an Existing Use Value of approximately **£17,775,000** after the deduction of standard purchaser's costs of approximately 6.8%.

32 We attach a summary of the valuation calculations at **Appendix 3.**

EXISTING USE VALUE + LANDOWNER'S PREMIUM

33 As set out within the Affordable Housing and Viability Supplementary Planning Guidance, a landowner's premium is usually added to provide the landowner with an additional incentive to release the site, having regard to site specific circumstances. We have considered the following site specific circumstances when applying an appropriate premium to the subject property:

- Landowners are aware that the site will be comprehensively redeveloped and they will require a sufficient premium to persuade them to release their properties based upon their perception of the value that will be released by the development.
- Well-located retail parks in London and the South East are continuing to be attractive assets despite the wider downturn in the retail market.
- In order to replace the asset, the landowner would be competing for sites with developers. Because an Existing Use Value ignores any hope value for redevelopment, a larger uplift is required to persuade the landowner to release the site.

34 Based upon the above, we have adopted a 20% premium which results in a **Benchmark Land Value of £21,330,000** as set out below:

EXISTING USE VALUE	LANDOWNER'S PREMIUM (%)	LANDOWNER'S PREMIUM (£)	TOTAL BENCHMARK LAND VALUE
£17,775,000	20%	£3,555,000	£21,330,000

35 A Benchmark land Value of £21,330,000 equates to approximately £257 per sq. ft. which we believe is very reasonable based upon the evidence presented above.

07

VIABILITY APPRAISAL ASSUMPTIONS

VIABILITY APPRAISAL ASSUMPTIONS

1 We consider below the assumptions adopted within the viability appraisal attached as **Appendix 2.**

DEVELOPMENT PHASING & TIMESCALES

2 We have adopted the following construction & phasing assumptions based upon discussions with the Applicant and our experience of similar sized projects across London.

DEVELOPMENT PHASE	START DATE	DURATION (MONTHS)
Block A – BTR Residential & Commercial		
Demolition & pre-construction	July 2020	9
Construction	Apr 2021	30
Sale – Residential & commercial	Oct 2023	1
Block B – Affordable Housing & Commercial / Community		
Demolition & pre-construction	July 2020	9
Construction	Apr 2021	24
Sale – Affordable Housing	Apr 2021	24
Sale – Commercial & community	Apr 2023	1
Block C – Shared Ownership		
Demolition & pre-construction	Jul 2020	21
Construction	Apr 2022	24
Sale	Apr 2022	24
Block C – Private Residential		
Demolition & pre-construction	Jul 2020	21
Construction	Apr 2022	24
Sale	Apr 2024	14
Block D – Private Residential & Commercial		
Demolition & pre-construction	Jul 2020	35
Construction	Jun 2023	24
Sale – Private residential	Jun 2025	19
Sale – Commercial	Jun 2025	1

3 The private residential sales periods have been based on selling 50% off-plan followed by an average of 6 completed sales per month. The affordable housing receipts have been spread across the construction phase on a straight line basis.

4 We are of the opinion that the above assumptions are very optimistic within the current market which adds additional risk into the appraisal.

RESIDENTIAL VALUES – PRIVATE FOR SALE

5 Montagu Evans has undertaken research of the local residential market and produced a residential sales report which we attach at **Appendix 4.** Based upon the research, the sales report provides the following estimated pricing for the unit types adopted within the viability appraisal:

APARTMENT TYPE	NO. UNITS	AVERAGE NIA (SQ. FT.)	ESTIMATED AVERAGE SALE PRICE PER UNIT	ESTIMATED AVERAGE SALE PRICE (£ PER SQ. FT.)
1B 1P (Studio)	60	398	£315,000	£791
1B 2P	139	538	£400,000	£743
1B 2P WCA	28	699	£465,000	£665
2B 4P	108	753	£525,000	£697
2B 4P WCA	20	914	£575,000	£629
3B 5P	37	925	£600,000	£649
3B 5P WCA	4	1,184	£700,000	£591
TOTAL / AVERAGE	396			£704

6 The range of values detailed above results in an estimated average value of approximately **£704 per sq. ft.** We have applied this average value per sq. ft. across all of the proposed private residential sale area within the viability appraisal.

7 It should be noted that Montagu Evans are of the opinion that these are optimistic pricing levels in the current market and reflect the potential landmark nature, height, views and place making potential of the proposed development.

GROUND RENTS

8 We have not included a receipt for the sale of ground rents. In June 2019 the then Housing Secretary, James Brokenshire published the Government's response to the leasehold reform consultation which confirms that legislation will be brought forward to ban the sale of leasehold houses and fix ground rents on apartments at zero financial value (£0). Exemptions from the legislation will only be provided for retirement properties and community-led developments as proposed in the consultation document.

9 The Government has stated that a Bill to implement the reforms will be brought forward "when parliamentary time allows" and no additional transitional period will be allowed for after the passage of the legislation. Although the timings are therefore currently unknown, the Government's intentions have been made clear and it is therefore prudent to assume that the sale of ground rents following practical completion of the development would either have been legislated against or no longer be acceptable to purchasers in the market.

RESIDENTIAL VALUES – PRIVATE BUILD TO RENT

10 It is proposed that 322 residential units contained within Block A will be Private Build to Rent (BTR) properties as opposed to the other traditional build to sell properties. The approach taken to appraising Block A reflects this key

difference by capitalising our estimated rental values for the properties and applying an appropriate allowance for management costs, repairs and voids.

11 We have undertaken research of the private rental market in the surrounding area in order to reach our opinion of the estimated rents for each of the unit types within the development. The evidence considered is summarised below:

ADDRESS	NO. OF BEDROOMS	QUOTING RENT (PCM)	FURNISHED?	COMMENTS
The Exchange, Brent Cross Gardens	Studio	£950	N	BTR apartment. Gained prior approval in 2017 to convert B1(a) office to resi. Fair specification. No communal facilities.
Cricklew ood Broadw ay	Studio	£1,150	N	New ly refurbished. 0.3 miles from Cricklew ood station. Good specification.
Finchley Road	Studio	£1,257	N	Contemporary open plan flat w ith small terrace above retail. Good specification. 0.7 miles from Cricklew ood station.
Dollis Hill Lane	Studio	£1,198	Y	New ly refurbished. Good specification. 0.8 miles from Cricklew ood station & 0.9 miles from Dollis Hiss underground station.
Flat 7, Gerard Court	1	£1,425	N	New ly refurbished to high specification. 0.4 miles from Willesden Green & 0.5 miles from Cricklew ood stations. 493 sq. ft.
Granville Road, Golders Green	1	£1,560	Flexible	Duplex apartment (mezzanine bedroom). Contemporary gated development w ith off-street parking. 0.5 miles from Golders Green and 0.7 miles from Cricklew ood stations.
Holmdale Road, West Hampstead	1	£1,500	Flexible	New ly refurbished garden flat. 372 sq. ft. Private garden. 0.3 miles from West Hampstead station.
Loveridge Mew s, West Hampstead	1	£1,450	Flexible	New ly refurbished. Good specification. 0.1 miles from Kilburn and Brondesbury stations.
The Vale, Golders Green	2	£1,840	Unknow n	Contemporary 1st floor apartment. 0.3 miles from Cricklew ood station.
The Broadw ay	2	£1,650	Part	Second floor contemporary apartment w ith balcony. 787 sq. ft. Good specification. 0.1 miles from Cricklew ood station.
Bentley Court, Cricklew ood Broadw ay	2	£1,950	Part	Top floor flat in a modern development w ith ground floor retail. 778 sq. ft. Good specification. 0.4 miles from Cricklew ood station.
The Cascades	3	£2,815	Flexible	Good quality first floor flat w ith balcony. 3 beds & 3 baths. 0.7 miles from Cricklew ood station.
Teignmouth Road	3	£2,710	Y	Luxury furnished open plan 2 level flat w ith garden. 934 sq. ft. 0.2 miles from Willesden Green and 0.6 miles from Cricklew ood stations.

12 The evidence above provides rental comparables for the traditional buy-to-let market within new and modern developments in the local area. However, we would expect the subject BTR scheme to achieve higher rents given the additional amenities and inclusive rents offered by BTR schemes. In order to help establish the level of BTR rents that may be achievable in this type of development, we have also considered the current rents at the Tipi development in Wembley Park:

ADDRESS	NO. OF BEDROOMS	SIZE (SQ. FT.)	QUOTING RENT (PCM)	FURNISHED?
1022 Alameda	Studio	400	£1,790	Y
115 Landsby West	1	555	£1,960	N
102 Landsby East	1	559	£1,990	Y
508 Landsby East	1	573	£2,000	Y
50 Dakota	1	593	£1,885	N
27 Dakota	2	735	£2,300	Y
85 Alto	2	792	£2,595	Y
1006 Landsby East	2	813	£2,360	N
203 Landsby West	2	816	£2,410	N
1206 Landsby East	2	821	£2,370	N
76 Dakota	2	903	£2,710	Y
1502 Landsby West	2	942	£2,545	Y
1305 Landsby West	3	952	£2,840	Y
63 Montana	3	975	£3,155	Y
1002 Landsby East	3	1,051	£2,855	N
118 Alto	3	1,121	£3,368	N

13 Based upon the above, we have adopted the following estimated rental values for the proposed unit types at the subject development:

APARTMENT TYPE	NO. UNITS	AVERAGE NIA (SQ. FT.)	ESTIMATED RENT (PER MONTH)	TOTAL GROSS RENT (PER ANNUM)
1B 1P (Studio)	44	398	£1,350	£712,800
1B 2P	79	538	£1,650	£1,564,200
1B 2P WCA	18	699	£1,750	£378,000
2B 4P	137	753	£2,150	£3,534,600
2B 4P WCA	15	914	£2,250	£405,000
3B 5P	26	925	£2,650	£826,800
3B 5P WCA	3	1,184	£2,750	£99,000
TOTAL	322			£7,520,400

14 Montagu Evans has a Capital Markets team that specialise in the acquisition, disposal and funding of residential investment projects including BTR. The team has advised that it is reasonable to adopt a 25% allowance for management, repair and void costs based upon their experience of build to rent (BTR) developer's and management companies.

15 To evidence this we would point to the average results being achieved by Grainger plc, who are the UK's largest listed residential landlord and a market leader in the UK build to rent sector with a portfolio of over 8,000 rental

homes. According to their 2018 financial results, they achieved 26% over the portfolio with the benefit of their significant economies of scale.

16 As well as following advice from Montagu Evans Capital Markets team, we have considered research documents such as the Knight Frank Residential Yield Guide, January 2020 (**Appendix 5**). Taking into account the transport links available to the site, we are of the opinion that the property would be considered as a Secondary Zone 3 location and we have therefore applied a 4% yield, a 0.25% outwards adjustment from the Knight Frank view on Prime Zone 3.

17 We would note that yield data prepared by the large national agents such as CBRE tends to be based on operational costs in the region of 25 - 27.5%.

18 The above assumptions result in a Gross Development Value for the proposed private BTR apartments of £141,007,500.

AFFORDABLE HOUSING VALUES – DISCOUNTED MARKET RENT

19 Within the Build to Rent element of the development, the Applicant is proposing to provide approximately 55 units (86 habitable rooms) of Discounted Market Rent (DMR). The units will be provided at 80% of Market Rent to eligible households.

20 A range of studio and 1 bedroom apartments will be available at a 20% discount to Market Rents which will make them affordable to households on gross incomes of up to £60,000 per annum.

21 Based upon the evidence presented above and assumed full market rents, we set out below the estimated rents for the proposed DMR units based upon the 20% discount.

APARTMENT TYPE	NO. UNITS	AVERAGE NIA (SQ. FT.)	ESTIMATED FULL MARKET RENT (PER MONTH)	DISCOUNTED MARKET RENT (PER MONTH)	TOTAL GROSS RENT (PER ANNUM)
1B 1P (Studio)	24	398	£1,350	£1,080	£311,040
1B 2P	31	538	£1,650	£1,320	£491,040
TOTAL	55				£802,080

22 Adopting the same 25% allowance for management, repair and void costs and a yield of 4% results in a Gross Development Value of £15,039,000.

AFFORDABLE HOUSING VALUES – AFFORDABLE RENT

23 In order to establish the value of the affordable units, the Montagu Evans Affordable Housing team have used a sector specific valuation tool called Podplan. This valuation toolkit is based upon a fully explicit discounted cashflow model over a 45-year period. At the end of the subject 45 year period, the net income in the final year is capitalised into perpetuity. Against the income receivable DCF, we have made an allowance for voids and bad debts; the costs of management and administration; major repairs; cyclical maintenance and day-to-day repairs as well as development on-costs. This valuation tool is used by many Registered Providers when bidding for S.106 opportunities in the market and the assumptions within Podplan represent a market facing approach.

24 Affordable Rent unit rents in London are typically capped at the Local Housing Allowance (LHA) rates specific to a Broad Rental Market Area (BRMA). LHA rates are the housing benefit an eligible tenant can receive if renting from a private landlord. Therefore, the rents charged by Affordable Rent products do not exceed the LHA rates available to local residents.

25 This site is located within the Inner North London BRMA for which we have set out the 2020/21 LHA rates below. However, we understand that the Applicant is prepared to deliver the proposed Affordable Rent units at 65% of Market Rent which, in this instance, are below the local LHA rates as summarised below.

APARTMENT TYPE	LHA RENT (£ PER WEEK)	65% (£ PER WEEK)
1B 2P	£295	£248
2B 4P	£366	£323
3B 5P	£442	£398

26 Having valued the Affordable Rent units at 65% of Market Rent, our Affordable Housing team have advised us to adopt a capital value of £345 per sq. ft. to these units.

AFFORDABLE HOUSING VALUES – SHARED OWNERSHIP

27 The Shared Ownership units assume a 25% first tranche sale, with 2.75% rent being charged on the remaining equity by the Registered Provider. These units are affordable to households with incomes up to £90,000 per annum, in line with the threshold set by the GLA.

28 Based upon the above assumptions, the Montagu Evans Affordable Housing Team has advised us to adopt values of £500 per sq. ft. for the shared ownership units.

COMMERCIAL VALUE

29 The proposals will deliver up to 1,200 sq. m (GIA) of flexible commercial space with the illustrative masterplan demonstrating the following, which we have adopted for the purposes of the viability appraisal:

BLOCK	ACCOMMODATION TYPE	SIZE SQ. M (GIA)	SIZE SQ. FT. (GIA)
A	Flexible Commercial	405	4,359
B	Flexible Commercial	366	3,940
B	Community – D1	192	2,067
D	Community – D1	73	786
TOTAL		1,036	11,152

30 For the purposes of the viability appraisal we have assumed a 90% net: gross efficiency.

31 Based upon our experience of similar uses within new large residential led developments across London, we have applied an average rent of £25 per sq. ft. and a 6 month rent free period. We have capitalised the income using a 6% yield.

32 We understand that the cost plan provided by Ward Williams Associates (**Appendix 6**) assumes that the commercial space is completed to shell only. Therefore we have allowed for a rent free period of 6 months to allow for tenant fit out costs.

CONSTRUCTION COSTS

33 We have been provided with a detailed construction cost estimate for the development by the Applicant's Quantity Surveyors, Ward Williams Associates. We attach a copy of the cost estimate at **Appendix 6.**

34 The estimated construction costs for the proposals total **£295,340,000** inclusive of a developer's contingency but excluding professional fees.

PROFRSSIONAL FEES

35 We have made an allowance of 10% to cover all professional fees. We are of the opinion that this is a reasonable assumption for a project of this scale and would include fees for the following:

- Architects
- Quantity Surveyors
- MEP
- Structures
- BREEAM
- Landscape
- Highways
- Utilities
- NHBC
- Sound Testing
- Air Testing
- Legal fees (construction & stopping up etc.)
- Interior design
- CCTV / Drainage survey
- Building control and inspections
- Sewer survey & movement monitoring
- Site investigations – soil reports etc.

MARKETING, LETTING & DISPOSAL FEES

36 Details of the estimated marketing, acquisition and sales fees are contained within our appraisal (attached as **Appendix 2)**. The fees have been applied having regard to the industry standards for a development of this nature.

COMMUNITY INFRASTRUCTURE LEVY

37 We have been provided with an initial CIL estimate by the Applicant's planning advisors totalling approximately **£17,667,315.** We have included this estimate as a cost within the viability appraisal.

38 We would reserve the right to amend the viability appraisal should further information regarding the potential CIL liability become available.

S106 CONTRIBUTIONS

39 We have not been provided with a detailed S.106 contribution estimate and therefore not included a cost at this stage.

40 We would reserve the right to amend the viability appraisal should further information regarding a S.106 contribution become available.

FINANCE

41 Costs have been financed over the development period at a combined finance rate of 7% being the minimum average level available from providers, including fees charged by these providers.

DEVELOPER'S RETURN

42 For a commercially acceptable development to proceed, a level of return is required by the developer which reflects the risk of development. In the current market, an acceptable return for a development of this nature is approximately 20% of the private sale residential Gross Development Value (GDV), 15% of the Build to Rent GDV, 17.5% of the commercial GDV and 6% of the affordable residential GDV.

43 The Mayor's SPG states that the appropriate level of profit should be scheme specific and that a rigid approach to assumed profits should be avoided. In accordance with the SPG, Montagu Evans have applied levels of developer's return which reflect the inherent risks of this type of scheme in the current market.

44 The market generally was facing headwinds with flat pricing and higher build costs starting to add significant risk. The rate of sales being achieved in the London market are slowing and large off-plan sales to foreign and UK investors are no longer taking place (without offering significant discounts) for various reasons including stamp duty increases for second home purchases, the changes to mortgage interest tax relief and the significant uncertainty associated with the UK's decision to exit from the European Union.

45 We would comment that the current uncertainty as a result of the Covid-19 pandemic has added an extremely large level of risk into the market. It is still too early to be able to measure the impact on a number of the assumptions contained within this report and so the Financial Viability Assessment currently assumes a 'normalised' market broadly in line with conditions in Q3 2019. Given the project's programme length, we consider this to be a reasonable assumption at this stage. However, we would reserve the right to revise the report when more is known about the impact on the economy and property market generally.

46 These conditions alone are enough to require profit level expectations to be raised across the residential development market as a whole and there are a number of independent assessors representing Councils that are currently adopting these profit levels for smaller and in our opinion less risky schemes than the subject. One of the main reasons for this is due to the economic uncertainty following the EU Referendum in the UK.

47 The Applicant is taking a significant risk by over delivering affordable housing (in viability terms) up front. This level of risk and the reliance on significant value growth to improve viability should not be underestimated.

48 It is crucial that profit levels are adopted at fundable levels to account for the current challenges and uncertainty or schemes will be undeliverable.

08

VIABILITY RESULTS & CONCLUSIONS

VIABILITY RESULTS & CONCLUSIONS

1 We attach the viability appraisal summary at **Appendix 2** and summarise the results of the appraisal below based upon the inputs set out above.

Financial Viability Appraisal - Summary of Inputs & Results	
Revenue	
Build to Rent – Gross Development Value (GDV)	£156,046,500
Private residential - GDV	£186,968,320
Affordable residential - GDV	£105,421,885
Commercial accommodation - GDV	£4,061,918
Total Gross Development Value	**£452,498,622**
Less purchasers' costs	-£10,194,169
Net Development Value	**£442,304,454**
Costs	
Construction Costs	£281,278,514
Contingency – 5%	£14,063,926
Professional Fees – 10%	£29,534,244
Community Infrastructure Levy	£17,667,315
Marketing, letting, disposal & legal fees	£8,731,295
Developer's Return – BTR (15% GDV)	£23,406,975
Developer's Return – Private residential sale (20% GDV)	£37,393,664
Developer's Return – Commercial (17.5% GDV)	£710,836
Developer's Return – Affordable residential (6% GDV)	£6,325,313
Finance – Debit Rate 7%	£16,581,257
Residual Land Value	**£6,217,010**

2 It can be seen from the above that the proposals result in a land value of **£6,217,010** representing a viability deficit of **-£15,112,990** when compared to a Benchmark Land Value of **£21,330,000**.

3 The appraisal demonstrates that the residual land value is below the Benchmark Land Value whilst allowing for a commercially acceptable developer's return. This demonstrates that the development is unable to viably support the provision of 35% affordable housing.

4 It would be possible for the Applicant to reduce the proposed level of affordable housing using viability evidence in accordance with planning policy. However, the Applicant is prepared to adopt a pragmatic approach in order to avoid elongated viability discussions thereby expediting the delivery of this much needed affordable housing within the London Borough of Barnet.

5 The offer to provide 35% affordable housing is based upon not requiring any mid or late stage review mechanisms. **Should the Council or the GLA seek for a mid or late stage review to be contained within the S106 agreement then the Applicant will need to consider their options, including a potential reduction in the quantum of affordable housing or a tenure adjustment through the viability tested route in accordance with planning policy.**

SENSITIVITY APPRAISALS

6 In addition to the viability appraisal position detailed above, we have tested what the viability position would be based on the following scenarios specifically requested by the Council:

- Sensitivity scenario 1 – 35% affordable housing (65% London Affordable Rent & 35% Intermediate)
- Sensitivity scenario 2 – 35% affordable housing (50% London Affordable Rent & 50% Intermediate)

7 We summarise the assumptions adopted and results of each of these sensitivity appraisals below:

SENSITIVITY SCENARIO 1

8 We have assumed the following unit mix in order to model the sensitivity appraisal.

TENURE	NO. OF HABITABLE ROOMS	% OVERALL	% AFFORDABLE
Private	1,752	65.0%	NA
Intermediate	330	12.2%	35%
London Affordable Rent	614	22.8%	65%
	2,696	100%	100%

9 In order to model the above within the proposed viability appraisal, we have made the following assumptions:

- The proposed DMR units (86 habitable rooms) are retained, forming part of the intermediate offer.
- The remaining 244 intermediate habitable rooms required are provided as shared ownership at a value of £500 per sq. ft.
- The remaining affordable units (614 habitable rooms) are provided as London Affordable Rent at a value of £195 per sq. ft.
- The above assumptions result in a blended average affordable housing value of £281.74 per sq. ft. over the 233,205 sq. ft. within Blocks B & C.

10 The appraisal demonstrates a negative residual land value of **(-£35,871,617)** representing a viability deficit of **(-£57,201,617)** when compared to a Benchmark Land Value of **£21,330,000** which is clearly not deliverable. We attach a copy of the appraisal summary as **Appendix 7.**

SENSITIVITY SCENARIO 2

11 We have assumed the following unit mix in order to model the sensitivity appraisal.

TENURE	NO. OF HABITABLE ROOMS	% OVERALL	% AFFORDABLE
Private	1,752	65.0%	NA
Intermediate	472	17.5%	50%
London Affordable Rent	472	17.5%	50%
	2,696	100%	100%

12 In order to model the above within the proposed viability appraisal, we have made the following assumptions:

- The proposed DMR units (86 habitable rooms) are retained, forming part of the intermediate offer.
- The remaining 386 intermediate habitable rooms required are provided as shared ownership at a value of £500 per sq. ft.
- The remaining affordable units (472 habitable rooms) are provided as London Affordable Rent at a value of £195 per sq. ft.
- The above assumptions result in a blended average affordable housing value of £332.21 per sq. ft. over the 233,205 sq. ft. within Blocks B & C.

13 The appraisal demonstrates a negative residual land value of **(-£22,112,741)** representing a viability deficit of **(-£43,442,741)** when compared to a Benchmark Land Value of **£21,330,000** which is clearly not deliverable. We attach a copy of the appraisal summary as **Appendix 8.**

14 We trust that the above is clear but please do not hesitate to contact us should you require anything further.

Yours sincerely,

Jonathan Glaister MRICS
Partner
Montagu Evans LLP

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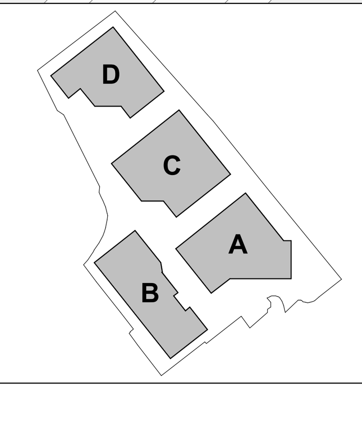
E: jonathan.glaister@montagu-evans.co.uk

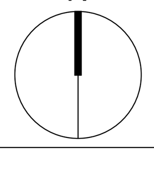
APPENDIX 01

ILUSTRATIVE PLANS & ACCOMMODATION SCHEDULE

Keyplan



North



Notes:
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No.	Revision	Date	Initial	Chk'd
3	EIA Data Drop 02	200117	AI	SN
2	Draft EIA Data Drop 02	200110	AI	SN
1	EIA Data Drop 01	191213	RM	SN

Application boundary

Maximum parameter building plot areas (including enhancement zone)

Illustrative scheme

Landscape, public space, roads, infrastructure

EPR Architects

30 Millbank, London SW1P 4DU
+44(0)20 79327600
www.epr.co.uk

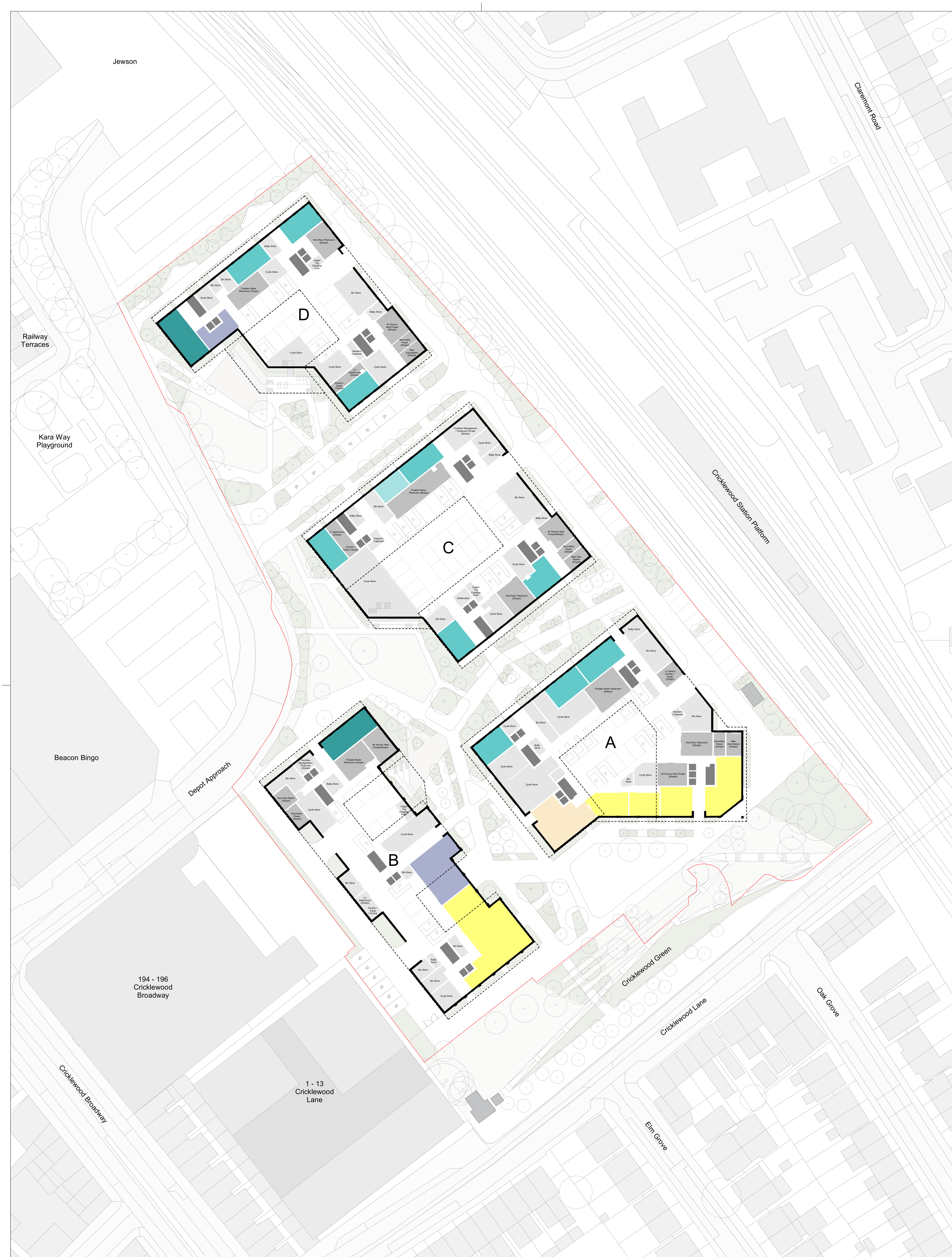
Cricklewood Lane
NW2 1ES

Illustrative Scheme
Proposed

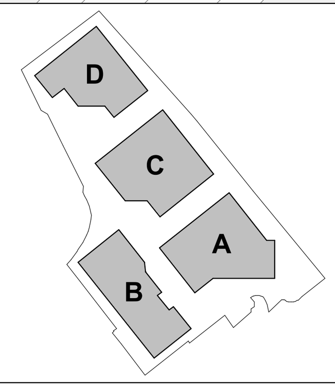
Scale @A1	Status	Suitability	Revision
1:500	For Information	S2	P3

Project Code - Originator - Zone - Level - Type - Role - Class. Number

10965 - EPR - XX - XX - DR - A - TP-0200



Keyplan



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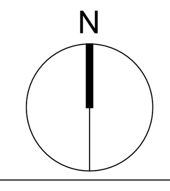

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No.	Revision	Date	Initial	Chk'd
3	Data Drop 03	200218	AI	SN
2	EIA Data Drop 02	200117	AI	SN
1	Draft EIA Data Drop 02	200110	AI	SN

- Application boundary
- Maximum parameter building plot areas (including enhancement zone)
- Residential - C3 - 1B1P Studio
- Residential - C3 - 1B2P
- Residential - C3 - 2B4P
- Residential - C3 - 3B5P
- Community - D1
- Flexible commercial - A3, B1
- BtR shared amenities
- Ancillary (Cycle store, BOH)
- Ancillary (Plant, MEP)
- Core (Lift, Stairs)

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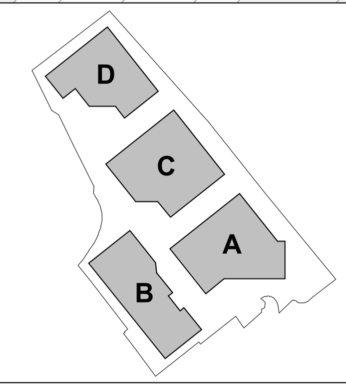
Cricklewood Lane
NW2 1ES

Illustrative Scheme
Ground Floor Plan

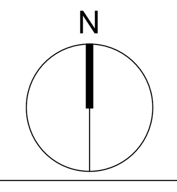
Scale @A1	Status	Suitability	Revision
1:500	For Information	S2	P3

Project Code	Originator	Zone	Level	Type	Role	Class. Number
10965	EPR	XX	GF	DR	A	TP-0201

Keyplan



North



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No.	Revision	Date	Initial	Chk'd
2	EIA Data Drop 02	200127	AI	SN
1	Draft EIA Data Drop 02	200110	AI	SN

- Application boundary
- Maximum parameter building plot areas (including enhancement zone)
- Residential - C3 - 1B1P Studio
- Residential - C3 - 1B2P
- Residential - C3 - 2B4P
- Residential - C3 - 3B5P
- Community - D1
- Flexible commercial - A3, B1
- BtR shared amenities
- Ancillary (Cycle store, BOH)
- Ancillary (Plant, MEP)
- Core (Lift, Stairs)

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Cricklewood Lane
NW2 1ES

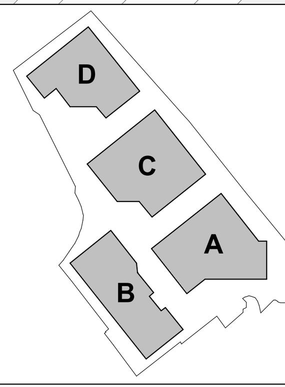
Illustrative Scheme
First Floor Plan

Scale @A1	Status	Suitability	Revision
1:500	For Information	S2	P2

Project Code	Originator	Zone	Level	Type	Role	Class.	Number
10965	EPR	XX	01	DR	A	TP	0202

10965 - EPR - XX - 01 - DR - A - TP-0202

Keyplan



North

N

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No.	Revision	Date	Initial	Chk'd
2	EIA Data Drop 02	200127	AI	SN
1	Draft EIA Data Drop 02	200110	AI	SN

- Application boundary
- Maximum parameter building plot areas (including enhancement zone)
- Residential - C3 - 1B1P Studio
- Residential - C3 - 1B2P
- Residential - C3 - 2B4P
- Residential - C3 - 3B5P
- Community - D1
- Flexible commercial - A3, B1
- BtR shared amenities
- Ancillary (Cycle store, BOH)
- Ancillary (Plant, MEP)
- Core (Lift, Stairs)

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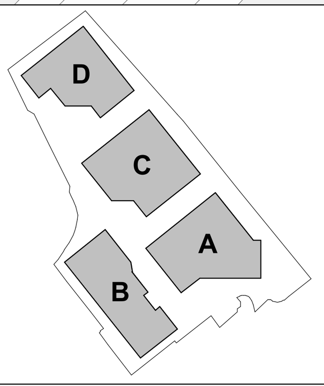
Cricklewood Lane
NW2 1ES

Illustrative Scheme
Typical Lower Floor Plan

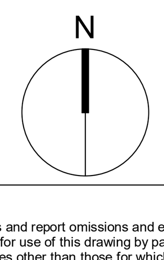
Scale @A1	Status	Suitability	Revision
1:500	For Information	S2	P2

Project Code	Originator	Zone	Level	Type	Role	Class. Number
10965	EPR	XX	XX	DR	A	TP-0203

Keyplan



North



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No.	Revision	Date	Initial	Chk'd
2	EIA Data Drop 02	200127	AI	SN
1	Draft EIA Data Drop 02	200110	AI	SN

Application boundary
Maximum parameter building plot areas (including enhancement zone)
Residential - C3 - 1B1P Studio
Residential - C3 - 1B2P
Residential - C3 - 2B4P
Residential - C3 - 3B5P
Community - D1
Flexible commercial - A3, B1
BtR shared amenities
Ancillary (Cycle store, BOH)
Ancillary (Plant, MEP)
Core (Lift, Stairs)

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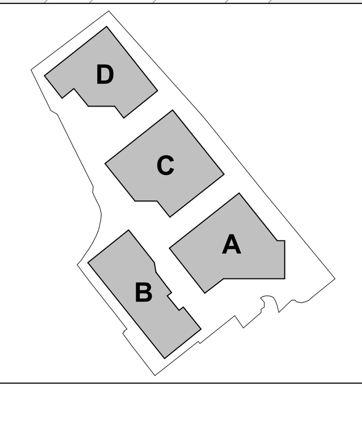
Cricklewood Lane
NW2 1ES

Illustrative Scheme
Typical Middle Floor Plan

Scale @A1	Status	Suitability	Revision
1:500	For Information	S2	P2

Project Code	Originator	Zone	Level	Type	Role	Class. Number
10965	EPR	XX	XX	DR	A	TP-0204

Keyplan



North

N

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No.	Revision	Date	Initial	Chk'd
2	EIA Data Drop 02	200127	AI	SN
1	Draft EIA Data Drop 02	200110	AI	SN

- Application boundary
- Maximum parameter building plot areas (including enhancement zone)
- Residential - C3 - 1B1P Studio
- Residential - C3 - 1B2P
- Residential - C3 - 2B4P
- Residential - C3 - 3B5P
- Community - D1
- Flexible commercial - A3, B1
- BtR shared amenities
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Cricklewood Lane
NW2 1ES

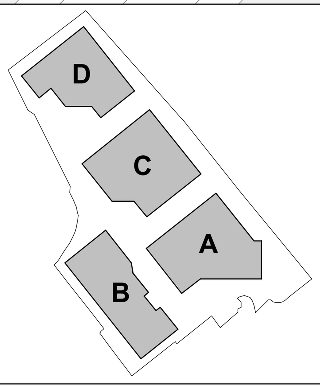
Illustrative Scheme
Typical Upper Floor Plan

Scale @A1	Status	Suitability	Revision
1:500	For Information	S2	P2

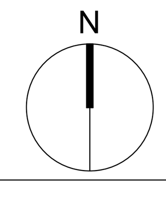
Project Code	Originator	Zone	Level	Type	Role	Class.	Number
10965	EPR	XX	XX	DR	A	TP	0205

10965 - EPR - XX - XX - DR - A - TP-0205

Keyplan



North



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No.	Revision	Date	Initial	Chk'd
2	EIA Data Drop 02	200127	AI	SN
1	Draft EIA Data Drop 02	200110	AI	SN

- Application boundary
- Maximum parameter building plot areas (including enhancement zone)
- Residential - C3 - 1B1P Studio
- Residential - C3 - 1B2P
- Residential - C3 - 2B4P
- Residential - C3 - 3B5P
- Community - D1
- Flexible commercial - A3, B1
- BtR shared amenities
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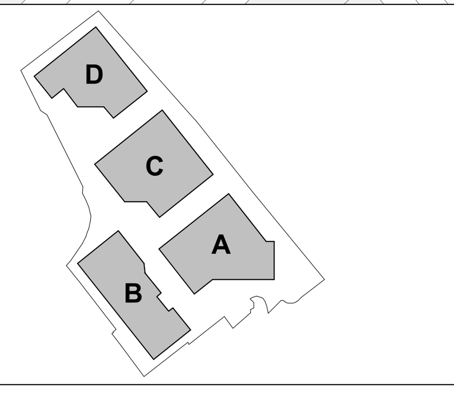
Cricklewood Lane
NW2 1ES

Illustrative Scheme
Topmost Floor Plan

Scale @A1	Status	Suitability	Revision
1:500	For Information	S2	P2

Project Code - Originator - Zone - Level - Type - Role - Class. Number
10965 - EPR - XX - 24 - DR - A - TP-0206

Keyplan



North

N

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No.	Revision	Date	Initial	Chk'd
2	EIA Data Drop 02	200121	AI	SN
1	Draft EIA Data Drop 02	200110	AI	SN

Application boundary

Maximum parameter building plot areas (including enhancement zone)

Illustrative scheme

Landscape, public space, roads, infrastructure

10 Storey height

Note: All podiums are on level 01

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Cricklewood Lane
NW2 1ES

Illustrative Scheme
Roof Plan

Scale @A1	Status	Suitability	Revision
1:500	For Information	S2	P2

Project Code	Originator	Zone	Level	Type	Role	Class. Number
10965	EPR	XX	XX	DR	A	TP-0207

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NO.	REVISION	DATE	INITIAL	CHKD
01	Issued for AECOM for comment	2019.12.24	RM	SN
02	Table consolidated	2020.01.03	SN	SN
03	Maximum parameter scheme revised - EIA Data Drop 2	2020.01.17	SN	SN
04	Commercial area uses revised	2020.01.27	RM	RM
05	Data Drop 03	2020.02.18	SN	RM

10965 Cricklewood Lane - Approx. Area Schedule

Calculated from conceptual massing, assumptions noted in caveat below table

18/02/2020

		Approx. GEA				**Approx. GIA**				**Approx. NIA**			
		Illustrative Scheme		**Maximum Parameter Scheme**		**Illustrative Scheme**		**Maximum Parameter Scheme**		**Illustrative Scheme**		**Maximum Parameter Scheme**	
		GEA (sqm)	*GEA (sqft)*	*GEA (sqm)*	*GEA (sqft)*	*GIA (sqm)*	*GIA (sqft)*	*GIA (sqm)*	*GIA (sqft)*	*NIA (sqm)*	*NIA (sqft)*	*NIA (sqm)*	*NIA (sqft)*
Block A	*Ancillary*	*2,358*	*25,381*			*2,134*	*22,975*	***approx. 480sqm commercial/community***		*1,127*	*12,127*		
	BtR Shared Amenity	*674*	*7,255*			*610*	*6,565*			*504*	*5,421*		
	Commercial	*447*	*4,811*			*405*	*4,359*			*373*	*4,013*		
	Non-residential	3,479	37,448	2,906	31,280	3,149	33,899	2,645	28,471	2,003	21,560	1,976	21,269
	Residential	32,851	353,605	43,267	465,722	30,615	329,534	39,373	423,807	23,066	248,281	29,422	316,695
	Sub-total	**36,330**	**391,052**	**46,173**	**497,002**	**33,764**	**363,432**	**42,018**	**452,278**	**25,069**	**269,842**	**31,398**	**337,965**
Block B	*Ancillary*	*2,068*	*22,260*			*1,872*	*20,145*	***approx. 647sqm commercial/community***		*549*	*5,907*		
	Commercial	*405*	*4,359*			*366*	*3,941*			*368*	*3,961*		
	Community (D1)	*199*	*2,142*			*180*	*1,935*			*188*	*2,021*		
	Non-residential	2,672	28,761	1,980	21,313	2,417	26,020	1,802	19,397	1,104	11,889	1,346	14,488
	Residential	17,141	184,504	21,118	227,312	15,419	165,964	19,218	206,861	12,081	130,038	14,360	154,570
	Sub-total	**19,813**	**213,265**	**23,098**	**248,625**	**17,836**	**191,985**	**21,020**	**226,257**	**13,185**	**141,927**	**15,706**	**169,058**
Block C	*Ancillary*	*2,927*	*31,506*	*2,779*	*29,913*	*2,649*	*28,510*			*974*	*10,481*		
	Non-residential	2,927	31,506	2,779	29,913	2,649	28,510	2,529	27,222	974	10,481	1,889	20,333
	Residential	29,157	313,843	36,358	391,354	26,514	285,397	33,086	356,134	20,923	225,217	24,723	266,116
	Sub-total	**32,084**	**345,349**	**39,137**	**421,267**	**29,163**	**313,908**	**35,615**	**383,356**	**21,897**	**235,698**	**26,612**	**286,449**
Block D	*Ancillary*	*1,922*	*20,688*			*1,739*	*18,719*	***approx. 72sqm community***		*618*	*6,655*		
	Community (D1)	*68*	*732*			*61*	*660*			*62*	*664*		
	Non-residential	1,990	21,420	2,263	24,359	1,800	19,379	2,060	22,174	680	7,319	1,539	16,566
	Residential	19,363	208,421	24,811	267,063	17,360	186,857	22,578	243,027	13,335	143,532	16,871	181,598
	Sub-total	**21,353**	**229,842**	**27,074**	**291,422**	**19,160**	**206,236**	**24,638**	**265,201**	**14,015**	**150,851**	**18,410**	**198,163**
Community (D1) Total		*267*	*2,874*	***approx. 1318sqm commercial/community***		*241*	*2,594*	***up to 1,200sqm commercial/community A3/B1/D1/D2***		*249*	*2,685*		
Commercial (A3/B1/D2) Total		*852*	*9,171*			*771*	*8,300*			*741*	*7,973*		
Community/Commercial Total		**1,119**	**12,045**			**1,012**	**10,895**			**990**	**10,658**		
Non-residential Total		11,068	119,135	9,928	106,864	10,016	107,809	9,036	97,263	4,761	51,249	6,750	72,656
Residential Total		98,512	1,060,373	125,554	1,351,451	89,909	967,774	114,255	1,229,829	69,405	747,069	85,376	918,979
Combined Total		**109,580**	**1,179,508**	**135,482**	**1,458,315**	**99,925**	**1,075,583**	**123,291**	**1,327,092**	**74,166**	**798,317**	**92,126**	**991,635**
						91% of GEA		*91% of GEA*		*68% of total GEA*		*68% of total GEA*	
										75% of resi GEA		*73% of resi GEA*	

NOTE:
- *GEA is calculated based on the conceptual massing area for the maximum parameters scheme*
- *GIA is calculated at 91% of the conceptual massing area GEA for the maximum parameters scheme*
- *NIA for the illustrative scheme is calculated from rooms areas.*
- *NIA for the maximum parameters scheme is calculated at assumed efficiency of 74% of total GEA to NIA efficiency (68% of Residential GEA) - as determined by Montreaux Ltd*
- *These areas represent the anticipated areas of the buildings based on the current conceptual design at date of issue*
- *Any reliance on these areas, with respect to project viability, pre-letting, lease arrangements and/or the like, should include due allowance for variations in the areas arising from design development and/or construction.)*
- *Unit count for the maximum parameters scheme are approximate and has been calculated using an average GEA of 80sqm per unit against the residential* GEA

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NO.	REVISION	DATE	INITIAL	CHKD
01	EIA Data Drop 2	2020.01.17	SN	SN
02	Data Drop 3	2020.02.18	SN	SN

10965 Cricklewood Lane - Servicing Schedule

Car parking, cycle provision, waste provision

18/02/2020

		Car Parking	Cycle Provision		Waste Provision
		Illustrative Scheme			*Figures based on in-bin compaction waste strategy*
Block A	Residential UA Bays	**17**			
	No. L/S cycle bays (3 tier racks)		642	**670**	
	S/S Sheffield stands (Secure)		28		
	No. 240l Bins (Food)				12
	No. 1100l Bins (MDR, Residual)				43
Block B	Residential UA Bays	14			
	No. cycle bays (3 tier racks)		312	**350**	
	S/S Sheffield stands (secure)		38		
	No. 240l Bins (Food)				6
	No. 1100l Bins (MDR, Residual)				25
Block C	Residential UA Bays	30			
	No. L/S cycle bays (3 tier racks)		534	**562**	
	Sheffield stands (secure)		28		
	No. 240l Bins (Food)				11
	No. 1100l Bins (MDR, Residual)				40
Block D	Residential UA Bays	17			
	No. L/S cycle bays (3 tier racks)		378	**390**	
	S/S Sheffield stands (secure)		12		
	No. 240l Bins (Food)				7
	No. 1100l Bins (MDR, Residual)				33
	Surface car parking	32			
	Visitors' S/S Sheffiled stands		TBC		
Total no. car parkings		**110**			
Total no. cycle bays				**1,972**	
					36
Total no. 1100l bins					**177**

Bulky Store Provision

		No.	*Size (sqm)*
Block A	A1	1	10
	A2	1	10
	A3 A4	1	10
Block B	B1	1	10
	B2	1	10
	B3	1	10
Block C	C1	1	10
	C2 C3	1	10
	C4	1	10
Block D	D1	1	10
	D2 D3	1	10
Totals		**11**	**110**

NOTE:

- The waste provision is based on a managed strategy with in-bin compaction

- 10% UA (Universal Access) parking bays have been allowed for within the proposed scheme, with 3% of these being delivered in the first instance

- L/S - Long Stay; S/S Short Stay

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NO.	REVISION	DATE	INITIAL	CHKD
09	Amendments post Tech Workshop 06	2019.11.25	RM	SN
10	Indicative Unit Mix for PPA	2019.12.10	RM	SN
11	Issued to Aecom for comment	2019.12.24	RM	SN
12	EIA Data Drop 02	2020.01.17	RM	SN

10965 Cricklewood Lane - Residential Distribution Matrix

17/01/2020

	COMBINED			PRIVATE FOR SALE			BUILT TO RENT			BtR BLOCK A			BLOCK B			BLOCK C			BLOCK D		
	No.	***Mix***		***No.***	***Mix***	***Target Mix***	***No.***	***Mix***	***Target Mix***												
1B Studio	148	13%		80	11%	*10%*	68	18%	*10%*	**68**	**18%**		**0**	**0%**		**40**	**12%**		**40**	**18%**	
1B 2P	358	38%		248	39%	*40%*	110	34%	*35%*	110		*18*	45		*5*	114		*15*	89		*13*
1B 2P WCA	55			37			18			18			6			17			14		
										128	**34%**		**51**	**30%**		**131**	**40%**		**103**	**46%**	
2B 4P	390	39%		253	39%	*40%*	137	40%	*45%*	137		*14*	76		*8*	125		*13*	52		*5*
2B 4P WCA	44			29			15			15			8			15			6		
										152	**40%**		**84**	**49%**		**140**	**43%**		**58**	**26%**	
3B 5P	95	10%		69	11%	*10%*	26	8%	*10%*	26		*2.6*	32		*3*	16		*2*	21		*2*
3B 5P WCA	10			7			3			3			3			2			2		
										29	**8%**		**35**	**21%**		**18**	**5%**		**23**	**10%**	
		100%			100%			100%													
Total Units	**1100**		*0*	**723**			**377**			**377**			**170**			**329**			**224**		

	Combined		Private for Sale	Built to Rent	Block A	Block B	Block C	Block D	
Habitable Rooms	***2696***		*1800*	*896*	*896*	*494*	*794*	*512*	
% of Overall Hab. Rooms			*67%*	*33%*	*33%*	*18%*	*29%*	*19%*	
35% Hab. Rooms	***946***	*35%*			*88*	*494*	*364*		
For EPR Internal Use Only:									
% of Overall Unit No.			*66%*	*34%*	*34%*	*15%*	*30%*	*20%*	
No. Residents	***3235***		***2158***	***1077***	***1077***	***613***	***952***	***593***	
WCA units (10%)	***109***				*36*	*17*	*34*	*22*	
WCA Parking (3%)	***33***				*10.9*	*5.15*	*10.3*	*6.66*	*33*

BtR Units without private amenity

				89	***24%***
Studio	*0*	*2*	*15*	*17*	*25%*
1B	*19*	*21*	*0*	*40*	*31%*
2B	*24*	*0*	*15*	*39*	*26%*
3B	*10*	*0*	*0*	*10*	*34%*

Approx. NIA	*66,687.50*	m^2	
Approx. GIA	*83,359.38*	m^2	*(Assumed GIA to NIA = 80%)*
Approx. GEA	*91,603.71*	m^2	*(Assumed GEA to GIA= 91%)*
Average NIA/Unit	*60.63*	m^2	
Average GIA/Unit	*75.78*	m^2	
Average GEA/Unit	*83.28*	m^2	

Average habitable rooms per unit	*2.45*	
Site Area	*2.83*	*ha*
Habitable rooms per hectare	*953*	*hr/ha*
Units per hectare	*389*	*u/ha*
London Plan (Sustainable residential quality density matrix)		
Habitable rooms per hectare	*200-700*	*hr/ha*
Units per hectare	*70-260*	*u/ha*

Unit sizes and symbols			
unit type	Sym.	sqft	m²
1B S	S	398	38
1B 2P	1	538	50
1B 2P WCA	1W	699	58
2B 4P	2	753	70
2B 4P OS	2O	839	78
2B 4P WCA	2W	914	81
3B 5P	3	925	86
3B 5P WCA	3W	1184	99

NOTE:

1. Unit numbers reflected in these schedules are work in progress and have been calculated from the agreed target figures. These unit numbers represent the anticipated numbers of the proposed blocks. Any reliance on these, with respect to project viability, pre-letting, lease arrangements and/or the like, should include due allowance for variations arising from design development.

2. All units to be Part M4 (2) compliant with 10% Part M4 (3).
Each block will include a minimum of 10% accessible units.
The mix of the accessible units will broadly align with the mix of the respective blocks with the exception of studios, which will be counted as 1B2P.

3. The current design relies on a % of smaller units within the taller element of A1 do not have private amenity (balconies) given the provision of ample shared amenity space within the building.

4. Habitable rooms have been calculated as below:
1B Studio - 1 Habitable Rooms
1B 2P - 2 Habitable Rooms
2B 4P - 3 Habitable Rooms
3B 5P - 4 Habitable Rooms

5. Notes regarding unit mix:
Studios in Private for Sale only
Most family units in affordable rent (3 beds avoided in shared ownership and DMR)

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09	Amendments post Tech Workshop 06	2019.11.25	RM	SN
10	Indicative Unit Mix for PPA	2019.12.10	RM	SN
11	Issued to Aecom for comment	2019.12.24	RM	SN
12	EIA Data Drop 02	2020.01.17	RM	SN

10965 Cricklewood Lane - Residential Distribution Matrix

17/01/2020

BLOCK A

A1 – *BUILD TO RENT (PRIVATE)*

units /floor										units
25										4
24					1	1	S	S		4
23					1	1	S	S		4
22				2W	2	2	S	1		5
21				2W	2	2	S	1		5
20				2W	2	2	S	1		5
19				2W	2	2	S	1		5
18				2W	2	2	S	1		9
17				2W	2	2	S	1		9
16				2W	2	2	S	1		11
15	2	S	2	1	2	2	S	1		14
14	2	S	2	1	2	2	S	1		14
13	2	S	2	1	2	2	S	1		14
12	2	S	2	1	2	2	S	1		14
11	2	S	2	1	2	2	S	1		20
10	2	S	2	1	3		2	1	1	22
9	2	S	2	1	3		2	1	1	22
8	2	S	2	1	3		2	1	1	22
7	2	S	2	1	3		2W	1	1	22
6	2	S	2	1	3		2W	1	1	23
5	2	S	2	1	3		2W	1	1	27
4	2	S	2	1	3		2W	1	1	27
3	2	S	2	1	3		2W	1	1	27
2	2	S	2	1	3		2W	1	1	27
1	2	S	2	1	3		2W	1	S	22
GF										3

A2 – *BUILD TO RENT (PRIVATE)*

units /floor								
18	1	1W	1	1				
17	1	1W	1	1				
16	1	1W	2	1	2	1		
15	1	1W	2	1	2	1		
14	1	1W	2	1	2	1		
13	1	1W	2	1	2	1		
12	1	S	2	1	2	1		
11	1	1W	2	1	2	1		
10	1	1W	2	1	2	2	3	S
9	1	1W	2	1	2	2	3	S
8	1	1W	2	1	2	2	3	S
7	1	1W	2	1	2	2	3	S
6	1	1W	2	1	2	2	3	S
5	1	1W	2	1	2	2	3	S
4	1	1W	2	1	2	2	3	S
3	1	1W	2	1	2	2	3W	S
2	1	1W	2	1	2	2	3W	S
1	S	1W	1	1	2	2	3W	S
GF	2W	2						

A3 – *BUILD TO RENT (PRIVATE AND DMR - 80%)*

AVOID 3B 5P

units /floor							
11	2	2	S	1	S	3	
10	2	2	S	1	S	3	
9	2	2	S	1	S	3	
8	2	2	S	1	S	3	
7	2	2	2	2	S	3	
6	1	2	2	1	S	S	S
5	2	2	2	2	S	3	
4	2	2	2	2	S	3	
3	2	2	2	2	S	3	
2	2	2	2	2	S	3	
1	1	2	2	1W	1	2	
GF	2						

A4 – *BUILD TO RENT (DMR - 80%)*

AVOID 3B 5P

units /floor					
5	2	S	S	1	1
4	2	S	S	1	1
3	2	S	S	1	1
2	2	S	S	1	1

A1 summary

				HR	
S	S	32	20%	*32*	68
1	1	50	31%	*100*	110
1B 2P WCA	1W	0	0%	*0*	18
2B 4P	2	57	35%	*171*	137
2B 4P WCA	2W	14	9%	*42*	15
3B 5P	3	10	6%	*40*	26
3B 5P WCA	3W	0	0%	*0*	3
Total		**163**		***385***	

A2 summary

				HR
1B S	S	12	10%	*12*
1B 2P	1	44	35%	*88*
1B 2P WCA	1W	17	13%	*34*
2B 4P	2	42	33%	*126*
2B 4P WCA	2W	1	1%	*3*
3B 5P	3	7	6%	*28*
3B 5P WCA	3W	3	2%	*12*
Total		**126**		***303***

A3 summary

				HR
1B S	S	16	24%	*16*
1B 2P	1	8	12%	*16*
1B 2P WCA	1W	1	1%	*2*
2B 4P	2	34	50%	*102*
2B 4P WCA	2W	0	0%	*0*
3B 5P	3	9	13%	*36*
3B 5P WCA	3W	0	0%	*0*
Total		**68**		***172***

A4 summary

				HR
1B S	S	8	40%	*8*
1B 2P	1	8	40%	*16*
1B 2P WCA	1W	0	0%	*0*
2B 4P	2	4	20%	*12*
2B 4P WCA	2W	0	0%	*0*
3B 5P	3	0	0%	*0*
3B 5P WCA	3W	0	0%	*0*
Total		**20**		***36***

CORE A3 - DMR

1B S	S	0	0%	*0*
1B 2P	1	2	11%	*4*
1B 2P WCA	1W	0	0%	*0*
2B 4P	2	16	89%	*48*
2B 4P WCA	2W	0	0%	*0*
3B 5P	3	0	0%	*0*
3B 5P WCA	3W	0	0%	*0*
Total		**18**		***52***

Block A Total

				HR
1B S	S	68	18%	*68*
1B 2P	1	110	29%	*220*
1B 2P WCA	1W	18	5%	*36*
2B 4P	2	137	36%	*411*
2B 4P WCA	2W	15	4%	*45*
3B 5P	3	26	7%	*104*
3B 5P WCA	3W	3	1%	*12*
Total		**377**		***896***

Cycles / Refuse / Parking

Cycles			Refuse			Parking	
	L/S	*S/S*	*Dry (l)*	*Residual (l)*	*Combined*	*WCA Bays*	
1	68		100	100	13600		
1.5	165		100	100	22000		
1.5	27		100	100	3600		
2	274		170	170	46580		
2	30		170	170	5100		
2	52		240	240	12480	3%	11.3
2	6		240	240	1440	7%	26.4
	622		**1100l Eurobins**		**95.3**	**10%**	**37.7**
TS	202		**In Bin Compaction**		**41.4**		
SS	15.6		**Bulky Store**		**37.7**		

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10965 Cricklewood Lane - Residential Distribution Matrix

17/01/2020

NO.	REVISION	DATE	INITIAL	CHKD
09	Amendments post Tech Workshop 06	2019.11.25	RM	SN
10	Indicative Unit Mix for PPA	2019.12.10	RM	SN
11	Issued to Aecom for comment	2019.12.24	RM	SN
12	EIA Data Drop 02	2020.01.17	RM	SN

BLOCK B

units /floor	B1							B2								B3								B4	
25	***SHARED OWNERSHIP***							***AFFORDABLE RENT***								***AFFORDABLE RENT***									3
24	*AVOID 3B 5P*																								1
23																									0
22																									0
21																									0
20																									0
19																									0
18																									0
17																									0
16																									0
15																									0
14																									0
13																									0
12																									0
11																2	1	2	3						4
10																2	1	2	3						4
9								1W	2	2	2					2	1	2	3						8
8			1W	2	2	2		1W	2	2	2					2	3	3	3		2	2			14
7			1W	2	2	2		1	2	2	2	2	2			2	3	3	3		2	2			16
6			1W	2	2	2		1	2	2	2	2	2			2	3	3	3		2	2			16
5		1	1	2	2	2	2	1	2	2	2	1	1			2	3	3	3		3	1			18
4	2	1	1	2W	2	2	2	1	2	2	2	1	1	1	3	2	3	3	3		2W	1	3		22
3	2	1	1	2W	2	2	2	1	2	2	2	1	1	1	3	2	3	3	3		2W	1	3		22
2	2	1	1	2W	2	2	2	1	2	2	2	1	1	1	3	2	3	3	3		2W	1	3		22
1	1	1	1	2W	2	2	1W	1	1	1	2	1	1	1	3W	3	1	2	1	1	2W	1	3W		23
GF																3W									1

B1

				HR
1B S	S	0	0%	*0*
1B 2P	1	11	24%	*22*
1B 2P WCA	1W	4	9%	*8*
2B 4P	2	27	59%	*81*
2B 4P WCA	2W	4	9%	*12*
3B 5P	3	0	0%	*0*
3B 5P WCA	3W	0	0%	*0*
Total		**46**		***123***

B2

				HR
1B S	S	0	0%	*0*
1B 2P	1	23	40%	*46*
1B 2P WCA	1W	2	3%	*4*
2B 4P	2	29	50%	*87*
2B 4P WCA	2W	0	0%	*0*
3B 5P	3	3	5%	*12*
3B 5P WCA	3W	1	2%	*4*
Total		**58**		***153***

B3

				HR
1B S	S	0	0%	*0*
1B 2P	1	11	17%	*22*
1B 2P WCA	1W	0	0%	*0*
2B 4P	2	20	30%	*60*
2B 4P WCA	2W	4	6%	*12*
3B 5P	3	29	44%	*116*
3B 5P WCA	3W	2	3%	*8*
Total		**66**		***218***

B4

				HR	
1B S	S	0		*0*	0
1B 2P	1	0		*0*	45
1B 2P WCA	1W	0		*0*	6
2B 4P	2	0		*0*	76
2B 4P WCA	2W	0		*0*	8
3B 5P	3	0		*0*	32
3B 5P WCA	3W	0		*0*	3
Total		**0**		***0***	

Block B Total

				HR
1B S	S	0	0%	*0*
1B 2P	1	45	26%	*90*
1B 2P WCA	1W	6	4%	*12*
2B 4P	2	76	45%	*228*
2B 4P WCA	2W	8	5%	*24*
3B 5P	3	32	19%	*128*
3B 5P WCA	3W	3	2%	*12*
Total		**170**		***494***

Cycles			Refuse			Parking	
	L/S	*S/S*	*Dry (l)*	*Residual (l)*	*Combined*	*WCA Bays*	
1	0		100	100	0		
1.5	67.5		100	100	9000		
1.5	9		100	100	1200		
2	152		170	170	25840		
2	16		170	170	2720		
2	64		240	240	15360	3%	5.1
2	6		240	240	1440	7%	11.9
	315		**1100l Eurobins**		**50.5**	**10%**	**17**
TS	102		**In Bin Compaction**		**22.0**		
SS	7.86		**Bulky Store**		**17.0**		

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10965 Cricklewood Lane - Residential Distribution Matrix

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units /floor	BLOCK C																											
	C1				C2								C3								C4							
25	***SHARED OWNERSHIP***				***SHARED OWNERSHIP***								***PRIVATE***								***PRIVATE***							4
24	*AVOID 3B 5P*				*AVOID 3B 5P*																							2
23																												0
22																												0
21																												0
20																												0
19																												0
18																												0
17							1W	1	1	1																		4
16							1W	1	1	1					1	1	1	1										8
15					1	1	1	2	2	1					1W	1	1	1										10
14					1	1	1	2	2	1			3		2	1	2W	1										11
13					1	1	1	2	2	1			3		2	1	2W	1										11
12					1	1	1	2	2	1			3		1W	1	2W	1										11
11					1	S	1	2	2	1			3		2	1	2W	1				3	2	1W	1	S	1	17
10	2	2	1	S	1	1	1	2	2	1			3		2	1	2W	1				3	2	1W	1	S	1	21
9	2	2	1	S	1	1	1	2	2	2	2	S	3		2	1	2W	2	2	S		3W	2	1W	1	S	1	25
8	2	2	1	S	1	1	1	2	2	2	2	S	3		2	1	2W	2	2	S		3W	2	1W	1	S	1	25
7	2	2	1	S	1	1	1	2	2	2	2	S	3		2	1	2W	2	2	S	2	2	2	1W	1	S	1	26
6	2	2	1	S	1	1	1	2	2	2	2	S	3		2	1	2W	2	2	S	2	2	2	1W	1	S	1	26
5	2	2	1	S	1	1	1	2	2	2	2	S	3		2	1	2W	2	2	S	2	2	2	1W	1	S	1	26
4	2	2	1	S	1	1	1	2	2	2	2	S	3		2	1	2W	2	2	S	2	2	2	1W	1	S	1	26
3	2	2	1	S	1	1	1	2	2	2	2	S	3		2	1	2W	2	2	S	2	2	2	1W	1	S	1	26
2	2	2	1	S	1	1	1	2	2	2	2	S	3		2	1	2W	2	2	S	2	2	2	1W	1	S	1	26
1	2	1W	1	S	2W	2	1		2	2	2	S	3		1	1	2W	2	2	S	1W	2	2	1W	1	S	1	25
GF	2				2								2	1							2							5

C1				HR
1B S	S	10	24%	*10*
1B 2P	1	10	24%	*20*
1B 2P WCA	1W	1	2%	*2*
2B 4P	2	20	49%	*60*
2B 4P WCA	2W	0	0%	*0*
3B 5P	3	0	0%	*0*
3B 5P WCA	3W	0	0%	*0*
Total		**41**		***92***

C2				HR
1B S	S	10	9%	*10*
1B 2P	1	54	47%	*108*
1B 2P WCA	1W	2	2%	*4*
2B 4P	2	49	42%	*147*
2B 4P WCA	2W	1	1%	*3*
3B 5P	3	0	0%	*0*
3B 5P WCA	3W	0	0%	*0*
Total		**116**		***272***

C3				HR
1B S	S	9	9%	*9*
1B 2P	1	28	29%	*56*
1B 2P WCA	1W	2	2%	*4*
2B 4P	2	31	32%	*93*
2B 4P WCA	2W	14	14%	*42*
3B 5P	3	14	14%	*56*
3B 5P WCA	3W	0	0%	*0*
Total		**98**		***260***

C4				HR	
1B S	S	11	15%	*11*	40
1B 2P	1	22	30%	*44*	114
1B 2P WCA	1W	12	16%	*24*	17
2B 4P	2	25	34%	*75*	125
2B 4P WCA	2W	0	0%	*0*	15
3B 5P	3	2	3%	*8*	16
3B 5P WCA	3W	2	3%	*8*	2
Total		**74**		***170***	

Cycles		
	L/S	*S/S*
1	40	
1.5	171	
1.5	25.5	
2	250	
2	30	
2	32	
2	4	
	553	
TS	180	
SS	13.8	

Refuse		
Dry (l)	*Residual (l)*	*Combined*
100	100	8000
100	100	22800
100	100	3400
170	170	42500
170	170	5100
240	240	7680
240	240	960
1100l Eurobins		**82.2**
In Bin Compaction		**35.7**
Bulky Store		**32.9**

Parking	
WCA Bays	
3%	9.87
7%	23
10%	**32.9**

Block C Total				HR
1B S	S	40	12%	*40*
1B 2P	1	114	35%	*228*
1B 2P WCA	1W	17	5%	*34*
2B 4P	2	125	38%	*375*
2B 4P WCA	2W	15	5%	*45*
3B 5P	3	16	5%	*64*
3B 5P WCA	3W	2	1%	*8*
Total Block C Units		**329**		***794***

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NO.	REVISION	DATE	INITIAL	CHKD
09	Amendments post Tech Workshop 06	2019.11.25	RM	SN
10	Indicative Unit Mix for PPA	2019.12.10	RM	SN
11	Issued to Aecom for comment	2019.12.24	RM	SN
12	EIA Data Drop 02	2020.01.17	RM	SN

10965 Cricklewood Lane - Residential Distribution Matrix

17/01/2020

units /floor	BLOCK D																						
	D1								D2								D3					D4	
	PRIVATE								*PRIVATE*								*PRIVATE*					*PRIVATE*	
25																							4
24																							0
23																							0
22																							0
21																							0
20																							0
19																							0
18																							0
17																							0
16																							0
15		1	1	1	1																		4
14		1W	1	1	1					1	1	1	1										8
13	1W	2	1	2	1	S				1W	1	1	1										10
12	1W	2	1	2	1	S			1	2	1	2	1	S									12
11	1W	2	1	2	1	S			1	2	1	2	1	S									12
10	1W	2	1	2	1	S			1	2	1	2	1	S									12
9	1W	2	1	2	1	S			1	2	1	2	1	S									12
8	1W	2	1	2	1	3	S	S	1	2	1	2	1	3	S	S							16
7	1W	2	1	2	1	3	S	S	1	2	1	2	1	3	S	S							16
6	1W	2	1	2	1	3	S	S	1	1	1	2	1	3	S	S							16
5	1W	2	1	2	1	3	S	S	1	2	1	2W	1	3	S	S	3	1	1	1	1		21
4	1W	2	1	2	1	3	S	S	1	2	1	2W	1	3	S	S	3	1	1	1	1		21
3	1W	2	1	2	1	3	S	S	1	2	1	2W	1	3	S	S	3	1	1	1	1		21
2	1W	2	1	2	1	3	S	S	1	2	1	2W	1	3	S	S	3	3W		2	2		20
1	2	2	1	2W	1	3	S		2	2	1	2W	1	3	S		3	S	1	2	2		19
GF	2								2	2							3W						4

D1

				HR
1B S	S	20	20%	*20*
1B 2P	1	33	32%	*66*
1B 2P WCA	1W	13	13%	*26*
2B 4P	2	27	26%	*81*
2B 4P WCA	2W	1	1%	*3*
3B 5P	3	8	8%	*32*
3B 5P WCA	3W	0	0%	*0*
Total		**102**		***228***

D2

				HR
1B S	S	19	20%	*19*
1B 2P	1	43	44%	*86*
1B 2P WCA	1W	1	1%	*2*
2B 4P	2	21	22%	*63*
2B 4P WCA	2W	5	5%	*15*
3B 5P	3	8	8%	*32*
3B 5P WCA	3W	0	0%	*0*
Total		**97**		***217***

D3

				HR
1B S	S	1	4%	*1*
1B 2P	1	13	52%	*26*
1B 2P WCA	1W	0	0%	*0*
2B 4P	2	4	16%	*12*
2B 4P WCA	2W	0	0%	*0*
3B 5P	3	5	20%	*20*
3B 5P WCA	3W	2	8%	*8*
Total		**25**		***67***

D4

				HR	
1B S	S	0		*0*	40
1B 2P	1	0		*0*	89
1B 2P WCA	1W	0		*0*	14
2B 4P	2	0		*0*	52
2B 4P WCA	2W	0		*0*	6
3B 5P	3	0		*0*	21
3B 5P WCA	3W	0		*0*	2
Total		**0**		***0***	

Block D Total

				HR
1B S	S	40	18%	*40*
1B 2P	1	89	40%	*178*
1B 2P WCA	1W	14	6%	*28*
2B 4P	2	52	23%	*156*
2B 4P WCA	2W	6	3%	*18*
3B 5P	3	21	9%	*84*
3B 5P WCA	3W	2	1%	*8*
Total		**224**		***512***

Cycles		
	L/S	*S/S*
1	40	
1.5	134	
1.5	21	
2	104	
2	12	
2	42	
2	4	
	357	
TS	116	
SS	8.91	

Refuse		
Dry (l)	*Residual (l)*	*Combined*
100	100	8000
100	100	17800
100	100	2800
170	170	17680
170	170	2040
240	240	10080
240	240	960
1100l Eurobins		**54.0**
In Bin Compaction		**23.5**
Bulky Store		**22.4**

Parking	
WCA Bays	
3%	6.72
7%	15.7
10%	**22.4**

APPENDIX 02

FINANCIAL VIABILITY APPRAISAL SUMMARY

Cricklewood Lane
Financial Viability Appraisal

Development Appraisal
Montagu Evans
10 August 2020

TIMESCALE AND PHASING CHART — MONTAGU EVANS

Cricklewood Lane
Financial Viability Appraisal

Project Timescale	
Project Start Date	Jul 2020
Project End Date	Dec 2026
Project Duration (Inc Exit Period)	78 months

All Phases

	Start Date	Duration	End Date	Jul 20	Jul 25
Project	Jul 2020	78	Dec 2026		
Purchase	Jul 2020	0 Month(s)			
Pre-Construction	Jul 2020	35	May 2023		
Construction	Apr 2021	50	May 2025		
Post Development	Apr 2023	0 Month(s)			
Letting	Apr 2023	0 Month(s)			
Income Flow	Apr 2023	0 Month(s)			
Sale	Apr 2021	69	Dec 2026		
Cash Activity	Jul 2020	78	Dec 2026		
				1	61

1. A1-A3 - BTR

	Start Date	Duration	End Date	Jul 20	Jul 25
Project	Jul 2020	78	Dec 2026		
Purchase	Jul 2020	0 Month(s)			
Pre-Construction	Jul 2020	9 Month(s)	Mar 2021		
Construction	Apr 2021	30	Sep 2023		
Post Development	Oct 2023	0 Month(s)			
Letting	Oct 2023	0 Month(s)			
Income Flow	Oct 2023	0 Month(s)			
Sale	Oct 2023	1 Month(s)	Oct 2023		
Cash Activity	Jul 2020	78	Dec 2026		
				1	61

2. Block A - Commercial

	Start Date	Duration	End Date	Jul 20	Jul 25
Project	Jul 2020	78	Dec 2026		
Purchase	Jul 2020	0 Month(s)			
Pre-Construction	Jul 2020	9 Month(s)	Mar 2021		
Construction	Apr 2021	30	Sep 2023		
Post Development	Oct 2023	0 Month(s)			
Letting	Oct 2023	0 Month(s)			
Income Flow	Oct 2023	0 Month(s)			
Sale	Oct 2023	1 Month(s)	Oct 2023		
Cash Activity	Apr 2021	69	Dec 2026		
				1	61

TIMESCALE AND PHASING CHART	MONTAGU EVANS

Cricklewood Lane
Financial Viability Appraisal

3. Block B - Affordable Housing

	Start Date	Duration	End Date	Jul 20 Jul 25
Project	Jul 2020	78	Dec 2026	
Purchase	Jul 2020	0 Month(s)		
Pre-Construction	Jul 2020	9 Month(s)	Mar 2021	
Construction	Apr 2021	24	Mar 2023	
Post Development	Apr 2023	0 Month(s)		
Letting	Apr 2023	0 Month(s)		
Income Flow	Apr 2023	0 Month(s)		
Sale	Apr 2021	24	Mar 2023	
Cash Activity	Apr 2021	69	Dec 2026	
				1 61

4. Block B - Commercial & Community

	Start Date	Duration	End Date	Jul 20 Jul 25
Project	Jul 2020	78	Dec 2026	
Purchase	Jul 2020	0 Month(s)		
Pre-Construction	Jul 2020	9 Month(s)	Mar 2021	
Construction	Apr 2021	24	Mar 2023	
Post Development	Apr 2023	0 Month(s)		
Letting	Apr 2023	0 Month(s)		
Income Flow	Apr 2023	0 Month(s)		
Sale	Apr 2023	1 Month(s)	Apr 2023	
Cash Activity	Apr 2021	69	Dec 2026	
				1 61

5. C1-C2 - Shared Ownership

	Start Date	Duration	End Date	Jul 20 Jul 25
Project	Jul 2020	78	Dec 2026	
Purchase	Jul 2020	0 Month(s)		
Pre-Construction	Jul 2020	21	Mar 2022	
Construction	Apr 2022	24	Mar 2024	
Post Development	Apr 2024	0 Month(s)		
Letting	Apr 2024	0 Month(s)		
Income Flow	Apr 2024	0 Month(s)		
Sale	Apr 2022	24	Mar 2024	
Cash Activity	Apr 2022	57	Dec 2026	
				1 61

Cricklewood Lane
Financial Viability Appraisal

6. C3-C4 - Private

	Start Date	Duration	End Date	Jul 20	Jul 25
Project	Jul 2020	78	Dec 2026		
Purchase	Jul 2020	0 Month(s)			
Pre-Construction	Jul 2020	21	Mar 2022		
Construction	Apr 2022	24	Mar 2024		
Post Development	Apr 2024	0 Month(s)			
Letting	Apr 2024	0 Month(s)			
Income Flow	Apr 2024	0 Month(s)			
Sale	Apr 2024	14	May 2025		
Cash Activity	Apr 2022	57	Dec 2026		
				1	61

7. D1-D3 - Private

	Start Date	Duration	End Date	Jul 20	Jul 25
Project	Jul 2020	78	Dec 2026		
Purchase	Jul 2020	0 Month(s)			
Pre-Construction	Jul 2020	35	May 2023		
Construction	Jun 2023	24	May 2025		
Post Development	Jun 2025	0 Month(s)			
Letting	Jun 2025	0 Month(s)			
Income Flow	Jun 2025	0 Month(s)			
Sale	Jun 2025	19	Dec 2026		
Cash Activity	Jun 2023	43	Dec 2026		
				1	61

8. Block D - Commercial

	Start Date	Duration	End Date	Jul 20	Jul 25
Project	Jul 2020	78	Dec 2026		
Purchase	Jul 2020	0 Month(s)			
Pre-Construction	Jul 2020	35	May 2023		
Construction	Jun 2023	24	May 2025		
Post Development	Jun 2025	0 Month(s)			
Letting	Jun 2025	0 Month(s)			
Income Flow	Jun 2025	0 Month(s)			
Sale	Jun 2025	1 Month(s)	Jun 2025		
Cash Activity	Jun 2023	43	Dec 2026		
				1	61

Cricklewood Lane
Financial Viability Appraisal

9. CIL

	Start Date	Duration	End Date	Jul 20 Jul 25
Project	Jul 2020	78	Dec 2026	
Purchase	Jul 2020	0 Month(s)		
Pre-Construction	Jul 2020	9 Month(s)	Mar 2021	
Construction	Apr 2021	50	May 2025	
Post Development	Jun 2025	0 Month(s)		
Letting	Jun 2025	0 Month(s)		
Income Flow	Jun 2025	0 Month(s)		
Sale	Jun 2025	1 Month(s)	Jun 2025	
Cash Activity	Apr 2021	49	Apr 2025	
				1 61

Cricklewood Lane
Financial Viability Appraisal

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Block B - Affordable Rent	86	72,133	345.00	289,371	24,885,885
Block B - Shared Ownership	84	57,903	500.00	344,661	28,951,500
Block C - Shared Ownership	157	103,169	500.00	328,564	51,584,500
Block C - Private Residential	172	122,048	704.00	499,545	85,921,792
Block D - Private Residential	224	143,532	704.00	451,101	101,046,528
Totals	**723**	**498,785**			**292,390,205**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	**Net MRV at Sale**
Block A - Build to Rent	377	248,281	33.52	22,076	6,241,860	8,322,480	6,241,860
Block A - Commercial	1	3,923	25.00	98,078	98,078	98,078	98,078
Block B - Commercial	1	5,406	25.00	135,158	135,158	135,158	135,158
Block D - Commercial	1	707	25.00	17,685	17,685	17,685	17,685
Totals	**380**	**258,318**			**6,492,780**	**8,573,400**	**6,492,780**

Investment Valuation

Block A - Build to Rent					
Current Rent	6,241,860	YP @	4.0000%	25.0000	156,046,500
Block A - Commercial					
Market Rent	98,078	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	1,587,688
Block B - Commercial					
Market Rent	135,158	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	2,187,943
Block D - Commercial					
Market Rent	17,685	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	286,287
Total Investment Valuation					**160,108,417**

GROSS DEVELOPMENT VALUE			**452,498,622**
Purchaser's Costs		-10,194,169	
Effective Purchaser's Costs Rate	6.80%		
			-10,194,169
NET DEVELOPMENT VALUE			**442,304,454**
NET REALISATION			**442,304,454**

OUTLAY

ACQUISITION COSTS			
Residualised Price		6,217,010	
			6,217,010
Stamp Duty		300,850	
Effective Stamp Duty Rate	4.84%		
Agent Fee	1.00%	62,170	
Legal Fee	0.50%	31,085	
			394,106

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**
Block A - Build to Rent	359,076	261.45	93,880,552
Block A - Commercial	4,359	261.46	1,139,704
Block B - Commercial	6,007	261.46	1,570,590
Block D - Commercial	786	261.46	205,508
Block B - Affordable Rent	103,239	261.46	26,992,836
Block B - Shared Ownership	82,872	261.46	21,667,838
Block C - Shared Ownership	143,790	261.46	37,595,215

Cricklewood Lane
Financial Viability Appraisal

Block C - Private Residential	170,102	261.46	44,474,802	
Block D - Private Residential	205,582	261.46	53,751,470	
Totals	**1,075,813 ft²**		**281,278,514**	
Contingency		5.00%	14,063,926	
CIL			17,667,315	
				313,009,754
PROFESSIONAL FEES				
Professional Fees		10.00%	29,534,244	
				29,534,244
MARKETING & LETTING				
Letting Agent Fee		10.00%	25,092	
Letting Legal Fee		5.00%	12,546	
				37,638
DISPOSAL FEES				
Sales Agent Fee		0.25%	365,277	
Sales Agent Fee		1.00%	1,092,252	
Sales Agent Fee		3.00%	5,609,050	
Sales Legal Fee		0.10%	146,111	
Sales Legal Fee		0.50%	1,480,967	
				8,693,657
MISCELLANEOUS FEES				
Developer's Return - BTR		15.00%	23,406,975	
Developer's Return - Commercial		17.50%	277,845	
Developer's Return - Affordable		6.00%	3,230,243	
Developer's Return - Commercial		17.50%	382,890	
Developer's Return - Affordable		6.00%	3,095,070	
Developer's Return - Private		20.00%	17,184,358	
Developer's Return - Private Sale		20.00%	20,209,306	
Developer's Return - Commercial		17.50%	50,100	
				67,836,788
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				16,581,257
TOTAL COSTS				**442,304,454**
PROFIT				
				0
Performance Measures				
Profit on Cost%		0.00%		
Profit on GDV%		0.00%		
Profit on NDV%		0.00%		
IRR% (without Interest)		7.88%		

APPENDIX 03

EXISTING USE VALUATION SUMMARY

Detailed Valuation (Amounts in GBP, Measures in SF)

Valuation Date: 01/08/2020

Property

Address	Broadway Retail Park, Cricklewood (2), Broadway Retail Park
External ID	
Property Type	Office
Description/Notes	
Valuation Tables	Annually in Arrears

Valuation

Gross Valuation			19,177,094
Capital Costs			-205,500
Net Value Before Fees			18,971,594
Less	Stamp Duty	@4.94% Stamp Duty	878,175
	Agents Fee	@1.00% Net Sale Price	213,282
	Legal Fees	@0.50% Net Sale Price	106,641
	Enter Item Name	@0.00% Net Sale Price	0

Fees include non recoverable VAT @ 20.00%

Net Valuation	17,773,496		
Say	17,773,496		
Equivalent Yield	6.5039%	True Equivalent Yield	6.7526%
Initial Yield (Valuation Rent)	0%	Initial Yield (Contracted Rent)	0%
Reversion Yield	7.2213%		
Total Valuation Rent	0	Total Contracted Rent	0
Total Rental Value	1,370,000	Number of Tenants	3
Capital Value Per Area	214		

Capital Costs

Label	Timing	Initial Annual Amount	Discount Rate	Discounted Value
Leasing Costs	01/08/2021	-205,500	0%	-205,500
				-205,500

Running Yields

Date	Gross Rent	Operating Expense	Ground Lease Expenses	Net Rent	Annual	Quarterly
01/08/2021	0	0	0	0	0.0000%	0.0000%
01/02/2022	1,370,000	0	0	1,370,000	7.2213%	7.5594%

Yields Based On Say Value + Acq.Costs

Detailed Valuation
(Amounts in GBP, Measures in SF)

Valuation Date: 01/08/2020

Tenants

Tenant Name	Suite	Next Review	Earliest Termination	CAP Group	Method	Contracted Rent	Valuation Rent	Rental Value	Gross Value	Initial Yield	Initial Yield (Contracted)	Equivalent Yield	Reversionary Yield
Unit 1			31/07/2031	Override	T&R(6.5%, 6.5%)	0	0	200,000	2,799,576	0.0000%	0.0000%	6.5000%	7.1439%
Unit 2			31/07/2031	Override	T&R(6.5%, 6.5%)	0	0	300,000	4,199,364	0.0000%	0.0000%	6.5000%	7.1439%
Unit 3			31/07/2031	Override	T&R(6.5%, 6.5%)	0	0	870,000	12,178,155	0.0000%	0.0000%	6.5000%	7.1439%

Detailed Valuation (Amounts in GBP, Measures in SF)

Valuation Date: 01/08/2020

Freehold
Tenant - Unit 1

Suite			
Lease Type	Office		
Lease Status	Contract		
Lease	10 years from 01/08/2021 Expiring 31/07/2031		
Parent Tenure	Freehold		
Cap Group	Override		
Current Rent	0		
Rental Value	200,000		
Valuation Method	T&R(6.5%, 6.5%)	Froth	0%
Initial Yield (Valuation Rent)	0%		
Initial Yield (Contracted Rent)	0%		
Equivalent Yield	6.5%		
Reversionary Yield	7.1439%	Note: Based on Initial tenant Rent / Gross Tenant Value	

Notes

Base Rent Schedule

Date	Years	Months	Days	Event	Gross Rent	Operating Expenses	Ground Lease Expenses	Net Rent	Yield
01/08/2021	10	0	0	Base	0	0	0	0	0.0000%
01/08/2021	0	6	0	Rent Free	0	0	0	0	0.0000%

Capital Costs

Label	Timing	Initial Annual Amount	Discount Rate	Discounted Value
Leasing Costs	01/08/2021	-30,000	0%	-30,000
				-30,000

Component Valuation

Start Date	Valuation Term	Slice Type	Yield	SF,Tax	Deferred	Gross Rent	Rental Value	Operating Expenses	Ground Rent	Net Rent	Less Froth Ded.	Valuation Rent	YP	PV	Gross Value
01/02/2022	In Perp	Adjustment (Term & Reversion)	6.5000%	4%,40%	1 Yr 6 Mths	200,000	200,000	0	0	200,000	0	200,000	15.3846	0.9099	2,799,576
															2,799,576

Detailed Valuation (Amounts in GBP, Measures in SF)

Valuation Date: 01/08/2020

Freehold
Tenant - Unit 2

Suite			
Lease Type	Office		
Lease Status	Contract		
Lease	10 years from 01/08/2021 Expiring 31/07/2031		
Parent Tenure	Freehold		
Cap Group	Override		
Current Rent	0		
Rental Value	300,000		
Valuation Method	T&R(6.5%, 6.5%)	Froth	0%
Initial Yield (Valuation Rent)	0%		
Initial Yield (Contracted Rent)	0%		
Equivalent Yield	6.5%		
Reversionary Yield	7.1439%	Note: Based on Initial tenant Rent / Gross Tenant Value	

Notes

Base Rent Schedule

Date	Years	Months	Days	Event	Gross Rent	Operating Expenses	Ground Lease Expenses	Net Rent	Yield
01/08/2021	10	0	0	Base	0	0	0	0	0.0000%
01/08/2021	0	6	0	Rent Free	0	0	0	0	0.0000%

Capital Costs

Label	Timing	Initial Annual Amount	Discount Rate	Discounted Value
Leasing Costs	01/08/2021	-45,000	0%	-45,000
				-45,000

Component Valuation

Start Date	Valuation Term	Slice Type	Yield	SF,Tax	Deferred	Gross Rent	Rental Value	Operating Expenses	Ground Rent	Net Rent	Less Froth Ded.	Valuation Rent	YP	PV	Gross Value
01/02/2022	In Perp	Adjustment (Term & Reversion)	6.5000%	4%,40%	1 Yr 6 Mths	300,000	300,000	0	0	300,000	0	300,000	15.3846	0.9099	4,199,364
															4,199,364

Detailed Valuation (Amounts in GBP, Measures in SF)

Valuation Date: 01/08/2020

Freehold

Tenant - Unit 3

Suite			
Lease Type	Office		
Lease Status	Contract		
Lease	10 years from 01/08/2021 Expiring 31/07/2031		
Parent Tenure	Freehold		
Cap Group	Override		
Current Rent	0		
Rental Value	870,000		
Valuation Method	T&R(6.5%, 6.5%)	Froth	0%
Initial Yield (Valuation Rent)	0%		
Initial Yield (Contracted Rent)	0%		
Equivalent Yield	6.5%		
Reversionary Yield	7.1439%	Note: Based on Initial tenant Rent / Gross Tenant Value	

Notes

Base Rent Schedule

Date	Years	Months	Days	Event	Gross Rent	Operating Expenses	Ground Lease Expenses	Net Rent	Yield
01/08/2021	10	0	0	Base	0	0	0	0	0.0000%
01/08/2021	0	6	0	Rent Free	0	0	0	0	0.0000%

Capital Costs

Label	Timing	Initial Annual Amount	Discount Rate	Discounted Value
Leasing Costs	01/08/2021	-130,500	0%	-130,500
				-130,500

Component Valuation

Start Date	Valuation Term	Slice Type	Yield	SF,Tax	Deferred	Gross Rent	Rental Value	Operating Expenses	Ground Rent	Net Rent	Less Froth Ded.	Valuation Rent	YP	PV	Gross Value
01/02/2022	In Perp	Adjustment (Term & Reversion)	6.5000%	4%,40%	1 Yr 6 Mths	870,000	870,000	0	0	870,000	0	870,000	15.3846	0.9099	12,178,155
															12,178,155

APPENDIX 04

RESIDENTIAL COMPARABLE EVIDENCE

CRICKLEWOOD LANE, LONDON, NW2 1ES

RESIDENTIAL SALES REPORT

SITE OVERVIEW

The site is currently occupied by a retail warehouse in A1 use operated by B&Q. This is adjoined by two smaller retail warehouse units, surrounded by car parking spaces for 470 vehicles. The site is located in Cricklewood within the planning jurisdiction of London Borough of Barnet. The site is located immediately adjacent to Cricklewood station, approximately 0.8 miles from Willesden Green and 1.0 mile from Kilburn underground stations. The majority of the residential development in the area to date has been located east of the site towards Fortune Green.

PROPOSED SCHEME

The proposal involves the comprehensive redevelopment of the site to provide 396 private sale residential dwellings.

We understand that the scheme will provide the following mix of private residential units.

	Residential Units	
Unit Type	**Number of Units**	**Average NIA (sq. ft.)**
1B 1P (Studio)	60	398
1B 2P	139	538
1B 2P WCA	28	699
2B 4P	108	753
2B 4P WCA	20	914
3B 5P	37	925
3B 5P WCA	4	1,184
TOTAL	**396**	

SCHEME POSITIVES

The site is located within TfL Zone 3 and benefits from reasonable public transport connectivity. Cricklewood station lies immediately to the east of the property and provides connections to central London, Gatwick Airport and Brighton through the recently upgraded Thameslink route. Willesden Green and Kilburn stations are located within 1 mile of the site offering Jubilee Line services, Brondesbury and West Hampstead are located 1.2 miles and 1.5 miles south of the site offering Overground services across London.

Comprehensive local retail amenities are found along Cricklewood Broadway, which constitutes the local high street and is within a few minutes' walk of the site.

Substantial regeneration of the wider area is supported through the £4 billion masterplan of Brent Cross Cricklewood. This is expected to improve local infrastructure and support long term growth prospects in the area.

The proposed unit types and mix provides a good range of accommodation that will attract a variety of purchases, including local investors, professionals and first time buyers.

SCHEME NEGATIVES

The proposed schemes east aspect overlooks the railway.

The premises is not located in close proximity to open green space or water.

The site is not located in close proximity to a London underground station.

COMPARABLE EVIDENCE

We have carried out local market research to identify modern and new competing residential schemes, as set out below.

1. THE BROADWAY, 112-132 CRICKLEWOOD LANE, NW2

A redevelopment by Fairview New Homes providing 122 units comprising of one, two and three bedroom apartments. The scheme also includes 279 sq. m (GIA) of commercial space. By the end of Q3 2019 construction was completed and all the dwellings sold.

The development benefits from private and community amenity space, cycle parking and landscaping. Car parking was also available at an additional cost of £10,000-£15,000.

The scheme provides a mixture of private and affordable units as follows: 101 private, 21 intermediate.

The Broadway is located 0.2 miles (4 minute walk) east of Cricklewood station and 0.9 miles south-west of Willesden Green Station.

The average prices from the evidence below indicates the following private sale values. One bedroom - £389,000, Two bedroom - £463,000, Three bedroom - £598,000.

The asking prices below equate to an average of approximately £666 per sq. ft.

Flat	Price	Size (Sq. Ft.)	£psf	Date
FLAT 31 (Coleby House)	£382,500	538	£711	12/09/2018
FLAT 35 (Coleby House)	£375,000	538	£697	30/11/2018
FLAT 39 (Coleby House)	£399,000	538	£742	23/10/2018
FLAT 46 (Coleby House)	£375,000	538	£697	24/08/2018
FLAT 65 (Coleby House)	£375,000	538	£697	30/04/2019
FLAT 71 (Coleby House)	£388,000	538	£721	08/03/2019
FLAT 52 (Coleby House)	£379,000	549	£690	19/12/2018
FLAT 55 (Coleby House)	£372,000	549	£678	20/12/2018
FLAT 72 (Coleby House)	£389,000	549	£709	26/02/2019
FLAT 21 (Coleby House)	£436,000	570	£765	06/09/2019
FLAT 24 (Coleby House)	£410,000	570	£719	30/09/2019
FLAT 51 (Coleby House)	£460,000	657	£700	30/01/2019
FLAT 54 (Coleby House)	£453,000	657	£689	22/02/2019
FLAT 5 (Newall House)	£440,000	657	£670	30/08/2019
FLAT 8 (Newall House)	£449,500	657	£684	30/09/2019
FLAT 2 (Omnibus House)	£425,000	657	£647	30/08/2019
FLAT 8 (Omnibus House)	£440,000	657	£670	21/08/2019
FLAT 42 (Coleby House)	£478,000	667	£717	15/11/2018
FLAT 50 (Coleby House)	£450,000	678	£664	31/05/2019
FLAT 6 (Newall House)	£490,000	732	£669	10/05/2019
FLAT 9 (Newall House)	£512,000	732	£699	28/06/2019
FLAT 1 (Omnibus House)	£490,000	732	£669	09/08/2019

FLAT 41 (Coleby House)	£600,000	958	£626	29/10/2018
FLAT 5 (Coleby House)	£600,000	969	£619	28/06/2019
FLAT 9 (Coleby House)	£599,000	969	£618	28/06/2019
FLAT 13 (Coleby House)	£597,000	969	£616	09/08/2019
FLAT 32 (Coleby House)	£590,000	969	£609	30/11/2018
FLAT 36 (Coleby House)	£600,000	969	£619	11/12/2018
FLAT 40 (Coleby House)	£590,000	969	£609	29/11/2018
FLAT 23 (Coleby House)	£605,000	980	£617	18/09/2019
Average			**£666**	

2. HENDON WATERSIDE, MARSH DRIVE, NW9 7QJ

Hendon Waterside is a 6-phase development by Barratt London that comprises over 2,000 one, two and three bedroom dwellings. The scheme also includes two primary schools, a community building and commercial space.

The most recent phases (Phases 3B and C) comprise 298 residential units with a high proportion allocated for affordable housing (40%): 181 private, 16 intermediate, 101 social rent.

The scheme is located 0.2 miles south-west of Hendon Station in close proximity to the north circular and M1.

The average prices from the evidence below indicates the following private sale values with a combined average of £688 per sq. ft. One bedroom - £382,000, Two bedroom - £500,000, Three bedroom - £595,000.

Flat	Price	Size (sq. ft.)	£psf	Date
FLAT 39 (EIDER APARTMENTS)	£390,000	538	£725	17/05/2019
FLAT 41 (PEREGRINE APARTMENTS)	£390,000	538	£725	21/12/2018
FLAT 30 (EIDER APARTMENTS)	£388,000	538	£721	14/05/2019
FLAT 34 (PEREGRINE APARTMENTS)	£386,500	538	£718	14/12/2018
FLAT 10 (EIDER APARTMENTS)	£384,000	538	£714	16/04/2019
FLAT 23 (PEREGRINE APARTMENTS)	£383,000	538	£712	18/12/2018
FLAT 37 (EIDER APARTMENTS)	£382,000	538	£710	25/06/2019
FLAT 29 (EIDER APARTMENTS)	£379,999	538	£706	25/07/2019
FLAT 16 (PEREGRINE APARTMENTS)	£379,500	538	£705	14/12/2018
FLAT 28 (EIDER APARTMENTS)	£379,000	538	£704	28/06/2019
FLAT 21 (EIDER APARTMENTS)	£376,000	538	£699	08/05/2019
FLAT 20 (EIDER APARTMENTS)	£375,000	538	£697	19/06/2019
FLAT 11 (EIDER APARTMENTS)	£374,000	538	£695	15/05/2019
FLAT 38 (EIDER APARTMENTS)	£369,500	538	£687	14/05/2019
FLAT 18 (PEREGRINE APARTMENTS)	£364,500	538	£678	21/12/2018
FLAT 36 (PEREGRINE APARTMENTS)	£371,500	549	£677	21/12/2018
FLAT 27 (PEREGRINE APARTMENTS)	£368,000	549	£670	14/12/2018
FLAT 2 (PEREGRINE APARTMENTS)	£365,000	549	£665	14/12/2018
FLAT 60 (WOODLARK APARTMENTS)	£409,500	560	£731	25/06/2018
FLAT 50 (WOODLARK APARTMENTS)	£400,000	560	£714	25/06/2018
FLAT 45 (WOODLARK APARTMENTS)	£399,000	560	£713	25/06/2018
FLAT 1 (EIDER APARTMENTS)	£396,000	570	£695	26/04/2019
FLAT 40 (EIDER APARTMENTS)	£469,999	678	£693	07/06/2019
FLAT 31 (EIDER APARTMENTS)	£450,000	678	£664	27/06/2019
FLAT 57 (WOODLARK APARTMENTS)	£507,000	710	£714	25/06/2018

FLAT 52 (WOODLARK APARTMENTS)	£500,000	710	£704	22/06/2018
FLAT 62 (WOODLARK APARTMENTS)	£500,000	710	£704	28/06/2018
FLAT 68 (WOODLARK APARTMENTS)	£500,000	710	£704	29/06/2018
FLAT 73 (WOODLARK APARTMENTS)	£500,000	710	£704	29/06/2018
FLAT 47 (WOODLARK APARTMENTS)	£498,000	710	£701	25/06/2018
FLAT 58 (WOODLARK APARTMENTS)	£492,000	710	£693	25/06/2018
FLAT 26 (PEREGRINE APARTMENTS)	£595,000	721	£825	07/12/2018
FLAT 40 (PEREGRINE APARTMENTS)	£507,500	721	£704	21/12/2018
FLAT 37 (PEREGRINE APARTMENTS)	£483,000	721	£670	14/12/2018
FLAT 24 (PEREGRINE APARTMENTS)	£596,000	947	£629	10/05/2019
FLAT 14 (EIDER APARTMENTS)	£595,000	1,001	£594	15/05/2019
FLAT 23 (EIDER APARTMENTS)	£595,000	1,001	£594	10/04/2019
FLAT 32 (EIDER APARTMENTS)	£595,000	1,001	£594	18/04/2019
Average			**£688**	

3. MORGAN PLACE, DOLLIS HILL, NW10 2TS

Morgan Place is mixed-use redevelopment of a former vicarage and yard to provide 47 residential flats, 50 sq m of commercial space, car parking and amenity space. The scheme was completed in Q3 2018 and is located 0.4 miles south of Neasden station. The scheme was sold out in March 2019 with the majority of sales being achieved in mid-2018.

The scheme provides a mixture of private and affordable units: 27 private, 16 intermediate and 4 social.

Dollis Hill is a similar location to Cricklewood but does not benefit from the extensive wider regeneration projects coming in the near future. The reduced number of local amenities by Morgan Place also contributes towards a lower average achieved sales value of £599 per sq. ft.

Flat	Price	Size (Sq. Ft.)	£psf	Date
FLAT 16	£455,000	775	£587	30/04/2019
FLAT 32	£387,500	689	£562	12/04/2019
FLAT 36	£158,375	797	£199	28/03/2019
FLAT 39	£372,000	689	£540	22/03/2019
FLAT 30	£399,500	689	£580	31/01/2019
FLAT 37	£414,500	689	£602	31/01/2019
FLAT 38	£360,000	560	£643	30/11/2018
FLAT 42	£460,000	753	£611	30/11/2018
FLAT 45	£357,500	538	£664	24/09/2018
FLAT 24	£99,000	560	£177	07/09/2018
FLAT 28	£218,750	753	£291	24/08/2018
FLAT 10	£372,000	538	£691	31/07/2018
FLAT 46	£363,000	538	£675	30/07/2018
FLAT 13	£360,000	538	£669	27/07/2018
FLAT 34	£365,500	538	£679	25/07/2018
FLAT 44	£405,000	570	£711	20/07/2018
FLAT 15	£600,000	926	£648	19/07/2018
FLAT 47	£600,000	818	£733	19/07/2018
FLAT 35	£535,000	753	£710	18/07/2018
FLAT 43	£550,000	797	£690	18/07/2018
FLAT 12	£518,000	753	£688	17/07/2018
FLAT 14	£600,000	990	£606	17/07/2018
FLAT 11	£600,000	990	£606	16/07/2018

FLAT 33	£370,000	538	£688	16/07/2018
FLAT 40	£380,000	538	£706	16/07/2018
FLAT 41	£399,500	538	£743	16/07/2018
Average			**£599**	

4. GLADSTONE VILLAGE, ST MICHAELS ROAD, NW2 6XD

A redevelopment adjacent to Gladstone Park by Octavia Living providing residential dwellings in the form of 23 houses and 16 flats in addition to 44 car parking spaces with associated landscaping and cycle storage.

The 38 dwellings comprise a mixture of private (24) and affordable: 8 intermediate, 6 social rent.

Construction was completed in Q2 2017 and at the end of Q2 2019 three 4-bed houses remained unsold and were offered to the rental market.

Gladstone Village only provided six private residential flats, all of which were two bed units. These were sold at the start of Q1 2018 and we detail the pricing in the table below.

The below sales evidence is dated but shows an average of £719 per sq. ft. albeit for a smaller boutique development.

Flat	Bed No.	Price	Size (Sq. Ft.)	£psf	Date
38	2	£555,000	753	737	Jan-18
34	2	£585,000	807	725	Sep-17
36	2	£555,000	807	688	Aug-17
35	2	£555,000	807	688	Jul-17
33	2	£605,000	807	750	Jun-17
37	2	£550,000	753	730	May-17
Average				**£719**	

5. FELLOWS SQUARE, GERON WAY, NW2 6LT

Fellows Square is a redevelopment of a former Parcelforce Depot located just west of the railway in a popular retail warehouse pitch. The tenure comprises homes for private sale, private rent, shared ownership and affordable rent. A2 Dominion developed the 230 dwelling scheme with 169 for private sale, 54 intermediate and 7 for social rent. The scheme also includes 888 sq m of commercial space and car parking.

The scheme is located 0.9 miles from Cricklewood station and features gardens, on-site concierge and a gym. A2 Dominion sold all 114 of the private units by Q3 2017 with 54 units designated for BTR, which all let by March 2019.

The sales evidence below shows an average of £660 per sq. ft.

Flat	Price	Size (Sq. Ft.)	£psf	Date
FLAT 59 (Burnell Building)	£365,000	474	£770	26/07/2018
FLAT 64 (Burnell Building)	£346,775	452	£767	22/08/2018
FLAT 53 (Burnell Building)	£360,000	474	£759	07/09/2018
FLAT 47 (Burnell Building)	£355,000	474	£749	10/09/2018
FLAT 52 (Burnell Building)	£338,000	452	£748	15/10/2018
FLAT 43 (Burnell Building)	£336,600	452	£745	07/09/2018
FLAT 44 (Burnell Building)	£340,550	474	£718	05/09/2018
FLAT 23 (Burnell Building)	£360,000	517	£696	09/08/2018
FLAT 37 (Burnell Building)	£455,212	667	£682	29/03/2018
FLAT 33 (Burnell Building)	£452,500	667	£678	04/04/2018
FLAT 38 (Burnell Building)	£363,825	538	£676	02/05/2018
FLAT 13 (Burnell Building)	£330,000	495	£667	17/08/2018
FLAT 19 (Burnell Building)	£328,300	495	£663	30/08/2018
FLAT 34 (Burnell Building)	£421,400	635	£664	29/03/2018
FLAT 60 (Burnell Building)	£392,500	592	£663	14/08/2018
FLAT 62 (Burnell Building)	£455,400	689	£661	24/07/2018
FLAT 50 (Burnell Building)	£455,000	689	£660	27/07/2018
FLAT 61 (Burnell Building)	£453,100	689	£658	29/10/2018
FLAT 32 (Collins Building)	£452,500	775	£584	28/02/2019
FLAT 31 (Collins Building)	£426,300	667	£639	13/11/2018
FLAT 15 (Collins Building)	£431,200	678	£636	31/10/2018
FLAT 45 (Collins Building)	£426,300	753	£566	17/10/2018
FLAT 37 (Collins Building)	£423,225	786	£538	16/10/2018
FLAT 36 (Collins Building)	£640,000	1,044	£613	15/10/2018
FLAT 35 (Collins Building)	£443,450	721	£615	04/10/2018
FLAT 23 (Collins Building)	£425,000	667	£637	02/10/2018
Average			£660	

UNIT PRICING

Having regard to the above comparables and the positive and negatives of the proposed scheme, we have priced each of the unit types in the proposed scheme as per the table below.

Estimated Private Residential Values				
Apartment Type	**No. Units**	**Average NIA (sq. ft.)**	**Estimated Average Sale Price Per Unit**	**Estimated Average Sale Price (£ per sq. ft.)**
1B 1P (Studio)	60	398	£315,000	£791
1B 2P	139	538	£400,000	£743
1B 2P WCA	28	699	£465,000	£665
2B 4P	108	753	£525,000	£697
2B 4P WCA	20	914	£575,000	£629
3B 5P	37	925	£600,000	£649
3B 5P WCA	4	1,184	£700,000	£591
TOTAL/AVERAGE	**396**			**£704**

The range of values detailed above results in an estimated average value of approximately **£704 per sq. ft**.

We would note that these are optimistic pricing levels based on current market conditions and reflect the landmark nature, height, views and place making potential of the proposed development.

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WE CONSIDER OUR CREDENTIALS, HOW WE HAVE STRUCTURED OUR BID AND OUR PROPOSED CHARGING RATES TO BE COMMERCIALLY SENSITIVE INFORMATION. WE REQUEST THAT THESE BE TREATED AS CONFIDENTIAL.

APPENDIX 05

KNIGHT FRANK RESIDENTIAL YIELD GUIDE

RESIDENTIAL YIELD GUIDE JANUARY 2020

Knight Frank

Sector	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Market Sentiment
London - Zone 1 (gross yields reported)														
Prime Central London (GIY)*	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	3.00%-3.25%	STABLE
Zone 1 Prime (GIY) (Outside PCL)*	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	3.75%-4.00%	STABLE
London and South East														
Zone 2 Prime (NIY)	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	STABLE
Zones 3-4 Prime (NIY)	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	POSITIVE
Greater London Prime (NIY)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	POSITIVE
South East Prime (NIY)	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	POSITIVE
Prime Regional Cities														
Prime assets (NIY)	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	STABLE
Birmingham (NIY) (prime assets)	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	STABLE
Bristol (NIY) (prime assets)	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	4.00%-4.25%	STABLE
Leeds (NIY) (prime assets)	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	POSITIVE
Manchester (NIY) (prime assets)	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	STABLE
Secondary Regional Cities														
Prime assets (NIY)	5.00%-5.25%	5.00%-5.25%	5.00%-5.25%	5.00%-5.25%	5.00%-5.25%	5.00%-5.25%	5.00%-5.25%	5.00%-5.25%	5.00%-5.25%	5.00%-5.25%	4.75%-5.00%	4.75%-5.00%	4.75%-5.00%	POSITIVE
Ground Rents														
10 Year RPI Uplifts	3.25%-3.50%	3.25%-3.50%	3.25%-3.50%	3.25%-3.50%	3.25%-3.50%	3.25%-3.50%	3.25%-3.50%	3.25%-3.50%	3.25%-3.50%	3.25%-3.50%	3.50%	3.50%	3.50%	CAUTIOUS
25 Year Doubling Reviews	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	3.50%-3.75%	4.00%	4.00%	4.00%	CAUTIOUS
Bonds & Rates														
Libor 3 mth	0.91%	0.88%	0.85%	0.84%	0.81%	0.80%	0.78%	0.77%	0.77%	0.76%	0.80%	0.78%	0.80%	
Base rate	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	
5 year swap rates	1.24%	1.20%	1.31%	1.06%	1.15%	0.97%	0.89%	0.63%	0.69%	0.57%	0.86%	0.88%	0.86%	
10 yr gilts redemption yield	1.22%	1.23%	1.26%	1.06%	1.20%	0.99%	0.89%	0.52%	0.53%	0.37%	0.71%	0.69%	0.72%	

Based on rack rented properties and disregards bond type transactions.
NIY - Where reported we have assumed an appropriate discount for operating costs.
This yield guide is for indicative purposes only and was prepared on 20 January 2020.
***Our PCL yield is based on tenanted blocks with a minimum of 6 units, covering locations such as Mayfair, Knightsbridge, Kensington etc, situated within Knight Frank's definition of Prime Central London. Yields in the PCL and Zone 1 Prime categories are reported gross in line with market practice and no allowance has been made for operating costs within this yield guide.**
Yields in the London and South East categories are reflective of income-focused transactions of institutional assets.
Regional locations: We have provided an indication of yields in respect of a number of example locations, illustrating the spread of yields in this classification.
These yields are reported in respect of institutional quality, stabilised assets.

Newmark Knight Frank Global

APPENDIX 06

CONSTRUCTION COST ESTIMATE

MONTREAUX LIMITED

CRICKLEWOOD LANE, NW2 1ES

Feasibility Cost Plan Nr 1

13-Mar-20

MONTREAUX LIMITED
CRICKLEWOOD LANE, NW2 1ES
Feasibility Cost Plan Nr 1

Status / Disclaimer

Issue Status:	RIBA Stage 2
WWA Project No.:	19-5338QS
Date of Issue:	13-Mar-20
Issue:	1
Author:	David Carkeek MRICS
Checked by:	John Turnbull MRICS
Approved by:	David Carkeek MRICS

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MONTREAUX LIMITED
CRICKLEWOOD LANE, NW2 1ES
Feasibility Cost Plan Nr 1

EXECUTIVE SUMMARY

1. *This Feasibility sets out a Rough Order of Cost Estimate for the proposed residential development at Cricklewood Lane NW2 1ES*

2. *The Feasibility estimate provides an indicative Cost Limit based upon EPR Architects areas for GIA and NIA.*

3. *The general assumptions on which the feasibility is based are listed in Section 7.6 below.*

4 ***The Total Construction Cost for the Development is***

£	**295,340,000**

5 ***The Total Construction Cost sqm and sqft on GIA and NIA is as follows***

GIA	sqm	**2,956.00**
	sqft	**275.00**
NIA	sqm	**3,982.09**
	sqft	**370.00**

6 *DESCRIPTION OF THE PROJECT*

6.1 *Description of site:*

A Residential new Build Development comprising 1,100 Nr Apartments; 773 Nr Private & 327 Nr Affordable within 4 Blocks over 3 phases.

6.2 *The works:*

The proposed works comprise:

a) *Demolition of the existing Site*

b) *Four Building Development as described above*

c) *Retail/A3*

d) *Community Centre*

e) *Amenity Space*

f) *Associated external works*

g) *Statutory connections within the boundary of the site*

7 *BASIS OF FEASIBILITY*

The Feasibility has been based of the following:

7.1 ***Estimate Base Date***

7.1.1 *The base feasibility estimate and the risk allowance estimate have been prepared using rates and prices current at the time the feasibility is produced – referred to as the feasibility base date.*

7.1.2 *The 'Feasibility Base Date' is based on 1st Quarter 2020 tender prices.*

7.2 ***Construction Costs***

7.2.1 *The basis of the construction cost has been based on a traditional concrete flat slab.*

7.3 ***Procurement and Contract Strategy***

7.3.1 *The procurement is based upon a Main Contractor Design & Build route*

7.4 ***Information***

7.4.1 *The drawings, reports and other documents on which the Feasibility was based are as follows;*

a) *Drawings as referenced in Annex C*

7.5 ***Schedule of Floor Areas***

7.5.1 *The GIA's are based on EPR Architect area schedule dated 18th February 2020 revision 5*

EXECUTIVE SUMMARY

7.6 ***Assumptions, Inclusions and Exclusions***

7.6.1 *Further to the Notes in Annex A, the following is noted:*

a) *No allowance has been included in the feasibility Estimate for the following:*

Capital allowances for taxation purposes
Land remediation relief.
Grants.
VAT allowance for non recoverable has been allowed - VAT in relation to buildings is a complex area. Therefore, it is recommended that specialist advice be sought to ensure that the correct rates are applied to the various aspects of the scheme.
Project Team and Design Team Consultants Fees - Allowed at 5%
Other Consultants Fees - Included in 5% allowance
Site Investigation Fees - Included in 5% allowance

7.7 ***Risk Allowances***

7.6.1 *A simply percentage for Risk Allowances, which we believe are appropriate at this stage, has been included. The risks will need to be reassessed in conjunction with the Employer and Project Team Members at the next stage of the development.*

8 ***Other***

8.1 *This estimate reflects prices forecast through to Q1 2020 based on the details referenced therein.*

8.2 *It should be noted that the construction industry is currently experiencing changing market conditions with the supply chain becoming increasing selective in the opportunities they pursue. This is leading to some pricing volatility with projects being considered based on procurement route, risk apportionment, programme and the robustness of tender documentation. The number of 'major' tier one contractors both suitable and available for sizeable and/or complex schemes is becoming more limited with projects tending to be favoured where price and programme risk are fairly shared. In addition, the lack of contractor in-house resources coupled with the potential cost of tendering may also dissuade contractors from tendering. This is starting to have a knock-on effect generally.*

8.3 *Projects with potential pitfalls, inappropriate risk transfer and none standard contract conditions may result in tendering opportunities being declined or they may attract a pricing premium.*

8.4 *It is therefore essential that all aspects of the project profile are fully considered by the client and project team in light of this current volatility. This should help ensure that project procurement is appropriate, project documentation is comprehensive and risk is effectively addressed.*

8.5 *The pricing basis of this preliminary budget estimate is current market conditions and should be reviewed at regular intervals of no longer than 3 months.*

8.6 *The measurements contained within this document shall not be relied upon for any purpose other than the formulation of the cost estimate.*

9 ***RICS professional statement***

9.1 *WWA confirm that in producing this viability cost report that they have followed the RICS Financial viability in planning: conduct and reporting professional standards and guidance as set out in the 1st edition dated May 2019. This includes compliance to all 14 mandatory requirements required by the RICS Professional Standards, which are: -*

1 *WWA have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.*
2 *WWA have been instructed by Montreaux Limited to provide construction cost advise and we can confirm there is no conflict of interest.*
3 *Our instruction is based upon a fixed fee for producing this report and no performance or contingent fees have been agreed*
4 *The construction cost report can be made publicly available if required*
5 *WWA have only been appointed on behalf of Montreaux Limited for this project*
6 *All inputs in this cost feasibility can be reasonably justified and all differences of opinion will be discussed and agreed wherever possible*
7 *WWA have used our in house benchmarked data when producing this cost feasibility*
8 *This feasibility cost report has been prepared for the purposes of the viability submission and does not reflect any subsequently negotiated*
9 *The feasibility cost report is based upon the most cost effective and efficient way to deliver the designed project*
10 *WWA will engage with the Local Authority and discuss any issues raised with regards the costing within this report*
11 *This Executive Summary details at a higher level the conclusion of the cost report and the supporting documentation*
12 *The cost report has been signed off by the Author and Checker within the Status - Disclaimer page of this report*
13 *This report was carried out solely by WWA and complies with all the mandatory requirements of the RICS*
14 *WWA confirm that there has been adequate time to produce and review this cost feasibility report*

MONTREAUX LIMITED

CRICKLEWOOD LANE, NW2 1ES

Feasibility Cost Plan Nr 1

Section 1 : WHOLE PROJECT COST SUMMARY

Area Summary	G.I.A m²	G.I.A ft²	N.I.A m²	N.I.A ft²	Net to Gross
Private Apartments	31,221	336,067	24,273	261,280	78%
Private Rental Apartments	27,529	296,324	20,741	223,257	75%
Discount Market Rent Apartments	3,086	33,216	2,325	25,026	75%
Affordable Apartments - SO	16,825	181,102	13,254	142,661	79%
Affordable Apartments - Rent	11,247	121,061	8,812	94,853	78%
Community	241	2,594	249	2,680	103%
A3/Retail	771	8,299	741	7,976	96%
Amenity	610	6,566	504	5,425	83%
Ancillary	8,394	90,353	3,268	35,177	39%
	99,924	1,075,582	74,167	798,334	74%

	Cost summary	GIFA Areas /m²	Element Total	Cost /m²	Cost /ft²	Cost /m²	Cost /ft²	% of cost
1	Demolition	99,924	1,820,000	18.21	1.69	24.54	2.28	1%
2	Residential - Phase 1	51,601	116,554,051	2,258.76	209.85	1,571.51	146.00	39%
3	Residential - Phase 2	29,163	58,210,257	1,996.03	185.44	784.85	72.91	20%
4	Residential - Phase 3	19,160	40,099,604	2,092.88	194.44	540.67	50.23	14%
5	Statutory Connections	99,924	4,515,000	45.18	4.20	60.88	5.66	2%
6	External works	99,924	7,557,200	75.63	7.03	101.89	9.47	3%
SUB TOTAL OF ALL FUNCTIONS		99,924	**228,756,111**	**2,289.30**	**212.68**	**3,084.34**	**286.54**	**77%**
7	Main Contractor Preliminaries	16.00%	36,600,978	366.29	34.03	493.49	45.85	12%
	SUB-TOTAL		**265,357,089**	**2,655.59**	**246.71**	**3,577.83**	**332.39**	**90%**
8	Main Contractor Overheads and Profit	6.00%	15,921,425	159.34	14.80	214.67	19.94	5%
TOTAL EXCL. CONTINGENCIES & INFLATION			**281,278,514**	**2,814.92**	**261.51**	**3,792.50**	**352.33**	**95%**
9	Project Contingency	5.00%	14,063,926	140.75	13.08	189.63	17.62	5%
10	Design Reserve	0.00%	-	-	-	-	-	0%
TOTAL CURRENT DAY COST			£295,342,440	2,955.67	274.59	3,982.13	369.95	**100.00%**
TOTAL CURRENT DAY COST (Rounded)			**£295,340,000**	**2,956.00**	**275.00**	**3,982.09**	**370.00**	**100.00%**

13-Mar-20

MONTREAUX LIMITED
CRICKLEWOOD LANE, NW2 1ES
Feasibility Cost Plan Nr 1
Annex A
Area & Accommodation Schedule

	Affordable - SO Apartments			Affordable - RENT Apartments			Private Apartments			Private Rent Apartments			Discount Market Rent Apartments			Amenity		Community		Retail/A3		Ancillary		TOTALS		
	Aparts Nr	GIFA m2	NIA m2	Aparts Nr	GIFA m2	NIA m2	Aparts Nr	GIFA m2	NIA m2	Aparts Nr	GIFA m2	NIA m2	Aparts Nr	GIFA m2	NIA m2	GIFA m2	NIA m2	GIFA m2	NIA m2	GIFA m2	NIA m2	GIFA m2	NIA m2	Aparts Nr	GIFA m2	NIA m2
Phase 1 - Block A										339	27,529	20,741	38	3,086	2,325	610	504			405	373	2,134	1,127	377	33,764	25,070
Phase 1 - Block B	46	4,172	3,269	124	11,247	8,812												180	188	366	368	1,872	549	170	17,837	13,186
Phase 2 - Block C	157	12,653	9,985				172	13,861	10,938													2,649	974	329	29,163	21,897
Phase 3 - Block D							224	17,360	13,335									61	61			1,739	618	224	19,160	14,014
	203	16,825	13,254	124	11,247	8,812	396	31,221	24,273	339	27,529	20,741	38	3,086	2,325	610	504	241	249	771	741	8,394	3,268	**1,100**	**99,924**	**74,167**
			65.28822			71.06471			61.29664			61.18302			61.18302											

MONTREAUX LIMITED
CRICKLEWOOD LANE, NW2 1ES
Feasibility Cost Plan Nr 1
Annex B
Basis of Feasibility Study

Nr	Item	Addressed in Study	No Allowance within Study
1	Main Contractor preliminaries	X	
2	Area based on EPR Architects Accommodation schedule dated 18/02/20 Revision 5	X	
3	Community - Basic Fit Out	X	
4	Private Fit Out from £650 - 700/ft2 sales level	X	
5	Sprinklers	X	
6	Affordable provision - 32%	X	
7	Affordable provision - Social Rented 40%	X	
8	Affordable provision - Shared Ownership 60%	X	
9	Amenity Space - Basic Finish	X	
10	Retail/A3 - Incoming Services only	X	
11	Contingency allowance for design and construction	X	
12	Professional fee		X
13	Section 106 Works		X
14	Section 278 Works - Minor External Works Only		X
15	Contamination Allowance		X
16	Demolition Allowance	X	
17	Asbestos Allowance		X
18	Archaeology	X	
19	Legal Costs		X
20	Planning fees		X
21	Building regulation fees		X
22	NHBC Fee Allowances		X
23	VAT		X
24	Site acquisition costs		X
25	Following Utility Connection Charges allowed for per unit: Water, sewage, electric and gas.	X	
26	Local Authority & Private infrastructure work outside the boundary of the site		X
27	Renewables allowance	X	
28	Upgrading / increasing utilities outside site		X

APPENDIX 07

SENSITIVITY APPRAISAL SUMMARY – SCENARIO 1

Cricklewood Lane
Sensitivity Scenario 1

Development Appraisal
Montagu Evans
10 August 2020

APPRAISAL SUMMARY	**MONTAGU EVANS**

Cricklewood Lane
Sensitivity Scenario 1

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Block B - Affordable	86	72,133	281.74	236,311	20,322,751
Block B - Affordable	84	57,903	281.74	194,209	16,313,591
Block C - Affordable	157	103,169	281.74	185,139	29,066,834
Block C - Private Residential	172	122,048	704.00	499,545	85,921,792
Block D - Private Residential	224	143,532	704.00	451,101	101,046,528
Totals	**723**	**498,785**			**252,671,497**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	**Net MRV at Sale**
Block A - Build to Rent	377	248,281	33.52	22,076	6,241,860	8,322,480	6,241,860
Block A - Commercial	1	3,923	25.00	98,078	98,078	98,078	98,078
Block B - Commercial	1	5,406	25.00	135,158	135,158	135,158	135,158
Block D - Commercial	1	707	25.00	17,685	17,685	17,685	17,685
Totals	**380**	**258,318**			**6,492,780**	**8,573,400**	**6,492,780**

Investment Valuation

Block A - Build to Rent					
Current Rent	6,241,860	YP @	4.0000%	25.0000	156,046,500
Block A - Commercial					
Market Rent	98,078	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	1,587,688
Block B - Commercial					
Market Rent	135,158	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	2,187,943
Block D - Commercial					
Market Rent	17,685	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	286,287
Total Investment Valuation					**160,108,417**

GROSS DEVELOPMENT VALUE			**412,779,914**
Purchaser's Costs		-10,194,169	
Effective Purchaser's Costs Rate	6.80%		
			-10,194,169
NET DEVELOPMENT VALUE			**402,585,745**
NET REALISATION			**402,585,745**

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)	-35,871,617	
		-35,871,617

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Block A - Build to Rent	359,076	261.45	93,880,552	
Block A - Commercial	4,359	261.46	1,139,704	
Block B - Commercial	6,007	261.46	1,570,590	
Block D - Commercial	786	261.46	205,508	
Block B - Affordable	103,239	261.46	26,992,836	
Block B - Affordable	82,872	261.46	21,667,838	
Block C - Affordable	143,790	261.46	37,595,215	
Block C - Private Residential	170,102	261.46	44,474,802	
Block D - Private Residential	205,582	261.46	53,751,470	
Totals	**1,075,813 ft²**		**281,278,514**	**281,278,514**

Cricklewood Lane
Sensitivity Scenario 1

Contingency	5.00%	14,063,926	
CIL		17,667,315	
			31,731,241
PROFESSIONAL FEES			
Professional Fees	10.00%	29,534,244	
			29,534,244
MARKETING & LETTING			
Letting Agent Fee	10.00%	25,092	
Letting Legal Fee	5.00%	12,546	
			37,638
DISPOSAL FEES			
Sales Agent Fee	0.25%	365,277	
Sales Agent Fee	1.00%	695,065	
Sales Agent Fee	3.00%	5,609,050	
Sales Legal Fee	0.10%	146,111	
Sales Legal Fee	0.50%	1,282,374	
			8,097,877
MISCELLANEOUS FEES			
Developer's Return - BTR	15.00%	23,406,975	
Developer's Return - Commercial	17.50%	277,845	
Developer's Return - Affordable	6.00%	2,198,181	
Developer's Return - Commercial	17.50%	382,890	
Developer's Return - Affordable	6.00%	1,744,010	
Developer's Return - Private	20.00%	17,184,358	
Developer's Return - Private Sale	20.00%	20,209,306	
Developer's Return - Commercial	17.50%	50,100	
			65,453,665
FINANCE			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Total Finance Cost			22,324,185
TOTAL COSTS			**402,585,745**
PROFIT			
			0
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
IRR% (without Interest)	23.25%		

APPENDIX 08

SENSITIVITY APPRAISAL SUMMARY – SCENARIO 2

Cricklewood Lane
Sensitivity Scenario 2

Development Appraisal
Montagu Evans
10 August 2020

APPRAISAL SUMMARY	MONTAGU EVANS

Cricklewood Lane
Sensitivity Scenario 2

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Block B - Affordable	86	72,133	332.21	278,643	23,963,304
Block B - Affordable	84	57,903	332.21	228,999	19,235,956
Block C - Affordable	157	103,169	332.21	218,304	34,273,773
Block C - Private Residential	172	122,048	704.00	499,545	85,921,792
Block D - Private Residential	224	143,532	704.00	451,101	101,046,528
Totals	**723**	**498,785**			**264,441,353**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	**Net MRV at Sale**
Block A - Build to Rent	377	248,281	33.52	22,076	6,241,860	8,322,480	6,241,860
Block A - Commercial	1	3,923	25.00	98,078	98,078	98,078	98,078
Block B - Commercial	1	5,406	25.00	135,158	135,158	135,158	135,158
Block D - Commercial	1	707	25.00	17,685	17,685	17,685	17,685
Totals	**380**	**258,318**			**6,492,780**	**8,573,400**	**6,492,780**

Investment Valuation

Block A - Build to Rent					
Current Rent	6,241,860	YP @	4.0000%	25.0000	156,046,500
Block A - Commercial					
Market Rent	98,078	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	1,587,688
Block B - Commercial					
Market Rent	135,158	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	2,187,943
Block D - Commercial					
Market Rent	17,685	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	286,287
Total Investment Valuation					**160,108,417**

GROSS DEVELOPMENT VALUE			**424,549,771**
Purchaser's Costs		-10,194,169	
Effective Purchaser's Costs Rate	6.80%		
			-10,194,169
NET DEVELOPMENT VALUE			**414,355,602**
NET REALISATION			**414,355,602**

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)	-22,112,741	
		-22,112,741

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Block A - Build to Rent	359,076	261.45	93,880,552	
Block A - Commercial	4,359	261.46	1,139,704	
Block B - Commercial	6,007	261.46	1,570,590	
Block D - Commercial	786	261.46	205,508	
Block B - Affordable	103,239	261.46	26,992,836	
Block B - Affordable	82,872	261.46	21,667,838	
Block C - Affordable	143,790	261.46	37,595,215	
Block C - Private Residential	170,102	261.46	44,474,802	
Block D - Private Residential	205,582	261.46	53,751,470	
Totals	**1,075,813 ft²**		**281,278,514**	**281,278,514**

Cricklewood Lane
Sensitivity Scenario 2

Contingency	5.00%	14,063,926	
CIL		17,667,315	
			31,731,241
PROFESSIONAL FEES			
Professional Fees	10.00%	29,534,244	
			29,534,244
MARKETING & LETTING			
Letting Agent Fee	10.00%	25,092	
Letting Legal Fee	5.00%	12,546	
			37,638
DISPOSAL FEES			
Sales Agent Fee	0.25%	365,277	
Sales Agent Fee	1.00%	812,763	
Sales Agent Fee	3.00%	5,609,050	
Sales Legal Fee	0.10%	146,111	
Sales Legal Fee	0.50%	1,341,223	
			8,274,424
MISCELLANEOUS FEES			
Developer's Return - BTR	15.00%	23,406,975	
Developer's Return - Commercial	17.50%	277,845	
Developer's Return - Affordable	6.00%	2,591,956	
Developer's Return - Commercial	17.50%	382,890	
Developer's Return - Affordable	6.00%	2,056,426	
Developer's Return - Private	20.00%	17,184,358	
Developer's Return - Private Sale	20.00%	20,209,306	
Developer's Return - Commercial	17.50%	50,100	
			66,159,857
FINANCE			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Total Finance Cost			19,452,425
TOTAL COSTS			**414,355,602**
PROFIT			
			0
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
IRR% (without Interest)	13.92%		

MONTAGU EVANS
5 BOLTON STREET
LONDON
W1J 8BA

Real Estate
for a changing
world

Review of "Financial Viability Assessment"

Unit 1 Broadway Retail Park, Cricklewood Lane, Cricklewood, NW2 1ES

Prepared for

London Borough of Barnet

January 2021

Contents

Appendices

1 Introduction

The London Borough of Barnet ("the Council") has commissioned BNP Paribas Real Estate ("BNPPRE") to advise on a Financial Viability Assessment ("FVA") for the redevelopment ("the Development") of Unit 1 Broadway Retail Park, Cricklewood lane, London, NW2 1ES ("the Site") submitted by Montagu Evans ("ME") on behalf of Montreaux Cricklewood Developments Ltd ("the Applicant").

ME's FVA states *"The Applicant is proposing to provide 35% affordable housing. Policy DM10 of Barnet's Local Plan (Development Plan Document, Sept 2017) sets a borough wide target of 40% housing provision to be affordable, with the maximum reasonable amount of affordable to be provided on site subject to viability. Policy CS4 of the Core Strategy seeks a tenure mix of 60% social rented and 40% intermediate housing"*.

This report provides an objective assessment of ME's FVA to determine whether the affordable housing offer (which includes 30% rented and 70% intermediate tenures in terms of habitable rooms or 23% rented and 77% intermediate tenures in terms of units), and Section 106 contributions as proposed have been optimised.

1.1 BNP Paribas Real Estate

BNP Paribas Real Estate is a leading firm of chartered surveyors, town planning and international property consultants. The practice offers an integrated service from nine offices in eight cities within the United Kingdom and over 180 offices, across 37 countries in Europe, Middle East, India and the United States of America, including 16 wholly owned and 21 alliances. In 2005, the firm expanded through the acquisition of eight offices of Chesterton and in 2007, the firm acquired the business of Fuller Peiser. We are a wholly owned subsidiary of BNP Paribas, which is the number one bank in France, the second largest bank in the Euro Zone and one of only six top rated banks worldwide.

BNP Paribas Real Estate has a wide ranging client base, acting for international companies and individuals, banks and financial institutions, private companies, public sector corporations, government departments, local authorities and registered providers ("RPs").

The full range of property services includes:

- Planning and development consultancy;
- Affordable housing consultancy;
- Valuation and real estate appraisal;
- Property investment;
- Agency and Brokerage;
- Property management;
- Building and project consultancy; and
- Corporate real estate consultancy.

This report has been prepared by Victoria Simms MRICS, RICS Registered Valuer and reviewed by Anthony Lee MRTPI, MRICS, RICS Registered Valuer.

The Affordable Housing Consultancy of BNP Paribas Real Estate advises landowners, developers, local authorities and registered providers on the provision of affordable housing.

In 2007, we were appointed by the Greater London Authority ("GLA") to review its 'Development Control Toolkit Model' (commonly referred to as the 'Three Dragons' model). This review included testing the validity of the Three Dragons' approach to appraising the value of residential and mixed use developments; reviewing the variables used in the model and advising on areas that required amendment in the re-worked toolkit and other available appraisal models and submitted our report in February 2012.

Anthony Lee is a member of the RICS '*Experts in Planning Service*' panel, which was established in March 2009 to support the Planning Inspectorate on major casework and local development plan work submitted for independent examination. He was also a member of the working group under the chairmanship of Sir John Harman that produced guidance on 'Viability Testing Local Plans: Advice for planning practitioners' (2012). He was also a member of MHCLG's *'Developer Contributions Expert Panel'* which advised on the viability section of the 2019 Planning Practice Guidance.

In addition, we were retained by Homes England ("HE") to advise on better management of procurement of affordable housing through planning obligations.

The firm has extensive experience of advising landowners, developers, local authorities and RPs on the value of affordable housing and economically and socially sustainable residential developments.

1.2 Report structure

This report is structured as follows:

- **Section two** provides a brief description of the Site, the proposed Development and planning history;
- **Section three** describes the methodology that has been adopted;
- **Section four** reviews the inputs the Applicant has adopted and where we disagree, the inputs we have adopted in our appraisals;
- **Section five** sets out the results of the appraisals;
- Finally, in **Section six,** we draw conclusions from the analysis.

1.3 The Status of our advice

This report is not a valuation and should not be relied upon as such. In accordance with PS1 (5.2) of the RICS Valuation – Global Standards 2020 (the 'Red Book'), the provision of VPS1 to VPS5 are not of mandatory application and accordingly this report should not be relied upon as a Red Book valuation.

In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

We are not aware of any conflicts of interest in relation to this assessment.

In preparing this report, no 'performance-related' or 'contingent' fees have been agreed.

This report is addressed to the London Borough of Barnet only and should not be reproduced without our prior consent.

2 Background and description of the Development

2.1 Site Background

The 2.75-hectare (6.8 acre) site is located in Cricklewood in the London Borough of Barnet. The site is bounded by Cricklewood Green and Cricklewood Lane to the south, Depot Approach to the west and north, and a railway line to the east. Cricklewood is located approximately 4 miles north of Central London, between Kilburn and Brent Cross.

The property comprises three adjoining retail warehouse units of steel portal frame construction with brick / blockwork elevations under a flat roof. Collectively, the three units are known as Broadway Retail Park and provide approximately 83,000 sq. ft. (GIA) of accommodation.

The property occupies a site that is irregular in shape and generally level, albeit it is raised above the level of Cricklewood Lane. The site is 0.1 mile from Cricklewood Railway Station, which serves the Thameslink service with approximate journey times of 14 minutes to London Kings Cross and 23 minutes to London Blackfriars.

2.2 The Proposed Development

According to the ME report, the Applicant is seeking Outline Planning Permission for:

- Up to 1,100 residential units;
- Up to 1,200 sq m GIA of flexible commercial space; and
- Provision for up to 110 residential car parking spaces and 1,972 cycle parking spaces.

ME advise *"In light of the outline application approach, the Applicant's architects have prepared an illustrative masterplan which forms the basis of the FVA. The illustrative masterplan demonstrates* ***one way*** *in which the parameter plans and design guidelines could be interpreted to deliver a high quality development.*

The precise application of the affordable housing tenure split cannot be unequivocally applied to the illustrative housing mix until the detailed design stage i.e. reserved matters. However, the illustrative masterplan has been used to demonstrate to the Council the mix of unit sizes that could be accommodated as affordable homes" (emphasis added).

The outline scheme proposals are based around provision of four Blocks referred to as Blocks A to D.

We note the proposed scheme phasing is based on the following phases:

- Phase 1 – Blocks A& B
- Phase 2 – Block C
- Phase 3 – Block D

ME have relied upon the indicative accommodation schedule prepared by EPR Architects, which is appended to their report. This provides for an '*illustrative scheme'* and a *'maximum parameter Scheme.'*

ME's appraisal includes the following mix of units, based on the unit sizes and illustrative scheme from the EPR schedule.

Table 2.1.1 Residential Accommodation Schedule

Block	Type	Tenure	Unit Type	Number	Area Sq Ft	Total Area Sq Ft
A	BTR	Private	1 B 1 P	44	398	17,512

Block	Type	Tenure	Unit Type	Number	Area Sq Ft	Total Area Sq Ft
A	BTR	Private	1 B 2 P	79	538	42,502
A	BTR	Private	1 B 2 P WCA	18	699	12,582
A	BTR	Private	2 B 4 P	137	753	103,161
A	BTR	Private	2 B 4 P WCA	15	914	13,710
A	BTR	Private	3 B 5 P	26	925	24,050
A	BTR	Private	3 B 5 WCA	3	1,184	3,552
Sub total				***322***		***21,7069***
C	Sale	Private	1 B 1 P	20	398	7,960
C	Sale	Private	1 B 2 P	50	538	26,900
C	Sale	Private	1 B 2 P WCA	14	699	9,786
C	Sale	Private	2 B 4 P	56	753	42,168
C	Sale	Private	2 B 4 P WCA	14	914	12,796
C	Sale	Private	3 B 5 P	16	925	14,800
C	Sale	Private	3 B 5 WCA	2	1,184	2,368
				172		***116,778***
D	Sale	Private	1 B 1 P	40	398	15,920
D	Sale	Private	1 B 2 P	89	538	47,882
D	Sale	Private	1 B 2 P WCA	14	699	9,786
D	Sale	Private	2 B 4 P	52	753	39,156
D	Sale	Private	2 B 4 P WCA	6	914	5,484
D	Sale	Private	3 B 5 P	21	925	19,425
D	Sale	Private	3 B 5 WCA	2	1,184	2,368
				224		***140,021***
A	BtR	DMR (80%)	1 B 1 P	24	398	9,552
A	BtR	DMR (80%)	1 B 2 P	31	538	16,678
				55		***26,230***
B	Sale	Shared Ownership	1 B 2 P	34	538	18,292
B	Sale	Shared Ownership	1 B 2 P WCA	6	699	4,194
B	Sale	Shared Ownership	2 B 4 P	40	753	30,120
B	Sale	Shared Ownership	2 B 4 P WCA	4	914	3,656
				84		***56,262***
C	Sale	Shared Ownership	1 B 1 P	20	398	7,960
C	Sale	Shared Ownership	1 B 2 P	64	538	34,432
C	Sale	Shared Ownership	1 B 2 P WCA	3	699	2,097
C	Sale	Shared Ownership	2 B 4 P	69	753	51,957

Block	Type	Tenure	Unit Type	Number	Area Sq Ft	Total Area Sq Ft
C	Sale	Shared Ownership	2 B 4 P WCA	1	914	914
				157		***97,360***
B	Rent	Affordable Rent	1 B 2 P	11	538	5,918
B	Rent	Affordable Rent	2 B 4 P	36	753	27,108
B	Rent	Affordable Rent	2 B 4 P WCA	4	914	3,656
B	Rent	Affordable Rent	3 B 5 P	32	925	29,600
B	Rent	Affordable Rent	3 B 5 WCA	3	1,184	3,552
				86		***69,834***

The total net residential areas as above do not correspond with ME's net areas as applied for each tenure type in their appraisal. ME have subsequently advised *"The unit mix was used to estimate capital values per sq. ft. and then these values were applied to the full area in the EPR schedule to ensure that we maximised the GDV in the FVA".*

ME have applied the proposed scheme schedule in the Argus Appraisal based on the total net area for each block based on the EPR 'illustrative scheme', rather than the higher areas in the 'maximum parameter scheme'.

Table 2.1.2 sets out the potential net residential areas for each block for the different versions of the outline application scheme.

Table 2.1.2 Alternative Residential NIA

Block	Illustrative Scheme NIA	Maximum Parameter Scheme
A	248,281	316,695
B	130,038	154,570
C	225,217	266,116
D	143,532	181,598
Totals	**720,068**	**918,979**

We also note that ME have applied the average value based on the approach they have advised above for the private sale units. However, we note that they have not applied the same approach to the appraisal entry for the BtR units. We set out further information with respect to this point at the respective paragraphs at section four of this report.

Furthermore we note that ME have not provided an appraisal based on the EPR maximum parameter scheme net areas for each block. If the maximum parameters were applied, there would be potential for additional net saleable areas to be provided with the outline planning consent. Whilst the corresponding GIFA and non-residential uses would also be adjusted accordingly, this indicates that further scope for net saleable and/or lettable areas could be provided with the scheme, and therefore increase viability overall. It is therefore unclear why the Applicant considers that the smaller indicative scheme is considered to optimise the quantum of development on the Site.

The proposed affordable housing equates to 35% in both units and habitable rooms, of which 30% is rented tenure and 70% is intermediate tenure. This is clearly a significant departure from the tenue mix sought by Policy CS4 (60% rented and 40% intermediate).

Table 2.1.3 sets out the indicative commercial accommodation at the proposed scheme.

Table 2.1.3 Commercial Accommodation

Block	Accommodation Type	Area Sq M	Area Sq ft
A	Flexible Commercial	405	4,359
B	Flexible Commercial	366	3,940
B	Community – D1[1]	192	2,067
D	Community – D1	73	786
Total		**1,036**	**11,152**

ME have assumed a 90% net to gross efficiency within the viability assessment.

Table 2.1.4 sets out the GIFA as adopted within the ME Argus appraisal.

Table 2.1.4 GIFA

Block	Accommodation Type	GIFA Area Sq M	GIFA Area Sq ft
A	Build to Rent	33,358	359,076
A	Commercial	405	4,359
B	Commercial	558	6,007
B	Affordable Rent	9,591	103,239
B	Shared Ownership	7,699	82,872
C	Shared Ownership	13,358	143,790
C	Private Residential	15,802	170,102
D	Commercial	73	786
D	Private Residential	19,099	205,582
Total		**99,943**	**1,075,813**

Given the potential difference in areas, and the differences between the areas adopted, and the differences between the *'illustrative scheme'* and a *'maximum parameter Scheme'* we request that the LPA confirm that they are in agreement that the floor areas adopted for the purpose of the viability assessment are fully representative of the proposed outline development. As noted in Table 2.1.2, the difference between the two schemes is significant at almost 200,000 square feet, equating to 28% of additional space that could be developed yet not tested by the Indicative Scheme.

Furthermore, we note that Block A includes additional ancillary space, which is generally accepted for BtR schemes. Again, we recommend that the LPA confirms that they are in agreement with these areas as per the ME appraisal submission as in accordance with their confirmation of the outline planning application submission.

2.3 Planning History

We are not aware of any extant schemes, which would have an impact on the outcome of the viability assessment.

[1] Updated reference under use class changes required

3 Methodology

ME have undertaken their assessment using Argus Developer ("Argus").

We have also used Argus to appraise the development proposals. Argus is a commercially available development appraisal package in widespread use throughout the industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuation. Further details can be access at www.argussoftware.com.

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

We are of the opinion that Argus provides an accurate reflection of the economics of the Development. Therefore, we have adopted this tool for the purposes of our assessment.

The difference between the total development value and total costs equates to the residual land value ("RLV"). The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable it is necessary to compare the RLV that is produced with a benchmark land value. If the Development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing additional affordable housing. However, if the Development generates a RLV that is lower than the benchmark it should be deemed economically unviable and the quantum of affordable housing should be reduced until viability is achieved.

ME have included a BLV based upon the Existing Use Value ("EUV") for the site. We comment further in this approach at Section 5.

4 Review of Assumptions

In this section, we provide an assessment of the general principles and review of the assumptions that ME have adopted for their appraisals of the proposed scheme.

ME's report states *"We would comment that the current uncertainty as a result of the Covid-19 pandemic has added an extremely large level of risk into the market. It is still too early to be able to measure the impact on a number of the assumptions contained within this report and so the Financial Viability Assessment currently assumes a 'normalised' market broadly in line with conditions in Q3 2019. Given the project's programme length, we consider this to be a reasonable assumption at this stage. However, we would reserve the right to revise the report when more is known about the impact on the economy and property market generally"*.

Financial Viability has to be tested on the basis of current market conditions and the purpose of incorporating a profit margin in the appraisal is to provide a risk-adjusted return to account for future uncertainty. While any changes that may occur within the period prior to the determination of the planning application can be reflected in the viability assessment, it cannot take account of – as yet unknown – changes that may occur in the future. With regards to ME's suggestion that their report assumes conditions reflective of Q3 2019, Land Registry data indicates that in October 2020 values were 4.3% higher in comparison to July 2019.

4.1 Gross Development Value ("GDV")

The proposed scheme includes the following tenure types:

- Private Build to Rent ("BtR");
- Discounted market rent at 80% of Market Value ("DMR");
- Private Sale;
- Shared Ownership;
- Affordable Rent;

4.1.1 Private BtR

The proposed scheme will have 322 residential units within Block A which will be Private Build to Rent (BTR) properties as opposed to the other traditional build to sell properties.

The difference in this approach to valuation is that the capital value is determined by estimating rental values for the properties and applying an appropriate allowance for management costs, repairs and voids. The net income is then capitalised by applying an investment yield, reflecting the risk-adjusted return required by the acquiring party.

ME have applied the following gross rental assumptions for the unit types.

Table 4.1.1: BTR Rental Assumptions

Apartment Type	Number of units	Unit area	Total area	Monthly rent	Total Rent
1 bed 1 person studio	44	398	17,512	£1,350	£712,800
1 bed 2 person	79	538	42,502	£1,650	£1,564,200
1 bed 2 person WCA	18	699	12,582	£1,750	£378,000
2 bed 4 person	137	753	103,161	£2,150	£3,534,600
2 bed 4 person WCA	15	914	13,710	£2,250	£405,000
3 bed 5 person	26	925	24,050	£2,650	£826,800
3 bed 5 person WCA	3	1,184	3,552	£2,750	£99,000
SubTotal	***322***		***217,069***		***£7,520,400***

Apartment Type	Number of units	Unit area	Total area	Monthly rent	Total Rent
DMR 80% 1 bed studio	24	398	9,552	£1,080	£311,040
DMR 80% 1 bed 2 person	31	538	16,678	£1,320	£491,040
Sub Total	***55***		***26,230***		***£802,080***
Total	**377**		**243,299**		**£8,322,480**

We note the rental value evidence provided by ME and consider that the market rents applied are reasonable.

ME have then deducted 25% of the annual income as an allowance for management, repair and void costs, for which only anecdotal supporting evidence has been provided. We could consider this to be at the upper end of an acceptable range, and in this case, the 25% equates to over £5,500 per unit. We have therefore tested the outcome of the assessment were this to be reduced to 20%.

In terms of capital value, ME have *"have considered research documents such as the Knight Frank Residential Yield Guide, January 2020 (Appendix 5). Taking into account the transport links available to the site, we are of the opinion that the property would be considered as a Secondary Zone 3 location and we have therefore applied a 4% yield, a 0.25% outwards adjustment from the Knight Frank view on Prime Zone 3".*

However, we note that CBRE's December 2020 'UK Residential Property Investment yields' indicates that in zones 3-6, net yields for prime stock are 3.5% and 3.75% for 'good secondary'. Given the Site's close proximity to Cricklewood Station and fast journey times to central London via Thameslink, we would consider the site to be 'good secondary'. ME's yield of 4% is therefore soft and we have applied a yield of 3.75%.

The above assumptions result in a Gross Development Value for the proposed private BTR apartments of £160,435,200. Paragraph 4.1.2 sets out the ME assumptions for the DMR units at 80% of market rent.

ME's Argus appraisal includes the total BtR and DMR units, with the total capital value of £156,046,500. This capital value is input into the ME appraisal however, they have included the higher area of 248,281 sq ft in total, rather than the 243,299 which forms the basis of the calculation. Whilst this does not make a difference to the outcome of the assessment, as long as the same 377 unit number and mix is retained in the indicative scheme, there is potential for confusion if the capital value per sq ft is referenced for the BtR units – i.e. a blended rate of £641 per sq ft using the areas in Table 4.1.1 above compared to £628.51 in the ME appraisal.

Our revised appraisal assumptions generate a total BtR and DMR capital value of £177,546,242.

4.1.2 Affordable housing revenue – DMR 80%

Within the Build to Rent element of the development, the Applicant is proposing to provide approximately 55 units (86 habitable rooms) of Discounted Market Rent (DMR).

The units will be provided at 80% of Market Rent to eligible households, which will be affordable to households on incomes of up to £60,000 within the GLA definition of intermediate housing, therefore with the maximum monthly rent of £1,400.

ME have assumed that these DMR units will be studio and 1 bedroom apartments, with monthly rents of between £1,080 and £1,320 per month.

The DMR units have been valued within the same block as the private BtR units, and therefore the reduced rent units are subject to the same management reduction and yield as the private BtR units. The ME capital value for the DMR units is £15,039,000. Our revised value is £17,111,040.

BNP PARIBAS REAL ESTATE

4.1.3 Private residential sales values

The proposed scheme as per the outline indicative appraisal includes private sale units in Blocks C and D, and which they have assumed to come forward in Phases 2 and 3. ME's report includes the following unit pricing as set out in Table 4.1.3.

Table 4.1.3 Private Residential sales values

Apartment Type	No of units	Average NIA Sq Ft	Estimated Average Sale Price	Estimated Average Sale Price Per Sq Ft
1 bed 1 person studio	60	398	£315,000	£791
1 bed 2 person	139	538	£400,000	£743
1 bed 2 person WCA	28	699	£465,000	£665
2 bed 4 person	108	753	£525,000	£697
2 bed 4 person WCA	20	914	£575,000	£629
3 bed 5 person	37	925	£600,000	£649
3 bed 5 person WCA	4	1,184	£700,000	£649
Total	**396**			**£704**

Based on the units identified in the accommodation schedule, the total GDV would be £180,720,000, which as divided by the sum of the areas at 256,799 sq ft, would equate to £704 per sq ft.

ME's appraisal includes the higher Net Area for Blocks C and D, therefore the equivalent GDV in the Argus appraisal is £186,968,320, based on 265,580 sq ft times £704 per sq ft.

As long as the actual mix in the appraisal scheme is designed with the same ratio of units on the same basis as the proposed 396 units then this is a reasonable approach for an outline scheme – however, if the scheme represented in the appraisal scheme had additional smaller units, such as studio or 1 beds, with higher rates per sq ft, then the extrapolated average value would need to be increased.

We have reviewed the comparable evidence submitted within the ME residential report (included in Appendix 4 of the ME report) in addition to undertaking further research into the local market through discussions with active local agents as well as using online research facilities.

Our research indicates that the proposed sales values are reasonable and we have adopted the same within our appraisal.

4.1.4 Affordable housing revenue – Shared Ownership

The Applicant proposes to provide approximately 241 units (576 habitable rooms) as shared ownership apartments. The apartments will be affordable to households on gross incomes of up to £90,000 per annum, in line with the threshold set by the GLA.

ME's revenue attributed to the shared ownership units is £500 per sq ft. We would consider this to be within the reasonable range and have adopted these figures within our appraisal.

4.1.5 Affordable housing revenue – Affordable Rent

ME have applied the affordable housing affordable rented units based on 65% of market rent, in line with the LPA's policy.

ME advise *"As detailed further in Section 7 below, Affordable Rent unit rents in London are typically capped at the Local Housing Allowance (LHA) rates specific to a Broad Rental Market Area (BRMA). LHA rates are the housing benefit levels an eligible tenant can receive if renting from a private* *landlord. Therefore, the rents charged by Affordable Rent products do not exceed the LHA rates available to local residents.*

This site is located within the Inner North London BRMA for which we have set out the 2020/21 LHA rates below. However, the Applicant is prepared to deliver the proposed Affordable Rent units at 65% of Market Rent which, in this instance, are below the local LHA rates".

ME's appraisal includes the affordable rented revenue at £345 per sq ft.

To value the affordable housing units, we have used a bespoke model specifically created for this purpose. This model takes into account factors such as standard levels for individual RPs management and maintenance costs; finance rates currently obtainable in the sector, and a view on the amount of grant that may be obtainable.

The 'Shared Ownership and Affordable Homes Programme 2016-2021 – Prospectus' document provides a clear indication that Section 106 schemes are unlikely to be allocated Grant funding, except in exceptional circumstances. It is therefore considered imprudent to assume that Grant will be secured. Therefore, our assessment relies upon the assumption that none is provided.

For rented tenures the model operates a 35 year discounted cashflow in order to arrive at a net present value of the units today. For the shared ownership tenure, the model values a percentage of the Initial Tranche sold to the purchaser and capitalises the net rent on the unsold equity. The rent on the retained equity is set at a level at which total housing costs (ie. the rent plus mortgage on the initial tranche) do not exceed 40% of net household incomes.

We would consider the revenue included by ME to be reasonable and have adopted these figures within our appraisal.

4.1.6 Ground Rent

ME have not included a receipt for the sale of ground rents for the private sale units. The state *"In June 2019 the then Housing Secretary, James Brokenshire published the Government's response to the leasehold reform consultation which confirms that legislation will be brought forward to ban the sale of leasehold houses and fix ground rents on apartments at zero financial value (£0). Exemptions from the legislation will only be provided for retirement properties and community led developments as proposed in the consultation document.*

The Government has stated that a Bill to implement the reforms will be brought forward "when parliamentary time allows" and no additional transitional period will be allowed for after the passage of the legislation. Although the timings are therefore currently unknown, the Government's intentions have been made clear and it is therefore prudent to assume that the sale of ground rents following practical completion of the development would either have been legislated against or no longer be acceptable to purchasers in the market".

We confirm our agreement to these points and do not consider that ground rental income should currently be charged in the appraisal.

4.1.7 Car Park income

We note that ME have not included any additional revenue with respect to the 110 potential car parking spaces. We have requested confirmation from the LPA with respect the potential allocation of spaces between the commercial, community and residential uses. They advise that the 110 spaces will be available for the residential units. Therefore we have assumed a capital value of £20,000 for a space in this location, divided proportionately between the units in Blocks C and D.

4.1.8 Commercial revenue and yield

The proposed Development includes 1,036 square metres (11,152 square feet) Gross Internal Area (GIA) of commercial space. ME have assumed a rental value of £25 per square foot, capitalised at a

6% yield with a 6 month rent free period. ME have not distinguished between the commercial and community uses.

We have undertaken research into the local market through discussions with active local agents as well as using online research facilities. We consider the rental value, capitalisation rate and rent free period to be reasonable and have therefore adopted them within our appraisal.

4.2 Development costs

4.2.1 Construction costs

ME have relied upon a construction cost plan prepared by Ward Williams Associates ("WWA"). In summary, the total cost equates to £295,340,000 reflecting a cost rate of £2,814 per square metre (£261.46 per square foot) within the ME appraisal.

The Council have instructed CDM Project Services ("CDM") to undertake a review of WWA's cost plan. CDM have concluded that the total cost assumed by WWA is higher than they consider reasonable in the current market by circa 4%, or circa £11,000,000. We have therefore adopted a total cost of £284,396,106 within our assessment in line with the advice received from CDM.

It should be noted that the CDM review is subject to clarification and substantiation on items which are listed on page 5 of their report. We therefore request that this information is provided by the Applicant.

A copy of the CDM cost plan review is attached as **Appendix 1.**

4.2.2 Contingency

The WWA cost plan includes contingency of 5% of costs within their assessment, which ME have included in their appraisal, as a separate line, rather than within the total sum. We consider the inclusion of a 5% contingency allowance to be reasonable and have therefore adopted a 5% allowance within our assessment. The CDM cost is adjusted accordingly to reflect the separate contingency.

4.2.3 Professional fees

ME have assumed a professional fees allowance of 10% of construction costs within their appraisal.

We have taken factors into account such as site constraints and scheme complexity and do not consider an allowance above 10% of construction costs to be required for this scheme. We have also taken into account the monetary value of the percentage included within the appraisal. We have therefore adopted a base allowance of 10% of construction costs within our appraisal.

4.2.4 Planning obligations

ME have included the following planning obligations within their appraisal for a 35% affordable housing scheme:

- Combined Mayoral and Borough CIL: £17,667,315.

ME have not included any calculation breakdown in support of this figure. We also note that ME have scheduled the CIL payments as an annual payment of £3,533,463 across the duration of the development (over 5 years). We recommend that the LPA confirm this is the appropriate amount, and the appropriate scheduling programme for this payment. Although ME's payment profile does not appear to comply with the Mayor's Instalments Policy, it is possible that there is an assumption of payments linked to phases.

We note that ME have not included any Section 106 payments within their appraisal.

We have adopted the above planning obligation payments on a 'subject to confirmation' basis pending discussions with the Council.

4.2.5 Interest

ME have assumed an all-inclusive rate of 7% within their appraisal. We consider this assumption to be marginally above what is reasonable in the current market and have adopted an all-inclusive finance rate of 6.5% within our assessment.

Although a bank would not provide 100% of the funding required for the proposed Development it is conventional to assume finance on all costs in order to reflect the opportunity cost (or in some cases the actual cots) of committing equity to the project.

4.2.6 Disposal costs

ME have assumed the following disposal costs within their appraisal:

Table 4.2.6 Disposal costs

Fee Type	Unit Type	Cost allowance	Amount
Marketing and agency fee	BtR	0.25%	
Marketing and agency fee	Private Sale	3%	
Agent	Commercial Sale	1%	
Agent	Affordable Housing	1%	£1,054,219
Legal fee	BtR	0.10%	
Legal fee	Private Sale	0.5%	£2,361 per unit
Legal fee	Commercial Sale	0.5%	
Legal fee	Affordable Housing	0.50%	£527,110
Letting Agent	Commercial income	10%	
Letting Legal	Commercial income	5%	

Whilst we consider the majority of assumptions to be reasonable, we have concerns in relation to the sales agency and legal fees for affordable housing; and sales legal fees generally. We have commented upon the disposal costs below:

- **Affordable housing marketing and sales agency fees:** We consider the marketing and sales agency fee for the affordable housing units to be unreasonable and have adopted a fixed fee of £100,000 within our assessment.

- **Sales legal fees:** Whilst we consider the sales legal fee of 0.5% of GDV to be reasonable for the commercial space, we consider it to be above what is reasonable for the private residential units. The 0.5% of GDV allowance equates to £2,361 per unit, which we have reduced to 0.25% (c£1,100 per unit) within our assessment to reflect current market expectations.

4.2.7 Developer's profit

ME have assumed the following profit levels within their assessment:

- Profit on private residential: 20% of GDV;
- Profit on Build to Rent: 15%
- Profit on commercial: 17.5% of GDV; and
- Profit on affordable housing: 6% of GDV.

We have recently experienced a range from 17% to 20% of GDV when considering developments in the London area. We have taken into account the uncertainty that is now apparent after the United Kingdom's departure from the European Union and the potential risks associated with our future trading relationships with other countries now that the transition period has expired, in addition to the risks associated with this specific development.

We have also taken into account the outbreak of the Novel Coronavirus (Covid-19) declared by the World Health Organisation as a "*Global Pandemic*" on 1 March 2020. There is increased uncertainty in relation to house prices when the market starts to return to full operation again. Although there is an expectation that the economy will 'bounce back' quickly, there is a risk of a more prolonged recovery. We have taken into account the development timetable for the Application Scheme in addition to the comments included above.

Our assessment of profit is based upon the perceived risks associated with the proposed Development. We consider a profit level of 17.5% of GDV to be reasonable for the private residential units, and 15% applied for the BtR elements of the proposed Development and have therefore adopted it within our appraisal.

We have adopted a profit level of 15% of GDV for the commercial space taking into account the reduced level of risk that is present with this use type. This is a profit level that is widely accepted across London for commercial space.

Where applicable, we have assumed a profit of 6% of revenue for the affordable housing element of the scheme. The reduced profit on affordable housing reflects the risk of delivery. The developer will contract with an RP prior to commencement of construction and they are – in effect – acting as a contractor, with their risk limited to cost only. After contracting with the RP, there is no sales risk. In contrast, the private housing construction will typically commence before any units are sold and sales risk is present well into the development period.

4.3 Project timetable

ME have assumed that the development will be constructed over three phases, with a total development scheduled over 6 and a half years.

- Phase 1 comprises Blocks A & B
- Phase 2 comprises Block C
- Phase 3 comprises Block D

Further details are set out below.

Table 4.3.1: Phase 1

Block	Type	Heading	Months	Comment
A	BTR Residential & Commercial	Demo & Pre-construction	9	
		Construction	30	
		Sale	1	Single at month following end of construction
B	Affordable & Commercial / Community	Demo & Pre-construction	9	
		Construction	24	
		Sale – AH	24	Monthly over construction stage
		Sale – Commercial & community	1	Single at month following end of construction

Construction of Phase 2 is scheduled to start 12 months after the start of construction of Phase 1 (at the midway point).

Table 4.3.2: Phase 2

Block	Type	Heading	Months	Comment
Block C	Shared Ownership	Demo & Pre-construction	21	
		Construction	24	
		Sale	24	Monthly over construction stage
Block C	Private Residential	Demo & Pre-construction	21	
		Construction	24	
		Sale	14	50% at end of construction – remainder at 6 units per month

Construction of Phase 3 is scheduled to start 14 months after the start of construction of Phase 2.

Table 4.3.2: Phase 3

Block	Type	Heading	Months	Comment
Block D	Private Residential	Demo & Pre-construction	35	
		Construction	24	
		Sale	19	50% at end of construction – remainder at 6 units per month
Block D	Commercial	Demo & Pre-construction	35	
		Construction	24	
		Sale	1	Single at month following end of construction

We consider the above broad timescales proposed by ME to be reasonable based on an outline consent, and have therefore adopted them within our assessment.

However, we note the following points:

The affordable and community uses within this proposal are being developed in the earlier phases of the proposed scheme. These uses have lower revenues and if they were to be moved as part of the detailed application to later phases of the scheme, this would result in a greater residual land value, (albeit somewhat mitigated by the loss of cashflow benefit of the AH receipt over the construction period) likewise if the private sale units were to be delivered accordingly at earlier in the cash flow programme, then the values would also increase.

Therefore we recommend that the LPA and applicant agree that the phasing plan is as per that assumed in this viability assessment. If this is not the case, then we would recommend that the viability is re-assessed.

5 Appraisal Results

In this section, we consider the outputs of the appraisals and the implications for the provision of affordable housing at the proposed Development.

5.1 Viability benchmark

To establish a viability benchmark, ME have undertaken an Existing Use Valuation ("EUV") of the Application Site. The Site extends to 6.8 acres (2.75 hectares) and comprises three adjoining retail warehouse units (known as Broadway Retail Park) which provides circa 83,000 sq ft of floorspace.

ME's report states *"The largest unit (Unit 3) is occupied by B&Q, with an adjoining pair of smaller retail warehouse units that appear to have been added subsequently. These units, known as Unit 1 and Unit 2, are occupied by Saint-Gobain Building Distribution Ltd (t/a Tile Depot) and Poundstretcher respectively. Unit 1 comprises a single storey retail warehouse unit extending to approximately 10,000 sq. ft. It provides an open plan tile showroom fitted out in the tenant's usual corporate style, with painted blockwork walls. Unit 2 comprises a single storey retail warehouse unit extending to approximately 15,000 sq. ft. It provides an open plan sales area fitted out in the tenant's usual corporate style, with painted blockwork walls. Unit 3 comprises a two storey "L"-shaped retail warehouse unit extending to approximately 58,000 sq. ft. It is fitted out in B&Q's usual trading style, with a small first floor providing design studios, separate mezzanine storage area and a garden centre to the rear.*

The site also includes extensive surface level parking for 470 cars. This represents a car parking ratio of 1:183 sq. ft. The total site coverage is low at around 29%. An office pod is located within the car park and is occupied by We Buy Any Car Ltd under the terms of a licence from the freeholder. A food van is located within the car park and is occupied by The Lunch Box UK Ltd under the terms of a licence from the freeholder".

ME have provided a full tenancy schedule, details are shown in Table 5.1.1.

Table 5.1.1 EUV Accommodation Schedule

Demise	Tenant	Start	End	Rent Per Annum	Comments
Unit 1	Saint-Gobain Building Distribution Ltd	19/8/2017	18/8/2020	£136,500	Mutual break option at any time on 6 months' notice. Contracted outside 1954 Act.
Unit 2	Poundstretcher Ltd	19/8/2017	18/8/2020	£127,650	Landlord break option at any time on 6 months' notice and payment of £212,000. Contracted outside 1954 Act
Unit 3	B&Q Plc	Applicant's purchase of site	18/8/2020	£631,510	Leaseback by vendor. Contracted outside 1954 Act
Car Parking	Ardent Tide Ltd	18/08/2020	17/01/2019	£6,142.50	Can be terminated on 1 months' notice by either party
Concession	The Lunch Box UK Ltd	6/8/2018	Rolling	£14,124	Can be terminated on 1 months' notice by either party

Demise	Tenant	Start	End	Rent Per Annum	Comments
Concession	We Buy Any Car Ltd	7/7/2014	Rolling	£28,000	Can be terminated on 1 months' notice by either party
Gas Governor	Cadent Gas Ltd	29/9/1991	28/09/2071	£0	
Total				**£943,926.50**	

ME note that *"the rents paid by Saint-Gobain, Poundstretcher and B&Q equate to £13.65 per sq. ft., £8.51 per sq. ft. and £10.89 per sq. ft. respectively. The lettings to Saint-Gobain and Poundstretcher were agreed in August 2017 but constituted short-term lettings with rolling break options in order to facilitate redevelopment of the site in the near future. The lease to B&Q is part of a short-term sale and leaseback arrangement. As such we do not believe any of the current tenancies reflect open market terms".*

This scenario is typical of a large site with potential long-term development potential. ME have highlighted a number of retail warehouse lettings, ranging from circa £20 per sq ft to £30 per sq ft. They consider that it would be possible to let the accommodation at higher rents that reflected by the passing rents.

Table 5.1.2 EUV Accommodation Schedule

Unit	Sq Ft	ERV per sq ft	ERV Per annum
Unit 1	10,000	£20	£200,000
Unit 2	15,000	£20	£300,000
Unit 3	58,000	£15	£870,000
Total	**83,000**		**£1,370,000**

ME provide a schedule of sale transactions for retail warehouse schemes of single units or small parks, with net initial yields ranging from 4% to 5.5%. ME also refer to more recent commercial market investment research published by CBRE and Knight Frank.

Taking the above into account, ME consider that *"were the property to be retained in its existing use, it would attract pricing at around 6.5% based upon current market sentiment and the current short term leases in place to the existing occupiers"*

ME consider "*In our opinion, if the property were not being brought forward for redevelopment the current tenants may be willing to engage with the landlord in lease renewal discussions. The shortage of good quality retail warehouse stock in the Greater London area and the continuing loss of space to redevelopment, has made occupiers very amenable to entering into new long term leases to secure their occupancy, often at an increased rent with minimal incentives from the landlord".*

ME consider that if new leases were agreed at the EUV levels as at Table 5.1.2, after allowing a leasing void and rent free package of 18 months, and after a deduction of 15% profession letting and legal fees, the capital value at 6.5% results in an EUV of £17,775,000 after deduction of purchaser's costs. ME have not made an explicit allowance for any additional income receivable from concession licences, such as those currently in place with We Buy Any Car and The Lunch Box.

We have reviewed the information provided by ME and agree that the assumptions behind the EUV as proposed are reasonable. We note that the potential uplift in rental value noted with the vacant possession reflects a 45% increase in income from the current passing rent.

Landowner premium

ME have applied a landowner premium of 20% to incentivise the landowner to bring the site forward for development. Table 5.1.3 sets out the ME BLV calculation.

Table 5.1.3 ME Benchmark Land Value

Heading		Amount
EUV		£17,775,000
Landowner's Premium	20%	£3,555,000
BLV		**£21,330,000**

We have based our opinion of a landowner premium on a number of factors including whether nor not the existing space is currently occupied, and the rental increase already factored into the EUV calculation, if the development were not to come forward. We have assessed the condition of the existing space and the likely demand from alternative occupiers in addition to the likely covenant strength of potential tenants. We have applied varying percentages based upon the perceived strength of each of the factors taken into account. We consider a premium of 10% to be reasonable for the viability benchmark with the BLV set out in Table 5.1.4

Table 5.1.4 Benchmark Land Value

Heading		Amount
EUV		£17,775,000
Landowner's Premium	10%	£1,777,500
BLV		**£19,552,500**

5.2 ME's appraisal results

ME's report states "The comprehensive viability modelling has shown that it is not technically viable to provide the 35% affordable housing detailed later within this report whilst allowing for a competitive return to the Applicant to enable the development to be delivered.

It would be possible for the Applicant to reduce the proposed level of affordable housing using viability evidence in accordance with planning policy. However, the Applicant is prepared to adopt a pragmatic approach in order to avoid elongated viability discussions thereby expediting the delivery of this much-needed affordable housing within the London Borough of Barnet.

The offer to provide 35% affordable housing is based upon not requiring any mid or late stage review mechanisms. Should the Council or the GLA seek for a mid or late stage review to be contained within the S106 agreement then the Applicant will need to consider their options, including a potential reduction in the quantum of affordable housing or a tenure adjustment through the viability tested route in accordance with planning policy".

ME's appraisal results are set out in Table 5.2.1.

Table 5.2.1 ME Appraisal Results

Basis	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH	£6,217,010	£21,330,000	-£15,112,990

ME have also included two further scenarios with respect to the provision of affordable housing, which they state has been requested by the LPA.

- Sensitivity scenario 1 – 35% affordable housing (65% London Affordable Rent & 35% Intermediate); and
- Sensitivity scenario 2 – 35% affordable housing (50% London Affordable Rent & 50% Intermediate).

ME's appraisal results for these alternative scenarios are set out in Table 5.2.2.

Table 5.2.2 ME Appraisal Results

Affordable housing percentage	Tenure	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH – scenario 1	65% LAR & 35% Intermediate	-£35,871,617	£21,330,000	-£57,201,617
Proposed 35% AH – scenario 2	50% LAR & 50% intermediate	-£22,112,741	£23,330,000	-£45,442,741

5.3 BNPPRE appraisal results

Whilst many of the ME assumptions are reasonable, we suggest the following adjustments to the appraisal assumptions:

- Adjust BtR investment yield from 4.25% to 3.75%;
- Reduce allowance for the costs associated with the BtR value calculation;
- Include car parking revenue;
- Reduced build costs to reflect CDM report;
- Adjust the agent and legal fees; and
- Reduce the commercial profit;

We have also adjusted the BLV to reflect a lower premium.

Table 5.3.1 BNPPRE Appraisal Results

Affordable housing percentage	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (23% rented & 77% intermediate tenures)	£34,702,246	£19,552,500	£16,149,746

We have requested that the LPA confirm agreement with the floor areas as adopted by ME, and note that it would appear that considerable scope for increased areas could be accommodated within the scheme parameters. A copy of our appraisal is provided at **Appendix 2.**

We also request confirmation from the Council with respect to the S.106 and CIL contribution amounts and proposed timings.

We have also tested the outcome of the viability assessment if the current shared ownership units in Block B were to be transferred to affordable rented tenure. These results are set out in Table 5.3.2.

Table 5.3.2 BNPPRE Appraisal Results

Affordable housing percentage	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (45% rented & 55% intermediate tenures)	£28,497,265	£19,552,500	£8,944,765

We have also tested the outcome of the viability if the current shared ownership units in Block C were to be transferred to affordable rented tenure. These results are set out in Table 5.3.3.

Table 5.3.3 BNPPRE Appraisal Results

Affordable housing percentage	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (64% rented & 36% intermediate tenures)	£24,094,457	£19,552,500	£4,541,957

6 Conclusion

We have undertaken an assessment of the proposed Development with 35% affordable housing by habitable rooms (35% affordable housing by units with 70% intermediate and 30% rented), in line with the Applicant's proposal. ME have concluded that the scheme with 35% affordable housing generates a significant deficit against the viability benchmark.

However, this assessment is for an outline planning consent, and as noted above, there are many potential examples where the floor areas can be increased. The indicative scheme tested by ME is circa 200,000 square feet (28%) smaller than the maximum area sought in the planning application. Furthermore, we have recommended modest amendments to the ME's appraisal, and conclude that the proposed scheme surplus would increase significantly. We therefore recommend that the applicant's affordable housing tenure mix could be improved to be closer aligned with the LPA's requirements.

Finally we note that as the outline scheme offers significant potential for uplift in value upon the submission of detailed planning permission with regards to the reserved matters applications, it would not be appropriate to fix this level as per the Applicant's offer at this stage, and that appropriate review mechanism is factored in to assess the acceptable level of affordable housing.

Appendix 1 - CDM Construction Cost Plan Review

CDM
Project Services

Development

B & Q Broadway Retail Park
Cricklewood Lane
London NW2 1ES

Draft

Report on Feasibility Cost Plan

November 2020

CDM Project Services Limited
14 Green Lane
Purley
Surrey
CR8 3PG

1.0 INTRODUCTION, METHODOLOGY AND COMMENTS ON ESTIMATE AND CONCLUSION

<u>Introduction and methodology</u>

CDM Project Services was formed 25 years ago and carries out cost management, project management and other related services both in the UK and overseas. The principal Stephen Brown is a Chartered Quantity Surveyor (M.R.I.C.S.) and a member of the Association of Project managers (M.A.P.M.) with over 40 years' experience, a majority as a Director and Partner of cost consultancy practices and for the past 12 years has been a Director of WT Partnership for which he still acts as a consultant and with whom he shares data. Stephen is also a Non-Executive Director of Savile Brown Associates Stephen has carried out projects and has carried a large number cost estimate reviews within The London Borough of Barnet

We have been requested to carry out an independent review of the Feasibility Cost Plan nr1 dated 13th March 2020 prepared by WWA in the sum of £295,340,000 equivalent to £275/ft2 /ft2 or £2,956/m2 based on 99.924 m2 GIA.

The development comprises the demolition of existing buildings and the comprehensive phased redevelopment of the site for a mix of uses including up to 1100 residential units (Use Class C3), and up to 1200m2 of flexible commercial and community floor space (Use Classes A3/B1/D1 and D2) in four buildings ranging from 3 to 25 storeys along with car and cycle parking landscaping and associated works

The cost plan appears to be based on 773 private units and 327 affordable units. Community area is stated as having a basic fit out, amenity space a basic finish and retail finished to shell and core only

There is a 5% contingency included within the cost estimate which equates to £14,063,926.We have checked the appraisal and there appears to be no further contingency added. In line with other development appraisals within the Greater London Area we would not expect an overall viability contingency over 5% so this allowance appears reasonable

The costs exclude professional / design fees

There is a note of assumptions, inclusions and exclusions which generally appears reasonable but would comment below
1 The project team and design fees are stated as being included at 5%. This requires clarification
2 We do not agree with the statement under section Other point 8.2. We assume this was written pre- Covid and our experience was that at the beginning of 2020 tenders were becoming more competitive and tier one and

tier two contractors were willing to undertake single stage design and build tenders

There is a basis of estimate which generally appears reasonable

The costs are based on 1st Quarter 2020

The procurement route is stated as being based upon a main Contractor Design and Build route

There is a note of information used

There is an RICS professional statement

We have carried out a review of the cost estimate prepared based on benchmarking against known costs on similar projects. When bench marking the cost against other projects etc. we have taken care to ensure that any rates used are adjusted to take into account the base date of estimate, location, and this particular development.

We are also obligated to review the cost estimate using BCIS as it i referenced in the planning guide lines. For a residential new building of 6 storey plus the average cost in this Borough is £2,162 /m2 GIA and to this needs to be added external works and site abnormal items. A copy of the BCIS average price information is attached.

We have viewed planning application 20/3564/OUT

Construction Cost Summary

Preliminaries – These are included at 16% and we would expect a market rate of 15 % for a project of this size and type so a difference of 1%. We do note however the project is to be undertaken in phase so will accept preliminaries could be 16%.

Scaffold has been included in the external walls section which totals £5,758,049 which equates to circa 2.52% which in our opinion should be part of the preliminaries

Overheads and profit – we would expect a market rate of 5% whereas WWA has 6% so high by 1%

Contingency- See previous comments

Demolition – we have benchmarked and £1,300,000 appears reasonable

Archaeology allowance- there are reports with the planning information but what is the basis and of this allowance, have reduced by £20,000 subject to clarification

What is basis of UXO allowance have omitted subject to clarification being a difference of £25,000

Substructure, frame, upper floor, podium, stairs, lifts, external walls, windows, balconies- cost in our opinion are reasonable

Scaffold see above

Acoustic treatment to phase 3 rate should be £100 as other phases not £150/m2 being a difference of £122,500

Apartment fit outs we have benchmarked some rates are a little high some a little low but overall are reasonable

We would question the £1,500 Audi Visual allowance to private apartments which requires clarification and substantiation. We have not adjusted at this stage

Communal, community, retail, ancillary costs in our opinion appear reasonable

Statutory connections which includes drainage, central plant and PV panels in our opinion costs appear reasonable

External works- The areas come to 21,104m2 plus podium is 4,508m2 but site is 27,500m2 and you have to take off the buildings and podium so area appears incorrect have adjusted by adjusted by 5,000m2 x £100/m2 subject to clarification

Assume landscape outside Southern boundary £945,000 relates to Cricklewood Green, this needs to be clarified why included

<u>Overall</u>

Overall there is a difference of £10,943,894 or circa 3.71% on the cost estimate making our assessment £284,396,106 or equivalent to £264/ft2 or £2,846/m2 GIA. A schedule of the adjustments is attached

The differences are archaeology, UXO, scaffold, phase 3 acoustic treatment, external works and overheads and profit allowances.

Clarification is required regarding project team and design team fees under 7.6.1 of the executive summary section, archaeology and UXO allowances, landscape areas and landscape outside southern boundary allowance

<u>Conclusion</u>

In our opinion the construction costs for use in the appraisal should be £284,396,106 equivalent to £264/ft2 or £2,846 /m2 GIA being a difference of £10,943,894 or circa 3.71% difference from the estimate

The above cost includes a contingency of 5% contingency

The costs exclude professional fees

The cost plan appears to be based on 773 private units and 327 affordable units. Community area and amenity space is fitted out and retail is finished to shell and core only

The differences are archaeology, UXO, scaffold, phase 3 acoustic treatment, external works and overheads and profit allowances.

Clarification is required regarding project team and design team fees under 7.6.1 of the executive summary section, archaeology and UXO allowances, landscape areas and landscape outside southern boundary allowance

General

It should be noted that there is potential for variance due to the early information the cost estimate is based compared to the cost when the works are undertaken.

It should be understood that the developer may choose to undertake value engineering exercises after the gaining of planning permission in order to reduce their cost.

The developer may also use different construction methodologies to reduce programme and therefore costs.

The information contained in this report is confidential to the parties involved in the application and may not be relied upon by any third party or used for any other purpose than to assess the quantum of affordable housing or other payments due to the Local Authority for this development

RICS Required Statements

We confirm we have acted with objectivity, impartially, without interference and believe we have sourced appropriate available information

We have acted in accordance with our instruction from BNP Paribas and that no performance or contingent fees have been agreed

We confirm we have no conflict or that risk of conflict exists

Steve Brown

Cricklewood Lane
Cost Report

CDM Project Services
November 2020

Cricklewood Lane

CDM Project Services

Summary of adjustments

		Omission	Addition	
		£	£	
Archaeology		20,000		Subject to clarification
UXO		25,000		Subject to clarification
Scaffold		5,758,049		
Acoustics phase 3		122,500		
External works area		500,000		Subject to clarification
Landscape outside boundary		0		Subject to clarification
		6,380,549	0	
		0		
	Adjustment	6,380,549		
	WWA	228,756,111		
	CDM estimate	222,375,562		
Preliminaries	16%	35,580,090	WWA16%	
	CDM overall estimate	257,955,652		
Overheads and profit	5.0%	12,897,783	WWA 6%	
	CDM overall estimate	270,853,435		
Contingency	5.0%	13,542,672		
	CDM overall estimate	284,396,106		
	WWA overall estimate	295,340,000		
	Total difference	£10,943,894	3.71%	
Rate /m2		2,846.12 m2		
Rate/ft2		264.40 ft2		

Appendix 2 - BNPPRE Argus Appraisal

BNP Paribas Real Estate

Development Appraisal

Cricklewood Lane

Financial Viability Appraisal

Report Date: 13 January 2021

Cricklewood Lane
Financial Viability Appraisal

Summary Appraisal for Merged Phases 1 2 3 4 5 6 7 8 9

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**
Block B - Affordable Rent	86	72,133	345.00	289,371
Block B - Shared Ownership	84	57,903	500.00	344,661
Block C - Shared Ownership	157	103,169	500.00	328,564
Block C - Private Residential	172	122,048	704.00	499,545
Block C - Private Car Park	48	0	0.00	20,000
Block D - Private Residential	224	143,532	704.00	451,101
Block D - Private Car Park	62	0	704.00	20,000
Totals	**833**	**498,785**		

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**
Block A - Build to Rent	377	248,281	33.52	22,076
Block A - Commercial	1	3,923	25.00	98,078
Block B - Commercial	1	5,406	25.00	135,158
Block D - Commercial	1	707	25.00	17,685
Totals	**380**	**258,318**		

Investment Valuation				
Block A - Build to Rent				
Current Rent	6,657,984	YP @	3.7500%	26.6667
Block A - Commercial				
Market Rent	98,078	YP @	6.0000%	16.6667
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713
Block B - Commercial				
Market Rent	135,158	YP @	6.0000%	16.6667
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713
Block D - Commercial				
Market Rent	17,685	YP @	6.0000%	16.6667
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713

GROSS DEVELOPMENT VALUE			**476,198,379**
Purchaser's Costs	6.80%	(11,563,067)	
			(11,563,067)
NET DEVELOPMENT VALUE			**464,635,311**
NET REALISATION			**464,635,311**

OUTLAY

ACQUISITION COSTS			
Residualised Price		35,702,246	
Stamp Duty	5.00%	1,785,112	
Agent Fee	1.00%	357,022	
Legal Fee	0.50%	178,511	
			38,022,892

CONSTRUCTION COSTS

Construction	**ft²**	**Rate ft²**	**Cost**
Block A - Build to Rent	359,076 ft²	251.77 pf²	90,404,250
Block A - Commercial	4,359 ft²	251.78 pf²	1,097,502
Block B - Commercial	6,007 ft²	251.78 pf²	1,512,433
Block D - Commercial	786 ft²	251.78 pf²	197,898
Block B - Affordable Rent	103,239 ft²	251.78 pf²	25,993,319
Block B - Shared Ownership	82,872 ft²	251.78 pf²	20,865,500

Cricklewood Lane
Financial Viability Appraisal

Block C - Shared Ownership	143,790 ft²	251.71 pf²	36,193,474	
Block C - Private Residential	170,102 ft²	251.78 pf²	42,827,946	
Block D - Private Residential	205,582 ft²	251.78 pf²	51,761,109	
Totals	**1,075,813 ft²**		**270,853,431**	**270,853,431**
Contingency		5.00%	13,542,672	
CIL			17,667,315	
				31,209,987
PROFESSIONAL FEES				
Professional Fees		10.00%	28,439,610	
				28,439,610
MARKETING & LETTING				
Letting Agent Fee		10.00%	25,092	
Letting Legal Fee		5.00%	12,546	
				37,638
DISPOSAL FEES				
Sales Agent Fee		0.25%	415,604	
Sales Agent Fee		1.00%	38,033	
Sales Agent Fee			100,000	
Sales Agent Fee		3.00%	5,675,050	
Sales Legal Fee		0.10%	166,242	
Sales Legal Fee		0.50%	19,017	
Sales Legal Fee		0.25%	736,476	
				7,150,421
MISCELLANEOUS FEES				
Developer's Return - BTR		15.00%	26,631,936	
Developer's Return - Commercial		15.00%	238,154	
Developer's Return - Affordable		6.00%	3,230,243	
Developer's Return - Commercial		15.00%	328,193	
Developer's Return - Affordable		6.00%	3,095,070	
Developer's Return - Private		17.50%	15,204,314	
Developer's Return - Private Sale		17.50%	17,900,142	
Developer's Return - Commercial		15.00%	42,943	
				66,670,995
FINANCE				
Debit Rate 6.500% Credit Rate 0.000% (Nominal)				
Total Finance Cost				22,250,337
TOTAL COSTS				**464,635,311**
PROFIT				
				0
Performance Measures				
Profit on Cost%		0.00%		
Profit on GDV%		0.00%		
Profit on NDV%		0.00%		
Development Yield% (on Rent)		1.49%		
Equivalent Yield% (Nominal)		3.80%		
Equivalent Yield% (True)		3.89%		
IRR		7.01%		
Profit Erosion (finance rate 6.500%)		N/A		

Cricklewood Lane
Financial Viability Appraisal

Gross Sales
24,885,885
28,951,500
51,584,500
85,921,792
960,000
101,046,528
1,240,000
294,590,205

Net Rent at Sale	Initial MRV	Net MRV at Sale
6,657,984	8,322,480	6,657,984
98,078	98,078	98,078
135,158	135,158	135,158
17,685	17,685	17,685
6,908,905	**8,573,401**	**6,908,905**

177,546,240

1,587,696

2,187,951

286,287
181,608,174

Cricklewood Lane
Financial Viability Appraisal

70 St Mary Axe
London
EC3A 8BE
Tel: +44 (0) 20 7493 4002

Carl Griffiths
London Borough of Barnet
2 Bristol Avenue
Colindale
London
NW9 4EW

28th January 2021

Dear Carl

BROADWAY RETAIL PARK, CRICKLEWOOD LANE – RESPONSE TO BNP PARIBAS REAL ESTATE FINANCIAL VIABILITY ASSESSMENT REVIEW

Thank you for providing us with a copy of the independent viability review report (dated January 2021) prepared by BNP Paribas Real Estate (BNPPRE) on behalf of the London Borough of Barnet (LBB). We would like to take this opportunity to thank BNPPRE for their consideration of the proposals.

Following a review of the report, we have prepared this letter to provide some additional information regarding the proposed floor areas adopted for the assessment and respond regarding some of the differences of opinion.

Although both parties agree with the majority of the assumptions adopted within the Financial Viability Assessment (FVA), there are a number of differences of opinion which we examine further below.

We summarise the current position for ease of reference below:

REPORT	BENCHMARK LAND VALUE – (EUV +)	PROPOSED DEVELOPMENT RESIDUAL LAND VALUE	VIABILITY DEFICIT
Applicant – Montagu Evans	£21,330,000	£6,217,010	-£15,112,990
LBB - BNPPRE	£19,552,500	£35,702,246	£16,149,746

ILLUSTRATIVE SCHEME FLOOR AREA ASSUMPTIONS

As set out within the FVA, we have appraised the illustrative masterplan which demonstrates one way in which the parameter plans and design guidelines could be interpreted to deliver a high quality development. The Illustrative masterplan has been worked up in detail and represents the most accurate projection of how the development will come forward at the current time.

Throughout their report, BNPPRE have referred to additional value being created by the significantly increased net floor area shown in the maximum parameters area schedule. This is not realistic for a number of reasons as explained by EPR Architects below:

"While the maximum parameters applied for encompass an increased building footprint, this is primarily to make allowance for flexibility in the arrangement and position of private amenity in the form of protruding balconies. As such, and in conjunction with the guidelines set out in the Design Code, the maximum parameters do not provide opportunity for future schemes to differ substantially from that shown in the illustrative masterplan. It is likely that if an alternative scheme were to come forward with its building envelope extending to the maximum footprint while adhering to the maximum 1,100 units, the increase in area would likely result in oversized, larger residential units as an increase in unit numbers would not be in accordance with the outline application. Any increase in unit depth should take into consideration the possible adverse effects this might have on the daylight/sunlight levels within the units as not only would the unit itself become deeper but the distance between the blocks would reduce.

The increased height reflected in the maximum parameters versus the illustrative scheme makes consideration for slight variations in height that might come about in detail design development (i.e. increased floor build ups, increased plant height requirements) however follows the stepping of building height that has been tested in the townscape views and does not make allowance for a substantial increase in height that might result in noteworthy upliftment.

It should also be noted that the areas reflected for the illustrative masterplan do not include balconies (private amenity) as the building envelope was presented to use as a guide to generate NIA however given the flexible nature of the maximum parameters, the areas reflected for this would include all private amenity that would need to be provided for the residential units."

Even if it were practically possible to increase the net area whilst retaining the same number of units, in viability terms it would result in the following:

- Oversized units and reduced values per sq. ft.
- More 3 bedroom apartments which are not only less valuable per sq. ft. but more difficult to sell which would have a negative impact on the cash flow and therefore finance costs, if it were fundable at all.
- A larger gross area which would increase the construction costs, contingency, professional fees, finance and CIL.

We trust that the above is clear and resolves this query.

RESPONSE TO BNPPRE'S REVIEW OF THE FVA ASSUMPTIONS & INPUTS

Following a review of the BNPPRE report, we have summarised overleaf the differences of opinion and addressed each difference where necessary.

VIABILITY INPUT	MONTAGU EVANS (APPLICANT)	BNPPRE (LBB)	COMMENTS
Benchmark Land Value			
Existing Use Value	£17,775,000	£17,775,000	Agreed.
Landowner's premium	£3,555,000	£1,777,500	Not agreed – please see below.
Total Benchmark Land Value	**£21,330,000**	**£19,552,500**	Not agreed – please see below.
Gross Development Value Inputs			
BTR property operating costs	25%	20%	Not agreed – please see below.
BTR yield	4%	3.75%	Applicant willing to proceed on this basis.
Car parking values (per space)	Nil	£20,000	Not agreed – please see below.
Development Cost Inputs			
Construction cost	£281,278,514	£270,853,435	Not agreed – please see below.
Sales legal fees – private	0.5% of GDV	0.25% of GDV	Applicant willing to proceed on this basis*
Sales legal fees – affordable	0.5% of GDV	0.25% of GDV	Applicant willing to proceed on this basis*
Marketing & sales – affordable	1% of GDV	£100,000	Not agreed – please see below.
Debt finance rate	7%	6.5%	Not agreed – please see below.
Developer's return – private	20% GDV	17.5% GDV	Not agreed – please see below.
Developer's return – commercial	17.5% GDV	15% GDV	Not agreed – please see below.

*Although we do not necessarily agree with the BNPPRE assumption, the Applicant is willing to proceed on this basis in order to reach agreement expeditiously.

We would respond further regarding a number of the assumptions adopted below and attach an associated updated viability appraisal for your consideration at **Appendix 1.**

BENCHMARK LAND VALUE – LANDOWNER'S PREMIUM

All parties have agreed that the appropriate Existing Use Value for testing viability is £17,775,000. The Applicant's FVA then adopts a 20% landowner's premium whereas BNPPRE have adopted a 10% premium.

There is a shortage of good quality retail warehouse stock in the Greater London area due to the continuing loss of space due to redevelopment. Well-located retail parks in London are continuing to be attractive assets despite the wider downturn in the retail market. For these reasons we are of the opinion that a 20% premium is justified.

However, in order to reach a final agreement expeditiously, the Applicant is willing to proceed based on a reduced landowner's premium of 15% as a compromise.

BUILD TO RENT PROPERTY OPERATING COSTS (GROSS TO NET %)

The Applicant's FVA adopted a 25% allowance for management, repair and void costs. This was based on advice received from the Montagu Evans Capital Markets team that specialise in the acquisition, disposal and funding of residential investment projects including BTR. We pointed to the average results being achieved by Grainger plc who reported achieving 26% in their 2018 financial results.

BNP have tested the outcome using 20% and stated that the 25% position was only supported by what they have called anecdotal evidence. No evidence is provided by BNP to support their assumption.

We strongly disagree with BNP's position and are of the opinion that 25% is optimistic and fully supportable. Grainger plc are the UK's largest listed residential landlord and a market leader in the UK build to rent and private rented sector currently managing over 8,500 homes. As an update, Grainger reported operating costs (gross to net) of 25.9% in 2020 set out within their 2020 Annual Report and Accounts. This is achieved based on their significant economies of scale.

Jones Lang LaSalle (JLL) published a research document entitled, 'Evaluating Build to Rent Performance, Analysis of Stabilised BTR Data' in September 2018. They analysed 7 BTR schemes and found that they were achieving an average gross to net margin of 26.6%.

This evidence demonstrates that 25% is optimistic and the Applicant is therefore unwilling to adjust the assumption.

However, as a compromise on the total BTR GDV, the Applicant is willing to proceed on the basis of reducing the net capitalisation yield from 4% to 3.75% in line with BNPPRE's assumption.

CAR PARKING VALUES

BNPPRE have included a receipt of £20,000 for the potential 110 car parking spaces. These car parking spaces will be wheelchair spaces and it is therefore unreasonable to assume that a receipt will be received for them. This has been agreed as being acceptable elsewhere with BNPPRE.

CONSTRUCTION COST ESTIMATE

The Applicant provided a construction cost estimate prepared by Ward Williams Associates (WWA) totalling £281,278,514, excluding a contingency and professional fees. The WWA estimate was reviewed by CDM Project Services (CDM) on behalf of LBB. CDM concluded that the costs should be reduced to £270,853,435 and requested clarification on a number of cost items.

All parties are in agreement that a contingency of 5% is appropriate at this stage of the project.

WWA are currently undertaking a review of the CDM assessment and will provide a response shortly. We would propose that WWA and CDM are put in direct contact in order that both cost experts can reach an agreement. We would request your agreement to this approach.

We have retained the WWA cost estimate within the updated appraisal for the time being but accept that this may require adjustment once agreement is reached.

SALES LEGAL FEES – PRIVATE & AFFORDABLE

The industry standard assumption is a 0.5% fee for the developer's lawyers to act on the sale of the private and affordable housing. The Applicant's viability appraisal includes a 0.5% allowance but the BNPPRE appraisal adopts 0.25%.

A fee of 0.5% has been the industry standard for some time and Montagu Evans have agreed the majority of all viability submissions across London at this level. However, in order to move forward towards a final agreement on this occasion, the Applicant is willing to agree 0.25% based on current market conditions.

MARKETING & SALES AGENCY FEES – AFFORDABLE

The Applicant's viability appraisal adopted an assumed 1% of GDV as a sales agent fee for the affordable housing. Most developers do not have the in-house expertise to tender, negotiate and agree terms with Registered Providers and will require a specialist agent to carry out this function for them.

The industry standard agency fee for undertaking this work is 1% of the package price. Based upon the viability appraisal submitted, this estimated fee totalled £1,054,219 based on the sale of 327 affordable housing units valued at £105,421,885. BNPPRE have reduced this agency fee to a fixed £100,000 or 0.095%. We do not think that this level of fee is realistic for a qualified and specialist affordable housing agent to undertake the work. A fee of 1% has been the industry standard for some time and Montagu Evans have agreed the majority of all viability submissions across London at this level. It should also be noted that the affordable housing is contained within a number of blocks over different phases so it is very unlikely that it will be sold in a single transaction.

However, as a compromise the Applicant is willing to reduce the agency fee assumption to 0.5% based on current market conditions.

DEBT FINANCE RATE

The Applicant's appraisal adopts a debt finance rate of 7% and BNPPRE have reduced this rate to 6.5%. We have agreed that 7% is appropriate on developments across London with Councils' advisors and the GLA prior to the Covid-19 pandemic. Clearly, securing development funding has become more difficult and more expensive since the pandemic with some lenders temporarily withdrawing from the market.

Based on the Applicant's package of concessions and compromises set out above, there are various assumptions that we feel are extremely optimistic and there is a danger that if we flex every single input without giving consideration to the overall balance then the appraisal will start to look unrealistic.

DEVELOPER'S RETURN – PRIVATE RESIDENTIAL

The Applicant's viability appraisal adopted an assumed developer's return of 20% of the private residential sale GDV and BNPPRE have reduced this to 17.5%.

Montagu Evans have been agreeing 20% on smaller and less risky schemes than the subject across London, with various advisors including BNPPRE. This rate was being agreed prior to the Covid-19 pandemic, mainly due to the uncertainty and economic conditions associated with the UK's exit of the European Union.

Clearly economic conditions have deteriorated significantly due to the pandemic and there is an argument that developers' returns should be increased above 20% to account for this significantly increased risk. The NPPF viability guidance states that "an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers." The current economic conditions clearly require profit assumptions at or above the upper end of this range.

The Applicant is taking a significant risk by over delivering affordable housing (in viability terms) up front. This level of risk and the reliance on significant value growth to improve viability should not be underestimated. It is crucial that profit levels are adopted at fundable levels to ensure that this much needed affordable housing can be delivered in the borough.

We would therefore ask that BNPPRE re-consider their position on this basis and the agreements that have been reached with them on profit levels elsewhere.

DEVELOPER'S RETURN – COMMERCIAL ACCOMMODATION

The Applicant's viability appraisal adopted an assumed developer's return of 17.5% of the commercial GDV and BNPPRE have reduced this to 15%.

As above, we ask that BNPPRE re-consider their position on this basis and the agreements that have been reached with them on profit levels elsewhere.

UPDATED VIABILITY APPRAISAL

Based on the package of concessions and compromises detailed above, we have prepared an updated viability appraisal for your consideration and attach a summary as **Appendix 1.**

For ease of reference, we summarise below the previously reported viability positions alongside the proposed update.

REPORT	BENCHMARK LAND VALUE – (EUV +)	PROPOSED DEVELOPMENT RESIDUAL LAND VALUE	VIABILITY DEFICIT / SURPLUS
Montagu Evans FVA (Jul 20)	£21,330,000	£6,217,010	-£15,112,990
BNPPRE review (Jan 21)	£19,552,500	£35,702,246	£16,149,746
Montagu Evans update (Jan 21)	£20,441,250	£13,445,734*	-£6,995,516*

*Updated figures subject to the final agreement reached on the construction cost estimate.

We hope that the above is clear and results in an agreed approach that can be adopted in order to conclude the viability discussions. If you have any further queries then please do not hesitate to contact us.

Yours sincerely,

Jonathan Glaister MRICS / Partner

Email: jonathan.glaister@montagu-evans.co.uk

MONTAGU EVANS

APPENDIX 1

UPDATED FINANCIAL VIABILITY APPRAISAL

Cricklewood Lane
Financial Viability Appraisal
Jan 2021 Update

Development Appraisal
Montagu Evans LLP
22 January 2021

Cricklewood Lane
Financial Viability Appraisal
Jan 2021 Update

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Block B - Affordable Rent	86	72,133	345.00	289,371	24,885,885
Block B - Shared Ownership	84	57,903	500.00	344,661	28,951,500
Block C - Shared Ownership	157	103,169	500.00	328,564	51,584,500
Block C - Private Residential	172	122,048	704.00	499,545	85,921,792
Block D - Private Residential	224	143,532	704.00	451,101	101,046,528
Totals	**723**	**498,785**			**292,390,205**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	**Net MRV at Sale**
Block A - Build to Rent	377	248,281	33.52	22,076	6,241,860	8,322,480	6,241,860
Block A - Commercial	1	3,923	25.00	98,078	98,078	98,078	98,078
Block B - Commercial	1	5,406	25.00	135,158	135,158	135,158	135,158
Block D - Commercial	1	707	25.00	17,685	17,685	17,685	17,685
Totals	**380**	**258,318**			**6,492,780**	**8,573,400**	**6,492,780**

Investment Valuation

Block A - Build to Rent					
Current Rent	6,241,860	YP @	3.7500%	26.6667	166,449,600
Block A - Commercial					
Market Rent	98,078	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	1,587,688
Block B - Commercial					
Market Rent	135,158	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	2,187,943
Block D - Commercial					
Market Rent	17,685	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	286,287
Total Investment Valuation					**170,511,517**

GROSS DEVELOPMENT VALUE			**462,901,722**
Purchaser's Costs		-10,856,539	
Effective Purchaser's Costs Rate	6.80%		
			-10,856,539
NET DEVELOPMENT VALUE			**452,045,184**
NET REALISATION			**452,045,184**

OUTLAY

ACQUISITION COSTS			
Residualised Price		13,445,734	
			13,445,734
Stamp Duty		662,287	
Effective Stamp Duty Rate	4.93%		
Agent Fee	1.00%	134,457	
Legal Fee	0.50%	67,229	
			863,973

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Block A - Build to Rent	359,076	261.45	93,880,552	
Block A - Commercial	4,359	261.46	1,139,704	
Block B - Commercial	6,007	261.46	1,570,590	
Block D - Commercial	786	261.46	205,508	
Block B - Affordable Rent	103,239	261.46	26,992,836	
Block B - Shared Ownership	82,872	261.46	21,667,838	
Block C - Shared Ownership	143,790	261.46	37,595,215	
Block C - Private Residential	170,102	261.46	44,474,802	
Block D - Private Residential	205,582	261.46	53,751,470	
Totals	**1,075,813 ft²**		**281,278,514**	
Contingency		5.00%	14,063,926	
CIL			17,667,315	
				313,009,754

PROFESSIONAL FEES			
Professional Fees	10.00%	29,534,244	
			29,534,244

MARKETING & LETTING

Cricklewood Lane
Financial Viability Appraisal
Jan 2021 Update

Letting Agent Fee	10.00%	25,092	
Letting Legal Fee	5.00%	12,546	
			37,638
DISPOSAL FEES			
Sales Agent Fee	0.25%	389,629	
Sales Agent Fee	1.00%	38,033	
Sales Agent Fee	0.50%	527,109	
Sales Agent Fee	3.00%	5,609,050	
Sales Legal Fee	0.10%	155,852	
Sales Legal Fee	0.50%	19,016	
Sales Legal Fee	0.25%	730,976	
			7,469,665
MISCELLANEOUS FEES			
Developer's Return - BTR	15.00%	24,967,440	
Developer's Return - Commercial	17.50%	277,845	
Developer's Return - Affordable	6.00%	3,230,243	
Developer's Return - Commercial	17.50%	382,890	
Developer's Return - Affordable	6.00%	3,095,070	
Developer's Return - Private	20.00%	17,184,358	
Developer's Return - Private Sale	20.00%	20,209,306	
Developer's Return - Commercial	17.50%	50,100	
			69,397,253
FINANCE			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Total Finance Cost			18,286,923
TOTAL COSTS			**452,045,184**
PROFIT			
			0
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
IRR% (without Interest)	7.84%		

Response to financial viability information

GLA Case Number:	6538
Scheme Address:	B&Q site, Cricklewood Lane, NW2 1ES
Applicant:	Montreaux Cricklewood Developments Limited
Local Planning Authority:	London Borough of Barnet
Date:	11 February 2021
Prepared by:	Ricky Ching/ Jane Seymour

1. Introduction

1.1 This document represents the position of the Greater London Authority's Viability Team in relation to the following viability submissions made in relation to the planning application on this site:

- FVA prepared by Montagu Evans dated July 2020.
- Review prepared by BNP Paribas Real Estate on behalf of the Local Planning Authority ("LPA"), dated January 2021.
- Additional correspondence from Montagu Evans in respect of BNPP's review, dated 28 January 2021.

1.2 This document is not a Financial Viability Assessment ("FVA"), nor is it a formal review. It is intended to provide advice to the Mayor and will also be provided to the LPA and the applicant.

1.3 This document sets out the extent to which the viability assessments submitted comply with the Mayor's Affordable Housing and Viability Supplementary Planning Guidance ("AH&VSPG") and National Planning Practice Guidance ("PPG") and provides comments on the inputs adopted in the FVA document(s).

1.4 This document covers the following (where appropriate):

- Proposed development and affordable housing.
- Site and context.
- Form and methodology of the FVA and Review.
- Gross Development Value.
- Development Costs.
- Benchmark Land Value.
- Appraisal results and analysis.
- Overall comment and recommended next steps.
- Site plans and photographs.

Viability testing in a Covid-19 affected development market

1.5 PPG states that "Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it…Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers…" (PPG para 010).

1.6 During the Covid-19 pandemic, the available evidence is limited and potentially open to a range of interpretations. Market evidence of both current values and costs as well as outturn assumptions are important factors and are considered in this assessment. The weight to be applied to any evidence is a matter of judgement and for professionals involved and ultimately the decision-maker. Assessment of risk takes in to account the potential for market conditions to vary over the period of the development. This is particularly relevant in the current circumstances.

2. Proposed Development and Affordable Housing

2.1 The proposed scheme is described as follows:

Outline planning application (including means of access with all other matters reserved) for the demolition of existing buildings and the comprehensive phased redevelopment of the site for a mix of uses, including up to 1,100 residential units and up to 1,200 sq.m. of flexible commercial/community floorspace in buildings of up to 25 storeys, along with parking, landscaping, and associated works.

2.2 The planning application proposes the following residential unit mix based on an illustrative scheme:

	Affordable Rent (65% market)	Shared ownership	Build to Rent (DMR @ 80% of market)	Build to Rent (market)	Market sale	Total
Studio	0	20	24	44	60	148 (13%)
1 bed	11	107	31	97	167	413 (38%)
2 bed	40	114	0	152	128	434 (39%)
3 bed	35	0	0	29	41	105 (10%)
Total	86	241	55	322	396	1,100
	35% affordable (hab rm) (30% affordable rent:70% intermediate) Equates to 34.7% affordable by unit					

Affordable housing

2.3 Policy DM10 of Barnet Council's Local Plan sets out a borough-wide affordable housing target of 40%, and Policy CS4 of Barnet's Core Strategy seeks a tenure mix of 60% social rented and 40% intermediate housing.

2.4 London Plan Policies 3.11 and 3.12 and Policy H4 of the Intend to Publish London Plan seek to maximise the delivery of affordable housing, with the Mayor setting a strategic target of 50%. The current proposal in terms of affordable housing is 35% affordable housing by habitable room.

2.5 This comprises 30% affordable rent and 70% intermediate (61% shared ownership and 9% Discount Market Rent).

2.6 The proposed development will be delivered in three phases with higher percentages of affordable housing in the early stages as set below.

Phase	% Affordable
Phase 1 Blocks A & B	61%
Phase 2 Block C	39%
Phase 3 Block D	0%

3. Site and Context

3.1 The subject site is 2.75 hectares (6.80 acres) and comprises three adjoining retail warehouse units totalling 83,000 sq ft (GIA) with surface level car parking

3.2 The site is part of a cluster of retail warehousing units and leisure uses as well as a Travelodge. The surrounding area has a residential context with two-storey terraced housing. Cricklewood National Rail Station is in close proximity to the east of the site.

3.3 The retail warehouse units are currently occupied by B&Q, Poundstretcher and Tile Depot. There is a car park for 470 cars. An office pod and a food van currently operate there under a licence arrangement.

3.4 The site is within the Council's Brent Cross Cricklewood Growth Area and Brent Cross/ Cricklewood Opportunity Area.

4. Form and Methodology of the FVA and Review

4.1 Both the Montagu Evans' and BNPP's assessments adopt profit as a fixed input with their appraisal producing a Residual Land Value which is compared with their assumed Benchmark Land Value.

5. Viability Inputs

Gross Development Value

Market sale

5.1 Montagu Evans has produced a Residential Sales Report (Appendix 4) and adopts an average value of £704 per sq ft for the market sale units. Values for different size units vary from £743 psf for a one bed 2 person (£400,000), £697 psf for a two bed 4 person (£525,000) to £649 psf for a three bed 5-person unit (£600,000)

5.2 They rely on comparable evidence from a number of schemes

- **The Broadway, 112-132 Cricklewood Lane**
  This is a Fairview scheme of 101 market units. Unit values range from £389k for a one bed, £463k two bed and £600k three bed with average values of £666 psf.

- **Hendon Waterside** – similar unit values but slightly higher average at £688 psf

- **Fellows Square** – an average of £660 psf mainly one and two bed

5.3 Although the values adopted would appear to be within a reasonable range based on the evidence provided, the wider placemaking benefits for a large scheme such as that proposed have not been taken into account. There is also no methodology for any premium uplift attributed to heights/ upper floors. This scheme is significantly taller than the comparable schemes.

Built to Rent

5.4 The BTR units have been initially valued by Montagu Evans on the basis of the rents set out below.

APARTMENT TYPE	NO. UNITS	AVERAGE NIA (SQ. FT.)	ESTIMATED RENT (PER MONTH)	TOTAL GROSS RENT (PER ANNUM)
1B 1P (Studio)	44	398	£1,350	£712,800
1B 2P	79	538	£1,650	£1,564,200
1B 2P WCA	18	699	£1,750	£378,000
2B 4P	137	753	£2,150	£3,534,600
2B 4P WCA	15	914	£2,250	£405,000
3B 5P	26	925	£2,650	£826,800
3B 5P WCA	3	1,184	£2,750	£99,000
TOTAL	322			£7,520,400

5.5 The application site is in a good location, close to the mainline station and would be considered prime within Zone 3 and so a yield of 3.75% is considered appropriate. This is in line with the Knight Frank yield guide and above the 3.50% in CBRE's Property

Investment Yields at September 2020. This yield is adopted by both Montague Evans and BNPP.

5.6 Montagu Evans has allowed OPEX at 25%, whilst BNPP has made an allowance of 20%. Based on the size of this scheme and the rental levels proposed, the GLA considers that an OPEX allowance of 22.50% to be an appropriate assumption.

DMR

5.7 The DMR units are all studios and one beds with rents at 80% market ie £1,080 pcm for a studio and £1,320 pcm for a one bed. However, the GLA would expect at least 30% of the DMR units to be at London Living Rent (LLR) levels in order to follow the fast track viability route, with the remainder at a range of genuinely affordable rents.

Residential: Other Affordable

5.8 The average affordable housing values adopted by Montagu Evans are £345 per sq ft for the Affordable Rent (65% of market value) based on advice from their Affordable Housing Team. However, the GLA would expect to see rents secured as social rents or London Affordable Rents in order to follow the fast track viability route.

5.9 Shared Ownership values of £500 per sq ft have been adopted based on advice from Montagu Evans's Affordable Housing Team which is within a reasonable range.

Commercial

5.10 Consent has been sought for up to 1,200 m2 GIA of flexible commercial space with the illustrative masterplan testing 1,036m2 GIA within three of the blocks.

5.11 This is described as a mixture of commercial and community space but has all been valued at a rent of £25 psf and capitalised at a yield of 6% with a 6 months rent-free allowance. These assumptions are reasonable.

Ground Rents

5.12 Ground rents have not been included. Although the Government have indicated that they may bring forward legislation relating to the removal of ground rents, this is not currently in place.

5.13 Ground rents are likely to be included within the leases of the apartments used to evidence the residential values put forward and so it would be appropriate to either include ground rents in the appraisal of this scheme or increase the assumed sales values accordingly.

5.14 On this basis, ground rent income in the region of approximately £5,000 per market tenure flat should be assumed in the appraisals, based on ground rents of £250 per annum at a 5% yield.

Grant Funding

5.15 The applicant should set out the extent to which grant funding has been sought.

Development Costs

Construction costs

5.16 Montagu Evans has relied on a Cost Plan prepared by Ward Williams Associates which indicates a total build cost of £295,340,000 (including 5% project contingency) which equates to £275 per sq ft on the total scheme GIA.

5.17 The allowance for preliminaries is 16% and OHP 6% both of which are higher than the GLA would expect to see.

5.18 The Cost Plan has been reviewed by CDM Project Services on behalf of the LPA who consider the costs are overestimated by circa £11 million. Their total costs equate to £284,396,106.

5.19 The GLA understands discussions are ongoing and further information has been requested by CDM Project Services. Additional comments from the GLA are therefore reserved pending the outcome of these discussions.

Professional Fees

5.20 These have been allowed at 10% which is reasonable.

Profit

5.21 The profit allowances adopted by Montagu Evans and BNPP are as follows:

Type of Development	Montagu Evans % on GDV	BNPPP % on GDV
Market Tenure Housing	20.00%	17.50%
BTR Housing	15.00%	15.00%
Affordable Tenure Housing	6.00%	6.00%
Commercial	17.50%	15.00%

5.22 The Mayor’s AH&V SPG sets out that evidence should be provided by applicants to justify proposed rates of profit, taking into account of the individual characteristics of the scheme, the risks related to the scheme, and comparable schemes.

5.23 The 20.00% profit applied is considered to be on the top end of a range of assumptions for the market tenure and that a rate of 17.50% for Market Tenure Housing would be more appropriate for this scheme and reflects comparable schemes that have been referred to the Mayor.

5.24 The assumption of 17.50% on the commercial space is higher than the standard allowance of 15% and this should be reduced.

5.25 The profit assumption on the BtR units should be a 12.50% blend of market and affordable in line with other BtR schemes.

Community Infrastructure Levy and Financial Section 106 Planning Obligations

5.26 Montagu Evans and BNPP have assumed an allowance of £17,667,315 with respect to CIL payments and currently a nil amount for payments relating to financial planning obligations.

5.27 These amounts should be checked and verified by the LPA.

Finance

5.28 A finance rate of 7% has been assumed by Montagu Evans which is higher than the GLA would expect to see and should be reduced to no more 6.5%. BNPP has applied a rate of 6.5% which is considered to be reasonable.

Programme

5.29 The scheme will be delivered over 5 years with overlapping phases. The final block will be completed in June 2025. Residential sales are assumed to be 50% off plan with 6 sales per month thereafter.

6. Benchmark Land Value

6.1 Montagu Evans has adopted a Benchmark Land Value ("BLV") of £21,330,000.

6.2 This has been based on the assumption of Existing Use Value of the site as retail warehouses at £17,775,000 plus a 20% landowner's premium.

6.3 The building areas and rents are set out by Montagu Evans are as follows:

Unit	Occupier	Size (sq ft.) GIA	Passing Rent P.A.	Passing Rent (per sq ft)	ERV P.A.	ERV (per sq ft)
1	Tile Depot	10,000	£136,500	£13.65	£200,000	£20.00
2	Poundstretcher	15,000	£127,650	£8.51	£300,000	£20.00
3	B&Q	58,000	£631,510	£10.89	£870,000	£15.00
Totals		**83,000**			**£1,370,000**	

6.4 The site also subject to the following licences and additional lease:

Unit	Occupier	Size (sq ft.) GIA	Passing Rent P.A.	Passing Rent (per sq ft)
-	Ardent Tile Ltd	Car Park	£6,142.50	£13.65
License	The Lunch Box UK Ltd	Car Park	£14,124	£8.51
License	We Buy Any Car Ltd	Car Park	£28,000	£10.89
Lease	Cadent Gas Ltd	-	£0	

6.5 Montagu Evans has assumed that the tenants would renew their leases on the three retail warehousing units if development was not coming forward and they would pay rents of between £15-20 psf.

6.6 A total allowance of 18 months has been included for voids/rent frees and the income capitalised at 6.5%. Purchasers costs have then been deducted at 6.8% to arrive at a EUV of £17.775m

6.7 Although the yield and other allowances are considered reasonable the rents assumed for the smaller units are optimistic. It is widely acknowledged that retail warehouse rents have fallen back since 2015/17 and there is no recent evidence provided.

6.8 A rental value of no more than £18 psf would be more appropriate. A recent letting at 950 North Circular Road, Staples Corner, London, NW2 7JR which is a 16,000 sq ft retail warehousing unit used as a bathroom showroom with car park and the rear yard was let in December 2019 at £200,000 P.A. (equating to approx. £13 per sq ft). Although this unit is in a less visible location this evidence indicates that a rental value of £20psf is too high.

6.9 The floor areas should also be checked as these appear to be estimated.

6.10 Montagu Evans has added a premium of 20% to their EUV to arrive at their BLV.

6.11 BNPP has undertaken a similar approach in relation to the EUV but has applied a premium of 10% and so arrive at lower BLV of £19,552,500.

6.12 Taking into account the short-term nature of the leases, a 15% premium would be more appropriate on balance, but the rents should be lower for the smaller units.

Appraisal Results and Analysis

6.13 Montague Evans' updated appraisal (with 35% affordable housing) adopts profit as a fixed input, producing a Residual Land Value of £13,445,734.

6.14 This is lower than Montagu Evans' benchmark land value of £21,330,000, resulting in a deficit of £6,995,516.

6.15 As Montagu Evans has identified that the scheme is generating a deficit on all their scenarios, the applicant is required to demonstrate how the scheme is deliverable, in accordance with paragraph 3.10 of the AH&VSPG.

6.16 BNPP's appraisal with 35% affordable housing (23% rented and 77% intermediate) produces a residual land value of £34,702,246, which provides for a surplus of £16,149,746 for affordable housing. Their affordable rents are based on 65% market so this surplus would enable low cost rented units to be provided within the affordable tenures.

7. Overall Comments and Recommended Next Steps

7.1 Clarification is required on the relationship between the GEA/GIA of the illustrative scheme and the maximum parameters. Although there is consistency in terms of the number of units at 1,100, the GEA/GIA of the illustrative scheme is significantly below the development capacity for which consent is sought when measured by floor area.

7.2 Further clarification and additional information are also required in respect of the viability information. This includes further clarifications/ analysis on the sales value assumptions and the conclusion of the build costs discussions. Montague Evans profit assumptions should also be reviewed to ensure they reflect the risk profile of this scheme.

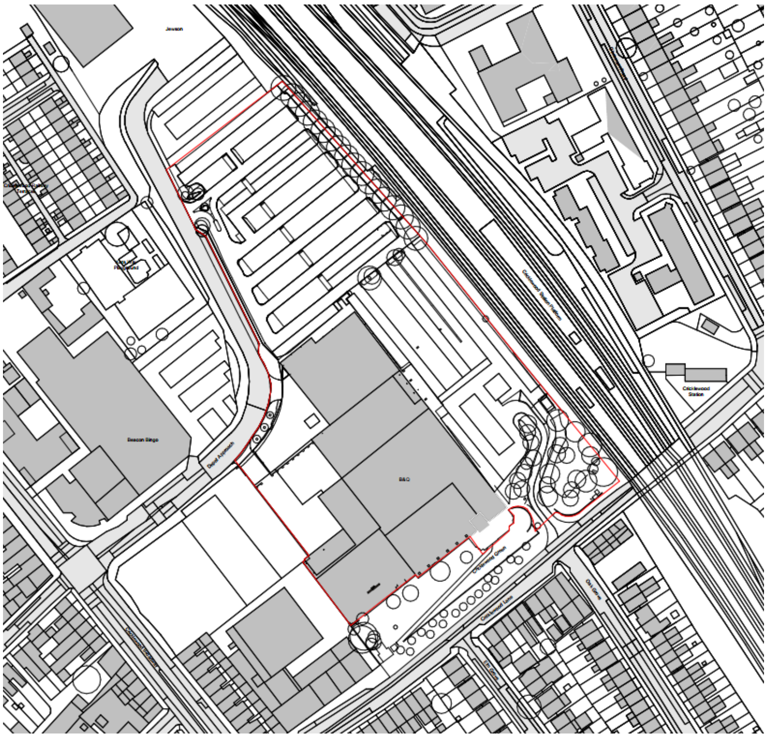
7.3 Based on the information provided and subject to the clarifications outlined above, it is likely that the tenure mix in the current 35% affordable housing offer can be improved to allow for a significant percentage of low-cost rent.

7.4 Subject to compliance with the tenure mix as set out in the Mayor's intend to publish London Plan and agreement with the LPA; a 35% affordable housing offer with an improve tenure mix may allow the scheme to qualify under the Fast Track Route.

7.5 The s106 agreement should provide for early, mid and late-stage reviews unless the Fast Track route is followed when only the early stage review will be required.

Appendix 1 Site Location Plan and Google Satellite Image

Red line plan

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BNP PARIBAS REAL ESTATE

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Review of "Financial Viability Assessment"

Unit 1 Broadway Retail Park, Cricklewood Lane, Cricklewood, NW2 1ES

Draft v2

Prepared for

London Borough of Barnet

29 March 2021

Contents

Appendices

1 Introduction

The London Borough of Barnet ("the Council") has commissioned BNP Paribas Real Estate ("BNPPRE") to advise on a Financial Viability Assessment ("FVA") for the redevelopment ("the Development") of Unit 1 Broadway Retail Park, Cricklewood lane, London, NW2 1ES ("the Site") submitted by Montagu Evans ("ME") on behalf of Montreaux Cricklewood Developments Ltd ("the Applicant").

ME's FVA states *"The Applicant is proposing to provide 35% affordable housing. Policy DM10 of Barnet's Local Plan (Development Plan Document, Sept 2017) sets a borough wide target of 40% housing provision to be affordable, with the maximum reasonable amount of affordable to be provided on site subject to viability. Policy CS4 of the Core Strategy seeks a tenure mix of 60% social rented and 40% intermediate housing"*.

Our draft report dated January 2021 provided an objective assessment of ME's FVA to determine whether the affordable housing offer (which includes 30% rented and 70% intermediate tenures in terms of habitable rooms or 23% rented and 77% intermediate tenures in terms of units), and Section 106 contributions as proposed have been optimised. We concluded that a significant surplus was available for an improved affordable housing tenure provision to be provided. We have subsequently been provided with ME's rebuttal letter dated 28 January 2021, which, whilst offering compromise in some appraisal assumptions, reiterates their position that the proposed scheme is unviable. We have also reviewed the GLA review of both the ME report, and our January draft viability report. We note that the GLA broadly agrees with the appraisal assumptions in our report.

Our draft report v2 includes the updated commentary with respect to both the ME submission and the GLA review.

1.1 BNP Paribas Real Estate

BNP Paribas Real Estate is a leading firm of chartered surveyors, town planning and international property consultants. The practice offers an integrated service from nine offices in eight cities within the United Kingdom and over 180 offices, across 37 countries in Europe, Middle East, India and the United States of America, including 16 wholly owned and 21 alliances. In 2005, the firm expanded through the acquisition of eight offices of Chesterton and in 2007, the firm acquired the business of Fuller Peiser. We are a wholly owned subsidiary of BNP Paribas, which is the number one bank in France, the second largest bank in the Euro Zone and one of only six top rated banks worldwide.

BNP Paribas Real Estate has a wide ranging client base, acting for international companies and individuals, banks and financial institutions, private companies, public sector corporations, government departments, local authorities and registered providers ("RPs").

The full range of property services includes:

- Planning and development consultancy;
- Affordable housing consultancy;
- Valuation and real estate appraisal;
- Property investment;
- Agency and Brokerage;
- Property management;
- Building and project consultancy; and
- Corporate real estate consultancy.

This report has been prepared by Victoria Simms MRICS, RICS Registered Valuer and reviewed by Anthony Lee MRTPI, MRICS, RICS Registered Valuer.

The Affordable Housing Consultancy of BNP Paribas Real Estate advises landowners, developers, local authorities and registered providers on the provision of affordable housing.

In 2007, we were appointed by the Greater London Authority ("GLA") to review its 'Development Control Toolkit Model' (commonly referred to as the 'Three Dragons' model). This review included testing the validity of the Three Dragons' approach to appraising the value of residential and mixed use developments; reviewing the variables used in the model and advising on areas that required amendment in the re-worked toolkit and other available appraisal models and submitted our report in February 2012.

Anthony Lee is a member of the RICS '*Experts in Planning Service'* panel, which was established in March 2009 to support the Planning Inspectorate on major casework and local development plan work submitted for independent examination. He was also a member of the working group under the chairmanship of Sir John Harman that produced guidance on 'Viability Testing Local Plans: Advice for planning practitioners' (2012). He was also a member of MHCLG's *'Developer Contributions Expert Panel'* which advised on the viability section of the 2019 Planning Practice Guidance.

In addition, we were retained by Homes England ("HE") to advise on better management of procurement of affordable housing through planning obligations.

The firm has extensive experience of advising landowners, developers, local authorities and RPs on the value of affordable housing and economically and socially sustainable residential developments.

1.2 Report structure

This report is structured as follows:

- **Section two** provides a brief description of the Site, the proposed Development and planning history;
- **Section three** describes the methodology that has been adopted;
- **Section four** reviews the inputs the Applicant has adopted and where we disagree, the inputs we have adopted in our appraisals;
- **Section five** sets out the results of the appraisals;
- Finally, in **Section six,** we draw conclusions from the analysis.

1.3 The Status of our advice

This report is not a valuation and should not be relied upon as such. In accordance with PS1 (5.2) of the RICS Valuation – Global Standards 2020 (the 'Red Book'), the provision of VPS1 to VPS5 are not of mandatory application and accordingly this report should not be relied upon as a Red Book valuation.

In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

We are not aware of any conflicts of interest in relation to this assessment.

In preparing this report, no 'performance-related' or 'contingent' fees have been agreed.

This report is addressed to the London Borough of Barnet only and should not be reproduced without our prior consent.

2 Background and description of the Development

2.1 Site Background

The 2.75-hectare (6.8 acre) site is located in Cricklewood in the London Borough of Barnet. The site is bounded by Cricklewood Green and Cricklewood Lane to the south, Depot Approach to the west and north, and a railway line to the east. Cricklewood is located approximately 4 miles north of Central London, between Kilburn and Brent Cross.

The property comprises three adjoining retail warehouse units of steel portal frame construction with brick / blockwork elevations under a flat roof. Collectively, the three units are known as Broadway Retail Park and provide approximately 83,000 sq. ft. (GIA) of accommodation.

The property occupies a site that is irregular in shape and generally level, albeit it is raised above the level of Cricklewood Lane. The site is 0.1 mile from Cricklewood Railway Station, which serves the Thameslink service with approximate journey times of 14 minutes to London Kings Cross and 23 minutes to London Blackfriars.

2.2 The Proposed Development

According to the ME report, the Applicant is seeking Outline Planning Permission for:

- Up to 1,100 residential units;
- Up to 1,200 sq m GIA of flexible commercial space; and
- Provision for up to 110 residential car parking spaces and 1,972 cycle parking spaces.

ME advise *"In light of the outline application approach, the Applicant's architects have prepared an illustrative masterplan which forms the basis of the FVA. The illustrative masterplan demonstrates* ***one way*** *in which the parameter plans and design guidelines could be interpreted to deliver a high quality development.*

The precise application of the affordable housing tenure split cannot be unequivocally applied to the illustrative housing mix until the detailed design stage i.e. reserved matters. However, the illustrative masterplan has been used to demonstrate to the Council the mix of unit sizes that could be accommodated as affordable homes" (emphasis added).

The outline scheme proposals are based around provision of four Blocks referred to as Blocks A to D.

We note the proposed scheme phasing is based on the following phases:

- Phase 1 – Blocks A& B
- Phase 2 – Block C
- Phase 3 – Block D

ME have relied upon the indicative accommodation schedule prepared by EPR Architects, which is appended to their report. This provides for an '*illustrative scheme'* and a *'maximum parameter Scheme.'*

ME's appraisal includes the following mix of units, based on the unit sizes and illustrative scheme from the EPR schedule.

Table 2.1.1 Residential Accommodation Schedule

Block	Type	Tenure	Unit Type	Number	Area Sq Ft	Total Area Sq Ft
A	BTR	Private	1 B 1 P	44	398	17,512

Block	Type	Tenure	Unit Type	Number	Area Sq Ft	Total Area Sq Ft
A	BTR	Private	1 B 2 P	79	538	42,502
A	BTR	Private	1 B 2 P WCA	18	699	12,582
A	BTR	Private	2 B 4 P	137	753	103,161
A	BTR	Private	2 B 4 P WCA	15	914	13,710
A	BTR	Private	3 B 5 P	26	925	24,050
A	BTR	Private	3 B 5 WCA	3	1,184	3,552
Sub total				***322***		***21,7069***
C	Sale	Private	1 B 1 P	20	398	7,960
C	Sale	Private	1 B 2 P	50	538	26,900
C	Sale	Private	1 B 2 P WCA	14	699	9,786
C	Sale	Private	2 B 4 P	56	753	42,168
C	Sale	Private	2 B 4 P WCA	14	914	12,796
C	Sale	Private	3 B 5 P	16	925	14,800
C	Sale	Private	3 B 5 WCA	2	1,184	2,368
				172		***116,778***
D	Sale	Private	1 B 1 P	40	398	15,920
D	Sale	Private	1 B 2 P	89	538	47,882
D	Sale	Private	1 B 2 P WCA	14	699	9,786
D	Sale	Private	2 B 4 P	52	753	39,156
D	Sale	Private	2 B 4 P WCA	6	914	5,484
D	Sale	Private	3 B 5 P	21	925	19,425
D	Sale	Private	3 B 5 WCA	2	1,184	2,368
				224		***140,021***
A	BtR	DMR (80%)	1 B 1 P	24	398	9,552
A	BtR	DMR (80%)	1 B 2 P	31	538	16,678
				55		***26,230***
B	Sale	Shared Ownership	1 B 2 P	34	538	18,292
B	Sale	Shared Ownership	1 B 2 P WCA	6	699	4,194
B	Sale	Shared Ownership	2 B 4 P	40	753	30,120
B	Sale	Shared Ownership	2 B 4 P WCA	4	914	3,656
				84		***56,262***
C	Sale	Shared Ownership	1 B 1 P	20	398	7,960
C	Sale	Shared Ownership	1 B 2 P	64	538	34,432
C	Sale	Shared Ownership	1 B 2 P WCA	3	699	2,097
C	Sale	Shared Ownership	2 B 4 P	69	753	51,957

Block	Type	Tenure	Unit Type	Number	Area Sq Ft	Total Area Sq Ft
C	Sale	Shared Ownership	2 B 4 P WCA	1	914	914
				157		***97,360***
B	Rent	Affordable Rent	1 B 2 P	11	538	5,918
B	Rent	Affordable Rent	2 B 4 P	36	753	27,108
B	Rent	Affordable Rent	2 B 4 P WCA	4	914	3,656
B	Rent	Affordable Rent	3 B 5 P	32	925	29,600
B	Rent	Affordable Rent	3 B 5 WCA	3	1,184	3,552
				86		***69,834***

The total net residential areas as above do not correspond with ME's net areas as applied for each tenure type in their appraisal. ME have subsequently advised *"The unit mix was used to estimate capital values per sq. ft. and then these values were applied to the full area in the EPR schedule to ensure that we maximised the GDV in the FVA".*

ME have applied the proposed scheme schedule in the Argus Appraisal based on the total net area for each block based on the EPR 'illustrative scheme', rather than the higher areas in the 'maximum parameter scheme'.

Table 2.1.2 sets out the potential net residential areas for each block for the different versions of the outline application scheme.

Table 2.1.2 Alternative Residential NIA

Block	Illustrative Scheme NIA	Maximum Parameter Scheme
A	248,281	316,695
B	130,038	154,570
C	225,217	266,116
D	143,532	181,598
Totals	**720,068**	**918,979**

We also note that ME have applied the average value based on the approach they have advised above for the private sale units. However, we note that they have not applied the same approach to the appraisal entry for the BtR units. We set out further information with respect to this point at the respective paragraphs at section four of this report.

Furthermore we note that ME have not provided an appraisal based on the EPR maximum parameter scheme net areas for each block. If the maximum parameters were applied, there would be potential for additional net saleable areas to be provided with the outline planning consent. Whilst the corresponding GIFA and non-residential uses would also be adjusted accordingly, this indicates that further scope for net saleable and/or lettable areas could be provided with the scheme, and therefore increase viability overall. It is therefore unclear why the Applicant considers that the smaller indicative scheme is considered to optimise the quantum of development on the Site.

The proposed affordable housing equates to 35% in both units and habitable rooms, of which 30% is rented tenure and 70% is intermediate tenure. This is clearly a significant departure from the tenue mix sought by Policy CS4 (60% rented and 40% intermediate).

Table 2.1.3 sets out the indicative commercial accommodation at the proposed scheme.

Table 2.1.3 Commercial Accommodation

Block	Accommodation Type	Area Sq M	Area Sq ft
A	Flexible Commercial	405	4,359
B	Flexible Commercial	366	3,940
B	Community – D1[1]	192	2,067
D	Community – D1	73	786
Total		**1,036**	**11,152**

ME have assumed a 90% net to gross efficiency within the viability assessment.

Table 2.1.4 sets out the GIFA as adopted within the ME Argus appraisal.

Table 2.1.4 GIFA

Block	Accommodation Type	GIFA Area Sq M	GIFA Area Sq ft
A	Build to Rent	33,358	359,076
A	Commercial	405	4,359
B	Commercial	558	6,007
B	Affordable Rent	9,591	103,239
B	Shared Ownership	7,699	82,872
C	Shared Ownership	13,358	143,790
C	Private Residential	15,802	170,102
D	Commercial	73	786
D	Private Residential	19,099	205,582
Total		**99,943**	**1,075,813**

Given the potential difference in areas, and the differences between the areas adopted, and the differences between the *'illustrative scheme'* and a *'maximum parameter Scheme'* we request that the LPA confirm that they are in agreement that the floor areas adopted for the purpose of the viability assessment are fully representative of the proposed outline development. As noted in Table 2.1.2, the difference between the two schemes is significant at almost 200,000 square feet, equating to 28% of additional space that could be developed yet not tested by the Indicative Scheme.

Furthermore, we note that Block A includes additional ancillary space, which is generally accepted for BtR schemes. Again, we recommend that the LPA confirms that they are in agreement with these areas as per the ME appraisal submission as in accordance with their confirmation of the outline planning application submission.

2.3 Planning History

We are not aware of any extant schemes, which would have an impact on the outcome of the viability assessment.

[1] Updated reference under use class changes required

3 Methodology

ME have undertaken their assessment using Argus Developer (“Argus”).

We have also used Argus to appraise the development proposals. Argus is a commercially available development appraisal package in widespread use throughout the industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuation. Further details can be access at www.argussoftware.com.

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

We are of the opinion that Argus provides an accurate reflection of the economics of the Development. Therefore, we have adopted this tool for the purposes of our assessment.

The difference between the total development value and total costs equates to the residual land value (“RLV”). The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable it is necessary to compare the RLV that is produced with a benchmark land value. If the Development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing additional affordable housing. However, if the Development generates a RLV that is lower than the benchmark it should be deemed economically unviable and the quantum of affordable housing should be reduced until viability is achieved.

ME have included a BLV based upon the Existing Use Value (“EUV”) for the site. We comment further in this approach at Section 5.

4 Review of Assumptions

In this section, we provide an assessment of the general principles and review of the assumptions that ME have adopted for their appraisals of the proposed scheme.

ME's report states *"We would comment that the current uncertainty as a result of the Covid-19 pandemic has added an extremely large level of risk into the market. It is still too early to be able to measure the impact on a number of the assumptions contained within this report and so the Financial Viability Assessment currently assumes a 'normalised' market broadly in line with conditions in Q3 2019. Given the project's programme length, we consider this to be a reasonable assumption at this stage. However, we would reserve the right to revise the report when more is known about the impact on the economy and property market generally"*.

Financial Viability has to be tested on the basis of current market conditions and the purpose of incorporating a profit margin in the appraisal is to provide a risk-adjusted return to account for future uncertainty. While any changes that may occur within the period prior to the determination of the planning application can be reflected in the viability assessment, it cannot take account of – as yet unknown – changes that may occur in the future. With regards to ME's suggestion that their report assumes conditions reflective of Q3 2019, Land Registry data indicates that in October 2020 values were 4.3% higher in comparison to July 2019.

4.1 Gross Development Value ("GDV")

The proposed scheme includes the following tenure types:

- Private Build to Rent ("BtR");
- Discounted market rent at 80% of Market Value ("DMR");
- Private Sale;
- Shared Ownership;
- Affordable Rent;

4.1.1 Private BtR – Draft report v1

The proposed scheme will have 322 residential units within Block A which will be Private Build to Rent (BTR) properties as opposed to the other traditional build to sell properties.

The difference in this approach to valuation is that the capital value is determined by estimating rental values for the properties and applying an appropriate allowance for management costs, repairs and voids. The net income is then capitalised by applying an investment yield, reflecting the risk-adjusted return required by the acquiring party.

ME have applied the following gross rental assumptions for the unit types.

Table 4.1.1: BTR Rental Assumptions

Apartment Type	Number of units	Unit area	Total area	Monthly rent	Total Rent
1 bed 1 person studio	44	398	17,512	£1,350	£712,800
1 bed 2 person	79	538	42,502	£1,650	£1,564,200
1 bed 2 person WCA	18	699	12,582	£1,750	£378,000
2 bed 4 person	137	753	103,161	£2,150	£3,534,600
2 bed 4 person WCA	15	914	13,710	£2,250	£405,000
3 bed 5 person	26	925	24,050	£2,650	£826,800
3 bed 5 person WCA	3	1,184	3,552	£2,750	£99,000
SubTotal	***322***		***217,069***		***£7,520,400***

Apartment Type	Number of units	Unit area	Total area	Monthly rent	Total Rent
DMR 80% 1 bed studio	24	398	9,552	£1,080	£311,040
DMR 80% 1 bed 2 person	31	538	16,678	£1,320	£491,040
Sub Total	***55***		***26,230***		***£802,080***
Total	**377**		**243,299**		**£8,322,480**

We note the rental value evidence provided by ME and consider that the market rents applied are reasonable.

ME have then deducted 25% of the annual income as an allowance for management, repair and void costs, for which only anecdotal supporting evidence has been provided. We could consider this to be at the upper end of an acceptable range, and in this case, the 25% equates to over £5,500 per unit. We have therefore tested the outcome of the assessment were this to be reduced to 20%.

In terms of capital value, ME have *"have considered research documents such as the Knight Frank Residential Yield Guide, January 2020 (Appendix 5). Taking into account the transport links available to the site, we are of the opinion that the property would be considered as a Secondary Zone 3 location and we have therefore applied a 4% yield, a 0.25% outwards adjustment from the Knight Frank view on Prime Zone 3".*

However, we note that CBRE's December 2020 'UK Residential Property Investment yields' indicates that in zones 3-6, net yields for prime stock are 3.5% and 3.75% for 'good secondary'. Given the Site's close proximity to Cricklewood Station and fast journey times to central London via Thameslink, we would consider the site to be 'good secondary'. ME's yield of 4% is therefore soft and we have applied a yield of 3.75%.

The above assumptions result in a Gross Development Value for the proposed private BTR apartments of £160,435,200. Paragraph 4.1.2 sets out the ME assumptions for the DMR units at 80% of market rent.

ME's Argus appraisal includes the total BtR and DMR units, with the total capital value of £156,046,500. This capital value is input into the ME appraisal however, they have included the higher area of 248,281 sq ft in total, rather than the 243,299 which forms the basis of the calculation. Whilst this does not make a difference to the outcome of the assessment, as long as the same 377 unit number and mix is retained in the indicative scheme, there is potential for confusion if the capital value per sq ft is referenced for the BtR units – i.e. a blended rate of £641 per sq ft using the areas in Table 4.1.1 above compared to £628.51 in the ME appraisal.

Our revised appraisal assumptions generate a total BtR and DMR capital value of £177,546,242.

4.1.2 Private BtR – Draft report v2

We note that ME have adjusted their appraisal assumption to reflect the lower yield of 3.75% as adopted in our draft report v1. The GLA also consider that the appropriate yield is 3.75% to apply to BtR product in this strong location.

ME have not adjusted their assumption to deduct 25% of the annual income as an allowance for management, repair and void costs. As previously advised, they have only provided anecdotal supporting evidence, and reference to a 2018 report by JLL. As stated above, we consider this to be at the upper end of an acceptable range, and in this case, the 25% deduction equates to over £5,500 per unit.

We note that GLA have recommended a rate of 22.5% which represents a compromise positon between the 20% assumed in our draft report v1, and the ME estimate of 25%.

Our revised appraisals include the increase of operating cost allowances to reflect 22.5% of the gross rent.

Our revised appraisal assumptions generate a total BtR and DMR capital value of £171,997,920.

4.1.3 Affordable housing revenue – DMR 80% - Draft report v1

Within the Build to Rent element of the development, the Applicant is proposing to provide approximately 55 units (86 habitable rooms) of Discounted Market Rent (DMR).

The units will be provided at 80% of Market Rent to eligible households, which will be affordable to households on incomes of up to £60,000 within the GLA definition of intermediate housing, therefore with the maximum monthly rent of £1,400.

ME have assumed that these DMR units will be studio and 1 bedroom apartments, with monthly rents of between £1,080 and £1,320 per month.

The DMR units have been valued within the same block as the private BtR units, and therefore the reduced rent units are subject to the same management reduction and yield as the private BtR units. The ME capital value for the DMR units is £15,039,000. Our revised value is £17,111,040.

4.1.4 Affordable housing revenue – DMR 80% - Draft report v2

As noted above, we have adjusted the capital expenditure to 22.5%, which generates a revised value for the DMR of units of £16,576,320.

4.1.5 Private residential sales values – Draft report v1

The proposed scheme as per the outline indicative appraisal includes private sale units in Blocks C and D, and which they have assumed to come forward in Phases 2 and 3. ME's report includes the following unit pricing as set out in Table 4.1.5.

Table 4.1.5 Private Residential sales values

Apartment Type	No of units	Average NIA Sq Ft	Estimated Average Sale Price	Estimated Average Sale Price Per Sq Ft
1 bed 1 person studio	60	398	£315,000	£791
1 bed 2 person	139	538	£400,000	£743
1 bed 2 person WCA	28	699	£465,000	£665
2 bed 4 person	108	753	£525,000	£697
2 bed 4 person WCA	20	914	£575,000	£629
3 bed 5 person	37	925	£600,000	£649
3 bed 5 person WCA	4	1,184	£700,000	£649
Total	**396**			**£704**

Based on the units identified in the accommodation schedule, the total GDV would be £180,720,000, which as divided by the sum of the areas at 256,799 sq ft, would equate to £704 per sq ft.

ME's appraisal includes the higher Net Area for Blocks C and D, therefore the equivalent GDV in the Argus appraisal is £186,968,320, based on 265,580 sq ft times £704 per sq ft.

As long as the actual mix in the appraisal scheme is designed with the same ratio of units on the same basis as the proposed 396 units then this is a reasonable approach for an outline scheme – however, if the scheme represented in the appraisal scheme had additional smaller units, such as studio or 1 beds, with higher rates per sq ft, then the extrapolated average value would need to be increased.

We have reviewed the comparable evidence submitted within the ME residential report (included in Appendix 4 of the ME report) in addition to undertaking further research into the local market through discussions with active local agents as well as using online research facilities.

Our research indicates that the proposed sales values are reasonable and we have adopted the same within our appraisal.

4.1.6 Private residential sales values – Draft report v2

We note that the GLA report agrees generally with the values adopted. However, they consider that ME have not provided any analysis to reflect the potential increase in value for the units on a floor by floor basis, given that the proposed scheme is taller than any of the comparable schemes referred to by ME.

We recommend that ME provide further evidence in this regard.

4.1.7 Affordable housing revenue – Shared Ownership

The Applicant proposes to provide approximately 241 units (576 habitable rooms) as shared ownership apartments. The apartments will be affordable to households on gross incomes of up to £90,000 per annum, in line with the threshold set by the GLA.

ME's revenue attributed to the shared ownership units is £500 per sq ft. We would consider this to be within the reasonable range and have adopted these figures within our appraisal.

4.1.8 Affordable housing revenue – Affordable Rent – Draft report v1

ME have applied the affordable housing affordable rented units based on 65% of market rent, in line with the LPA's policy.

ME advise *"As detailed further in Section 7 below, Affordable Rent unit rents in London are typically capped at the Local Housing Allowance (LHA) rates specific to a Broad Rental Market Area (BRMA). LHA rates are the housing benefit levels an eligible tenant can receive if renting from a private landlord. Therefore, the rents charged by Affordable Rent products do not exceed the LHA rates available to local residents.*

This site is located within the Inner North London BRMA for which we have set out the 2020/21 LHA rates below. However, the Applicant is prepared to deliver the proposed Affordable Rent units at 65% of Market Rent which, in this instance, are below the local LHA rates".

ME's appraisal includes the affordable rented revenue at £345 per sq ft.

To value the affordable housing units, we have used a bespoke model specifically created for this purpose. This model takes into account factors such as standard levels for individual RPs management and maintenance costs; finance rates currently obtainable in the sector, and a view on the amount of grant that may be obtainable.

The 'Shared Ownership and Affordable Homes Programme 2016-2021 – Prospectus' document provides a clear indication that Section 106 schemes are unlikely to be allocated Grant funding, except in exceptional circumstances. It is therefore considered imprudent to assume that Grant will be secured. Therefore, our assessment relies upon the assumption that none is provided.

For rented tenures the model operates a 35 year discounted cashflow in order to arrive at a net present value of the units today. For the shared ownership tenure, the model values a percentage of the Initial Tranche sold to the purchaser and capitalises the net rent on the unsold equity. The rent on the retained equity is set at a level at which total housing costs (ie. the rent plus mortgage on the initial tranche) do not exceed 40% of net household incomes.

We would consider the revenue included by ME to be reasonable and have adopted these figures within our appraisal.

4.1.9 Affordable housing revenue – Affordable Rent – Draft report v2

The rental values as reported in our draft report v1 reflect affordable rent tenure, based at 65% of market rents. The GLA have indicated that their preferred option for rented tenure would be either social rent or London Affordable Rent tenure. We have undertaken a sensitivity analysis to the affordable housing revenue based on the GLA London Affordable Rent weekly rents, as set out in Table 4.1.9.

4.1.9: GLA London Affordable Rent

Type	2021/22 Rent per week
1 bed	£162
2 bed	£171
3 bed	£181
4 bed	£192

If the lower LAR tenure rental levels are adopted in the appraisal, our revised opinion of affordable revenue, based on the same mix of units, is £1,992 per sq m (£185 per sq ft).

4.1.10 Ground Rent

ME have not included a receipt for the sale of ground rents for the private sale units. The state *"In June 2019 the then Housing Secretary, James Brokenshire published the Government's response to the leasehold reform consultation which confirms that legislation will be brought forward to ban the sale of leasehold houses and fix ground rents on apartments at zero financial value (£0). Exemptions from the legislation will only be provided for retirement properties and community led developments as proposed in the consultation document.*

The Government has stated that a Bill to implement the reforms will be brought forward "when parliamentary time allows" and no additional transitional period will be allowed for after the passage of the legislation. Although the timings are therefore currently unknown, the Government's intentions have been made clear and it is therefore prudent to assume that the sale of ground rents following practical completion of the development would either have been legislated against or no longer be acceptable to purchasers in the market".

We confirm our agreement to these points and do not consider that ground rental income should currently be charged in the appraisal.

4.1.11 Car Park income – draft report v1

We note that ME have not included any additional revenue with respect to the 110 potential car parking spaces. We have requested confirmation from the LPA with respect the potential allocation of spaces between the commercial, community and residential uses. They advise that the 110 spaces will be available for the residential units. Therefore we have assumed a capital value of £20,000 for a space in this location, divided proportionately between the units in Blocks C and D.

4.1.12 Car Park income – draft report v2

ME have advised that all the car parking spaces will be for wheelchair users, and therefore they will not be subject to any additional capital value. They state that *"this has been agreed as being acceptable elsewhere with BNPPRE".* We note that this assumption should have regard to the specific site. We request confirmation from the Council with respect to this point, and we have tested the outcome of our appraisal without the car parking spaces, which would represent a reduction in GDV by £2,200,000.

4.1.13 Commercial revenue and yield

The proposed Development includes 1,036 square metres (11,152 square feet) Gross Internal Area (GIA) of commercial space. ME have assumed a rental value of £25 per square foot, capitalised at a 6% yield with a 6 month rent free period. ME have not distinguished between the commercial and community uses.

We have undertaken research into the local market through discussions with active local agents as well as using online research facilities. We consider the rental value, capitalisation rate and rent free period to be reasonable and have therefore adopted them within our appraisal.

4.2 Development costs

4.2.1 Construction costs – Draft report v1

ME have relied upon a construction cost plan prepared by Ward Williams Associates ("WWA"). In summary, the total cost equates to £295,340,000 reflecting a cost rate of £2,814 per square metre (£261.46 per square foot) within the ME appraisal.

The Council have instructed CDM Project Services ("CDM") to undertake a review of WWA's cost plan. CDM have concluded that the total cost assumed by WWA is higher than they consider reasonable in the current market by circa 4%, or circa £11,000,000. We have therefore adopted a total cost of £284,396,106 within our assessment in line with the advice received from CDM.

It should be noted that the CDM review is subject to clarification and substantiation on items which are listed on page 5 of their report. We therefore request that this information is provided by the Applicant.

A copy of the CDM cost plan review is attached as **Appendix 1.**

4.2.2 Construction costs – Draft report v2

ME have provided a rebuttal prepared by WWA to the CDM cost plan as provided in our draft report v1. CDM have provided a further response, and CDM updated cost review is provided at **Appendix 2.** Broadly, the additional information as provided by WWA has not persuaded CDM to change their opinion of the likely proposed scheme build costs, and our revised assessment includes the revised CDM costs of £284,695,791 in our appraisal.

4.2.3 Contingency

The WWA cost plan includes contingency of 5% of costs within their assessment, which ME have included in their appraisal, as a separate line, rather than within the total sum. We consider the inclusion of a 5% contingency allowance to be reasonable and have therefore adopted a 5% allowance within our assessment. The CDM cost is adjusted accordingly to reflect the separate contingency.

4.2.4 Professional fees

ME have assumed a professional fees allowance of 10% of construction costs within their appraisal.

We have taken factors into account such as site constraints and scheme complexity and do not consider an allowance above 10% of construction costs to be required for this scheme. We have also taken into account the monetary value of the percentage included within the appraisal. We have therefore adopted a base allowance of 10% of construction costs within our appraisal.

4.2.5 Planning obligations

ME have included the following planning obligations within their appraisal for a 35% affordable housing scheme:

- Combined Mayoral and Borough CIL: £17,667,315.

ME have not included any calculation breakdown in support of this figure. We also note that ME have scheduled the CIL payments as an annual payment of £3,533,463 across the duration of the development (over 5 years). We recommend that the LPA confirm this is the appropriate amount, and the appropriate scheduling programme for this payment. Although ME's payment profile does not appear to comply with the Mayor's Instalments Policy, it is possible that there is an assumption of payments linked to phases.

We note that ME have not included any Section 106 payments within their appraisal.

We have adopted the above planning obligation payments on a 'subject to confirmation' basis pending discussions with the Council.

4.2.6 Interest – draft report v1

ME have assumed an all-inclusive rate of 7% within their appraisal. We consider this assumption to be marginally above what is reasonable in the current market and have adopted an all-inclusive finance rate of 6.5% within our assessment.

Although a bank would not provide 100% of the funding required for the proposed Development it is conventional to assume finance on all costs in order to reflect the opportunity cost (or in some cases the actual cots) of committing equity to the project.

4.2.7 Interest – draft report v2

We note that the GLA have also considered that a rate of 6.5% is appropriate with respect to interest costs in the appraisal. We have not adjusted our assumption in this regard. ME refer to previously agreed assumptions at 7%, however no evidence has been provide to support this rate.

4.2.8 Disposal costs – draft report v1

ME have assumed the following disposal costs within their appraisal:

Table 4.2.8 Disposal costs

Fee Type	Unit Type	Cost allowance	Amount
Marketing and agency fee	BtR	0.25%	
Marketing and agency fee	Private Sale	3%	
Agent	Commercial Sale	1%	
Agent	Affordable Housing	1%	£1,054,219
Legal fee	BtR	0.10%	
Legal fee	Private Sale	0.5%	£2,361 per unit
Legal fee	Commercial Sale	0.5%	
Legal fee	Affordable Housing	0.50%	£527,110
Letting Agent	Commercial income	10%	
Letting Legal	Commercial income	5%	

Whilst we consider the majority of assumptions to be reasonable, we have concerns in relation to the sales agency and legal fees for affordable housing; and sales legal fees generally. We have commented upon the disposal costs below:

- **Affordable housing marketing and sales agency fees:** We consider the marketing and sales agency fee for the affordable housing units to be unreasonable and have adopted a fixed fee of £100,000 within our assessment.

- **Sales legal fees:** Whilst we consider the sales legal fee of 0.5% of GDV to be reasonable for the commercial space, we consider it to be above what is reasonable for the private residential units. The 0.5% of GDV allowance equates to £2,361 per unit, which we have reduced to 0.25% (c£1,100 per unit) within our assessment to reflect current market expectations.

4.2.9 Disposal costs – draft report v2

We note that the ME revised submission has reduced the sales legal fees to 25% on the basis of reaching an agreed position. This rate is also reflected in the GLA review.

ME have not provided any evidence in support of the 1% affordable housing marketing and agency fees. We have not adjusted the rate in our assessment.

4.2.10 Developer's profit – draft report v1

ME have assumed the following profit levels within their assessment:

- Profit on private residential: 20% of GDV;
- Profit on Build to Rent: 15%
- Profit on commercial: 17.5% of GDV; and
- Profit on affordable housing: 6% of GDV.

We have recently experienced a range from 17% to 20% of GDV when considering developments in the London area. We have taken into account the uncertainty that is now apparent after the United Kingdom's departure from the European Union and the potential risks associated with our future trading relationships with other countries now that the transition period has expired, in addition to the risks associated with this specific development.

We have also taken into account the outbreak of the Novel Coronavirus (Covid-19) declared by the World Health Organisation as a "*Global Pandemic*" on 1 March 2020. There is increased uncertainty in relation to house prices when the market starts to return to full operation again. Although there is an expectation that the economy will 'bounce back' quickly, there is a risk of a more prolonged recovery. We have taken into account the development timetable for the Application Scheme in addition to the comments included above.

Our assessment of profit is based upon the perceived risks associated with the proposed Development. We consider a profit level of 17.5% of GDV to be reasonable for the private residential units, and 15% applied for the BtR elements of the proposed Development and have therefore adopted it within our appraisal.

We have adopted a profit level of 15% of GDV for the commercial space taking into account the reduced level of risk that is present with this use type. This is a profit level that is widely accepted across London for commercial space.

Where applicable, we have assumed a profit of 6% of revenue for the affordable housing element of the scheme. The reduced profit on affordable housing reflects the risk of delivery. The developer will contract with an RP prior to commencement of construction and they are – in effect – acting as a contractor, with their risk limited to cost only. After contracting with the RP, there is no sales risk. In contrast, the private housing construction will typically commence before any units are sold and sales risk is present well into the development period.

4.2.11 Developer's profit – draft report v2

We note that ME do not agree with the profit assumptions as set out in our initial draft report. We have reviewed the GLA report and note that the GLA would consider a further reduction in profit allowance with respect to the BTR units, and otherwise agree that the BNPPRE profit allowances are reasonable.

We have retained the profit assumptions as set out in our draft report v1.

4.3 Project timetable

ME have assumed that the development will be constructed over three phases, with a total development scheduled over 6 and a half years.

- Phase 1 comprises Blocks A & B
- Phase 2 comprises Block C
- Phase 3 comprises Block D

Further details are set out below.

Table 4.3.1: Phase 1

Block	Type	Heading	Months	Comment
A	BTR Residential & Commercial	Demo & Pre-construction	9	
		Construction	30	
		Sale	1	Single at month following end of construction
B	Affordable & Commercial / Community	Demo & Pre-construction	9	
		Construction	24	
		Sale – AH	24	Monthly over construction stage
		Sale – Commercial & community	1	Single at month following end of construction

Construction of Phase 2 is scheduled to start 12 months after the start of construction of Phase 1 (at the midway point).

Table 4.3.2: Phase 2

Block	Type	Heading	Months	Comment
Block C	Shared Ownership	Demo & Pre-construction	21	
		Construction	24	
		Sale	24	Monthly over construction stage
Block C	Private Residential	Demo & Pre-construction	21	
		Construction	24	
		Sale	14	50% at end of construction – remainder at 6 units per month

Construction of Phase 3 is scheduled to start 14 months after the start of construction of Phase 2.

Table 4.3.2: Phase 3

Block	Type	Heading	Months	Comment
Block D	Private Residential	Demo & Pre-construction	35	
		Construction	24	
		Sale	19	50% at end of construction – remainder at 6 units per month
Block D	Commercial	Demo & Pre-construction	35	
		Construction	24	
		Sale	1	Single at month following end of construction

We consider the above broad timescales proposed by ME to be reasonable based on an outline consent, and have therefore adopted them within our assessment.

However, we note the following points:

The affordable and community uses within this proposal are being developed in the earlier phases of the proposed scheme. These uses have lower revenues and if they were to be moved as part of the detailed application to later phases of the scheme, this would result in a greater residual land value, (albeit somewhat mitigated by the loss of cashflow benefit of the AH receipt over the construction period) likewise if the private sale units were to be delivered accordingly at earlier in the cash flow programme, then the values would also increase.

Therefore we recommend that the LPA and applicant agree that the phasing plan is as per that assumed in this viability assessment. If this is not the case, then we would recommend that the viability is re-assessed.

5 Appraisal Results

In this section, we consider the outputs of the appraisals and the implications for the provision of affordable housing at the proposed Development.

5.1 Viability benchmark – Draft report v1

To establish a viability benchmark, ME have undertaken an Existing Use Valuation ("EUV") of the Application Site. The Site extends to 6.8 acres (2.75 hectares) and comprises three adjoining retail warehouse units (known as Broadway Retail Park) which provides circa 83,000 sq ft of floorspace.

ME's report states *"The largest unit (Unit 3) is occupied by B&Q, with an adjoining pair of smaller retail warehouse units that appear to have been added subsequently. These units, known as Unit 1 and Unit 2, are occupied by Saint-Gobain Building Distribution Ltd (t/a Tile Depot) and Poundstretcher respectively. Unit 1 comprises a single storey retail warehouse unit extending to approximately 10,000 sq. ft. It provides an open plan tile showroom fitted out in the tenant's usual corporate style, with painted blockwork walls. Unit 2 comprises a single storey retail warehouse unit extending to approximately 15,000 sq. ft. It provides an open plan sales area fitted out in the tenant's usual corporate style, with painted blockwork walls. Unit 3 comprises a two storey "L"-shaped retail warehouse unit extending to approximately 58,000 sq. ft. It is fitted out in B&Q's usual trading style, with a small first floor providing design studios, separate mezzanine storage area and a garden centre to the rear.*

The site also includes extensive surface level parking for 470 cars. This represents a car parking ratio of 1:183 sq. ft. The total site coverage is low at around 29%. An office pod is located within the car park and is occupied by We Buy Any Car Ltd under the terms of a licence from the freeholder. A food van is located within the car park and is occupied by The Lunch Box UK Ltd under the terms of a licence from the freeholder".

ME have provided a full tenancy schedule, details are shown in Table 5.1.1.

Table 5.1.1 EUV Accommodation Schedule

Demise	Tenant	Start	End	Rent Per Annum	Comments
Unit 1	Saint-Gobain Building Distribution Ltd	19/8/2017	18/8/2020	£136,500	Mutual break option at any time on 6 months' notice. Contracted outside 1954 Act.
Unit 2	Poundstretcher Ltd	19/8/2017	18/8/2020	£127,650	Landlord break option at any time on 6 months' notice and payment of £212,000. Contracted outside 1954 Act
Unit 3	B&Q Plc	Applicant's purchase of site	18/8/2020	£631,510	Leaseback by vendor. Contracted outside 1954 Act
Car Parking	Ardent Tide Ltd	18/08/2020	17/01/2019	£6,142.50	Can be terminated on 1 months' notice by either party
Concession	The Lunch Box UK Ltd	6/8/2018	Rolling	£14,124	Can be terminated on 1 months' notice by either party

Demise	Tenant	Start	End	Rent Per Annum	Comments
Concession	We Buy Any Car Ltd	7/7/2014	Rolling	£28,000	Can be terminated on 1 months' notice by either party
Gas Governor	Cadent Gas Ltd	29/9/1991	28/09/2071	£0	
Total				**£943,926.50**	

ME note that *"the rents paid by Saint-Gobain, Poundstretcher and B&Q equate to £13.65 per sq. ft., £8.51 per sq. ft. and £10.89 per sq. ft. respectively. The lettings to Saint-Gobain and Poundstretcher were agreed in August 2017 but constituted short-term lettings with rolling break options in order to facilitate redevelopment of the site in the near future. The lease to B&Q is part of a short-term sale and leaseback arrangement. As such we do not believe any of the current tenancies reflect open market terms".*

This scenario is typical of a large site with potential long-term development potential. ME have highlighted a number of retail warehouse lettings, ranging from circa £20 per sq ft to £30 per sq ft. They consider that it would be possible to let the accommodation at higher rents that reflected by the passing rents.

Table 5.1.2 EUV Accommodation Schedule

Unit	Sq Ft	ERV per sq ft	ERV Per annum
Unit 1	10,000	£20	£200,000
Unit 2	15,000	£20	£300,000
Unit 3	58,000	£15	£870,000
Total	**83,000**		**£1,370,000**

ME provide a schedule of sale transactions for retail warehouse schemes of single units or small parks, with net initial yields ranging from 4% to 5.5%. ME also refer to more recent commercial market investment research published by CBRE and Knight Frank.

Taking the above into account, ME consider that *"were the property to be retained in its existing use, it would attract pricing at around 6.5% based upon current market sentiment and the current short term leases in place to the existing occupiers"*

ME consider "*In our opinion, if the property were not being brought forward for redevelopment the current tenants may be willing to engage with the landlord in lease renewal discussions. The shortage of good quality retail warehouse stock in the Greater London area and the continuing loss of space to redevelopment, has made occupiers very amenable to entering into new long term leases to secure their occupancy, often at an increased rent with minimal incentives from the landlord".*

ME consider that if new leases were agreed at the EUV levels as at Table 5.1.2, after allowing a leasing void and rent free package of 18 months, and after a deduction of 15% profession letting and legal fees, the capital value at 6.5% results in an EUV of £17,775,000 after deduction of purchaser's costs. ME have not made an explicit allowance for any additional income receivable from concession licences, such as those currently in place with We Buy Any Car and The Lunch Box.

We have reviewed the information provided by ME and agree that the assumptions behind the EUV as proposed are reasonable. We note that the potential uplift in rental value noted with the vacant possession reflects a 45% increase in income from the current passing rent.

Landowner premium

ME have applied a landowner premium of 20% to incentivise the landowner to bring the site forward for development. Table 5.1.3 sets out the ME BLV calculation.

Table 5.1.3 ME Benchmark Land Value

Heading		Amount
EUV		£17,775,000
Landowner's Premium	20%	£3,555,000
BLV		**£21,330,000**

We have based our opinion of a landowner premium on a number of factors including whether nor not the existing space is currently occupied, and the rental increase already factored into the EUV calculation, if the development were not to come forward. We have assessed the condition of the existing space and the likely demand from alternative occupiers in addition to the likely covenant strength of potential tenants. We have applied varying percentages based upon the perceived strength of each of the factors taken into account. We consider a premium of 10% to be reasonable for the viability benchmark with the BLV set out in Table 5.1.4

Table 5.1.4 Benchmark Land Value

Heading		Amount
EUV		£17,775,000
Landowner's Premium	10%	£1,777,500
BLV		**£19,552,500**

5.2 Viability benchmark – Draft report v2

We note that the EUV as confirmed in our draft report v1 above, is subject to deduction of purchaser's cost of 6.44%. Our own calculations in this respect should be based on deduction of 6.8% in total. Therefore we consider a marginally lower EUV is appropriate.

We note that the GLA have reviewed the EUV and consider that the rental value for the smaller units, at £20 per sq ft, and should be reduced to £18 per sq ft.

The updated ME report has proposed a mid-point premium assumption of 15%, and this rate is also proposed by the GLA. Table 5.2.1 sets out our revised BLV on the basis of 15% premium.

Table 5.2.1 Benchmark Land Value – Revised

Heading		Amount
EUV		£17,754,000
Landowner's Premium	15%	£2,663,175
BLV		**£20,417,675**

If the GLA rental assumptions were to be adopted, it would result in a marginally lower BLV. Table 5.2.2 sets this out in more detail.

Table 5.2.1 Benchmark Land Value – GLA

Heading		Amount
EUV		£17,102,000
Landowner's Premium	15%	£2,565,300
BLV		**£19,667,300**

5.3 ME's appraisal results – Draft report v1

ME's report states "The comprehensive viability modelling has shown that it is not technically viable to provide the 35% affordable housing detailed later within this report whilst allowing for a competitive return to the Applicant to enable the development to be delivered.

It would be possible for the Applicant to reduce the proposed level of affordable housing using viability evidence in accordance with planning policy. However, the Applicant is prepared to adopt a pragmatic approach in order to avoid elongated viability discussions thereby expediting the delivery of this much-needed affordable housing within the London Borough of Barnet.

The offer to provide 35% affordable housing is based upon not requiring any mid or late stage review mechanisms. Should the Council or the GLA seek for a mid or late stage review to be contained within the S106 agreement then the Applicant will need to consider their options, including a potential reduction in the quantum of affordable housing or a tenure adjustment through the viability tested route in accordance with planning policy".

ME's appraisal results are set out in Table 5.3.1.

Table 5.3.1 ME Appraisal Results

Basis	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH	£6,217,010	£21,330,000	-£15,112,990

ME have also included two further scenarios with respect to the provision of affordable housing, which they state has been requested by the LPA.

- Sensitivity scenario 1 – 35% affordable housing (65% London Affordable Rent & 35% Intermediate); and
- Sensitivity scenario 2 – 35% affordable housing (50% London Affordable Rent & 50% Intermediate).

ME's appraisal results for these alternative scenarios are set out in Table 5.3.2.

Table 5.3.2 ME Appraisal Results

Affordable housing percentage	Tenure	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH – scenario 1	65% LAR & 35% Intermediate	-£35,871,617	£21,330,000	-£57,201,617
Proposed 35% AH – scenario 2	50% LAR & 50% intermediate	-£22,112,741	£23,330,000	-£45,442,741

5.4 ME's appraisal results – Draft report v2

ME's revised appraisal results are set out in Table 5.4.1.

Table 5.4.1 ME Appraisal Results

Basis	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH	£13,445,734	£20,441,250	-£6,995,516

5.5 BNPPRE appraisal results – draft report v1

Whilst many of the ME assumptions are reasonable, we suggest the following adjustments to the appraisal assumptions:

- Adjust BtR investment yield from 4.25% to 3.75%;
- Reduce allowance for the costs associated with the BtR value calculation;
- Include car parking revenue;
- Reduced build costs to reflect CDM report;
- Adjust the agent and legal fees; and
- Reduce the commercial profit;

We have also adjusted the BLV to reflect a lower premium.

Table 5.5.1 BNPPRE Appraisal Results

Affordable housing percentage	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (23% rented & 77% intermediate tenures)	£34,702,246	£19,552,500	£16,149,746

We have requested that the LPA confirm agreement with the floor areas as adopted by ME, and note that it would appear that considerable scope for increased areas could be accommodated within the scheme parameters.

We also request confirmation from the Council with respect to the S.106 and CIL contribution amounts and proposed timings.

We have also tested the outcome of the viability assessment if the current shared ownership units in Block B were to be transferred to affordable rented tenure. These results are set out in Table 5.5.2.

Table 5.5.2 BNPPRE Appraisal Results

Affordable housing percentage	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (45% rented & 55% intermediate tenures)	£28,497,265	£19,552,500	£8,944,765

We have also tested the outcome of the viability if the current shared ownership units in Block C were to be transferred to affordable rented tenure. These results are set out in Table 5.5.3.

Table 5.5.3 BNPPRE Appraisal Results

Affordable housing percentage	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (64% rented & 36% intermediate tenures)	£24,094,457	£19,552,500	£4,541,957

5.6 BNPPRE appraisal results – draft report v2

Our revised report v2 includes the following adjustments to the appraisal assumptions, following our initial draft report:

- Increase the allowance for the BTR operating costs from 20% to 22.5% of gross rental income; and
- Revise the build cost to reflect the updated CDM report.

We have also adjusted the BLV to reflect a compromise position with regards to the premium above EUV.

We have tested the appraisal results with and without the car parking revenue, pending confirmation from the Council. These options are set out in Table 5.6.1.

Table 5.6.1 BNPPRE Appraisal Results – Draft report v2

Affordable housing percentage	Car Park Revenue	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (23% rented & 77% intermediate tenures)	Included	£32,048,291	£20,417,675	£11,630,616
Proposed 35% AH (23% rented & 77% intermediate tenures)	Excluded	£30,823,046	£20,417,675	£10,405,371

A copy of our appraisal, with the car park revenue, is provided at **Appendix 3.**

We have also undertaken a further appraisal which assumes that the affordable rented units are reduced in value to reflect adoption of LAR levels. These results are set out in Table 5.6.2.

Table 5.6.2 BNPPRE Appraisal Results – Draft report v2 – with LAR values

Affordable housing percentage	Car Park Revenue	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (23% rented & 77% intermediate tenures)	Included	£22,783,106	£20,417,675	£2,365,431

6 Conclusion

We have undertaken an assessment of the proposed Development with 35% affordable housing by habitable rooms (35% affordable housing by units with 70% intermediate and 30% rented), in line with the Applicant's proposal. ME have concluded that the scheme with 35% affordable housing generates a significant deficit against the viability benchmark.

However, this assessment is for an outline planning consent, and as noted above, there are many potential examples where the floor areas can be increased. The indicative scheme tested by ME is circa 200,000 square feet (28%) smaller than the maximum area sought in the planning application.

Our initial draft report recommended modest amendments to ME's appraisal, and concluded that the proposed scheme surplus would increase significantly. We therefore recommend that the applicant's affordable housing tenure mix could be improved to be closer aligned with the LPA's requirements.

We have reviewed ME's response to our draft report, along with the GLA review of both ME and our assessment. Our draft report v2 notes acceptance to some assumptions, and our further cost review makes marginal amendments.

We note, however, that the affordable rented revenue as set out in the ME initial report reflected 65% of market rental values as affordable rented tenure. If lower London Affordable Rented tenure were required, the revenue would decrease. However, our revised appraisals still suggest that a surplus would be generated compared to the updated ME appraisal, and an improved tenure mix would still be achievable.

As with our initial draft report conclusions, we note that as the outline scheme offers significant potential for uplift in value upon the submission of detailed planning permission with regards to the reserved matters applications, it would not be appropriate to fix this level as per the Applicant's offer at this stage, and that appropriate review mechanism is factored in to assess the acceptable level of affordable housing.

Appendix 1 - CDM Construction Cost Plan Review

CDM Project Services

Development

B & Q Broadway Retail Park
Cricklewood Lane
London NW2 1ES

Draft

Report on Feasibility Cost Plan

November 2020

CDM Project Services Limited
14 Green Lane
Purley
Surrey
CR8 3PG

CDM
Project Services

1.0 INTRODUCTION, METHODOLOGY AND COMMENTS ON ESTIMATE AND CONCLUSION

Introduction and methodology

CDM Project Services was formed 25 years ago and carries out cost management, project management and other related services both in the UK and overseas. The principal Stephen Brown is a Chartered Quantity Surveyor (M.R.I.C.S.) and a member of the Association of Project managers (M.A.P.M.) with over 40 years' experience, a majority as a Director and Partner of cost consultancy practices and for the past 12 years has been a Director of WT Partnership for which he still acts as a consultant and with whom he shares data. Stephen is also a Non-Executive Director of Savile Brown Associates Stephen has carried out projects and has carried a large number cost estimate reviews within The London Borough of Barnet

We have been requested to carry out an independent review of the Feasibility Cost Plan nr1 dated 13th March 2020 prepared by WWA in the sum of £295,340,000 equivalent to £275/ft2 /ft2 or £2,956/m2 based on 99.924 m2 GIA.

The development comprises the demolition of existing buildings and the comprehensive phased redevelopment of the site for a mix of uses including up to 1100 residential units (Use Class C3), and up to 1200m2 of flexible commercial and community floor space (Use Classes A3/B1/D1 and D2) in four buildings ranging from 3 to 25 storeys along with car and cycle parking landscaping and associated works

The cost plan appears to be based on 773 private units and 327 affordable units. Community area is stated as having a basic fit out, amenity space a basic finish and retail finished to shell and core only

There is a 5% contingency included within the cost estimate which equates to £14,063,926.We have checked the appraisal and there appears to be no further contingency added. In line with other development appraisals within the Greater London Area we would not expect an overall viability contingency over 5% so this allowance appears reasonable

The costs exclude professional / design fees

There is a note of assumptions, inclusions and exclusions which generally appears reasonable but would comment below
1 The project team and design fees are stated as being included at 5%. This requires clarification
2 We do not agree with the statement under section Other point 8.2. We assume this was written pre- Covid and our experience was that at the beginning of 2020 tenders were becoming more competitive and tier one and

tier two contractors were willing to undertake single stage design and build tenders

There is a basis of estimate which generally appears reasonable

The costs are based on 1st Quarter 2020

The procurement route is stated as being based upon a main Contractor Design and Build route

There is a note of information used

There is an RICS professional statement

We have carried out a review of the cost estimate prepared based on benchmarking against known costs on similar projects. When bench marking the cost against other projects etc. we have taken care to ensure that any rates used are adjusted to take into account the base date of estimate, location, and this particular development.

We are also obligated to review the cost estimate using BCIS as it i referenced in the planning guide lines. For a residential new building of 6 storey plus the average cost in this Borough is £2,162 /m2 GIA and to this needs to be added external works and site abnormal items. A copy of the BCIS average price information is attached.

We have viewed planning application 20/3564/OUT

Construction Cost Summary

Preliminaries – These are included at 16% and we would expect a market rate of 15 % for a project of this size and type so a difference of 1%. We do note however the project is to be undertaken in phase so will accept preliminaries could be 16%.

Scaffold has been included in the external walls section which totals £5,758,049 which equates to circa 2.52% which in our opinion should be part of the preliminaries

Overheads and profit – we would expect a market rate of 5% whereas WWA has 6% so high by 1%

Contingency- See previous comments

Demolition – we have benchmarked and £1,300,000 appears reasonable

Archaeology allowance- there are reports with the planning information but what is the basis and of this allowance, have reduced by £20,000 subject to clarification

What is basis of UXO allowance have omitted subject to clarification being a difference of £25,000

Substructure, frame, upper floor, podium, stairs, lifts, external walls, windows, balconies- cost in our opinion are reasonable

Scaffold see above

Acoustic treatment to phase 3 rate should be £100 as other phases not £150/m2 being a difference of £122,500

Apartment fit outs we have benchmarked some rates are a little high some a little low but overall are reasonable

We would question the £1,500 Audi Visual allowance to private apartments which requires clarification and substantiation. We have not adjusted at this stage

Communal, community, retail, ancillary costs in our opinion appear reasonable

Statutory connections which includes drainage, central plant and PV panels in our opinion costs appear reasonable

External works- The areas come to 21,104m2 plus podium is 4,508m2 but site is 27,500m2 and you have to take off the buildings and podium so area appears incorrect have adjusted by adjusted by 5,000m2 x £100/m2 subject to clarification

Assume landscape outside Southern boundary £945,000 relates to Cricklewood Green, this needs to be clarified why included

<u>Overall</u>

Overall there is a difference of £10,943,894 or circa 3.71% on the cost estimate making our assessment £284,396,106 or equivalent to £264/ft2 or £2,846/m2 GIA. A schedule of the adjustments is attached

The differences are archaeology, UXO, scaffold, phase 3 acoustic treatment, external works and overheads and profit allowances.

Clarification is required regarding project team and design team fees under 7.6.1 of the executive summary section, archaeology and UXO allowances, landscape areas and landscape outside southern boundary allowance

Conclusion

In our opinion the construction costs for use in the appraisal should be £284,396,106 equivalent to £264/ft2 or £2,846 /m2 GIA being a difference of £10,943,894 or circa 3.71% difference from the estimate

The above cost includes a contingency of 5% contingency

The costs exclude professional fees

The cost plan appears to be based on 773 private units and 327 affordable units. Community area and amenity space is fitted out and retail is finished to shell and core only

The differences are archaeology, UXO, scaffold, phase 3 acoustic treatment, external works and overheads and profit allowances.

Clarification is required regarding project team and design team fees under 7.6.1 of the executive summary section, archaeology and UXO allowances, landscape areas and landscape outside southern boundary allowance

General

It should be noted that there is potential for variance due to the early information the cost estimate is based compared to the cost when the works are undertaken.

It should be understood that the developer may choose to undertake value engineering exercises after the gaining of planning permission in order to reduce their cost.

The developer may also use different construction methodologies to reduce programme and therefore costs.

The information contained in this report is confidential to the parties involved in the application and may not be relied upon by any third party or used for any other purpose than to assess the quantum of affordable housing or other payments due to the Local Authority for this development

RICS Required Statements

We confirm we have acted with objectivity, impartially, without interference and believe we have sourced appropriate available information

We have acted in accordance with our instruction from BNP Paribas and that no performance or contingent fees have been agreed

We confirm we have no conflict or that risk of conflict exists

Steve Brown

Cricklewood Lane
Cost Report

CDM Project Services
November 2020

Appendix 2 CDM Construction Cost Plan Review v2

CDM
Project Services

Development

B & Q Broadway Retail Park
Cricklewood Lane
London NW2 1ES

Draft

Response

February 2021

CDM Project Services Limited
14 Green Lane
Purley
Surrey
CR8 3PG

1.0 INTRODUCTION, COMMENTS AND CONCLUSION

Introduction and methodology

We were requested to carry out an independent review of the Feasibility Cost Plan nr1 dated 13th March 2020 prepared by WWA in the sum of £295,340,000 equivalent to £275/ft2 /ft2 or £2,956/m2 based on 99.924 m2 GIA.

In our report dated November 2020 we stated in our opinion the construction costs for use in the appraisal should be £284,396,106 equivalent to £264/ft2 or £2,846 /m2 GIA being a difference of £10,943,894 or circa 3.71% difference from the estimate

This was subject to a number of clarifications

Attached to an email dated 16th February 2021 we received an undated Financial Viability Costing Rebuttal prepared by WWA and comment below

2.1 Overheads and profit- We do not agree with WWA's statement on overheads and profit and 5% and under reflects the market conditions as at 1st Quarter 2020
We enclose an article dated April 2020 form the RICS to support this comment
We also provide the following benchmarks for projects of this size
2 Trafalgar Way E14 value circa £226m, towers up to 46 storey- OHP 5.5%- 2nd Quarter 2020
Cundy Street Quarter SW1- £302m, several blocks- OHP 5%- 1st Quarter 2020
First Way Wembley-£208m, several blocks- OHP 5%-1st Quarter 2020
Euro House Wembley-£160m, several blocks-OHP 5%-1st Quarter 2020
Bow River Village E3-£160m, several blocks-OHP 4.5%-4th Quarter 2019
Woodberry Downs N4 phase 3- £165m, several blocks-OHP 5%-4th Quarter 2019
Nine Elms Parkside SW8 Phase 2-£320m, several blocks-OHP 4%-- 2nd Quarter 2019
Manor Road E16- £216m, several blocks up to 32 floors-OHP 5%-3rd Quarter 2019

2.2 Scaffolding- We do not agree with WWA's statement, when we benchmarked the 16% preliminaries this was on the basis of the scaffold being included. If it is not we would expect a lower percentage
We would refer to WWA's own order of cost estimate for Sun Wharf where they have preliminaries at 8% when the cranes and scaffold are separate when it was an internal construction management method of procurement and on Western Gateway phase 2 and 3 a project of similar size 16% was used for preliminaries and there was no separate allowance for the scaffold. This is also the case for the Alperton House and Royal Docks Service Station

2.3- Acoustic treatment rate – adjustment noted

2.4 External works area- Depot Approach and Cricklewood Green are outside the boundary of the planning application. Works are shown to Cricklewood Green but the only works indicated is a link across Depot Approach to the existing Kara Way Play Area
The site area is 27,500m2 less the building foot print 8,300m2 gives 19,200 of landscape area excluding the podium and Southern boundary but area is 21,014 being a difference of 1,814m2 less say 100m2 for link to Kara Way Play area gives 1,714m2 and as this is Depot Approach rate should be higher than just landscape rates so say £155/m2 gives £265,670 which is lower than our initial adjustment

2.5 Archeology – WWA have quoted from AECOM's desk top study dated July 2020 but have not fully indicated its contents which also sate "There are no designated assets within the Site. This report has identified 23 non-designated archaeological assets within the study area, none of which lie within the Site" and also "if present, would be considered of, at most, local archaeological and historical interest, while previously unrecorded post-medieval and modern remains would be considered of no historical or archaeological interest"

We also reviewed the Environmental Report section 9 on Archaeology and it states "Further Consultation was carried out directly with GLAAS to determine any archaeological evaluation or mitigation requirements in relation to the project. A response was received on 13/02/2020 (ES Volume III: Appendix 9-2) in which GLAAS confirmed that no further archaeological works would be necessary for the Proposed Development site."

From: O'Gorman, Laura Sent: 13 February 2020 15:02 To: Boscher, Loic Subject: RE: B&Q Cricklewood advise Hi Loic, Thanks for sending through the draft DBA. From the information that has been supplied it is clear that there is unlikely to be a significant archaeological impact from any development on this site owing to the predicted low archaeological potential for archaeological remains that pre-date the late post-medieval period. I therefore agree that no further archaeological works would be required for this site

In relation to the cost allowance of £50,000 for archaeology it is stated this is for a desktop report but this has already been carried out by AECOM. On the basis of the above we have omitted the full £50,000 from our assessment

2.6 UXO allowance- In relation to the statement made by WWA that this relates to sites " that have not had extensive redevelopment" we would draw their attention to the Environmental Report which states "By 1991, the Site is fully developed, including a superstore occupying the south-eastern area, car parking and access roads"
In 2018 Capita undertook a significant borehole investigation
The Environmental Report goes on to state
"On-line sources, such as the Bomb Sight website52, show records of a high-explosive bomb in the south- eastern extent of the Site, along Cricklewood Lane. Part of the Site (including the south-eastern extent) has never been developed, meaning that below ground excavations may have never been carried out at the Site. Although it is recognised that a site investigation has been carried out on-site and therefore the risk of relict ordnance on the Site is somewhat reduced, this risk cannot be discounted"

In our opinion there may be the need for some pile probing in the area not originally developed and an allowance of £15,000 should be adequate to cover this

2.7 Southern boundary landscaping- this is outside the boundary of the planning application although it is noted the intention is to upgrade this existing public space. We could find no reference for works to Depot Approach other than the link to the existing Kara Way Play Area

2.8 Professional fees noted

2.9 One item raised on page 4 of our report was the cost allowance of £1,500 per apartment for audio visual to the private apartments as we would not expect this specification to apartments in this location

Conclusion

Having reviewed WWA's response in our opinion the construction costs for use in the appraisal should be £284,695,791 equivalent to £265/ft2 or £2,849 /m2 GIA

The above cost includes a contingency of 5% contingency

The costs exclude professional fees

Clarification is required on the audio visual allowance within the private dwellings

General and RICS Required Statements

As November report

Steve Brown
CDM Project Services
February 2021

Appendix 1- RICS Article April 2020

Cricklewood Lane

Summary of adjustments Rev1

		Omission	Addition	
		£	£	
Archaeology		50,000		
UXO		10,000		
Scaffold		5,758,049		
Acoustics phase 3		122,500		
External works area		265,670		
Landscape outside boundary		0		Clarified
Audio visual to private dwellings				To be clarified
		6,146,219	0	
		0		
	Adjustment	6,146,219		
	WWA	228,756,111		
	CDM estimate	222,609,892		
Preliminaries	16%	35,617,583	WWA16%	
	CDM overall estimate	258,227,475		
Overheads and profit	5.0%	12,911,374	WWA 6%	
	CDM overall estimate	271,138,848		
Contingency	5.0%	13,556,942		
	CDM overall estimate	284,695,791		
	WWA overall estimate	295,340,000		
	Total difference	£10,644,209	3.60%	
Rate /m2		2,849.12 m2		
Rate/ft2		264.68 ft2		

Appendix 3 - BNPPRE Argus Appraisal

BNP Paribas Real Estate

Development Appraisal

Cricklewood Lane

Financial Viability Appraisal

Report Date: 29 March 2021

Cricklewood Lane
Financial Viability Appraisal

Summary Appraisal for Merged Phases 1 2 3 4 5 6 7 8 9

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**
Block B - Affordable Rent	86	72,133	345.00	289,371
Block B - Shared Ownership	84	57,903	500.00	344,661
Block C - Shared Ownership	157	103,169	500.00	328,564
Block C - Private Residential	172	122,048	704.00	499,545
Block C - Private Car Park	48	0	0.00	20,000
Block D - Private Residential	224	143,532	704.00	451,101
Block D - Private Car Park	62	0	704.00	20,000
Totals	**833**	**498,785**		

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**
Block A - Build to Rent	377	248,281	33.52	22,076
Block A - Commercial	1	3,923	25.00	98,078
Block B - Commercial	1	5,406	25.00	135,158
Block D - Commercial	1	707	25.00	17,685
Totals	**380**	**258,318**		

Investment Valuation				
Block A - Build to Rent				
Current Rent	6,449,922	YP @	3.7500%	26.6667
Block A - Commercial				
Market Rent	98,078	YP @	6.0000%	16.6667
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713
Block B - Commercial				
Market Rent	135,158	YP @	6.0000%	16.6667
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713
Block D - Commercial				
Market Rent	17,685	YP @	6.0000%	16.6667
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713

GROSS DEVELOPMENT VALUE			**470,650,059**
Purchaser's Costs	6.80%	(11,209,803)	
			(11,209,803)
NET DEVELOPMENT VALUE			**459,440,255**
NET REALISATION			**459,440,255**

OUTLAY

ACQUISITION COSTS			
Residualised Price		32,048,291	
Stamp Duty	5.00%	1,602,415	
Agent Fee	1.00%	320,483	
Legal Fee	0.50%	160,241	
			34,131,430

CONSTRUCTION COSTS

Construction	**ft²**	**Rate ft²**	**Cost**
Block A - Build to Rent	359,076 ft²	252.03 pf²	90,499,517
Block A - Commercial	4,359 ft²	252.04 pf²	1,098,658
Block B - Commercial	6,007 ft²	252.04 pf²	1,514,026
Block D - Commercial	786 ft²	252.04 pf²	198,107
Block B - Affordable Rent	103,239 ft²	252.04 pf²	26,020,710
Block B - Shared Ownership	82,872 ft²	252.04 pf²	20,887,488

Cricklewood Lane
Financial Viability Appraisal

Block C - Shared Ownership	143,790 ft²	251.98 pf²	36,231,613	
Block C - Private Residential	170,102 ft²	252.04 pf²	42,873,077	
Block D - Private Residential	205,582 ft²	252.04 pf²	51,815,653	
Totals	**1,075,813 ft²**		**271,138,849**	**271,138,849**
Contingency		5.00%	13,556,942	
CIL			17,667,315	
				31,224,257
PROFESSIONAL FEES				
Professional Fees		10.00%	28,469,579	
				28,469,579
MARKETING & LETTING				
Letting Agent Fee		10.00%	25,092	
Letting Legal Fee		5.00%	12,546	
				37,638
DISPOSAL FEES				
Sales Agent Fee		0.25%	402,617	
Sales Agent Fee		1.00%	38,033	
Sales Agent Fee			100,000	
Sales Agent Fee		3.00%	5,675,050	
Sales Legal Fee		0.10%	161,047	
Sales Legal Fee		0.50%	19,017	
Sales Legal Fee		0.25%	736,476	
				7,132,238
MISCELLANEOUS FEES				
Developer's Return - BTR		15.00%	25,799,688	
Developer's Return - Commercial		15.00%	238,154	
Developer's Return - Affordable		6.00%	3,230,243	
Developer's Return - Commercial		15.00%	328,193	
Developer's Return - Affordable		6.00%	3,095,070	
Developer's Return - Private		17.50%	15,204,314	
Developer's Return - Private Sale		17.50%	17,900,142	
Developer's Return - Commercial		15.00%	42,943	
				65,838,747
FINANCE				
Debit Rate 6.500% Credit Rate 0.000% (Nominal)				
Total Finance Cost				21,467,516
TOTAL COSTS				**459,440,255**
PROFIT				
				0
Performance Measures				
Profit on Cost%		0.00%		
Profit on GDV%		0.00%		
Profit on NDV%		0.00%		
Development Yield% (on Rent)		1.46%		
Equivalent Yield% (Nominal)		3.80%		
Equivalent Yield% (True)		3.90%		
IRR		7.01%		
Profit Erosion (finance rate 6.500%)		N/A		

Cricklewood Lane
Financial Viability Appraisal

Gross Sales
24,885,885
28,951,500
51,584,500
85,921,792
960,000
101,046,528
1,240,000
294,590,205

Net Rent at Sale	Initial MRV	Net MRV at Sale
6,449,922	8,322,480	6,449,922
98,078	98,078	98,078
135,158	135,158	135,158
17,685	17,685	17,685
6,700,843	**8,573,401**	**6,700,843**

171,997,920

1,587,696

2,187,951

286,287
176,059,854

Cricklewood Lane
Financial Viability Appraisal

70 St Mary Axe
London
EC3A 8BE
Tel: +44 (0) 20 7493 4002

Carl Griffiths
London Borough of Barnet
2 Bristol Avenue
Colindale
London
NW9 4EW

15th April 2021

Dear Carl

BROADWAY RETAIL PARK, CRICKLEWOOD LANE – FURTHER RESPONSE TO BNP PARIBAS REAL ESTATE FINANCIAL VIABILITY ASSESSMENT REVIEW

Thank you for providing us with an updated version (draft report v1) of the independent viability review report (dated 29 March 2021) prepared by BNP Paribas Real Estate (BNPPRE) on behalf of the London Borough of Barnet (LBB). We would like to take this opportunity to thank BNPPRE for their further consideration of the proposals.

Following a review of the updated report, we have prepared this letter to provide some additional information regarding the remaining differences of opinion and inform you that the Applicant has agreed to make a change to the affordable housing offer on a without prejudice basis.

Although both parties agree with the majority of the assumptions adopted within the Financial Viability Assessment (FVA), there are a number of differences of opinion which we examine further below.

ILLUSTRATIVE SCHEME FLOOR AREA ASSUMPTIONS

As set out within the FVA, we have appraised the illustrative masterplan which demonstrates one way in which the parameter plans and design guidelines could be interpreted to deliver a high quality development. The Illustrative masterplan has been worked up in detail and represents the most accurate projection of how the development will come forward at the current time.

Throughout their report, BNPPRE have referred to additional value being created by the significantly increased net floor area shown in the maximum parameters area schedule. This is not realistic for a number of reasons explained in detail within separate correspondence.

LBB requested that Montagu Evans undertake some sensitivity testing on a hypothetical max parameter scheme which was provided within an email dated 12th March 2021. The sensitivity testing showed that a viability appraisal using the maximum parameter floor areas would reduce the residual land value of the site by approximately £45,505,468 to negative -£32,059,734 showing a viability deficit of -£52,500,984 when compared to a £20,441,250 Benchmark Land Value.

As discussed during our meeting on 15th March 2021, we expect this sensitivity testing to have resolved the queries on this topic and would request that BNPPRE remove any reference to potential additional value from the maximum parameters within their final report.

RESPONSE TO BNPPRE'S REVIEW OF THE FVA ASSUMPTIONS & INPUTS

Following a review of the updated BNPPRE report, we have summarised below the remaining differences of opinion and addressed each difference where necessary.

VIABILITY INPUT	MONTAGU EVANS (APPLICANT)	BNPPRE (LBB)	COMMENTS
Benchmark Land Value			
Total Benchmark Land Value	£20,441,250	£20,417,675	Applicant willing to proceed on this basis*
Gross Development Value Inputs			
BTR property operating costs	25%	22.5%	Not agreed – please see below.
Car parking values (per space)	Nil	£20,000	Not agreed – please see below.
Development Cost Inputs			
Construction cost (incl. contingency)	£288,272,609	£288,272,609	Agreed – please see below.
Marketing & sales – affordable	0.5% of GDV	£100,000	Not agreed – please see below.
Debt finance rate	7%	6.5%	Applicant willing to proceed on this basis*
Developer's return – private	20% GDV	17.5% GDV	Not agreed – please see below.
Developer's return – commercial	17.5% GDV	15% GDV	Not agreed – please see below.

*Although we do not agree with the BNPPRE assumption, the Applicant is willing to proceed on a without prejudice basis in order to reach agreement expeditiously.

We would respond further regarding a number of the assumptions adopted below.

BUILD TO RENT PROPERTY OPERATING COSTS (GROSS TO NET %)

The Applicant's FVA adopted a 25% allowance for management, repair and void costs. This was based on advice received from the Montagu Evans Capital Markets team that specialise in the acquisition, disposal and funding of residential investment projects including BTR.

BNP initially undertook their assessment based on a 20% assumption and have since increased this to 22.5% as a compromised position. BNPPRE have stated that we have only provided anecdotal evidence which is not true.

Montagu Evans provided the following two pieces of evidence:

Grainger plc 2020 Annual Report & Accounts

Grainger plc are the UK's largest listed residential landlord and a market leader in the UK build to rent and private rented sector currently managing over 8,500 homes. Their latest Annual Report discloses that they achieved 25.9% property operating costs. This is a factual position taken as an average across 8,500 properties so you would expect economies of scale to have been achieved.

This is very strong reliable evidence based on facts so is certainly not anecdotal.

Jones Lang LaSalle (JLL) research document entitled, 'Evaluating Build to Rent Performance, Analysis of Stabilised BTR Data' (September 2018)

Although this is a little historic now, JLL undertook research, analysing 7 BTR schemes. Again, this is a research document and so not anecdotal.

The evidence demonstrates that 25% is optimistic and the Applicant is therefore unwilling to adjust the assumption.

It should be noted that BNPPRE have not provided any evidence to support their position.

CAR PARKING VALUES

BNPPRE have included a receipt of £20,000 for the potential 110 car parking spaces. These car parking spaces will be wheelchair spaces and it is therefore unreasonable to assume that a receipt will be received for them.

BNP have sought confirmation from the Council that this position is acceptable and have tested the viability with and without receipts.

CONSTRUCTION COST ESTIMATE

The Applicant provided a construction cost estimate prepared by Ward Williams Associates (WWA) which was reviewed by CDM Project Services (CDM) on behalf of LBB.

All parties have continued discussions regarding the appropriate level of construction costs and have now reached agreement at £288,272,609 (including a 5% contingency). We attach a letter from WWA at **Appendix 1**, documenting the agreement reached.

MARKETING & SALES AGENCY FEES – AFFORDABLE

The Applicant's viability appraisal adopted an assumed 1% of GDV as a sales agent fee for the affordable housing. Most developers do not have the in-house expertise to tender, negotiate and agree terms with Registered Providers and will require a specialist agent to carry out this function for them.

The industry standard agency fee for undertaking this work is 1% of the package price. Based upon the viability appraisal submitted, this estimated fee totalled £1,054,219 based on the sale of 327 affordable housing units valued at £105,421,885. BNPPRE have reduced this agency fee to a fixed £100,000 or 0.095%. We do not think that this level of fee is realistic for a qualified and specialist affordable housing agent to undertake the work. A fee of 1% has been the industry standard for some time and Montagu Evans have agreed the majority of all viability submissions across London at this level. It should also be noted that the affordable housing is contained within a number of blocks over different phases so it is very unlikely that it will be sold in a single transaction.

the Applicant is willing to reduce the agency fee assumption to 0.5% based on current market conditions but is unable to agree a reduction to the fixed £100,000 fee being proposed by BNPPRE.

MONTAGU EVANS

DEBT FINANCE RATE

The Applicant's appraisal adopts a debt finance rate of 7% and BNPPRE have reduced this rate to 6.5%. We have agreed that 7% is appropriate on developments across London with Councils' advisors and the GLA prior to the Covid-19 pandemic. Clearly, securing development funding has become more difficult and more expensive since the pandemic with some lenders temporarily withdrawing from the market.

Based on the Applicant's package of concessions and compromises set out above, there are various assumptions that we feel are extremely optimistic and there is a danger that if we flex every single input without giving consideration to the overall balance then the appraisal will start to look unrealistic.

However, the Applicant is willing to proceed on the basis of 6.5% on a without prejudice basis in order to reach agreement expeditiously.

DEVELOPER'S RETURN

The Applicant is unwilling to reduce the profit levels for the reasons set out in previous correspondence. The Applicant is taking a significant risk by over delivering affordable housing (in viability terms) up front. This level of risk and the reliance on significant value growth to improve viability should not be underestimated. It is crucial that profit levels are adopted at fundable levels to ensure that this much needed affordable housing can be delivered in the borough.

UPDATED AFFORDABLE HOUSING PROVISION

We are of the opinion that the Applicant's initial proposed affordable housing offer is the maximum viable level and has been robustly supported within the Financial Viability Assessment and subsequent correspondence.

However, there remains a number of differences of opinion and the Applicant wishes to progress matters expeditiously and move forwards towards the successful delivery of this important development.

The Applicant is willing to amend the affordable housing provision by changing the proposed Affordable Rent units to London Affordable Rent units. This is estimated to reduce the total Gross Development value by £11,541,280, having a significant impact on the viability of the scheme.

We summarise the updated affordable housing provision below:

TENURE	NO. OF HABITABLE ROOMS	% OVERALL	% AFFORDABLE
Private	1,752	65.0%	NA
Intermediate	662	24.5%	70%
London Affordable Rent	282	10.5%	30%
TOTAL	2,696	100%	100%

The proposed amendment is being made on a without prejudice basis, subject to the following:

- BNPPRE amending their final viability review report to reflect that the maximum parameter queries have been resolved.

- A late stage review mechanism not being required in the S106 agreement in accordance with the Fast Track route in accordance with the London Plan (2021).
- The viability deficit summarised below being incorporated into the early stage review formula through the use of a "Breakeven GDV" figure.

Based on the package of concessions and compromises, we have prepared an updated viability appraisal reflecting the change to London Affordable Rent and attach a summary as **Appendix 2.**

We summarise the Applicant's updated viability position below.

BENCHMARK LAND VALUE	RESIDUAL LAND VALUE	VIABILITY DEFICIT
£20,417,675	£11,462,081	-£8,955,594

We hope that the above is clear and concludes the viability discussions. If you have any further queries then please do not hesitate to contact us.

Yours sincerely,

Jonathan Glaister MRICS / Partner

Email: jonathan.glaister@montagu-evans.co.uk

APPENDIX 1

SUMAMRY OF AGREED COSNTRUCTION COST ESTIMATE

wwa

B&Q Broadway Retail Park, Cricklewood Lane, London NW2

Montreaux Cricklewood Developments Limited

Financial Viability Costing Agreement

April 2021 – 19-5338QS

1.0 Executive Summary

1.1 CDM Project Services provided their Cost Plan Review report dated November 2020 as part of the BNP Paribas Review of 'Financial Viability Assessment' dated November 2020. CDM Project Services assessed the Ward Williams Associates (WWA) Feasibility Cost Plan Nr 1, dated 13th March 2020 which assessed the scheme costs to be lower than the WWA Feasibility Cost Plan by (£10,943,894) or (3.7%).

1.2 WWA produced a rebuttal report defending most of the cost reductions in February 2021.

1.3 CDM Project Services responded to the rebuttal and still challenged the following items: -

a. Overheads and Profit Allowance
b. Scaffolding & External Walls Rates
c. External Works Area
d. Archaeology
e. UXO Allowance

1.4 The above cost items and clarifications are detailed in the next section.

1.5 The negotiations reduced the saving to (£7,067,391) or (2.39%) on our original submission and concluded with an agreed construction cost of £288,272,609.

2.0 Variance Qualifications

2.1 Overheads and Profit Allowance

CDM Project Services defended their position on the reduced OHP percentage of 5% from our 6% by producing an RICS paper stating the range of OHP being reported. The RICS paper was based upon the national average and not specific to London which we have found to be at the higher end of the scale. To reach an agreement, the 5% rate was adopted.

2.2 Scaffolding & External Wall Rates

CDM Project Services provided examples of other schemes WWA have been involved with as evidence of the façade rates being used on other schemes. The schemes presented were not comparable schemes as one didn't use scaffolding as it was a panelised facade system and the other was a development by a national House Builder with very low Preliminaries due to the way they manage and build developments. It was agreed that scaffolding was an acceptable item but the rate was too high. An agreed deduction of (£2,961,256) was made to the WWA cost plan.

2.3 Acoustic Treatment Rate

The rate used for Phase 3 should be the same as Phase 1 and 2. We agree with the cost saving of (£122,500).

2.4 External Works Area

Within our overall site measurement, we had allowed works outside the redline drawing. It was agreed to remove this which reduced our costs by (£265,670).

2.5 Archaeology

The preconstruction reports conclude that there wasn't any need for further archaeological works. Although a risk, it would be a low risk so agreed to remove the (£50,000).

2.6 UXO Allowance

The site is unlikely to have any UXB issues given the information provided in the preconstruction reports. It was agreed to reduce the allowance by (£10,000) to cover any obstruction risk.

3.0 Conclusion

3.1 WWA and CDM Project Services concluded that the savings for the scaffolding, acoustics, external works, Archaeology & UXB obstructions reduced the net construction cost down by (£3,409,426). This is a movement of £2,736,793 from CDM Project Services original position.

3.2 The further reduction of the OHP concluded the gross development construction cost of **£288,272,609**.

3.5 The above construction cost equates to a (2.39%) reduction in the original WWA Feasibility Cost Plan which is within an acceptable range and has been agreed with CDM Project Services.

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APPENDIX 2

UPDATED FINANCIAL VIABILITY APPRAISAL –

LONDON AFFORDABLE RENT

Cricklewood Lane
Financial Viability Appraisal
Apr 2021 Update - London Affordable Rent

Development Appraisal
Montagu Evans LLP
15 April 2021

Cricklewood Lane
Financial Viability Appraisal
Apr 2021 Update - London Affordable Rent

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Block B - London Affordable Rent	86	72,133	185.00	155,170	13,344,605
Block B - Shared Ownership	84	57,903	500.00	344,661	28,951,500
Block C - Shared Ownership	157	103,169	500.00	328,564	51,584,500
Block C - Private Residential	172	122,048	704.00	499,545	85,921,792
Block D - Private Residential	224	143,532	704.00	451,101	101,046,528
Totals	**723**	**498,785**			**280,848,925**

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Block A - Build to Rent	377	248,281	33.52	22,076	6,241,860	8,322,480	6,241,860
Block A - Commercial	1	3,923	25.00	98,078	98,078	98,078	98,078
Block B - Commercial	1	5,406	25.00	135,158	135,158	135,158	135,158
Block D - Commercial	1	707	25.00	17,685	17,685	17,685	17,685
Totals	**380**	**258,318**			**6,492,780**	**8,573,400**	**6,492,780**

Investment Valuation

Block A - Build to Rent					
Current Rent	6,241,860	YP @	3.7500%	26.6667	166,449,600
Block A - Commercial					
Market Rent	98,078	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	1,587,688
Block B - Commercial					
Market Rent	135,158	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	2,187,943
Block D - Commercial					
Market Rent	17,685	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	286,287
Total Investment Valuation					**170,511,517**

GROSS DEVELOPMENT VALUE			**451,360,442**
Purchaser's Costs		(10,856,539)	
Effective Purchaser's Costs Rate	6.80%		
			(10,856,539)
NET DEVELOPMENT VALUE			**440,503,904**
NET REALISATION			**440,503,904**

OUTLAY

ACQUISITION COSTS

Residualised Price		11,462,081	
			11,462,081
Stamp Duty		563,104	
Effective Stamp Duty Rate	4.91%		
Agent Fee	1.00%	114,621	
Legal Fee	0.50%	57,310	
			735,035

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Block A - Build to Rent	359,076	255.19	91,634,152
Block A - Commercial	4,359	255.20	1,112,417
Block B - Commercial	6,007	255.20	1,532,986
Block D - Commercial	786	255.20	200,587
Block B - London Affordable Rent	103,239	255.20	26,346,560
Block B - Shared Ownership	82,872	255.20	21,149,056

Cricklewood Lane
Financial Viability Appraisal
Apr 2021 Update - London Affordable Rent

Block C - Shared Ownership	143,790	255.20	36,695,092	
Block C - Private Residential	170,102	255.20	43,409,965	
Block D - Private Residential	205,582	255.20	52,464,526	
Totals	**1,075,813 ft²**		**274,545,342**	
Contingency		5.00%	13,727,267	
CIL			17,667,315	
				305,939,924
PROFESSIONAL FEES				
Professional Fees		10.00%	28,827,261	
				28,827,261
MARKETING & LETTING				
Letting Agent Fee		10.00%	25,092	
Letting Legal Fee		5.00%	12,546	
				37,638
DISPOSAL FEES				
Sales Agent Fee		0.25%	389,629	
Sales Agent Fee		1.00%	38,033	
Sales Agent Fee		0.50%	469,403	
Sales Agent Fee		3.00%	5,609,050	
Sales Legal Fee		0.10%	155,852	
Sales Legal Fee		0.50%	19,016	
Sales Legal Fee		0.25%	702,122	
				7,383,105
MISCELLANEOUS FEES				
Developer's Return - BTR		15.00%	24,967,440	
Developer's Return - Commercial		17.50%	277,845	
Developer's Return - Affordable		6.00%	2,537,766	
Developer's Return - Commercial		17.50%	382,890	
Developer's Return - Affordable		6.00%	3,095,070	
Developer's Return - Private		20.00%	17,184,358	
Developer's Return - Private Sale		20.00%	20,209,306	
Developer's Return - Commercial		17.50%	50,100	
				68,704,776
FINANCE				
Debit Rate 6.5000%, Credit Rate 0.0000% (Nominal)				
Total Finance Cost				17,414,083
TOTAL COSTS				**440,503,904**
PROFIT				
				0
Performance Measures				
Profit on Cost%		0.00%		
Profit on GDV%		0.00%		
Profit on NDV%		0.00%		
Development Yield% (on Rent)		1.47%		
Equivalent Yield% (Nominal)		3.81%		
Equivalent Yield% (True)		3.90%		
IRR% (without Interest)		7.28%		
Profit Erosion (finance rate 6.500)		N/A		

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

Review of "Financial Viability Assessment"

Unit 1 Broadway Retail Park, Cricklewood Lane, Cricklewood, NW2 1ES

Draft v3

DRAFT

Prepared for

London Borough of Barnet

11 May 2021

Contents

Appendices

1 Introduction

The London Borough of Barnet ("the Council") has commissioned BNP Paribas Real Estate ("BNPPRE") to advise on a Financial Viability Assessment ("FVA") for the redevelopment ("the Development") of Unit 1 Broadway Retail Park, Cricklewood lane, London, NW2 1ES ("the Site") submitted by Montagu Evans ("ME") on behalf of Montreaux Cricklewood Developments Ltd ("the Applicant").

ME's FVA states *"The Applicant is proposing to provide 35% affordable housing. Policy DM10 of Barnet's Local Plan (Development Plan Document, Sept 2017) sets a borough wide target of 40% housing provision to be affordable, with the maximum reasonable amount of affordable to be provided on site subject to viability. Policy CS4 of the Core Strategy seeks a tenure mix of 60% social rented and 40% intermediate housing"*.

Our draft report dated January 2021 provided an objective assessment of ME's FVA to determine whether the affordable housing offer (which includes 30% rented and 70% intermediate tenures in terms of habitable rooms or 23% rented and 77% intermediate tenures in terms of units), and Section 106 contributions as proposed have been optimised. We concluded that a significant surplus was available for an improved affordable housing tenure provision to be provided. We have subsequently been provided with ME's rebuttal letter dated 28 January 2021, which, whilst offering compromise in some appraisal assumptions, reiterates their position that the proposed scheme is unviable. We have also reviewed the GLA review of both the ME report, and our January draft viability report. We note that the GLA broadly agrees with the appraisal assumptions in our report.

Our draft report v2 dated 29 March 2021 included the updated commentary with respect to both the ME submission and the GLA review.

Subsequently ME have provided a further response dated 15 April 2021 with includes amendment of their proposed affordable rented tenure housing to be provided at the lower London Affordable Rent ("LAR") tenure. This report also sets out the final agreed position with respect to proposed scheme build costs.

1.1 BNP Paribas Real Estate

BNP Paribas Real Estate is a leading firm of chartered surveyors, town planning and international property consultants. The practice offers an integrated service from nine offices in eight cities within the United Kingdom and over 180 offices, across 37 countries in Europe, Middle East, India and the United States of America, including 16 wholly owned and 21 alliances. In 2005, the firm expanded through the acquisition of eight offices of Chesterton and in 2007, the firm acquired the business of Fuller Peiser. We are a wholly owned subsidiary of BNP Paribas, which is the number one bank in France, the second largest bank in the Euro Zone and one of only six top rated banks worldwide.

BNP Paribas Real Estate has a wide ranging client base, acting for international companies and individuals, banks and financial institutions, private companies, public sector corporations, government departments, local authorities and registered providers ("RPs").

The full range of property services includes:

- Planning and development consultancy;
- Affordable housing consultancy;
- Valuation and real estate appraisal;
- Property investment;
- Agency and Brokerage;
- Property management;
- Building and project consultancy; and
- Corporate real estate consultancy.

This report has been prepared by Victoria Simms MRICS, RICS Registered Valuer and reviewed by Anthony Lee MRTPI, MRICS, RICS Registered Valuer.

The Affordable Housing Consultancy of BNP Paribas Real Estate advises landowners, developers, local authorities and registered providers on the provision of affordable housing.

In 2007, we were appointed by the Greater London Authority ("GLA") to review its 'Development Control Toolkit Model' (commonly referred to as the 'Three Dragons' model). This review included testing the validity of the Three Dragons' approach to appraising the value of residential and mixed use developments; reviewing the variables used in the model and advising on areas that required amendment in the re-worked toolkit and other available appraisal models and submitted our report in February 2012.

Anthony Lee is a member of the RICS '*Experts in Planning Service'* panel, which was established in March 2009 to support the Planning Inspectorate on major casework and local development plan work submitted for independent examination. He was also a member of the working group under the chairmanship of Sir John Harman that produced guidance on 'Viability Testing Local Plans: Advice for planning practitioners' (2012). He was also a member of MHCLG's *'Developer Contributions Expert Panel'* which advised on the viability section of the 2019 Planning Practice Guidance.

In addition, we were retained by Homes England ("HE") to advise on better management of procurement of affordable housing through planning obligations.

The firm has extensive experience of advising landowners, developers, local authorities and RPs on the value of affordable housing and economically and socially sustainable residential developments.

1.2 Report structure

This report is structured as follows:

- **Section two** provides a brief description of the Site, the proposed Development and planning history;
- **Section three** describes the methodology that has been adopted;
- **Section four** reviews the inputs the Applicant has adopted and where we disagree, the inputs we have adopted in our appraisals;
- **Section five** sets out the results of the appraisals;
- Finally, in **Section six,** we draw conclusions from the analysis.

1.3 The Status of our advice

This report is not a valuation and should not be relied upon as such. In accordance with PS1 (5.2) of the RICS Valuation – Global Standards 2020 (the 'Red Book'), the provision of VPS1 to VPS5 are not of mandatory application and accordingly this report should not be relied upon as a Red Book valuation.

In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

We are not aware of any conflicts of interest in relation to this assessment.

In preparing this report, no 'performance-related' or 'contingent' fees have been agreed.

This report is addressed to the London Borough of Barnet only and should not be reproduced without our prior consent.

2 Background and description of the Development

2.1 Site Background

The 2.75-hectare (6.8 acre) site is located in Cricklewood in the London Borough of Barnet. The site is bounded by Cricklewood Green and Cricklewood Lane to the south, Depot Approach to the west and north, and a railway line to the east. Cricklewood is located approximately 4 miles north of Central London, between Kilburn and Brent Cross.

The property comprises three adjoining retail warehouse units of steel portal frame construction with brick / blockwork elevations under a flat roof. Collectively, the three units are known as Broadway Retail Park and provide approximately 83,000 sq. ft. (GIA) of accommodation.

The property occupies a site that is irregular in shape and generally level, albeit it is raised above the level of Cricklewood Lane. The site is 0.1 mile from Cricklewood Railway Station, which serves the Thameslink service with approximate journey times of 14 minutes to London Kings Cross and 23 minutes to London Blackfriars.

2.2 The Proposed Development

According to the ME report, the Applicant is seeking Outline Planning Permission for:

- Up to 1,100 residential units;
- Up to 1,200 sq m GIA of flexible commercial space; and
- Provision for up to 110 residential car parking spaces and 1,972 cycle parking spaces.

ME advise *"In light of the outline application approach, the Applicant's architects have prepared an illustrative masterplan which forms the basis of the FVA. The illustrative masterplan demonstrates **one way** in which the parameter plans and design guidelines could be interpreted to deliver a high quality development.*

The precise application of the affordable housing tenure split cannot be unequivocally applied to the illustrative housing mix until the detailed design stage i.e. reserved matters. However, the illustrative masterplan has been used to demonstrate to the Council the mix of unit sizes that could be accommodated as affordable homes" (emphasis added).

The outline scheme proposals are based around provision of four Blocks referred to as Blocks A to D.

We note the proposed scheme phasing is based on the following phases:

- Phase 1 – Blocks A& B
- Phase 2 – Block C
- Phase 3 – Block D

ME have relied upon the indicative accommodation schedule prepared by EPR Architects, which is appended to their report. This provides for an '*illustrative scheme'* and a *'maximum parameter Scheme.'*

ME's appraisal includes the following mix of units, based on the unit sizes and illustrative scheme from the EPR schedule.

Table 2.1.1 Residential Accommodation Schedule

Block	Type	Tenure	Unit Type	Number	Area Sq Ft	Total Area Sq Ft
A	BTR	Private	1 B 1 P	44	398	17,512

Block	Type	Tenure	Unit Type	Number	Area Sq Ft	Total Area Sq Ft
A	BTR	Private	1 B 2 P	79	538	42,502
A	BTR	Private	1 B 2 P WCA	18	699	12,582
A	BTR	Private	2 B 4 P	137	753	103,161
A	BTR	Private	2 B 4 P WCA	15	914	13,710
A	BTR	Private	3 B 5 P	26	925	24,050
A	BTR	Private	3 B 5 WCA	3	1,184	3,552
Sub total				***322***		***21,7069***
C	Sale	Private	1 B 1 P	20	398	7,960
C	Sale	Private	1 B 2 P	50	538	26,900
C	Sale	Private	1 B 2 P WCA	14	699	9,786
C	Sale	Private	2 B 4 P	56	753	42,168
C	Sale	Private	2 B 4 P WCA	14	914	12,796
C	Sale	Private	3 B 5 P	16	925	14,800
C	Sale	Private	3 B 5 WCA	2	1,184	2,368
				172		***116,778***
D	Sale	Private	1 B 1 P	40	398	15,920
D	Sale	Private	1 B 2 P	89	538	47,882
D	Sale	Private	1 B 2 P WCA	14	699	9,786
D	Sale	Private	2 B 4 P	52	753	39,156
D	Sale	Private	2 B 4 P WCA	6	914	5,484
D	Sale	Private	3 B 5 P	21	925	19,425
D	Sale	Private	3 B 5 WCA	2	1,184	2,368
				224		***140,021***
A	BtR	DMR (80%)	1 B 1 P	24	398	9,552
A	BtR	DMR (80%)	1 B 2 P	31	538	16,678
				55		***26,230***
B	Sale	Shared Ownership	1 B 2 P	34	538	18,292
B	Sale	Shared Ownership	1 B 2 P WCA	6	699	4,194
B	Sale	Shared Ownership	2 B 4 P	40	753	30,120
B	Sale	Shared Ownership	2 B 4 P WCA	4	914	3,656
				84		***56,262***
C	Sale	Shared Ownership	1 B 1 P	20	398	7,960
C	Sale	Shared Ownership	1 B 2 P	64	538	34,432
C	Sale	Shared Ownership	1 B 2 P WCA	3	699	2,097
C	Sale	Shared Ownership	2 B 4 P	69	753	51,957

Block	Type	Tenure	Unit Type	Number	Area Sq Ft	Total Area Sq Ft
C	Sale	Shared Ownership	2 B 4 P WCA	1	914	914
				157		***97,360***
B	Rent	Affordable Rent	1 B 2 P	11	538	5,918
B	Rent	Affordable Rent	2 B 4 P	36	753	27,108
B	Rent	Affordable Rent	2 B 4 P WCA	4	914	3,656
B	Rent	Affordable Rent	3 B 5 P	32	925	29,600
B	Rent	Affordable Rent	3 B 5 WCA	3	1,184	3,552
				86		***69,834***

The total net residential areas as above do not correspond with ME's net areas as applied for each tenure type in their appraisal. ME have subsequently advised *"The unit mix was used to estimate capital values per sq. ft. and then these values were applied to the full area in the EPR schedule to ensure that we maximised the GDV in the FVA".*

ME have applied the proposed scheme schedule in the Argus Appraisal based on the total net area for each block based on the EPR 'illustrative scheme', rather than the higher areas in the 'maximum parameter scheme'.

Table 2.1.2 sets out the potential net residential areas for each block for the different versions of the outline application scheme.

Table 2.1.2 Alternative Residential NIA

Block	Illustrative Scheme NIA	Maximum Parameter Scheme
A	248,281	316,695
B	130,038	154,570
C	225,217	266,116
D	143,532	181,598
Totals	**720,068**	**918,979**

We also note that ME have applied the average value based on the approach they have advised above for the private sale units. However, we note that they have not applied the same approach to the appraisal entry for the BtR units. We set out further information with respect to this point at the respective paragraphs at section four of this report.

Furthermore we note that ME have not provided an appraisal based on the EPR maximum parameter scheme net areas for each block. If the maximum parameters were applied, there would be potential for additional net saleable areas to be provided with the outline planning consent. Whilst the corresponding GIFA and non-residential uses would also be adjusted accordingly, this indicates that further scope for net saleable and/or lettable areas could be provided with the scheme, and therefore increase viability overall. It is therefore unclear why the Applicant considers that the smaller indicative scheme is considered to optimise the quantum of development on the Site.

The proposed affordable housing equates to 35% in both units and habitable rooms, of which 30% is rented tenure and 70% is intermediate tenure. This is clearly a significant departure from the tenue mix sought by Policy CS4 (60% rented and 40% intermediate).

Table 2.1.3 sets out the indicative commercial accommodation at the proposed scheme.

Table 2.1.3 Commercial Accommodation

Block	Accommodation Type	Area Sq M	Area Sq ft
A	Flexible Commercial	405	4,359
B	Flexible Commercial	366	3,940
B	Community – D1[1]	192	2,067
D	Community – D1	73	786
Total		**1,036**	**11,152**

ME have assumed a 90% net to gross efficiency within the viability assessment.

Table 2.1.4 sets out the GIFA as adopted within the ME Argus appraisal.

Table 2.1.4 GIFA

Block	Accommodation Type	GIFA Area Sq M	GIFA Area Sq ft
A	Build to Rent	33,358	359,076
A	Commercial	405	4,359
B	Commercial	558	6,007
B	Affordable Rent	9,591	103,239
B	Shared Ownership	7,699	82,872
C	Shared Ownership	13,358	143,790
C	Private Residential	15,802	170,102
D	Commercial	73	786
D	Private Residential	19,099	205,582
Total		**99,943**	**1,075,813**

Given the potential difference in areas, and the differences between the areas adopted, and the differences between the *'illustrative scheme'* and a *'maximum parameter Scheme'* we request that the LPA confirm that they are in agreement that the floor areas adopted for the purpose of the viability assessment are fully representative of the proposed outline development. As noted in Table 2.1.2, the difference between the two schemes is significant at almost 200,000 square feet, equating to 28% of additional space that could be developed yet not tested by the Indicative Scheme.

Furthermore, we note that Block A includes additional ancillary space, which is generally accepted for BtR schemes. Again, we recommend that the LPA confirms that they are in agreement with these areas as per the ME appraisal submission as in accordance with their confirmation of the outline planning application submission.

2.3 Planning History

We are not aware of any extant schemes, which would have an impact on the outcome of the viability assessment.

[1] Updated reference under use class changes required

3 Methodology

ME have undertaken their assessment using Argus Developer ("Argus").

We have also used Argus to appraise the development proposals. Argus is a commercially available development appraisal package in widespread use throughout the industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuation. Further details can be access at www.argussoftware.com.

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

We are of the opinion that Argus provides an accurate reflection of the economics of the Development. Therefore, we have adopted this tool for the purposes of our assessment.

The difference between the total development value and total costs equates to the residual land value ("RLV"). The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable it is necessary to compare the RLV that is produced with a benchmark land value. If the Development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing additional affordable housing. However, if the Development generates a RLV that is lower than the benchmark it should be deemed economically unviable and the quantum of affordable housing should be reduced until viability is achieved.

ME have included a BLV based upon the Existing Use Value ("EUV") for the site. We comment further in this approach at Section 5.

4 Review of Assumptions

In this section, we provide an assessment of the general principles and review of the assumptions that ME have adopted for their appraisals of the proposed scheme.

ME's report states *"We would comment that the current uncertainty as a result of the Covid-19 pandemic has added an extremely large level of risk into the market. It is still too early to be able to measure the impact on a number of the assumptions contained within this report and so the Financial Viability Assessment currently assumes a 'normalised' market broadly in line with conditions in Q3 2019. Given the project's programme length, we consider this to be a reasonable assumption at this stage. However, we would reserve the right to revise the report when more is known about the impact on the economy and property market generally"*.

Financial Viability has to be tested on the basis of current market conditions and the purpose of incorporating a profit margin in the appraisal is to provide a risk-adjusted return to account for future uncertainty. While any changes that may occur within the period prior to the determination of the planning application can be reflected in the viability assessment, it cannot take account of – as yet unknown – changes that may occur in the future. With regards to ME's suggestion that their report assumes conditions reflective of Q3 2019, Land Registry data indicates that in October 2020 values were 4.3% higher in comparison to July 2019.

4.1 Gross Development Value ("GDV")

The proposed scheme includes the following tenure types:

- Private Build to Rent ("BtR");
- Discounted market rent at 80% of Market Value ("DMR");
- Private Sale;
- Shared Ownership;
- Affordable Rent;

4.1.1 Private BtR – Draft report v1

The proposed scheme will have 322 residential units within Block A which will be Private Build to Rent (BTR) properties as opposed to the other traditional build to sell properties.

The difference in this approach to valuation is that the capital value is determined by estimating rental values for the properties and applying an appropriate allowance for management costs, repairs and voids. The net income is then capitalised by applying an investment yield, reflecting the risk-adjusted return required by the acquiring party.

ME have applied the following gross rental assumptions for the unit types.

Table 4.1.1: BTR Rental Assumptions

Apartment Type	Number of units	Unit area	Total area	Monthly rent	Total Rent
1 bed 1 person studio	44	398	17,512	£1,350	£712,800
1 bed 2 person	79	538	42,502	£1,650	£1,564,200
1 bed 2 person WCA	18	699	12,582	£1,750	£378,000
2 bed 4 person	137	753	103,161	£2,150	£3,534,600
2 bed 4 person WCA	15	914	13,710	£2,250	£405,000
3 bed 5 person	26	925	24,050	£2,650	£826,800
3 bed 5 person WCA	3	1,184	3,552	£2,750	£99,000
SubTotal	***322***		***217,069***		***£7,520,400***

Apartment Type	Number of units	Unit area	Total area	Monthly rent	Total Rent
DMR 80% 1 bed studio	24	398	9,552	£1,080	£311,040
DMR 80% 1 bed 2 person	31	538	16,678	£1,320	£491,040
Sub Total	***55***		***26,230***		***£802,080***
Total	**377**		**243,299**		**£8,322,480**

We note the rental value evidence provided by ME and consider that the market rents applied are reasonable.

ME have then deducted 25% of the annual income as an allowance for management, repair and void costs, for which only anecdotal supporting evidence has been provided. We could consider this to be at the upper end of an acceptable range, and in this case, the 25% equates to over £5,500 per unit. We have therefore tested the outcome of the assessment were this to be reduced to 20%.

In terms of capital value, ME have *"have considered research documents such as the Knight Frank Residential Yield Guide, January 2020 (Appendix 5). Taking into account the transport links available to the site, we are of the opinion that the property would be considered as a Secondary Zone 3 location and we have therefore applied a 4% yield, a 0.25% outwards adjustment from the Knight Frank view on Prime Zone 3".*

However, we note that CBRE's December 2020 'UK Residential Property Investment yields' indicates that in zones 3-6, net yields for prime stock are 3.5% and 3.75% for 'good secondary'. Given the Site's close proximity to Cricklewood Station and fast journey times to central London via Thameslink, we would consider the site to be 'good secondary'. ME's yield of 4% is therefore soft and we have applied a yield of 3.75%.

The above assumptions result in a Gross Development Value for the proposed private BTR apartments of £160,435,200. Paragraph 4.1.2 sets out the ME assumptions for the DMR units at 80% of market rent.

ME's Argus appraisal includes the total BtR and DMR units, with the total capital value of £156,046,500. This capital value is input into the ME appraisal however, they have included the higher area of 248,281 sq ft in total, rather than the 243,299 which forms the basis of the calculation. Whilst this does not make a difference to the outcome of the assessment, as long as the same 377 unit number and mix is retained in the indicative scheme, there is potential for confusion if the capital value per sq ft is referenced for the BtR units – i.e. a blended rate of £641 per sq ft using the areas in Table 4.1.1 above compared to £628.51 in the ME appraisal.

Our revised appraisal assumptions generate a total BtR and DMR capital value of £177,546,242.

4.1.2 Private BtR – Draft report v2

We note that ME have adjusted their appraisal assumption to reflect the lower yield of 3.75% as adopted in our draft report v1. The GLA also consider that the appropriate yield is 3.75% to apply to BtR product in this strong location.

ME have not adjusted their assumption to deduct 25% of the annual income as an allowance for management, repair and void costs. As previously advised, they have only provided anecdotal supporting evidence, and reference to a 2018 report by JLL. As stated above, we consider this to be at the upper end of an acceptable range, and in this case, the 25% deduction equates to over £5,500 per unit.

We note that GLA have recommended a rate of 22.5% which represents a compromise positon between the 20% assumed in our draft report v1, and the ME estimate of 25%.

Our revised appraisals include the increase of operating cost allowances to reflect 22.5% of the gross rent.

Our revised appraisal assumptions generate a total BtR and DMR capital value of £171,997,920.

4.1.3 Private BtR – Draft report v3

ME have not agreed with the adjusted rate of 22.5% as proposed in the GLA report, and in our draft report v2. They remain of the view that a higher rate of 25% should be adopted. This therefore remains an area of disagreement with the ME report.

4.1.4 Affordable housing revenue – DMR 80% - Draft report v1

Within the Build to Rent element of the development, the Applicant is proposing to provide approximately 55 units (86 habitable rooms) of Discounted Market Rent (DMR).

The units will be provided at 80% of Market Rent to eligible households, which will be affordable to households on incomes of up to £60,000 within the GLA definition of intermediate housing, therefore with the maximum monthly rent of £1,400.

ME have assumed that these DMR units will be studio and 1 bedroom apartments, with monthly rents of between £1,080 and £1,320 per month.

The DMR units have been valued within the same block as the private BtR units, and therefore the reduced rent units are subject to the same management reduction and yield as the private BtR units. The ME capital value for the DMR units is £15,039,000. Our revised value is £17,111,040.

4.1.5 Affordable housing revenue – DMR 80% - Draft report v2

As noted above, we have adjusted the capital expenditure to 22.5%, which generates a revised value for the DMR of units of £16,576,320.

4.1.6 Private residential sales values – Draft report v1

The proposed scheme as per the outline indicative appraisal includes private sale units in Blocks C and D, and which they have assumed to come forward in Phases 2 and 3. ME's report includes the following unit pricing as set out in Table 4.1.6.

Table 4.1.6 Private Residential sales values

Apartment Type	No of units	Average NIA Sq Ft	Estimated Average Sale Price	Estimated Average Sale Price Per Sq Ft
1 bed 1 person studio	60	398	£315,000	£791
1 bed 2 person	139	538	£400,000	£743
1 bed 2 person WCA	28	699	£465,000	£665
2 bed 4 person	108	753	£525,000	£697
2 bed 4 person WCA	20	914	£575,000	£629
3 bed 5 person	37	925	£600,000	£649
3 bed 5 person WCA	4	1,184	£700,000	£649
Total	**396**			**£704**

Based on the units identified in the accommodation schedule, the total GDV would be £180,720,000, which as divided by the sum of the areas at 256,799 sq ft, would equate to £704 per sq ft.

ME's appraisal includes the higher Net Area for Blocks C and D, therefore the equivalent GDV in the Argus appraisal is £186,968,320, based on 265,580 sq ft times £704 per sq ft.

As long as the actual mix in the appraisal scheme is designed with the same ratio of units on the same basis as the proposed 396 units then this is a reasonable approach for an outline scheme – however, if the scheme represented in the appraisal scheme had additional smaller units, such as studio or 1 beds, with higher rates per sq ft, then the extrapolated average value would need to be increased.

We have reviewed the comparable evidence submitted within the ME residential report (included in Appendix 4 of the ME report) in addition to undertaking further research into the local market through discussions with active local agents as well as using online research facilities.

Our research indicates that the proposed sales values are reasonable and we have adopted the same within our appraisal.

4.1.7 Private residential sales values – Draft report v2

We note that the GLA report agrees generally with the values adopted. However, they consider that ME have not provided any analysis to reflect the potential increase in value for the units on a floor by floor basis, given that the proposed scheme is taller than any of the comparable schemes referred to by ME.

We recommend that ME provide further evidence in this regard.

4.1.8 Affordable housing revenue – Shared Ownership

The Applicant proposes to provide approximately 241 units (576 habitable rooms) as shared ownership apartments. The apartments will be affordable to households on gross incomes of up to £90,000 per annum, in line with the threshold set by the GLA.

ME's revenue attributed to the shared ownership units is £500 per sq ft. We would consider this to be within the reasonable range and have adopted these figures within our appraisal.

4.1.9 Affordable housing revenue – Affordable Rent – Draft report v1

ME have applied the affordable housing affordable rented units based on 65% of market rent, in line with the LPA's policy.

ME advise *"As detailed further in Section 7 below, Affordable Rent unit rents in London are typically capped at the Local Housing Allowance (LHA) rates specific to a Broad Rental Market Area (BRMA). LHA rates are the housing benefit levels an eligible tenant can receive if renting from a private landlord. Therefore, the rents charged by Affordable Rent products do not exceed the LHA rates available to local residents.*

This site is located within the Inner North London BRMA for which we have set out the 2020/21 LHA rates below. However, the Applicant is prepared to deliver the proposed Affordable Rent units at 65% of Market Rent which, in this instance, are below the local LHA rates".

ME's appraisal includes the affordable rented revenue at £345 per sq ft.

To value the affordable housing units, we have used a bespoke model specifically created for this purpose. This model takes into account factors such as standard levels for individual RPs management and maintenance costs; finance rates currently obtainable in the sector, and a view on the amount of grant that may be obtainable.

The 'Shared Ownership and Affordable Homes Programme 2016-2021 – Prospectus' document provides a clear indication that Section 106 schemes are unlikely to be allocated Grant funding, except in exceptional circumstances. It is therefore considered imprudent to assume that Grant will be secured. Therefore, our assessment relies upon the assumption that none is provided.

For rented tenures the model operates a 35 year discounted cashflow in order to arrive at a net present value of the units today. For the shared ownership tenure, the model values a percentage of the Initial Tranche sold to the purchaser and capitalises the net rent on the unsold equity. The rent on the retained equity is set at a level at which total housing costs (ie. the rent plus mortgage on the initial tranche) do not exceed 40% of net household incomes.

We would consider the revenue included by ME to be reasonable and have adopted these figures within our appraisal.

4.1.10 Affordable housing revenue – Affordable Rent – Draft report v2

The rental values as reported in our draft report v1 reflect affordable rent tenure, based at 65% of market rents. The GLA have indicated that their preferred option for rented tenure would be either social rent or London Affordable Rent tenure. We have undertaken a sensitivity analysis to the affordable housing revenue based on the GLA London Affordable Rent weekly rents, as set out in Table 4.1.10.

4.1.10: GLA London Affordable Rent

Type	2021/22 Rent per week
1 bed	£162
2 bed	£171
3 bed	£181
4 bed	£192

If the lower LAR tenure rental levels are adopted in the appraisal, our revised opinion of affordable revenue, based on the same mix of units, is £1,992 per sq m (£185 per sq ft).

4.1.11 Ground Rent

ME have not included a receipt for the sale of ground rents for the private sale units. The state *"In June 2019 the then Housing Secretary, James Brokenshire published the Government's response to the leasehold reform consultation which confirms that legislation will be brought forward to ban the sale of leasehold houses and fix ground rents on apartments at zero financial value (£0). Exemptions from the legislation will only be provided for retirement properties and community led developments as proposed in the consultation document.*

The Government has stated that a Bill to implement the reforms will be brought forward "when parliamentary time allows" and no additional transitional period will be allowed for after the passage of the legislation. Although the timings are therefore currently unknown, the Government's intentions have been made clear and it is therefore prudent to assume that the sale of ground rents following practical completion of the development would either have been legislated against or no longer be acceptable to purchasers in the market".

We confirm our agreement to these points and do not consider that ground rental income should currently be charged in the appraisal.

4.1.12 Car Park income – draft report v1

We note that ME have not included any additional revenue with respect to the 110 potential car parking spaces. We have requested confirmation from the LPA with respect the potential allocation of spaces between the commercial, community and residential uses. They advise that the 110 spaces will be available for the residential units. Therefore we have assumed a capital value of £20,000 for a space in this location, divided proportionately between the units in Blocks C and D.

4.1.13 Car Park income – draft report v2

ME have advised that all the car parking spaces will be for wheelchair users, and therefore they will not be subject to any additional capital value. They state that *"this has been agreed as being acceptable elsewhere with BNPPRE".* We note that this assumption should have regard to the specific site. We request confirmation from the Council with respect to this point, and we have tested the outcome of our appraisal without the car parking spaces, which would represent a reduction in GDV by £2,200,000.

4.1.14 Car Park income – draft report v3

ME's updated report does not agree with the potential additional revenue which may be achievable by sale of car parking spaces. We therefore continue to provide our revised appraisal results with and without inclusion of this potential additional income.

4.1.15 Commercial revenue and yield

The proposed Development includes 1,036 square metres (11,152 square feet) Gross Internal Area (GIA) of commercial space. ME have assumed a rental value of £25 per square foot, capitalised at a 6% yield with a 6 month rent free period. ME have not distinguished between the commercial and community uses.

We have undertaken research into the local market through discussions with active local agents as well as using online research facilities. We consider the rental value, capitalisation rate and rent free period to be reasonable and have therefore adopted them within our appraisal.

4.2 Development costs

4.2.1 Construction costs – Draft report v1

ME have relied upon a construction cost plan prepared by Ward Williams Associates ("WWA"). In summary, the total cost equates to £295,340,000 reflecting a cost rate of £2,814 per square metre (£261.46 per square foot) within the ME appraisal.

The Council have instructed CDM Project Services ("CDM") to undertake a review of WWA's cost plan. CDM have concluded that the total cost assumed by WWA is higher than they consider reasonable in the current market by circa 4%, or circa £11,000,000. We have therefore adopted a total cost of £284,396,106 within our assessment in line with the advice received from CDM.

It should be noted that the CDM review is subject to clarification and substantiation on items which are listed on page 5 of their report. We therefore request that this information is provided by the Applicant.

A copy of the CDM cost plan review is attached as **Appendix 1.**

4.2.2 Construction costs – Draft report v2

ME have provided a rebuttal prepared by WWA to the CDM cost plan as provided in our draft report v1. CDM have provided a further response, and CDM updated cost review is provided at **Appendix 2.** Broadly, the additional information as provided by WWA has not persuaded CDM to change their opinion of the likely proposed scheme build costs, and our revised assessment includes the revised CDM costs of £284,695,791 in our appraisal.

4.2.3 Construction costs – Draft report v3

Subsequent to our draft report v2, CDM and WWA have had further discussions with respect to the build cost. The agreed build cost for the proposed scheme viability assessment is a total of £288,272,609. **Appendix 3** provides an updated cost report to reflect the agreed position.

4.2.4 Contingency

The WWA cost plan includes contingency of 5% of costs within their assessment, which ME have included in their appraisal, as a separate line, rather than within the total sum. We consider the inclusion of a 5% contingency allowance to be reasonable and have therefore adopted a 5% allowance within our assessment. The CDM cost is adjusted accordingly to reflect the separate contingency.

4.2.5 Professional fees

ME have assumed a professional fees allowance of 10% of construction costs within their appraisal.

We have taken factors into account such as site constraints and scheme complexity and do not consider an allowance above 10% of construction costs to be required for this scheme. We have also taken into account the monetary value of the percentage included within the appraisal. We have therefore adopted a base allowance of 10% of construction costs within our appraisal.

4.2.6 Planning obligations

ME have included the following planning obligations within their appraisal for a 35% affordable housing scheme:

- Combined Mayoral and Borough CIL: £17,667,315.

ME have not included any calculation breakdown in support of this figure. We also note that ME have scheduled the CIL payments as an annual payment of £3,533,463 across the duration of the development (over 5 years). We recommend that the LPA confirm this is the appropriate amount, and the appropriate scheduling programme for this payment. Although ME's payment profile does not appear to comply with the Mayor's Instalments Policy, it is possible that there is an assumption of payments linked to phases.

We note that ME have not included any Section 106 payments within their appraisal.

We have adopted the above planning obligation payments on a 'subject to confirmation' basis pending discussions with the Council.

4.2.7 Interest – draft report v1

ME have assumed an all-inclusive rate of 7% within their appraisal. We consider this assumption to be marginally above what is reasonable in the current market and have adopted an all-inclusive finance rate of 6.5% within our assessment.

Although a bank would not provide 100% of the funding required for the proposed Development it is conventional to assume finance on all costs in order to reflect the opportunity cost (or in some cases the actual cots) of committing equity to the project.

4.2.8 Interest – draft report v2

We note that the GLA have also considered that a rate of 6.5% is appropriate with respect to interest costs in the appraisal. We have not adjusted our assumption in this regard. ME refer to previously agreed assumptions at 7%, however no evidence has been provide to support this rate.

4.2.9 Interest – draft report v3

We note that ME have adopted a finance rate of 6.5% in their updated appraisal.

4.2.10 Disposal costs – draft report v1

ME have assumed the following disposal costs within their appraisal:

Table 4.2.10 Disposal costs

Fee Type	Unit Type	Cost allowance	Amount
Marketing and agency fee	BtR	0.25%	
Marketing and agency fee	Private Sale	3%	
Agent	Commercial Sale	1%	
Agent	Affordable Housing	1%	£1,054,219
Legal fee	BtR	0.10%	
Legal fee	Private Sale	0.5%	£2,361 per unit
Legal fee	Commercial Sale	0.5%	
Legal fee	Affordable Housing	0.50%	£527,110
Letting Agent	Commercial income	10%	
Letting Legal	Commercial income	5%	

Whilst we consider the majority of assumptions to be reasonable, we have concerns in relation to the sales agency and legal fees for affordable housing; and sales legal fees generally. We have commented upon the disposal costs below:

- **Affordable housing marketing and sales agency fees:** We consider the marketing and sales agency fee for the affordable housing units to be unreasonable and have adopted a fixed fee of £100,000 within our assessment.

- **Sales legal fees:** Whilst we consider the sales legal fee of 0.5% of GDV to be reasonable for the commercial space, we consider it to be above what is reasonable for the private residential units. The 0.5% of GDV allowance equates to £2,361 per unit, which we have reduced to 0.25% (c£1,100 per unit) within our assessment to reflect current market expectations.

4.2.11 Disposal costs – draft report v2

We note that the ME revised submission has reduced the sales legal fees to 25% on the basis of reaching an agreed position. This rate is also reflected in the GLA review.

ME have not provided any evidence in support of the 1% affordable housing marketing and agency fees. We have not adjusted the rate in our assessment.

4.2.12 Disposal costs – draft report v3

We note that the ME revised submission has reduced the affordable housing marketing and agency fee to 0.5%. As noted above, we have not adjusted the rate in our assessment.

4.2.13 Developer's profit – draft report v1

ME have assumed the following profit levels within their assessment:

- Profit on private residential: 20% of GDV;
- Profit on Build to Rent: 15%
- Profit on commercial: 17.5% of GDV; and
- Profit on affordable housing: 6% of GDV.

We have recently experienced a range from 17% to 20% of GDV when considering developments in the London area. We have taken into account the uncertainty that is now apparent after the United Kingdom's departure from the European Union and the potential risks associated with our future trading relationships with other countries now that the transition period has expired, in addition to the risks associated with this specific development.

We have also taken into account the outbreak of the Novel Coronavirus (Covid-19) declared by the World Health Organisation as a "*Global Pandemic*" on 1 March 2020. There is increased uncertainty in relation to house prices when the market starts to return to full operation again. Although there is an expectation that the economy will 'bounce back' quickly, there is a risk of a more prolonged recovery. We have taken into account the development timetable for the Application Scheme in addition to the comments included above.

Our assessment of profit is based upon the perceived risks associated with the proposed Development. We consider a profit level of 17.5% of GDV to be reasonable for the private residential units, and 15% applied for the BtR elements of the proposed Development and have therefore adopted it within our appraisal.

We have adopted a profit level of 15% of GDV for the commercial space taking into account the reduced level of risk that is present with this use type. This is a profit level that is widely accepted across London for commercial space.

Where applicable, we have assumed a profit of 6% of revenue for the affordable housing element of the scheme. The reduced profit on affordable housing reflects the risk of delivery. The developer will contract with an RP prior to commencement of construction and they are – in effect – acting as a contractor, with their risk limited to cost only. After contracting with the RP, there is no sales risk. In contrast, the private housing construction will typically commence before any units are sold and sales risk is present well into the development period.

4.2.14 Developer's profit – draft report v2

We note that ME do not agree with the profit assumptions as set out in our initial draft report. We have reviewed the GLA report and note that the GLA would consider a further reduction in profit allowance with respect to the BTR units, and otherwise agree that the BNPPRE profit allowances are reasonable.

We have retained the profit assumptions as set out in our draft report v1.

4.3 Project timetable

ME have assumed that the development will be constructed over three phases, with a total development scheduled over 6 and a half years.

- Phase 1 comprises Blocks A & B
- Phase 2 comprises Block C
- Phase 3 comprises Block D

Further details are set out below.

Table 4.3.1: Phase 1

Block	Type	Heading	Months	Comment
A	BTR Residential & Commercial	Demo & Pre-construction	9	
		Construction	30	
		Sale	1	Single at month following end of construction
B	Affordable & Commercial / Community	Demo & Pre-construction	9	
		Construction	24	
		Sale – AH	24	Monthly over construction stage
		Sale – Commercial & community	1	Single at month following end of construction

Construction of Phase 2 is scheduled to start 12 months after the start of construction of Phase 1 (at the midway point).

Table 4.3.2: Phase 2

Block	Type	Heading	Months	Comment
Block C	Shared Ownership	Demo & Pre-construction	21	
		Construction	24	
		Sale	24	Monthly over construction stage
Block C	Private Residential	Demo & Pre-construction	21	
		Construction	24	
		Sale	14	50% at end of construction – remainder at 6 units per month

Construction of Phase 3 is scheduled to start 14 months after the start of construction of Phase 2.

Table 4.3.2: Phase 3

Block	Type	Heading	Months	Comment
Block D	Private Residential	Demo & Pre-construction	35	
		Construction	24	
		Sale	19	50% at end of construction – remainder at 6 units per month
Block D	Commercial	Demo & Pre-construction	35	
		Construction	24	
		Sale	1	Single at month following end of construction

We consider the above broad timescales proposed by ME to be reasonable based on an outline consent, and have therefore adopted them within our assessment.

However, we note the following points:

The affordable and community uses within this proposal are being developed in the earlier phases of the proposed scheme. These uses have lower revenues and if they were to be moved as part of the detailed application to later phases of the scheme, this would result in a greater residual land value, (albeit somewhat mitigated by the loss of cashflow benefit of the AH receipt over the construction period) likewise if the private sale units were to be delivered accordingly at earlier in the cash flow programme, then the values would also increase.

Therefore we recommend that the LPA and applicant agree that the phasing plan is as per that assumed in this viability assessment. If this is not the case, then we would recommend that the viability is re-assessed.

5 Appraisal Results

In this section, we consider the outputs of the appraisals and the implications for the provision of affordable housing at the proposed Development.

5.1 Viability benchmark – Draft report v1

To establish a viability benchmark, ME have undertaken an Existing Use Valuation ("EUV") of the Application Site. The Site extends to 6.8 acres (2.75 hectares) and comprises three adjoining retail warehouse units (known as Broadway Retail Park) which provides circa 83,000 sq ft of floorspace.

ME's report states *"The largest unit (Unit 3) is occupied by B&Q, with an adjoining pair of smaller retail warehouse units that appear to have been added subsequently. These units, known as Unit 1 and Unit 2, are occupied by Saint-Gobain Building Distribution Ltd (t/a Tile Depot) and Poundstretcher respectively. Unit 1 comprises a single storey retail warehouse unit extending to approximately 10,000 sq. ft. It provides an open plan tile showroom fitted out in the tenant's usual corporate style, with painted blockwork walls. Unit 2 comprises a single storey retail warehouse unit extending to approximately 15,000 sq. ft. It provides an open plan sales area fitted out in the tenant's usual corporate style, with painted blockwork walls. Unit 3 comprises a two storey "L"-shaped retail warehouse unit extending to approximately 58,000 sq. ft. It is fitted out in B&Q's usual trading style, with a small first floor providing design studios, separate mezzanine storage area and a garden centre to the rear.*

The site also includes extensive surface level parking for 470 cars. This represents a car parking ratio of 1:183 sq. ft. The total site coverage is low at around 29%. An office pod is located within the car park and is occupied by We Buy Any Car Ltd under the terms of a licence from the freeholder. A food van is located within the car park and is occupied by The Lunch Box UK Ltd under the terms of a licence from the freeholder".

ME have provided a full tenancy schedule, details are shown in Table 5.1.1.

Table 5.1.1 EUV Accommodation Schedule

Demise	Tenant	Start	End	Rent Per Annum	Comments
Unit 1	Saint-Gobain Building Distribution Ltd	19/8/2017	18/8/2020	£136,500	Mutual break option at any time on 6 months' notice. Contracted outside 1954 Act.
Unit 2	Poundstretcher Ltd	19/8/2017	18/8/2020	£127,650	Landlord break option at any time on 6 months' notice and payment of £212,000. Contracted outside 1954 Act
Unit 3	B&Q Plc	Applicant's purchase of site	18/8/2020	£631,510	Leaseback by vendor. Contracted outside 1954 Act
Car Parking	Ardent Tide Ltd	18/08/2020	17/01/2019	£6,142.50	Can be terminated on 1 months' notice by either party
Concession	The Lunch Box UK Ltd	6/8/2018	Rolling	£14,124	Can be terminated on 1 months' notice by either party

Demise	Tenant	Start	End	Rent Per Annum	Comments
Concession	We Buy Any Car Ltd	7/7/2014	Rolling	£28,000	Can be terminated on 1 months' notice by either party
Gas Governor	Cadent Gas Ltd	29/9/1991	28/09/2071	£0	
Total				**£943,926.50**	

ME note that *"the rents paid by Saint-Gobain, Poundstretcher and B&Q equate to £13.65 per sq. ft., £8.51 per sq. ft. and £10.89 per sq. ft. respectively. The lettings to Saint-Gobain and Poundstretcher were agreed in August 2017 but constituted short-term lettings with rolling break options in order to facilitate redevelopment of the site in the near future. The lease to B&Q is part of a short-term sale and leaseback arrangement. As such we do not believe any of the current tenancies reflect open market terms".*

This scenario is typical of a large site with potential long-term development potential. ME have highlighted a number of retail warehouse lettings, ranging from circa £20 per sq ft to £30 per sq ft. They consider that it would be possible to let the accommodation at higher rents that reflected by the passing rents.

Table 5.1.2 EUV Accommodation Schedule

Unit	Sq Ft	ERV per sq ft	ERV Per annum
Unit 1	10,000	£20	£200,000
Unit 2	15,000	£20	£300,000
Unit 3	58,000	£15	£870,000
Total	**83,000**		**£1,370,000**

ME provide a schedule of sale transactions for retail warehouse schemes of single units or small parks, with net initial yields ranging from 4% to 5.5%. ME also refer to more recent commercial market investment research published by CBRE and Knight Frank.

Taking the above into account, ME consider that *"were the property to be retained in its existing use, it would attract pricing at around 6.5% based upon current market sentiment and the current short term leases in place to the existing occupiers"*

ME consider "*In our opinion, if the property were not being brought forward for redevelopment the current tenants may be willing to engage with the landlord in lease renewal discussions. The shortage of good quality retail warehouse stock in the Greater London area and the continuing loss of space to redevelopment, has made occupiers very amenable to entering into new long term leases to secure their occupancy, often at an increased rent with minimal incentives from the landlord".*

ME consider that if new leases were agreed at the EUV levels as at Table 5.1.2, after allowing a leasing void and rent free package of 18 months, and after a deduction of 15% profession letting and legal fees, the capital value at 6.5% results in an EUV of £17,775,000 after deduction of purchaser's costs. ME have not made an explicit allowance for any additional income receivable from concession licences, such as those currently in place with We Buy Any Car and The Lunch Box.

We have reviewed the information provided by ME and agree that the assumptions behind the EUV as proposed are reasonable. We note that the potential uplift in rental value noted with the vacant possession reflects a 45% increase in income from the current passing rent.

Landowner premium

ME have applied a landowner premium of 20% to incentivise the landowner to bring the site forward for development. Table 5.1.3 sets out the ME BLV calculation.

Table 5.1.3 ME Benchmark Land Value

Heading		Amount
EUV		£17,775,000
Landowner's Premium	20%	£3,555,000
BLV		**£21,330,000**

We have based our opinion of a landowner premium on a number of factors including whether nor not the existing space is currently occupied, and the rental increase already factored into the EUV calculation, if the development were not to come forward. We have assessed the condition of the existing space and the likely demand from alternative occupiers in addition to the likely covenant strength of potential tenants. We have applied varying percentages based upon the perceived strength of each of the factors taken into account. We consider a premium of 10% to be reasonable for the viability benchmark with the BLV set out in Table 5.1.4

Table 5.1.4 Benchmark Land Value

Heading		Amount
EUV		£17,775,000
Landowner's Premium	10%	£1,777,500
BLV		**£19,552,500**

5.2 Viability benchmark – Draft report v2

We note that the EUV as confirmed in our draft report v1 above, is subject to deduction of purchaser's cost of 6.44%. Our own calculations in this respect should be based on deduction of 6.8% in total. Therefore we consider a marginally lower EUV is appropriate.

We note that the GLA have reviewed the EUV and consider that the rental value for the smaller units, at £20 per sq ft, and should be reduced to £18 per sq ft.

The updated ME report has proposed a mid-point premium assumption of 15%, and this rate is also proposed by the GLA. Table 5.2.1 sets out our revised BLV on the basis of 15% premium.

Table 5.2.1 Benchmark Land Value – Revised

Heading		Amount
EUV		£17,754,000
Landowner's Premium	15%	£2,663,175
BLV		**£20,417,675**

If the GLA rental assumptions were to be adopted, it would result in a marginally lower BLV. Table 5.2.2 sets this out in more detail.

Table 5.2.2 Benchmark Land Value – GLA

Heading		Amount
EUV		£17,102,000
Landowner's Premium	15%	£2,565,300
BLV		**£19,667,300**

5.3 Viability benchmark – Draft report v3

ME have noted that the applicant is prepared to proceed on the basis of the lower BLV as set out at Table 5.3.1, and as set out in our Draft report v2.

Table 5.3.1 Benchmark Land Value – Revised

Heading		Amount
EUV		£17,754,000
Landowner's Premium	15%	£2,663,175
BLV		**£20,417,675**

5.4 ME's appraisal results – Draft report v1

ME's report states "The comprehensive viability modelling has shown that it is not technically viable to provide the 35% affordable housing detailed later within this report whilst allowing for a competitive return to the Applicant to enable the development to be delivered.

It would be possible for the Applicant to reduce the proposed level of affordable housing using viability evidence in accordance with planning policy. However, the Applicant is prepared to adopt a pragmatic approach in order to avoid elongated viability discussions thereby expediting the delivery of this much-needed affordable housing within the London Borough of Barnet.

The offer to provide 35% affordable housing is based upon not requiring any mid or late stage review mechanisms. Should the Council or the GLA seek for a mid or late stage review to be contained within the S106 agreement then the Applicant will need to consider their options, including a potential reduction in the quantum of affordable housing or a tenure adjustment through the viability tested route in accordance with planning policy".

ME's appraisal results are set out in Table 5.4.1.

Table 5.4.1 ME Appraisal Results

Basis	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH	£6,217,010	£21,330,000	-£15,112,990

ME have also included two further scenarios with respect to the provision of affordable housing, which they state has been requested by the LPA.

- Sensitivity scenario 1 – 35% affordable housing (65% London Affordable Rent & 35% Intermediate); and

- Sensitivity scenario 2 – 35% affordable housing (50% London Affordable Rent & 50% Intermediate).

ME's appraisal results for these alternative scenarios are set out in Table 5.4.2.

Table 5.4.2 ME Appraisal Results

Affordable housing percentage	Tenure	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH – scenario 1	65% LAR & 35% Intermediate	-£35,871,617	£21,330,000	-£57,201,617
Proposed 35% AH – scenario 2	50% LAR & 50% intermediate	-£22,112,741	£23,330,000	-£45,442,741

5.5 ME's appraisal results – Draft report v2

ME's revised appraisal results are set out in Table 5.5.1.

Table 5.5.1 ME Appraisal Results

Basis	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH	£13,445,734	£20,441,250	-£6,995,516

5.6 ME's appraisal results – Draft report v3

ME's revised appraisal results are set out in Table 5.6.1. We note that this appraisal includes the affordable rented accommodation at the lower LAR levels, and the agreed cost and BLV positions.

Table 5.6.1 ME Appraisal Results

Basis	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH	£11,462,081	£20,417,675	-£8,955,594

5.7 BNPPRE appraisal results – draft report v1

Whilst many of the ME assumptions are reasonable, we suggest the following adjustments to the appraisal assumptions:

- Adjust BtR investment yield from 4.25% to 3.75%;
- Reduce allowance for the costs associated with the BtR value calculation;
- Include car parking revenue;
- Reduced build costs to reflect CDM report;
- Adjust the agent and legal fees; and
- Reduce the commercial profit;

We have also adjusted the BLV to reflect a lower premium.

Table 5.7.1 BNPPRE Appraisal Results

Affordable housing percentage	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (23% rented & 77% intermediate tenures)	£34,702,246	£19,552,500	£16,149,746

We have requested that the LPA confirm agreement with the floor areas as adopted by ME, and note that it would appear that considerable scope for increased areas could be accommodated within the scheme parameters.

We also request confirmation from the Council with respect to the S.106 and CIL contribution amounts and proposed timings.

We have also tested the outcome of the viability assessment if the current shared ownership units in Block B were to be transferred to affordable rented tenure. These results are set out in Table 5.7.2.

Table 5.7.2 BNPPRE Appraisal Results

Affordable housing percentage	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (45% rented & 55% intermediate tenures)	£28,497,265	£19,552,500	£8,944,765

We have also tested the outcome of the viability if the current shared ownership units in Block C were to be transferred to affordable rented tenure. These results are set out in Table 5.7.3.

Table 5.7.3 BNPPRE Appraisal Results

Affordable housing percentage	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (64% rented & 36% intermediate tenures)	£24,094,457	£19,552,500	£4,541,957

5.8 BNPPRE appraisal results – draft report v2

Our revised report v2 includes the following adjustments to the appraisal assumptions, following our initial draft report:

- Increase the allowance for the BTR operating costs from 20% to 22.5% of gross rental income; and
- Revise the build cost to reflect the updated CDM report.

We have also adjusted the BLV to reflect a compromise position with regards to the premium above EUV.

We have tested the appraisal results with and without the car parking revenue, pending confirmation from the Council. These options are set out in Table 5.8.1.

Table 5.8.1 BNPPRE Appraisal Results – Draft report v2

Affordable housing percentage	Car Park Revenue	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (23% rented & 77% intermediate tenures)	Included	£32,048,291	£20,417,675	£11,630,616
Proposed 35% AH (23% rented & 77% intermediate tenures)	Excluded	£30,823,046	£20,417,675	£10,405,371

We have also undertaken a further appraisal which assumes that the affordable rented units are reduced in value to reflect adoption of LAR levels. These results are set out in Table 5.8.2.

Table 5.8.2 BNPPRE Appraisal Results – Draft report v2 – with LAR values

Affordable housing percentage	Car Park Revenue	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (23% rented & 77% intermediate tenures)	Included	£22,783,106	£20,417,675	£2,365,431

5.9 BNPPRE appraisal results – draft report v3

Our revised report v3 includes the increase in build costs as per the agreed position between CDM and WWA.

We note that whilst ME have adopted the agreed build costs, they have also adopted the following assumptions as per our draft report v2, for the purpose of moving to an agreed viability position:

- Benchmark Land Value; and
- Finance rate.

ME have also revised the tenure offer to reflect lower LAR rents rather than affordable rented tenure at 80% of market rental value.

However, we note that there are still areas of difference between the ME revised appraisals, and our revised report, relating to:

- Profit rates;
- BTR revenue assumptions; and
- Affordable housing agency fee.

We have tested the appraisal results with and without the car parking revenue, pending confirmation from the Council. These options are set out in Table 5.9.1.

Table 5.9.1 BNPPRE Appraisal Results – Draft report v3 – LAR Revenue

Affordable housing percentage	Car Park Revenue	RLV	Benchmark	Surplus/Deficit
Proposed 35% AH (23% rented & 77% intermediate tenures)	Included	£19,644,252	£20,417,675	-£773,423
Proposed 35% AH (23% rented & 77% intermediate tenures)	Excluded	£18,419,008	£20,417,675	-£1,998,667

A copy of our appraisal, without the car park revenue, is provided at **Appendix 4.**

6 Conclusion

We have undertaken an assessment of the proposed Development with 35% affordable housing by habitable rooms (35% affordable housing by units with 70% intermediate and 30% rented), in line with the Applicant's proposal. ME have concluded that the scheme with 35% affordable housing generates a significant deficit against the viability benchmark.

However, this assessment is for an outline planning consent, and as noted above, there are many potential examples where the floor areas can be increased. The indicative scheme tested by ME is circa 200,000 square feet (28%) smaller than the maximum area sought in the planning application.

Our initial draft report recommended modest amendments to ME's appraisal, and concluded that the proposed scheme surplus would increase significantly. We therefore recommend that the applicant's affordable housing tenure mix could be improved to be closer aligned with the LPA's requirements.

We have reviewed ME's response to our draft report, along with the GLA review of both ME and our assessment. Our draft report v2 noted acceptance to some assumptions, and our further cost review makes marginal amendments.

We note, however, that the affordable rented revenue as set out in the ME initial report reflected 65% of market rental values as affordable rented tenure. If lower London Affordable Rented tenure were required, the revenue would decrease. Our revised appraisals adopting the lower LAR rents, as noted in ME's updated submission indicate that the change in rent levels, and the agreed position with respect to build costs indicate that the proposed scheme appraisal generates a marginal deficit against the agreed viability benchmark.

As with our initial draft report conclusions, we note that as the outline scheme offers significant potential for uplift in value upon the submission of detailed planning permission with regards to the reserved matters applications, it would not be appropriate to fix this level as per the Applicant's offer at this stage, and that appropriate review mechanism is factored in to assess the acceptable level of affordable housing.

Appendix 1 - CDM Construction Cost Plan Review

Appendix 2 - CDM Construction Cost Plan Review v2

CDM
Project Services

Development

B & Q Broadway Retail Park
Cricklewood Lane
London NW2 1ES

Draft

Response

February 2021

CDM Project Services Limited
14 Green Lane
Purley
Surrey
CR8 3PG

1.0 INTRODUCTION, COMMENTS AND CONCLUSION

Introduction and methodology

We were requested to carry out an independent review of the Feasibility Cost Plan nr1 dated 13th March 2020 prepared by WWA in the sum of £295,340,000 equivalent to £275/ft2 /ft2 or £2,956/m2 based on 99.924 m2 GIA.

In our report dated November 2020 we stated in our opinion the construction costs for use in the appraisal should be £284,396,106 equivalent to £264/ft2 or £2,846 /m2 GIA being a difference of £10,943,894 or circa 3.71% difference from the estimate

This was subject to a number of clarifications

Attached to an email dated 16th February 2021 we received an undated Financial Viability Costing Rebuttal prepared by WWA and comment below

2.1 Overheads and profit- We do not agree with WWA's statement on overheads and profit and 5% and under reflects the market conditions as at 1st Quarter 2020
We enclose an article dated April 2020 form the RICS to support this comment
We also provide the following benchmarks for projects of this size
2 Trafalgar Way E14 value circa £226m, towers up to 46 storey- OHP 5.5%- 2nd Quarter 2020
Cundy Street Quarter SW1- £302m, several blocks- OHP 5%- 1st Quarter 2020
First Way Wembley-£208m, several blocks- OHP 5%-1st Quarter 2020
Euro House Wembley-£160m, several blocks-OHP 5%-1st Quarter 2020
Bow River Village E3-£160m, several blocks-OHP 4.5%-4th Quarter 2019
Woodberry Downs N4 phase 3- £165m, several blocks-OHP 5%-4th Quarter 2019
Nine Elms Parkside SW8 Phase 2-£320m, several blocks-OHP 4%-- 2nd Quarter 2019
Manor Road E16- £216m, several blocks up to 32 floors-OHP 5%-3rd Quarter 2019

2.2 Scaffolding- We do not agree with WWA's statement, when we benchmarked the 16% preliminaries this was on the basis of the scaffold being included. If it is not we would expect a lower percentage
We would refer to WWA's own order of cost estimate for Sun Wharf where they have preliminaries at 8% when the cranes and scaffold are separate when it was an internal construction management method of procurement and on Western Gateway phase 2 and 3 a project of similar size 16% was used for preliminaries and there was no separate allowance for the scaffold. This is also the case for the Alperton House and Royal Docks Service Station

2.3- Acoustic treatment rate – adjustment noted

2.4 External works area- Depot Approach and Cricklewood Green are outside the boundary of the planning application. Works are shown to Cricklewood Green but the only works indicated is a link across Depot Approach to the existing Kara Way Play Area
The site area is 27,500m2 less the building foot print 8,300m2 gives 19,200 of landscape area excluding the podium and Southern boundary but area is 21,014 being a difference of 1,814m2 less say 100m2 for link to Kara Way Play area gives 1,714m2 and as this is Depot Approach rate should be higher than just landscape rates so say £155/m2 gives £265,670 which is lower than our initial adjustment

2.5 Archeology – WWA have quoted from AECOM's desk top study dated July 2020 but have not fully indicated its contents which also sate "There are no designated assets within the Site. This report has identified 23 non-designated archaeological assets within the study area, none of which lie within the Site" and also "if present, would be considered of, at most, local archaeological and historical interest, while previously unrecorded post-medieval and modern remains would be considered of no historical or archaeological interest"

We also reviewed the Environmental Report section 9 on Archaeology and it states "Further Consultation was carried out directly with GLAAS to determine any archaeological evaluation or mitigation requirements in relation to the project. A response was received on 13/02/2020 (ES Volume III: Appendix 9-2) in which GLAAS confirmed that no further archaeological works would be necessary for the Proposed Development site."

From: O'Gorman, Laura Sent: 13 February 2020 15:02 To: Boscher, Loic Subject: RE: B&Q Cricklewood advise Hi Loic, Thanks for sending through the draft DBA. From the information that has been supplied it is clear that there is unlikely to be a significant archaeological impact from any development on this site owing to the predicted low archaeological potential for archaeological remains that pre-date the late post-medieval period. I therefore agree that no further archaeological works would be required for this site

In relation to the cost allowance of £50,000 for archaeology it is stated this is for a desktop report but this has already been carried out by AECOM. On the basis of the above we have omitted the full £50,000 from our assessment

2.6 UXO allowance- In relation to the statement made by WWA that this relates to sites " that have not had extensive redevelopment" we would draw their attention to the Environmental Report which states "By 1991, the Site is fully developed, including a superstore occupying the south-eastern area, car parking and access roads"
In 2018 Capita undertook a significant borehole investigation
The Environmental Report goes on to state
"On-line sources, such as the Bomb Sight website52, show records of a high-explosive bomb in the south- eastern extent of the Site, along Cricklewood Lane. Part of the Site (including the south-eastern extent) has never been developed, meaning that below ground excavations may have never been carried out at the Site. Although it is recognised that a site investigation has been carried out on-site and therefore the risk of relict ordnance on the Site is somewhat reduced, this risk cannot be discounted"

In our opinion there may be the need for some pile probing in the area not originally developed and an allowance of £15,000 should be adequate to cover this

2.7 Southern boundary landscaping- this is outside the boundary of the planning application although it is noted the intention is to upgrade this existing public space. We could find no reference for works to Depot Approach other than the link to the existing Kara Way Play Area

2.8 Professional fees noted

2.9 One item raised on page 4 of our report was the cost allowance of £1,500 per apartment for audio visual to the private apartments as we would not expect this specification to apartments in this location

Conclusion

Having reviewed WWA's response in our opinion the construction costs for use in the appraisal should be £284,695,791 equivalent to £265/ft2 or £2,849 /m2 GIA

The above cost includes a contingency of 5% contingency

The costs exclude professional fees

Clarification is required on the audio visual allowance within the private dwellings

General and RICS Required Statements

As November report

Steve Brown
CDM Project Services
February 2021

Appendix 1- RICS Article April 2020

Cricklewood Lane

Summary of adjustments Rev1

		Omission	Addition	
		£	£	
Archaeology		50,000		
UXO		10,000		
Scaffold		5,758,049		
Acoustics phase 3		122,500		
External works area		265,670		
Landscape outside boundary		0		Clarified
Audio visual to private dwellings				To be clarified
		6,146,219	0	
		0		
	Adjustment	6,146,219		
	WWA	228,756,111		
	CDM estimate	222,609,892		
Preliminaries	16%	35,617,583	WWA16%	
	CDM overall estimate	258,227,475		
Overheads and profit	5.0%	12,911,374	WWA 6%	
	CDM overall estimate	271,138,848		
Contingency	5.0%	13,556,942		
	CDM overall estimate	284,695,791		
	WWA overall estimate	295,340,000		
	Total difference	£10,644,209	3.60%	
Rate /m2		2,849.12 m2		
Rate/ft2		264.68 ft2		

Appendix 3 - CDM Construction Cost Plan Review v3

CDM
Project Services

Development

B & Q Broadway Retail Park
Cricklewood Lane
London NW2 1ES

Draft

Response and final review

April 2021

CDM Project Services Limited
14 Green Lane
Purley
Surrey
CR8 3PG

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We concluded at that time "having reviewed WWA's response in our opinion the construction costs for use in the appraisal should be £284,695,791 equivalent to £265/ft2 or £2,849 /m2 GIA "

Clarification is required on the audio visual allowance within the private dwellings

Discussions and further evidence

A discussion took place on 31st March 2021 with WWA where further evidence was provided in respect of the external walls and scaffold and by reviewing this information and exchange of emails rates were agreed for these

The effect of this was to increase our estimate by £3,576,818 to £288,272,609

Conclusion

Following receipt of further evidence our revised final estimate of construction costs to be used for the viability appraisal is £288,272,609 equivalent to £268/ft2 or £2,885/m2

The above cost includes a contingency of 5% contingency

The costs exclude professional fees

General and RICS Required Statements

As November 2020 report

Steve Brown
CDM Project Services
April 2021

Appendix 4 - Appraisal Summary

BNP Paribas Real Estate

Development Appraisal

Cricklewood Lane

Financial Viability Appraisal

Report Date: 11 May 2021

Cricklewood Lane
Financial Viability Appraisal

Summary Appraisal for Merged Phases 1 2 3 4 5 6 7 8 9

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Block B - Affordable Rent	86	72,133	185.00	155,170	13,344,605
Block B - Shared Ownership	84	57,903	500.00	344,661	28,951,500
Block C - Shared Ownership	157	103,169	500.00	328,564	51,584,500
Block C - Private Residential	172	122,048	704.00	499,545	85,921,792
Block D - Private Residential	224	143,532	704.00	451,101	101,046,528
Totals	**723**	**498,785**			**280,848,925**

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	**Net MRV at Sale**
Block A - Build to Rent	377	248,281	33.52	22,076	6,449,922	8,322,480	6,449,922
Block A - Commercial	1	3,923	25.00	98,078	98,078	98,078	98,078
Block B - Commercial	1	5,406	25.00	135,158	135,158	135,158	135,158
Block D - Commercial	1	707	25.00	17,685	17,685	17,685	17,685
Totals	**380**	**258,318**			**6,700,843**	**8,573,401**	**6,700,843**

Investment Valuation

Block A - Build to Rent					
Current Rent	6,449,922	YP @	3.7500%	26.6667	171,997,920
Block A - Commercial					
Market Rent	98,078	YP @	6.0000%	16.6667	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713	1,587,696
Block B - Commercial					
Market Rent	135,158	YP @	6.0000%	16.6667	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713	2,187,951
Block D - Commercial					
Market Rent	17,685	YP @	6.0000%	16.6667	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713	286,287
					176,059,854

GROSS DEVELOPMENT VALUE			**456,908,779**
Purchaser's Costs	6.80%	(11,209,803)	
			(11,209,803)

APPRAISAL SUMMARY				BNP PARIBAS REAL ESTATE

Cricklewood Lane
Financial Viability Appraisal

NET DEVELOPMENT VALUE				**445,698,975**
NET REALISATION				**445,698,975**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			18,419,008	
Stamp Duty		5.00%	920,950	
Agent Fee		1.00%	184,190	
Legal Fee		0.50%	92,095	
				19,616,243
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Block A - Build to Rent	359,076 ft²	255.20 pf²	91,636,521	
Block A - Commercial	4,359 ft²	255.21 pf²	1,112,462	
Block B - Commercial	6,007 ft²	255.21 pf²	1,533,048	
Block D - Commercial	786 ft²	255.21 pf²	200,596	
Block B - Affordable Rent	103,239 ft²	255.21 pf²	26,347,625	
Block B - Shared Ownership	82,872 ft²	255.21 pf²	21,149,911	
Block C - Shared Ownership	143,790 ft²	255.14 pf²	36,686,814	
Block C - Private Residential	170,102 ft²	255.21 pf²	43,411,719	
Block D - Private Residential	205,582 ft²	255.21 pf²	52,466,646	
Totals	**1,075,813 ft²**		**274,545,342**	**274,545,342**
Contingency		5.00%	13,727,267	
CIL			17,667,315	
				31,394,582
PROFESSIONAL FEES				
Professional Fees		10.00%	28,827,261	
				28,827,261
MARKETING & LETTING				
Letting Agent Fee		10.00%	25,092	
Letting Legal Fee		5.00%	12,546	
				37,638
DISPOSAL FEES				
Sales Agent Fee		0.25%	402,617	
Sales Agent Fee		1.00%	38,033	

APPRAISAL SUMMARY			BNP PARIBAS REAL ESTATE

Cricklewood Lane
Financial Viability Appraisal

Sales Agent Fee		100,000	
Sales Agent Fee	3.00%	5,609,050	
Sales Legal Fee	0.10%	161,047	
Sales Legal Fee	0.50%	19,017	
Sales Legal Fee	0.25%	702,122	
			7,031,885
MISCELLANEOUS FEES			
Developer's Return - BTR	15.00%	25,799,688	
Developer's Return - Commercial	15.00%	238,154	
Developer's Return - Affordable	6.00%	2,537,766	
Developer's Return - Commercial	15.00%	328,193	
Developer's Return - Affordable	6.00%	3,095,070	
Developer's Return - Private	17.50%	15,036,314	
Developer's Return - Private Sale	17.50%	17,683,142	
Developer's Return - Commercial	15.00%	42,943	
			64,761,270
FINANCE			
Debit Rate 6.500% Credit Rate 0.000% (Nominal)			
Total Finance Cost			19,484,754
TOTAL COSTS			**445,698,975**
PROFIT			
			0
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
Development Yield% (on Rent)	1.50%		
Equivalent Yield% (Nominal)	3.80%		
Equivalent Yield% (True)	3.90%		
IRR	7.07%		
Rent Cover	0 yrs 0 mths		
Profit Erosion (finance rate 6.500%)	N/A		