

APPENDIX 4

AY ADDENDUM REPORT

219-223 Coldharbour Lane, London, SW9 8RU

We are writing to you in response to the applicant's latest offer received by email dated 02/01/20 which is in response to our most recent addendum dated 09/12/19. The areas of difference cited by the applicant are listed below:

1. The Revised Offer;
2. Unit Areas and Private Sales Values;
3. Ground Rent;
4. Letting/Sale Agent Fees;
5. CIL;
6. Developer's Profit;
7. Land Value Benchmark; and
8. Revised Appraisal.

Within this addendum we will review each of these areas.

1. The Revised Offer

The applicant previously proposed a scheme that included an 8% affordable housing contribution on a unit basis. In comparison we recommended that the scheme was able to afford a 31% affordable housing contribution, which again was on a unit basis.

The applicant has now indicated that they are now willing to proceed on the basis of a scheme that provides a 23% affordable housing contribution. This equates to 3 affordable units (2x London affordable rent and 1x intermediate). The scheme is broken down in the table below:

No	Tenure	Beds	NIA (Sq M)	NIA (Sq Ft)
1	Private	1 bed	52	569
1	Private	1 bed	52	567
1	Private	1 bed	52	538
1	Private	1 bed	52	567
1	Private	1 bed	52	538
1	Private	2 bed	80	839
1	Private	2 bed	80	899
1	Private	2 bed	80	827
1	Intermediate	2 bed	80	827
1	London Affordable Rent	2 bed	80	912
1	London Affordable Rent	3 beds	96	1,071
1	Private	3 beds	96	997
1	Private	1 bed	53	605
Total	-	-	905	9,756

Consequently, we will now assess this option.

2. Unit Areas and Private Sales Values

Our previous addendum highlighted a discrepancy in the applicant's unit sizes. We previously understood that all 2 bedroom apartments were of uniform sizes. As a result we priced these properties at the same value of £610,000.

The applicant has now confirmed that the areas for the 2 bed apartments are as per those listed in the table in Section 1. Therefore, we have revised our pricing schedule (attached in Appendix 1).

We note that the applicant has priced 2 bed units at £530,000 (for sizes of 827-839 sq ft) and £610,000 (for sizes of 899 sq ft). Due to the revised areas provided by the applicant we have altered our sales values accordingly to £590,000 (for sizes of 827-839 sq ft) and £610,000 (for sizes of 899 sq ft), which equates to circa £708 per sq ft and £679 per sq ft respectively. This alters our overall average £ per sq ft value for the private residential element to £681.

3. Ground Rent

The applicant has maintained their exclusion of ground rents in their assessment citing forthcoming legislation that is anticipated which may prohibit them. Further, in this instance, we would recommend that they are not included within the viability position but are captured at the time of review.

4. Letting/Sale Agent Fees

The applicant has now adopted our letting and sales agent fees, which are listed in the table below.

Fee	Fee
Direct Sales Agents Fee	2%-Total GDV
Direct Sale Legal Fee	0.5%-Total GDV
Letting Agents Fee	10%
Letting Legal Fee	5%

5. CIL

The applicant has now included indexation to their CIL cost. This has resulted in the CIL charge increasing from £85,585 to £96,701. We have included this cost for the purpose of our exercise but we would require LBL to confirm that these costs are appropriate for the proposed scheme.

6. Developer's Profit

The applicant has now adopted our combined developer's profit margin of 17.50% of the GDV for the private units, 6% of the GDV for the affordable housing, and 15% of GDV for the commercial units.

7. Land Value Benchmark

The applicant has now included our suggested yield profile of 7.5% for the site's sui generis component. This has reduced their Land Value Benchmark from circa £1,270,000 to circa £1,150,000.

The applicant has maintained that their rental value of £20 per sq ft on the site's retail element is appropriate. We accept this point and have consequently revised our Land Value Benchmark to £1,150,000.

8. Revised Appraisal

Our appraisal is attached in Appendix 2.

The scheme shows a development cost inclusive of finance and land of circa £5,940,000. When deducted from the GDV of circa £7,020,000, this option produces a profit of circa £1,080,000 that equates to 15.37% on GDV and 18.16% on costs. This profit equates to an approximate combination of 17.5% of the GDV for the private units, 15% of the GDV for the commercial units, and 6% of the GDV of the affordable units. Therefore, we conclude that the maximum amount of affordable housing that the scheme can afford to provide is circa 23% on a unit basis with the affordable element split 67% London affordable rent and 33% intermediate tenure on a unit basis.

Yours sincerely

Appendix 1- Schedule of Accommodation 23% AH

219-223 Coldharbour Lane - 23% AH

10.764

No	Tenure	Beds	Hab Rooms	NIA (Sq M)	NIA (Sq Ft)	Unit Value (£)	Unit Value (£PSF)
1	Private	1 bed	2	52	567	£387,085	£680
1	Private	1 bed	2	52	567	£387,085	£683
1	Private	1 bed	2	52	538	£387,085	£719
1	Private	1 bed	2	52	567	£387,085	£683
1	Private	1 bed	2	52	538	£387,085	£719
1	Private	2 bed	3	80	839	£590,000	£703
1	Private	2 bed	3	80	899	£610,000	£679
1	Private	2 bed	3	80	827	£590,000	£713
1	Intermediate	2 bed	3	80	827	£372,150	£450
1	London Affordable Rent	2 bed	3	80	912	£160,286	£176
1	London Affordable Rent	3 beds	4	96	1,071	£168,093	£157
1	Private	3 beds	4	96	997	£620,000	£450
1	Private	1 bed	2	53	605	£387,085	£640
Total			35	905	9,756	£5,433,039	

Tenure	Unit No	NIA (Sq Ft)	GIA (Sq Ft)	Value (£)
Private	10	6,946		4,732,510
Affordable Rent	2	1,983		328,379
Intermediate	1	827		372,150
TOTAL	13	9,756	0	5,433,039
Tenure %	76.9%			
Private %	23.1%			
AH %	100.0%			
AH Split				
Affordable Rent	66.7%			
Intermediate	33.3%			
	100.0%			

Appendix 2- Appraisal 23% AH

REVENUE		File: Coldharbour Proposed 23%jan	
Retail	2,243.00 sq-ft at 22.00 psf/pa	49,346	
Inv.Value-B	Net annual income	49,346	
	Capitalised at 6% Yield	822,433	
	Less Unpaid Rent: 6 Months Income	24,673	
	Less Purchasers costs at 6.8%	52,365	745,396
Office	2,227.00 sq-ft at 25.00 psf/pa	55,675	
Inv.Value-C	Net annual income	55,675	
	Capitalised at 6% Yield	927,917	
	Less Unpaid Rent: 6 Months Income	27,838	
	Less Purchasers costs at 6.8%	59,081	840,998
Private	6,946.00 sq-ft at 681.00 psf		4,730,226
Affordable Rent	1,983.00 sq-ft at 166.00 psf		329,178
Intermediate	827.00 sq-ft at 450.00 psf		372,150
(Net Income: 105,021) (Inv.Sales: 1,586,394) (Dir.Sales: 5,431,554)		REVENUE	7,017,948

COSTS

Site Value		1,150,000	
Site Stamp Duty	at 5.00%	57,500	
Site Legal Fees	at 1.00%	11,500	
Site Agency Fees	at 0.50%	5,750	
Site Notary Fees	at 0.30%	3,450	
		Site Costs	1,228,200
S106		30,000	
Cil		96,701	
		Initial Payments	126,701
Construct	16,932.00 sq-ft at 228.00 psf	3,860,496	
Professional Fees	at 10.00%	386,050	
		Build Costs	4,246,546
Letting Agents Fee	at 10.00%	10,502	
Letting Legal Fees	at 5.00%	5,251	
Direct Sale Agents Fee	at 2.00%	108,631	
Direct Sale Legal Fees	at 0.50%	27,158	
		Disposal Fees	151,542
INTEREST	(See CASHFLOW)		186,562
6.50% pa	on Debt charged Quarterly and compounded Quarterly		
Site Costs	Month 1 (Oct 19)		
S106	Month 1 (Oct 19)		
Cil	Month 1 (Oct 19)		
Construct (bld.)	Month 1 to 12 (Oct 19 - Sep 20)		
Inv.Value-B 6%	Month 12 (Sep 20)		
Inv.Value-C 6%	Month 12 (Sep 20)		
Private (sale)	Month 10 to 15 (Jul 20 - Dec 20)		
Affordable Rent (sale)	Month 1 to 12 (Oct 19 - Sep 20)		
Intermediate (sale)	Month 1 to 12 (Oct 19 - Sep 20)		
PROFIT	1,078,397	COSTS	5,939,551
PROFIT/SALE	15.37%	PROFIT/COST	18.16%
IRR	N/A		