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# Financial Viability Review

219-223 Coldharbour Lane,  
London,  
SW9 8RU

Strictly Private & Confidential

May 2020

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For and on behalf of Avison Young

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# 1. Introduction

In May 2020 Avison Young were instructed by the London Borough of Lambeth (LBL) to review the Financial Viability Assessment (FVA) undertaken by, Turner Morum LLP, for the proposed re-development at 219-223 Coldharbour Lane, London, SW9 8RU, dated April 2020.

The subject site is situated at the junction of Coldharbour Lane and Hinton Road and it is currently occupied by a two storey building fronting Coldharbour Lane and single storey building fronting Hinton Road. The site is used for retail at ground and first floor fronting Coldharbour Lane. We understand that the remaining part of the property, along Hinton Road is currently vacant, and was previously used for car repairs and a car wash. The site area is approximately 0.07 ha (0.17 acres) and building heights in the area predominantly range between one to four storeys, with commercial uses at ground floor and a mix of commercial and residential on upper floors.

The property has a PTAL rating of 5/4/3 and is within Zone 2 of the London Transport System. Loughborough Junction train station is located approximately 50 metres to the north of the site. The station is managed by Govia Thameslink Railway and provides services towards Elephant and Castle, London Bridge, and Kings Cross.

It is worth noting that we were previously appointed to review the scheme that was submitted in July 2019. An agreement was reached in terms of viability for a scheme that consisted of 13 residential units. This revised scheme now only considers 8 private residential units.

The contents of this report and attached appraisals do not constitute a Royal Institution of Chartered Surveyors (RICS) Valuation Standards (Red Book) Valuation, and should not be treated as such. The content of this report and attached appraisals are intended for the use of the London Borough of Lambeth only and is not to be relied upon by any third party. It is important to note that appraisals are highly sensitive to changes in values due to the high residential values involved and small changes in the values can alter viability.

## 2. Approach to Assessing Viability

Viability assessments are used for a number of purposes in the planning process but probably most commonly in relation to assessing the amount of affordable housing and S106/CIL contributions a specific development can accommodate whilst still providing an appropriate return to the developer.

Our approach to assessing the viability of the proposed scheme is based on the RICS guidance on the subject "Financial Viability in Planning".

Viability for planning purposes is defined in this document as follows:

*'An objective financial viability test of the ability of a development project to meet its costs, including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project.'*

This is consistent with the requirement of the National Planning Policy Framework's (NPPF) requirement for a competitive return to a willing land owner and willing developer to enable the development to be deliverable, which the guidance interprets as Market Value, as clearly if sites are not willingly delivered at competitive returns to the market, development will not take place.

The principal of viability is well established in that a site will not be released for development if it is not possible to achieve an appropriate land value and adequate developer's profit. However, what constitutes an appropriate land value is the key issue the guidance seeks to address.

It is recognised that a site with development potential will not be released for development at current use value, however, it is also not appropriate to adopt a land value based on a purchase price where the purchaser may not have assumed the payment of full planning obligations. Therefore, the viability guidance recommends that the Land Value Benchmark is based on the Market Value of the site. Where re-development of the site is viable, this should be reflected in the market value, however, the uplift relating to any proposed development potential must be on a policy compliant basis.

Therefore, the approach to assessing the Land Value Benchmark is to consider the level at which the site would be released to the market.

A viability assessment is a form of residual appraisal. An appraisal calculates the total revenue of the proposed scheme, including the sales values of the private residential units, and any additional income items from the commercial elements. This provides the Gross Development Value (GDV) of the scheme.

The total cost of the scheme, including build costs, professional fees, planning obligations, sales and letting fees and finance costs, are deducted from the GDV. If the land value is taken as the value at which the site would be released for development, the remainder is available for developer's profit.

The Developer requires a return for investing and bringing forward a scheme. The level of profit required varies from scheme to scheme and depending upon the stage of the economic cycle, and the risk inherent in a project. Therefore the level of developer's profit should take account of the risk in bringing forward the scheme as well as providing an appropriate return. A realistic profit margin is not only required to ensure the developer appropriate cover, but is now more than ever, a requirement of any bank looking to fund a scheme. The submitted financial viability assessment states an acceptable margin for developer's profit should equate to a combined developer's profit of 17.5% of the GDV for the private units, 6% of the GDV for the affordable housing, and 15% of GDV for the commercial units. We are in agreement with this and have adopted these margins accordingly.

If the costs of development and land are deducted from the GDV and the amount remaining for developer's profit equates to a level that is reasonable for that particular scheme, then the scheme is viable. However, if this is not the case and a lower level of profit is generated, the scheme is not viable.

### 3. Affordable Housing Financial Contribution

The Lambeth Local Plan (2015), Policy H2 requires a financial contribution towards the delivery of off-site affordable housing on all sites where the proposed development is providing fewer than 10 residential units.

The proposed scheme, which comprises of three residential units, is required to provide a financial contribution towards affordable housing subject to viability testing in accordance with Policy H2. LBL require the calculations to be carried out using their live toolkit for calculating affordable housing contributions on small sites.

The formula for calculating the contribution required is set out in Annex 10 of the Local Plan and is detailed below:

$$A - B = C$$

Where:

- **A** = value of the proposed development assuming 100% of the residential units are provided as private housing;

- **B** = the value that would otherwise have been achieved by the proposed development incorporating an element of affordable housing in line with the council's 40% affordable housing requirement; and
- **C** = payment in lieu.

The toolkit calculates the payment in lieu (C) by deducting the residual land value of the scheme incorporating affordable housing (B) from the 100% market-housing scheme (A). If the residual land value of the scheme with affordable housing is lower than the site's existing use value, the scheme should be reassessed at a reduced level of affordable housing. The toolkit has a 'goal seek' function to determine the maximum viable level of affordable housing.

The applicant has presented a calculation which shows that the scheme is unable to make an off-site affordable housing contribution.

## 4. Land Value Benchmark

The principal of viability is well established in that a site will not be released for development if it is not possible to achieve an appropriate land value and adequate developer's profit. However, the process for establishing an appropriate land value is one of the most important issues in determining viability.

There are a number of different approaches in determining the Land Value Benchmark and these can be found in:

NPPF

2012 GLA Toolkit Guidance

Planning Practice Guidance

Financial Viability in Planning - RICS

Mayors 2017 Affordable Housing & Viability SPG

The RICS define Viability for planning purposes as "An objective financial viability test of the ability of a development project to meet its costs, including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project." This is consistent with the requirement of the National Planning Policy Framework's (NPPF) requirement for a competitive return to a willing land owner and willing developer to enable the development to be deliverable. Clearly if sites are not willingly delivered at competitive returns to the market, development will not take place.

It is recognised that a site with development potential for alternative use will not be released for development at existing or current use value. However, it is also not appropriate to adopt a land value based on a purchase price where the purchaser may not have assumed the payment of full planning obligations. Therefore, in all cases, the site value should reflect relevant policy requirements and planning obligations.

The RICS whilst allowing for the use of Existing Use Value, supports an approach in which the land value benchmark is determined by the Market Value of land with the special assumption that regard is had to Development Plan policies and other material planning considerations. It is vital that viability assessments using the RICS Guidance note methodology accord fully with the site value definition, and fully take into account development plan policies when determining site value. There are however a number of difficulties in the use of land market transactions to inform land value within a planning viability assessment. A market based land value (whether based on price paid, market transactions, valuations or an aspirational landowner figure), which only 'has regard' to Development Plan policies, but does not fully reflect these, as required by PPG, creates a scenario where it becomes almost inevitable that it would be found that policy requirements make a development unviable.

Planning Practice Guidance requires that in all cases land value should reflect policy requirements, planning obligations and CIL charges. PPG also confirms that current (or existing) use value provides an appropriate basis for comparison with a land value benchmark to determine whether this incentivises a land owner to release a site and achieves a competitive return.

The Mayors Affordable Housing & Viability SPG requires the 'Existing Use Value plus' (EUV+) approach to determining the benchmark land value. This is based on the current use value of a site plus an appropriate site premium. The principle of this approach is that a landowner should receive at least the value of the land in its 'pre-permission' use, which would normally be lost when bringing forward land for development. A premium is usually added to provide the landowner with an additional incentive to release the site, having regard to site circumstances, and where appropriate an alternative use of a higher value.

The site currently comprises of two storey building fronting Coldharbour Lane and single storey building fronting Hinton Road, which are currently designated for A1 and sui generis uses. We understand the sui generis element was previously used for garage servicing/ repair and a car wash and has recently become vacant. We have not measured the property but we have been provided with the below dimensions by the applicant. We reserve the right to amend our assessment should any of the below areas be incorrect.

Description	Area (Sq M)	Area (Sq Ft)
Ground Floor A1	119	1,281
First Floor A1	110	1,184
Ground Floor Sui Generis	305	3,283
<b>Total</b>	<b>534</b>	<b>5,748</b>

They have adopted the existing use value plus premium approach and assumed vacant possession. We have also used this approach for the purpose of our instruction.

The applicant has submitted a financial viability assessment, which includes the previously agreed Land Value Benchmark of circa £1,150,000 and is based upon the site's Existing Use Value (EUV). This can be broken down as follows:

#### Retail – Ground & First Floor

We agreed a rent of £20 per sq ft for the ground floor and rent of £7.50 for the first floor with a yield profile of 7% along with a 6 month rent free period. This equated to a total value of circa £460,000.

#### Sui Generis – Ground Floor

We agreed a rent of £12.50 per sq ft with a yield profile of 7.5% along with a 12 month rent free period. This equated to a value of circa £470,000.

The combined existing use value represented circa £930,000. We both applied a premium of 20% to this which resulted in a benchmark land value of circa £1,150,000.

## 5. The Proposed Scheme

The proposed scheme is for 8 private residential units along with additional commercial space.

No	Beds	NIA (Sq M)	NIA (Sq Ft)	GIA (Sq Ft)
1	2 bed	73	788	1,026
2	2 bed	63	675	879
3	2 bed	75	808	1,052
4	1 bed	54	577	751
5	3 bed	108	1,165	1,517
6	1 bed	52	561	730
7	1 bed	51	547	712
8	1 bed	50	541	704
<b>Total</b>	<b>-</b>	<b>526</b>	<b>5,662</b>	<b>7,372</b>



The scheme also contains a commercial provision, which we have summarised below:

Use	Area (Sq M)	Area (Sq Ft)
A1 Retail	205	2,204
B1 Office	339	3,646
<b>Total</b>	<b>544</b>	<b>5,850</b>

We understand that the scheme has a total GIA of 13,222 sq ft.

## 6. Property Market

### Macro Overview

#### Economic Overview

The impact of Covid-19 will be the main driver of economic performance in the near term and we expect dramatic decline GDP in Q2. Despite the monetary and fiscal measures being enacted to combat the economic fallout of the virus, it is the view of some that the UK could enter a recession in 2020 which could exceed that observed in 2008-09. There is however hope that recovery will be quicker due to the cause being a market shock rather than a structural issue

Longer term, the UK has now entered the next phase of Brexit negotiations, following the official departure from the European Union on January 31st 2020. Whilst uncertainty around the timing of Brexit has lifted, there remains a high level of uncertainty surrounding UK's future relationship with EU, particularly in terms of trading.

UK GDP growth stagnated Q4 2019, albeit preliminary figures indicate annual GDP growth for 2019 was 1.4%. GDP growth for the three months to January 2020 was also flat, suggesting that the potential post-election 'Boris-bounce' did not materialise. The spread of the Covid-19 disease will continue to cause huge disruption to business activity and have a dramatic impact on the economy in at least the short-term. Significant repercussions are already visible across liquid asset classes.

Beyond Covid-19, the March 2020 budget made commitment to spending increases over the next five years that should boost economic growth and provide defence against the economic uncertainties from Brexit, particularly around trading relationships. The extra public investment takes government spending to 3% of GDP, a level not seen on a sustained basis for decades.

The Markit / CIPS Purchasing Managers Indices for services declined at the fastest rate since the measure was introduced, falling to 34.7 from 53.2 March to February. Construction PMI scores fell

considerably, down to 39.3 for March from 52.6 in February due to site closures and near-absent new starts. The manufacturing PMI was also down in March, decreasing to 47.8 from 51.7 in February. These falls come off the back of positive growth earlier in the year.

The labour market remained buoyant for much of last year with the employment rate reaching a record high of 76.5% at the end of 2019. Real earnings increased by 1.8% (excluding bonuses) for the third consecutive month. However, forward looking indicators suggest the job market is cooling. Covid-19 is expected to push unemployment up to 6% from 3.9% as businesses struggle to meet staff requirements with significantly curtailed incomes. In the two weeks from 16 March, 950,000 successful universal credit applications were made. A usual figure for this period would be around 100,000 applications. In the four weeks to 13 April, universal credit applications increased by 1.4 million.

Inflation fell slightly to 1.7% in February, down from 1.8% in January. Inflation is likely to remain below the Bank of England's 2% target in 2020. The Bank of England (BoE) cut interest rates to 0.1%, following earlier cuts as exceptional measures in, to combat the negative impact of Covid-19.

Covid-19 escalation will significantly hit economic growth, with a deep but potentially short-lived recession forecasted. However, fiscal stimulus from the Budget and the emergency interest rate cut are likely to go some way to mitigating impact. Capital Economics most recently forecasted GDP growth at -12% for 2020, considerably down on their original 1% forecast at the beginning of the year.

In terms of Brexit, businesses now appear to be more confident, albeit they remain wary of the potential headwinds facing the UK. Recent comments from Boris Johnson suggest the UK's strategy is to aim for a Canada style agreement, rather than a closer Norway style relationship with the EU.

### **Residential Market Overview**

The 'lockdown' measures in response to Covid-19 outbreak have drastically impacted activity in the housing market, effectively putting it 'on hold'. The majority of transactions will be postponed until after some relaxation of lockdown restrictions. The impact in Scotland is likely to be even more dramatic with the Land Registry in partial closure, dealing with only urgent requests and allowing a limited number of home purchases to go ahead through advance notices.

The housing market had begun the year on positive footing pre-crisis and this should help to aid recovery when restrictions are lifted. However, the key factor behind the housing market's performance over the rest of the year will be the economy and to what extent government measures mitigate damage to it.

The RICS UK Residential Survey, typically a good lead indicator of housing market strength, reported a fall in new enquiries of 74% during March, following three consecutive months of increases. Sales volumes were also down by 69% in March across the UK and new instructions showed a fall of 72%. The survey reported a net balance of -34% predicting short-term falls in house prices (over the year to come) but the market is expected to be more resilient over the medium term. Over the next 5 years, a majority of respondents – net balance of 72% - see house prices increasing.

Prior to the impact of Covid-19, there were positive signs in the UK housing market. Nationwide's UK house price index showed a positive reading for Q1 2020, prior to the lockdown measures being implemented. Overall, house prices were up 2.5% in the year to Q1 2020, the largest increase since Q1 2018 when a 2.5% increase was also recorded. Other indicators were also positive with the Halifax house price index reporting a 2.1% quarter-on-quarter rise in Q1 2020, rising to 3.0% year-on-year, and Rightmove reporting a decline in the average time properties spent on the market, down to 67 days from 76 March to February. Despite the encouraging start, the indices lag the market meaning that the impacts of the Covid crisis are yet to surface although according to Hometrack, there have been 373,000 paused transactions during the lockdown period – amounting to £82billion of value, and £1 billion of estate agency sales revenue.

UK housing property transaction statistics for February 2020 report that there was a 6.0% increase in volumes across the UK year-on-year (ONS). This positive performance goes against the decline transactional volumes that have been observed across the UK housing market over the past 4 years. On a monthly basis, February transaction volumes were 4.5% up on January 2020.

### Local Residential Market Commentary

The table below indicates that average property prices within SW9 are considerably higher compared to national values. It is worth noting that the average property value in SW9 is circa £548,074 for all properties in the area (Source: Zoopla May 2020).

Property Type	SW9 (Lambeth)	SW (South West London)	National
1 Bedroom	£424,400	£591,500	£213,600
2 Bedroom	£478,400	£760,400	£231,800
3 Bedroom	£602,200	£995,400	£267,600
4 Bedroom	£796,700	£1,457,900	£449,100
5 Bedroom	£1,150,600	£2,343,500	£727,600

(Source: Mouseprice May 2020)

The table below details the variety of stock that currently exists in Lambeth, South West London and the UK. The table demonstrates a severe lack of detached houses in the immediate area to the site when compared to national trends. The vast majority of housing stock within Lambeth

comprises of flats, which reflects the dearth of land available within the central areas of South West London.

Property Type	SW9 (Lambeth)	SW (South West London)	National
Detached	0.55%	1.58%	23.52%
Semi-Detached	2.45%	5.50%	27.96%
Terrace	18.38%	25.55%	30.48%
Flat	78.62%	67.37%	18.04%

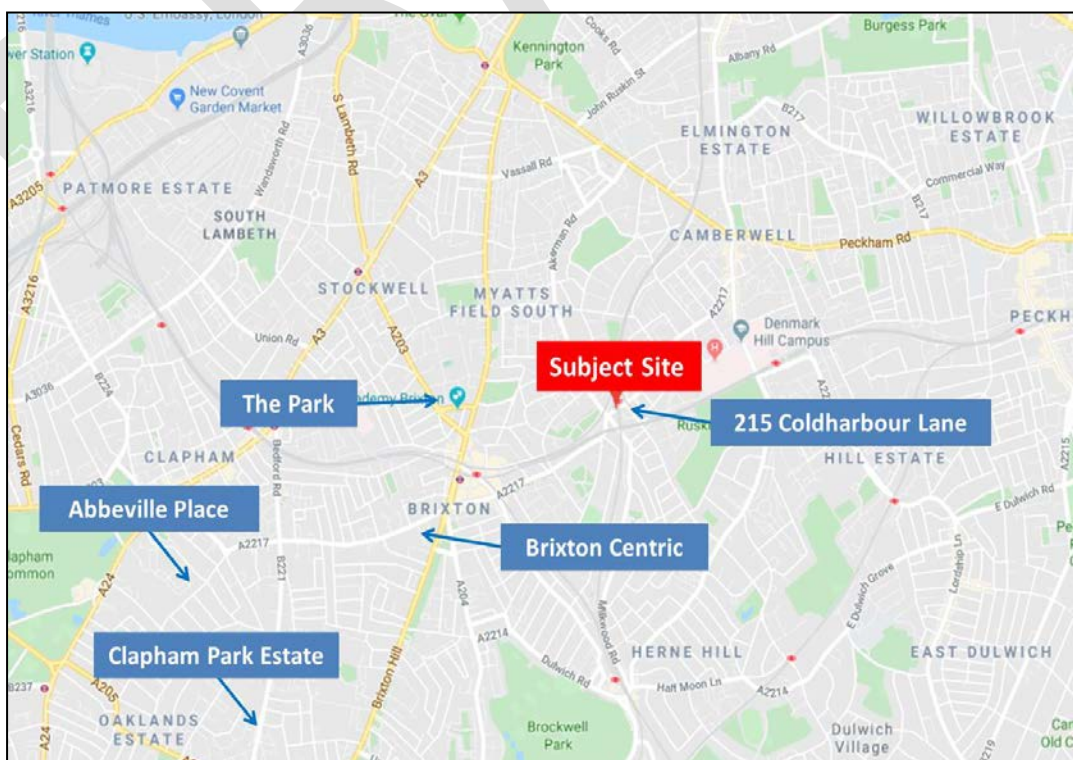
(Source: Mouseprice May 2020)

The table below demonstrates the level of ownership within Lambeth and South West London compared to national trends. The area attracts young professionals due to its good transport connections into central London. A high proportion of property in this area is socially rented, whilst a lower than average proportion of property in the area is owner occupied, suggesting a healthy rental market.

Property Type	SW9 (Lambeth)	SW (South West London)	National
Owner Occupied	20.80%	34.63%	63.57%
Social Rented	50.84%	18.40%	17.63%

(Source: Mouseprice May 2020)

The subject property is located at the junction of Coldharbour Lane and Hinton Road. There is a variety of development activity taking place in the surrounding area to the subject property, which is displayed on the map below:



**215 Coldharbour Lane, SW9 8RU-** This scheme is adjacent to the subject site and comprises of a collection of 9 one, two, and three bed apartments. Construction here completed in 2017 and we understand that the last unit here was sold in July 2018. We have summarised confirmed transactions at this development below:

Plot Ref	Bed	Sq Ft	Price Paid	£PSF	Date
Flat 1	2	797	£475,000	£596	May-19
Flat 2	1	549	£378,000	£689	Sep-17
Flat 3	2	818	£545,000	£666	Mar-18
Flat 4	2	797	£558,000	£701	Jun-18
Flat 5	2	829	£530,000	£639	Jan-19
Flat 7	2	850	£600,000	£706	Jun-18
Flat 8	3	1227	£640,000	£522	Jul-18
Flat 9	2	635	£515,000	£811	Jun-18

The above information has been summarised in the following table:

	Max	Avg	Min
Price:	£640,000	£530,125	£378,000
£psf	£811	£666	£522
Sq. ft	1,227	813	549

This scheme is adjacent to the subject site and compares most in terms of its location and density. Consequently, we have given it the most weighting in our analysis.

**The Park - 6 - BRX (Thrayle House), SW9 0XU-**This Network Homes development lies approximately 0.8 miles west of the subject site. Planning permission was approved in April 2016 for the redevelopment of Thrayle House for residential-led mixed use development up to 20 storeys, comprising 177 homes, and 1,358 sq m of flexible retail and community space. Construction is progressing and is scheduled to complete in June 2020. The scheme was launched in March 2019 with 72 units being sold as of March 2020. We have obtained an asking price list, which is displayed below:

Plot Ref	Floor	Bed	Sq Ft	Most Recent Price	£PSF	Date
C-01-1	1	2	797	£590,000	£740	Jun-19
C-01-3	1	1	563	£455,000	£808	Jun-19
C-01-4	1	2	797	£600,000	£753	Jun-19
C-02-1	2	2	797	£595,000	£747	Jun-19
C-02-2	2	1	563	£470,000	£835	Jun-19
D-01-1	1	3	945	£685,000	£725	Mar-20

Plot Ref	Floor	Bed	Sq Ft	Most Recent Price	£PSF	Date
D-01-2	1	1	552	£470,000	£851	Jun-19
D-01-3	1	1	564	£470,000	£833	Mar-19
D-01-6	1	2	772	£590,000	£764	Mar-19
D-02-1	2	3	945	£690,000	£730	Mar-20
D-02-1	2	3	946	£740,000	£782	Jun-19
D-04-1	4	3	945	£695,000	£735	Mar-20
D-05-4	5	1	549	£490,000	£893	Sep-19
D-07-6	7	2	772	£615,000	£797	Jun-19
D-08-1	8	3	1483	£990,000	£668	Dec-19
D-08-3	8	1	551	£505,000	£917	Dec-19
D-09-2	9	1	552	£510,000	£924	Sep-19
D-12-2	12	1	551	£520,000	£944	Dec-19
D-12-2	12	1	551	£520,000	£944	Dec-19
D-13-2	13	1	551	£525,000	£953	Mar-20
D-14-1	14	1	555	£530,000	£955	Dec-19
D-14-3	14	2	772	£655,000	£848	Jun-19
D-15-2	15	1	551	£535,000	£971	Dec-19
D-16-2	16	1	551	£540,000	£980	Mar-20
D-16-3	16	2	772	£665,000	£861	Dec-19
D-17-1	17	1	555	£545,000	£982	Dec-19
D-17-2	17	1	551	£545,000	£989	Mar-20
D-17-3	17	2	772	£670,000	£868	Dec-19
D-18-3	18	2	772	£680,000	£881	Dec-19

The above information has been summarised in the following table:

	Max	Avg	Min
Price:	£990,000	£589,310	£455,000
£psf	£989	£851	£668
Sq. ft	1,483	713	549

This development is a good comparable to the subject site given its nearby location and also contains a commercial component. However, we appreciate that this scheme is denser and consequently, we would anticipate that the subject site would achieve a lower £ per sq ft sales value, especially in the current climate.

**Abbeville Place, SW4 9RL**-This Inspired Asset management development lies approximately 1.9 miles to the west of the subject site. Planning permission was approved May 2018 for GPDO Prior Approval: Change of use at second floor from office use (Use Class B1(a)) to 41 residential

dwelling (Use Class C3). A second planning permission was approved in August 2018 for GPDO Prior Approval: Change of use of the main building on the site at ground, first and second floors from office use (Use Class B1(a)) to 39 residential dwellings. We understand they have chosen to implement the former 41 unit scheme. Strip out works commenced in Q2 2018, with conversion works following in Q4 2018. At the end of Q4 2019 the scheme is said to be sold out (mainly to Help-to-Buy purchasers). We have obtained an asking price list, which is displayed below:

Plot Ref	Floor	Bed	Sq Ft	Most Recent Price	£PSF	Date
1	G	1	328	£430,000	£1,311	Jun-19
2	G	2	449	£575,000	£1,281	Jun-19
5	G	1	324	£425,000	£1,312	Jun-19
8	G	1	328	£430,000	£1,311	Jun-19
11	G	2	466	£600,000	£1,288	Mar-19
19	1	1	325	£440,000	£1,354	Jun-19
23	1	1	323	£435,000	£1,347	Jun-19
26	1	1	323	£435,000	£1,347	Jun-19
32	1	1	323	£445,000	£1,378	Jun-19
34	1	1	323	£445,000	£1,378	Jun-19

The above information has been summarised in the following table:

	Max	Avg	Min
Price:	£600,000	£466,000	£425,000
£psf	£1,378	£1,330	£1,281
Sq. ft	466	351	323

**Clapham Park Estate, SW4 8BU-** This development is part of the Clapham Park master plan, which is set to deliver 2,500 new homes and community facilities. This scheme lies approximately 1.9 miles to the south-west of the subject site. Planning permission was approved in November 2013 for the construction of part 4-6 storey residential block providing 91 residential units, a secure communal car park, basement car parking, and commercial accommodation. Construction commenced during Q2 2017 and completed in Q4 2019. The scheme was launched by JLL in October 2018 and we have obtained an asking price list which is displayed below:

Plot Ref	Floor	Bed	Sq Ft	Most Recent Price	£PSF	Date
B6-01-01	G	3	1132	£704,000	£622	Mar-20
B6-01-02	G	3	1122	£704,000	£627	Mar-19
B6-01-03	G	2	777	£547,000	£704	Mar-19
B6-01-04	G	1	555	£425,000	£766	Mar-19
B6-01-21	2	3	992	£688,000	£694	Jun-19
B6-01-24	2	3	993	£672,000	£677	Mar-20

Plot Ref	Floor	Bed	Sq Ft	Most Recent Price	£PSF	Date
B6-01-31	3	3	992	£693,000	£699	Mar-20
B6-01-34	3	3	993	£693,000	£698	Mar-19
B6-02-01	G	3	1188	£704,000	£593	Dec-19
B6-02-02	G	3	1176	£704,000	£599	Dec-19
B6-02-03	G	2	741	£534,000	£721	Mar-19
B6-02-04	G	1	555	£425,000	£766	Jun-19
B6-02-21	2	3	1040	£698,000	£671	Dec-19
B6-02-31	3	3	1040	£704,000	£677	Mar-19
B6-01-01	G	3	1132	£704,000	£622	Mar-20
B6-01-02	G	3	1122	£704,000	£627	Mar-19
B6-01-03	G	2	777	£547,000	£704	Mar-19
B6-01-04	G	1	555	£425,000	£766	Mar-19
B6-01-21	2	3	992	£688,000	£694	Jun-19
B6-01-24	2	3	993	£672,000	£677	Mar-20
B6-01-31	3	3	992	£693,000	£699	Mar-20
B6-01-34	3	3	993	£693,000	£698	Mar-19
B6-02-01	G	3	1188	£704,000	£593	Dec-19
B6-02-02	G	3	1176	£704,000	£599	Dec-19
B6-02-03	G	2	741	£534,000	£721	Mar-19
B6-02-04	G	1	555	£425,000	£766	Jun-19
B6-02-21	2	3	1040	£698,000	£671	Dec-19
B6-02-31	3	3	1040	£704,000	£677	Mar-19

The above information has been summarised in the following table:

	Max	Avg	Min
Price:	£704,000	£635,357	£425,000
£psf	£766	£669	£593
Sq. ft	1,188	950	555

We have also summarised confirmed transactions at this development below:

Address	Type	Bed	Sq Ft Ft	Price Paid (£)	£PSF	Date
9 BOURKE CLOSE	House	5	1,830	£950,000	£519	01/02/2019
10 BOURKE CLOSE	House	5	1,690	£950,000	£562	25/01/2019
11 BOURKE CLOSE	House	5	1,830	£950,000	£519	07/01/2019
12 BOURKE CLOSE	House	5	1,830	£930,000	£508	17/12/2018
13 BOURKE CLOSE	House	5	1,830	£930,000	£508	01/03/2019
14 BOURKE CLOSE	House	5	1,830	£970,000	£530	29/03/2019
15 BOURKE CLOSE	House	5	1,830	£935,000	£510	19/06/2019



Address	Type	Bed	Sq Ft Ft	Price Paid (£)	£PSF	Date
15 BOURKE CLOSE	House	5	1,830	£935,000	£510	19/06/2019
16 BOURKE CLOSE	House	5	1,830	£935,000	£510	14/06/2019
17 BOURKE CLOSE	House	5	1,830	£935,000	£510	13/06/2019
18 BOURKE CLOSE	House	5	1,830	£920,000	£502	31/05/2019
19 BOURKE CLOSE	House	5	1,830	£1,040,000	£568	18/05/2018
20 BOURKE CLOSE	House	5	1,830	£1,075,000	£587	08/06/2019
22 BOURKE CLOSE	House	5	1,830	£920,000	£502	30/08/2019
23 BOURKE CLOSE	House	4	957	£810,000	£846	23/03/2018

The above information has been summarised in the following table:

	Max	Avg	Min
Price:	£1,075,000	£937,188	£810,000
£psf	£846	£545	£502
Sq. ft	957	1,718	1,830

We note that the average transaction price here of £545 per sq ft comprises of substantially larger units than those proposed at Coldharbour Lane. We also appreciate that this scheme is part of Clapham's Town's £1.6 billion regeneration, which is scheduled to deliver approximately 2,500 new homes and community facilities at Clapham Park. Therefore, we have attributed little weighting to this comparable in establishing our sales values for the subject site.

**Brixton Centric, SW2 1RW** - This Muse development lies approximately 0.9 mile west of the subject site. Planning permission was approved in October 2015 for the demolition and refurbishment of existing buildings for a mixed use scheme. The development comprises 121 residential units in total, including 73 private units, 34 social rented units and 14 intermediate units. Construction is progressing and completed at the end of 2018. We have obtained an asking price list, which is displayed below:

Plot Ref	Floor	Bed	Sq Ft	Most Recent Price	£PSF	Date
IH.0305	3	2	822	£675,000	£821	Jun-19
IH.0106	1	2	905	£670,000	£740	Mar-19
IH.0206	2	2	901	£675,000	£749	Mar-19
IH.0302	3	2	816	£685,000	£839	Mar-19
IH.0404	4	2	804	£699,950	£871	Mar-19
BH.0604	6	2	756	£635,000	£840	Dec-18
BH.0605	6	2	780	£645,000	£827	Dec-18
BH.1003	10	2	780	£670,000	£859	Dec-18
BH.1103	11	2	780	£675,000	£865	Dec-18
BH.1203	12	2	780	£680,000	£872	Dec-18

Plot Ref	Floor	Bed	Sq Ft	Most Recent Price	£PSF	Date
IH.0303	3	2	940	£715,000	£761	Dec-18
IH.0304	3	2	922	£720,000	£781	Dec-18
BH.0508	5	2	780	£620,000	£795	Sep-18
BH.0704	7	2	756	£645,000	£853	Sep-18
BH.0705	7	2	780	£650,000	£833	Sep-18
BH.0805	8	2	780	£655,000	£840	Sep-18

The above information has been summarised in the following table:

	Max	Avg	Min
Price:	£720,000	£669,684	£620,000
£psf	£872	£822	£740
Sq. ft	940	818	756

We have also summarised confirmed transactions at this development below:

Address	Bed	Sq Ft	Price Paid (£)	£PSF	Date
FLAT 1-IVOR HOUSE, 5	1	549	£668,500	£1,217	25/07/2019
FLAT 2-IVOR HOUSE, 5	1	549	£640,000	£549	26/07/2019
FLAT 3-IVOR HOUSE, 5	1	603	£600,000	£995	15/10/2018
FLAT 4-IVOR HOUSE, 5	3	850	£465,000	£547	11/10/2018
FLAT 5-IVOR HOUSE, 5	3	904	£480,000	£530	17/10/2018
FLAT 6-IVOR HOUSE, 5	3	904	£490,000	£542	12/10/2018
FLAT 7-IVOR HOUSE, 5	2	775	£675,000	£871	17/10/2018
FLAT 8-IVOR HOUSE, 5	1	549	£689,000	£1,255	09/10/2018
FLAT 9-IVOR HOUSE, 5	1	549	£650,000	£1,184	12/07/2019
FLAT 10-IVOR HOUSE, 5	1	603	£600,000	£995	17/10/2018
FLAT 11-IVOR HOUSE, 5	3	850	£467,500	£550	11/10/2018
FLAT 12-IVOR HOUSE, 5	3	904	£475,000	£525	08/10/2018
FLAT 13-IVOR HOUSE, 5	3	904	£495,000	£548	19/10/2018
FLAT 14-IVOR HOUSE, 5	2	775	£700,000	£903	22/10/2018
FLAT 15-IVOR HOUSE, 5	1	581	£684,000	£1,176	17/12/2019
FLAT 16-IVOR HOUSE, 5	3	818	£600,000	£733	18/10/2019
FLAT 17-IVOR HOUSE, 5	3	936	£485,100	£518	05/10/2018
FLAT 18-IVOR HOUSE, 5	3	926	£500,000	£540	17/10/2018
FLAT 19-IVOR HOUSE, 5	3	818	£645,000	£789	28/06/2019
FLAT 20-IVOR HOUSE, 5	1	624	£680,000	£1,090	26/04/2019
FLAT 21-IVOR HOUSE, 5	1	570	£680,000	£1,193	15/07/2019
FLAT 22-IVOR HOUSE, 5	1	592	£495,000	£836	19/10/2018
FLAT 23-IVOR HOUSE, 5	2	797	£492,500	£618	12/10/2018

Address	Bed	Sq Ft	Price Paid (£)	£PSF	Date
FLAT 24-IVOR HOUSE, 5	3	807	£492,000	£610	12/10/2018
FLAT 25-IVOR HOUSE, 5	2	646	£500,000	£774	11/10/2018
FLAT 26-IVOR HOUSE, 5	1	624	£695,000	£1,114	17/10/2018
FLAT 13-SOMERSET PLACE, 10	2	753	£600,000	£797	14/12/2018
FLAT 14-SOMERSET PLACE, 10	2	786	£600,000	£763	18/12/2018
FLAT 15-SOMERSET PLACE, 10	1	549	£441,000	£803	18/12/2018
FLAT 19-SOMERSET PLACE, 10	2	753	£600,000	£797	14/12/2018
FLAT 20-SOMERSET PLACE, 10	2	786	£600,000	£763	18/12/2018
FLAT 21-SOMERSET PLACE, 10	1	549	£457,500	£833	18/12/2018
FLAT 22-SOMERSET PLACE, 10	1	570	£475,000	£833	18/12/2018
FLAT 23-SOMERSET PLACE, 10	1	549	£453,000	£825	18/12/2018
FLAT 24-SOMERSET PLACE, 10	2	753	£600,000	£797	17/12/2018
FLAT 25-SOMERSET PLACE, 10	2	786	£600,000	£763	05/03/2019
FLAT 26-SOMERSET PLACE, 10	1	549	£450,000	£820	18/01/2019
FLAT 27-SOMERSET PLACE, 10	1	570	£455,000	£798	05/02/2019
FLAT 28-SOMERSET PLACE, 10	1	549	£455,000	£829	13/12/2018
FLAT 29-SOMERSET PLACE, 10	2	753	£600,000	£797	26/03/2019
FLAT 30-SOMERSET PLACE, 10	2	786	£600,000	£763	12/03/2019
FLAT 31-SOMERSET PLACE, 10	1	549	£462,500	£842	18/12/2018
FLAT 32-SOMERSET PLACE, 10	1	570	£460,000	£807	18/12/2018
FLAT 33-SOMERSET PLACE, 10	1	549	£465,000	£847	17/12/2018
FLAT 34-SOMERSET PLACE, 10	2	753	£600,000	£797	22/03/2019
FLAT 35-SOMERSET PLACE, 10	2	786	£600,000	£763	11/01/2019
FLAT 36-SOMERSET PLACE, 10	1	549	£460,500	£839	19/12/2018
FLAT 37-SOMERSET PLACE, 10	1	570	£475,000	£833	19/12/2018
FLAT 38-SOMERSET PLACE, 10	1	549	£455,700	£830	19/12/2018
FLAT 39-SOMERSET PLACE, 10	2	753	£625,000	£830	14/12/2018
FLAT 40-SOMERSET PLACE, 10	2	786	£617,500	£786	13/12/2018
FLAT 41-SOMERSET PLACE, 10	1	549	£467,500	£852	17/12/2018
FLAT 42-SOMERSET PLACE, 10	1	570	£470,000	£825	18/12/2018
FLAT 43-SOMERSET PLACE, 10	1	549	£467,500	£852	19/12/2018
FLAT 44-SOMERSET PLACE, 10	2	753	£640,000	£850	19/12/2018
FLAT 45-SOMERSET PLACE, 10	2	786	£640,000	£814	14/12/2018
FLAT 46-SOMERSET PLACE, 10	1	549	£470,000	£856	19/12/2018
FLAT 47-SOMERSET PLACE, 10	1	570	£465,000	£816	07/12/2018
FLAT 49-SOMERSET PLACE, 10	2	753	£656,600	£872	10/12/2018
FLAT 50-SOMERSET PLACE, 10	2	786	£635,000	£808	18/03/2019
FLAT 51-SOMERSET PLACE, 10	1	549	£485,000	£883	14/12/2018
FLAT 52-SOMERSET PLACE, 10	2	753	£655,000	£870	14/12/2018
FLAT 53-SOMERSET PLACE, 10	2	786	£645,000	£821	05/04/2019
FLAT 54-SOMERSET PLACE, 10	1	560	£475,000	£848	19/12/2018

Address	Bed	Sq Ft	Price Paid (£)	£PSF	Date
FLAT 55-SOMERSET PLACE, 10	2	753	£660,000	£876	09/01/2019
FLAT 56-SOMERSET PLACE, 10	2	786	£660,000	£840	25/03/2019
FLAT 57-SOMERSET PLACE, 10	1	560	£480,000	£857	19/12/2018
FLAT 58-SOMERSET PLACE, 10	2	753	£660,000	£876	19/12/2018
FLAT 59-SOMERSET PLACE, 10	2	786	£670,000	£852	19/12/2018

The above information has been summarised in the following table:

	Max	Avg	Min
Price:	£700,000	£555,151	£441,000
£psf	£1,255	£811	£518
Sq. ft	936	685	549

Brixton Centric is short distance from the subject site and contains similar sized units. However, we would highlight that this is a significantly denser scheme and would consequently anticipate that the subject site would achieve a lower £ per sq ft value.

### Secondary Market

We have researched the local residential market and we have set out comparables within a 0.5 mile radius of the subject site that have transacted over the past two years. These properties are summarised below:

Address	Type	Beds	Price (£)	Area (Sq Ft)	£PSF
43 Oakbank Grove, London, SE24 0AL	Flat	2	£517,000	752	£688
Flat 4, 572 Brixton Road, London, SW9 7BW	Flat	2	£545,000	NA	NA
Flat 10, Henry House, Styles Gardens, London, SW9 7UJ	Flat	1	£285,000	473	£603
Flat 13, Rutland Court, Denmark Hill, London, SE5 8EB	Flat	2	£340,000	673	£505
35 Broughton Drive, London, SW9 8QN	Flat	1	£255,000	519	£419
72 Bavent Road, London, SE5 9RZ	Flat	2	£535,000	824	£649
Flat 15, Kenbury Mansions, Kenbury Street, London, SE5 9BU	Flat	2	£460,000	799	£576
15a Southwell Road, London, SE5 9PF	Flat	1	£370,000	581	£637
200 Paulet Road, London, SE5 9JF	Flat	3	£415,000	789	£526
39b Hinton Road, London, SW24 0HR	Flat	2	£430,000	550	
29 Geneva Drive, London, Greater London SW9 8QG	Flat	1	£250,000	494	£506
Ground Floor Flat, 157 Shakespeare Road, London, Greater London SE24 0PY	Flat	1	£370,000	515	£718
Flat 22, Rutland Court, Denmark Hill, London, Greater London SE5 8EB	Flat	1	£325,000	542	£600
Flat B, 298 Coldharbour Lane, London, Greater London SW9 8SE	Flat	1	£510,000	NA	NA
Flat 1, 154 Coldharbour Lane, London, Greater London SE5 9QH	Flat	1	£530,000	NA	NA
34 Cambria Road, London, Greater London SE5 9AE	Flat	1	£405,000	497	£815

Address	Type	Beds	Price (£)	Area (Sq Ft)	£PSF
44 Bavent Road, London, Greater London SE5 9RY	Flat	2	£480,000	774	£620
128 Herne Hill Road, London, Greater London SE24 0AH	Flat	2	£477,100	844	£565
Flat A, 127 Burton Road, London, Greater London SW9 6TG	Flat	2	£521,000	577	£903
Flat B, 109 Fawnbrake Avenue, London, Greater London SE24 0BG	Flat	2	£675,000	997	£677

### Conclusion

We estimate the applicant's pricing schedule to be as follows;

No	Beds	NIA (Sq M)	NIA (Sq Ft)	Value (£ Per Sq Ft)
1	2 bed	73	788	£530,000 (£673)
2	2 bed	63	675	£500,000 (£741)
3	2 bed	75	808	£525,000 (£650)
4	1 bed	54	577	£387,085 (£671)
5	3 bed	108	1,165	£630,000 (£541)
6	1 bed	52	561	£387,085 (£690)
7	1 bed	51	547	£387,085 (£708)
8	1 bed	50	541	£387,085 (£715)
<b>Total</b>	-	<b>526</b>	<b>5,662</b>	<b>£3,733,340 (£659)</b>

The applicant has adopted an average sales value of £659 per sq ft in their assessment. We deem the above pricing to be acceptable in the current climate and broadly in line with what was agreed when this was previously reviewed in the latter part of 2019.

## 7. Affordable Housing Contribution

In order to ascertain the financial contribution for affordable housing we have assessed the proposed scheme using the LBL toolkit provided.

### Gross Development Value (GDV)

#### Private Unit Values

As stated previously, we are in agreement with the applicant's suggested pricing for the residential element. The table below shows the private units generate a value of £3,733,340 which equates to circa £659 per sq ft.

No	Beds	NIA (Sq M)	NIA (Sq Ft)	Value (£ Per Sq Ft)
1	2 bed	73	788	£530,000 (£673)
2	2 bed	63	675	£500,000 (£741)
3	2 bed	75	808	£525,000 (£650)
4	1 bed	54	577	£387,085 (£671)
5	3 bed	108	1,165	£630,000 (£541)
6	1 bed	52	561	£387,085 (£690)
7	1 bed	51	547	£387,085 (£708)
8	1 bed	50	541	£387,085 (£715)
<b>Total</b>	-	<b>526</b>	<b>5,662</b>	<b>£3,733,340 (£659)</b>

#### Commercial Values

We have applied the same rents and yields as the applicant. These were previously agreed.

Use	Area (Sq Ft)	£ Per Sq Ft	Rental Value P.A.
A1 Retail	2,204	£22.50	£49,590
B1 Office	3,646	£25.00	£91,150
<b>Total</b>	<b>5,850</b>		<b>£140,740 p.a.</b>

We have adopted a yield profile of 6% and included a rent free allowance of 6 months which results in a value of £2,150,564, which is circa £43,755 higher than the applicant.

### Affordable Unit Values

The LBL toolkit requires an average blended affordable housing value to be inserted. Based on our experience we have assumed an average blended affordable housing value of £318 per sq ft compared to the applicant's £278 per sq ft.

Consequently, we are of the opinion that the applicant's GDV is undervalued by circa £43,755.

### **Development Costs**

The applicant has assumed a blended cost rate of £228 per sq ft which generates a total cost of £3,015,876. As per our instructions, we have undertaken a desktop analysis of the applicant's costs (i.e. £228 per sq ft) and they appear to be in line with the information from BCIS, which is attached in Appendix 1. We have paid particular attention to the 'upper quartile' rate for flats of 3-5 stories which equates to £2,176 per sq m (£202 per sq ft). We have considered this rate rather than the lower 'median' due to the fact that the development also consists of commercial space which based on the rental projections will require significant investment and fit-out. It is also worth noting that this cost is also inclusive of a developer's contingency which we typically expect to be in the order of 5%. As well as this, we would also typically apply a 15%-20% inflation to any BCIS cost in order to represent the deficiencies of being solely reliant upon the rates in isolation. Consequently we deem the applicant's cost to be in line with expectations.

We are in agreement of the applicant's 10% professional fee allowance. This is in line with other reviews we undertake in the borough. This produces the following development costs;

	<b>AY (circa)</b>	<b>Applicant (£ circa)</b>
Build Cost	£3,015,876	£3,015,876
Professional Fees	£301,588	£301,588

Consequently, we are in agreement with the applicant's costs and associated fees.

We have also included the following marketing fees in our appraisal:

<b>Fee</b>	<b>AY</b>	<b>Applicant</b>
Marketing	1.5% of GDV	2.5% of GDV

We consider our adopted marketing and agency fees to be in line with the market expectations and as a result we have a cost which is circa £57,745 lower than the applicant.

## **Other Costs**

The Mayoral CIL charge is payable on all schemes granted after 01/04/12 except for education, social housing or health buildings. The rate applicable for the London Borough of Lambeth is £60 per sq m on the amount of additional floor space a new development will produce. The development will also have to pay Borough CIL which is charged at the tariff of £50 per sq m for residential. The applicant has included a CIL contribution of £83,761 and a S106 payment of £30,000. We would recommend that LBL verify these costs.

We have assumed a debit rate of 7% in line with the applicant. We can confirm that this is reflective of the current market climate.

## **Conclusion**

We calculate that the scheme is able to provide £35,981. A copy of our calculator is included in Appendix 2.

DRAFT



# Appendix 1- BCIS

## £/m2 study

**Description:** Rate per m2 gross internal floor area for the building Cost including prelims.

**Last updated:** 23-May-2020 00:47

› Rebased to London Borough of Lambeth ( 129; sample 33 )

**Maximum age of results:** Default period

Building function (Maximum age of projects)	£/m <sup>2</sup> gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
<b>816. Flats (apartments)</b>							
Generally (15)	1,962	974	1,637	1,868	2,208	6,775	912
1-2 storey (15)	1,872	1,150	1,594	1,791	2,068	3,366	214
3-5 storey (15)	1,930	974	1,622	1,856	2,176	4,131	602
6 storey or above (15)	2,381	1,423	1,930	2,214	2,582	6,775	93

# Appendix 2 Calculator – Proposed Scheme

## Small Sites Affordable Housing Contribution Viability Test

Scheme address: 219 - 223 Coldharbour Lane

Policy compliant affordable housing		2.8%
Private	7.78	Affordable 0.22

Scheme income		Scheme mix						
Unit type	No of beds	Floor area (sq m)	Predicted sales value	Car Parking revenue per unit	Ground rent per annum	Yield	Capitalised ground rent	Gross floor area (sqm)
Unit 1	Flat	2	73	£530,000	£0	£0.00	0%	90.12
Unit 2	Flat	2	63	£500,000	£0	£0.00	0%	77.78
Unit 3	Flat	2	75	£525,000	£0	£0.00	0%	92.59
Unit 4	Flat	1	54	£387,085				66.67
Unit 5	Flat	3	108	£630,000				133.33
Unit 6	Flat	1	52	£387,085				64.20
Unit 7	Flat	1	51	£387,085				62.96
Unit 8	Flat	1	50	£387,085				61.73
Unit 9	Flat		544	£2,150,564				671.60
<b>Sub-total</b>		1070	<b>£5,883,904</b>					<b>£0</b>
<b>Gross to net ratio (flats)</b>			<b>81.00%</b>			<b>GIA total</b>		<b>1320.99</b>

Average private sales value (per sq m)	£5,499
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Average affordable hsg value (per sq m)	£3,422.00
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Policy compliant scheme GDV (private)	£5,719,509
Policy compliant scheme GDV (affordable)	£102,303

Car parking income	
Ground rent income	£0

Gross Development Value		£5,883,904	£5,821,812
<b>Scheme costs</b>			
	Build costs	£3,015,876	£3,015,876
	Demolition and site prep		£0
	Professional fees 10.00%	£301,588	£301,588
	Mayoral CIL	£83,761	£83,761
	Lambeth CIL	£0	£0
	Section 106 (non-housing)	£30,000	£30,000
	Marketing (% of GDV) 1.50%	£88,258.56	£85,792.63
	Developer's profit on private 16.47%	£969,078.99	£942,003.11
	Developer's profit on AH 6.00%	N/A	£6,138.16
	Finance on build 7.00%	£120,092.86	£120,092.86
	<b>Residual land value</b>	<b>£1,275,249</b>	<b>£1,236,560</b>
	Finance on land 7.00%	£89,267	£86,559
<b>NET RESIDUAL</b>		<b>£1,185,982</b>	<b>£1,150,001</b>

£1,150,000

Viable

£1,150,000

Viable

Payment in lieu £35,981

Existing use value Input method: Manual entry

Manual entry EUV: £1,150,000

Description of existing buildings on site:

Floor area of building (sqm)

Type of building

Rent per sq m  
Area 1

Yield

Rent free period (years)