Coopers Yard,
Land at Nos. 6, 61-81 and Coopers Yard, Eastmoor Street and Nos. 6 & 10 Westmoor Street
Charlton, SE8 9LX

Independent Viability Review

Prepared on behalf of Royal Borough of Greenwich

28th September 2020
Planning Reference: 20/1924/F

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1.0 INTRODUCTION

1.1 BPS Chartered Surveyors have been instructed by the Royal Borough of Greenwich to undertake a review of a Financial Viability Assessment (FVA) prepared by Red Loft on behalf of Eastmoor Street 81 LLP ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The site extends to 1.46 acres and is situated within Charlton Riverside within 800m of Charlton Railway Station. The site currently comprises single storey industrial warehouses and open storage (Sui generis, B2 and B8) and is occupied by a variety of tenants.

1.3 The location is predominantly industrial in nature, but the site is adjacent to a park which leads to the River Thames.

1.4 The proposals are for:

'Demolition of existing structures and erection of buildings between 6 and 10 storeys in height, comprising 202 residential units, 1350sqm B1/B8 flexible employment floorspace and 522sqm flexible retail and community uses (Use Classes A1 – A5 and D1) with associated landscaping and new public realm, access and infrastructure works, refuse and recycling storage, car parking and cycle parking and associated development".

1.5 The basis of our review is a Financial Viability Assessment prepared by Red Loft dated June 2020, which concludes that the scheme is currently showing a deficit of approximately £21,991,000. This is summarised in the table below.

Profit Level	Benchmark Land Value (BLV)	Deficit
17.28% on GDV	£5,802,000	-£21,991,332

1.6 Of the 202 proposed residential units, 131 are for private sale at Market Value, 50 are provided for London Affordable Rent and 21 as part of a shared ownership scheme. This amounts to 35% Affordable Housing provision by number of units, reflecting a 70/30 split of tenure by unit number. Overall provision by habitable room is 38% and reflects a split of tenure 77% affordable rent and 23% shared ownership.

1.7 In consideration of the new London Plan policy H5 seeks a 50% affordable housing delivery from land currently in industrial use, consequently, this scheme would not comply with the requirement for fast track delivery. However, the scheme is not reliant on grant.

1.8 The basis of our review is a Financial Viability Assessment prepared by Red Loft, dated June 2020, which concludes that the scheme is currently shows a deficit of £21,991,332. Therefore, the proposed scheme cannot viably provide any further affordable housing provision than it currently proposes but they are still willing to proceed on this basis.

1.9 We have downloaded documents available on the RBG's planning website. We have also received a live version of the Argus appraisal included in the report.

1.10 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make any additional affordable housing contributions.

1.11 We have searched the RBG's planning website and have found previous applications regarding the site:

- In 2020 An Environmental Impact Screening Opinion was recorded with respect to the subject proposal.
- Apart from the subject application, there have been no other planning applications regarding the site for the past 10 years.

1.12 The advice set out in this report is provided in the context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2020, the provisions of VPS1–5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation. The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the Council and with any associated Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Council.

1.13 This Viability Review adheres to the RICS Professional Statement on Financial Viability in Planning (published May 2019). In accordance with this Statement, we refer you to our standard terms and conditions which incorporate details of our Quality Standards Control & Statement on Limitation of Liability/ Publication.

Coronavirus – Material uncertainty

1.14 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

1.15 Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

1.16 Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.

2.0 CONCLUSIONS AND RECOMMENDATIONS

2.1 We have reviewed the Financial Viability Assessment prepared by Red Loft on behalf of the applicant for the proposed scheme which concludes that the proposed scheme generates a deficit of £21,991,000 when compared to their proposed benchmark land value of £5,802,000.

Benchmark Land Value:

2.2 Red Loft have approached the Benchmark Land Value on an Existing Use Value (EUV)+ basis. This is based on an assumed freehold sale excluding 'hope' value for residential development.

2.3 Red Loft have assumed that the site could achieve £329,000 per annum if let for its current use. They have capitalised the rent at yields between 6.00% and 8.00%. This results in an EUV of £4,835,000. Red Loft have applied a landowner premium of 20% to the EUV, resulting in a BLV of just over £5,802,000.

2.4 We are in agreement that an EUV+ approach is appropriate, in line with the National Planning Policy Framework (NPPF):

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… This approach is often called 'existing use value plus (EUV+).

2.5 We do however consider the EUV to be overstated and we have assessed the EUV to be £4,013,000. We accept the proposed Landowner Premium albeit it is towards the upper end of the normal range of 20%, this results in a Benchmark Land value of £4,815,000.

The Proposed Scheme:

2.6 The scheme includes 202 residential units over a maximum of 10 storeys which are comprised as follows:

Bedrooms	Private Sale	London Affordable Rent	Shared Ownership
Studio	9	0	2
1	48	0	2
2	48	37	15
3	26	13	1
Total	**131**	**50**	**21**

2.7 Red Loft have adopted an average market value sales value rate of £616 psf, with an average unit price of £444,356 (£280,909/£691psf for a studio, £384,000/£641psf for a 1 bedroom flat, £456,050/£606 for a 2 bedroom flat, £570,000/£535psf for a 2 bedroom duplex, £508,561/£602psf for a 3 bedroom flat and £644,643/548psf for a 3 bedroom duplex. Generally, we have found that the market values proposed by Red Loft are broadly in line with available market evidence.

2.8 Capitalised ground rents have not been included in Red Loft's appraisal. We are satisfied that this is a reasonable approach given the Government's intention to restrict ground rent charges. We do note however that at present there is no Parliamentary timescale for considering a Bill to restrict the ability of developers to charge ground rents and we note that developers continue to incorporate such charges in leases. We therefore consider it appropriate for a restriction to be incorporated in this regard within the S106 Agreement to prevent such charges being made in view of affordability.

2.9 If no such restriction is put in place we consider an appropriate that a value be inputted into our appraisal for this element. It should also be noted that if grant is sought for this scheme the SoS has indicated grant would not be allocated to schemes charging ground rents.

2.10 The scheme proposes to provide 14 off street accessible parking bays. For the purposes of this report, we have assumed no additional value for these spaces and that they will be not be income producing.

Development Costs:

2.11 Our Cost Consultant, Neil Powling, have reviewed the Cost Plan for the proposed scheme prepared by Randall Simmonds, dated June 2020, and conclude that the proposed costs appear broadly reasonable and that the areas and costs included in the appraisal are consistent with the areas and costs in the estimate/cost plan. We note that the estimate includes for fitted out commercial space and we have valued accordingly.

2.12 We find the additional cost assumptions to be reasonable. It is noted that we have not verified the RBG CIL or MCIL adopted by Red Loft. The planning obligations should be confirmed by the Council.

Appraisal Updates and Conclusions:

2.13 We have been provided with a live version of the Argus appraisal included in Red Loft's report to which we have applied our amendments which include:

- The Benchmark Land Value has been reduced to reflect reduced EUV as storage land and increased costs.
- The revised Benchmark Land Value of £4,815,000 has been inputted as a fixed land value so that land interest charges are not over or understated. Profit has been included as a development cost timed to the end of development. This results in the appraisal outputting a profit above profit targets representing either the development surplus or deficit.

- We have revised the GDV of the Affordable Housing portion of the scheme from £12.74m to £13.66m to reflect our analysis.

- We have amended the commercial area of the proposed scheme to 19,594sf in line with supplementary information received from Red Loft.

- We have reduced Red Loft's blended profit target of 20% for Private Residential and 6% for Affordable Housing to a figure reflecting 17.5% for Private Housing, 15% for Commercial and 6% for Affordable Housing this being a more reasonable profit range for this type and scale of scheme.

2.14 Our updated viability position for the scheme as proposed is:

35% Affordable Housing	Red Loft	BPS
EUV	£4,835,000	£4,013,000
Landowner Premium	20%	20%
BLV	£5,802,000	£4,815,600
GDV	£74,603,231	***£75,800,308**
Developer's Profit: Private Housing Affordable Housing Commercial	 20% 6% 	 17.5% 6% 15%
Deficit	**£21,991,332**	**£18,081,284**

***** Based on revised Commercial floor area.

2.15 Our analysis shows a reduced deficit but one which would still not enable the scheme to viably deliver additional affordable housing. It is not clear whether the applicant has considered how the application of grant might enable the scheme to deliver additional affordable housing.

3.0 BENCHMARK LAND VALUE

Viability Benchmarking

3.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

Gross Development Value – Development Costs (including Developer's Profit) = Residual Value

3.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.

3.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure, the scheme is said to be in deficit and as such would be unlikely to proceed.

3.4 Development appraisals can also be constructed to include a fixed land value and fixed profit targets. If an appropriate benchmark is included as a fixed land value within a development appraisal this allows for interest to be more accurately calculated on the Benchmark Land Value, rather than on the output residual value. By including fixed profit targets as a cost within the appraisal, programmed to the end of development so as not to attract interest payments, the output represents a ‘super’ profit. This is the profit above target levels generated by the scheme which represents the surplus available towards planning obligations.

3.5 We note the Mayor of London’s Affordable Housing and Viability SPG published August 2017 states a clear preference for using EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. This is evidenced through the following extract:

The Mayor considers that the ‘Existing Use Value plus’ (EUV) approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used.

3.6 We note the Planning Policy Guidance, published May 2019, states:

Benchmark land value should:

- *be based on existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark *land value. These may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*

The evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

[…] Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

3.7 We find the Market Value approach as defined by RICS Guidance Viability in Planning 2012 if misapplied is potentially open to an essentially circular reasoning. The RICS Guidance promotes use of a modified standard definition of "Market Value" by reference to an assumption that the market values should reflect planning policy and should disregard that which is not within planning policy. In practice we find that consideration of compliance with policy is generally relegated to compliance somewhere on a scale of 0% to the policy target placing landowner requirements ahead of the need to meet planning policy.

3.8 There is also a high risk that the RICS Guidance in placing a very high level of reliance on market transactions is potentially exposed to reliance on bids which might

a) Represent expectations which do not mirror current costs and values as required by PPG.

b) May themselves be overbids and most importantly

c) Need to be analysed to reflect a policy compliant position.

To explain this point further, it is inevitable that if site sales are analysed on a headline rate per acre or per unit without adjustment for the level of affordable housing delivered then if these rates are applied to the subject site they will effectively cap delivery at the rates of delivery achieved of the comparable sites. This is an essentially circular approach which would effectively mitigate against delivery of affordable housing if applied.

3.9 The NPPF recognises the need to provide both landowners and developers with a competitive return. In relation to landowners this is to encourage landowners to release land for development. This is set out in PPG as follows:

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. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)

3.10 Guidance indicates that the sale of any premium should reflect the circumstances of the landowner. We are of the view that where sites represent an ongoing liability to a land owner and the only means of either ending this liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable. This view is corroborated in the Mayor of London's Affordable Housing and Viability SPG which states:

Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/ costs, a lower premium of no premium would be expected compared with a site occupied by profit-making businesses that require relocation. The premium could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary.

The Proposed Benchmark

3.11 The benchmark proposed by Red Loft for viability testing is based on an EUV+ approach.

3.12 The existing property on site comprises 6 Lots which we understand from Red Loft are let under short term licences to different occupiers. We are not aware of the heads of terms of these licences which we not made available to us despite our request. In the circumstances, we have assumed that the property is available with vacant possession and have valued on this basis.

3.13 We have not received any photographs or any additional evidence on the property's condition, nor have we conducted a site inspection. We understand that Strettons, on behalf of Red Loft have externally inspected the buildings and that they are in average or above average operational condition (we note the remarks regarding suspected asbestos and assume for the purposes of this report that the property is suitable for its current use). No further information is provided by the applicant.

3.14 On this basis, we have assumed that the property is currently in a lettable condition for its current use. We have not allowed for any refurbishment costs, but we reserve the right to amend our valuation on receipt of further information.

3.15 Red Loft have assumed the following EUVs:

Lot	Use	Size sf	Red Loft ERV psf	Red Loft ERV pa	Red Loft Yield	Purchase Costs	Red Loft EUV
1	Warehouse/Office Yard	9,703 2,313	£8.00	£77,000	6.50%	6.80%	£1,100,000
2	Workshop/Office Yard	3,237 2,749	£11.00 £5.00	£50,000	6.0%	6.80%	£775,000
3	Workshop Yard	311 8,794	 £4.50	£40,000	8.00%	6.80%	£465,000
4	Warehouse Yard	7,712 5,409	£12.00 £5.00	£119,000	6.00%	6.80%	£1,850,000
5	Warehouse/Office Yard	2,432 541	£10.00	£24,000	6.25%	6.80%	£360,000
6	Workshop Yard	1,922 533	£10.00	£19,000	6.25%	6.80%	£285,000
	Total			**£329,000**			**£4,835,000**

3.16 The above figures are based on transactional and marketing comparables.

3.17 Industrial rents quoted are between £4.38 and £17psf, although rents for units within the size range seen at the subject were between £10.84 and £12.41psf.

3.18 Rents for industrial land quoted are £4.73 and £1.90, although the rent of £4.73 was agreed on a smaller plot than those rentalised at the subject.

3.19 Sales of industrial land are quoted at rates between £22.89 and £106.30 psf, yields were around 8.5%, although all these comparables are of much smaller plots than the subject.

3.20 Industrial yields quoted are between 4.5% and 7.89%. Of the three yields below 6.68%, one was sold to the tenant, one was a sale and leaseback, the remaining property was reversionary and all 3 were single let.

3.21 In addition, sales of vacant industrial premises are recorded between £164 and £227.34 psf. The property quoted at £227.34 psf is an asking price, whilst the property quoted at £210.89 was part of a portfolio sale. The remaining comparables are all considered a superior specification to the subject.

3.22 Red Loft have adopted a 20% landowner's premium which results in a BLV of £5,802,000. They give the following justification as to why a 20% premium has been adopted:

'This uplift is considered reasonable given the demand for this type of space evidenced and reflects established precedent in viability assessment methodology.'

BPS Assessment of Benchmark Land Value

3.23 We have approached the Benchmark Land Value on an Existing Use Value Plus (EUV+) basis. Notwithstanding this, we have provided commentary upon the inputs used in Red Loft's approach as follows:

3.24 We have considered valuation of the land as industrial and industrial open storage and our research has established the following comparables:

Address	Date		Comments
			Industrial Rents
Unit 2, Block 2, Woolwich Church St, SE18	Aug 18	£12.84psf	Letting of 2,493sf, dated 5,5m eaves, parking and loading at £32,000pa.
Basement, 3 Herringham Road, SE7	Jul 18	£9.61psf	11,447sf let at £110,000 on a 5 year term with yearly rent reviews.
Unit 7, Block 2, Woolwich Church St, SE18	Mar 18	£12.47psf	Letting of 2,486sf, dated 5.5m eaves, parking and loading at £31,000pa.
Unit 13, VIP Industrial Pk, Anchor and Hope Lane SE7	Nov 17	£10.41psf	Letting of 1,153sf, 1970s unit at £12,000pa.

Units 50-51 New Lydenberg St, SE7	Apr 17	£14.75psf	Letting of 793sf, 1950s, 5 year term, 3 year break at £11,700pa.
			Storage Land Rents:
Address	Date		Comments
Cuba St, E14	Jul 20	£4.00psf	14,246sf on the market for £57,000pa, central location.
14 Woodford Trading Estate, Southend Rd, IG8	Jul 20	£3.97psf	12,594sf on the market for £50,000, includes 4 storage containers.
Land to the rear of 191 Green Lane, Welling SE9	Aug 20	£2.80psf	Enclosed land of 1,890sf available for restricted storage adjacent to residential properties, 12 month licence, good interest received at asking price of £450pcm. Comparable micro location to subject.
Bramshot Avenue, Greenwich SE7	Sep 20	£3.70psf	0.5 acre secure yard with WC block on Blackwall Tunnel Southern Approach. Superior location to subject due to access. Under offer on 5 year lease with break in year 3 at just under £3.70 psf.
Thames Circle, E14	Apr 19	£6.3psf	0.2 acres, B8 open storage land let on 5 year lease, better location than subject.
Picketts Lock Lane, N9	Feb 19	£3.55psf	2.75 acres, B8 open storage land, let on 10 year lease.
			Industrial Sales:
2-10 Ossory Road, SE1	Jul 18	£160psf	12,852sf, eaves height 6.4m, includes yard, sold for £.05m.
			Industrial Storage Land sales:
Peak Works, Alfreds Way, Barking	Oct 18	£73.46psf	1.55 acres, vacant, has 35,400sf industrial building on site, access to A13.
Former Frozen Distribution Centre, Elstree Way, Borehamwood	Feb 18	£72.77psf	6.17 acres, vacant, includes buildings and cold store distribution unit.
54 St Jeffrey's Road, Enfield	Feb 17	£62.44psf	2.02 acres, vacant, between M25 and A406.

3.25 The industrial workshop/warehouse rental comparables available appear to be of superior specification/condition to the subject units, but we consider Red Loft's assessment of ERV psf to be reasonable.

3.26 Of the rental comparables for industrial land, we consider the closest comparable to be that at Bramshot Avenue, although this plot is larger than the subject, it is better located. We have therefore reduced the rent psf on the open storage land to £3.00psf.

3.27 Further to our view on Red Loft's assessment of rents psf, industrial yards are usually only rentalised when the yard exceeds around 40% of the built area. For this reason, we have reduced the rentalised yard area on Lot 2 to 1,454sf and on Lot 4 to 2,324sf.

We have not made a similar adjustment to Lot 3 as the workshop on this site is essentially ancillary to the yard.

3.28 In addition, we have deducted 5% management costs to reflect the multi-let nature of the site.

3.29 In terms of yields, we are in agreement with Red Loft's adoption of yields between 6.00% and 8.00% which accord with the evidence available to us and with the Knight Frank August 2020 secondary industrial yield of 6.25%+.

3.30 The BPS assessment of EUV is therefore £4,013,000, a breakdown of which is shown in the table below:

Lot	Use	Size sf	BPS ERV psf	BPS ERV pa	BPS Yield	Purchase Costs	Red Loft EUV
1	Warehouse/Office Yard	9,703 2,313	£8.00	£77,000	6.50%	6.80%	£1,049,000
2	Workshop/Office Yard	3,237 1,454	£11.00 £3.00	£40,000	6.0%	6.80%	£590,000
3	Workshop Yard	311 8,794	 £3.00	£26,000	8.00%	6.80%	£288,000
4	Warehouse Yard	7,712 2,324	£12.00 £3.00	£100,000	6.00%	6.80%	£1,475,000
5	Warehouse/Office Yard	2,432 541	£10.00	£24,000	6.25%	6.80%	£341,000
6	Workshop Yard	1,922 533	£10.00	£19,000	6.25%	6.80%	£270,000
	Total			**£286,000**			**£4,013,000**

3.31 Noting that there is ready demand for such accommodation we consider the property could remain a functioning investment as such we are in agreement that a 20% Landowner Premium is appropriate and on this basis we have adopted a figure of £4,815,600 as the Benchmark Land Value.

3.32 We reserve the right to amend our valuation on receipt of further information.

4.0 RESIDENTIAL UNIT VALUES

4.1 The residential element of the proposed scheme, as sought by the planning application, is for 202 residential units. Residential units are provided in a mixture of studios, 1, 2 and 3 bedroom flats and will be arranged in 4 blocks of up to 10 storeys.

4.2 The scheme delivers 35% affordable housing by unit reflecting 70/30 split of tenure. We note that by habitable rooms the overall provision reflects 38% and the split of tenure types is 77%/23%, noting the Council's policy requirement for a 70/30 split of tenure.

4.3 Across the scheme, Red Loft have assessed Market Values by unit type as follows:

Type	Size sf	Red Loft MV psf	Red Loft average MV	No. of units	Red Loft Total MV
Studio	407	£691	£280,909	11	£3,090,000
1 bedroom flat	599	£641	£384,000	50	£19,200,000
2 bedroom flat	741	£616	£456,050	100	£45,605,000
2 bedroom duplex	1,066	£535	£570,000	1	£570,000
3 bedroom flat	844	£602	£508,561	33	£16,782,500
3 bedroom duplex	1,177	£548	£644,643	7	£4,512,500
Total/Ave		**£616**	**£444,356**	**202**	**£89,760,000**

Private Residential Units

4.4 The private residential units comprise part of Block B and the whole of Blocks C and D.

4.5 The above Market Values assessed by Red Loft result in a total GDV for Private Residential units of £56,925,000, an average area of 619sq ft and an average unit market value of £434,542. This value is based upon advice from Savills, although no direct comparable evidence is quoted.

4.6 We have made our own enquiries and have obtained the following comparables from similar new build developments in the area.

Development	Studio Ave sf	Studio Ave price psf	1 bed Ave sf	1 bed Avg price psf	2 bed Ave sf	2 bed Ave price psf	3 bed Ave sf	3 bed Avg price psf	Comments
Battalion Court SE18			587	£620	866	£543	981	£560	Mix of achieved and asking prices Jun19-Jan 20. Similar sized units to subject, we consider this to be a reasonable comparable to the subject scheme.

Woodrow Business Centre SE18									Achieved prices average £718 psf through 2018 and 2019. Small unit sizes, but comparable location.
Phase V, Greenwich Millennium Village, SE10 *			555	£751	857	£649	-	-	Stronger location than subject, riverside setting. Phase 5 analysed here (Sept - Nov 19).
Phase VI, Greenwich Millennium Village, SE10 *			615	£711	805	£689	-	-	From indicative range of prices achieved over last 12 months. 3 bedrooms are duplexes (achieving around £650,000, no measurements available). No parking included. Parking charged at £20,000 per space in addition.
Precision SE10									Achieved prices mostly in 2018 showed an average of £664 psf. Superior riverside setting and historic.
Greenwich Square SE10	406	£810	610	£762	794	£719	1,070	£684	Asking prices June 2019. Stronger location than subject, similar sized units.
The River Gardens SE10 *	606	£955	762	£717	814	£690	988	£605	Achieved prices, mostly through 2019. Considered superior to subject and generally larger units.
Royal Arsenal Riverside SE18 *			426	£887	540	£848	807	£743	Achieved prices from June 2018 to Dec 2019. Considered a superior scheme than subject and small unit sizes.
The Royal Arsenal SE18 *			550	£945	740	£858	1,050	£743	From indicative range of achieved prices, June to September 2020.
Average			**588**	**£747**	**774**	**£690**	**962**	**£648**	

4.7 From the above developments, we consider Battalion Court to be the strongest comparable for the subject scheme. On this basis and considering the tone of values for Studios and larger apartments, particularly Greenwich Square and the River Gardens we consider Red Loft's assessment of Private Residential GDV to be reasonable although we would recommend that Market Value is re-assessed at Review.

Ground rents

4.8 Capitalised ground rents have been excluded from Red Loft's appraisal. This is due to the Government's intention to limit them to a peppercorn rent. Although there is as yet no legislation limiting ground rents or any timescale to bring forward legislation. We do however note that the Government has indicated that Grant will not be awarded to schemes charging such rents, furthermore a number of leading mortgage providers have also made the same stipulation.

4.9 In light of the above we accept the exclusion of ground rents as it appears this revenue is unlikely to be realised. However, we also recommend that this approach is backed by provisions within the S106 Agreement to limit the ability to levy ground rents to accord with this assumption.

Affordable Housing

4.10 The applicant is offering affordable housing within Blocks A and B of the proposed development. Red Loft have indicated that whilst 35% of the scheme is accounted for by affordable housing by unit, this increases to 37.6% when assessed by habitable room. We note the then accommodation schedule that the tenure split on a habitable room basis reflects a tenure split of 77% affordable rent and 23% shared ownership as such it exceeds the Council policy requirement for a 70/30 split of tenure.

4.11 London Affordable Rent units account for 70% by unit of the proposed affordable housing provision (77% by habitable room) and will be situated in Block A. Red Loft have assessed the value of the net rents (after deductions for management, maintenance, repairs and voids/bad debts) assuming rental growth at 3.00% pa. This results in a London Affordable Rented GDV of £6,800,000.

4.12 We have assumed rental growth of 0.5% pa and have discounted the cashflow over a 60 year period. Our analysis values the Affordable Rent portion at £7.94m.

4.13 Shared Ownership units account for 30% by unit of the affordable housing provision (23% by habitable room) and comprise part of Blocks A and B. Red Loft have assessed the value of the Shared Ownership units as total of the revenue of shares sold and the net present value of the rent receivable on the following assumptions:

Unit type	% Share sold	%rent on unsold equity
Studio	35%	2.75%
1b2p	35%	2.75%
2b3p	35%	2.75%
2b4p	30%	2.75%
3b4p	30%	2.75%

4.14 This results in Red Loft's assessment of the Shared Ownership GDV of £5,940,000.

4.15 We confirm that based on a household income of £90,000, and assuming an equity purchase of 35%, the units remain affordable. We have assessed the Shared Ownership GDV assuming a rent of 2.5% on the remainder of an 30% equity stake. Again, a 60 year cashflow period has been analysed. This results in a Shared Ownership GDV of £5.66m.

4.16 An offer from an RP would be a useful point of reference to confirm whether the assumed values are reasonable and would accord with best practice. There has been no assessment of the potential impact of grant in helping to deliver a higher quantum of affordable housing in line with the new London Plan target of 50% for this category of site.

4.17 Red Loft report that the scheme is grant free and does not qualify for the Fast Track Route. We therefore understand that the scheme should be subject to Review under the Viability Tested Route and we recommend that the opportunity is taken to review the values here reported.

5.0 COMMERCIAL UNIT VALUES

5.1 We are in receipt of supplementary information from Red Loft which confirms a revised total commercial floorspace of 19,594 sqft NIA on the ground and mezzanine floors. This includes retail and commercial uses.

5.2 We have been provided with the following revised GIA measurements for the commercial units:

Unit	Use	Use Class	New Use Class	Floor	GIA (sf)	NIA at 80% of GIA (sf)
1	Retail/Community	A1-A5, D1	E, F1, F2, SG	G	2,209	1,767
2	Retail/Community	A1-A5, D1	E, F1, F2, SG	G	1,953	1,562
3	Retail/Community	A1-A5, D1	E, F1, F2, SG	G	1,330	1,064
4	Employment	B1, B8	E, B8	G&M	2,322	
5	Employment	B1, B8	E, B8	G&M	2,879	
6	Employment	B1, B8	E, B8	G&M	2,341	
7	Employment	B1, B8	E, B8	G&M	3,671	
8	Employment	B1, B8	E, B8	G&M	2,889	
Total					**19,594**	

5.3 Red Loft have proposed an ERV of £17.50 psf GIA for the commercial space, which totals £342,895. The accommodation is assumed to be fitted out prior to letting and no rent free periods or void periods have been assumed. No comparable evidence has been produced in support of this assumption. We note that Red Loft's report refers only to B1/B8 uses, although the planning application refers to A1-A5 and D1 uses for the 3 retail units.

5.4 We have considered the following evidence from A1, B1, D1 and D2 uses from a number of newly completed developments in SE10 and SE18, which show a range of rentals from £17.49psf to £30.00psf. The units range in size from 1,345 sf to 6,174 sf and are comparable in size to the units in the proposed scheme.

Address	Use	Date	GIA (sf)	Rent pa	Rent psf	Comments
Block 2, Plumstead Rd, SE18	Retail	Mar 20	5,119	£127,950	£25.00	Ground Floor
Unit 4, Greenwich Square, SE10	A1	Jan 20	2,139	£54,825	£25.63	Ground floor, shell space.
Block 9, River Gardens, SE10	B1	Dec 18	6,174	£108,000	£17.49	Ground Floor
River Gardens, SE10	D1	Nov 18	3,553	£65,000	£18.29	Ground Floor
Unit 5, Greenwich Square, SE10	A1	Nov 18	1,345	£40,350	£30.00	Ground Floor
Units1-6, 5-21 Blackwall Lane, SE10	D2	Nov 18	4,853	£95,000	£19.58	Gym use, 15 year term, 12 month rent free, ground floor

5.5 Considering the above comparables (and in particular that the retail units have been valued on the basis of GIA with no void/rent free period), we are in broad agreement with a rent in the order of £17.50psf, although the increased flexibility in use stemming from the *The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020* will increase the marketability of the units and could increase average rents achieved. We therefore recommend these rents are subject to a Review.

5.6 Red Loft have assumed a yield of 6.50% for the proposed commercial space. This is not based on explicit transactional evidence, presumably because investment sales of the commercial element only of such schemes are unusual. From our experience of the market and bearing in mind the variety of uses that the commercial space will fulfil and its essentially neighbourhood location, we are in agreement that a yield of 6.50% appears realistic.

5.7 We are therefore of the view that a Market Value of the commercial element of the proposed scheme of £5,275,000 appears reasonable (this figure takes the revised floor areas into account).

6.0 DEVELOPMENT COSTS

6.1 We have instructed our independent Cost Consultant Neil Powling.

6.2 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Randall Simmonds and we attach their report dated 11th September 2020 in Appendix 1. The report concludes that:

Our benchmarking results in an adjusted benchmark of £2,703/m² that compares to the Applicant's £2,699/m². We therefore consider the Applicant's costs to be reasonable.

The areas and costs included in the appraisal are consistent with the areas and costs in the estimate/cost plan.

6.3 Randall Simmonds have allowed preliminaries at 10.3%, with a further 1% for Works Insurance, overheads and profit at 6.4% and contingencies at 5% which we consider to be reasonable.

6.4 The FVA appraisal utilises the following fees:

- Professional fees 12.0%
- Residential Marketing and sales agent fees 1.5%
- Commercial Marketing and sales agent fees £2/ft²
- Sales Agency Fee 1.5%
- Sales legal fee 0.35%
- Letting Agent Fee 10.00%
- Letting Legal Fee 5.00%

6.5 We consider these fees to be within market norms and therefore reasonable.

6.6 Generally, we accept that overall construction costs put forward in the FVA are realistic and in line with market norms.

6.7 Red Loft have included CIL in their appraisal. They have assumed a charge of £301,065 for MCIL and £842,982 for RBG CIL. We have not verified these amounts and request that the Council confirm that the charges assumed are appropriate.

6.8 An allowance has been made of £308,000 for s278 road improvements.

6.9 No allowance for Carbon Offset Payment has been made, we request that the Council confirm this to be appropriate.

6.10 We have not included s106 costs in our appraisal, as we understand that a s106 agreement has not been reached. We request that the Council confirm that this approach is appropriate.

6.11 Finance has been included at 7% assuming that the scheme is 100% debt financed. We consider this to be reasonable assumption for the purposes of assessing viability but at the upper end of the interest spectrum we would expect for as development of this scale.

6.12 Red Loft have proposed the following development time scales:

	Months
Total Construction Period	29

6.13 Red Loft have assumed that 40% pre-sales will be achieved on private residential sales with 8 units per month being sold thereafter.

6.14 The developer profit target adopted by Red Loft is a blended figure of 17.28%, based on 20.00% on private residential GDV and 6.00% on affordable residential GDV. Our view is that 17.5% on private housing, 15% on commercial and 6% on affordable housing would be more in line with industry norms and we have revised our figures appropriately.

7.0 REDUCED HEIGHT SCENARIO

7.1 Red Loft have presented a further scenario within their report, describing a proposal for the subject site with 84 residential units and no Affordable Housing. Although we have not been provided with Red Loft's live Argus appraisal for this scenario, we have replicated this scenario reflecting our views on values. We have not specifically analysed the build costs for this scenario and assume Red Loft's costs to be correct.

7.2 Our appraisal indicates that the deficit in such a scenario is likely to reduced to around £300,000. We are of the impression that this scenario has been provided for illustrative purposes only and would be likely to form part of any discussions during negotiations with the applicant.

8.0 SIGNATORIES

The following persons have been involved in the production of this report.

Clare Jones MRICS

RICS Membership no.
For and on behalf of BPS Chartered Surveyors

&

Andrew Jones MRICS
RICS Membership no.
For and on behalf of BPS Chartered Surveyors

This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.

The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information, and our instruction is not on a success-related or contingent fee basis.

Appendix 1
Cost Consultant report

Project: Coopers Yard, Eastmoor St, Charlton, SE8 9LX – (Land at) 6, 61-81 and 6&10 Westmoor St - Greenwich

Independent Review of Assessment of Economic Viability

Interim Draft Report
Appendix A Cost Report

1 SUMMARY

1.1 The estimate includes provision for fitting out the commercial space - we have included a new build rate including fit out for the commercial area.

1.2 Our benchmarking results in an adjusted benchmark of £2,703/m² that compares to the Applicant's £2,699/m². We therefore consider the Applicant's costs to be reasonable.

2 METHODOLOGY

2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element by element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5 year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.

2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available an overall £ per sqm and on a group element basis ie. substructure, superstructure, finishings, fittings and services – but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher than normal cost of external wall and window elements.

2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

2.5 BCIS costs are available on a quarterly basis – the most recent quarters use forecast figures, the older quarters are firm. If any estimates require adjustment on a time basis we use the BCIS all-in Tender Price Index (TPI).

2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However if the Applicant's cost plan does not distinguish different categories we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.

2.7 To undertake the benchmarking we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.

2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.

2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element by element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent

BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the Viability Assessment & Affordable Housing Statement issued June 2020 by Red Loft including the Order of Cost Estimate issued by Randall Simmonds June 2020.

3.2 The cost plan is dated June 2020 we assume Base Date 2Q2020. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 2Q2020 is 332 (Provisional) and for 3Q2020 332 (forecast).

3.3 The estimate is stated to be based on the Architect's planning drawings and Accommodation Schedule. There is no structural or services information listed.

3.4 The cost plan includes an allowance of 10.3% for preliminaries and a further 1% for Works Insurance. The allowance for overheads and profit (OHP) is 6.4%. We consider these allowances reasonable.

3.5 The allowance for contingencies is 5% which we consider reasonable. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

3.6 We have extracted the cost information provided by the Applicant into a standard BCIS/NRM format to facilitate our benchmarking.

3.7 Sales have been included in the Appraisal at average figures of £619/ft² (Net Sales Area).

3.8 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Greenwich of 122 that has been applied in our benchmarking calculations.

3.9 We have adopted the same GIA used in the Applicant's cost plan; we assume this to be the GIAs calculated in accordance with the RICS Code of Measurement 6th Edition 2007.

3.10 We have calculated a blended rate for benchmarking as the table below. The estimate includes provision for fitting out the commercial space - we have included a new build rate including fit out for the commercial area. Based on the estimate provisions we consider it reasonable to apply the build cost rate for flats to the internal car parking.

3.11

	m²	%	BCIS £/m²	Blended £/m²
Car parking (internal)	558	3%	2,206	57
Commercial	1,705	8%	2,288	181

Apartments	19,318	90%	2,206	1,974
	21,581	100%		2,212

3.12 The building comprises a ground, mezzanine and 9 floors of flats – a 10/11 storey building; BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6 storey or above. The elemental information makes no distinction for storey height resulting in an anomaly for flats below 6 storeys. We have adjusted for this anomaly in our benchmarking.

3.13 Our benchmarking results in an adjusted benchmark of £2,703/m² that compares to the Applicant's £2,699/m². We therefore consider the Applicant's costs to be reasonable.

3.14 The areas and costs included in the appraisal are consistent with the areas and costs in the estimate/cost plan.

BPS Chartered Surveyors
Date: 11th September 2020

Appendix 2
BPS appraisals

Eastmoor Street & Westmoor Street
202 Units (50 LAR Units and 21 S/O Units)
Financial Viability Appraisal

Land at Nos. 6, 61-81 and Coopers Yard, Eastmoor Street
and No. 6 & 10 Westmoor Street,
Charlton
London
SE7 8LX

Development Appraisal
BPS Surveyors
25 September 2020

APPRAISAL SUMMARY	**BPS SURVEYORS**

Eastmoor Street & Westmoor Street
202 Units (50 LAR Units and 21 S/O Units)
Financial Viability Appraisal

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private Residential	131	92,025	618.58	434,542	56,925,000
London Affordable Rent	50	39,095	203.10	158,800	7,940,000
Shared Ownership	21	14,628	386.93	269,524	5,660,000
Totals	**202**	**145,748**			**70,525,000**
Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**
Commercial Units	1	19,594	17.50	342,895	342,895
Investment Valuation					
Commercial Units					
Current Rent	342,895	YP @	6.5000%	15.3846	5,275,308
GROSS DEVELOPMENT VALUE				**75,800,308**	
Purchaser's Costs			(358,721)		
Effective Purchaser's Costs Rate		6.80%			
				(358,721)	
NET DEVELOPMENT VALUE				**75,441,587**	
NET REALISATION				**75,441,587**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price		4,815,600			
Fixed Price			4,815,600		
				4,815,600	
Stamp Duty			230,280		
Effective Stamp Duty Rate		4.78%			
Agent Fee		1.50%	72,234		
Legal Fee		0.35%	16,855		
				319,369	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Build Cost	232,300	250.75	58,250,000		
RB Greenwich CIL estimate			842,982		
Mayoral CIL2 estimate			301,065		
				59,394,047	
PROFESSIONAL FEES					
Professional Fees		12.00%	6,990,000		
				6,990,000	
MARKETING & LETTING					
Residential Marketing		1.50%	853,875		

APPRAISAL SUMMARY				BPS SURVEYORS

Eastmoor Street & Westmoor Street
202 Units (50 LAR Units and 21 S/O Units)
Financial Viability Appraisal

Commercial Marketing	19,594 ft²	2.00	39,188	
Letting Agent Fee		10.00%	34,290	
Letting Legal Fee		5.00%	17,145	
				944,497
DISPOSAL FEES				
Sales Agent Fee		1.50%	1,137,005	
Sales Legal Fee		0.35%	265,301	
				1,402,306
MISCELLANEOUS FEES				
Developer's Profit-Private		17.50%	9,961,875	
Developer's Profit-Affordable		6.00%	816,000	
Developer's Profit-commercial		15.00%	791,296	
				11,569,171
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			1,116,137	
Construction			5,466,902	
Other			1,504,842	
Total Finance Cost				8,087,881
TOTAL COSTS				**93,522,871**
PROFIT				
				(18,081,284)
Performance Measures				
Profit on Cost%		-19.33%		
Profit on GDV%		-23.85%		
Profit on NDV%		-23.97%		
Development Yield% (on Rent)		0.37%		
Equivalent Yield% (Nominal)		6.50%		
Equivalent Yield% (True)		6.77%		
IRR% (without Interest)		-10.18%		
Rent Cover		-52 yrs -9 mths		
Profit Erosion (finance rate 7.000)		N/A		

Eastmoor Street & Westmoor Street
202 Units (50 LAR Units and 21 S/O Units)
Financial Viability Appraisal

Initial MRV
342,895

Eastmoor Street & Westmoor Street
84 Unit reduced height scenario
Financial Viability Appraisal

Land at Nos. 6, 61-81 and Coopers Yard, Eastmoor Street
and No. 6 & 10 Westmoor Street,
Charlton
London
SE7 8LX

Development Appraisal
BPS Surveyors
25 September 2020

APPRAISAL SUMMARY	BPS SURVEYORS

Eastmoor Street & Westmoor Street
84 Unit reduced height scenario
Financial Viability Appraisal

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private Residential	84	61,815	618.86	455,412	38,254,608
Rental Area Summary				**Initial**	**Net Rent**
	Units	**ft²**	**Rent Rate ft²**	**MRV/Unit**	**at Sale**
Commercial Units	1	19,594	17.50	342,895	342,895
Investment Valuation					
Commercial Units					
Current Rent	342,895	YP @	6.5000%	15.3846	5,275,308
GROSS DEVELOPMENT VALUE				**43,529,916**	
Purchaser's Costs			(358,721)		
Effective Purchaser's Costs Rate		6.80%			
				(358,721)	
NET DEVELOPMENT VALUE				**43,171,195**	
NET REALISATION				**43,171,195**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price		4,815,600			
Fixed Price			4,815,600		
				4,815,600	
Stamp Duty			230,280		
Effective Stamp Duty Rate		4.78%			
Agent Fee		1.50%	72,234		
Legal Fee		0.35%	16,855		
				319,369	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Build Cost	87,570	250.75	21,958,470		
RB Greenwich CIL estimate			842,982		
Mayoral CIL2 estimate			301,065		
				23,102,517	
PROFESSIONAL FEES					
Professional Fees		12.00%	2,635,016		
				2,635,016	
MARKETING & LETTING					
Residential Marketing		1.50%	573,819		
Commercial Marketing	19,594 ft²	2.00	39,188		
Letting Agent Fee		10.00%	34,290		
Letting Legal Fee		5.00%	17,145		

Eastmoor Street & Westmoor Street
84 Unit reduced height scenario
Financial Viability Appraisal

			664,441
DISPOSAL FEES			
Sales Agent Fee	1.50%	652,949	
Sales Legal Fee	0.35%	152,355	
			805,303
MISCELLANEOUS FEES			
Developer's Profit-Private	17.50%	6,694,556	
Developer's Profit-commercial	15.00%	791,296	
			7,485,853
FINANCE			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Land		1,116,137	
Construction		2,186,193	
Other		353,468	
Total Finance Cost			3,655,799
TOTAL COSTS			**43,483,898**
PROFIT			
			(312,703)
Performance Measures			
Profit on Cost%	-0.72%		
Profit on GDV%	-0.72%		
Profit on NDV%	-0.72%		
Development Yield% (on Rent)	0.79%		
Equivalent Yield% (Nominal)	6.50%		
Equivalent Yield% (True)	6.77%		
IRR% (without Interest)	6.36%		
Rent Cover	-11 mths		
Profit Erosion (finance rate 7.000)	N/A		

Eastmoor Street & Westmoor Street
84 Unit reduced height scenario
Financial Viability Appraisal

Initial MRV
342,895

Coopers Yard, SE8 9LX
Addendum Report

Prepared on behalf of Royal Borough of Greenwich

16th December 2020

Planning reference: 20/1924/F

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1.0 INTRODUCTION

1.1 BPS Chartered Surveyors have been instructed by Royal Borough of Greenwich ('the Council') to comment on scheme changes to a Financial Viability Assessment (FVA) prepared by Redloft on behalf of Coombe Road LLP ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The FVA for original scheme (20/1924/F) was reviewed in our report dated 28th September 2020. In that report we assessed a deficit of £18,081,284 and concluded:

Our analysis shows a reduced deficit but one which would still not enable the scheme to viably deliver additional affordable housing. It is not clear whether the applicant has considered how the application of grant might enable the scheme to deliver additional affordable housing.

1.3 This addendum summarises the scheme changes outlined in a letter to the council from Redloft dated 26th November, revised schedule dated 8th December and revised Argus appraisal also dated 8th December and provides comment upon the inputs used by Redloft to assess the revised viability position.

2.0 SUMMARY OF PROPOSED SCHEME CHANGES

2.1 As instructed, we have assessed the scheme presented in the live Argus appraisal and schedule dated 8th December, which differs slightly from the earlier letter from Redloft dated 26th November. The revised scheme reduces the Shared Ownership units by 3 to 18 units, the private residential housing by 7 units to 124 units. The Affordable Rented units are retained at 50 units. Commercial space is reduced from 19,594sf to 12,286sf. Build cost area has been reduced from 232,300sf to 207,624sf.

2.2 This results in a proposed Affordable Housing provision of 35.4% by unit but 38% by habitable room. Affordable Housing is provided in a ratio of 78:22 for London Affordable Rent and Shared Ownership respectively by habitable room. We note this exceeds the Council's policy requirement for a 70/30 split of tenure.

3.0 COMMENT ON REDLOFT INPUTS

3.1 The cost and revenue inputs employed by Redloft in their revised appraisal are in line with those recommended by BPS in our previous report and result in a revised deficit of £16,528,548.

3.2 We note that the build cost has remained unchanged at £250.75psf and although we would expect a marginal reduction to reflect the reduced proportion of commercial space, given the amount of the deficit, we do not consider this to be significant.

4.0 CONCLUSION

4.1 We have considered Redloft's amendments and conclude that we are in agreement with their findings that at the level of affordable housing proposed, the scheme is unviable in planning terms.

5.0 QUALITY STANDARDS CONTROL

This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.

The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information.

The following persons have been involved in the production of this report:

Clare Jones	**Andrew Jones MRICS**
RICS Membership no.	RICS Membership no.
For and on behalf of BPS Chartered Surveyors	For and on behalf of BPS Chartered Surveyors

6.0 LIMITATION OF LIABILITY/ PUBLICATION

This report is provided for the stated purpose and for the sole use of the named clients. It is confidential to the clients and their professional advisors and BPS Chartered Surveyors accepts no responsibility whatsoever to any other person.

Neither the whole nor any part of this valuation report nor any reference hereto may be included in any published document, circular, or statement, or published in any way, without prior written approval from BPS of the form and context in which it may appear.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we** consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of [this property] under frequent review.

Coopers Yard, SE8 9LX
Addendum Report 3

Prepared on behalf of Royal Borough of Greenwich

11th June 2021

Planning reference: 20/1924/F

BPS Chartered Surveyors
215a High Street, Dorking, RH4 1RU
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Tel: 01483 565 433

1.0 INTRODUCTION

1.1 BPS Chartered Surveyors have been instructed by Royal Borough of Greenwich ('the Council') to comment on further scheme changes to a Financial Viability Assessment (FVA) dated June 2020, prepared by Redloft on behalf of Coombe Road LLP ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The FVA for original scheme (20/1924/F) was reviewed in our report dated 28th September 2020. In that report we assessed a deficit of £18,081,284 and concluded:

Our analysis shows a reduced deficit but one which would still not enable the scheme to viably deliver additional affordable housing. It is not clear whether the applicant has considered how the application of grant might enable the scheme to deliver additional affordable housing.

1.3 There followed an addendum summarising scheme changes outlined in a letter to the council from Redloft dated 26th November 2020, revised schedule dated 8th December and revised Argus appraisal also dated 8th December. Our response of 16th December 2020 concluded:

We have considered Redloft's amendments and conclude that we are in agreement with their findings that at the level of affordable housing proposed, the scheme is unviable in planning terms.

1.4 A second addendum summarising further scheme changes from Redloft dated 26th April 2021 followed. Our response of 26th May 2021 concluded:

We conclude that the revised scheme shows a deficit of -£16,147,877, which is reduced from Redloft's assessment but remains substantial. We are therefore in agreement with their overall findings that at the level of affordable housing proposed, the scheme is unviable in planning terms.

1.5 This addendum summarises the further scheme changes outlined in an addendum from Redloft dated 9th June 2021 and provides comment upon the inputs used by Redloft to assess the revised viability position.

2.0 SUMMARY OF PROPOSED SCHEME CHANGES

2.1 The revised scheme retains the same floor areas and unit mix, the Affordable Housing offer has been increased from 26.6% to 29.8% by unit (31% to 34% by habitable room). The Shared Ownership units have increased from 10 to 16 units, the London Affordable Rent units remain unchanged at 40 and the private residential housing is reduced by from 138 to 132 units. Commercial space of 12,286sf and total build cost area of 202,222sf has been retained.

2.2 Affordable Housing is therefore provided in a ratio of 71:29 by unit for London Affordable Rent and Shared Ownership respectively (73:27 by habitable room). We note this exceeds the Council's policy requirement for a 70:30 split of tenure.

2.3 Redloft's addendum states that the Council and TfL have confirmed total s106 contributions at £1,487,686. This should be confirmed by the Council.

2.4 Redloft have amended the commercial yield for the GDV to 6.00% and the finance rate to 6.50% in line with our previous addendum.

2.5 Redloft's addendum reports the development description remains unchanged as follows:

'Demolition of existing structures and erection of buildings between 6 and 9 storeys in height (including roof access level areas with a maximum total height of 36m AOD), comprising 188 residential units, 631 sqm B1/B8 flexible employment floorspace and 510 sqm flexible retail and community uses (Use Classes A1- A5 and D1) with associated landscaping and new public realm, access and infrastructure works, refuse and recycling storage, car parking and cycle parking and associated development'.

3.0 The revised unit and tenure mix is provided below:

	Private Sale	Shared Ownership	London Affordable Rent	Total
Studio	9	1	0	**10**
1 bed flat	52	1	0	**53**
2 bed flat	52	12	30	**94**
3 bed flat	19	2	10	**31**
Total	**132**	**16**	**40**	**188**

3.1 Redloft conclude that the deficit of the revised scheme has decreased as a result of the revisions to -£15,832,652 and that the Affordable Housing offered therefore exceeds the maximum viable amount. We note that, nevertheless, the applicant wishes to proceed with the proposed scheme.

4.0 COMMENT ON REDLOFT INPUTS

4.1 The cost and revenue inputs employed by Redloft in their revised appraisal are in line with those recommended by BPS in our previous addendum, with the exception of the above mentioned s106 costs.

4.2 In addition, we note that the RBG CIL estimate has been reduced from £942,592 to £899,598 and the Mayoral CIL estimate has been reduced from £294,532 to £282,516. The Council should confirm these costs.

4.3 We note that the build cost has remained unchanged at £250.75psf. Considering the last revisions were reviewed in May 2021 and no significant further physical changes to the scheme are proposed, we consider this reasonable.

5.0 CONCLUSION

5.1 We have considered Redloft's revised appraisal and submit our appraisal in Appendix 1 which mirrors Redloft's submitted version.

5.2 We conclude that as detailed in Redloft's report, the revised scheme shows a deficit of -£15,832,652, which remains substantial. Our scenario analysis, also in Appendix 1 demonstrates that even with significant movement on build costs and revenues, the scheme remains in deficit. We are therefore in agreement with their overall findings that at the level of affordable housing proposed, the scheme is unviable in planning terms.

6.0 QUALITY STANDARDS CONTROL

This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.

The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information.

The following persons have been involved in the production of this report:

Clare Jones RICS Membership no. For and on behalf of BPS Chartered Surveyors	**Andrew Jones MRICS** RICS Membership no. For and on behalf of BPS Chartered Surveyors

7.0 LIMITATION OF LIABILITY/ PUBLICATION

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Appendix 1: BPS Appraisal

Eastmoor Street & Westmoor Street
188 Units (40 LAR Units and 16 S/O Units)
Financial Viability Appraisal

Land at Nos. 6, 61-81 and Coopers Yard, Eastmoor Street
and No. 6 & 10 Westmoor Street,
Charlton
London
SE7 8LX

Development Appraisal
BPS Surveyors
10 June 2021

APPRAISAL SUMMARY **BPS SURVEYORS**

Eastmoor Street & Westmoor Street
188 Units (40 LAR Units and 16 S/O Units)
Financial Viability Appraisal

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private Residential	132	88,973	618.58	416,948	55,037,088
London Affordable Rent	40	31,357	203.10	159,215	6,368,607
Shared Ownership	16	11,296	386.93	273,173	4,370,761
Totals	**188**	**131,626**			**65,776,456**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Commercial Units	1	12,286	17.50	215,005	215,005	215,005

Investment Valuation

Commercial Units					
Current Rent	215,005	YP @	6.0000%	16.6667	3,583,417

GROSS DEVELOPMENT VALUE				**69,359,873**
Purchaser's Costs			(243,672)	
Effective Purchaser's Costs Rate		6.80%		
				(243,672)
NET DEVELOPMENT VALUE				**69,116,200**
NET REALISATION				**69,116,200**

OUTLAY

ACQUISITION COSTS				
Fixed Price		4,815,000		
Fixed Price			4,815,000	
				4,815,000
Stamp Duty			230,250	
Effective Stamp Duty Rate		4.78%		
Agent Fee		1.50%	72,225	
Legal Fee		0.35%	16,853	
				319,327

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Build Cost	202,222	250.75	50,707,841	
RB Greenwich CIL estimate			899,598	
Mayoral CIL2 estimate			282,516	
S106 financial contributions			1,487,686	
				53,377,641

PROFESSIONAL FEES				
Professional Fees		12.00%	6,084,941	
				6,084,941
MARKETING & LETTING				
Residential Marketing		1.50%	825,556	
Commercial Marketing	12,286 ft²	2.00	24,572	
Letting Agent Fee		10.00%	21,501	
Letting Legal Fee		5.00%	10,750	
				882,379
DISPOSAL FEES				
Sales Agent Fee		1.50%	1,040,398	
Sales Legal Fee		0.35%	242,760	
				1,283,158
MISCELLANEOUS FEES				
Developer's Profit-Private		17.50%	9,631,490	
Developer's Profit-Affordable		6.00%	644,362	
Developer's Profit-Commercial		15.00%	537,513	
				10,813,365

Eastmoor Street & Westmoor Street
188 Units (40 LAR Units and 16 S/O Units)
Financial Viability Appraisal

FINANCE			
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Land		1,029,469	
Construction		4,677,506	
Other		1,666,067	
Total Finance Cost			7,373,041
TOTAL COSTS			**84,948,853**
PROFIT			
			(15,832,652)
Performance Measures			
Profit on Cost%	-18.64%		
Profit on GDV%	-22.83%		
Profit on NDV%	-22.91%		
Development Yield% (on Rent)	0.25%		
Equivalent Yield% (Nominal)	6.00%		
Equivalent Yield% (True)	6.23%		
IRR% (without Interest)	-8.45%		
Rent Cover	-73 yrs -8 mths		
Profit Erosion (finance rate 6.500)	N/A		

Eastmoor Street & Westmoor Street
188 Units (40 LAR Units and 16 S/O Units)
Financial Viability Appraisal

Table of Profit Amount and Profit on GDV%

	Sales: Rate /ft²				
Construction: Rate /ft²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000% 225.68 /ft²	-£14,947,917 -23.809%	-£12,152,633 -18.393%	-£9,357,350 -13.491%	-£6,562,066 -9.033%	-£3,766,783 -4.960%
-5.000% 238.22 /ft²	-£18,185,568 -28.966%	-£15,390,284 -23.294%	-£12,595,001 -18.159%	-£9,799,717 -13.489%	-£7,004,434 -9.224%
0.000% 250.75 /ft²	-£21,423,219 -34.123%	-£18,627,936 -28.194%	-£15,832,652 -22.827%	-£13,037,369 -17.946%	-£10,242,085 -13.488%
+5.000% 263.29 /ft²	-£24,660,871 -39.280%	-£21,865,587 -33.094%	-£19,070,304 -27.495%	-£16,275,020 -22.402%	-£13,479,736 -17.751%
+10.000% 275.83 /ft²	-£27,898,522 -44.437%	-£25,103,238 -37.994%	-£22,307,955 -32.163%	-£19,512,671 -26.859%	-£16,717,388 -22.015%

Sensitivity Analysis : Assumptions for Calculation

Sales: Rate /ft²
Original Values are varied by Steps of 5.000%.

Heading	Phase	Rate	No. of Steps
Private Residential	1	£618.58	2.00 Up & Down
London Affordable Rent	1	£203.10	2.00 Up & Down
Shared Ownership	1	£386.93	2.00 Up & Down

Construction: Rate /ft²
Original Values are varied by Steps of 5.000%.

Heading	Phase	Rate	No. of Steps
Build Cost	1	£250.75	2.00 Up & Down