Phase 2B & 3, Marlowe Road Estate, E17 3HB

Independent Viability Review

Prepared on behalf of the London Borough of Waltham Forest

24th February 2022

Planning Reference: 213611

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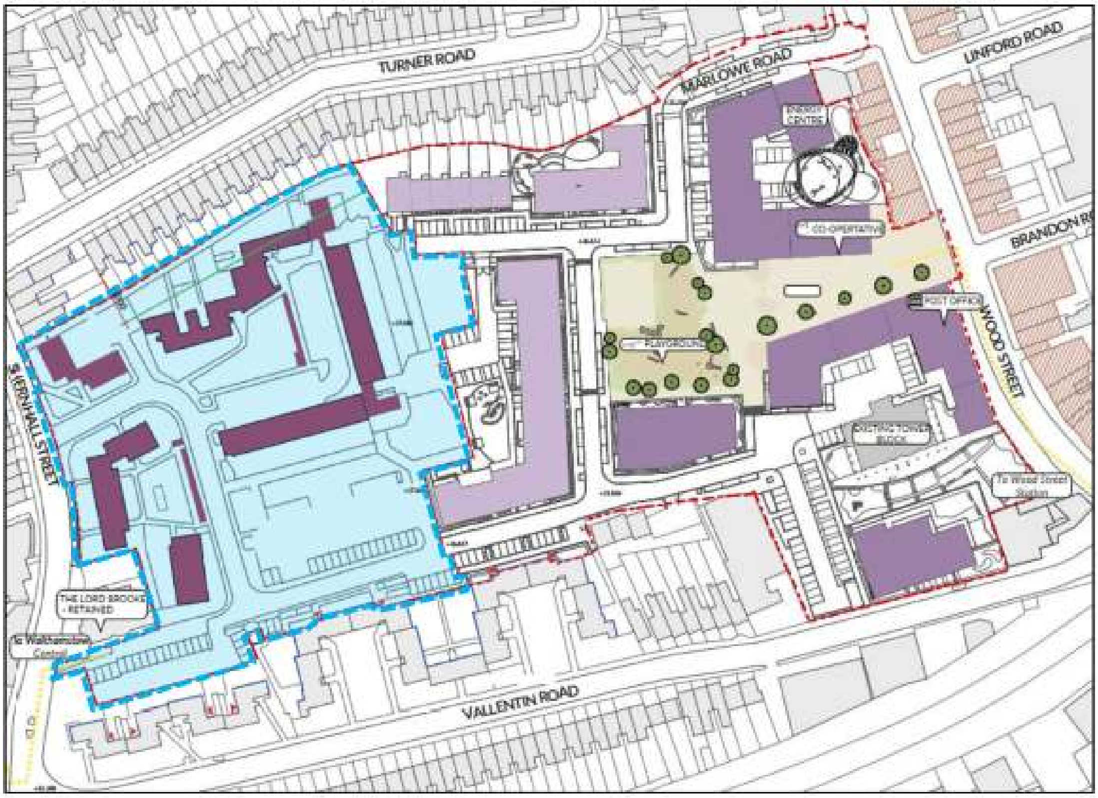
1.0 INTRODUCTION

1.1 BPS Chartered Surveyors have been instructed by the London Borough of Waltham Forest ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by Montagu Evans ('ME') on behalf of Countryside Properties (UK) Ltd ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 ME state that the site designated for Phase 2B and 3 currently comprises residential blocks between 3 and 5 storeys and comprising 109 no. 1, 2 and 3 bedroom flats. We understand that the accommodation is split between 22 private units and 87 social homes. ME outline that LBWF have purchased the 22 private units through their compulsory purchase orders powers. ME state that the space is split between 89 vacant homes, 8 let as temporary accommodation and 12 let to 'Secure Council Tenants'. The areas in blue below are designated as Phases 2B and 3 within the site:



1.3 The location is predominantly residential in nature although Wood Street to the east of the Marlowe Estate has an established retail provision and the Holy Family Catholic Secondary School is within a short distance to the west of the site. The site is not located in a conservation area nor are the buildings listed.

1.4 The proposals are for:

"Part redevelopment of the Marlowe Road Estate comprising the demolition of existing buildings and site clearance, construction of 258 homes (use class C3) in two and three storey detached and terraced houses and seven blocks of flats ranging in height from three to eight storeys, and provision of disabled persons car parking, hard and soft landscaping, and associated works. Explanation: This is an application for planning permission that, if granted, could be used to part supersede implemented planning permission ref. 151652 (as amended) and, in effect, allow for

revisions to Phases 2B and 3 of the Marlowe Road Estate redevelopment scheme. The revised scheme would represent an uplift of 141 additional homes."

1.5 As stated in the above description, the above application is aimed to part supersede an existing and implemented consent (ref: 151652) which was for the wider regeneration of the estate and granted permission in September 2016 for the following:

"Demolition of the existing Marlowe Road Estate and phased redevelopment of the site comprising Class C3 residential)436 residential units (126 x 1 bed, 136 x 2 bed, 138 x 3 bed and 36 x 4 bed) Class A1, A2, A3, A4, A5, and D1 commercial space (1119sqm) in blocks ranging from two to seven storeys in height, car parking (208 spaces), internal infrastructure network, energy centre, new public plaza, hard and soft landscaping and associated works (including the retention of Northwood Tower residential block)."

1.6 We understand that the wider application allowed for 117 units within Phases 2B and 3 which was split as follows:

- Private: 61 units
- Social Rent: 52 units
- Shared Ownership: 4 units

1.7 The basis of our review is a Financial Viability Assessment prepared by Montagu Evans, dated November 2021, which concludes that the proposals currently show a deficit of approximately £7.04m when reviewing Phases 2B and 3 in isolation and therefore no additional affordable housing can viably be offered.

1.8 The current proposals include the following split of housing:

- Private: 146 units
- Social Rent: 53 units
- Shared Ownership: 59 units

1.9 Montagu Evans note that the proposals represent an uplift in affordable housing as a percentage of habitable room from 42% to 45% from the extant consent. We note that by unit the proposals represent a decrease in affordable housing percentage from 48% to 43%. The additional affordable housing comprises almost entirely shared ownership units rather than social rented units, which see an increase of only 1 flat.

1.10 We have downloaded documents available on the London Borough of Waltham Forest's planning website.

1.11 We have received a live version of the Argus appraisals included in the report.

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

1.13 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.

1.14 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.

2.0 CONCLUSIONS AND RECOMMENDATIONS

2.1 We have reviewed the Financial Viability Assessment prepared by Montagu Evans on behalf of the applicant which concludes that the proposed scheme generates a residual value of £5.46m which is approximately £7.04m below their benchmark land value of £12.5m. On this basis the scheme cannot provide any additional affordable housing contributions.

Development Value

2.2 The scheme includes 258 units which are proposed to be split between 146x private units, 59x shared ownership units and 53x social rent units.

2.3 We have reviewed the private residential values proposed by ME and consider these to be understated. We have increased the values by £1.96m (2.7%) as per our updated average unit pricing at paragraph 3.27.

2.4 We have reviewed the proposed shared ownership values of £450 psf and consider these reasonable.

2.5 ME have adopted social rent values based on figures contained within a development agreement between the Council and Countryside (the applicant). We are advised by ME that the figures reflect a total cost of £3,584,831 (£79 psf). We have been provided with an extract from the development agreement which shows that this value is based on an elemental costing of building the social rent units. We assume that the Development Agreement identifies the costs of construction of the affordable element as being relevant to other aspects of the agreement relating to factors such as land price, risk sharing and profit sharing as well as providing the Council with new build stock in replacement of the existing buildings.

2.6 The figures in the development agreement would not normally be information made available for a planning application being personal to the parties involved in scheme delivery. They are provided without the context of the agreement as a whole and can best be described as an expression of cost of provision rather than an assessment of value of the completed and tenanted affordable units and as such we do not consider this an appropriate basis from which to value this element.

2.7 This cost figure in the Development Agreement does not match or even come close to the construction costs included within ME's appraisal which averages £234 psf. We consider it appropriate to value the social rent units on an objective and conventional basis taking into account the receivable income from the proposed social rent units. We have calculated target rents and produced a 60-year cashflow to test our consideration of this value. We calculate a value of £6,840,000 (£151 psf) which we have adopted within our appraisal.

2.8 The Leasehold Reform (Ground Rent) Bill was introduced in the House of Lords on 12 May 2021. The bill sets out the government's commitment to *"set future ground rents to zero"*. The proposals include allowing existing leaseholders to force the sale of 990-year lease extensions and reversion of the ground rent to a peppercorn. Whilst the legislation has not been passed the government's position on ground rents is clearly heading towards their effective eradication. The bill is currently in its third reading in the House of Lords and has cross party-political support. On this basis we have not allowed any value for ground rents.

2.9 At this stage we have not made any allowance for Grant Funding. We have not been provided with any details of what grant may be available with reference to Phases 2A and 3. We consider that if grant funding is available, in line with paragraph 011 of the NPPG, it should be considered in our appraisal.

<u>Development Costs</u>

2.10 Our Cost Consultants, Geoffrey Barnett Associates (GBA), have reviewed the Cost Plan for the proposed scheme prepared by Countryside, dated 12th November 2021, and conclude that the proposed costs are reasonable when compared with BCIS. GBA's full report is attached at Appendix 1.

2.11 We have reviewed the other cost outlined within the FVA and consider for the purposes of this assessment these are broadly reasonable.

<u>Development Timeframes</u>

2.12 We have been provided with a breakdown of the development timeframes assumed by ME which show the phases split into blocks as follows:

Block	Homes	Tenure/s	Construction Start	Total construction period	Sales Start	Sales period (after 25% of 1st month presales)
Enabling, Demolition, Service & Roads	-	-	Oct-21	11 months	-	-
Block 2	32	Private	Sep-22	26 months	Aug-24	6 months
Block 1	47	Affordable	Oct-22	32 months	-	-
Houses A	14	Private	Dec-22	19 months	Jun-24	2 months
Block 4	44	Private	Jan-23	25 months	Dec-24	8 months
Block 3	53	Private	Mar-23	32 months	Aug-25	8 months
Block 5	18	Affordable	Apr-23	31 months	-	-
Block 6	30	Affordable	Jun-23	37 months	-	-
Houses C	3	Private	Dec-24	14 months	Jan-26	All sold in first month
Block 7	12	Affordable	Nov-25	20 months	-	-
Houses B	5	Affordable	Dec-25	14 months	-	-
TOTAL	258					

2.13 We have been advised by GBA that the construction periods assumed are considerably in excess of the BCIS Duration Indicator both on a block by block basis and assessing Phases 2A and 3 on an overall basis. We have updated the timeframes in line with the average BCIS Duration Indicator. It should be noted this is a generic guide and does not constitute a formal assessment of optimised construction programming.

2.14 We have assumed sales of 25% off-plan per block and sales of 5 units per month across the scheme. This results in the following timings:

Block	Homes	Tenure/s	Construction Start	Total Construction Period	Sales Start	Sales period*
Enabling, demolition service & roads	-	-	Oct-21	11 months	-	-
Block 2	32	Private	Sept-22	16 months	Jan-24	13 months
Block 1	47	Affordable	Oct-22	17 months	-	-
Houses A	14	Private	Dec-22	14 months	Feb-24	6 months
Block 4	44	Private	Jan-23	17 months	Jun-24	17 months
Block 3	53	Private	Mar-23	18 months	Sept-24	16 months
Block 5	18	Affordable	Apr-23	15 months	-	-
Block 6	30	Affordable	Jun-23	16 months	-	-
Houses C	3	Private	Sept-23	9 months	Sept-23	1 month
Block 7	12	Affordable	Dec-23	13 months	-	-
Houses B	5	Affordable	Jan-24	10 months	-	-

Benchmark Land Value

2.15 ME have assessed the Benchmark Land Value on an EUV basis, valuing the existing 87x Social Rent units and 22x privately owned units. We understand that 89 of the homes are currently vacant. Overall, ME calculate the following value:

- 87x Social Rent Homes: £5,650,000
- 22x Private Homes: £6,850,000
- **Total: £12,500,000**

2.16 The detail we have been provided relating to the condition of the existing units is limited. We have been advised by ME that they have assumed an above market discount factor of 7.00% within their valuation to reflect this. We note however that the existing site is considered poor enough to require demolition and regeneration. Given the lack of detail available relating to the existing properties, we have not commented further on the EUV in relation to the social housing units but accept that leaseholder acquisitions represent a cost to the scheme. In that we understand the leasehold interest were acquired through a CPO process we accept that price paid on this basis closely accords with EUV as described by NPPG.

2.17 We also consider there are potential principle issues with the adoption of an EUV in an estate regeneration on public land. We note that in their viability assessment of the wider masterplan in 2015, ME adopted a BLV of £2m based on the "Minimum Land Price" of £2,000,000 within the draft Development Agreement. This was for the entire masterplan including Phase 2A and 3. We have not received further updates relating to this figure or the basis of its computation but note that in a scenario where the land has been sold to Countryside considerably below EUV (adopting ME's values) the use of a significantly higher EUV acts to protect developer profit only.

2.18 For the purposes of this assessment, we have compared the updated proposals to an AUV of the extant consent at Phases 2A and 3. We have provided a table of our inputs within our AUV appraisal at paragraph 6.36. We calculate an AUV of £2.52m which we have adopted as our BLV.

Recommendations

2.19 We have been provided with a live version of the Argus appraisal included in ME report to which we have applied our amendments. These amendments are outlined in the table below:

Input	ME	BPS	Certainty of Input
Private Residential Values	£631 psf	£649 psf	Disagreed - based on market comparables
Shared Ownership Values	£450 psf	£450 psf	Agreed
Social Rent Values	£79 psf	£151 psf	Disagreed - different approach to valuation
Grant Funding	£0	£0	Agreed prior to evidence but request information is provided and consider grant should be included if available.
Construction Costs	£234 psf	£234 psf	Agreed
Contingency	5%	5%	Agreed

Professional fees	10%	10%	Agreed
Marketing	1.5%	1.5%	Agreed - Suggest that more detail could be provided to support this position
Sales Agent / Legal	1% / 0.25%	1% / 0.25%	Agreed
Interest	6.5%	6.5%	Agreed
Private profit	17.5%	17.5%	Agreed
Affordable Profit	6%	6%	Agreed
CIL	£1,386,387	£1,386,387	Agreed - Request confirmation from Council
S106	£130,000	£130,000	Agreed - Request confirmation from Council
Pre-construction	11 months	11 months	Agreed
Total Construction	58 months	28 months	Disagreed - Based on BCIS Duration Indicator
Sales Assumptions	25% off-plan + 5 units per month	55% off-plan + 5 units per month	Disagreed - Based on Phase 1A and 2A sales
Residual Value	£5.46m	£9.80m	Disagreed
AUV	£1.35m	£2.52m	Disagreed - Note considerable ambiguity on the EUV both in evidence and as a point of principle. Our AUV is increased due in part to remaining consistent with our changes to the proposed scheme
EUV	£12.5m	£6.85m	Disagreed - As above we note there is considerable ambiguity on the EUV both in evidence and as a point of principle

2.20 On this basis we calculate the following viability position:

	Tested against AUV	Tested against EUV
Surplus	£7.28m	£2.95m

2.21 On this basis we consider that further affordable housing could be provided to reflect the uplift in units provided or the tenure of the units could be altered to increase the number of social rent units.

2.22 We note there remains some areas of ambiguity particularly relating to the Benchmark Land Value within our assessment and whether any grant funding would be available to support this regeneration.

3.0 PRINCIPLES OF VIABILITY ASSESMENT

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 This Viability Review report adheres to the RICS Professional Statement on Financial Viability in Planning: Conduct and Reporting (published May 2019). In accordance with this Statement, Section 8 below incorporates details of our Quality Standards Control & Statement on Limitation of Liability/ Publication. This report has been prepared according to the Professional Statement's requirement for objectivity and impartiality, without interference and with reference to all appropriate available sources of information. Where information has not been obtainable, we have stated this expressly in the body of the report.

4.0 DEVELOPMENT VALUES

4.1 The residential element of the proposed scheme, as sought by the planning application, is for 258 residential units comprising the following accommodation (which we have compared to the extant consent for Phases 2B and 3):

Tenure	Extant Consent No. units	Current Proposals No. units
Private	61	146
Social Rent	52	53
Shared Ownership	4	59
Total	**117**	**258**

4.2 As can be seen the largest increase in units by tenure are in private and shared ownership with only a very minor increase in the social rent units.

Private Residential Values

4.3 146 units are proposed to be for private sale and the values have been assumed as follows:

Unit type	Avg NSA (sq ft)	Avg Value	Avg Value £psf	No of units
1B2P	566	£400,000	£707	46
2B4P	803	£500,000	£623	70
3B5P	975	£575,000	£590	13
3B5P House	1,196	£700,000	£585	17
Total	**115,251**	**£72,775,000**	**£631**	**146**

4.4 ME have relied on average per unit values only in their pricing and not provided a unit-by-unit pricing schedule.

4.5 ME have relied on the most recent private sales from within Phase 2A of the masterplan which they state is due to complete in May 2022 and they have summarised as follows:

Unit type	Avg NSA (sq ft)	Avg Value	Avg Value £psf	No of units
1 Bed	546	£402,968	£738	16
2 bed	789	£510,248	£647	33
3 Bed	1,076	£596,667	£554	6

4.6 We note that the two-bed values proposed by ME are below those achieved despite the smaller size of the units, while to a lesser extent this is also the case for the one-bed units. The three-bed flats are valued below those achieved however we note that the proposed three-bed flats are significantly smaller than those previously delivered.

4.7 With regard to the three-bed house values ME state that they have referred to the 3-bed flat values from Phase 2A as well as comparable evidence of three-bed houses sold in the area surrounding the subject property (which they have included at Appendix 04 of their report). We summarise the values achieved as follows:

Unit type	Avg NSA (sq ft)	Avg Value	Avg Value £psf	No of units
3 Bed Houses	1,089	£651,455	£598	11

4.8 The identified three-bed average values shown are lower than the values proposed by ME for the subject. We note that four of the eleven comparables provided are stated to require refurbishment, the average value removing these houses increases to £680,000. ME also comment on the location of the units with seven of the eleven units stated to be "closer to Waltham Forest Village". We highlight the difference in the values as follows:

ME's Comment on Location	Avg NSA (sq ft)	Avg Value	Avg Value £psf	No of units
Closer to WF Village	1,083	£675,143	£623	7
No comment from ME	1,100	£610,000	£555	4

4.9 The three-bed house evidence identifies sales between June 2021 and November 2020.

4.10 We have sought to identify further comparable evidence with which to review the proposed values which we summarise as follows:

Flat values:

<u>Marlowe Road Estate</u>

4.11 We have identified the following recent asking prices from earlier phases of the Marlowe Estate:

Unit	Building Name	Floor	Bed	Sq Ft	Price	£psf	Asking Price Date
334	Turner	Third	1	538	£399,995	£743	Dec-21
335	Turner	First	1	538	£420,000	£781	Dec-21
326	Turner	First	1	538	£404,000	£751	Jun-21
330	Turner	Second	1	538	£410,000	£762	Jun-21
341	Turner	Fourth	1	538	£430,000	£799	Jun-21
296	Turner	Second	1	538	£395,000	£734	Mar-21
337	Turner	Fourth	1	549	£410,000	£747	Dec-21
305	Turner	Third	1	559	£392,500	£702	Sep-21
299	Turner	Second	1	560	£400,000	£714	Mar-21
311	Turner	Fourth	1	560	£410,000	£732	Mar-21
370	Turner	Third	2	775	£540,000	£697	Dec-21
331	Turner	Second	2	785	£515,000	£656	Jun-21
304	Turner	Third	2	785	£505,000	£643	Mar-21
352	Turner	First	2	818	£499,995	£611	Dec-21
324	Turner	First	2	818	£515,000	£630	Sep-21
328	Turner	Second	2	818	£520,000	£636	Sep-21
336	Turner	Fourth	2	818	£530,000	£648	Sep-21
322	Turner	Ground	2	818	£510,000	£623	Jun-21
360	Turner	Second	2	850	£555,000	£653	Dec-21
323	Turner	Ground	2	904	£520,000	£575	Jun-21
286	Turner	Ground	3	1,076	£600,000	£558	Mar-21

Average:

Unit type	Avg NSA (sq ft)	Avg Value	Avg Value £psf	No of units
1 Bed	546	£407,150	£746	10
2 bed	819	£521,000	£636	10
3 Bed	1,076	£600,000	£558	1

4.12 The average asking prices identified support the sales evidence provided by ME, showing slightly increased prices for each unit type which we would expect to reflect the negotiation from asking to achieved prices.

<u>245 Wood Street</u>

4.13 Development located under half a mile to the south of the subject located on Wood Street. Very similar distance from Wood Street Overground Station as the subject but slightly further from the main retail offering of Wood Street, which is to the north of this site, although still within short walking distance.

4.14 We have recently worked on viability negotiations relating to this development and were provided with the following achieved prices from Block B of the development:

Unit	Floor	Bed	Sq Ft	Price	Net Price*	Net £psf	Status	Date of Status
1	Ground	2	861	£495,000	£492,000	£571	Completed	23/07/21
2	Ground	3	1,184	£565,000	£550,750	£465	Completed	16/07/21
3	First	3	1,066	£538,000	£535,000	£502	Completed	23/07/21
4	First	1	592	£375,000	£375,000	£633	Exchanged	13/08/21
5	First	2	797	£505,000	£502,000	£630	Under Offer	06/07/21
7	Second	1	592	£380,000	£377,000	£637	Completed	16/07/21
8	Second	2	797	£474,000	£472,000	£592	Completed	23/07/21
9	Third	3	1,066	£560,000	£558,000	£523	Under Offer	28/04/21
10	Third	1	592	£380,000	£377,000	£637	Under Offer	23/06/21
11	Third	2	797	£490,000	£487,000	£611	Completed	23/07/21
12	Fourth	3	1,066	£580,000	£573,000	£538	Completed	02/08/21
13	Fourth	1	592	£395,000	£392,000	£662	Completed	23/07/21
14	Fourth	2	797	£520,000	£517,000	£649	Completed	26/07/21
16	Fifth	1	592	£395,000	£392,000	£662	Completed	23/07/21
18	Sixth	1	592	£400,000	£400,000	£676	Completed	08/08/21
19	Sixth	2	796	£545,000	£542,000	£681	Completed	23/07/21
20	Seventh	1	592	£415,000	£412,000	£696	Completed	23/07/21
21	Seventh	2	796	£555,000	£549,350	£690	Under Offer	09/12/20

*After removal of incentives

Average:

Unit type	Avg NSA (sq ft)	Avg Value	Avg Value £psf	No of units
1 Bed	592	£391,429	£661	7
2 bed	806	£512,000	£635	7
3 Bed	1,096	£560,750	£512	4

4.15 The status of the units was from the time the information was provided in September 2021 and we note that this may have changed since this point. The offers on the units were all agreed between June 2020 and July 2021.

4.16 We consider the evidence from Phase 2A of the Marlowe Estate to be the most relevant for the proposed flats. We consider that ME's pricing is below the stated achieved values and asking prices for one and two bed units. We consider the evidence suggests that the following flat values could be achieved taking into account the relative size of the proposed units:

Unit type	Avg NSA (sq ft)	Avg Value	Avg Value £psf	No of units
1B2P	566	£407,500	£720	46
2B4P	803	£515,000	£641	70
3B5P	975	£575,000	£590	13

House values:

4.17 We have referred to the proposed scheme's Design and Access Statement to gain an understanding of the quality of the houses that will be provided. We note that the D&A separates the houses into three types: type A, B and C. Type B are for social rent only and therefore not relevant in our review of private sales values.

4.18 Type A are terraced houses over three storeys with open plan kitchen/dining space and WC at ground floor; reception room, bedroom and bathroom at first floor and two bedrooms (one of which is ensuite) at third floor. The illustrative design appears to include an open living space on the ground floor opening onto a rear garden. These units comprise fourteen of the seventeen proposed.

4.19 Type C are detached 3 bedroom "courtyard" houses. These are two storey houses with a kitchen/dining room and reception room on ground floor and three bedrooms on the first floor, one ensuite and one shared family bathroom. These houses have private wrap around courtyard outdoor space surrounding the property. These units comprise three of the seventeen proposed houses.

4.20 We have also sought to identify evidence of three-bed house sales in addition to those identified by ME. We have identified the following sales from within ¼ mile of the subject all of which are terraced:

Address	Comments & GIA	Date	Sale Price	Price psf
13 Woodlands Road, E17 3LD	Modern fittings throughout 1,002 sq ft	Jun-21	£750,000	£749
44 Woodlands Road, E17 3LE	Good quality throughout 1,092 sq ft	Jun-21	£700,000	£641
54 Woodlands Road, E17 3LE	Modern fittings throughout 1,243 sq ft	Apr-21	£750,000	£603
3 Dean Gardens, E17 3QP	Requires some modernisation 1,004 sq ft	Feb-21	£714,650	£712
33 Barrett Road, E17 9ES	Requires modernisation 1,125 sq ft	Jan-21	£700,000	£622
Average	**1,093 sq ft**		**£722,930**	**£661**

4.21 We have not identified relevant evidence of detached houses from a ¼ mile of the subject to compared to the Type C houses but we would expect a premium for detached houses above terraced houses.

4.22 We note that our evidence of three-bed terraced houses shows that values above £700,000 are achievable in the area surrounding the subject, especially for properties which benefit from a good internal specification and design which, as can be seen from the sale of 13 Woodlands Road, have achieved values of £750,000.

4.23 We do not consider that properties requiring modernisation are an appropriate comparator to the subject units which will be new-build. Removing these form ME's analysis and including the properties we identified which do not require modernisation generates an average value of £696,100.

4.24 Noting the above we have reviewed ME's comparables which are not stated to require refurbishment in more detail and include comments as follows:

Address	BPS Comments
43 Waverley Road	Does not require immediate refurbishment but the specification is average throughout and we would expect a new-build development to include more modern fixtures throughout.
2a Waverley Road	Modern fixtures throughout. Generally of a similar quality to what we might expect form a new-build house.
12 Chestnut Avenue North	Does not require immediate refurbishment but the specification is average throughout and we would expect a new-build development to include more modern fixtures throughout.
39 Brookfield Avenue	Good condition throughout but we would expect a better specification from a new-build house
3 Oliver Road	Modern fixtures throughout. Generally of a similar quality to what we might expect form a new-build house.
7 Oliver Road	We note that this property was modernised and resold in June 2021 for £840,000 (£773 psf)

4.25 Including only the properties we consider to be a similar quality to new-build houses and the re-sale price of 7 Oliver Road after its modernisation we calculate an average house price value of c.£725,000 although we do note that in part this is due to the most recent sale of 7 Oliver Road at £840,000, which appears anomalous. Removing this value reduces this average to £703,000.

4.26 We consider that 13 Woodlands Road and 54 Woodlands Road are of the highest and newest specification throughout, although they do also include some original features such as fireplace. On this basis we have priced the proposed terraced houses below the values achieved at these units at £730,000. We consider that there would be a premium for the detached houses, although note that the evidence to support this from the area surrounding the subject is limited. We have adopted a value of £750,000 for these units which results in the following average for the three-bed units:

Unit type	Avg NSA (sq ft)	Avg Value	Avg Value £psf	No of units
3 Bed Houses	1,196	£733,500	£613	17

4.27 Our changes result in the following average unit values and overall GDV:

Unit type	Avg NSA (sq ft)	Avg Value	Avg Value £psf	No of units
1B2P	566	£407,500	£720	46
2B4P	803	£515,000	£641	70
3B5P	975	£575,000	£590	13
3B5P House	1,196	£733,500	£613	17
Total	**115,251**	**£74,739,500**	**£648**	**146**

4.28 This results in an overall increase to GDV of £1,964,500 or 2.7%.

Ground Rents

4.29 The Leasehold Reform (Ground Rent) Bill was introduced in the House of Lords on 12 May 2021. The bill sets out the government's commitment to *"set future ground rents to zero"*. The proposals include allowing existing leaseholders to force the sale of 990-year lease extensions and reversion of the ground rent to a peppercorn. Whilst the legislation has not been passed the government's position on ground rents is clearly heading towards their effective eradication. The bill is currently in its third reading in the House of Lords and has cross party political support.

4.30 We have therefore excluded capitalised ground rental income from our appraisal. This is supported by limitations from many mortgage lenders lending on new build properties with such provisions and by the help to buy scheme not being eligible for apartments subject to ground rents.

4.31 It is not yet apparent whether the eradication of ground rents will result in a positive uplift to sales values on leasehold property where this obligation is at a nominal level but we reserve the right to revisit our valuation in the event that such evidence becomes available.

Parking

4.32 The scheme includes 12 accessible parking space of which all are designated for blue badge holders. No value has been attributed to these spaces which we consider reasonable.

Affordable Residential Values

4.33 The proposed scheme includes 112 affordable housing units. This represents a 43% provision by unit or 45% by habitable with a tenure split of 53% / 47% by unit in favour of intermediate units. This is 53 social rent units and 59 shared ownership units.

4.34 The Waltham Forest Core Strategy (2012), Policy CS2, sets out a target of 50% affordable housing with a desired tenure spit of 60% social or affordable rent and 40% intermediate housing. The overall requirement remains the same within the Waltham Forest Submission Local Plan (emerging policy) although with a change in tenure split to 70% low cost rent and 30% intermediate housing.

Shared Ownership:

4.35 ME state that the 53 shared ownership units will be sold to a Registered Provider. They have assumed a value of £450 psf within their appraisal. Over the 45,156 sq ft proposed this generates an overall GDV of £20,320,000. ME did not provide significant detail of the valuation within their report. We have requested further detail and ME state that they have adopted the following inputs:

- 6.00% discount rate
- 25% initial equity sale
- 2.75% rent on unsold equity
- £90,000 pa income threshold

4.36 The proposed shared ownership units are the following unit types:

- 1b2p: 14 units
- 2b4p: 30 units
- 3b5p: 15 units

4.37 Adopting our average private sales values outlined at paragraph 5.27 and using ME's inputs from paragraph 5.35 and a 60 year cashflow, we calculate a lower value of c.£400 psf. On that basis we have adopted ME's value of £450 psf as it benefits the viability of the scheme.

Social Rent:

4.38 ME state that the 53 social rent units, along with the affordable accommodation from Phases 1A, 1B and 2A, are being acquired by LBWF. ME state that LBWF have agreed a price of £3,884,831 (£73,299 per unit / £86 psf) for the social rent units. We have subsequently been advised via email that the £3,884,831 included was in error by ME and the figure should be £3,584,831 (£67,638 per unit / £79 psf).

4.39 We have requested evidence to support the value assumed by ME, noting that it should reflect the market value of these units. They have provided an extract from the original Development Agreement between Countryside and the Council on a private and confidential basis. This outlines the agreed price through an elemental breakdown of the costs rather than the value of the future income. This represents an extract from a wider development agreement of which we have not had sight and therefore there may be other elements of the agreement that further impact the value on which we cannot comment.

4.40 We consider that an objective approach should be taken in a viability context and on that basis the value of the social rent should be based on the future income production as would be assumed in the market by an RP. We have therefore sought to value the proposed units for their future income on a social rent basis.

4.41 The social rent units are the following unit types:

- 1b2p: 12 units
- 2b4p: 13 units
- 2b4p WCH: 1 unit
- 3b5p: 18 units
- 3b5p WCH: 4 units
- 4b6p: 5 terraced houses

4.42 We have adopted the following market values for each unit to assess the target rents:

- 1b2p: £407,500
- 2b4p / 2b4p WCH: £515,000
- 3b5p / 3b5p WCH: £575,000
- 4b6p: £775,000

4.43 We have made an upward assumption of £25,000 from our detached 3b5p value to assess the market value of the 4b6p house values. Based on our in-house target rent calculator, we calculate the following target rents for each unit type:

- 1b2p: £115 per week
- 2b4p: £125 per week
- 3b5p: £132 per week
- 4b6p: £139 per week

4.44 We request confirmation from the Council that these target rents are reasonable. For the purposes of this assessment, we have adopted these rents. We have modelled the value of the social rent units using the following assumptions:

- 60-year cashflow
- Management: £650 per unit per year
- Maintenance: £1,400 per unit per year
- Major repairs: £1,100 per unit 5-yearly
- Void and bad debts: 4.00%
- Discount factor: 4.25%
- Net rent growth: 1.00%
- Net cost growth: 1.00%

4.45 On this basis we calculate a value of £6,840,000 (£129,000 per unit / £151 psf). We have adopted this value within our appraisal.

Grant Funding

4.46 At this stage we have not made any allowance for Grant Funding. We have not been provided with any details of what grant may be available with reference to Phases 2A and 3. Paragraph 011 of the NPPG states:

"Grant and other external sources of funding should be considered."

4.47 We request confirmation of what grant would be available relating to Phases 2A and 3 of the proposed regeneration and consider that, once confirmed, these should be included within our appraisal.

5.0 DEVELOPMENT COSTS

Construction Costs

5.1 Our Cost Consultants, Geoffrey Barnett Associates (GBA), have analysed the build cost plan for the proposed scheme prepared by Countryside Partnership, dated 12th November 2021, and conclude that:

"The difference between costs in the cost plan and our assessment of costs using BCIS is £213,458 or 0.34% - see Appendix B.

"We conclude that the construction costs put forward in the cost plan are within acceptable estimating margins of our own assessments of costs."

5.2 GBA's full cost report can be found at Appendix 1.

Additional Costs

5.3 The applicant's consultants have applied the following additional cost assumptions:

- Professional fees of 10%
- Marketing fees of 1.5%
- Sales agent fees of 1.00%
- Sales legal fees of 0.25%

5.4 The marketing allowance equates to £1,091,625 or c.£7,500 per unit. While we consider this appears potentially reasonable, we request confirmation from the applicant as to the marketing costs from the original phases of the development per unit to confirm this point. For the purposes of this assessment, we have adopted this input.

5.5 We accept that the other allowances are reasonable and in line with our expectations.

5.6 CIL and S106 charges have been assumed as follows:

- CIL: £1,386,387
- S106: £130,000

5.7 We have not verified these amounts but request confirmation from the council that these are reasonable. For the purposes of this assessment, we have not altered these allowances.

5.8 Finance has been included at 6.5% assuming that the scheme is 100% debt financed. We consider this finance allowance reasonable on an objective basis although we do note that we might expect the Applicant to be able to leverage lower finance payments through the Development Agreement with the Council.

Profit

5.9 The developer profit target adopted by ME is as follows:

- Private profit: 17.5% on GDV
- Affordable profit: 6% on GDV

5.10 We consider that these profit targets are reasonable for a development of this sort, noting NPPG promotes a profit target between 15-20% but does state that a lower allowance is required for affordable housing.

5.11 We note that based on ME's figures within their viability assessment the scheme is currently due to be brought forward at an effective profit of 7.37%, taking into account the stated deficit. We therefore have to assume that the current proposals are deliverable at this profit level.

5.12 This inconsistency between effective profit and benchmark profit was highlighted in a recent Inspector's decision for an appeal at 87 Sunnyside Road, Islington (ref: APP/V5570/W//21/3267951). While in this case the appeal was granted the Inspector noted:

"I am, however, mindful that it is somewhat inconsistent for the appellant to argue for a higher profit rate based on risk, yet at the same time putting forward a scheme which would achieve only a 10% return."

5.13 We note from our work in 2015 that we were advised that the developer had agreed that the cost of finance would be included in the Developer's Return proportion as part of the Development Agreement due to the level of deficit originally identified. At this stage we were therefore advised by the Council that the developer had agreed to a profit of 13% on GDV.

5.14 For the purposes of this assessment, we have adopted profit targets of 17.5% on GDV on private and 6% on GDV for affordable which after our changes results in a blended profit target of 14.44%.

Development Timeframes

5.15 ME have assumed demolition and enabling of 11 months. We have accepted this assumption. They have allowed for differing construction periods for each element of the development beyond this point. We include ME's assumptions as follows:

Block	Homes	Tenure/s	Construction Start	Total construction period	Sales Start	Sales period (after 25% of 1st month presales)
Enabling, Demolition, Service & Roads	-	-	Oct-21	11 months	-	-
Block 2	32	Private	Sep-22	26 months	Aug-24	6 months
Block 1	47	Affordable	Oct-22	32 months	-	-
Houses A	14	Private	Dec-22	18 months	Jun-24	2 months
Block 4	44	Private	Jan-23	25 months	Dec-24	8 months
Block 3	53	Private	Mar-23	32 months	Aug-25	8 months
Block 5	18	Affordable	Apr-23	31 months	-	-
Block 6	30	Affordable	Jun-23	37 months	-	-
Houses C	3	Private	Dec-24	14 months	Jan-26	All sold in first month
Block 7	12	Affordable	Nov-25	20 months	-	-
Houses B	5	Affordable	Dec-25	14 months	-	-
TOTAL	258					

5.16 We note that the blocks are proposed to be built in tandem with construction overlapping but each block staggered. We note the majority of block constructions commence within two to three months however there is a delay of 18 months between Block 6 and Houses C and a delay of 11 months between Block 7 and Houses B. Overall the construction period of the whole site, excluding enabling etc works, equates to 58 months or 4 years and 10 months.

5.17 We outline this in comparison to the BCIS duration indicator average and highest BCIS allowance for each block / houses as follows:

Block	ME Construction Period	BCIS Average	BCIS Top of Interval	% difference from average BCIS to ME's assumption
Block 2	26 months	16 months	17 months	63%
Block 1	32 months	17 months	19 months	88%
Houses A	19 months	14 months	15 months	36%
Block 4	25 months	17 months	18 months	47%
Block 3	32 months	18 months	19 months	78%
Block 5	31 months	15 months	16 months	107%
Block 6	37 months	16 months	17 months	131%
Houses C	14 months	9 months	10 months	56%
Block 7	20 months	13 months	14 months	54%
Houses B	14 months	10 months	11 months	40%

5.18 We have asked GBA to look into the duration indicator for the site on an overall basis alongside the block by block approach. This results in an average of 27 months although showing a range for individual projects between 19 and 38 months. This contrasts to ME's overall assumption of 58 months. While we accept the BCIS duration indicator should be used initially as a crosscheck, in this case the proposed timeframes far exceed the estimates available.

5.19 Given the large disparity between ME's assumed construction period and the BCIS averages, we have updated the appraisal to include the averages and request further evidence to support the timeframes adopted. We have also reduced the delay between commencement at Block 6 and Houses C to 3 months and applied the same delay between Houses C and Block 7.

5.20 Sales periods for the proposed private units are based on an assumption of 25% pre-sales and absorption following practical completion of 5 units per month. We note that 25% appears below our expectations however there is some crossover between the pre-sales in some blocks and the completed sales in other blocks. We note from Molior that within 2A c.55% of the private units were sold off-plan and that Phase 1A sold almost entirely off-plan. On that basis we consider a 55% off-plan rate more appropriate, we accept a subsequent sales rate of 5 units per month.

5.21 Where sales are overlapping we have ensured that the overall sales absorption from the development is 5 units per month.

5.22 ME have assumed a 'Golden Brick' structure for the affordable housing and have therefore cashflowed the affordable income over the construction period of these blocks. We accept this assumption.

5.23 We have set out our changes in the format used by ME, included in the table at paragraph 5.15, using a start of October 2021 to remain consistent:

Block	Homes	Tenure/s	Construction Start	Total Construction Period	Sales Start	Sales period*
Enabling, demolition service & roads	-	-	Oct-21	11 months	-	-
Block 2	32	Private	Sept-22	16 months	Jan-24	7 months
Block 1	47	Affordable	Oct-22	17 months	-	-
Houses A	14	Private	Dec-22	14 months	Feb-24	4 months
Block 4	44	Private	Jan-23	17 months	Jun-24	10 months
Block 3	53	Private	Mar-23	18 months	Sept-24	9 months
Block 5	18	Affordable	Apr-23	15 months	-	-
Block 6	30	Affordable	Jun-23	16 months	-	-
Houses C	3	Private	Sept-23	9 months	Sept-23	2 month
Block 7	12	Affordable	Dec-23	13 months	-	-
Houses B	5	Affordable	Jan-24	10 months	-	-

*after 25% of 1st month presales assuming absorption of 5 units per month across the whole site

5.24 This results in an overall construction period, excluding enabling period, of 28 months, one month over the BCIS duration indicator.

6.0 BENCHMARK LAND VALUE

Viability Benchmarking

6.1 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).

6.2 The NPPF recognises the need to provide both land owners and developers with a competitive return. In relation to land owners this is to encourage land owners 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 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 fully 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+).

6.3 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the NPPG's definition of Benchmark Land Value.

6.4 NPPG further defines EUV as follows:

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

6.5 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.

6.6 Guidance indicates that the sale of any premium should reflect the circumstances of the land owner. 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.

6.7 While EUV is the primary approach to defining BLV, in some circumstances an Alternative Use Value approach can be adopted. This is the value of the land for a use other than its existing use. NPPG outlines:

If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.

[…] Plan makers can ser out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued.

6.8 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the definition of AUV from NPPG and reiterates that any AUV must reflect relevant policy requirements.

6.9 When adopting an AUV approach, the premium to the landowner is implicit and therefore an additional landowner premium should not be added as this would be double counting.

6.10 NPPG and RICS guidance are clear that if refurbishment or redevelopment is necessary to realise an existing use value then this falls under the AUV provision of NPPG and no landowner premium should be added.

ME Proposed Benchmark

6.11 The benchmark proposed by ME for viability testing is based on an Existing Use Value approach.

6.12 ME outline that the site currently accommodates 87 social rent homes as well as 22 privately owned units, which were acquired via compulsory purchase by LBWF. 89 of the homes have been vacated for redevelopment with many residents decanted to homes delivered earlier in the overall masterplan. The remaining 20 homes are currently occupied on affordable tenancies.

6.13 ME outline that they have not been provided with floor areas for the existing units. They have instead used measurements from the EPC Register where possible. Where not possible ME state the following:

"Where we have not been able to obtain unit areas, we have adopted the smallest size for that unit type from the unit areas we have obtained EPC Register."

6.14 ME have calculated target rents based on property values (as at January 1999), local earnings and property size:

- 30% based on relative property values compared to national average;
- 70% based on relative local earnings compared to national average, and
- A 'bedroom factor' is applies so that, other things being equal, smaller properties have lower target rents.

6.15 ME have assumed the following current Market Values as at today's date based on second-hand evidence from the area:

- Studio: £200,000
- One-bed: £250,000
- Two-bed: £300,000
- Three-bed: £350,000

6.16 They state that they have deflated these values in line with the Nationwide HPI to January 1999. We have not been provided with more detail of the Target Rents.

6.17 We are advised that ME's affordable housing team have used Podplan, a sector specific valuation tool, to value the units adopting the following inputs alongside the Target Rents:

- 40-year cashflow
- Discount rate: 7.00%
- Rent inflation: 2.5% - 3%
- Cost inflation: 2.5%
- Management costs: £450 p/u pa
- Maintenance costs: £600 p/u pa
- Voids and bad debts: 3%

6.18 This results in a value of £5,650,000 (£65,000 per unit / c.£121 psf).

6.19 With regard to the private units, ME state that they have adopted the market values outlined at paragraph 6.15. This results in a value of £6,850,000.

6.20 Overall, they have therefore calculated the following overall BLV:

- 87x Social Rent Homes: £5,650,000
- 22x Private Homes: £6,850,000
- **Total: £12,500,000**

6.21 ME have not added a premium at this stage.

<u>BPS Benchmark Review</u>

6.22 Both ourselves and ME reviewed the viability for the overall Masterplan development at the Marlowe Road Estate (ref:151652/FUL). Within ME's report dated 25th June 2015 the following Benchmark Land Value was adopted for the overall site including Phases 2A and 3:

"We understand that Countryside was chosen to enter into a development partnership with LBWF in December 2014 in order to regenerate the existing Marlowe Road estate, following an extensive and competitive bidding process. The proposed 436 residential units and 11,931 sq. ft. commercial space scheme is the result of extensive negotiations both during- and post- the bid process. As part of the negotiations, it has been concluded that LBWF shall receive a 'Minimum Land Price' of £2,000,000. We understand that any surplus monies, in addition to the £2,000,000 Minimum Land Price agreed, will be paid to the Local Authority. In practice, this will mean that viability assessments (not planning related) shall be carried out to ascertain any additional land monies due to the Council at the commencement of each phase.

…

"In simple terms, the viability of the proposed development is assessed by comparing the residual land value of the proposed development with an appropriate benchmark. In this instance we understand that a Minimum Land Price (i.e. £2,000,000) has been agreed between LBWF and Countryside Properties, in accordance with a draft Development Agreement. Therefore, the purpose of this viability assessment is to justify the level and mix of affordable housing and Section 106 contributions, whilst maintaining a viable scheme."

6.23 At this stage ME adopted £2,000,000 as the Benchmark Land Value for the site as a whole. This BLV used for the whole Marlowe Road Estate is considerably below the current EUV being adopted by ME for just Phases 2A and 3. We note from our dealings with the site in 2015 that the Council were considering reducing this land price further due to the viability deficit being shown for the masterplan at that stage. While this value reflects price paid, which NPPG is clear is not a relevant justification for failing to accord with planning policies, we note that on this basis, using ME's figures, the Council's minimum position was considerably below the market value of the site on an EUV basis calculated by ME. The Local Government Act Section 123 is clear that publicly owned land should not be sold below market value as follows:

"Except with the consent of the Secretary of State, a council shall not dispose of land under this section, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained."

6.24 We therefore assume that as a minimum the £2m agreed was considered the best that can reasonably obtained.

6.25 Noting the overall site Minimum Land Value compared to the now suggested EUV, we consider the additionality of the EUV acts to protect developer profit only. We have not seen further updates relating to the purchase price agreed however we consider that any EUV that exceeds this value is not beneficial to maximising the provision of affordable housing on site.

6.26 We also raise the DCLG's Estate Regeneration (2016) guidance which in part looks to publicly owned assets to forgo extracting land value from a development opportunity to maximise the viability and potential of delivering improved public assets. We consider that this is likely the purpose of the partnership between LBWF and the developer at this site. The inclusion of an EUV within the viability assessments works contrary to this guidance, especially noting our understanding relating to the agreed minimum purchase price for the overall masterplan site.

6.27 We consider it is usually inappropriate to include an EUV in estate regeneration schemes as usually the development progresses due to the existing housing stock nearing the end of its operational life with accrued maintenance costs exceeding the value of the property as affordable housing. There were considerable issues with the existing estate, as outlined in the original Design and Access Statement for the masterplan scheme, dated May 2015, as follows:

"At the heart of the Wood Street ward, Marlowe Road is a system built estate constructed in the 1960s as part of a comprehensive remodelling of the original Victorian street pattern. The environment created by the new form of development is characterized by a lack of legibility and many of the spaces created are poorly overlooked and constitute a very weak and hostile public realm with little sense of community ownership. The estate has suffered from crime and deprivation associated with poor quality housing and public realm with little sense of community ownership. The estate has suffered from crime and deprivation associated with poor quality housing and public realm, and is characterised by deck access, poor pedestrian walkways and linkages, underused gardens, garages and store sheds.

"Marlowe Road estate buildings are mostly three to four storeys in height with a small number of single storey houses, and the 20-storey Northwood Tower which is a dominant local landmark. The existing buildings are surrounded by large areas of open space. However, the poor distinction between public and private realm makes the area feel illegible, unsafe and underused. The estate is isolated from its surroundings with poorly connected pedestrian routes to and from the town centre, inactive frontages and weakly defined streets.

"The Plaza was recently refurbished in 2011 and is the main public space along Wood Street. The building fabric of the single storey retail premises that define the square are of a low quality, constraining the vibrancy of the plaza space. The plaza and playground designs were made to be re-usable to ensure long-term sustainability of the short-term interventions in the light of the Council's redevelopment aspirations as state in the Wood Street Area Action Plan."

6.28 We note that ME's valuation of the existing housing stock is £65,000 per unit which compares to the agreed purchase price of the proposed new-build social rented units of c.£68,000 per unit. We would expect the value of the existing stock to be considerably below new-build affordable housing, although note there is a wider disparity between our social rent valuation. We understand from the extract above within the original Design and Access Statement that the existing units are between 60 and 50 years old. ME have valued them on a 40-year cash flow which therefore assumes that they will continue to be operational until they are between 90-100 years old with overall maintenance costs of £600 per unit per annum (indexed at 2.5% pa). We have not been provided with details of the condition of the existing housing stock but requested that such information was provided, in response ME stated:

"Unfortunately we don't have any internal photos of the existing residential accommodation. However, as set out in the FVA, we have adopted a conservative discount rate (7%) to the affordable homes to allow for the unknown internal condition. We have also adopted a conservative estimate to the existing 22 private homes on-site."

6.29 We do not have detail of the existing condition of the units and therefore are unable to comment in detail further relating to such values. However, we do note that in 2015 LBWF were prepared to agree a minimum land price of £2m for the entire estate, including the subject site, suggesting that the continued use and value of the existing stock was low or at the least the priority of replacing them was considered high. We are of the view that the adoption of a £12.5m EUV for one element of the site at this stage is unrealistic and also acts to protect developer profit at the expense of the delivery of further affordable housing noting that, we assume, the developer was able to agree a low land sale price for the purpose of maximising affordable housing delivery.

6.30 For the reasons outlined above, we do not consider it appropriate to allocate a value to the social housing site on an EUV basis as set out by ME without clear evidence of its ongoing value. We do however accept that the acquisition costs of leaseholder units is a relevant scheme cost. We understand that the acquisitions were made either through CPO or under its threat and therefore the prices paid under the CPO process closely equate to the EUV basis outlined by NPPG. We have therefore run viability testing on both a site value of £6,850,000 (the values assumed by ME for the private space) but have also considered site value on an AUV basis.

6.31 We note that the subject site benefits from extant consent from the wider masterplan development for the following:

- Private: 61 units
- Social rent: 52 units
- Shared ownership: 4 units

6.32 We therefore consider there is a possible Alternative Use Value of the site. We also consider that a comparison to the residual land value of the extant development is appropriate as it will reflect an assessment in the uplift in value from the new consent.

6.33 We have been provided with an appraisal for the extant consent by ME. We note there are areas of uncertainty from this appraisal which we outline as follows:

- An overall build cost has been included in the appraisal without commentary. No GIA is included within the appraisal. We have calculated the GIA based on an efficiency from GIA to NIA of 79.50% in line with the newly proposed development at Phases 2B and 3. We request confirmation of the extant GIA.

- We do not have a breakdown of the residential unit types within the extant consent.

6.34 We have produced a residual valuation of the existing consent assuming the following inputs:

Element	Input	Commentary
Private Resi Values	£648.51 psf	As per the average of the proposed
Shared Ownership Values	£450.00 psf	In line with ME's valuation
Social Rent Values	£150.54 psf	In line with our valuation of the proposed scheme
Construction costs	£243.13 psf	In line with agreed build cost for proposed
Contingency	5.00%	In line with agreed for proposed
Professional fees	10.00%	In line with agreed for proposed
Marketing	1.50%	In line with agreed for proposed
Sales agent	1.00%	In line with agreed for proposed
Sales legal	0.25%	In line with agreed for proposed
S106 costs	£130,000	As adopted by ME within their extant appraisal
CIL	£1,186,473	As adopted by ME within their extant appraisal
Finance	6.5%	In line with agreed for proposed
Private profit	17.5%	In line with agreed for proposed
Affordable profit	6.00%	In line with agreed for proposed
Pre-construction period	11 months	In line with agreed for proposed
Construction period	21 months	Based on average BCIS Duration Indicator
Sales period / rate	6 months	Assuming 55% off-plan and 5 sales per year

6.35 Adopting the above inputs we calculate a residual value for the extant consent on the site of £2,520,000.

6.36 For the purposes of our assessment we consider that the EUV assessment of the existing social housing is overstated and in opposition to the aim of estate regeneration on public land to reinvest land price into providing affordable housing. We also consider that the evidence provided to support the continued use of the existing units without considerable cost has not been provided. For the purposes of this assessment we have tested the viability against our AUV of £2.52m and ME's EUV of the 22 private units purchased via CPO by the Council of £6.85m.

7.0 AUTHOR SIGN OFF

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:

[redacted]

RICS Membership no. 6782528
For and on behalf of
BPS Chartered Surveyors

[redacted]

RICS Registered Valuer
RICS Membership no. 0085834
For and on behalf of
BPS Chartered Surveyors

24th February 2022

Appendix 1: Build Cost Report

REVIEW OF COST PLAN SUMMARY (WITHIN FVA)
PREPARED BY
COUNTRYSIDE PARTNERSHIP

FOR

PHASE 2B AND 3 MARLOWE ROAD ESTATE,
WALTHAMSTOW, E17 3HB

15 FEBRUARY 2022

Geoffrey Barnett Associates
Chartered Quantity Surveyors
Project Coordinators
The Old Mill
Mill Lane
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Geoffrey Barnett Associates

CONTENTS:

APPENDICES:

1.0 INTRODUCTION:

1.1 Geoffrey Barnett Associates are Chartered Quantity Surveyors, established in 1974, and have over 45 years' experience of providing quantity surveying, project co-ordination and construction cost management services to clients throughout the UK. The firm's experience covers a wide range of project types and sizes including new build residential and commercial developments, infrastructure projects and refurbishment projects.

1.2 This review relates to the Cost Plan Summary (within FVA) dated 12 November 2021 produced by Countryside Partnership.

2.0 BASIS OF REVIEW

2.1 The contract build cost estimate provided by the applicant is reviewed by comparison against the Building Cost Information Service (BCIS) construction cost data published by the RICS. The reason for using the BCIS service is that it provides a UK wide and fully independent database compiled and continually updated by input from varied project types and locations.

2.2 BCIS publish costs as average overall prices on a cost per sq metre basis and an elemental cost per sq metre basis for new build work. For new build construction, the BCIS cost levels are used as a baseline to assess the level of cost and specification enhancement in the scheme on an element by element basis.

2.3 BCIS costs are updated on a quarterly basis. The most recent quarters use forecast figures, the older quarters are firm costs based on historic project data. The BCIS also provides a location adjustment facility against a UK mean index of 100, which allows adjustment of costs for any location in the UK. The BCIS also publish a Tender Price Index based on historic tender prices. This allows adjustment of costs on a time basis where necessary.

2.4 BCIS average costs are available for various categories of buildings such as apartments, offices, shops, hotels, schools, etc.

2.5 BCIS average prices per sq metre include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Average prices per sq metre or elemental costs do not include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs.

2.6 Ideally, a contract build cost estimate should be prepared by the applicant in the BCIS elements. If this is not available exactly in the BCIS format then, where relevant, we undertake analysis and adjustment to allow direct comparison to BCIS elemental benchmark costs. This requires access to the drawings, specifications, and any reports which have a bearing on cost.

2.7 The review of an applicant's contract build cost estimate against BCIS would typically require:

- Adjustment by location factor

- Adjustment for abnormal and enhanced costs
- Review of the applicants estimate on element by element basis
- More detailed analysis where there are significant deviance from BCIS costs
- Adjustment of overheads & profit inclusions to provide direct comparison to BCIS
- Addition of contractors' preliminaries costs
- Addition of ancillary costs, such as fees, statutory charges, etc., as appropriate

These adjustments enable us to make a direct comparison with BCIS benchmark costs.

2.8 The floor areas stated in the applicants cost estimate are accepted and we do not attempt to check the floor areas.

3.0 REVIEW OF COST ESTIMATE

3.1 The proposed development is stated to comprise: "Redevelopment of Phases 2b/3 of the Marlowe Road Estate comprising the demolition of existing buildings and site clearance, erection of residential buildings, disabled car parking, public and communal landscaping, and associated works."

3.2 Total GIA is stated in the cost plan to be 24,046m2, which concurs with the appraisal summary in which only a marginally different area of 24,044m2 is stated. The breakdown of areas is assumed as follows:-

Flats (4 storeys blocks)	5,750m2
Flats (7 - 8 storeys blocks)	15,869m2
Houses (terraced)	2,427m2
Total	**24,046m2**

3.3 Construction costs are shown in the cost plan to be £60,593,857 in total. The breakdown of costs is as follows:-

Demolition and enabling works	£1,595,000
Build costs	£42,582,451
External works	£2,286,048
Drainage	£1,127,536
External services	£1,161,000
Sub-total	£48,752,035
Preliminaries 16%	£7,847,000
Regulatory considerations:	
Zero carbon LGA contribution	£464,400
GLA London Plan – Fabric Improvement	£645,000
OHP 5%	£2,885,422
Total (rounded)	**£60,593,857**

However, it should be noted that the different construction cost of £63,623,552 is included in the appraisal summary. This sum includes construction costs from the cost plan and 5% contingency added. We have assessed our construction costs against the sum of £63,623,552.

3.4 Date basis for the costs is assumed to be 4Q2021.

3.5 Costs are presented in series of rates applied to areas; partial quantification is provided to elevational enhancements.

3.6 The cost plan includes preliminaries at 16%, overheads and profit at 5%. As noted above contingency at 5% has been added on the appraisal summary.

4.0 GBA ASSESSMENT OF CONSTRUCTION COSTS

4.1 To benchmark the figures in the cost plan, we have calculated costs using BCIS average m2 rates. These rates relate to buildings only, so we have added allowances for external works, plus any abnormals – see following clauses.

4.2 Date basis for the costs is 1Q2022.

4.3 We have used Mean BCIS rates rebased to Waltham Forest.

4.4 We have reviewed the costs in the cost plan for costs that are excluded from BCIS rates (demolition and enabling works including remediation works, additional works due to levels, external works and services). On the whole we consider them to be reasonable and we have therefore used them in our assessment.

4.5 We have also reviewed the design and access statement and cost plan in detail to see if there are any abnormal costs that we do not expect would be included in BCIS rates. We believe that the following could be considered as abnormal:

- Zero carbon contribution
- GLA London Plan Fabric Improvement
- Centralised energy centre and distribution
- External walkways to blocks 1,3,6
- PV installations to flats only
- Sprinkler system (to flats in blocks over 4 storeys)

We have made our own assessment of costs for external walkways, PV installations and sprinkler system. We have reviewed the costs in the cost plan for the energy centre and distribution. On the whole we consider them to be reasonable and we have therefore used them in our assessment. We cannot comment on whether costs for zero carbon contribution and GLA London Plan Fabric Improvement have been calculated correctly. We have assumed they are correct and applied them in our own calculation.

4.6 In line with common practice and general guidance we have added an allowance of 5% for contingency.

4.7 On the basis of the foregoing we have calculated a total construction cost of £63,416,094 – see Appendix A.

5.0 CONCLUSION

5.1 The difference between costs in the cost plan and our assessment of costs using BCIS is £213,458 or 0.34% - see Appendix B.

5.2 We conclude that the construction costs put forward in the cost plan are within acceptable estimating margins of our own assessment of costs.

6.0 REVIEW OF PROFESSIONAL FEES AND CONSTRUCTION DURATION

6.1 Professional fees included in the FVA are 10%, which we consider to be reasonable.

6.2 Construction durations are stated in the FVA (Appendix 7, page 20) to be as follows:-

- Enabling & demolition works – 11 months
- Block 2 – 26 months
- Block 1 – 32 months
- Houses A – 19 months
- Block 4 – 25 months
- Block 3 – 32 months
- Block 5 – 31 months
- Block 6 – 37 months
- Houses C – 14 months
- Block 7 – 20 months
- Houses B – 14 months

With Block 2 construction starting in September 2022 and Block 7 construction finishing in June 2027 overall construction duration of the project is 58 months (excluding 11 months duration of demolition and enabling works).

BCIS duration calculator shows construction durations as follows:-

Block	Average	Top of interval
Block 2	16 months	17 months
Block 1	17 months	19 months
Houses A	14 months	15 months
Block 4	17 months	18 months
Block 3	18 months	19 months
Block 5	15 months	16 months
Block 6	16 months	17 months
Houses C	9 months	10 months
Block 7	13 months	14 months
Houses B	10 months	11 months

Construction durations shown in Appendix 7 are therefore higher that what is suggested by BCIS. Without construction programme it is difficult to ascertain why proposed durations are significantly higher than BCIS calculation.

APPENDIX A

CALCULATION OF COSTS USING BCIS M2 RATES

Base costs based on M2 rates					
Flats (4 storeys blocks) - 60 units	5,750	m2 @	£1,818	/m2	£10,453,500
Flats (7 - 8 storeys blocks) - 176 units	15,869	m2 @	£2,190	/m2	£34,753,110
Houses (terraced) - 22 units	2,427	m2 @	£1,613	/m2	£3,914,751
Total	24,046		£2,043		**£49,121,361**
Additional costs not included in base rates					
Demolition & enabling works					£1,942,710
External drainage (including attenuation)					£1,373,339
External works					£2,784,406
External services					£1,414,098
					£7,514,553
Abnormal costs					
Zero carbon contribution	258	no@	£1,800	/no	£464,400
GLA London Plan Fabric Improvement	258	no@	£2,500	/no	£645,000
Centralised energy centre and distribution					£1,631,965
External walkways to blocks 1,3,6 not incl. in GIA	716	m2 @	£750	/m2	£537,000
PV installations to flats only	236	no @	£700	/no	£165,200
Sprinkler system (to flats in blocks over 4 storeys)	176	no@	£1,800	/no	£316,800
					£3,760,365
Total base and additional costs					£60,396,280
Contingency			5%		£3,019,814
					£63,416,094
Cost per m2 of GIA	£2,637				

Notes:
1. BCIS rates are Mean rates, rebased to Waltham Forest and current date (1Q2022).
2. BCIS rates are inclusive of preliminaries and OHP.
3. Additional costs, Energy Centre & Distribution, zero carbon contribution and GLA London Plan Fabric improvement costs are taken from Countryside Cost Plan.
4. Abnormal costs - GBA own assessment.
5. All additional and abnormal costs are inclusive of preliminaries and OHP.

APPENDIX B

COMPARISON OF COST PLAN AGAINST COSTS USING BCIS M2 RATES

Cost using BCIS m2 rates - Appendix A	£63,416,094
Cost from appraisal summary	£63,629,552
Difference £	£213,458
Difference %	0.34%

Geoffrey Barnett Associates

APPENDIX C: BCIS DATA

BCIS® RICS

£/m2 study

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

Last updated: 29-Jan-2022 00:39

› Rebased to London Borough of Waltham Forest (116; sample 21)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810.1 Estate housing							
Generally (15)	1,565	757	1,334	1,508	1,708	5,427	1491
Single storey (15)	1,759	1,000	1,497	1,702	1,957	5,427	244
2-storey (15)	1,512	757	1,316	1,471	1,652	3,300	1150
3-storey (15)	1,616	980	1,298	1,545	1,813	3,226	92
4-storey or above (15)	3,299	1,608	2,633	2,939	4,421	4,894	5
810.11 Estate housing detached (15)	2,025	1,166	1,529	1,726	2,039	5,427	21
810.12 Estate housing semi detached							
Generally (15)	1,560	926	1,343	1,523	1,713	2,889	353
Single storey (15)	1,741	1,156	1,512	1,715	1,922	2,889	73
2-storey (15)	1,515	926	1,335	1,484	1,658	2,639	267
3-storey (15)	1,486	1,111	1,184	1,468	1,608	2,269	13
810.13 Estate housing terraced							
Generally (15)	1,613	980	1,316	1,529	1,773	4,894	275
Single storey (15)	1,813	1,199	1,543	1,709	2,086	2,539	25
2-storey (15)	1,552	985	1,313	1,483	1,706	3,300	205
3-storey (15)	1,647	980	1,290	1,528	1,855	3,226	43
4-storey or above (10)	4,658	4,421	-	-	-	4,894	2
816. Flats (apartments)							
Generally (15)	1,845	912	1,535	1,753	2,078	6,360	852
1-2 storey (15)	1,751	1,084	1,492	1,673	1,961	3,138	194
3-5 storey (15)	1,818	912	1,528	1,738	2,060	3,851	558
6 storey or above (15)	2,190	1,352	1,806	2,054	2,337	6,360	97

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BCIS®

RICS®

New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - BLOCK 2

The estimated construction duration from Start on Site to Construction Completion is 66 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 61 to 71 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 42 to 101 weeks.

The estimate is based on the following project details:

Contract value: £6,822,902 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Flats

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

14-Feb-2022 10:35

New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - BLOCK 1

The estimated construction duration from Start on Site to Construction Completion is 73 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 67 to 80 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 48 to 111 weeks.

The estimate is based on the following project details:

Contract value: £11,762,463 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Flats

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

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BCIS®

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New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - HOUSES A

The estimated construction duration from Start on Site to Construction Completion is 58 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 53 to 63 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 37 to 90 weeks.

The estimate is based on the following project details:

Contract value: £4,136,910 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Housing estates

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

14-Feb-2022 10:41

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New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - BLOCK 4

The estimated construction duration from Start on Site to Construction Completion is 71 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 65 to 77 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 46 to 108 weeks.

The estimate is based on the following project details:

Contract value: £10,068,907 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Flats

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

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BCIS®

RICS®

New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - BLOCK 3

The estimated construction duration from Start on Site to Construction Completion is 75 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 69 to 82 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 49 to 114 weeks.

The estimate is based on the following project details:

Contract value: £13,330,398 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Flats

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

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New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - BLOCK 5

The estimated construction duration from Start on Site to Construction Completion is 62 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 58 to 67 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 40 to 96 weeks.

The estimate is based on the following project details:

Contract value: £5,259,147 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Flats

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

14-Feb-2022 10:38

BCIS®

RICS®

New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - BLOCK 6

The estimated construction duration from Start on Site to Construction Completion is 67 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 62 to 72 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 43 to 102 weeks.

The estimate is based on the following project details:

Contract value: £7,338,910 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Flats

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

BCIS®

RICS

New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - HOUSES C

The estimated construction duration from Start on Site to Construction Completion is 39 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 36 to 41 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 23 to 64 weeks.

The estimate is based on the following project details:

Contract value: £860,668 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Housing estates

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

BCIS®

RICS®

New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - BLOCK 7

The estimated construction duration from Start on Site to Construction Completion is 53 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 50 to 57 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 34 to 84 weeks.

The estimate is based on the following project details:

Contract value: £2,618,634 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Flats

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

BCIS®

RICS®

New Build, Construction

PHASE 2B AND 3 MARLOWE ROAD ESTATE, WALTHAMSTOW, E17 3HB - HOUSES B

The estimated construction duration from Start on Site to Construction Completion is 44 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 41 to 46 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 26 to 71 weeks.

The estimate is based on the following project details:

Contract value: £1,424,614 at 1Q 2022 (350; forecast) prices and London Borough of Waltham Forest (116; sample 21) level

Building function: Housing estates

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

Appendix 2: BPS Extant Argus Appraisal

Marlowe Road Estate
Extant Consent Appraisal - PHASES 2B & 3

Development Appraisal
BPS Surveyors
23 February 2022

Marlowe Road Estate
Extant Consent Appraisal - PHASES 2B & 3

Appraisal Summary for Phase 1 PHASE 2B&3

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Phase 2B&3 Private Residential	61	69,040	648.51	733,986	44,773,130
Phase 2B&3 Social Rent	52	41,818	150.54	121,063	6,295,282
Phase 2B&3 Shared Ownership	4	3,165	450.00	356,063	1,424,250
Totals	**117**	**114,023**			**52,492,662**
NET REALISATION				**52,492,662**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			2,520,398		
				2,520,398	
Stamp Duty			115,520		
Effective Stamp Duty Rate		4.58%			
Agent Fee		1.00%	25,204		
Legal Fee		0.50%	12,602		
				153,326	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Phase 2B&3 Private Residential	86,843	243.13	21,114,139		
Phase 2B&3 Social Rent	52,601	243.13	12,788,881		
Phase 2B&3 Shared Ownership	3,981	243.13	967,901		
Totals	**143,425 ft²**		**34,870,920**		
Contingency		5.00%	1,743,546		
Phase 2b S106			130,000		
Phase 2B/3 CIL			1,186,473		
				37,930,939	
PROFESSIONAL FEES					

Marlowe Road Estate
Extant Consent Appraisal - PHASES 2B & 3

Professional fees	10.00%	174,355	
			174,355
MARKETING & LETTING			
Marketing	1.50%	671,597	
			671,597
DISPOSAL FEES			
Sales Agent Fee	1.00%	447,731	
Sales Legal Fee	0.25%	131,232	
			578,963
MISCELLANEOUS FEES			
Affordable Profit on GDV	6.00%	463,172	
Private Profit on GDV	17.50%	7,835,298	
			8,298,470
FINANCE			
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Land		471,362	
Construction		1,581,433	
Other		111,820	
Total Finance Cost			2,164,615
TOTAL COSTS			**52,492,662**
PROFIT			
			0
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
IRR% (without Interest)	6.07%		
Profit Erosion (finance rate 6.500)	0 mths		

Appendix 3: BPS Proposed Argus Appraisal

Marlowe Road Estate
Proposed Scheme Appraisal - PHASES 2B&3

Development Appraisal
BPS Surveyors
23 February 2022

Marlowe Road Estate
Proposed Scheme Appraisal - PHASES 2B&3

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9 10

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Block 2 Private Residential	32	20,745	701.13	454,531	14,545,000
Block 1 Shared Ownership	47	36,931	450.00	353,595	16,618,950
Houses A Private Residential	14	16,828	607.32	730,000	10,220,000
Block 4 Private Residential	44	32,649	639.22	474,318	20,870,000
Block 3 Private Residential	53	41,528	646.67	506,698	26,855,000
Block 5 Social Rent	18	17,037	134.18	127,000	2,286,000
Block 6 Social Rent	30	22,512	169.24	127,000	3,810,000
Houses C Private Residential	3	3,501	642.67	750,000	2,250,000
Block 7 Shared Ownership	12	8,225	450.00	308,438	3,701,250
Houses B Social Rent	5	5,795	125.97	146,000	730,000
Totals	**258**	**205,751**			**101,886,200**

NET REALISATION				**101,886,200**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			9,803,204	
				9,803,204
Stamp Duty			479,660	
Effective Stamp Duty Rate		4.89%		
Agent Fee		1.00%	98,032	
Legal Fee		0.50%	49,016	
				626,708

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**
Block 2 Construction Costs	27,754	234.13	6,498,002
Block 2 Construction Costs	47,847	234.13	11,202,346
Houses A Construction Costs	16,828	234.13	3,939,914

Marlowe Road Estate
Proposed Scheme Appraisal - PHASES 2B&3

Block 4 Construction Costs	40,958	234.13	9,589,435	
Block 3 Construction Costs	54,225	234.13	12,695,617	
Block 5 Construction Costs	21,393	234.13	5,008,711	
Block 6 Construction Costs	29,853	234.13	6,989,438	
Houses C Construction Costs	3,501	234.13	819,684	
Block 7 Construction Costs	10,652	234.13	2,493,937	
Houses B Construction Costs	5,795	234.13	1,356,775	
Totals	**258,806 ft²**		**60,593,859**	
Contingency		5.00%	3,029,693	
Phases 2B & 3 CIL			1,386,387	
Phase 2b S106 Contributions			130,000	
				65,139,939
PROFESSIONAL FEES				
Professional fees		10.00%	6,362,355	
				6,362,355
MARKETING & LETTING				
Marketing		1.50%	1,121,100	
				1,121,100
DISPOSAL FEES				
Sales Agent Fee		1.00%	747,400	
Sales Legal Fee		0.25%	254,716	
				1,002,116
MISCELLANEOUS FEES				
Private Profit on GDV		17.50%	2,545,375	
Affordable Profit on GDV		6.00%	997,137	
Private Profit on GDV		17.50%	1,788,500	
Private Profit on GDV		17.50%	3,652,250	
Private Profit on GDV		17.50%	4,699,625	
Affordable Profit on GDV		6.00%	137,160	
Affordable Profit on GDV		6.00%	228,600	
Private Profit on GDV		17.50%	393,750	
Affordable Profit on GDV		6.00%	222,075	
Affordable Profit on GDV		6.00%	43,800	
				14,708,272

FINANCE

Marlowe Road Estate
Proposed Scheme Appraisal - PHASES 2B&3

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)		
Total Finance Cost		3,122,506
TOTAL COSTS		**101,886,200**
PROFIT		
		0
Performance Measures		
Profit on Cost%	0.00%	
Profit on GDV%	0.00%	
Profit on NDV%	0.00%	
IRR% (without Interest)	9.58%	
Profit Erosion (finance rate 6.500)	N/A	