



14 October 2019

Our ref: SD/AL/al

Joanne Simpson
Planning Department
London Borough of Richmond upon Thames
Civic Centre, 44 York Street
Twickenham, Middlesex TW1 3BZ

Dear Joanne

GREGGS BAKERY SITE GOULD ROAD TW2 6RT

I am writing in response to DS2 comments on our report of July 2019.

Residential and Commercial Values

DS2 refer to detailed comments to be provided by their advisors. To date these have not been received and we will respond when these are provided.

Ground Rents

While there have been several Government statements with regard to limit Ground Rents in the future as yet there is no legislative procedure and timetable to implement these changes. As viability appraisals must be assessed as of the time a planning application is determined Ground Rent income must be therefore accounted for.

Parking Spaces

In our view charging separately for parking space is appropriate and consistent with our appraisal of larger residential developments including the Richmond College site which is in close proximity.

Affordable Housing

We understand that there has been no contact between the applicant and the Council's Housing Department notwithstanding the comments made at the meeting 4th September 2019 to the effect that neither the size nor tenure mix of the affordable housing was acceptable. In order to determine the maximum reasonable on-site affordable provision it is necessary to address these issues in the context of possible grant availability and the involvement of Registered Providers' offers for an agreed affordable mix, rather than rely on theoretical financial modelling. This is the Council's approach as set out in planning policy (para 9.3.4 of Adopted Local Plan).

Constructions Costs

K2 Rider Hunt's response to Faithful and Gould's comments is provided as an appendix to this letter. In summary they have not made any amendment to their original assessment.

Profit

While 17.5% profit for the open market units is at the lower end of the range we would anticipate for residential developments we believe it is appropriate level for this particular proposed development.

We are also aware, following detailed discussions with the Mayor of London's Viability Team, that 17.5% is the profit level that meets their expectations.

DS2 have correctly identified that in our original appraisal the profit level for the affordable housing was omitted. This has been rectified in our revised appraisal.

Existing Use Value

The existing use results in a substantially lower land value than for residential use. The Council's Local Plan states - "In those exceptional circumstances where the Council agrees a change of use, the lower Existing Use Value of employment land means that any residential development involving a loss of employment floorspace is required to increase affordable housing above the normal policy requirements for new build development or redevelopment."

Conclusion

We have amended our appraisal as set out above. This shows a deficit against the Benchmark Land Value of approximately £3,000. However, as set out above determining the size and tenure mix of affordable housing should be based upon actual RP offers and discussions with the Council's Housing Department as to the availability and extent of potential grant funding.

Yours sincerely


pp **S DEVITT**

Bespoke Property Consultants

GVA GRIMLEY & BESPOKE PROPERTY GROUP HCA ECONOMIC APPRAISAL TOOL

(Worksheet 4)

SUMMARY

Site Address Former Greggs Bakery Gould Road TW2 6RT
 Site Reference
 File Source
 Scheme Description
 Date July 19 V1
 Site Area (hectares)
 Author & Organisation
 HCA Investment Manager

Housing Mix (Affordable + Open Market)

Total Number of Units	116	units
Total Number of Open Market Units	73	units
Total Number of Affordable Units	43	units
Total Net Internal Area (sq m)	9,935	sq m
Total Habitable Rooms	378	habitable rooms
% Affordable by Unit	37.1%	
% Affordable by Area	33.7%	
% Affordable by Habitable Rooms	34.4%	
% Social Rented within the Affordable Housing	-	by number of units
% Social Rented within the Affordable Housing	-	by area
% Social Rented within the Affordable Housing	-	by habitable rooms
Total Number of A/H Persons	166	Persons
Total Number of Social Rented Persons	0	Persons
Total Number of Intermediate Persons	166	Persons
Total Number of Open Market Persons	374	Persons
Total Number of Persons	540	Persons
Site Area	0.00	hectares
Net Internal Housing Area / Hectare	-	sq m / hectare

Residential Values

Affordable Housing Tenure 1:

Social Rented

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
Total	-	-	-

Total Capital Value of Affordable Housing Tenure 1

£0

Affordable Housing Tenure 2:

Intermediate - Shared Ownership

Type of Unit	Capital Value (£ psm)	Total Floorspace (sq m)	Total Capital Value (£)
1 bed	£7,000	677.95	£4,745,650
2 bed	£6,800	1063.95	£7,234,860
3bf	£5,800	198	£1,148,400
3bh	£6,800	452	£3,073,600
0	-	-	-
£0	-	-	-
£0	-	-	-
Total	-	2391.9	£16,202,510

Owner-occupied / rented % share

40%

Capital Value of owner-occupied part

£6,481,004

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
1 bed	£68,124	5.00%	£1,362,476
2 bed	£103,856	5.00%	£2,077,128
3bf	£16,485	5.00%	£329,706
3bh	£44,122	5.00%	£882,431
0	-	-	-
£0	-	-	-
£0	-	-	-
Total (full capital value if sold at OMV)	£232,587	-	£4,651,741

Total Capital Value of Affordable Housing Tenure 2

£11,132,745

Affordable Housing Tenure 3: Intermediate - Discounted Market Sale

Type of Unit	Capital Value (£ psm)	Total Floorspace (sq m)	Total Capital Value (£)
0	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Total	-	-	-

% of Open Market Value -

Total Capital Value of Affordable Housing Tenure 3 £0

Affordable Housing Tenure 4: Intermediate - Other Type of Shared Own / Shared Equity

Type of Unit	Capital Value (£ psm)	Total Floorspace (sq m)	Total Capital Value (£)
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Total	-	-	-

Owner-occupied / rented % share -

Capital Value of owner-occupied part -

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Total (full capital value if sold at OMV)	-	-	-

Total Capital Value of Affordable Housing Tenure 4 £0

Affordable Housing Tenure 5: Affordable Rent

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
2 bed	£9,126	5.00%	£182,520
3 bed	£64,896	5.00%	£1,297,920
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
Total	£74,022	-	£1,480,440

Total Capital Value of Affordable Housing Tenure 5 £1,480,440

TOTAL CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING SHG & OTHER FUNDING) £12,613,185

Social Housing Grant

	Grant per unit (£)	Number of Units	Grant (£)
Social Rented	£0	0	£0
Intermediate - Shared Ownership	£0	34	£0
Intermediate - Discounted Market Sale	£0	0	£0
Intermediate - Other Type of Shared Own / Share	£0	0	£0
Affordable Rent	£0	9	£0
SHG Total	-	43	£0

Social Housing Grant per Affordable Housing Person £0

Social Housing Grant per Social Rented Person -

Social Housing Grant per Intermediate Person £0

TOTAL VALUE OF SOCIAL HOUSING GRANT £0

0 £0

0	£0
0	£0
0	£0
0	£0
0	£0

OTHER SOURCES OF AFFORDABLE HOUSING FUNDING £0

TOTAL CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING SHG & OTHER FUNDING) £12,613,185

Open Market Housing

Type of Open Market Housing	Net Area (sq m)	Revenue (£ / sq m)	Total Revenue (£)
houses	4,454	£6,962	£31,009,444
1 bed flats	976	£7,050	£6,881,012
2 bed flats	980	£6,950	£6,811,000
3 bed flats	175	£6,100	£1,067,500
-	-	-	-
Total	6,585	-	£45,768,956

	Average value (£ per unit)
houses	£816,038
1 bed flats	£362,159
2 bed flats	£486,500
3 bed flats	£533,750
-	-

TOTAL CAPITAL VALUE OF OPEN MARKET HOUSING £45,768,956

Car Parking

No. of Spaces	Price per Space (£)	Value
117	£10,000	£1,170,000

TOTAL VALUE OF CAR PARKING £1,170,000

Ground rent

		Capitalised annual ground rent
Affordable Housing Tenure 1:	Social Rented	£0
Affordable Housing Tenure 2:	Intermediate - Shared Ownership	£0
Affordable Housing Tenure 3:	Intermediate - Discounted Market Sale	£0
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity	£0
Affordable Housing Tenure 5:	Affordable Rent	£0
Open Market Housing Type 1:	houses	£0
Open Market Housing Type 2:	1 bed flats	£125,055
Open Market Housing Type 3:	2 bed flats	£123,709
Open Market Housing Type 4:	3 bed flats	£19,382
Open Market Housing Type 5:	-	£0

TOTAL CAPITALISED ANNUAL GROUND RENT £268,145

TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME £59,820,286

Non-Residential Values

Office	£653,239	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	£653,239

TOTAL CAPITAL VALUE OF NON-RESIDENTIAL SCHEME £653,239

TOTAL VALUE OF SCHEME £60,473,525

Residential Building, Marketing & Section 106 Costs

Affordable Housing Build Costs	£11,064,852	
Open Market Housing Build Costs	£21,750,684	£32,815,536

Cost Multipliers

Site Specific Sustainability Initiatives (%)	0.0%	£0
Lifetime Homes (%)	0.0%	£0
Code for Sustainable Homes (%)	0.0%	£0
Other (%)	0.0%	£0

Residential Car Parking Build Costs		£0
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Other site costs

Building Contingencies	0.0%	£0
Building Cost Fees (Architects, QS etc):	10.0%	£3,281,554
Other Acquisition Costs (£)		£0

Site Abnormals

0	£0
0	£0
0	£0
0	£0
0	£0
0	£0
0	£0
0	£0
0	£0

Total Building Costs		£36,097,090
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Section 106 Costs (£)

B CIL		£804,229
MCIL		£1,230,595
Carbon Reduction		£312,070
0		£0
0		£0
0		£0
0		£0
0		£0

Section 106 costs		£2,346,894
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Marketing (Open Market Housing ONLY)

Sales Fees:	3.0%	£1,373,069
Legal Fees (per Open Market unit):	£0	£0

Marketing (Affordable Housing)

Developer cost of sale to RSL (£)		£25,000
RSL on-costs (£)		£258,000
Intermediate Housing Sales and Marketing (£)		£300,000

Total Marketing Costs		£1,956,069
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Non-Residential Building & Marketing Costs**Building Costs**

Office	£578,025	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	£578,025

Professional Fees (Building, Letting & Sales)

Office	£73,414	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	£73,414

Total Non-Residential Costs		£651,439
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TOTAL DIRECT COSTS:		£41,051,491.02
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Finance and acquisition costs**(finance costs are only displayed if there is a positive residual site value)**

Arrangement Fee		£0
Misc Fees (Surveyors etc)		£0
Agents Fees		£63,020
Legal Fees		£47,265
Stamp Duty		£283,589
Total Interest Paid		£3,850,925

Total Finance and Acquisition Costs		£4,244,799
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Developer's return for risk and profit**Residential**

Open Market Housing Operating 'Profit'		£8,009,567
Affordable Housing 'Profit'		£756,791

Non-residential

Office	£108,895	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	£108,895

Total Operating Profit		£8,875,253
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(profit after deducting sales and site specific finance costs but before allowing for developer overheads and taxation)

Residual Site Value

SITE VALUE TODAY	£6,301,981
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EXISTING USE VALUE	£6,305,605
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DIFFERENCE BETWEEN SITE VALUE AND EXISTING USE VALUE	-£3,624
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Checks:

Site Value as a Percentage of Total Scheme Value	
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Site Value per hectare



#VALUE!