

VIABILITY ASSESSMENT
Rear of 3 & 4 NEW BROADWAY
HAMPTON HILL
LONDON
TW12 1JG

18/05/2022

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1. Introduction

1. This Viability Assessment is submitted to London Borough of Richmond-upon-Thames (“LBRT”) to support a detailed planning application to create a ground floor structure to the rear of 3 & 4 New Broadway, Hampton Hill, London TW12 1JG which will accommodate 2 x one bed flats. The application is made on behalf of NBI Holdings (London) Ltd “the Applicant”. This report seeks to determine the level of Affordable Housing contribution levy that the proposed scheme can support whilst remaining commercially viable.

2. Property Location, Description & Planning History

1. The Subject Property is located in the centre of Hampton Hill, Richmond upon Thames and is situated approximately 400m south of Fulwell Station and 100m north of Hampton Hill’s main High Street and amenities.
2. The Subject Property is located to the rear of 2 x retail units which are positioned in the centre of a secondary retail parade know as New Broadway.
3. The Subject Property currently comprises a rear outbuilding / garage measuring 186 square feet and external open storage measuring approximately 1,030 square feet.
4. The main building was the subject of a previous planning application (Ref: 19/3704/FUL) which involved the extension to the rear of 3 & 4 New Broadway and the extension and refurbishment of the existing first floor flat to form 4 x one bed flats.

3. Methodology

1. Significant policy and procedural guidance has been provided on the subject of scheme viability via the Greater London Authority “the GLA”. The GLA has pioneered discussions on viability and affordable housing and their best practice is being adopted nationwide.
2. It is understood from procedural guidance that if the Residual Value of a proposed scheme is reduced to significantly below an appropriate Viability Benchmark Land Value (in brief, the Benchmark Land Value is arrived at following consideration of; unconditional Purchase Price paid, Existing Use Value/Current Use Value, plus a suitable landowner premium – either at the time of acquisition or current date, Alternative Use Value and/or Market Value) it follows that it is commercially unviable to pursue such a scheme, and the scheme is unlikely to proceed. As such, viability appraisals can and should be used to analyse and justify planning applications to ensure that planning obligation requirements do not make a scheme unviable.
3. If a scheme is being rendered unviable because of planning obligation requirements, it may be appropriate to look at reducing the burden of those requirements in order to facilitate viability.
4. We have assessed the development economics of the proposed scheme in order to identify the level of planning obligations the scheme can sustain. We have appraised the scheme using Argus Developer Version 6.50 and have based our appraisal upon the plans produced by the architect, Sada Architecture.

5. We have then compared the resulting Residual Land Value (RLV) to the Benchmark Land Value (BLV) to establish whether there is a deficit or surplus against the Benchmark. The scheme would only be able to sustain the suggested level of planning obligations, in development viability terms, if the residual value calculated was in excess of the Benchmark Land Value.

4. Existing Use Value & Premium

1. The Existing Use Value refers to the value of the asset at today's date in the adopted planning use. It refers to the Market Value of the asset on the special assumption reflecting the current use of the property only and disregarding any prospect of development other than for continuation/expansion of the current use.
2. In this instance we have valued the garage at £45,000 as we believe it would be in significant demand from start-up online businesses and indeed local business, on the basis that the unit measures 186 square foot, a capital value of £45,000 equates to an extremely low square foot price of £242.
3. For the rest of the site, we have applied a rental rate of £8.50 per square foot as open storage given a rental per annum of £8,755 (1,030 square feet x £8.50 per square foot). Using a capitalisation yield of 7.5% (including purchaser's costs) this produces a capital value of £116,773, say £116,000.
4. Therefore, the total Existing Use Value "EUV" is £161,000.
5. We are of the opinion that a landowner premium should be applied to the EUV. This is to reflect the fact that planning obligation requirements should still allow competitive returns to a willing landowner and that sites will not be encouraged to come forward for residential-led re-development if vendors can only sell them at pure EUV levels.
6. The RICS guidance 'Financial Viability in Planning' notes that premiums are applied at between 10% and 40%. In this instance we have applied a 20% premium onto the EUV of £161,000, which equates to £32,200, say £32,000. The Benchmark Land Value adopted in this report is therefore £193,000.

5. Proposed Gross Development Value

1. With regards to residential sales values, it has been reasonably assumed that each of the one bed flats will have a Market Value of £245,000 (approximately £555 per square foot).
2. Despite each of these flats being in brand new condition and sold with a building warranty guarantee, this level of pricing is borderline optimistic considering that Flat 5A New Broadway (which is situated immediately adjacent to the subject property) sold for £215,000 on 22nd October 2015 – see Appendix 7. This property measured 506 square feet which equates to £425 per square foot and had been marketed extensively for a period of approximately six months at £250,000.

6. Appraisal

1. In terms of core build cost, we have assumed a new build cost of £280 per square foot which is reasonable considering the Brexit and Covid related inflation and lack of builders and labour in the general construction market.
2. An allowance of 5% has been allowed for contingency which is standard industry practice.
3. Professional fees of £51,500 have been allowed for of which £10,000 relates to now home building guarantee fees.
4. A rate of £190 per square meter and £80 per square meter has been applied to cover the Local Richmond CIL and Mayoral CIL 2 respectively with indexation of 10%
5. For finance, we have made a reasonable assumption that a developer will obtain 75% of total costs at 6.5% p.a. with arrangement and exit fees totalling 3% of the facility.
6. A 12 month build period has been assumed for the project with a three-month sales period to completion.

7. Viability Assessment Results

1. We have appraised the proposed scheme against our Benchmark Land Value in order to establish the maximum level of planning obligations that the scheme can reasonably support whilst remaining commercially viable – see Appendix 8 for Argus Appraisal.
2. In the current post Brexit and Covid market, for a developer to take forward this scheme, they would normally require a return of at least 20% Profit on GDV in order to justify the risk of delivering the scheme and secure development finance, given likely market and economic risks.
3. We have appraised the proposed scheme on the bases set out in the table below:

Scheme Units	CIL	Profit	Residual Land Value	BLV (with 20% Premium)	Deficit Against BLV
4	£34,354	£98,000	£6,000	£193,000	£187,000

8. Conclusions

1. The table above shows that the scheme does not deliver a normal developer profit as the Residual Land Value of the proposed scheme is below the Benchmark Land Value. The scheme is therefore unable to sustain any Affordable Housing contribution levy.
2. The results demonstrate that the scheme is in deficit by £187,000 and therefore cannot sustain any affordable housing contribution.
3. In this case the Applicant currently owns the subject property, and so may be able to accept a lower than normal development profit. However, acceptance of a lower profit should be on an “ex gratia offer” basis in such a scenario as it would be a personal concession by the Applicant with respect to 'normal' profit levels.

Appendix 1 – Picture of Subject Property



Appendix 2 – Picture of Front of Subject Property



Appendix 5 – Comparable (5A New Broadway, Hampton Hill)

Title Number : TGL56356

This title is dealt with by Land Registry, Telford Office.

The following extract contains information taken from the register of the above title number. A full copy of the register accompanies this document and you should read that in order to be sure that these brief details are complete.

Neither this extract nor the full copy is an 'Official Copy' of the register. An official copy of the register is admissible in evidence in a court to the same extent as the original. A person is entitled to be indemnified by the registrar if he or she suffers loss by reason of a mistake in an official copy.

This extract shows information current on 31 DEC 2015 at 12:30:50 and so does not take account of any application made after that time even if pending in the Land Registry when this extract was issued.

REGISTER EXTRACT

Title Number	: TGL56356
Address of Property	: Flat, 5 New Broadway, Hampton Hill (TW12 1JG)
Price Stated	: £215,000
Registered Owner(s)	: EMRE YAYLA and JEAN-DAVID RAMON of Flat, 5 New Broadway, Hampton Hill, Hampton TW12 1JG.
Lender(s)	: Lloyds Bank PLC

08/03/2016

1 bedroom flat for sale in New Broadway, Hampton Hill, Hampton, TW12, TW12



Buy Rent Find agent House prices Commercial Overseas Sign in



YOUR MOVE, Hampton Hill
118 High Street, Hampton Hill, Hampton, TW12 1NT
020 8012 3695 local call rate



www.rightmove.co.uk/property/48605255

This property has been removed by the agent.
It may be sold or temporarily removed from the market

[View similar properties](#)

1 bedroom flat for sale

New Broadway, Hampton Hill, Hampton, TW12

Guide Price
£250,000



Property Description

Key features

- One Bedroom Apartment
- Well Presented Throughout
- Spacious Living Accomodation
- Moments From Hampton Hill High Street
- Modern Fitted Kitchen
- EPC Grade F

<http://www.rightmove.co.uk/property-for-sale/property-48605255.html>

1/3

■ Own Private Entrance

Full description

Tenure: Leasehold

Situated in the heart of Hampton Hill just off the High Street is this spacious one bedroom apartment, with high ceilings and located on the first floor. The property comprises its own private entrance on the ground floor, stairs leading to first floor spacious living room, modern fitted kitchen, double bedroom and modern fitted bathroom. A copy of the EPC will be available on request. EPC Grade F

Location

Location is perfect at this property, with quick access to buses running in and out of Hampton Hill, towards Kingston, Richmond, Twickenham, Hampton Court and Heathrow Airport. A short walk to Fulwell train station which serves London Waterloo, is just one of the great benefits about this property as well as being on top of all the amenities on the High Street. You also have access to the beautiful Royal Bushy Park with the majority open to the public 7 days a week, 365 days a year.

Our View

This beautiful flat positioned in the heart of Hampton Hill is the perfect opportunity for first time buyers and investors alike and early viewing is recommended. A further benefit of this property is that there is no onward chain.

Reception Room

14' 6" x 10' 6" (4.47m x 3.25m)

Kitchen

11' 5" x 6' 7" (3.48m x 2.01m)

Bedroom

13' 6" x 10' 6" (4.17m x 3.25m)

IMPORTANT NOTE TO PURCHASERS:

We endeavour to make our sales particulars accurate and reliable, however, they do not constitute or form part of an offer or any contract and none is to be relied upon as statements of representation or fact. Any services, systems and appliances listed in this specification have not been tested by us and no guarantee as to their operating ability or efficiency is given. All measurements have been taken as a guide to prospective buyers only, and are not precise. Please be advised that some of the particulars may be awaiting vendor approval. If you require clarification or further information on any points, please contact us, especially if you are travelling some distance to view. Fixtures and fittings other than those mentioned are to be agreed with the seller.

F1

More information from this agent

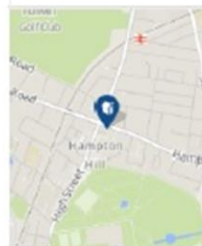
To view this media, please visit the on-line version of this page at www.rightmove.co.uk/property-for-sale/property-48605255.html

Energy Performance Certificates (EPCs)

To view this media, please visit the on-line version of this page at www.rightmove.co.uk/property-for-sale/property-48605255.html

Listing History

Added on Rightmove:
09 October 2014



Floorplans

Floor Plan

FIRST FLOOR
Ground Floor



<http://www.rightmove.co.uk/property-for-sale/property-48605255.html>

2/3

Energy Performance Certificate



5a New Broadway, Hampton Hill, HAMPTON, TW12 1JG

Dwelling type: Top-floor flat
 Date of assessment: 08 January 2014
 Date of certificate: 09 January 2014
 Reference number: 8474-7129-1020-1838-5902
 Type of assessment: RdSAP, existing dwelling
 Total floor area: 47 m²

Use this document to:

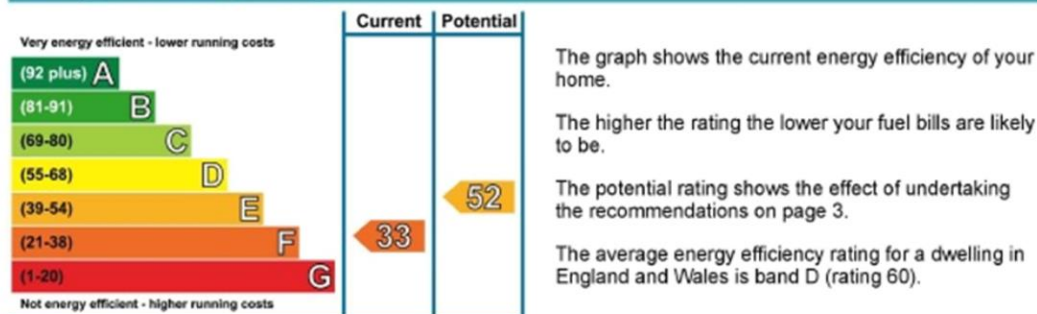
- Compare current ratings of properties to see which properties are more energy efficient
- Find out how you can save energy and money by installing improvement measures

Estimated energy costs of dwelling for 3 years:	£ 3,453
Over 3 years you could save	£ 1,059

Estimated energy costs of this home			
	Current costs	Potential costs	Potential future savings
Lighting	£ 177 over 3 years	£ 102 over 3 years	
Heating	£ 2,709 over 3 years	£ 1,959 over 3 years	
Hot Water	£ 567 over 3 years	£ 333 over 3 years	
Totals	£ 3,453	£ 2,394	

These figures show how much the average household would spend in this property for heating, lighting and hot water. This excludes energy use for running appliances like TVs, computers and cookers, and any electricity generated by microgeneration.

Energy Efficiency Rating



Top actions you can take to save money and make your home more efficient

Recommended measures	Indicative cost	Typical savings over 3 years	Available with Green Deal
1 Internal or external wall insulation	£4,000 - £14,000	£ 384	✓
2 Low energy lighting for all fixed outlets	£25	£ 54	
3 Fan assisted storage heaters and dual immersion cylinder	£600 - £800	£ 624	✓

To find out more about the recommended measures and other actions you could take today to save money, visit www.direct.gov.uk/savingenergy or call 0300 123 1234 (standard national rate). The Green Deal may allow you to make your home warmer and cheaper to run at no up-front cost.

Appendix 6 – Argus Development Appraisal

Rear of 3 - 4 New Broadway

Rear of 3 - 4 New Broadway
London
TW12 1JG
United Kingdom

Development Appraisal
03 December 2021

APPRAISAL SUMMARY**DEVELOPMENT APPRAISAL****Rear of 3 - 4 New Broadway****Summary Appraisal for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales
Residential New Build - Private Sale	2	883	554.93	245,000	490,000

NET REALISATION**490,000****OUTLAY****ACQUISITION COSTS**

Residualised Price			6,008		
Legal Fee			5,000		6,008
Valuation			5,000		
				10,000	

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost		
Residential New Build - Private Sale	883 ft ²	280.00 pft ²	247,240	247,240	
Contingency		5.00%	14,080		14,080
Other Construction					
Demolition & Asbestos			10,000		
Richmond CIL - New Build (£190 psm)			15,580		
Mayor CIL - New Build (£80 psm)			6,560		
CIL Indexation @ c. 10%			2,214		
				34,354	

PROFESSIONAL FEES

Architect			7,500		
Quantity Surveyor			3,000		

ARGUS Developer Version: 6.50.002

Date: 03/12/2021

APPRAISAL SUMMARY**DEVELOPMENT APPRAISAL**

Rear of 3 - 4 New Broadway		
Structural Engineer		8,000
M&E Engineer		5,000
NHBC/BLP (£5k per unit)		10,000
Working Drawings & Building Regs		10,000
CGIs/Renders		3,000
Party Wall Surveyor		5,000
		51,500
MARKETING & LETTING		
EPCs (£120 per unit)		480
		480
DISPOSAL FEES		
Sales Agent Fee	1.50%	7,350
Sales Legal Fee	0.50%	2,450
		9,800
Interest and Fees		
Interest paid to Debt Sources:		
Debt (6.500%)	9,936	
Total Interest paid to Debt Sources:		9,936
Total Interest Paid		9,936
Debt Financing Fees		
Debt - Arrangement Fee (1.500%) (Single)		4,301
Debt - Exit Fee (1.500%) (Single)		4,301
Total Debt Financing Fees		8,603
Total Interest and Fees		18,539
TOTAL COSTS		392,000
PROFIT		
Equity		
Residual Percentage (100.00%)	98,000	

ARGUS Developer Version: 6.50.002

Date: 03/12/2021

APPRAISAL SUMMARY**DEVELOPMENT APPRAISAL****Rear of 3 - 4 New Broadway**

98,000
98,000

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
Ungeared IRR%	45.49%
Gearred IRR% (without Interest)	45.49%
Equity IRR% (without Interest)	86.37%
Return on Equity%	104.96%

After Tax Performance Measures

Gearred IRR% (without Interest)	45.49%
Equity IRR% (without Interest)	86.37%
Return on Equity%	104.96%