

**Cross Deep Court (Units 3 and 15), Heath Road, Twickenham, TW1 4AG**

**Re: 'To Bring Shopfront Forward and Increase Ground Floor Shop Area. Change of Use of Part Ground Floor and Part First Floor to Form 7 No. Apartments' at Cross Deep Court (Units 3 and 15), Heath Road, Twickenham, TW1 1AG**



## **Viability Report**



**By Dr Andrew Golland BSc (Hons) PhD MRICS  
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## **1 Introduction**

I am Dr Andrew Golland, BSc (Hons), PhD, MRICS, a Chartered Surveyor. I am a Chartered Surveyor, have a PhD in Development Economics and am the founder of the GLA development appraisal Toolkit.

I have written several leading good practice guides on viability and Section 106, have completed over 80 viability studies for local authorities, and am a retained consultant for several councils across England and Wales on viability matters. I have presented viability appraisals for all the major UK house builders and have worked on several schemes, mainly across London, for smaller developers and land owners. My approach is consistent between public and private sectors with respect to appeal and Core Strategy examination precedent.

I have developed, along with a colleague, Dr Adam Watkins, over 150 development viability Toolkits (the ‘Three Dragons model’) for local authorities. This model is well received by developers as a way of sorting out viability issues. The model has been tested extensively at appeal and Core Strategy examinations.

I have been instructed by James Lloyd BSc (Hons) MSc TCP MRTPI, OF Create Planning to carry out a viability assessment of a scheme proposed for Cross Deep Court, Twickenham.

The purpose of the brief is to assess the viability of development, and in particular, to conclude on whether the applicant can, or cannot, deliver an Affordable Housing contribution as set out in the Council’s current Affordable Housing policy (this is reviewed below); and where justifiable, to present the case to the Council that the scheme cannot bear a Section 106 contribution.

## **2 Location and development**

### **2.1 Site location**

The Council’s letter of 16<sup>th</sup> March 2022 states:

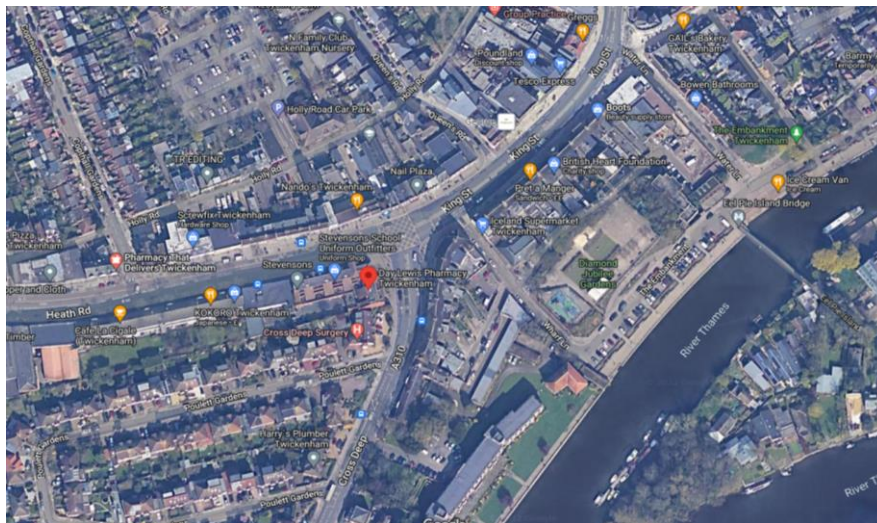
‘The proposal relates to a four-storey corner-plot building located on the south side of Heath Road and fronting King Street Parade, South Twickenham ward. Unit 3 fronts Cross Deep to the east and comprises a

ground-floor frontage between two retail units leading to a first-floor gym (operated by Escape Fitness).

The mezzanine floor was inserted as part of planning permission ref. 14/4537/FUL. Unit 15 fronts Heath Road to the north and comprises a ground-floor retail unit and ancillary first-floor storage (operated by Stevensons sports shop).

Other uses (outside of the application site red line) include ground-floor commercial units including a pharmacy. The Planning Statement submitted with the application states that there are residential units on the upper floors.

The basement comprises a gym (operated by Pure Gym), which was previously occupied by Rileys Snooker Hall. The building forms part of the Heath Road Secondary Shopping Frontage (Nos. 1-85 odds) and is within the Twickenham Main Centre Boundary and forms part of the Twickenham Area Action Plan (AAP).

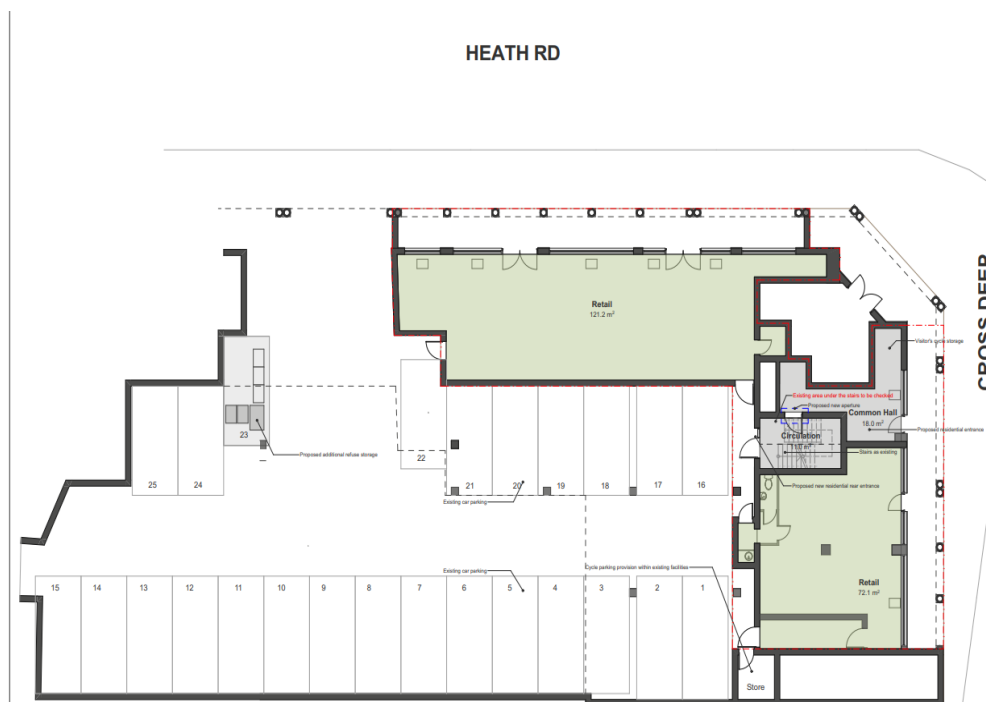


It is within a Takeaway Management Zone. There is an Article 4 Direction in place restricting basement development. A further Article 4 is due to be implemented in August 2022 restricting change of use from Class E commercial to residential. The site is not a listed building and is not in a conservation area though the boundary of CA8 Twickenham Riverside Conservation Area is directly opposite the site approx. 20m to the east. There is no Village Planning Guidance for the area. The site is within the Twickenham and Marble Hill Archaeological Priority Area. Nos. 54 and 60-62 King Street approx. 28m directly north are Grade II Listed Buildings. There is also a row of Buildings of Townscape Merit (BTMs) along King

Street. The site is in Flood Zone 1 though is in an Area Susceptible to Surface Water Flooding, an Area Susceptible to Groundwater Flooding and a Throughflow Catchment Area.

A service yard is located to the rear of the site which is accessed via an archway from Heath Road. The site has a Public Transport Accessibility Level (PTAL) of 5 which is considered 'very good' on a scale of 0 to 6b with 0 being worst and 6b being best. Controlled Parking Zone CPZ D - Central Twickenham is in operation Monday to Saturday 8:30am to 6:30pm (Bank and Public holidays free). Unit 3 is subject to a S106 Agreement restricting parking permit eligibility to one business permit only for the commercial occupier (Blue Badge holders exempt).'

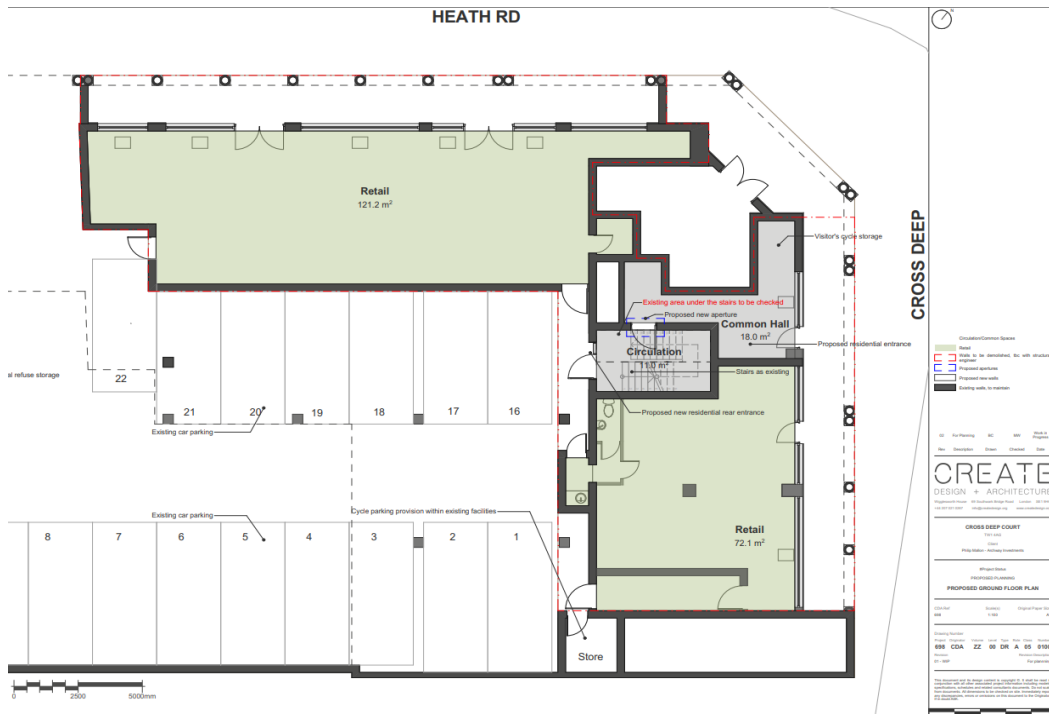
The existing building is shown below:



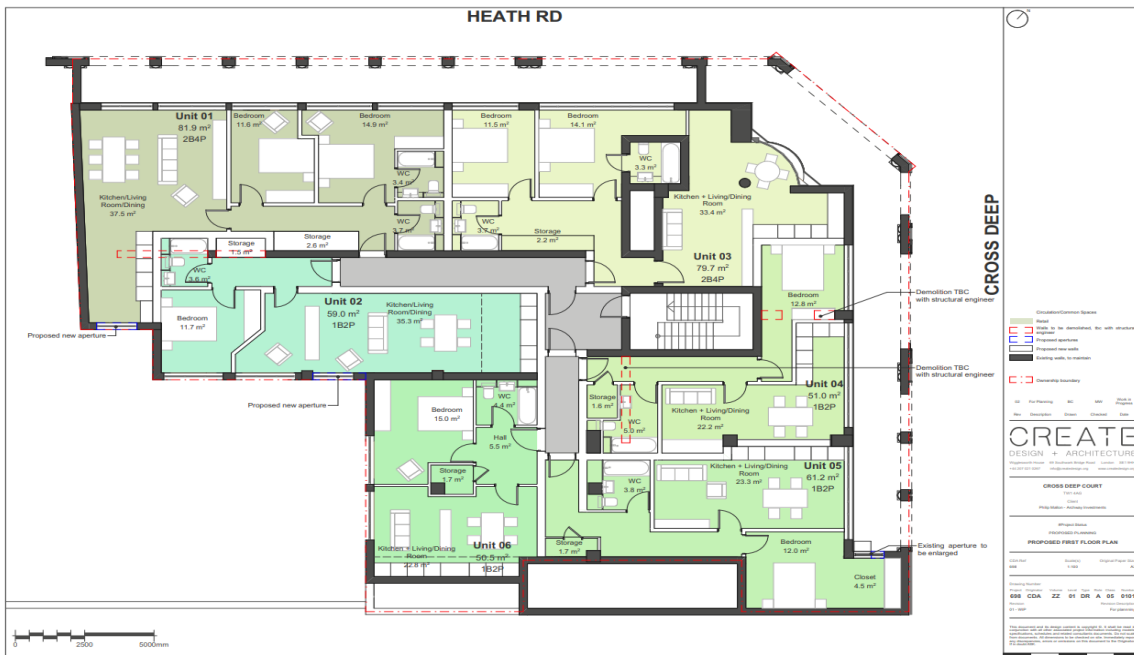
## 2.2 Proposed development

The proposed development consists of seven new flats, plus retail at the ground floor. The drawings are shown below:

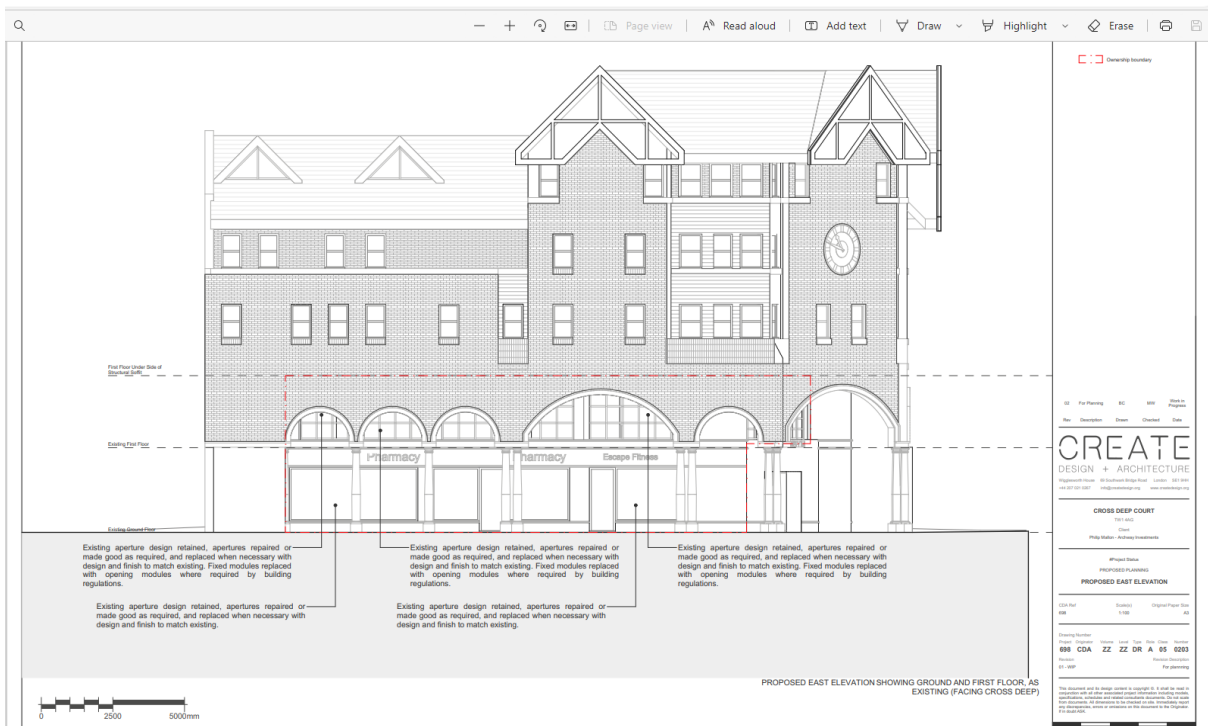
### Ground floor:



**First floor:**



Attached is a drawing of the eastern elevation:



### 3 Policy background and viability

#### 3.1 National planning

There are a variety of issues surrounding viability questions at the current time. Initially, at the national level, the National Planning Policy Framework stated (Paragraphs 173 and 174) that:

‘Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local

standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence’.

However, the Revised NPPF (2021) appears to do away with a formal definition of viability; i.e. the previous paras (173 and 174) which dealt with the willing developer and land owner and competitive returns have been removed.

The most relevant paragraphs of the Framework now appears to be Numbers 47, 48 and 58 which deal with the relationship between Local Plans and planning applications:

#### **‘Determining applications**

47. Planning law requires that applications for planning permission be determined in accordance with the development plan, unless material considerations indicate otherwise. Decisions on applications should be made as quickly as possible, and within statutory timescales unless a longer period has been agreed by the applicant in writing.

48. Local planning authorities may give weight to relevant policies in emerging plans according to: a) the stage of preparation of the emerging plan (the more advanced its preparation, the greater the weight that may be given); b) the extent to which there are unresolved objections to relevant policies (the less significant the unresolved objections, the greater the weight that may be given); and c) the degree of consistency of the relevant policies in the emerging plan to this Framework (the closer the policies in the emerging plan to the policies in the Framework, the greater the weight that may be given).’

And:

‘58. Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a

matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.'

### **3.2 Local planning policy – LB Richmond**

The adopted Local Plan (3rd July 2018) states as follows:



### 9.3 Affordable Housing

**Policy LP 36**

**Affordable Housing**

**A. The Council expects:**

- 50% of all housing units will be affordable housing, this 50% will comprise a tenure mix of 40% of the affordable housing for rent and 10% of the affordable intermediate housing.
- the affordable housing mix should reflect the need for larger rented family units and the Council's guidance on tenure and affordability, based on engagement with a Registered Provider to maximise delivery.

Where on-site provision is required, an application should be accompanied by evidence of meaningful discussions with a Registered Provider which have informed the proposed tenure, size of units and design to address local priorities and explored funding opportunities.

**B. A contribution towards affordable housing will be expected on all housing sites. The following requirements apply:**

- on all former employment sites at least 50% on-site provision. Where possible, a greater proportion than 50% affordable housing on individual sites should be achieved.
- on all other sites capable of ten or more units gross 50% on-site provision. Where possible, a greater proportion than 50% affordable housing on individual sites should be achieved.
- on sites below the threshold of 'capable of ten or more units gross', a financial contribution to the Affordable Housing Fund commensurate with the scale of development, in line with the sliding scales set out below and in the Affordable Housing SPD.

No. of units proposed (gross)	% Affordable Housing		
	For conversions and reversions (where there is no loss of former employment floorspace.	For new build development or redevelopment (where there is no loss of former employment floorspace)	For any units replacing employment floorspace
9 units	36%	45%	90%
8 units	32%	40%	80%
7 units	28%	35%	70%
6 units	24%	30%	60%
5 units	20%	25%	50%
4 units	16%	20%	40%
3 units	12%	15%	30%
2 units	8%	10%	20%
1 unit	4%	5%	10%

**C. In accordance with A and B, the Council will seek the maximum reasonable amount of affordable housing when negotiating on individual private residential and mixed-use schemes. The Council will have regard to:**

- economic viability;
- individual site costs;
- the availability of public subsidy; and
- the overall mix of uses and other planning benefits.

**D. Where a reduction to an affordable housing contribution is sought from the requirements in A and B on economic viability grounds, developers should provide a development appraisal to demonstrate that schemes are maximising affordable housing. The developer will be required to underwrite the costs of a Council commissioned economic viability assessment. The Council will rigorously evaluate such appraisals and:**

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- assess if the maximum reasonable amount of affordable housing is based on delivering the appropriate tenure, unit sizes and types that address local needs.
- consider whether it is necessary to secure provision for re-appraising the viability of a scheme prior to implementation to secure contingent obligations.
- in most circumstances the Existing Use Value plus a premium (EUV+) approach to assessing benchmark land value in development appraisals and viability assessments should form the primary basis for determining the benchmark land value.

### 3.3 Community Infrastructure Levy

It is understood that the proposed development is subject to the Mayoral Community Infrastructure Levy of £35 per square metre and the Richmond

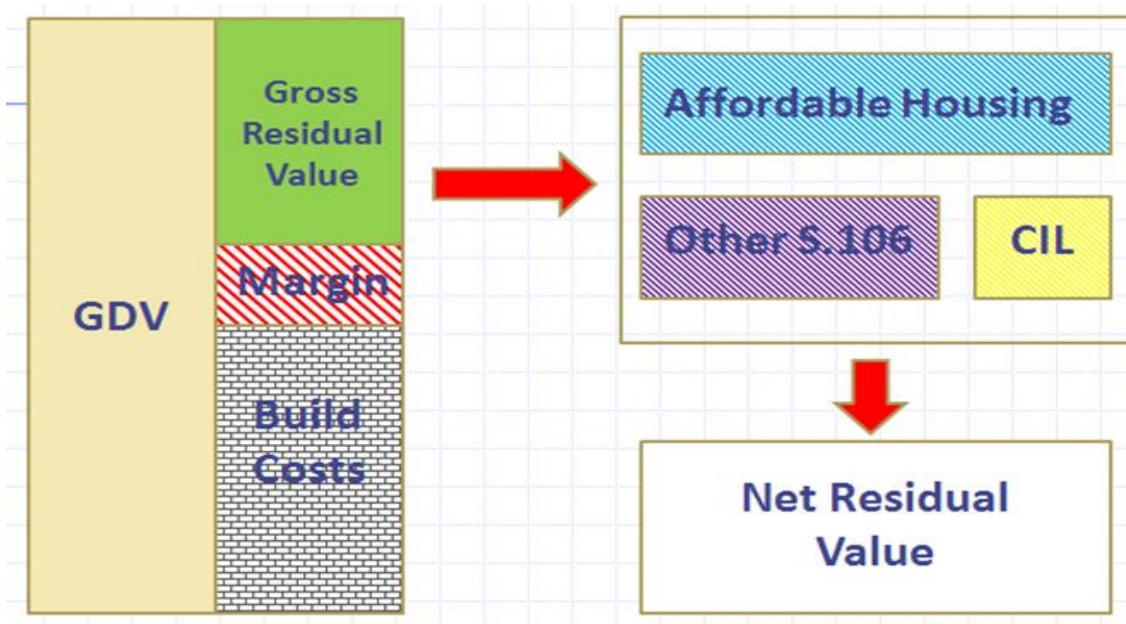
CIL which the range is from £190 to £250 per square metre. This should be agreed between the applicant and the local authority.

## 4 Approach to viability assessment

### 4.1 Overview

It is important to understand how viability is assessed in the planning and development process. The assessment of viability is usually referred to a residual development appraisal approach. Our understanding is illustrated in the diagram below. This shows that the starting point for negotiations is the gross residual site value which is the difference between the scheme revenue and scheme costs, including a reasonable allowance for developer return.

Once CIL or Section 106 contributions have been deducted from the gross residual value, a 'net' residual value results. The question is then whether this net residual value is sufficient in terms of development value relative to the site in its current use.

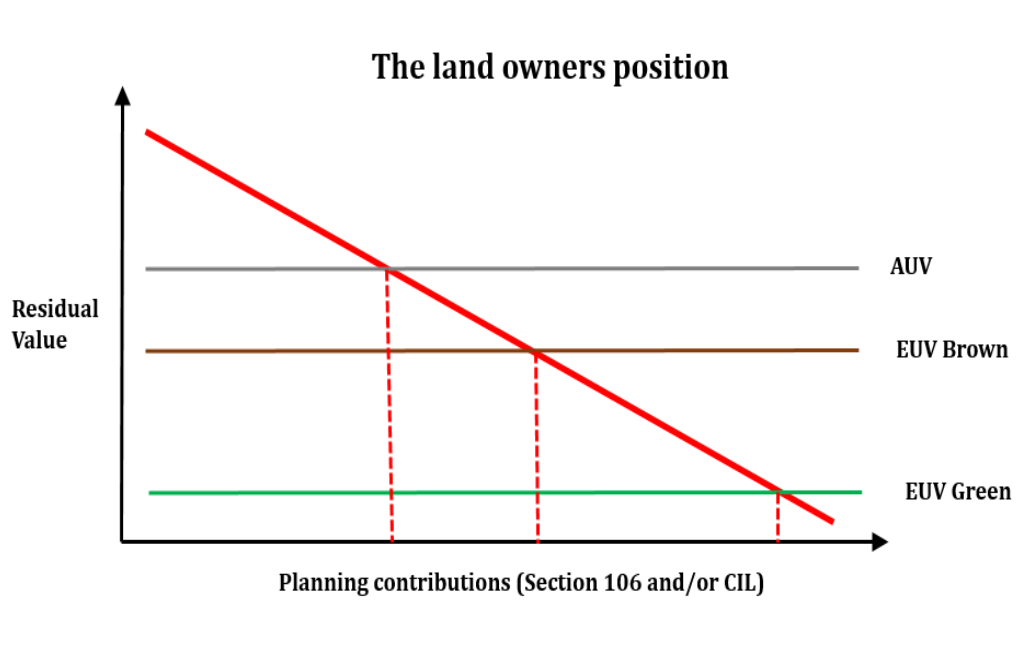


Calculating what is likely to be the value of a site given a specific planning permission, is only one factor in deciding what is viable.

### 4.2 Land owner considerations

A site is unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee

that development happens. The existing use value of the site, or indeed a realistic alternative use value for a site (e.g. commercial) will also play a role in the mind of the land owner in bringing the site forward and thus is a factor in deciding whether a site is likely to be brought forward for housing.



The diagram shows how this operates. The land owner will always be concerned to ensure that residual value clears the relevant land value benchmark.

## 5.1 Overview

The appraisal work and report relies on a range of information sources. These include comparable market analysis for house prices; this is derived from both my own research and best available secondary data sources. In addition, costs taken from both the BCIS industry standard source.

## 5.2 Costs

There are normally two main elements of cost analysis: base construction costs and other development costs. The base construction costs include items such as Build Plot costs (sub and superstructure), roads and sewers, landscaping and other external works. Added to these are abnormal construction costs and site remediation works.

Other development costs include such items as professional fees, developer overheads, finance costs and developer margin.

### **5.2.1 Construction costs**

There is no bespoke bill of quantities. I calculated therefore the likely construction costs based on industry standard BCIS costs:

Default period								
<u>Rebased to London Borough of Richmond</u>								
<u>Upon Thames ( 122; sample 30 ) Edit</u>								
<i>£/m2 study</i>								
<b>Description:</b> Rate per m2 gross internal floor area for the building Cost including prelims.								
<b>Last updated:</b> 11-Mar-2023 05:56								
<b>Maximum age of results:</b>								
Default period								
<b>Building function</b>	<b>£/m<sup>2</sup> gross internal floor area</b>						<b>Sample</b>	
<b>(Maximum age of projects)</b>	<b>Mean</b>	<b>Lowest</b>	<b>Lower quartiles</b>	<b>Median</b>	<b>Upper quartiles</b>	<b>Highest</b>		
Rehabilitation/Conversion								
<u>810. Housing, mixed developments (15)</u>	<u>£1,786</u>	<u>£475</u>	<u>£1,157</u>	<u>£2,218</u>	<u>£2,533</u>	<u>£2,545</u>	5	
<u>810.1 Estate housing (25)</u>	<u>£1,272</u>	<u>£423</u>	<u>£826</u>	<u>£1,011</u>	<u>£1,395</u>	<u>£5,335</u>	41	
<u>810.12 Estate housing semi detached (25)</u>	<u>£1,421</u>	<u>£597</u>	<u>£859</u>	<u>£989</u>	<u>£1,612</u>	<u>£3,378</u>	8	
<u>810.13 Estate housing terraced (20)</u>	<u>£1,091</u>	<u>£662</u>	<u>£947</u>	<u>£1,062</u>	<u>£1,278</u>	<u>£1,467</u>	7	
<b>816. Flats (apartments)</b>								
<u>Generally (15)</u>	<u>£2,203</u>	<u>£641</u>	<u>£1,306</u>	<u>£1,718</u>	<u>£2,263</u>	<u>£7,622</u>	80	
<u>1-2 storey (15)</u>	<u>£2,827</u>	<u>£936</u>	<u>£1,430</u>	<u>£1,781</u>	<u>£3,314</u>	<u>£7,622</u>	17	
<u>3-5 storey (15)</u>	<u>£1,886</u>	<u>£641</u>	<u>£1,346</u>	<u>£1,647</u>	<u>£2,080</u>	<u>£7,054</u>	47	
<u>6 storey or above (15)</u>	<u>£2,556</u>	<u>£735</u>	<u>£1,191</u>	<u>£1,729</u>	<u>£3,524</u>	<u>£6,389</u>	15	

This (previous page) showed an upper quartile cost of £2,080 per square metre.

To this should be added 10% for external works, bringing a sub total of £2,288 per square metre.

This cost is on a GIA basis (as it's derived from BCIS) and the efficiency of the residential element is 90%. With a 5% contingency, this makes a working cost of £2,631; say £2,650 per square metre.

### 5.2.2 Other development costs

Added to these costs will need to be other development costs. These are set out in the screenshot below:

Other Development Costs			
Additional Cost	Toolkit Values	User Values	
Professional Fees %	12.0%		of build costs
Interest rate (Market)	6.75%	10.0%	of build costs (Sale, Equity Share and Low Cost Sale units)
Interest Rate (Affordable Hou	6.75%	10.0%	of build costs Rental tenures and Shared Ownership)
Marketing Fees	3.0%		of market value
Developers Return	20.0%		of market value applies to market housing
Contractors Return	6.0%		of development costs (excl finance) (affordable housing)

These are the standard costs adopted in the GLA Toolkit with the exception of finance costs.

### 5.3 Values

In order to establish a gross development value (GDV) for the scheme proposed, I have looked at properties being marketed in the local area. As set out below:

These are set out in the table overleaf:

## Comparables

Address	Dwelling Type	Price	Sq M	Price per Sq M	Agent	Age
Water Lane	2 Bed Terrace	£750,000	77.3	£9,702	Leaders	Modern
King Street	1 Bed Flat	£339,950	53.5	£6,354	Featherstone Leigh	Modern
King Street	2 Bed Flat	£499,950	70.5	£7,091	Dexters	Modern
Garfield Road	2 Bed Flat	£575,000	82.7	£6,953	Chase Buchanan	Modern
Arragon Road	1 Bed Flat	£315,000	38	£8,289	Dexters	Older
Richmond Road	2 Bed Flat	£625,000	83.2	£7,512	Chase Buchanan	Older
Sion Road	3 Bed Flat	£500,000	87.1	£5,741	Chase Buchanan	Older
Arragon Road	Studio	£265,000	30	£8,833	Chase Buchanan	Older
London Road	1 Bed Flat	£350,000	56.6	£6,184	Foxtons	Modern
Queens Road	1 Bed Flat	£330,000	50.2	£6,574	Snellers	Older
Queens Road	1 Bed Flat	£399,950	54	£7,406	Dexters	Older
Grosvenor Road	4 Bed House	£799,950	100.9	£7,928	Snellers	Modern
Clifden Road	2 Bed Flat	£450,000	58.4	£7,705	Chase Buchanan	Modern
Station Road	1 Bed Flat	£290,000	43.6	£6,651	Websters	Older
Cheltenham Avenue	2 Bed Flat	£450,000	43.9	£10,251	Chase Buchanan	Older
Candler Mews	4 Bed Flat	£1,195,000	237.1	£5,040	Dexters	Modern
Haggard Road	3 Bed House	£699,950	94.9	£7,376	Dexters	Older
Richmond Road	2 Bed Flat	£530,000	60.7	£8,731	Knight Frank	Older
Richmond Road	2 Bed Flat	£625,000	87.8	£7,118	Dexters	Older
Haggard Road	2 Bed Flat	£649,950	76.4	£8,507	Snellers	Older
Landsdowne Close	3 Bed House	£450,000	57.9	£7,772	Dexters	Modern
Clifden Road	4 Bed Terrace	£1,100,000	142.6	£7,714	Chase Buchanan	Modern
Grove Avenue	4 Bed Terrace	£1,199,950	140.9	£8,516	Snellers	Older
Lion Road	2 Bed Terrace	£750,000	83.8	£8,950	Websters	Older
Athelston Place	2 Bed Flat	£650,000	79.2	£8,207	Foxtons	Older
Edwin Road	2 Bed Terrace	£350,000	56.4	£6,206	Chase Buchanan	Older
Heath Road	Studio	£200,000	21	£9,524	Madison Brooks	Older
Radnor Road	1 Bed Flat	£445,000	55	£8,091	Hamptons	Modern

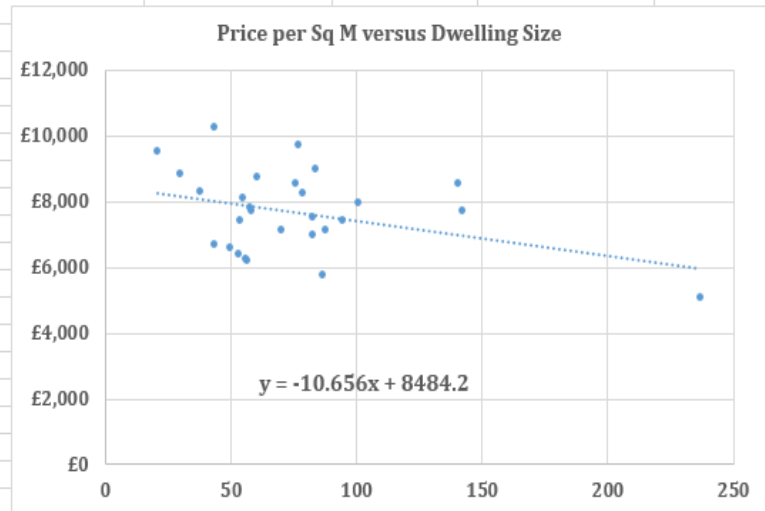
Source: Rightmove

Table sets out a range of values in the locality. I have looked, as previously, at the relationship between the size of dwellings and the price per square metre achieved.

This analysis is set out on the following page:



Sq M	Price per Sq M
77.3	£9,702
53.5	£6,354
70.5	£7,091
82.7	£6,953
38	£8,289
83.2	£7,512
87.1	£5,741
30	£8,833
56.6	£6,184
50.2	£6,574
54	£7,406
100.9	£7,928
58.4	£7,705
43.6	£6,651
43.9	£10,251
237.1	£5,040
94.9	£7,376
60.7	£8,731
87.8	£7,118
76.4	£8,507
57.9	£7,772
142.6	£7,714
140.9	£8,516
83.8	£8,950
79.2	£8,207
56.4	£6,206
21	£9,524
55	£8,091



Floor	No	Dwelling Type	Sector	Sq M	Equation	Calculation	Equation	Calculation	Asking Price	Selling Price
First	1	2 Bed 4 Person	Residential	84.6	-10.656	-901.4976	8484.2	£7,583	£641,497	£609,422
First	2	1 Bed 2 Person	Residential	61.3	-10.656	-653.2128	8484.2	£7,831	£480,040	£456,038
First	3	2 Bed 4 Person	Residential	79.7	-10.656	-849.2832	8484.2	£7,635	£608,503	£578,078
First	4	1 Bed 2 Person	Residential	51	-10.656	-543.456	8484.2	£7,941	£404,978	£384,729
First	5	1 Bed 2 Person	Residential	61	-10.656	-650.016	8484.2	£7,834	£477,885	£453,991
First	6	1 Bed 2 Person	Residential	51.8	-10.656	-551.9808	8484.2	£7,932	£410,889	£390,345
			Total	389.4					GDV	£2,872,602

The analysis (previous page) indicates a gross development value (GDV) of £2,872,602. This equates to £7,377 per square metre.

## 6 Commercial appraisal

There are two units proposed in the re-developed scheme. These are shown below:

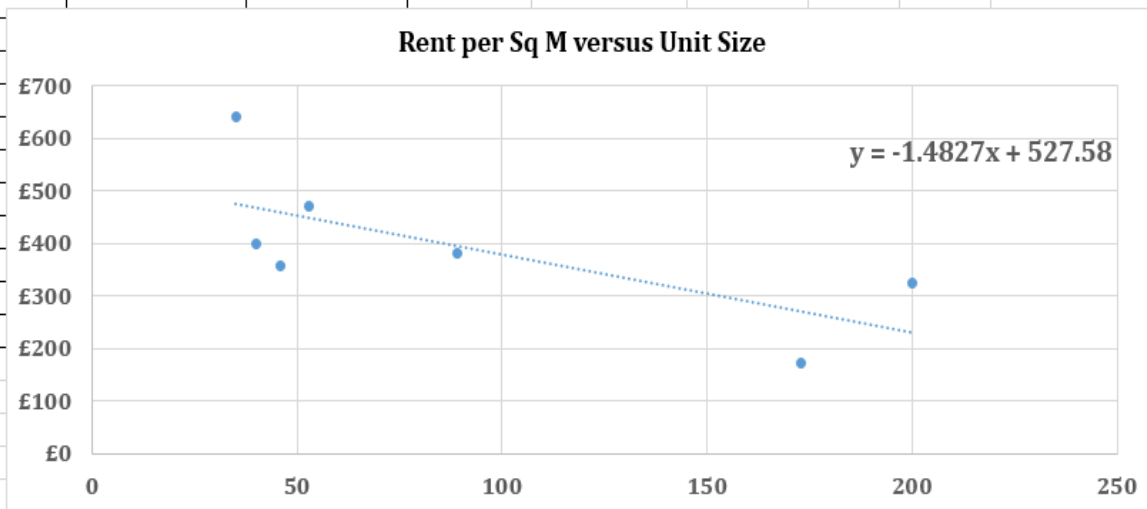
PROPOSED UNITS				Sq M
Ground	3	Pharmacy	Services	72.65
Ground	15	Stevensons Shop	Retail	118.9

### 6.1 Commercial GDV

To assess the value of the commercial element, I have looked at a number of comparables for retail properties. My analysis is shown on the following page:

Address	Rent PA	Sq M	Rent per Sq M
Lower Richmond Road	£15,996	40	£400
Lower Richmond Road	£22,500	35	£643
Hammersmith Road	£24,926	53	£470
New Maldon	£64,800	200	£324
Wandsworth High Street	£30,000	173	£173
East Molesey	£33,900	89	£381
Stonecot Hill	£16,500	46	£359

Sq M	Rent per Sq M
40	£400
35	£643
53	£470
200	£324
173	£173
89	£381
46	£359



Floor	Units	Sq M	Equation	Calculation	Equation	Calculation	Rental	Yield	YP	Capital Value
Ground	Pharmacy	72.65	-1.4827	-107.718155	527.58	£420	£30,503	6.5	15.385	£469,276
Ground	Stevensons Shop	118.9	-1.4827	-176.29303	527.58	£351	£41,768	6.5	15.385	£642,585
									<b>GDV</b>	<b>£1,111,861</b>

This suggests a GDV of £1,111,861.






The yield is taken from Knight Frank's latest Yield Guide:

**Prime Yield Guide – February 2023**  
Knight Frank Intelligence

*This yield guide is for indicative purposes only and was prepared on 7 February 2023.*

[Click here to view previous data](#)

*Based on rack rented properties and disregards bond type transactions*

SECTOR		FEB-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	1 MONTH CHANGE	MARKET SENTIMENT
 <b>High Street Retail</b>	Bond Street	2.75%	2.75% +	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%		WEAKER
	Oxford Street	3.50% +	4.00%	4.25% +	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%		WEAKER
	Prime Towns (Oxford, Cambridge, Winchester)	6.25%	6.25% +	6.50% +	6.75% +	6.75% +	6.75% +		STABLE
	Regional Cities (Manchester, Birmingham)	6.50% +	6.50% +	6.75% +	7.00% +	7.00% +	7.00% +		STABLE
	Good Secondary (Truro, Leamington Spa, Colchester etc)	8.25% - 8.50%	8.50%	8.50% - 8.75%	9.00% - 9.25%	9.00% - 9.25%	9.00% - 9.25%		STABLE
 <b>Shopping Centres (sustainable income)</b>	Regional Scheme	7.75%	7.50% - 7.75%	7.75% - 8.00%	8.00%	8.00% +	8.00% +		WEAKER
	Sub-Regional Scheme	8.50%	8.75%	9.00%	9.00% +	9.00% +	9.00% +		WEAKER
	Local Scheme (successful)	9.50%	9.50%	9.75%	9.75% +	9.75% +	9.75% +		WEAKER
	Neighbourhood Scheme (assumes <25% of income from supermarket)	9.00% - 9.25%	9.25% - 9.50%	9.50% - 9.75%	9.50% - 9.75%	9.50% - 9.75%	9.50% - 9.75%		WEAKER
 <b>Out of Town Retail</b>	Open A1 (essential retailers)	5.50% -	5.25%	5.50% - 6.00%	6.00% +	6.00% +	6.00% +		STABLE
	Good Secondary Open A1 Parks	6.50% - 6.75%	6.50%	7.00% +	7.25% +	7.50% +	7.50% +		WEAKER
	Bulky Goods Parks	5.50% -	5.25%	5.50% - 6.00%	6.00% +	6.00% +	6.00% +		STABLE
	Good Secondary Bulky Goods Parks	6.50% - 6.75%	6.50%	7.00% +	7.25% +	7.50% +	7.50% +		WEAKER
	Solus Open A1 (15 year income)	5.00%	5.25%	5.50% +	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%		STABLE
	Solus Bulky (15 year income)	5.00%	5.25%	5.50% +	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%		STABLE
 <b>Major Foodstores</b>	Annual RPI Increases [NIY] (20 year income)	3.50%	4.00% - 4.25%	4.50% - 5.00%	5.00%	5.00%	5.00%		STABLE
	Open Market Reviews (20 year lease)	4.00%	4.75% - 5.00%	5.25% - 5.75%	5.50%	5.50%	5.50%		STABLE
 <b>Leisure</b>	Prime Leisure Parks	7.00% +	7.00% +	7.25% - 7.50%	7.50% +	7.50% +	7.50% +		STABLE
	Good Secondary Leisure Parks	8.00% +	8.00% +	8.25% +	8.50% - 8.75%	9.00% +	9.00% +		WEAKER

## 6.2 Commercial costs

As for the residential development I have adopted BCIS costs. These are set out below. The samples for retail conversions are very low, and in many cases, it is anticipated simply consist of a refit.

I have adopted therefore a more general category – for commercial including shops and flats.

Results								
<a href="#">Rebased to London Borough of Richmond Upon Thames ( 122; sample 30 )</a> <a href="#">Edit</a>								
£/m2 study								
Description: Rate per m2 gross internal floor area for the building Cost including prelims.								
Last updated: 11-Mar-2023 05:56								
Maximum age of results:								
Default period <input type="text"/>								
Building function		£/m <sup>2</sup> gross internal floor area					Sample	
(Maximum age of projects)		Mean	Lowest	Lower quartiles	Median	Upper quartiles		Highest
Rehabilitation/Conversion								
<b>320. Offices</b>								
<a href="#">Generally (15)</a>		<a href="#">£1,716</a>	<a href="#">£221</a>	<a href="#">£868</a>	<a href="#">£1,389</a>	<a href="#">£2,212</a>	<a href="#">£6,593</a>	87
<b>Air-conditioned</b>								
<a href="#">Generally (15)</a>		<a href="#">£1,864</a>	<a href="#">£381</a>	<a href="#">£1,105</a>	<a href="#">£1,477</a>	<a href="#">£2,206</a>	<a href="#">£6,593</a>	41
<a href="#">1-2 storey (15)</a>		<a href="#">£1,682</a>	<a href="#">£381</a>	<a href="#">£772</a>	<a href="#">£1,245</a>	<a href="#">£1,842</a>	<a href="#">£6,593</a>	17
<a href="#">3-5 storey (15)</a>		<a href="#">£2,261</a>	<a href="#">£449</a>	<a href="#">£1,279</a>	<a href="#">£1,792</a>	<a href="#">£3,002</a>	<a href="#">£5,459</a>	14
<a href="#">6 storey or above (15)</a>		<a href="#">£1,735</a>	<a href="#">£738</a>	<a href="#">£1,253</a>	<a href="#">£1,477</a>	<a href="#">£2,152</a>	<a href="#">£3,120</a>	7
<b>Not air-conditioned</b>								
<a href="#">Generally (15)</a>		<a href="#">£1,738</a>	<a href="#">£282</a>	<a href="#">£1,033</a>	<a href="#">£1,552</a>	<a href="#">£2,335</a>	<a href="#">£4,511</a>	29
<a href="#">1-2 storey (15)</a>		<a href="#">£1,534</a>	<a href="#">£282</a>	<a href="#">£998</a>	<a href="#">£1,336</a>	<a href="#">£1,987</a>	<a href="#">£3,821</a>	15
<a href="#">3-5 storey (15)</a>		<a href="#">£1,765</a>	<a href="#">£560</a>	<a href="#">£1,061</a>	<a href="#">£1,552</a>	<a href="#">£2,006</a>	<a href="#">£4,511</a>	11
<a href="#">6 storey or above (25)</a>		<a href="#">£1,446</a>	<a href="#">£589</a>	-	<a href="#">£1,303</a>	-	<a href="#">£2,591</a>	4
<a href="#">320.1 Offices with shops, banks, flats, etc (15)</a>		<a href="#">£2,294</a>	<a href="#">£492</a>	<a href="#">£1,015</a>	<a href="#">£2,317</a>	<a href="#">£3,427</a>	<a href="#">£5,642</a>	15
<a href="#">338. Banks/Building Society branches (30)</a>		<a href="#">£1,881</a>	<a href="#">£558</a>	<a href="#">£1,468</a>	<a href="#">£1,865</a>	<a href="#">£2,247</a>	<a href="#">£2,901</a>	24

An appropriate cost then is £3,427 per square metre. Added to this, 10% for externals and 5% contingency, bringing construction costs to £3,958 per square metre.

## 5.5 CIL

I have not assumed any CIL for this scheme. Any figure should be updated and agreed between the Council and the applicant.

## 6 Existing Situation – land value benchmark

The land value benchmark (LVB) is important in defining viability; in particular, the financial relationship between residual value and the LVB

Where the LVB is higher than the residual value (RV), then schemes are in principle, unviable.

## The Revised NPPG

The Revised NPPG is very clear that the land value benchmark should be based on existing use value (EUV). It states:

‘To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to 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+).’

The guidance goes on to state:

‘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).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams’ locally held evidence.’

### **Existing use value of the site**

The existing areas are shown in the table below:

EXISTING UNITS	Unit No		Sectors	Sq M
Ground	3	Pharmacy	Services	72.65
Ground	3	Gym Entrance	Services	16.21
Ground	15	Stevensons Shop	Retail	118.9
First	3	Gym	Services	208.1

First	15	Stevensons Shop	Retail	227.1
		Total		643

Therefore there are two main elements – retail and the gym.

## Retail

There are three units to be considered. I have valued these using the same comparables as for the proposed scheme. I have however increased the yield to reflect a lower quality of accommodation:

Floor	Units	Sq M	Equation	Calculation	Equation	Calculation	Rental	Yield	YP	Capital Value
Ground	Pharmacy	72.65	-1.4827	-107,718,155	527.58	£420	£30,503	8	12.5	£381,287
Ground	Stevensons Shop	118.9	-1.4827	-176,293,03	527.58	£351	£41,768	8	12.5	£522,100
First	Stevensons Shop	227.1	-1.4827	-336,721,17	527.58	£191	£43,344	8	12.5	£541,801
									GDV	£1,445,188

## Gym

I have valued the gym element by reference to the rateable value, as shown below:

[More about how business properties are valued](#)

### Gym & premises floor areas

Description	Area m <sup>2</sup> /unit	£ per m <sup>2</sup> /unit	Value ?
Ground floor reception / entrance	12.5	£149.63	£1,870
First floor office	134.42	£149.63	£20,113
First floor office	55.76	£166.25	£9,270
First floor public toilets	8.25	£149.63	£1,234
First floor staff toilets	0	£0.00	£0
<b>Total</b>	<b>210.93</b>		<b>£32,487</b>

### Additional details

Description	Area m <sup>2</sup> /unit	£ per m <sup>2</sup> /unit	Value ?
Air conditioning system	55.76	£7.00	£390
<b>Total</b>			<b>£390</b>

### Valuation

<b>Total value</b>	<b>£32,877</b>
<b>Rateable value (rounded down)</b>	<b>£32,750</b>

This suggests a rateable value of £32,750. I have taken this as a proxy for rental value and capitalised this adopting a yield of 9%:

Leisure	Prime Leisure Parks	7.00% +	7.00% +	7.25% - 7.50%	7.50% +	7.50% +	7.50% +
	Good Secondary Leisure Parks	8.00% +	8.00% +	8.25% +	8.50% - 8.75%	9.00% +	9.00% +

This gives a capital value of £363,888.

In summary therefore:

Retail      £1,445,188



Gym £363,888.

Total £1,809,076

Plus land owner return at 20% = £2,170,891; say £2.2 million.

## 7 Results and conclusions

The full appraisal for the scheme is shown in Toolkit form at Appendix 1.

This shows a residual value of £823,000. This means that revenue is higher than costs and means a viable scheme before taking the land value benchmark into account.

← Results →

Site	Cross Deep Court	Site Reference Number	
Address		Application Number	
Scheme Description	Mixed Use Development including Retail and Residential	NLUD Ref. Number	
		UPRN or Grid Ref.	

<b>RESIDUAL before land finance</b>	<b>£935,000</b>
<b>RESIDUAL after land finance</b>	<b>£823,000</b>
Per hectare	£4,115,000
Per dwelling	£137,000
Per market dwelling	£137,000
Per habitable room	£59,000
Per bedspace	£103,000

<b>SCHEME UNITS</b>	per ha.	
No. of Dwellings	6	30
No. of Habitable rooms	14	70
No. of Bedrooms	8	40
Total floorspace (m2)	389	1947
% Wheelchair Units		

<b>SCHEME REVENUE</b>	<b>£3,987,000</b>
Contribution to revenue from:	
Market housing	£2,873,000
Affordable Housing	
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	
- Social Rent	
Grant	
Capital Contribution	
Commercial Elements	£1,114,000

<b>LAND FINANCE</b>	
Total land finance	£112,000

<b>AFFORDABLE UNITS</b>							
	Low Cost	Equity	Shared	Intermediate	Affordable	Social Rent	Total
Units							
Units %							
Hab rooms							
Bedrooms							
Persons							
Floorspace							

<b>SCHEME COSTS</b>	<b>£3,052,000</b>
Contribution to costs from:	
Market housing	£1,869,000
Affordable Housing	
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	
- Social Rent	
Planning Obligations	
Community Infrastructure Levy	
Exceptional Development Costs	
Commercial Elements	£1,183,000

<b>PUBLIC SUBSIDY (GRANT)</b>	
<b>Whole scheme</b>	£ -
Per Social Rent dwelling	£ -
Per Shared Ownership dwelling	£ -
Per Intermediate Rent dwellings	£ -
Per Affordable Rent dwelling	£ -

<b>Alternative Site Values</b>		<b>Against residual</b>
Existing Use Value	£ 2,200,000	-£1,377,000
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative	£ -	

Save Results

View Results

Discounting Function

Floor Space Analysis

Costs Analysis

Child Occupancy & Bedrooms

However the LVB is £2.2 million meaning the scheme is unviable to deliver any Section 106 or CIL.



## Appendix 1 Appraisal

**Site Details**

Use these arrows to navigate Toolkit pages. You should ensure there are no warning messages on a page before continuing. Clear

Site Address	Cross Deep Court
Site Reference	
Application Number	
NLUD Reference	
UPRN or Grid Reference	
Scheme Description	Mixed Use Development including Retail and Residential

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**Development Control Model - Greater London Authority - 2015**

***For queries on viability, development schemes and the Toolkit generally, please contact Dr Andrew Golland - Tel: 01162 701 772 and E-Mail: [drajg@btopenworld.com](mailto:drajg@btopenworld.com)***

***For queries on spreadsheets and technical aspects of the Toolkit (including bug reports and feature requests), please contact Dr Adam Watkins - Tel: 07746 809 748, and E-Mail: [Toolkits@Dread-IT.co.uk](mailto:Toolkits@Dread-IT.co.uk)***

← — **Basic Site Information** — →

Clear

You must complete this page

**Site Area**

Total Size of Site In Hectares

**Dwellings**

Number of Dwellings   
(Density is then calculated)

Density   
(Enter a value, or choose from the listbox)

You can test a percentage increase or decrease on the resulting density by either entering a value in the box below, or by using the buttons.

Percentage increase/decrease	%	▲ ▼	Reset
Resulting Number of Dwellings	6		
Resulting Density	30 dph		

**← Unit Types & Details →**

Enter the details for each type of unit in the cells below. You can specify up to 40 types of unit, one per row. Each row must be either fully completed or left fully blank. Note: For wheelchair units; the Toolkit uses the size of the unit as entered by the user. Build costs for wheelchair and non-wheelchair units are the same.

Ref.	Description of Unit Type (for the users reference only)	Number of Bed-rooms	Person Occupancy		Habitable Rooms		Wheel-chair Unit?	Is a Flat?	No. Of Storeys (1-99)	Size in sq m
			Bench-mark	User value	Bench-mark	User value				
1		2	3		3		NO	YES	3	84.6
2		1	2		2		NO	YES	3	61.3
3		2	3		3		NO	YES	3	79.7
4		1	2		2		NO	YES	3	51
5		1	2		2		NO	YES	3	61
6		1	2		2		NO	YES	3	51.8
7										

**← Tenure Mx →**

**Clear**

You can distribute units across the tenures in two ways:

Input by Percentages

Input by Quantity

Total units to enter:		6
Total units entered:		6

Ref.	Description	Units
1	1	1
2	2	1
3	3	1
4	4	1
5	5	1
6	6	1

Affordable Units							
Sale	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	Units allocated
100%							100%
6.0							6.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0
1.0							1.0

← **Market Values** →

Ensure you enter market values for all unit types in the scheme under the Sale Tenure.

Ref.	Description of Unit Type
1	1
2	2
3	3
4	4
5	5
6	6
7	

Sale		
entering a percentage in the box to the right (this affects other tenures) <input style="width: 50px;" type="text" value="100%"/>		
Total Units	User Market Value	Adjusted Market Value
1	£ 609,422	£ 609,422
1	£ 456,038	£ 456,038
1	£ 578,078	£ 578,078
1	£ 384,729	£ 384,729
1	£ 453,991	£ 453,991
1	£ 390,345	£ 390,345
		£ -

← **Development Costs** →

Toolkit values will be used unless you enter your own value in the white cells. The CSH level is for reference purposes only.

Build Costs per sq m		
Building Type	Toolkit Values	User Values
Flats (40+ storeys)	£3,739	
Flats (16-40 storeys)	£3,001	
Flats (6-15 storeys)	£2,331	
Flats (5 & less storeys)	£1,713	£2,650.00
Houses <= 75m2	£1,274	£2,650.00
Houses > 75m2	£1,116	£2,650.00
Code for Sustainable Homes level (3-6)		

Other Development Costs			
Additional Cost	Toolkit Values	User Values	
Professional Fees %	12.0%		of build costs
Interest rate (Market)	6.75%		of build costs (Sale, Equity Share and Low Cost Sale units)
Interest Rate (Affordable Hou	6.75%		of build costs Rental tenures and Shared Ownership)
Marketing Fees	3.0%		of market value
Developers Return	20.0%		of market value applies to market housing
Contractors Return	6.0%		of development costs (excl finance) (affordable housing)
Construction Period (1+ Years)		1.50	

You may also enter SCHEME totals for other exceptional costs. Enter the name of the cost in the left hand cells and the SCHEME value in the right hand cell

Exceptional Development Costs	
Total For Scheme	
Cost per dwelling	
Cost per hectare	
Cost per habitable room	No Info

Costs incurred for Sustainable homes level of 3,4, 5 or 6	£ -
<Enter cost description>	£ -
<Enter cost description>	£ -
<Enter cost description>	£ -



**← — Planning Obligations — →**

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit						Calculated Total (Affordable and Sale)
	Enter Total?	User Total	Sale	Affordable					
			Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	
Education Contribution	<input type="checkbox"/>								£0
Highway works	<input type="checkbox"/>								£0
Contribution to public transport	<input type="checkbox"/>								£0
Contribution to community facilities	<input type="checkbox"/>								£0
Provision for open space	<input type="checkbox"/>								£0
Contribution to public art	<input type="checkbox"/>								£0
Environmental improvements	<input type="checkbox"/>								£0
Town centre improvements	<input type="checkbox"/>								£0
Waterfront improvements	<input type="checkbox"/>								£0
Support for employment development	<input type="checkbox"/>								£0
Employment related training	<input type="checkbox"/>								£0
Other	<input type="checkbox"/>								£0

Does CIL apply on this scheme?  Please select Yes or No

Total for Scheme	£0
Total for Scheme per hectare	£0
Total for Scheme divided by total number of units	£0
Total for Scheme divided by number of sale units	£0

← — Contribution from — →  
**- Commercial Elements -**

This page allows the user to input data relating to a commercial property element of a scheme. The user will need to complete the white boxes relating to size of scheme, rent, yield and capital value. In addition cost related data will need to be inputted

Revenues	Office	Industrial	Retail	Hotel	Leisure/Community Services	Other
Net area in Sq. m			192			
Rent (£ per sq.m per annum)			£ 377.00			
Yield (%)			6.5%			
Capital value	£ -	£ -	£ 1,113,600	£ -	£ -	£ -

Costs	Office	Industrial	Retail	Hotel	Leisure/Community Services	Other
Gross Internal Area in Sq. m			192			
Build costs (£ per GIA sq m)			£ 3,958			
Professional fees (% of Build Costs)			12.00%			
Interest Rate (% of Build Costs)			10%			
Marketing fees (% of Capital Value)			3%			
Return (% of Capital Value)			20%			
<b>Total build costs</b>	£ -	£ -	£ 759,936	£ -	£ -	£ -
<b>Professional, other fees and finance costs</b>	£ -	£ -	£ 200,594	£ -	£ -	£ -
<b>Return</b>	£ -	£ -	£ 222,720	£ -	£ -	£ -
<b>Total development costs</b>	£ -	£ -	£ 1,183,250	£ -	£ -	£ -
<b>Site value for commercial element</b>	£ -	£ -	-£ 69,650	£ -	£ -	£ -
<b>Total site value for all commercial Elements</b>	-£ 69,650					

← **Land Finance & Site Value Comparisons** →

Land Finance

Reduction of Residual (%)	12%	<input type="button" value="Guide Values"/>
---------------------------	-----	---------------------------------------------

Values entered below will be shown on the results page compared to the scheme residual. These values cannot be calculated by the toolkit.

Existing use value	£	2,200,000
Acquisition cost	£	-
Value for offices	£	-
Value for industrial	£	-
Value as hotel site	£	-
Value as other alternative use	£	-

Indicative reductions to apply to the final Site Residual value (shown on the Results Page)

Site Development Time (Years)	Reduction
1	10%
2	13%
3	16%
4	19%
5	22%
6	25%
7	28%
8	31%

← **Results** →

Site	Cross Deep Court	Site Reference Number	
Address		Application Number	
Scheme Description	Mixed Use Development including Retail and Residential	NLUD Ref. Number	
		UPRN or Grid Ref.	

<b>RESIDUAL before land finance</b>	<b>£935,000</b>
<b>RESIDUAL after land finance</b>	<b>£823,000</b>
Per hectare	£4,115,000
Per dwelling	£137,000
Per market dwelling	£137,000
Per habitable room	£59,000
Per bedspace	£103,000

<b>SCHEME UNITS</b>		per ha.
No. of Dwellings	6	30
No. of Habitable rooms	14	70
No. of Bedrooms	8	40
Total floorspace (m2)	389	1947
% Wheelchair Units		

<b>SCHEME REVENUE</b>		<b>£3,987,000</b>
Contribution to revenue from:		
Market housing		£2,873,000
Affordable Housing		
- Low Cost Sale		
- Equity Share		
- Shared Ownership		
- Intermediate Rent		
- Affordable Rent		
- Social Rent		
Grant		
Capital Contribution		
Commercial Elements		£1,114,000

<b>LAND FINANCE</b>	
Total land finance	£112,000

<b>AFFORDABLE UNITS</b>							
	Low Cost	Equity	Shared	Intermediate	Affordable	Social Rent	Total
Units							
Units %							
Hab rooms							
Bedrooms							
Persons							
Floorspace							

<b>SCHEME COSTS</b>		<b>£3,052,000</b>
Contribution to costs from:		
Market housing		£1,869,000
Affordable Housing		
- Low Cost Sale		
- Equity Share		
- Shared Ownership		
- Intermediate Rent		
- Affordable Rent		
- Social Rent		
Planning Obligations		
Community Infrastructure Levy		
Exceptional Development Costs		
Commercial Elements		£1,183,000

<b>PUBLIC SUBSIDY (GRANT)</b>	
<b>Whole scheme</b>	£ -
Per Social Rent dwelling	£ -
Per Shared Ownership dwelling	£ -
Per Intermediate Rent dwellings	£ -
Per Affordable Rent dwelling	£ -

<b>Alternative Site Values</b>		<b>Against residual</b>
Existing Use Value	£ 2,200,000	-£1,377,000
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative	£ -	

Save Results

View Results

Discounting Function

Floor Space Analysis

Costs Analysis

Child Occupancy & Bedrooms