U.L.L. Property

DEVELOPMENT | AFFORDABLE HOUSING

PRIVATE & CONFIDENTIAL

Economic Viability Assessment Report

Independence House
82-84 Lower Mortlake Road
Richmond TW9 2HS

London Borough of Richmond-Upon-Thames

William Grant & Sons

November 2023

Contents

1. Executive Summary

1.1 As part of the detailed planning application, William Grant & Sons ('the Applicant') has instructed U.L.L Property to assess and report on, the economic viability of providing affordable housing and Section 106 financial contributions as part of the development proposal.

1.2 The London Borough of Richmond-Upon-Thames has policy targets for affordable housing provision as part of new residential developments, and these targets are not intended to restrain development, based on the outcome of economic viability testing.

1.3 The site is currently occupied by an office building measuring 15,900 sq ft GIA. More information regarding the existing building is provided at Section 7.

1.4 The application seeks detailed planning permission for the conversion and extension of an existing office building to provide 21 residential apartments, landscaping and amenity.

1.5 The Gross Development Value for the scheme is £8,406,000 (rounded) based on the residential sales value.

1.6 The Argus appraisal for the proposed development calculates a residual land value for the proposed development of £444,000 (rounded)

1.7 The Benchmark Land Value is assessed as £826,000 (rounded), based on the existing use.

1.8 The residual land value is, therefore, showing a shortfall of £382,000 (rounded).

1.9 We would, therefore, conclude that the proposed scheme cannot sustain further contributions towards affordable housing in addition to CIL payments and other planning contributions.

1.10 The proposal includes the provision of 4 affordable homes, being 19% of dwellings and 24% of the proposed floor space. Despite the deficit, we understand the developer is willing to offer this affordable housing as part of the overall scheme benefits.

2. Instructions & Report Context

2.1 William Grant & Sons (the 'Applicant') has submitted a planning application to the London Borough of Richmond-Upon-Thames (the 'Council') in respect of the site known as Independence House, 84 Lower Mortlake Road, Richmond TW9 2HS ('the Site').

2.2 The application seeks application seeks detailed planning permission for the conversion and extension of an existing office building to provide 21 residential apartments, landscaping and amenity.

2.3 As part of the planning application the Applicant has instructed ULL Property to assess, and report on, the economic viability of providing affordable housing and Section 106 financial contributions as part of the development proposal.

U.L.L Property

2.4 This viability assessment has been prepared with regard to the policies and guidance available at national, regional and local levels, and carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) professional statement 'Financial viability in planning: conduct and reporting" (1st edition, May 2019, effective from September 2019).

2.5 ULL is a property services company specialising in development consultancy, affordable housing, economic viability and project management. The company aims to find viable solutions, which facilitate development, while at the same time supporting the reasonable mitigation of development impact. In so doing, we operate at the centre of development economics; assisting developers and Local Planning Authorities reach effective solutions against a challenging financial background.

2.6 This report has been prepared by prepared by Richard Ashdown who has in excess of 25 years experience in residential development and consultancy. Richard held numerous senior positions in the industry before starting ULL Property where he is now Managing Director. The report has been reviewed by Isabella Rossi MRICS, director at ULL Property. ULL Property currently advises house builders and developers on property assets valued more than £4 billion.

Limitations

2.7 This report does not constitute a valuation and should not be relied upon for valuation purposes.

2.8 It is provided for the sole use of the party to whom it is addressed. It is confidential to the addressee and their professional advisors. ULL Property accepts no responsibility whatsoever to any person other than the client themselves.

2.9 Neither the whole nor any part of the report nor any reference thereto may be included in any published document, circular, or statement, or published in any way, without the prior written approval of ULL Property.

Information relied upon

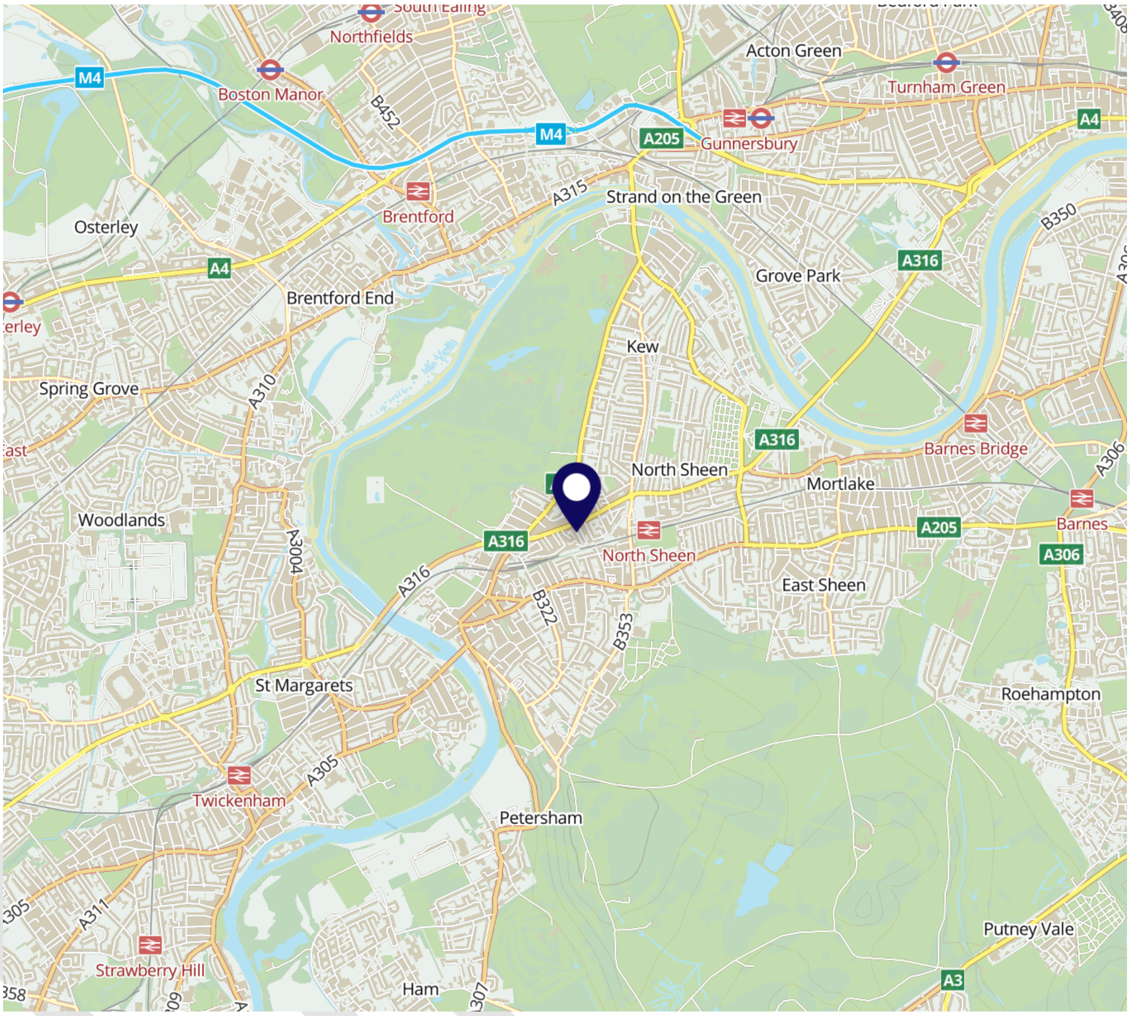
2.10 We have been provided with, and relied upon:

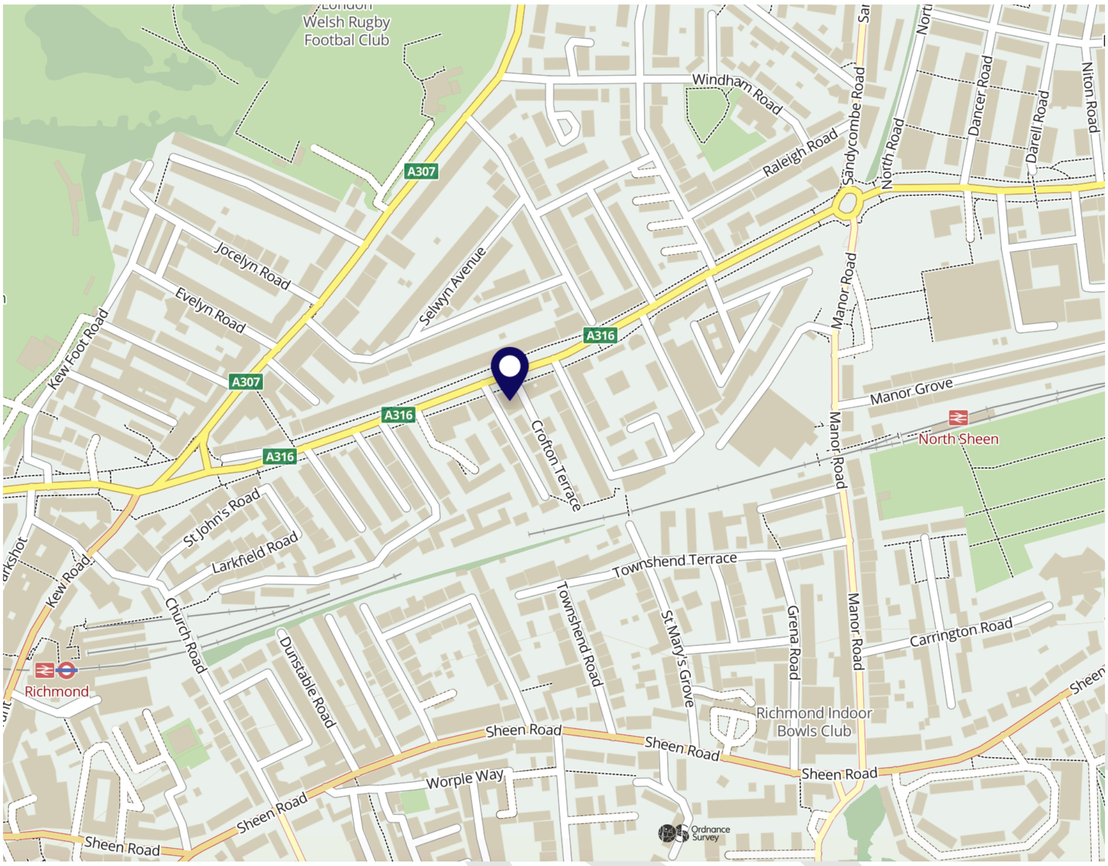
- Proposed plans and accommodation schedule prepared by Wilmshurst Pelleriti Architects
- Construction cost plan prepared by Stace LLP.

3. Project Details

Location

3.1 The Site is situated on the South side of Lower Mortlake Road, between the side roads of Crofton Terrace and West Sheen Vale. The maps below identify the Site location.





3.2 Crofton Terrace and West Sheen Vale, which lie either side of the subject site and to its rear, are made up predominantly of local authority-built housing of 1950s construction. The front of the site is a section of the A316 Great Chertsey Road which links Hammersmith to the M3. Buildings either side on the A316 frontage are a mix of commercial (both retail and office) and residential uses.

Transport

3.3 The Site is 12 minutes' walk from North Sheen Station, with several trains per hour to Waterloo in the morning rush hour the quickest being 28 minutes; and 8 minutes from Richmond station to the West, providing District Line and Overground services.

3.4 The current Public Access Transport Level of the Site is PTAL 6a.

Existing Site

3.5 The site is occupied by an existing 4-storey building measuring 15,900 sq ft. The existing planning use is deemed to be E Class – Commercial, Business & Service.

Scheme Proposals

3.6 It is proposed to develop the site to provide the following accommodation:

Residential

Floor	Unit Ref	Type	Sq M	Sq Ft
Ground	1	2b4p (m4) (3)	82.6	889
Ground	2	1b1p	41.5	447
Ground	3	3b5p	92.6	997
Ground	4	3b5p	92.2	992
First	5	2b3p	64.4	693
First	6	1b2p	50	538
First	7	1b2p	50.3	541
First	8	2b4p (m4)	70.3	757
First	9	1b1p	37.7	406
First	10	1b2p	50.8	547
First	11	1b2p	50.4	543
Second	12	2b3p	64.4	693
Second	13	1b2p	50	538
Second	14	1b2p	50.3	541
Second	15	2b4p (m4)	70.3	757
Second	16	1b1p	37.7	406
Second	17	1b2p	50.8	547
Second	18	1b2p	50.4	543
Third	19	3b5p	90.1	970
Third	20	1b2p	54.2	583
Third	21	2b4p (m4) (3)	77.1	830
			1278.1	**13,758**

Floor	Type	Sq M	Sq Ft
Basement	Gym	100	1,076

4. Planning Policy – Affordable Housing & Viability Methodology

4.1 In this section we have reviewed the policies and guidance relevant to planning obligations under the Section 106 regime.

National Planning Practice Guidance (NPPG)

4.2 The NPPG seeks to ensure development is both sustainable and deliverable. In its revision dated 24 July 2018 (paragraph 10), NPPG states: "In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission."

4.3 The NPPG defines the key inputs for viability assessments:

"<u>Gross Development Value</u> - Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary…For viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. Any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, disregarding outliers. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

<u>Costs</u> - Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application. Costs include:

a) build costs based on appropriate data, for example that of the Building Cost Information Service"; (in our opinion a site-specific elemental cost breakdown should be provided for site-specific viability assessment)

b) "abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value;

c) site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value;

d) the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value;

e) general finance costs including those incurred through loans;

f) professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value;

g) explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return;

Land Value - To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing used value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+). In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.

Competitive Return to Developers - Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan. For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development.

A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.

Competitive Return to Landowners - The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements. Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment, data sources to inform the establishment of the landowner premium should include market evidence and can include benchmark land values from other viability assessments. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement)"

The London Plan

4.4 The new London Plan was published in March 2021. Policy H4 Delivering affordable housing, Policy H5 Threshold approach to applications and Policy H6 Affordable housing tenure set out the approach to affordable housing delivery in London.

4.5 Policy H4 'Delivering affordable housing' sets a strategic target for 50% of all new homes delivered across London to be 'genuinely affordable'.

4.6 The provision of affordable housing on major developments is subject to the requirements of Policy H5 'Threshold approach to applications'. The threshold approach was first introduced in the Mayor's Affordable Housing and Viability SPG, published in August 2017.

4.7 A minimum of 35% of gross residential development (50% for public sector land and industrial sites – Policy E7) provided as affordable housing is the threshold for achieving the Fast Track approach. Developers may follow a Fast Track Route under the threshold approach, subject to meeting specific criteria including meeting (or exceeding) the relevant affordable housing threshold requirement and tenure split detailed in Policy H6 'Affordable housing tenure'.

London Borough of Richmond Planning Policy

Richmond Local Plan (July 2018)

4.8 LB Richmond Local Plan Policy LP36 – Affordable Housing states:

A. The Council expects:

a. 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.

b. 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:

a. 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.

b. 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.

c. 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 in the Affordable Housing SPD.

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:

a. economic viability;

b. individual site costs;

c. *the availability of public subsidy; and*

d. *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:*

a. *assess if the maximum reasonable amount of affordable housing is based on delivering the appropriate tenure, unit sizes and types that address local needs.*

b. *consider whether it is necessary to secure provision for re-appraising the viability of a scheme prior to implementation to secure contingent obligations.*

c. *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.*

4.9 In summary, the forgoing local and national policies demonstrate that London Borough of Richmond-Upon-Thames has policy targets for affordable housing provision as part of new residential developments, and that these targets are not intended to restrain development, based on the outcome of economic viability testing.

4.10 In compliance with policy, the level of contribution can be reduced or waived to ensure that development remains viable; however the Council adopts rigorous testing of viability to identify land value increases arising from the grant of planning permission, to meet affordable housing and other objectives.

Viability Methodology

4.11 The purpose of this report is to provide an independent assessment of the viability of proposed development, and in so doing to assess the level of obligations which can be provided to the local planning authority, while sustaining an appropriate land value to the landowner and profit to the developer. Assessing the viability of a proposed development involves comparing the residual land value of the site, based on the proposed scheme, with an appropriate benchmark.

4.12 A viable development will support a residual land value at a level sufficiently above the site's Existing Use Value (EUV) or Alternative Use Value (AUV), to support a land acquisition price acceptable to the landowner. As such, where a development proposal generates a residual value, which is higher than the appropriate benchmark value it is deemed financially viable and therefore likely to proceed. Conversely, if the residual value is lower than the benchmark, it is considered to be economically unviable and consequently unlikely to progress.

4.13 A - B = Residual Land Value, based on inputs from the attached table:

A: Revenue	B: Costs
Private residential sales value	Build Costs
Affordable housing transfer value	Planning and Development Fees
	Planning Contributions
	Marketing Costs
	Land Purchase Costs
	Finance Costs
	Developer's Profit

4.14 It need not be the land value that is the target residual. A fixed land price can be input as a cost, and a residual developer profit assessed. Alternatively, the residual target can be the planning contributions.

4.15 An explanation for all the appraisal inputs is provided at Section 5 (Income Analysis) and 6 (Cost Assumptions).

4.16 The next task is to arrive at an appropriate benchmark against which to compare the Residual Land Value of the proposed scheme, to determine whether the proposal is viable. This is assessed further in Section 7.

4.17 The purpose of our analysis has been to understand the development economics of the site and to show the results of our analysis. This incorporates appraisal of all costs and values, finance inputs and Section 106 contributions.

4.18 The assumptions made in the development appraisal are a reflection of the development's overall economics. Our assumptions are in some cases inter-related such that a change in one assumption can have an impact on other assumptions.

4.19 Appendix 1 shows the financial appraisal incorporating the costs and values of the project. We have used Argus Developer appraisal software, a standard appraisal tool used across the property industry, and recognised by local authorities in viability analysis. The model is set up as a Residual Land Value appraisal, making fixed assumptions about costs, revenues and profit.

5. Income Analysis

5.1 The revenue for the scheme is derived from the sale of the completed residential units and investment sale of the commercial space.

Private residential sale values

5.2 The development includes 21 apartments over ground to third storeys with an average size of 60.86 sq m (655 sq ft). There is a small residents' gym (1,076 sq ft.) The apartments are of the following types:

1 bedroom 1 person x 3
1 bedroom 2 person x 9
2 bedroom 3 person x 2
2 bedroom 4 person x 4
3 bedroom 5 person x 3

5.3 We have researched the local residential sales market to identify comparable evidence to inform the sales pricing adopted in the appraisal.

<u>Eminence House, Lower Mortlake Road</u>

5.4 This development is on the opposite corner across West Sheen Vale, on the same side of the A316 as the subject site. Eminence House is a modern purpose-built apartment building. A 2-bedroom apartment measuring 866 sq ft was marketed for £575,000, however it is now advertised for £550,000 and not under offer. The development is of a similar scale to the subject proposal. Eminence House has 13 car parking spaces, which we consider will add significant value in this location. The asking price equates to £635/sq ft.

5.5 We note there is also a 4-bedroom penthouse for sale at this property measuring £1,872 sq ft. The asking price is £1,700,000. There are no comparable units at the subject proposal.

<u>Vetro House, Lower Mortlake Road</u>

5.6 Vetro House is on the opposite corner across Crofton Terrace, on the same side of the A316 as the subject site. Described as a 'landmark building' built in 2006, there is a 1-bedroom apartment for sale measuring 647 sq ft. The asking price is £425,000, equating to £647/sq ft. The apartment is on the first floor, and includes underground car parking.

5.7 Vetro House also has a 2-bedroom apartment for sale measuring 1,259 sq ft. At an asking price of £875,000, this equates to £696/sq ft. The subject proposals do not include comparable units to this apartment.

<u>1-9 Sandycombe Lane, TW9 2EP</u>

5.8 This development of 20 apartments has, according to residential specialist Molior London, been soft marketed in 2021 and then withdrawn from the market. Asking prices equated to a little over £1,000/sq ft, however there have been no sales at the property.

Richmond Square, Kew Foot Road, TW9 2TE

5.9 This development comprising 71 homes is a conversion of listed buildings, some new build including basement car parking. This is a high-end development overlooking Richmond Park. Asking prices exceed £1,200/sq ft. We do not consider this development to be comparable to the subject, however its relative proximity (half a mile) merits its inclusion here.

5.10 We consider Eminence House and Vetro House provide the most comparable evidence to inform the subject proposal. We consider the fact the above prices are asking prices will be offset by the fact these are not brand new, although very modern developments. However, we consider the availability of off-street parking, particularly where this is secure, adds value to the above properties compared with the subject development, more than offsetting the small residents' gym in the subject scheme. We provide below a pricing schedule, the sum of which is applied to the Argus appraisal at Appendix 1 to this report.

Floor	Unit Ref	Type	Sq M	Sq Ft	Price	£/sq ft
Ground	1	2b4p (m4) (3)	82.6	889	£575,000	£647
Ground	2	1b1p	41.5	447	£350,000	£783
Ground	3	3b5p	92.6	997	£625,000	£627
Ground	4	3b5p	92.2	992	£625,000	£630
First	5	2b3p	64.4	693	£525,000	£757
First	6	1b2p	50	538	£390,000	£725
First	7	1b2p	50.3	541	£390,000	£720
First	8	2b4p (m4)	70.3	757	£535,000	£707
First	9	1b1p	37.7	406	£350,000	£862
First	10	1b2p	50.8	547	£390,000	£713
First	11	1b2p	50.4	543	£390,000	£719
Second	12	2b3p	64.4	693	£525,000	£757
Second	13	1b2p	50	538	£390,000	£725
Second	14	1b2p	50.3	541	£390,000	£720
Second	15	2b4p (m4)	70.3	757	£535,000	£707
Second	16	1b1p	37.7	406	£350,000	£862
Second	17	1b2p	50.8	547	£390,000	£713
Second	18	1b2p	50.4	543	£390,000	£719
Third	19	3b5p	90.1	970	£625,000	£644
Third	20	1b2p	54.2	583	£400,000	£686
Third	21	2b4p (m4) (3)	77.1	830	£535,000	£645
			1278.1	**13,758**	**£9,675,000**	**£703**

6. Cost Assumptions

Construction Costs

6.1 We have relied upon a cost plan prepared by Stace LLP in the sum of £4,269,000, equating to £188/sq ft. The cost plan is provided in Appendix 2.

Other Costs

6.2 Within the Argus Developer model at Appendix 1 we have made the following cost assumptions:

Item	Value	Elements
Land		
Stamp Duty	UK SDLT Rates	Residual Land Value
Agents Fee	1%	Residual Land Value
Legal Fee	0.5%	Residual Land Value
Construction Costs		
Professional Fees	10.0%	Build Cost Sum
Lettings and Disposal Costs		
Marketing (Residential sales)	1%	Residential GDV
Sales Agent Fees (Residential Units)	1.5%	Residential GDV
Legal Fees (Residential Units)	£850/unit	Residential GDV
Legal Fees (Commercial Units)	0.5%	Commercial GDV
S.106 Costs		
We have not included Section 106 financial contributions. Should such contributions be required this viability assessment should be amended to reflect this.		
CIL		
We have assumed that both Mayoral CIL2 and Borough CIL will be chargeable to the proposed development and is calculated on the net gain in floor space (sq m) on a Gross Internal Area (GIA) basis. We have included a total CIL contribution of £777,000 This is an estimate for viability purposes only; the applicant/ developer should take specialist advice in relation to CIL from the local authority or a specialist adviser. Should this assumption change significantly, the viability appraisal will require updating.		
Finance Costs		
The finance rate is assumed to be 8%. This reflects the average cost of capital to include debt interest (senior and mezzanine), and arrangement, exit and valuation fees.		
Developer Return		
The appraisal has been set up to show profit as a cost to the project, at 17.5% of GDV for the private residential units, and 6% on the affordable housing.		

7. Benchmark Land Value

7.1 As explained at Section 2, viability is typically tested by comparing the residual land value of the proposed scheme with a Benchmark Land Value (BLV). The benchmark can be derived following an assessment of the value of the site in its Existing Use (EUV) or a reasonable Alternative Use Value (AUV).

7.2 The Mayor of London's Affordable Housing and Viability Supplementary Planning Guidance (SPG) (August 2017) states that, "a landowner should receive at least the value of the land in its 'pre-permission' use, which would normally be lost when bringing forward land for development."

Existing Site

7.3 The site is occupied by an existing building measuring 15,900 sq ft GIA which appears to have been constructed in the 1980s. Albeit vacant, the building is now in Class E use, and as such can be occupied by a range of commercial uses.

7.4 The building is in private ownership and as was occupied by the owners for many years, and as such there is no relevant passing rent to assist in establishing a capital value. The building now being empty, and it having been established elsewhere in the planning application that there is no effective demand for offices at a reasonable market rent, the owner would be required to consider alternative uses for the premises within Use Class E.

7.5 In this context an alternative office scheme is considered that could meet the needs of users at the lower end the occupier market, being start-ups and local micro companies. With market rents in central Richmond for Grade A offices being the region £50-60/sq ft, a very basic office provision with the lowest level of fit-out might be expected to let for considerably lower rent, and we have assumed £25.00/sq ft (being less than half the rent for Grade A offices in central Richmond) for the purposes of establishing a benchmark land value. An 'all risks' yield of 7.5% has been applied.

7.6 A 12-month build period has been applied, 12 month letting period and 3 months' rent free.

7.6 We have provided an alternative use appraisal showing costs of £100/sq ft, together with disposal, finance and profit costs to derive a residual land value. This is shown at Appendix 3.

Capital value

7.7 The capital value, on a residual basis, is £826,000, equating to £52/sq ft of the GIA.

Benchmark Land Value

7.8 We would not expect a landowner premium to be applied as an alternative use value, and purchaser's costs have been deducted in the appraisal at Appendix 3. As such we consider the benchmark land value to be £826,000.

8. Summary of the Appraisal

8.1 For ease of reference we provide here a summary of the Argus appraisals relating to this project, demonstrating the viability position:

Independence House	
Summary Appraisal	
Costs	
	£
Construction costs	4,658,000
Fees	466,000
CIL	777,000
Marketing, letting, disposal & legals	200,000
Site purchase costs	18,000
Total finance costs	495,000
Profit	1,348,000
Total costs	**7,962,000**
Revenue	
Residential Sales	7,334,000
Affordable housing	1,072,000
Total sales	**8,406,000**
Residual Land Value	**444,000**
Benchmark Land Value	**826,000**
RLV - EUV (net residual)	**-382,000**

8.2 The fact that the Net Residual is negative indicates the project is unable to sustain any further contributions to affordable housing or other financial contributions in addition to CIL.

9. Summary and Conclusions

9.1 In compiling the appraisals, we have applied the site-specific construction costs and property values relating to the proposed development, alongside market assumptions concerning other development costs such as finance and profit. This is in line with the principles of an economic viability assessment of this nature.

9.2 Accounting for the inputs explained above, the Argus Developer appraisal for the proposed development calculates a residual land value of £444,000 (rounded). A summary of the Argus Developer appraisal is included in Appendix 1.

9.3 The benchmark land value of the existing property has been demonstrated to be £826,000 (rounded), as per Section 7 of this report. Having completed the viability appraisal, we conclude that the net residual is -£382,000 (rounded/negative).

9.4 We would therefore conclude that the proposed scheme cannot support a further contribution towards affordable housing, in addition to anticipated CIL costs associated with the development.

9.5 The proposal includes the provision of 4 affordable homes, being 19% of dwellings and 24% of the proposed floor space. This is considered to be the maximum reasonable provision of affordable housing, and indeed this is to the detriment of a market level of profit being achieved in this instance.

9.6 The Council's policy makes clear that the affordable housing contribution is subject to viability testing, and this report has been compiled in compliance with this policy, National Planning Policy Framework and RICS Guidance.

9.7 Should the Council require further information from ULL Property to consider the above, we would be happy to provide it, and our contact details can be found at the end of this report.

Appendix 1 – Argus Developer Appraisal

Independence House
Confidential - Not a Valuation

Development Appraisal
Prepared by ULL Property
ULL Property
November 23, 2023

APPRAISAL SUMMARY — ULL PROPERTY

Independence House
Confidential - Not a Valuation

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private residential	17	10,433	703.00	431,435	7,334,399
Affordable Rent	2	1,989	220.00	218,790	437,580
Intermediate	2	1,336	475.00	317,300	634,600
Totals	**21**	**13,758**			**8,406,579**

NET REALISATION				**8,406,579**

OUTLAY

ACQUISITION COSTS

Residualised Price			444,858	
				444,858
Stamp Duty			11,743	
Effective Stamp Duty Rate		2.64%		
Agent Fee		1.00%	4,449	
Legal Fee		0.50%	2,224	
				18,416

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Construction Costs	22,723	205.00	4,658,215	
CIL			777,000	
				5,435,215

PROFESSIONAL FEES

Professional Fees		10.00%	465,821	
				465,821

MARKETING & LETTING

Marketing		1.00%	73,344	
				73,344

DISPOSAL FEES

Sales Agent Fee - Private Resi		1.50%	110,016	
Sales Legal Fee - Private Resi	19 un	850.00 /un	16,150	
				126,166

TOTAL COSTS BEFORE FINANCE				**6,563,821**

FINANCE

Timescale	**Duration**	**Commences**
Purchase	1	Nov 2023

APPRAISAL SUMMARY				ULL PROPERTY
Independence House				
Confidential - Not a Valuation				
Pre-Construction	3	Dec 2023		
Construction	18	Mar 2024		
Sale	4	Sep 2025		
Total Duration	26			
Debit Rate 8.00%, Credit Rate 0.00% (Nominal)				
Land			68,929	
Construction			382,853	
Other			43,402	
Total Finance Cost				495,184
TOTAL COSTS				**7,059,004**
PROFIT				
				1,347,575
Performance Measures				
Profit on GDV%		16.03%		

CASH FLOW REVENUE AND COST SUMMARY	ULL PROPERTY

Independence House
Confidential - Not a Valuation

Heading	%	Total	At Date	To Date
Phase1				
Sale - Affordable Rent		437,580	Aug 2025	Aug 2025
Sale - Intermediate		634,600	Aug 2025	Aug 2025
Sale - Private residential		7,334,399	Sep 2025	Dec 2025
Sales Agent Fee - Private Resi	1.50%	(110,016)	Sep 2025	Dec 2025
Sales Legal Fee - Private Res	0.00%	(16,150)	Sep 2025	Dec 2025
Residualised Price		(444,858)	Nov 2023	Nov 2023
Stamp Duty	0.00%	(11,743)	Nov 2023	Nov 2023
Agent Fee	1.00%	(4,449)	Nov 2023	Nov 2023
Legal Fee	0.50%	(2,224)	Nov 2023	Nov 2023
Con. - Construction Costs		(4,658,215)	Mar 2024	Aug 2025
CIL		(777,000)	Mar 2024	Mar 2024
Professional Fees	10.00%	(465,821)	Mar 2024	Aug 2025
Marketing	1.00%	(73,344)	May 2025	Aug 2025

CASH FLOW REVENUE AND COST SUMMARY	ULL PROPERTY

Independence House
Confidential - Not a Valuation

Distribution

Single
Single
Monthly
Related: Sale - Private residential
Related: 850.00/un to Selected Total Units of 19
Single
Related: UK Non-residential from 17.03.2016
Related: Residualised Price
Related: Residualised Price
S-Curve
Single
Related: : Curve Related from Con. - Construction Costs to Other Construction Costs
Related: : Curve Related to Sale - Private residential

TIMESCALE AND PHASING CHART	ULL PROPERTY

Independence House
Confidential - Not a Valuation

Project Timescale	
Project Start Date	Nov 2023
Project End Date	Dec 2025
Project Duration (Inc Exit Peric	26 months

Phase 1

	Start Date	Duration	End Date	Nov 23	Nov 24	Nov 25
Project	Nov 2023	26	Dec 2025			
Purchase	Nov 2023	1 Month(s)	Nov 2023			
Pre-Construction	Dec 2023	3 Month(s)	Feb 2024			
Construction	Mar 2024	18	Aug 2025			
Post Development	Sep 2025	0 Month(s)				
Letting	Sep 2025	0 Month(s)				
Income Flow	Sep 2025	0 Month(s)				
Sale	Sep 2025	4 Month(s)	Dec 2025			
Cash Activity	Nov 2023	26	Dec 2025			
				1	13	25

SENSITIVITY ANALYSIS REPORT	ULL PROPERTY

Independence House
Confidential - Not a Valuation

Table of Land Cost and Land Cost

	Sales: Rate /ft²				
Construction: Rate /ft²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
	632.70 /ft²	667.85 /ft²	703.00 /ft²	738.15 /ft²	773.30 /ft²
-10.000% 184.50 /ft²	(£403,448) (£403,448)	(£645,696) (£645,696)	(£887,944) (£887,944)	(£1,130,192) (£1,130,192)	(£1,372,441) (£1,372,441)
-5.000% 194.75 /ft²	(£179,932) (£179,932)	(£424,153) (£424,153)	(£666,401) (£666,401)	(£908,649) (£908,649)	(£1,150,898) (£1,150,898)
0.000% 205.00 /ft²	£54,125 £54,125	(£201,237) (£201,237)	(£444,858) (£444,858)	(£687,106) (£687,106)	(£929,355) (£929,355)
+5.000% 215.25 /ft²	£296,380 £296,380	£31,484 £31,484	(£222,542) (£222,542)	(£465,564) (£465,564)	(£707,812) (£707,812)
+10.000% 225.50 /ft²	£538,636 £538,636	£273,740 £273,740	£8,843 £8,843	(£243,847) (£243,847)	(£486,269) (£486,269)

Sensitivity Analysis : Assumptions for Calculation

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

Heading	Phase	Rate	No. of Steps
Private residential	1	£703.00	2.00 Up & Down

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

Heading	Phase	Rate	No. of Steps
Construction Costs	1	£205.00	2.00 Up & Down

Appendix 2 – Build Cost Estimate

Appendix 3 – Alternative Use Appraisal

Independence House Alternative Use Appraisal
Confidential - Not a Valuation

Development Appraisal
Prepared by ULL Property
ULL Property
November 23, 2023

APPRAISAL SUMMARY	ULL PROPERTY

Independence House Alternative Use Appraisal
Confidential - Not a Valuation

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Office	1	11,565	25.00	289,125	289,125	289,125

Investment Valuation

Office					
Market Rent	289,125	YP @	7.5000%	13.3333	
(3mths Rent Free)		PV 3mths @	7.5000%	0.9821	3,785,927

GROSS DEVELOPMENT VALUE			**3,785,927**
Purchaser's Costs	6.80%	(257,443)	
Effective Purchaser's Costs Rate	6.80%		
			(257,443)
NET DEVELOPMENT VALUE			**3,528,484**
NET REALISATION			**3,528,484**

OUTLAY

ACQUISITION COSTS			
Residualised Price		826,277	
			826,277
Stamp Duty		30,814	
Effective Stamp Duty Rate	3.73%		
Agent Fee	1.00%	8,263	
Legal Fee	0.50%	4,131	
			43,208

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Construction Costs	15,900	100.00	1,590,000	
				1,590,000

PROFESSIONAL FEES			
Professional Fees	10.00%	159,000	
			159,000

MARKETING & LETTING

APPRAISAL SUMMARY				ULL PROPERTY

Independence House Alternative Use Appraisal
Confidential - Not a Valuation

Letting Agent Fee	10.00%	28,913	
Letting Legal Fee	3.00%	8,674	
			37,586
DISPOSAL FEES			
Sales Agent Fee	1.00%	37,859	
Sales Legal Fee	0.50%	18,930	
			56,789
TOTAL COSTS BEFORE FINANCE			**2,712,861**

FINANCE

Timescale	**Duration**	**Commences**
Purchase	1	Nov 2023
Construction	12	Dec 2023
Letting	6	Dec 2024
Sale	1	Jun 2025
Total Duration	20	

Debit Rate 8.00%, Credit Rate 0.00% (Nominal)

Land	71,756	
Construction	64,674	
Letting	111,305	
Total Finance Cost		247,735
TOTAL COSTS		**2,960,595**
PROFIT		
		567,889

Performance Measures

Profit on GDV%	15.00%

CASH FLOW REVENUE AND COST SUMMARY **ULL PROPERTY**

Independence House Alternative Use Appraisal
Confidential - Not a Valuation

Heading	%	Total	At Date	To Date
Phase1				
Cap - Office		3,785,927	Jun 2025	Jun 2025
Purchaser's Costs	6.80%	(257,443)	Jun 2025	Jun 2025
Sales Agent Fee	1.00%	(37,859)	Jun 2025	Jun 2025
Sales Legal Fee	0.50%	(18,930)	Jun 2025	Jun 2025
Residualised Price		(826,277)	Nov 2023	Nov 2023
Stamp Duty	0.00%	(30,814)	Nov 2023	Nov 2023
Agent Fee	1.00%	(8,263)	Nov 2023	Nov 2023
Legal Fee	0.50%	(4,131)	Nov 2023	Nov 2023
Con. - Construction Costs		(1,590,000)	Dec 2023	Nov 2024
Professional Fees	10.00%	(159,000)	Dec 2023	Nov 2024
Letting Agent Fee	10.00%	(28,913)	Jun 2025	Jun 2025
Letting Legal Fee	3.00%	(8,674)	Jun 2025	Jun 2025

CASH FLOW REVENUE AND COST SUMMARY	ULL PROPERTY

Independence House Alternative Use Appraisal
Confidential - Not a Valuation

Distribution

Single
Related: Cap - Office
Related: Cap - Office
Related: Cap - Office
Single
Related: UK Non-residential from 17.03.2016
Related: Residualised Price
Related: Residualised Price
S-Curve
Related: : Curve Related from Other Construction Costs to Construction Costs
Related: 10.0000% of Rent at Lease start dates.
Related: 3.0000% of Rent at Lease start dates.

TIMESCALE AND PHASING CHART — ULL PROPERTY

Independence House Alternative Use Appraisal
Confidential - Not a Valuation

Project Timescale	
Project Start Date	Nov 2023
Project End Date	Jun 2025
Project Duration (Inc Exit Peric	20 months

Phase 1

	Start Date	Duration	End Date	Nov 23	May 24	Nov 24	May 25
Project	Nov 2023	20	Jun 2025				
Purchase	Nov 2023	1 Month(s)	Nov 2023				
Pre-Construction	Dec 2023	0 Month(s)					
Construction	Dec 2023	12	Nov 2024				
Post Development	Dec 2024	0 Month(s)					
Letting	Dec 2024	6 Month(s)	May 2025				
Income Flow	Jun 2025	0 Month(s)					
Sale	Jun 2025	1 Month(s)	Jun 2025				
Cash Activity	Nov 2023	20	Jun 2025				
				1	7	13	19

SENSITIVITY ANALYSIS REPORT	ULL PROPERTY

Independence House Alternative Use Appraisal
Confidential - Not a Valuation

Sensitivity Analysis results are not available.
Click the Analysis Results tab, then print the report.

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