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## **STAG BREWERY**

### **DRAFT STATEMENT OF COMMON GROUND OF SCHEME VIABILITY**

#### **1. Background and introduction**

- 1.1. This Statement of Common Ground addresses the financial viability of the proposed development at the former Stag Brewery, Mortlake Road, Mortlake ('the Appeal Scheme').
- 1.2. The Appellant's viability advisor is BNP Paribas Real Estate ('BNPPRE').
- 1.3. The Council's viability advisor is Carter Jonas ('CJ').
- 1.4. This statement summarises the agreed appraisal inputs and disputed appraisal inputs. The parties will address the disputed inputs in evidence in due course.
- 1.5. The parties agree that the disputed inputs do not have a bearing on the conclusions of the Viability Assessment in terms of the maximum viable percentage of affordable housing.
- 1.6. On 31 January 2024, the Council's Planning Committee resolved to grant planning permission for the Appeal Scheme on the basis of the agreed viability position and proposed quantum and mix of affordable housing.
- 1.7. The Appellant and the Council agree that scheme viability will be reviewed prior to implementation (should the scheme not be implemented within an agreed timescale) and subsequently at a mid point of construction and at a later stage. The triggers for the viability reviews are agreed between the Appellant and the Council and are reflected in the draft Section 106 agreement which the parties are working on.

#### **2. Scheme content**

- 2.1. The scheme comprises 1,075 residential units, 62 of which are to be provided as affordable housing. 80% of the affordable housing is to be provided as social rented housing and 20% as intermediate (shared ownership) housing.



2.2. The intermediate (shared ownership) is valued on the basis of the Council's affordability criteria.

2.3. The Scheme also provides 380,502 square feet of non-commercial floorspace, including basement floorspace.

### **3. Scheme income**

3.1. The parties do not agree the blended sales values for the private housing.

3.2. BNPPRE's position is that the blended private sales values is £927 per square foot.

3.3. CJ's position is that the blended private sales value is £957 per square foot.

3.4. For the purposes of appraising the Appeal Scheme, the parties have used the higher value of £957 per square foot. For the avoidance of doubt, BNPPRE have adopted this position on a without prejudice basis.

3.5. The parties agree that the value of car parking spaces is £50,000 per space and a total of £23.15 million.

3.6. The parties agree that the capital value of the commercial floorspace (comprising offices, flexible use, cinema and hotel) is £59.96 million before purchaser's costs, or £55.88 million after deduction of purchaser's costs.

### **4. Scheme costs**

4.1. The parties agree that the base construction costs total £442.05 million.

4.2. The parties agree that other construction costs (basement, public realm, highways works, figure regulation works and other related works) amount to £161.84 million.

4.3. The parties have agreed that the Section 106 contributions amount to £7.33 million.

4.4. The parties have agreed to use the following CIL liabilities, noting that the calculation is yet to be finalised and will change as a result of indexation:



- 4.5. CIL liability assuming existing floorspace meets the occupancy test in the CIL regulations: £48.94 million.
- 4.6. CIL liability assuming existing floorspace does not meet the occupancy test in the CIL regulations: £64.20 million.
- 4.7. The parties agree professional fees equating to 10% of construction and infrastructure costs (£56.32 million).
- 4.8. The parties agree marketing, letting, sales agents and sales legal fees of £29.47 million (comprising marketing budget of 2% of private GDV; sales agent fee of 1% of private GDV; residential sales legal fees of £1,250 per unit; letting agents fee of 10% of first year's rent; letting legal fees of 5% of first year's rent; and sales agent fee commercial of 1% of commercial GDV).
- 4.9. The parties have agreed a finance rate of 6%.

## **5. Site Benchmark Land Value**

- 5.1. The parties agree that the Appeal Site extends to 8.6 hectares.
- 5.2. The parties agree that the Benchmark Land Value of the Appeal Site is £36 million, or £4,186,047 per hectare.

## **6. Target returns/profit margin**

- 6.1. The parties agree a target return of 15% of GDV for the commercial floorspace.
- 6.2. The parties agree of target return of 6% of the GDV of the affordable housing.
- 6.3. The parties do not agree the target return for the private housing but have used a 17.5% of private housing GDV target return on a without prejudice basis.
- 6.4. The blended target return is 17.16% of scheme GDV.

## 7. Agreed appraisal outputs

7.1. The parties have run the appraisal on 'present day' and a 'with growth and inflation' bases. For the purposes of the growth scenario, the parties have agreed to apply growth of 2% in 2024, 2% in 2025, 3% in 2026, 3% in 2027, 4% in 2028 and 4% annually in 2029 and beyond.

7.2. The parties have agreed to apply these growth rates on a cumulative basis.

7.3. The parties have agreed to apply inflation on costs of 2% annually on a cumulative basis.

7.4. The agreed appraisal outputs are summarised in Table 7.1.

**Table 7.1: Agreed appraisal outputs**

CIL assumption £ millions	Growth assumption	Blended profit on GDV	Target profit on GDV	Shortfall against target profit (% of GDV)
£64.20	Present day	4.81%	17.16%	-12.35%
£48.94	Present day	7.15%	17.16%	-10.01%
£64.20	Growth applied	10.39%	17.16%	-6.77%
£48.94	Growth applied	12.18%	17.16%	-4.98%

**Signed**

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On behalf of the Appellant  
[Date]

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On behalf of the Council  
[Date]