Our ref: AL/ar 31 March 2023

Thomas Faherty
Planning Department
London Borough of Richmond upon Thames
Civic Centre
44 York Street
Twickenham
TW1 3BZ

Dear Thomas

18 – 20 Vicarage Road KT1 4ED

I refer to the rebuttal document produced by Andrew Golland Associates (AGA), dated December 2022, which is in response to our review dated September 2022 (see Appendix 7), relating to the viability of the proposed development on this site.

This response should be considered in conjunction with our original review of September 2022.

The matters in dispute are -

Construction Costs

Other costs – Professional Fees; Sales and Marketing Costs; Profit

The value of the proposed property

The Benchmark Land Value

These issues are addressed below.

Build Cost
The original report by AGA used the BCIS Upper Quartile figure. This position is changed in the AGA rebuttal whereby the BCIS Mean figure is proposed, which they characterise as the "Industry Norm"

The Mayor of London's SPG on Viability states that viability submissions should provide an elemental cost plan which should be independently reviewed for the LPA by a Quantity Surveyor. In this case the applicant has relied on generic BCIS data.

With regard to the statement that using the Mean BCIS value is the "industry norm" we would dispute this. In more that ten years reviewing FVAs for the London Borough of Richmond upon Thames, AGA is the only consultant that proposes the mean value as the basis for assessing the build cost for a project.

I attach an extract from the guidance provided in relation to the BCIS data. (Appendix 1) This sets out that the median rather than the mean value should be used in order to avoid the distortion of outlying values – both high and low. We have used the BCIS median value (Appendix 2) for our updated appraisal. It should be noted that in this instance the median value is higher than the mean.

AGA also assert that 15% allowance is the "industry norm" to estimate the costs for external works which are not included in the BCIS figure. In our experience there is a normal range of 10% - 15%. Each allowance has to be scheme specific, reflecting te scope of work proposed. In our view an allowance of 12% - equating to approximately £66,000 including contingency, should suffice for the external works for this project.

Other Costs
AGA have used the following inputs for their appraisal:

Professional Fees – 12%

Marketing Fees – 3%

Profit -20%

The Mayor's SPG on viability (Para 3.26) states "Professional and Marketing Fees should be justified taking account of the complexity of the development and development values. Costs applied on a percentage basis should be realistic when considering the monetary value of the assumed cost."

We would expect to see a range for professional fees of 6% -12%. Given the construction of a single dwelling is the least complex scheme that could be envisaged for this site, we are of the view that 10% is an appropriate allowance relative to the overall build cost figure. There should be no requirement for Mechanical & Electrical Engineers or Structural Engineers, which might justify fees at the top of the range.

Similarly, we expect the normal range of Sales and Marketing fees to be 2%-4% depending on the size/type of scheme and the expected length of the marketing period. The sale of a single dwelling should be straightforward. We therefore maintain a figure of 2.5% is appropriate in this instance.

The Mayor's SPG on viability (Para 3.32) states "The appropriate level of profit is scheme specific. Evidence should be provided by applicants to justify proposed rates of profit taking account of the individual characteristics of the scheme and the risks related to the scheme. In line with PPG, a rigid approach to assumed profit levels should be avoided and applicants cannot rely on typically quoted levels."

We would expect to see a range of profit levels between 15% -20% as specified by the PPG, depending in the nature of the scheme and the risk involved in the development. In our view the construction of a single dwelling in an established residential area does generate the same risk as a scheme of more than 20 dwellings, a mixed-use development, or a high density development of flats. In our view an allowance for profit of 17.5% is appropriate and relevant to the risks associated with this scheme.

Unit Values
AGA have presented a market research sample which contains only two four bed houses. All the other properties in their sample are substantially smaller than the proposed house. Half their sample are flats rather than houses. As such the evidence is not comparable and provides no direct correlation between their sample and the proposed house. The attempt to rationalise this with an equation that reflects only the relative size of the units and ignores the lesser amenity that might be reasonably assumed comparing flats to houses renders this methodology unsound. This is a point that we have continually made to AGA and defended successfully at Appeal.

We have updated our market research based on the achieved prices for 4 bed houses, (see Appendix 3) and we have used this as the base for our valuation of the proposed property. The average value per square metre derived from our market research is £6,933.

AGA have queried the use of the new build premium. We have attached a summary from the What House Website (see Appendix 4) which summarises the basis for including a 15% premium. Inclusive of the premium, the value per square metre used to assess the value for the proposed unit is £7,973/m2 and the Gross Development Value is therefore £1,116,220.

Benchmark Land Value (BLV)
AGA have assessed their estimate of the BLV based on the application of the principals set out in the court case of Stokes v Cambridge in relation to the value of ransom strips for access purposes. As set out in our original report we do not accept that Stokes v Cambridge is an appropriate methodology in this case.

AGA proffer an alternative in their rebuttal statement based on the loss of value to neighbouring property as a result of creating the development site. This is an approach that might be used if the proposed development was within the curtilage of another property. However, this is not the case as the red line site is separate from any neighbouring property and exists as a separate entity and has done so for some time.

We therefore believe that the methodology set out in our September 2022 report (Appendix 7), posited upon the land values set out in the Adams Integra All Plan Viability study for the extant Local Plan is an appropriate basis for assessing the Benchmark Land Value.

Conclusion

The revised appraisal (Appendix 5) shows a residual value of £158,782 for the proposed scheme compared to a Benchmark Land Value £120,000. This gives a surplus of £38,782 demonstrating the scheme is viable and can support an affordable housing contribution of up to this value. I attach a copy of the Council's Commuted Sum Calculator (Appendix 6) which we have updated to suit the latest sales prices. This shows a maximum contribution of £32,191 and as this sum is less that the surplus it is payable in full.

Yours sincerely

A M LEAHY
Managing Director

Enc
Appendix 1 – BCIS Extract
Appendix 2 – BCIS data
Appendix 3 – Updated Market Research
Appendix 4 – New Build Premium
Appendix 5 – Updated Appraisal Results
Appendix 6- LBRuT Updated Commuted Sum Calculation
Appendix 7 – BPC Report September 2022

Appendix 1

Help Page for Analyses/Benchmark

21-Oct-2013

Online help	Analyses	Benchmark

Context

The Analysis Benchmarking report gives some headline comparisons between the selected analysis and other project based data from BCIS. There may be up to two comparisons based on the cost per m²; if this is one of your projects and the project Tender Price Index (TPI) is available then there will additionally be a comparison of the project TPI with the expected index. The cost per m² includes differences due to the design solution and price level while the TPI comparison is an attempt to measure price differences independent of design.

Notes

The heading block describes the type, size, date and location of the benchmark building. Location is quoted to the administrative county (pre-2000 boundary) to line up with the BCIS Location Factors. Even where the district is known, the county level comparison is still used to ensure a satisfactory sample size, but you may wish to review the appropriate district location factors (see Studies/Tender Price Studies/Location Factors).

Benchmark £/m² for comparison: the cost per m² of the building and of each group element (where available) is shown at the pricing level of the job, i.e. the rate is not adjusted for date or location (even if rebase is in use). External works and Contingencies are excluded; Preliminaries are apportioned by cost.

Comparison with Average Prices: the building cost is compared with the result from the £/m² study and the group elements are compared with the Group Element Prices study. Both studies express the cost as a rate per m² excluding External Works and Contingencies and with Preliminaries apportioned by cost. Where the average prices for the appropriate building function have been split into sub-classes, the 'Generally' category has been used to give a comparison with all projects with this function. The average prices data is updated to the benchmark project quarter and adjusted to the benchmark project county using the BCIS All-in TPI and Location Factors respectively.

Average Group Element Prices data is not available for as many types of work as the £/m² study (e.g. fitting out an existing building is not included) because fewer projects are available. Where a group elemental comparison is available, the sample size is likely to be smaller than for the building cost. Because the sample is different, the mean cost per m² for group elements will not normally exactly sum to the £/m² for the building. Note that the benchmark analysis is likely to be included in the BCIS Average Prices Study.

Comparison with Selected Analyses: a similar comparison is made with the other analyses currently selected (if any). Each analysis is adjusted to the quarter and county of the benchmark project using the BCIS All-in TPI and Location Factors. As above, External works and Contingencies are excluded; Preliminaries are apportioned by cost. Note that the benchmark project is excluded from the comparison sample.

Mean: a measure of average (or central tendency) calculated by adding together all the £/m² figures and dividing by the sample size. The mean is affected by every project sampled and will therefore usually be drawn upwards by one or more very expensive projects.

Median: an alternative average. It is the middle statistic when all the costs are arranged in ascending order. Fifty per cent of the project costs will be less than the median and 50% above. The median is not influenced by outliers in the same way as the mean and is therefore generally a 'better' measure of the typical cost.

Range: the highest and lowest rate in the sample.

Sample: the number of projects included. A larger sample size will give a better comparison provided that the sampled schemes are an appropriate match.

Percent above mean: compares the benchmark project cost with the mean. If the benchmark project costs less than the mean then this figure will be negative.

Centile position: indicates where the benchmark project cost lies in the scale of project costs. If the centile position is 25% then one quarter of projects have a lower cost per m² than the benchmark project and three quarters have a cost per m² above the benchmark project. Where the benchmark project cost is below the lowest or above the highest value seen in the sample then 'Below lowest' or 'Above highest' is shown.

Tender Price Index: a project TPI is calculated from a BQ or priced quantified schedule by comparing a sample of items with prices from a base schedule. The project TPI is influenced by many things, including contract size, location, procurement, ease of construction, etc. In order to benchmark the project its TPI is compared with the expected TPI for a project at that date, location, procurement, building function, type of work and contract sum.

Note that the BCIS Tender Price Indices, Tender Price Studies and Average Prices are recalculated fortnightly and new projects are added on a daily basis. There may, therefore, be minor changes to the benchmark report produced on different occasions.

All comparisons are based on sample surveys and can only give a general indication of comparable costs and prices.

Appendix 2

BCIS®

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 11-Feb-2023 05:59

› Rebased to London Borough of Richmond Upon Thames (121; sample 30)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810. Housing, mixed developments (15)	1,727	943	1,509	1,681	1,890	3,876	1240
810.1 Estate housing							
Generally (15)	1,727	832	1,470	1,661	1,891	5,951	1413
Single storey (15)	1,957	1,173	1,663	1,902	2,177	5,951	232
2-storey (15)	1,664	832	1,444	1,615	1,821	3,629	1095
3-storey (15)	1,811	1,079	1,515	1,732	2,057	3,547	81
4-storey or above (15)	3,617	1,768	2,894	3,232	4,811	5,382	5
810.11 Estate housing detached (15)	2,254	1,269	1,728	1,941	2,401	5,951	21
810.12 Estate housing semi detached							
Generally (15)	1,737	1,017	1,486	1,705	1,906	3,167	345
Single storey (15)	1,933	1,258	1,675	1,917	2,132	3,167	77
2-storey (15)	1,680	1,017	1,474	1,636	1,835	2,986	257
3-storey (15)	1,671	1,271	1,344	1,644	1,892	2,468	11
810.13 Estate housing terraced							
Generally (15)	1,774	1,036	1,443	1,664	1,951	5,382	242
Single storey (15)	2,033	1,304	1,689	2,087	2,340	2,847	20
2-storey (15)	1,696	1,036	1,431	1,619	1,855	3,629	183
3-storey (15)	1,841	1,079	1,491	1,676	2,095	3,547	37
4-storey or above (10)	5,097	4,811	-	-	-	5,382	2
816. Flats (apartments)							
Generally (15)	2,028	1,012	1,687	1,915	2,290	6,994	854
1-2 storey (15)	1,933	1,190	1,634	1,826	2,169	4,003	183
3-5 storey (15)	1,995	1,012	1,676	1,903	2,263	4,229	572
6 storey or above (15)	2,405	1,484	1,964	2,260	2,580	6,994	96
820.1 'One-off' housing detached (3 units or less)							
Generally (15)	3,195	1,276	2,181	2,864	3,822	8,279	124
Single storey (15)	2,564	1,558	1,847	2,331	2,953	4,829	27
2-storey (15)	3,089	1,276	2,156	2,732	3,644	7,964	66

Building function (Maximum age of projects)	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	Sample
	£/m² gross internal floor area						
3-storey (15)	3,634	1,716	2,734	3,729	4,112	6,690	24
4-storey or above (15)	6,014	3,208	4,102	7,128	7,356	8,279	5
820.2 'One-off' housing semi-detached (3 units or less) (15)	2,186	1,278	1,822	2,023	2,469	6,965	57
820.3 'One-off' housing terraced (3 units or less) (15)	2,195	1,592	1,670	1,905	2,191	4,154	14
Horizontal extension							
810. Housing, mixed developments (35)	3,171	-	-	-	-	-	1
810.1 Estate housing (30)	1,378	760	1,075	1,549	1,640	1,865	5
810.12 Estate housing semi detached (30)	1,470	1,075	-	-	-	1,865	2
810.13 Estate housing terraced (20)	1,640	-	-	-	-	-	1
816. Flats (apartments) (20)	2,224	1,643	1,911	2,241	2,291	3,033	5
820.1 'One-off' housing detached (3 units or less) (15)	2,453	1,713	1,783	2,373	2,691	4,108	8
820.2 'One-off' housing semi-detached (3 units or less) (20)	2,319	1,737	-	2,424	-	2,798	3
Vertical extension							
816. Flats (apartments) (30)	2,370	-	-	-	-	-	1
820.1 'One-off' housing detached (3 units or less) (35)	4,223	-	-	-	-	-	1
Rehabilitation/Conversion							
810. Housing, mixed developments (15)	1,719	457	1,124	2,132	2,433	2,448	5
810.1 Estate housing (25)	1,221	404	796	968	1,344	5,122	41
810.11 Estate housing detached (30)	410	358	-	-	-	461	2
810.12 Estate housing semi detached (25)	1,363	569	827	948	1,542	3,245	8
810.13 Estate housing terraced (20)	1,047	637	912	1,022	1,216	1,412	7
816. Flats (apartments)							
Generally (15)	2,111	610	1,256	1,650	2,189	7,238	80
1-2 storey (15)	2,700	900	1,386	1,715	3,147	7,238	17
3-5 storey (15)	1,810	610	1,289	1,582	1,992	6,772	47
6 storey or above (15)	2,449	705	1,140	1,663	3,384	6,066	15

BCIS®

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
820.1 'One-off' housing detached (3 units or less) (15)	2,894	858	1,417	2,284	3,373	12,911	24
820.2 'One-off' housing semi-detached (3 units or less) (15)	2,383	728	1,686	2,040	2,859	4,825	8
820.3 'One-off' housing terraced (3 units or less) (15)	5,702	2,639	4,238	5,411	7,059	9,794	12

Appendix 3

APPENDIX 3 18-20 Vicarage Road KT1 4ED Market Research

Prices achieved for 4 bed houses within ¼ mile

Address	Price (£)	Area (m^2)	£/m^2
4 Vineyard Road	1,117,500	168.5	6,632
2 Station Road	985,000	160.7	6,129
21 Wick Road	1,291,400	152.55	8,465
6 Station Road	1,210,000	162.75	7,435
20 Cedars Road	1,350,000	180	7,500
55 School House Lane	885,000	142.1	6,228
18 Church Grove	1,662,500	261	6,370
32 Wick Road	806,000	144	5,597
6 Vicarage Road	1,150,000	143	8,042
Average			6,933

Appendix 4

APPENDIX 4

What is a 'new build premium'?

If you're buying a new home, the builder will typically charge something called a 'new build premium'. This means that you can expect to pay more for a new property than you would if you bought an older property of the same size/in the same area.

A builder will charge a premium for several reasons:

- The new home is ready to move into
- You benefit from a guarantee – typically 10 years or more
- Everything in the property is new and unused
- The property is likely to be more energy-efficient than older homes
- The property will ordinarily be built to a high specification.

How much is the new build premium?

A report in 2016 found that the average new home sold for 17% more than a comparable second-hand one. This was up from 15% ten years ago.

In 2018, the monthly house price index from LCPAca found that the average price of a new build home across England and Wales had reached £338,694, and that this was 15.8% higher than buying an existing property.

The research from Countrywide also found that, in recent years, house builders have achieved the largest new build premiums in the cheapest and most expensive housing markets. In addition, developments offering **Help to Buy** options tend to achieve above average premiums.

Smaller developments (those with less than 10 homes) tend to carry the largest premiums. Over the last five years, new homes in developments of fewer than 10 properties have carried an average premium of 20% compared to existing homes in the surrounding area. This compares to a 16% premium for sites with between 20 and 49 homes and a 14% premium for sites containing 100 homes or more.

Note that the report also noted that you won't pay a premium for every new property. Countrywide report that around one in five new homes costs no more than a comparable second-hand property.

When am I most likely to pay a new build premium?

If there is a new build development in a town or city's cheaper neighbourhood, the size of the new build premium will tend to be higher. This is because there is a significant difference in quality between the new properties and the existing housing stock. It also takes into account the effects that regeneration has on the area.

Sometimes new homes are more expensive because builders use higher quality construction materials and better methods than decades ago. In some other areas the premium is determined by the result of the low-level investment which has gone into homes.

Countrywide conclude that: "With refurbishment costs relatively fixed, new homes in places where the cost of doing up a home makes up a bigger proportion of a property's value tend to carry larger premiums."

In expensive neighbourhoods, house builders tend to charge a higher premium for new homes as they are pushing boundaries in terms of design and fit-out. Wealthier buyers are more prepared to pay for features and high-quality design that they may not find in second-hand homes in the same area.

You'll also typically pay a premium for a new build home in a small or exclusive development. Premiums charged for homes in small developments tend to be driven by their rarity. Often, they're refurbishments of old buildings or bespoke designs for small plots, while sometimes new build homes bring something to a neighbourhood which hadn't previously been available – like flats in a town of terraces.

Appendix 5

GVA GRIMLEY & BESPOKE PROPERTY GROUP
HCA ECONOMIC APPRAISAL TOOL

(Worksheet 4)

SUMMARY

Site Address	18-20 Vicarage Road KT1 4ED
Site Reference	APPENDIX 5
File Source	V2 - AGA Rebuttal Update
Scheme Description	Single four bedroom new build house
Date	28.3.23
Site Area (hectares)	
Author & Organisation	S Devitt
HCA Investment Manager	

Housing Mix (Affordable + Open Market)

Total Number of Units	1	*units*
Total Number of Open Market Units	1	*units*
Total Number of Affordable Units	0	*units*
Total Net Internal Area (sq m)	140	*sq m*
Total Habitable Rooms	6	*habitable rooms*
% Affordable by Unit	0.0%	
% Affordable by Area	0.0%	
% Affordable by Habitable Rooms	0.0%	
% Social Rented within the Affordable Housing	-	*by number of units*
% Social Rented within the Affordable Housing	-	*by area*
% Social Rented within the Affordable Housing	-	*by habitable rooms*
Total Number of A/H Persons	0	*Persons*
Total Number of Social Rented Persons	0	*Persons*
Total Number of Intermediate Persons	0	*Persons*
Total Number of Open Market Persons	8	*Persons*
Total Number of Persons	8	*Persons*
Site Area	0.00	*hectares*
Net Internal Housing Area / Hectare	-	*sq m / hectare*

Residential Values

Affordable Housing Tenure 1: **Social Rented**

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

Total Capital Value of Affordable Housing Tenure 1 **£0**

Affordable Housing Tenure 2: **Intermediate - Shared Ownership**

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

Owner-occupied / rented % share -

Capital Value of owner-occupied part **-**

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
0	-	-	-
£0	-	-	-
£0	-	-	-
Total (full capital value if sold at OMV)	**-**	**-**	**-**

Total Capital Value of Affordable Housing Tenure 2 **£0**

Affordable Housing Tenure 3: **Intermediate - Discounted Market Sale**

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

% of Open Market Value -

Total Capital Value of Affordable Housing Tenure 3 **£0**

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

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

Owner-occupied / rented % share -

Capital Value of owner-occupied part **-**

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

Total Capital Value of Affordable Housing Tenure 4 **£0**

Affordable Housing Tenure 5: **Affordable Rent**

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

Total Capital Value of Affordable Housing Tenure 5 **£0**

TOTAL CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING SHG & OTHER FUNDING) **£0**

Social Housing Grant

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

Social Housing Grant per Affordable Housing Person **-**
Social Housing Grant per Social Rented Person **-**
Social Housing Grant per Intermediate Person **-**

TOTAL VALUE OF SOCIAL HOUSING GRANT **£0**

0	£0
0	£0
0	£0
0	£0
0	£0
0	£0

OTHER SOURCES OF AFFORDABLE HOUSING FUNDING **£0**

TOTAL CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING SHG & OTHER FUNDING) **£0**

Open Market Housing

Type of Open Market Housing	Net Area (sq m)	Revenue (£ / sq m)	Total Revenue (£)
SFD	140	£7,973	£1,116,220
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
Total	**140**	-	**£1,116,220**

	Average value (£ per unit)
SFD	£1,116,220
-	
-	
-	
-	

TOTAL CAPITAL VALUE OF OPEN MARKET HOUSING **£1,116,220**

Car Parking

No. of Spaces	Price per Space (£)	Value
-	-	-

TOTAL VALUE OF CAR PARKING **£0**

Ground rent

		Capitalised annual ground rent
Affordable Housing Tenure 1:	Social Rented	£0
Affordable Housing Tenure 2:	Intermediate - Shared Ownership	£0
Affordable Housing Tenure 3:	Intermediate - Discounted Market Sale	£0
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity	£0
Affordable Housing Tenure 5:	Affordable Rent	£0
Open Market Housing Type 1:	SFD	£0
Open Market Housing Type 2:	-	£0
Open Market Housing Type 3:	-	£0
Open Market Housing Type 4:	-	£0
Open Market Housing Type 5:	-	£0

TOTAL CAPITALISED ANNUAL GROUND RENT **£0**

TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME **£1,116,220**

Non-Residential Values

Office	£0	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	**£0**

TOTAL CAPITAL VALUE OF NON-RESIDENTIAL SCHEME **£0**

TOTAL VALUE OF SCHEME **£1,116,220**

Residential Building, Marketing & Section 106 Costs

Affordable Housing Build Costs	£0	
Open Market Housing Build Costs	£584,640	**£584,640**
Cost Multipliers		
Site Specific Sustainability Initiatives (%)	0.0%	**£0**
Lifetime Homes (%)	0.0%	**£0**
Code for Sustainable Homes (%)	0.0%	**£0**
Other (%)	0.0%	**£0**
Residential Car Parking Build Costs		**£0**
Other site costs		
Building Contingencies	5.0%	£29,232
Building Cost Fees (Architects, QS etc):	10.0%	£61,387
Other Acquisition Costs (£)		£0
Site Abnormals		
0		£0
0		£0
0		£0
0		£0
0		£0
0		£0
0		£0
0		£0
Total Building Costs		**£675,259**
Section 106 Costs (£)		
CIL		£48,217
0		£0
0		£0
0		£0
0		£0
0		£0
0		£0
0		£0
Section 106 costs		**£48,217**
Marketing (Open Market Housing ONLY)		
Sales Fees:	2.5%	£27,906
Legal Fees (per Open Market unit):	£0	£0
Marketing (Affordable Housing)		
Developer cost of sale to RSL (£)		£0
RSL on-costs (£)		£0
Intermediate Housing Sales and Marketing (£)		£0
Total Marketing Costs		**£27,906**

Non-Residential Building & Marketing Costs

Building Costs		
Office	£0	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	**£0**
Professional Fees (Building, Letting & Sales)		
Office	£0	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	**£0**
Total Non-Residential Costs		**£0**
TOTAL DIRECT COSTS:		**£751,381.70**

Finance and acquisition costs
(finance costs are only displayed if there is a positive residual site value)

Arrangement Fee	£0
Misc Fees (Surveyors etc)	£0
Agents Fees	£1,588
Legal Fees	£1,191
Stamp Duty	£7,939
Total Interest Paid	£0
Total Finance and Acquisition Costs	**£10,718**

Developer's return for risk and profit

Residential		
Open Market Housing Operating 'Profit'		£195,339
Affordable Housing 'Profit'		£0
Non-residential		
Office	£0	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	**£0**
Total Operating Profit		**£195,339**

(profit after deducting sales and site specific finance costs but before allowing for developer overheads and taxation)

Residual Site Value

SITE VALUE TODAY	**£158,782**
EXISTING USE VALUE	**£120,000**
DIFFERENCE BETWEEN SITE VALUE AND EXISTING USE VALUE	£38,782

Checks:

Site Value as a Perc otal Scheme Value	
Site Value per hectare	#VALUE!

Appendix 6

LONDON BOROUGH OF RICHMOND UPON THAMES

AFFORDABLE HOUSING SPD - ANNEXE A - COMMUTED SUM CALCULATION

REV A

Site Name: 18 - 20 Vicarage Road KT1 4ED	**Date**	28.3.2023	Notes
Number of Units on proposed development	1	No.	
Level of Affordable Housing required	5%		
Number of Affordable Units required	0.05	No.	
Percentage Affordable Rented required	80%		
Number of Affordable Rented Units required	0.04	No.	
Percentage Intermediate required	20%		
Number of Intermediate units required	0.01	No.	
Less on Site provision			
Affordable Rented Units provided on site	0	No.	
Net number of units of Affordable Rented off-site	0.04	No.	
Intermediate Units provided on site	0	No.	
Net number of Intermediate units off-site	0.01	No.	

Off-Site Commuted Sum calculation

Affordable Rented

Unit type	Off Site Provision	OMV £	Profit 20.00%	Net Total Cost	Rent per week	Mgt Charge 25.00%	Yield 6.00%	Capitalised Rent	Commuted Sum
1 Bed Flat			0	0		0	6.00%	0	0
2 Bed Flat			0	0		0	6.00%	0	0
3 Bed Flat			0	0		0	6.00%	0	0
2 Bed Hse			0	0		0	6.00%	0	0
3 Bed Hse			0	0		0	6.00%	0	0
4 Bed Hse	0.04	1,116,220	223,244	892,976	198.03	2,574	6.00%	128,720	30,570
5 Bed Hse			0	0		0	6.00%	0	0
Total	0.04							**Total**	30,570

Intermediate - Shared Ownership

Unit type	Off Site Provision	OMV £	Profit 20.00%	Net Total Cost	Equity Rent 2.75%	Mgt Charge 6.50%	Yield 6.00%	Capitalised Rent	1st Tranche 40.00%	Commuted Sum
1 Bed Flat			0	0	0	0	6.00%	0	0	0
2 Bed Flat			0	0	0	0	6.00%	0	0	0
3 Bed Flat			0	0	0	0	6.00%	0	0	0
2 Bed Hse			0	0	0	0	6.00%	0	0	0
3 Bed Hse			0	0	0	0	6.00%	0	0	0
4 Bed Hse	0.01	1,134,500	226,900	907,600	18,719	1,217	6.00%	291,708	453,800	1,621
5 Bed Hse			0	0	0	0	6.00%	0	0	0
Total	0.01									1,621

Total Units	**0.05**		**Total Commuted Sum**	**32,191**

Appendix 7

Bespoke Property Consultants
maximising development potential

Review of the Viability Report on the Development of 18-20 Vicarage Road KT1 4ED

On behalf of The London Borough of Richmond upon Thames

September 2022

Report by	S Devitt
Email	simon.devitt@bpglimited.co.uk
Checked by	A M Leahy BSc MIoD FRICS
Email	andy.leahy@bpglimited.co.uk

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CONTENTS

Appendices

1.0 Instructions and compliance with the RICS Professional Statement – Financial Viability in Planning: conduct and reporting.

1.1 Bespoke Property Consultants (BPC) has been instructed by The London Borough of Richmond upon Thames Council to review the applicant's viability assessment of the proposed development at 18-20 Vicarage Road KT1 4ED.

1.2 In carrying out this review, BPC has been issued with a report dated April 2022 by Andrew Golland Associates (AGA) which assesses the viability of the proposed development.

1.3 BPC have not inspected the property.

1.4 This assessment is provided for the purposes of agreeing appropriate S.106 and affordable housing obligations and is not a valuation of the subject site or scheme. It is provided for the sole use of the Local Planning Authority and the applicant who may review it. It may be made publicly available by the Local Planning Authority in line with para 21 of the NPPG (Sept 2019).

1.5 The Executive Summary may be extracted by the Local Planning Authority as a "Non-Technical Summary" in line with the requirements of Para 21 of the NPPG.

1.6 Bespoke Properties Ltd accepts responsibility to the Local Planning Authority named at the start of this report alone that this report has been prepared with the skill, care and diligence reasonably to be expected of a competent consultant but accept no responsibility whatsoever to any person other than the client themselves.

1.7 We confirm compliance with the RICS Professional Statement "Financial Viability in Planning: Conduct and Reporting" May 2019. As required by the Professional Statement we confirm the following matters:

a) We have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

b) We have identified no conflicts of interest or risk of conflicts in preparing this report

c) We are not working under a performance related fee agreement or on a contingent fee basis.

d) We advocate reasonable, transparent and appropriate engagement between the parties in the planning process and we will do all that we can to assist in that process.

e) All of the sub-consultants who have contributed to this report have been made aware of the Professional Statement and its requirements, they in turn have confirmed compliance with it.

f) We have been allowed sufficient time since instruction to carry out this FVA bearing in mind the scale of the development and the status of the information as at the date of this report.

g) We have not been involved in the preparation of the Council's Local Plan Area Wide Viability Assessment.

1.8 We have not yet carried out sensitivity testing as required by the RICS Professional Statement as we wish to agree with the local authority the parameters for such testing.

1.9 The status of this report is Final subject to any sensitivity testing the Council may require.

2.0 Executive Summary

2.1 We have reviewed the report by Andrew Golland Associates dated June 2022 and concluded that the main issues relating to the viability of the scheme are:

- the base build cost
- the value of the proposed house
- the Benchmark Land Value
- the allowances for professional fees, and sales/marketing
- the level of return for risk and profit.

2.2 Local Plan FVA Assumptions

In line with the requirements of para 8 of the NPPG the table below gives a comparison of the scheme appraisal assumptions and the Local plan viability assessment assumptions for same scheme typology

Item	Local Plan Allowance	Applicant's Allowance	Comments
Sales values / m^2	£5,257-£9,231	£7,064	Low
Base build / m^2	£1,297 -£2,915	£4,532	High
Professional fees	12%	12%	10% is more appropriate
Contingency	5%	5%	5% is appropriate
Sales & Marketing costs	3%	3%	2.5% is appropriate
Finance interest rate	6.75%	6.75%	Agreed
Finance fees	nil	nil	
Profit margin: Open market Affordable	 20% 6%	 20%	 17.5% is more appropriate

2.3 We have reviewed the inputs and assumptions used by Andrew Golland Associates as set out in Section 4 below and found them on the whole to be reasonable, with the exception of

a) The value of the proposed house is lower than suggested by our market research

b) The build cost is 15% higher than the median BCIS value for one-off detached houses

c) The Benchmark Land Value used by AGA is substantially higher than our assessment and based on assumptions by AGA that we believe do not apply to the existing property

d) The allowances for Professional Fees, Sales and Marketing and the level of return for risk and profit are all higher than we would expect for a scheme of this size and nature

2.4 We have carried out our own appraisal based on our assessment of the BCIS median build costs and pricing that reflects the average sales values from our market research, with allowances for Professional Fees, Interest, Sales and Marketing and the level of return for profit, we believe are appropriate for this scheme. We have used our estimate of Benchmark Land Value (EUV+) and the results of this appraisal are shown at Appendix A.

2.5 This appraisal shows a residual land value of £178,804. This land value is above the benchmark land value we have determined of £120,000 by £58,804 and therefore the proposed scheme is viable and could provide additional S.106/affordable housing contributions at this time.

2.6 Using the Council's calculator we have assessed the maximum affordable housing contribution for this scheme to be £36,173. As this figure is lower than the scheme surplus of £58,804, the total affordable housing contribution of £36,173 is payable

3.0 Policy Context

3.1 The Local Plan for the London Borough of Richmond upon Thames

3.1.1 The Local Plan was adopted 3rd July 2018 and the affordable housing policies are contained in Policy LP36. This states that a contribution towards affordable housing is expected from all sites. Where onsite housing is required, the Council expects 50% of housing will be affordable and of the affordable units 40% should be for rent and 10% intermediate housing. On former employment sites at least 50% affordable housing is required. For schemes providing less than 10 units a financial contribution commensurate with the scale of the development is required

3.1.2 The policy goes on to say the Council will seek the maximum reasonable amount of affordable housing having regard to economic viability; individual site costs; the availability of public subsidy and the overall mix of uses and any other planning benefits.

3.1.3 If the proposals are unviable the applicant will be expected to demonstrate this with a detail open book provision of all the financial information, sufficient to enable the Council or independent consultant to assess the viability position. This accords with para 10 of the NPPG which states that a financial viability assessment should be supported by appropriate evidence.

3.1.4 Existing Use Value plus a premium should be used to determine Benchmark Land Value.

3.2 National Planning Policy Framework (July 2021)

3.2.1 Para 56 sets out that *"Planning conditions should be kept to a minimum and only imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects. Agreeing conditions early is beneficial to all parties involved in the process and can speed up decision making. Conditions that are required to be discharged before development commences should be avoided, unless there is a clear justification.*

3.2.2 The framework, in paragraph 57, states that planning obligations normally required under S.106 agreements should only be sought where they meet all of the following tests:

- Necessary to make the development acceptable in planning terms;
- Directly related to the development; and

- Fairly and reasonably related in scale and kind to the development.

3.2.3 Para 58 goes on to say; *"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 standardized inputs, and should be made publicly available."*

3.3 National Planning Practice Guidance (Sept 2019)

3.3.1 Paragraph 2 states that the role of a financial viability assessment (FVA) is primarily at the plan-making stage. It is the responsibility of site promoters to engage in plan making and the price paid for land is not relevant justification for failing to accord with the relevant policies of the plan.

3.3.2 Paragraph 6 states that developers should have regard to the total cost of the relevant planning policies when buying land.

3.3.3 Paragraph 8 requires that the FVA should refer back to the information that supported the Local Plan making and explain the differences. Ultimately it is for the decision-maker having regard to the transparency of assumptions made in the FVA as to the weight to be applied to the FVA in coming to the final decision.

3.3.4 Paragraph 9 of the guidance advises that review mechanisms should be used where appropriate and there is no mention in the guidance of whether these should be pre or post-implementation or whether the size of a scheme impacts on the decision whether to use one.

3.3.5 Paragraph 10 states that any FVA should be supported by appropriate evidence and that the FVAs should be proportionate, simple, transparent and publicly available. This ethos is expanded upon in paragraphs 11-18 where the relative values and costs (including land value) are discussed in further detail.

3.3.6 Paragraph 13 states that the benchmark land value should primarily be based on Existing Use Value (EUV) plus a premium and paragraph 14 expands upon this to say that the EUV should reflect the implications of abnormal costs, infrastructure, professional fees and be informed by market evidence.

3.3.7 Paragraph 15 states that the EUV is the value of the land in its existing use without hope value.

3.3.8 Paragraph 16 advises that the premium to be applied to the EUV should be a reasonable incentive to the land owner to bring forward the development whilst allowing for policy compliance. As a practice we have always taken this to mean that EUV plus a premium would equal market value as defined by the RICS Guidance Note 94/2012.

3.3.9 The guidance advises at para 17 that AUV should be based on a development that would fully comply with up to date plan policies. AUV will include existing use values where works are needed to make the property saleable / lettable. To such a value no land owner premium is to be added. If such an alternative use is being utilized as the benchmark, then the applicant should give a justification for why it is not being pursued.

4.0 Assessment Inputs and Assumptions

4.1 Assessment methodology

4.1.1 The applicant's appraisal uses the GLA Development Control Toolkit and BPC's uses the HCA EAT appraisal model. These are both acceptable models for assessing the financial viability of a scheme.

4.2 Unit Mix

4.2.1 The scheme comprises a new 4 bed Single Family Dwelling.

4.3 Values of residential units

4.3.1 The values used within the applicant's appraisal are based on a sample of 13 properties which includes six flats and only two 4 bed houses. These values have been adjusted based on a calculation that correlates value in an inverse proportion to size by NIA. In our opinion this methodology is flawed as houses of the same size as a flat will normally command a higher value due to the extra amenity value they benefit from.

4.3.2 The comparative data used by Bespoke Property Consultants is based on market research undertaken on the internet, for large houses sold in the last year in the locality of the proposed development (listed with floor areas in Appendix C.) Our research also demonstrates that there is not an exact inverse correlation between unit size and the value per square metre. As there are no new houses in our sample, we have added a 15% premium to the average value, to allow for the additional benefits of a new build property, in calculating the value of the proposed house.

4.4 Gross Development Value

4.4.1 The BPC estimate is £1,095,640 and the applicant's estimate is £989,023.

4.5 Development Timescale

4.5.1 Both the Andrew Golland Associates and BPC appraisals assume a construction period of one year.

4.6 Build costs

4.6.1 Andrew Golland Associates have used the Upper Quartile BCIS figures for one off detached housing and they have included a 15% allowance for external works resulting in a build cost of £4,531/m^2. In addition 5% is allowed for contingency.

4.6.2 BPC have used the median BCIS value for one-off new build detached houses rebased for the London Borough of Richmond upon Thames and allowed 12% for external works, this being a relatively small scheme resulting in a build cost of £3,942/sqm. An allowance of 5% for contingency is included within the BPC appraisal.

4.7 Other assumptions

4.7.1 Professional Fees – a figure of 12% has been used for professional fees by the applicant. The BPC appraisal assumes an allowance of 10%, which we believe is more appropriate for a straightforward scheme such as that proposed.

4.7.2 S.106 Contributions - These have not been allowed at this stage, as we wished to establish what, if any surplus would be generated by the appraisal.

4.7.3 CIL – We have allowed for CIL of £48,217 and the Council should check this is correct. AGA make no allowance for CIL in their appraisal.

4.7.4 Sales and Marketing – 3% has been allowed for by the applicant, which in our view is high for a small development. The BPC appraisal used a figure of 2.5% inclusive of legal fees.

4.7.5 Finance costs – an interest rate of 6.75% has been used by the applicant, which is within the range of current market activity when fees are included and is replicated in the BPC appraisal

4.7.6 Profit – the applicant has adopted a figure of 20% of GDV for the return for risk and profit. For a small scheme we believe a level of return of 17.5% is appropriate.

4.8 Benchmark Land Value

4.8.1 AGA have applied the principles of the “Stokes v Cambridge” case in their assessment of the Benchmark Land Value. However, that case relates to determining the value of a ransom strip; which is not the situation in this instance. There is speculation that the proposed site used to be an alternative access to 3 Cedars Road without proof to substantiate this point. The site for the development has clearly been a separate parcel of land for some time and has an access to Vicarage Road. It clearly does not fulfil the basic criteria for the application of the principles of "Stokes v Cambridge" as an access/ransom strip to 3 Cedars Road, as there is no development proposed to that site. The site value AGA propose of £330,000 equates to £13,810,000 per hectare.

4.8.2 BPC have had regard to the appendix to the Council's Whole Plan Viability for the current Local Plan. This suggests that for a plan compliant development in this location the residual land value would equate to £4,967,238 per hectare. Applied to the subject site this would give a value of £118,217. We have rounded this to £120,000 and adopted this as the Benchmark Land Value.

4.9 Local Plan FVA Assumptions

Item	Local Plan Allowance	Applicant's Allowance	Comments
Sales values / m^2	£5,257-£9,231	£7,064	Low
Base build / m^2	£1,297 -£2,915	£4,532	High
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Finance interest rate	6.75%	6.75%	Agreed
Finance fees	nil	nil	
Profit margin: Open market Affordable	 20% 6%	 20%	 17.5% is more appropriate

5.0 BPC Assessment and Conclusions

5.1 We have re-run the appraisal, taking account of all the comments on the applicant's inputs and assumptions as noted above. The results of this analysis are shown at Appendix A to this report. The main changes between our assessment and the applicant's submission are as follows:

a) We have increased the sales price of the proposed unit based on the average price per square metre reflected in our market research, which results in a GDV of £1,095,640 which is £106,617 higher than that proposed by the applicant.

b) We have reduced the base build cost to the BCIS median value for one-off detached houses.

c) We have reduced the profit allowance to 17.5% from 20%; the allowance for professional fees to 10% from 12% and Sales and Marketing to 2.5% from 3%.

d) We have reduced the Benchmark Land Value to £120,000 based on the whole plan viability outputs for a policy compliant development of a single family dwelling in this location. The applicant's estimate of £330,000, is we believe based on the misapplication of the principles of the "Stokes v Cambridge" case.

5.2 We have prepared our appraisal and report on the assumption of a CIL liability of £48,217 and the Council should check this is correct.

5.3 Our own assessment of the scheme shows a residual site value of £178,804 which is above the Benchmark Land Value by £58,804 without any allowance for affordable housing or S.106 contributions. This suggests that the scheme is viable and could support additional affordable housing or S.106 contributions.

5.4 Using the Council's calculator we have assessed the maximum affordable housing contribution for this scheme to be £36,173. As this figure is lower than the scheme surplus of £58,804, the total affordable housing contribution of £36,173 is payable

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Appendix A

Appendix B

Appendix C

Appendix D