

Jenga Group Ltd

Development Viability Assessment
163 Tottenham Lane, Hornsey

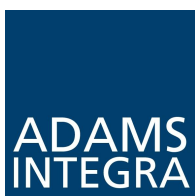
June 2011

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1. HCA EAT Appraisal – 20% profit
2. HCA EAT Appraisal – 16.5% profit



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Background

Adams Integra has been instructed by the Jenga Group to comment on the viability of the development in the light of the S106 planning gain required by Haringey Council.

This explanatory report and the accompanying economic viability assessment, which is attached as an appendix, both contain confidential, commercially sensitive information.

The scheme has been appraised employing the HCA's Economic Appraisal Tool (a financial appraisal that has been used for a significant number of local authorities and approved by a planning inspector at appeal). We understand that this model is acceptable to Haringey Council for the purposes of determining the maximum viable quantum of affordable housing in mixed use projects containing an element of residential use and is, therefore, appropriate for the purpose in relation to the subject project.

The comments made by Adams Integra relate to the proposal to provide 22 dwellings and 7 houses and 394 m² of commercial space and a basement space comprising 203 m² of office and 195 m² of storage space specifically to the impact of the planning gain requirement on scheme profitability.

The purpose of the report is to provide an easily understandable and detailed review of the cost and revenue implications of the development which drive the model. Our intention is to offer full transparency as regards the ability of the project to subsidise affordable housing production and S106 contributions generally.

The model is founded on the calculation of a residual land value for the proposed development. Residual valuation is a frequently used method for appraising the financial viability of development schemes, whether new developments, or refurbishment of existing buildings. The residual valuation can be expressed as a simple equation:

$$\text{Value of Development} \text{ less Cost of Development \text{ less Profit} \\ = \text{Residual Land Value}$$

The Residual Land Value (RV) is then compared with the Existing Use Value (EUV) against which the viability of the scheme can be appraised.

Viability is considered to be a material consideration which local planning authorities are obliged to take into account in considering planning requirements.

Adams Integra has a considerable track record of assessing viability of planning gain requirements both for local authorities and for developers. This expertise runs to several years work for 73 local authorities and for a range of national, regional and local developers.

The writer of this report, David Coate, has over 20 years' experience in the development industry working for local authorities and developers as well as RPs and consultancy. He is experienced in considering viability analysis.

Matters of Fact

The need to consider viability is a material consideration. The need for a negotiation between the LPA and an applicant in terms of the amount of planning gain and when it is delivered is an essential element of the determination of any planning application where planning gain is required. There is no debate about the reasonableness of the Council's requirements; the nub of the issue is the impact in this case of what is required and how that affects the profitability of the scheme. Haringey Council's requirements on affordable housing are for 50% of any units to be affordable with a tenure split of 70/30 rent/shared ownership

It is my assertion that this development is not financially viable unless the requirement for affordable housing is relaxed.

The Planning Gain Requirement

It is important to note that the applicability of the planning gain is not at issue in this report; it is its impact on the making of a reasonable profit level.

Reasonable Profit Level

Adams Integra has represented numerous clients in both Appeal and Local Planning Inquiry context. At those forums the level of profit a scheme should make has been the subject of debate with expert witnesses and Inspectors coming to the view that, if at all possible, schemes should make a minimum of 20% profit on sales over cost. The HCA EAT has a default profit level of 17.5-20%. There are reasons why schemes progress with lower levels of profit - equally some developer interests will not consider any scheme unless it makes a profit of at least 25%. As a rule Adams Integra make the assumption that a scheme is reasonably profitable (i.e. it is likely to start) if at least 20% profit is forecast with reasonable forecast revenue and sensible costs.

Assumptions

In summary the appraisal assumes a revenue from the residential element of the scheme of £10,764,314. This is derived from predicted sales values produced by Jenga Ltd. I have also asked one of our consultants, James Sinclair, who is a Chartered Surveyor to carry out his own assessment of the sales values at today's date. The current sales values James has arrived at compare well with actual sales values that have already been achieved on a neighbouring site and they are confident they can

achieve these figures. It is our opinion that they represent a reasonable assessment of market values **today**.

Construction costs of £1,350/m² for the residential element have been taken from the actual build costs on a neighbouring development carried out by Jenga for the type and finish required to meet the expected GDV and it is our opinion that this is a reasonable approach. The construction costs of the retail unit (£1,350/m²) includes fitting out contribution.

In line with the HCA EAT guidelines I have assumed an 85% gross to net efficiency ratio for the apartments which basically means that there is an additional 15% of floor area that accounts for corridors, stairs and communal areas.

In line with the HCA EAT guidelines I have assumed a construction cost contingency of 5%.

S106 contributions totalling £70,000 have been included. The actual amount required will need to be confirmed by the local authority.

I have adopted a rate of 10% of the build costs to reflect the professional fees that have been incurred by the developer which are in line with the assumptions in the HCA toolkit.

I have assumed that the flats are sold on long leases subject to a ground rent of £50 per annum and this is the figure I have used in my appraisal.

Agents' fees at 2% of site value, legal fees at 0.5% of site value and stamp duty have been included. These figures are all in line with or lower than the default values in the HCA EAT.

I have used a finance rate of 8.5% and an arrangement fee of £187,000. This includes a bank exit fee of £120,000.

With regard to the open market housing marketing costs, I have assumed sales fees of 2% (the HCA EAT assumes a figure of 6% which I consider to be too high). I have allowed legal fees of £1,000 per open market unit.

Existing Use Value

The existing use of the site is a Quickfit garage. Based on the existing business the existing use value of the site is £2,228,400. The existing use value is based upon the current rental of £130,000 per annum from its use as a Quickfit garage. At a 7% yield this produces an Existing Use Capital Value of £1,857,000.

There is a relatively high existing use site value, as compared with a greenfield site, and the financial appraisal must, therefore, deliver an existing use value plus an element of

landowner's profit to enable the project to move forward and be developed. Within Greater London the GLA have assumed that landowners' profit to be in the region of 20% above any existing use value to ensure that redevelopment is a viable option for the landowner to move forward.

$£1,857,000 + 20\% = £2,228,000$

Conclusions

The acquisition of the site is currently on-going but the vendor will not sell the site for less than its Existing Use Value of £2,228,000.

The appraisal which includes 24 new residential units and 394 m² of commercial space and a basement space comprising 203 m² of office and 195 m² of storage space shows a residual land value of £1,967,372. The difference between the residual land value and the existing use land value is £260,628 showing that the scheme is not viable (see Appendix 1).

If the profit level is reduced to 16.5% then the scheme becomes viable with a residual land value of £2,233,262 (see Appendix 2).

In the writer's opinion the local authority should approve this scheme on the basis that any affordable housing provision on site will render the scheme unviable even at a profit level of 16.5%

Jenga Ltd hereby gives an undertaking to meet the Council's reasonable costs in testing/verifying this viability and economic appraisal.

This scheme has been looked at in terms of its particular financial characteristics and it represents no precedent for any sustainable approach on the Council's policy base. It is simply that the particular viability issues pertaining to this case mean that the scheme cannot provide for any affordable housing in order for it to remain viable.

Author:
David Coate
June 2011

Appendices

1. HCA EAT Appraisal – 20% profit
2. HCA EAT Appraisal – 16.5% profit

Appendix 1

Economic Appraisal Tool

[click here to proceed](#)

Version 2.0 July 2009



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HCA ECONOMIC APPRAISAL TOOL

(Worksheet 1)

INPUT SHEET 1 - RESIDENTIAL MIX ASSUMPTIONS

Basic Site Details

Site Address	163 Tottenham Lane
Site Reference	
File Source	
Scheme Description	22 flats and 7 houses and 394 m2 of commercial space and a basement space comprising 203 m2 of office and 195 m2 of storage space
Date	1st June 2011
Site Area (hectares)	0.1646
Author & Organisation	David Coate - Adams Integra
HCA Investment Manager	

Residential Mix Assumptions

Affordable Housing Tenure 1:

Affordable Rent

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 2:

Intermediate - Shared Ownership

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 3:

Intermediate - Shared Ownership

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 4:

Intermediate - Other Type of Shared Own / Shared Equity

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 5:

Intermediate - Discounted Market Rented

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

* Other = User-defined

Open Market Housing Type 1:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Open Market Housing Type 2:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA		45	67				
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units		4	18				

Open Market Housing Type 3:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA				111			
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units				7			

Open Market Housing Type 4:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Open Market Housing Type 5:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Parking spaces (see handbook for correct definition)

Total number of residential car parking spaces

 (Open Market and Affordable)

Value of each residential car parking space

 (See user manual for correct definition)

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HCA ECONOMIC APPRAISAL TOOL

(Worksheet 2)

INPUT SHEET 2 - RESIDENTIAL VALUE & COST ASSUMPTIONS

BUILDING PERIOD (month 0 = date of planning consent, allow for lead in period to start on site)

	Timing (month)	
Construction Start	12	(whole number, minimum of 0, maximum of 60)
Construction End	30	(whole number, minimum of 0, maximum of 60)

Overall Scheme End Date (this must be completed)

	Month	
Final End Date of Scheme (scheme built and fully let/sold)	40	(whole number, minimum of 0, maximum of 60)

RESIDENTIAL VALUE ASSUMPTIONS

Base Value

Affordable Housing Tenure 1:

Affordable Rent

Type of Unit	Rent per Unit per Week (£)	Total Annual Rent (£ per Unit)
1 Bed Flat		
2 Bed Flat		
3 Bed Flat		
2 Bed House		
3 Bed House		
4 Bed House		
Other		
Management Costs (% of rent)		(% of gross rent per annum)
Voids / bad debts (% of rent)		(% of gross rent per annum)
Repairs Fund (% of rent)		(% of gross rent per annum)
Yield (%)		(to capitalise the net rent, currently circa 6% but please seek ad

	Start Month	End Month	
Timing of Affordable Housing Tenure 1 Purchase Payment			(whole number, minimum of

Affordable Housing Tenure 2:

Intermediate - Shared Ownership

Type of Unit	Total Unit Capital Value (£ psm, NIA)	Rent per Unit per week of rented share (£)	Total Annual Rent (£ per Unit)
1 Bed Flat		£0	£0
2 Bed Flat		£0	£0
3 Bed Flat		£0	£0
2 Bed House		£0	£0
3 Bed House		£0	£0
4 Bed House		£0	£0
Other		£0	£0
Owner-occupied share (%)			
Unsold Equity Rent Per Annum (%)			(HCA Limit of 2.75%)
Management Costs (% of rent)			(% of gross rent per annum)
Voids / bad debts (% of rent)			(% of gross rent per annum)
Repairs Fund (% of rent)			(% of gross rent per annum)
Yield (%)			(to capitalise the net rent, cu

	Start Month	End Month	
Timing of Affordable Housing Tenure 2 Purchase Payment			(whole number, minimum of

Affordable Housing Tenure 3:

Intermediate - Shared Ownership

Type of Unit	Capital Value pre-discount (£ psm, NIA)

- 1 Bed Flat
- 2 Bed Flat
- 3 Bed Flat
- 2 Bed House
- 3 Bed House
- 4 Bed House
- Other

% of Open Market Value (ie discounted value)

Timing of Affordable Housing Tenure 3 Purchase Payment **Start Month** **End Month** (whole number, minimum of

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

Type of Unit	Total Unit Capital Value (£ psm, NIA)	Rent per Unit per week of rented share (£)	Total Annual Rent (£ per Unit)
1 Bed Flat		£0	£0
2 Bed Flat		£0	£0
3 Bed Flat		£0	£0
2 Bed House		£0	£0
3 Bed House		£0	£0
4 Bed House		£0	£0
Other		£0	£0

Owner-occupied share (%)

Unsold Equity Rent Per Annum (%)

Management Costs (% of rent) (% of gross rent per annum)

Voids / bad debts (% of rent) (% of gross rent per annum)

Repairs Fund (% of rent) (% of gross rent per annum)

Yield (%) (to capitalise the net rent, cu

Timing of Affordable Housing Tenure 4 Purchase Payment **Start Month** **End Month** (whole number, minimum of

Affordable Housing Tenure 5: Intermediate - Discounted Market Rented

Type of Unit	Rent per Unit per Week (£)	Total Annual Rent (£ per Unit)
1 Bed Flat		
2 Bed Flat		
3 Bed Flat		
2 Bed House		
3 Bed House		
4 Bed House		
Other		

Management Costs (% of rent) (% of gross rent per annum)

Voids / bad debts (% of rent) (% of gross rent per annum)

Repairs Fund (% of rent) (% of gross rent per annum)

Yield (%) (to capitalise the net rent, currently circa 6% but please seek ad

Timing of Affordable Housing Tenure 5 Purchase Payment **Start Month** **End Month** (whole number, minimum of

Open Market Values

	Capital Value (£ psm)	Average value of unit
Open Market Housing Type 1:	-	
Open Market Housing Type 2:	-	
Open Market Housing Type 3:	£4,500	£283,500
Open Market Housing Type 4:	£5,800	£643,800
Open Market Housing Type 5:	-	

	Month	
Timing of First Open Market Housing Sale	30	(whole number, minimum of
Timing of Last Open Market Housing Sale	40	(whole number, minimum of

Ground rents

		Average ground rent per unit per annum (£)	(where applicable)
Affordable Housing Tenure 1:	Affordable Rent		
Affordable Housing Tenure 2:	Intermediate - Shared Ownership		
Affordable Housing Tenure 3:	Intermediate - Shared Ownership		
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity		
Affordable Housing Tenure 5:	Intermediate - Discounted Market Rented		
Open Market Housing Type 1:	-	£50	
Open Market Housing Type 2:	-	£50	
Open Market Housing Type 3:	-	£50	
Open Market Housing Type 4:	-	£50	
Open Market Housing Type 5:	-		
Yield (%)	7.00%		(to capitalise the ground rents)
Timing of ground rent payment	Month 30		(whole number, minimum of 0, maximum of 60)

Social Housing Grant & Other Funding

		Grant per unit (£)	
Affordable Housing Tenure 1:	Affordable Rent		
Affordable Housing Tenure 2:	Intermediate - Shared Ownership		
Affordable Housing Tenure 3:	Intermediate - Shared Ownership		
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity		
Affordable Housing Tenure 5:	Intermediate - Discounted Market Rented		
Timing Social Housing Grant Paid		Timing of 1st Payment	Timing of 2nd Payment

Other sources of funding

	Value (£)	Timing of Payment	
RSL Cross Subsidy			(whole number, minimum of
HCA Infrastructure Grant			(whole number, minimum of
LA re-cycled SHG			(whole number, minimum of
Other source of funding 1			(whole number, minimum of
Other source of funding 2			(whole number, minimum of
Land Remediation Tax Relief			(whole number, minimum of

BUILDING COST, MARKETING COST & SECTION 106 ASSUMPTIONS

		Building Costs - Gross (£ / sq m)	Net to Gross Ratio for Building Costs (%)*
Affordable Housing Tenure 1:	Affordable Rent		
Affordable Housing Tenure 2:	Intermediate - Shared Ownership		
Affordable Housing Tenure 3:	Intermediate - Shared Ownership		
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity		
Affordable Housing Tenure 5:	Intermediate - Discounted Market Rented		
Open Market Housing Type 1:	-		
Open Market Housing Type 2:	-	£1,350	85%
Open Market Housing Type 3:	-	£1,350	100%
Open Market Housing Type 4:	-		
Open Market Housing Type 5:	-		

* The ratio is typically 70% - 85% in blocks of flats to reflect the difference between GIA & NIA (ie common parts such as lifts, stairs, corridors etc) and 100% in houses which have no common parts

	Building Costs (£ / car parking space)	% of Building Costs	
Residential Car Parking Building Costs (average cost / car parking space)			
Building Design Fees % (Architects, QS etc)		10.00%	(typically around 10%)
Building Contingencies (% of Building Costs)		7.50%	(typically around 5% for new)
Section 106 Payments (£) *	Cost (£)	Month of Payment	
Infrastructure / Public Transport			
Community Facilities			
Public Realm / Environment			
Sustainability Issues			
S106 payment estimate	£70,000	6	
Affordable Housing			
Covenant release fee			
S106 payment already made			

* This section excludes Affordable Housing section 106 payments

Site Abnormals (£)

Services

Contamination Costs

Demolition Costs

Landscaping

Party Wall

NHBC

Show House

Site Specific Sustainability Initiatives

Cost (£)

Month of Payment

£178,000

15

£75,000

12

£100,000

12

£115,000

30

£20,000

12

£120,000

30

£40,000

30

Building Cost Percentage Increase (if any)

Site Specific Sustainability Initiatives (%)

Lifetime Homes (%)

Code for Sustainable Homes (%)

Other (%)

%

4.00%

OTHER COSTS

SITE ACQUISITION COSTS

Agents Fees (% of site value)

Legal Fees (% of site value)

Stamp Duty (% of site value)

%

2.00%

(typically around 1%)

0.75%

(typically around 0.75%)

5.00%

Cost (£)

Month of Payment

Other Acquisition Costs (£)

FINANCE COSTS

Arrangement Fee (£)

Interest Rate (%)

Misc Fees - Surveyors etc (£)

£187,000

8.50%

£25,000

(typically around 3-5% above)

Marketing Costs

Affordable Housing Marketing Costs

Developer cost of sale to RSL (£)

RSL on-costs (£)

Intermediate Housing Sales and Marketing (£)

Cost (£)

Timing (month)

Open Market Housing Marketing Costs

Sales Fees (agents fees & marketing fees) - %

Legal Fees (per Open Market unit) - £

2.00%

(typically around 6%)

£1,000

(typically around £600 per u)

DEVELOPER'S RETURN FOR RISK AND PROFIT (before taxation)

% of Housing Capital Value

Open Market Housing (%)

20.00%

(typically 17.5-20%)

Affordable Housing (%)

(typically around 6%. profit only taken on the capital value of aff)

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HCA ECONOMIC APPRAISAL TOOL

(Worksheet 3)

INPUT SHEET 3 - COMMERCIAL & NON-RESIDENTIAL

OFFICE ASSUMPTIONS

Size of office scheme (gross sq m)	398	
Size of office scheme (net lettable sq m)	340	
Values		
Rent (£ psm)	£80	
Yield (%)	8.00%	
Purchaser's costs (% of value)	5.75%	(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Office Building Costs (Gross, £ psm)	£1,350	
Office Building Professional Fees (% of building costs)	10.00%	(typically around 10% - 15%)
Building Contingencies (% of building costs)	5.00%	(typically around 5%)
Timing		
	Timing (month)	
Start of Building Period (month)	12	(whole number, minimum of 0, maximum of 60)
End of Building Period (month)	30	(whole number, minimum of 0, maximum of 60)
Timing of Letting / Sale (month)	40	(whole number, minimum of 0, maximum of 60)
Letting, Advertising & Sale fees		
Letting fees (% of annual income)	10.00%	(typically around 10% for sole agent and 15% for joint agents)
Advertising fees (% of annual income)	1.00%	(typically around 1%)
Sale fees (% of sale price)	1.75%	(typically around 1.75%)
Return for risk / profit (% of value)	20.00%	(typically around 20%)

RETAIL ASSUMPTIONS

Size of retail scheme (gross sq m)	394	
Size of retail scheme (net lettable sq m)	335	
Values		
Rent (£ psm)	£215	
Yield (%)	7.00%	
Purchaser's costs (% of value)	6.75%	(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Retail Building Costs (Gross, £ psm)	£1,100	
Retail Building Professional Fees (% of building costs)	10.00%	(typically around 10% - 15%)
Building Contingencies (% of building costs)	5.00%	(typically around 5%)
Timing		
	Timing (month)	
Start of Building Period (month)	12	(whole number, minimum of 0, maximum of 60)
End of Building Period (month)	30	(whole number, minimum of 0, maximum of 60)
Timing of Letting / Sale (month)	40	(whole number, minimum of 0, maximum of 60)
Letting / sale fees		
Letting (% of income)	10.00%	(typically around 10% for sole agent and 15% for joint agents)
Advertising (% of annual income)	1.00%	(typically around 1%)
Sale (% of sale price)	1.75%	(typically around 1.75%)
Return for risk / profit (% of value)	20.00%	(typically around 20%)

INDUSTRIAL ASSUMPTIONS

Size of industrial scheme (gross sq m)		
Values		
Rent (£ psm)		
Yield (%)		
Purchaser's costs (% of value)		(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Industrial Building Costs (Gross, £ psm)		
Industrial Building Professional Fees (% of building costs)		(typically around 10% - 15%)
Building Contingencies (% of building costs)		(typically around 5%)
Timing		
	Timing (month)	
Start of Building Period (month)		(whole number, minimum of 0, maximum of 60)
End of Building Period (month)		(whole number, minimum of 0, maximum of 60)

Timing of Letting / Sale (month)		(whole number, minimum of 0, maximum of 60)
Letting / sale fees		
Letting (% of income)		(typically around 10% for sole agent and 15% for joint agents)
Advertising (% of annual income)		(typically around 1%)
Sale (% of sale price)		(typically around 1.75%)
Return for risk / profit (% of value)		(typically around 20%)

LEISURE ASSUMPTIONS

Size of Leisure scheme (gross sq m)		
Size of Leisure scheme (net lettable sq m)		
Values		
Rent (£ psm)		
Yield (%)		
Purchaser's costs (% of value)		(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Leisure Building Costs (Gross, £ psm)		
Leisure Building Professional Fees (% of building costs)		(typically around 10% - 15%)
Building Contingencies (% of building costs)		(typically around 5%)
	Timing	
	(month)	
Start of Building Period (month)		(whole number, minimum of 0, maximum of 60)
End of Building Period (month)		(whole number, minimum of 0, maximum of 60)
Timing of Letting / Sale (month)		(whole number, minimum of 0, maximum of 60)
Letting / sale fees		
Letting (% of income)		(typically around 10% for sole agent and 15% for joint agents)
Advertising (% of annual income)		(typically around 1%)
Sale (% of sale price)		(typically around 1.75%)
Return for risk / profit (% of value)		(typically around 20%)

COMMUNITY USE ASSUMPTIONS

Size of Community-use scheme (gross sq m)		
Size of Community-use scheme (net lettable sq m)		
Values		
Rent (£ psm)		
Yield (%)		
Purchaser's costs (% of value)		(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Community-use Building Costs (Gross, £ psm)		
Community-use Building Professional Fees (% of building costs)		(typically around 10% - 15%)
Building Contingencies (% of building costs)		(typically around 5%)
	Timing	
	(month)	
Start of Building Period (month)		(whole number, minimum of 0, maximum of 60)
End of Building Period (month)		(whole number, minimum of 0, maximum of 60)
Timing of Letting / Sale (month)		(whole number, minimum of 0, maximum of 60)
Letting / sale fees		
Letting (% of income)		(typically around 10% for sole agent and 15% for joint agents)
Advertising (% of annual income)		(typically around 1%)
Sale (% of sale price)		(typically around 1.75%)
Return for risk / profit (% of value)		(typically around 20%)

GVA GRIMLEY & BESPOKE PROPERTY GROUP
HCA ECONOMIC APPRAISAL TOOL

(Worksheet 4)

SUMMARY

Site Address	163 Tottenham Lane
Site Reference	
File Source	
Scheme Description	22 flats and 7 houses and 394 m2 of commercial space and a basement space
Date	1st June 2011
Site Area (hectares)	0.1646
Author & Organisation	David Coate - Adams Integra
HCA Investment Manager	

Housing Mix (Affordable + Open Market)

Total Number of Units	29	units
Total Number of Open Market Units	29	units
Total Number of Affordable Units	0	units
Total Net Internal Area (sq m)	2,163	sq m
Total Habitable Rooms	0	habitable rooms
% Affordable by Unit	0.0%	
% Affordable by Area	0.0%	
% Affordable by Habitable Rooms	-	
% 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	0	Persons
Total Number of Persons	0	Persons
Site Area	0.16	hectares
Net Internal Housing Area / Hectare	13,141	sq m / hectare

Residential Values**Affordable Housing Tenure 1:****Affordable Rent**

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
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 (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
Total	-	-	-

Owner-occupied / rented % share

-

Capital Value of owner-occupied part

-

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
Total (full capital value if sold at OMV)	-	-	-

Total Capital Value of Affordable Housing Tenure 2

£0

Affordable Housing Tenure 3: Intermediate - Shared Ownership

Type of Unit	Capital Value (£ psm)	Total Floorspace (sq m)	Total Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
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 (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
Total	-	-	-

Owner-occupied / rented % share -

Capital Value of owner-occupied part -

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
Total (full capital value if sold at OMV)	-	-	-

Total Capital Value of Affordable Housing Tenure 4 £0

Affordable Housing Tenure 5: Intermediate - Discounted Market Rented

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
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 (£)
Affordable Rent	£0	0	£0
Intermediate - Shared Ownership	£0	0	£0
Intermediate - Shared Ownership	£0	0	£0
Intermediate - Other Type of Shared Own / Sha	£0	0	£0
Intermediate - Discounted Market Rented	£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

RSL Cross Subsidy £0

HCA Infrastructure Grant	£0
LA re-cycled SHG	£0
Other source of funding 1	£0
Other source of funding 2	£0
Land Remediation Tax Relief	£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 (£)
-	-	-	-
-	1,386	£4,500	£6,237,000
-	777	£5,800	£4,506,600
-	-	-	-
-	-	-	-
Total	2,163	-	£10,743,600

	Average value (£ per unit)
-	-
-	£283,500
-	£643,800
-	-
-	-

TOTAL CAPITAL VALUE OF OPEN MARKET HOUSING £10,743,600

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:	Affordable Rent	£0
Affordable Housing Tenure 2:	Intermediate - Shared Ownership	£0
Affordable Housing Tenure 3:	Intermediate - Shared Ownership	£0
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity	£0
Affordable Housing Tenure 5:	Intermediate - Discounted Market Rented	£0
Open Market Housing Type 1:	-	£0
Open Market Housing Type 2:	-	£15,714
Open Market Housing Type 3:	-	£5,000
Open Market Housing Type 4:	-	£0
Open Market Housing Type 5:	-	£0

TOTAL CAPITALISED ANNUAL GROUND RENT £20,714

TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME £10,764,314

Non-Residential Values

Office	£321,513	
Retail	£963,868	
Industrial	£0	
Leisure	£0	
Community-use	£0	£1,285,381

TOTAL CAPITAL VALUE OF NON-RESIDENTIAL SCHEME £1,285,381

TOTAL VALUE OF SCHEME £12,049,695

Residential Building, Marketing & Section 106 Costs

Affordable Housing Build Costs	£0	
Open Market Housing Build Costs	£3,250,244	£3,250,244

Cost Multipliers

Site Specific Sustainability Initiatives (%)	0.0%	£0
Lifetime Homes (%)	0.0%	£0
Code for Sustainable Homes (%)	4.0%	£130,010
Other (%)	0.0%	£0

Residential Car Parking Build Costs		£0
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Other site costs

Building Contingencies	7.5%	£253,519
Building Cost Fees (Architects, QS etc):	10.0%	£363,377
Other Acquisition Costs (£)		£0

Site Abnormals

Services		£178,000
Contamination Costs		£75,000
Demolition Costs		£100,000
Landscaping		£115,000
Party Wall		£20,000
NHBC		£120,000
Show House		£40,000
Site Specific Sustainability Initiatives		£0

Total Building Costs		£4,645,150
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Section 106 Costs (£)

Infrastructure / Public Transport		£0
Community Facilities		£0
Public Realm / Environment		£0
Sustainability Issues		£0
S106 payment estimate		£70,000
Affordable Housing		£0
Covenant release fee		£0
S106 payment already made		£0

Section 106 costs		£70,000
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Marketing (Open Market Housing ONLY)

Sales Fees:	2.0%	£214,872
Legal Fees (per Open Market unit):	£1,000	£29,000

Marketing (Affordable Housing)

Developer cost of sale to RSL (£)		£0
RSL on-costs (£)		£0
Intermediate Housing Sales and Marketing (£)		£0

Total Marketing Costs		£243,872
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Non-Residential Building & Marketing Costs**Building Costs**

Office	£564,165	
Retail	£455,070	
Industrial	£0	
Leisure	£0	
Community-use	£0	£1,019,235

Professional Fees (Building, Letting & Sales)

Office	£65,035	
Retail	£70,297	
Industrial	£0	
Leisure	£0	
Community-use	£0	£135,332

Total Non-Residential Costs		£1,154,567
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TOTAL DIRECT COSTS:		£6,113,589.62
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Finance and acquisition costs**(finance costs are only displayed if there is a positive residual site value)**

Arrangement Fee	£187,000
Misc Fees (Surveyors etc)	£25,000
Agents Fees	£39,347
Legal Fees	£14,755
Stamp Duty	£98,369
Total Interest Paid	£1,198,466

Total Finance and Acquisition Costs	£1,562,937
--	-------------------

Developer's return for risk and profit**Residential**

Open Market Housing Operating 'Profit'	£2,148,720
Affordable Housing 'Profit'	£0

Non-residential

Office	£64,303	
Retail	£192,774	
Industrial	£0	
Leisure	£0	
Community-use	£0	£257,076

Total Operating Profit	£2,405,796
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(profit after deducting sales and site specific finance costs but before allowing for developer overheads and taxation)

Residual Site Value

SITE VALUE TODAY	£1,967,372
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EXISTING USE VALUE	£2,228,000
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DIFFERENCE BETWEEN SITE VALUE AND EXISTING USE VALUE	-£260,628
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Checks:

Site Value as a Percentage of Total Scheme Value	16.3%
Site Value per hectare	£11,952,443

Notes & Calculation Sheet

(Worksheet 5)

Arrangement fee includes bank exit fee of £120,000

On sheet 3 office inputs relate to the basement which comprises 203m² of office and 195m² of storage space

Build costs of the retail unit includes fitting out contribution

The existing use value is based upon the current rental of £130,000 per annum from its use as a Quickfit garage.

At a 7% yield this produces an Existing Use Capital Value of £1,857,000

Within Greater London the GLA have assumed that landowners profit to be in the region of 20% above any existing use value to ensure that redevelopment is a viable option for the landowner to move forward.

£1,857,000 + 20% = £2,228,000

Appendix 2

Economic Appraisal Tool

[click here to proceed](#)

Version 2.0 July 2009



GVA GRIMLEY & BESPOKE PROPERTY GROUP
HCA ECONOMIC APPRAISAL TOOL

(Worksheet 1)

INPUT SHEET 1 - RESIDENTIAL MIX ASSUMPTIONS

Basic Site Details

Site Address	163 Tottenham Lane
Site Reference	
File Source	
Scheme Description	22 flats and 7 houses and 394 m2 of commercial space and a basement space comprising 203 m2 of office and 195 m2 of storage space
Date	1st June 2011
Site Area (hectares)	0.1646
Author & Organisation	David Coate - Adams Integra
HCA Investment Manager	

Residential Mix Assumptions

Affordable Housing Tenure 1:

Affordable Rent

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 2:

Intermediate - Shared Ownership

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 3:

Intermediate - Shared Ownership

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 4:

Intermediate - Other Type of Shared Own / Shared Equity

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Affordable Housing Tenure 5:

Intermediate - Discounted Market Rented

	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 Bed House	3 Bed House	4 Bed House	Other
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

* Other = User-defined

Open Market Housing Type 1:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Open Market Housing Type 2:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA		45	67				
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units		4	18				

Open Market Housing Type 3:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA				111			
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units				7			

Open Market Housing Type 4:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Open Market Housing Type 5:

	Studio	1 Bed	2 Bed	3 Bed	4 Bed	Other 1	Other 2
Unit Size (sq m) - NIA							
Habitable Rooms per Unit							
Persons per Unit							
Total Number of Units							

Parking spaces (see handbook for correct definition)

Total number of residential car parking spaces

 (Open Market and Affordable)

Value of each residential car parking space

 (See user manual for correct definition)

GVA GRIMLEY & BESPOKE PROPERTY GROUP
HCA ECONOMIC APPRAISAL TOOL

(Worksheet 2)

INPUT SHEET 2 - RESIDENTIAL VALUE & COST ASSUMPTIONS

BUILDING PERIOD (month 0 = date of planning consent, allow for lead in period to start on site)

	Timing (month)	
Construction Start	12	(whole number, minimum of 0, maximum of 60)
Construction End	30	(whole number, minimum of 0, maximum of 60)

Overall Scheme End Date (this must be completed)

	Month	
Final End Date of Scheme (scheme built and fully let/sold)	40	(whole number, minimum of 0, maximum of 60)

RESIDENTIAL VALUE ASSUMPTIONS

Base Value

Affordable Housing Tenure 1:

Affordable Rent

Type of Unit	Rent per Unit per Week (£)	Total Annual Rent (£ per Unit)
1 Bed Flat		
2 Bed Flat		
3 Bed Flat		
2 Bed House		
3 Bed House		
4 Bed House		
Other		
Management Costs (% of rent)		(% of gross rent per annum)
Voids / bad debts (% of rent)		(% of gross rent per annum)
Repairs Fund (% of rent)		(% of gross rent per annum)
Yield (%)		(to capitalise the net rent, currently circa 6% but please seek ad

	Start Month	End Month	
Timing of Affordable Housing Tenure 1 Purchase Payment			(whole number, minimum of

Affordable Housing Tenure 2:

Intermediate - Shared Ownership

Type of Unit	Total Unit Capital Value (£ psm, NIA)	Rent per Unit per week of rented share (£)	Total Annual Rent (£ per Unit)
1 Bed Flat		£0	£0
2 Bed Flat		£0	£0
3 Bed Flat		£0	£0
2 Bed House		£0	£0
3 Bed House		£0	£0
4 Bed House		£0	£0
Other		£0	£0
Owner-occupied share (%)			
Unsold Equity Rent Per Annum (%)			(HCA Limit of 2.75%)
Management Costs (% of rent)			(% of gross rent per annum)
Voids / bad debts (% of rent)			(% of gross rent per annum)
Repairs Fund (% of rent)			(% of gross rent per annum)
Yield (%)			(to capitalise the net rent, cu

	Start Month	End Month	
Timing of Affordable Housing Tenure 2 Purchase Payment			(whole number, minimum of

Affordable Housing Tenure 3:

Intermediate - Shared Ownership

Type of Unit	Capital Value pre-discount (£ psm, NIA)

1 Bed Flat
2 Bed Flat
3 Bed Flat
2 Bed House
3 Bed House
4 Bed House
Other

% of Open Market Value (ie discounted value)

Timing of Affordable Housing Tenure 3 Purchase Payment

Start Month	End Month
--------------------	------------------

(whole number, minimum of

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

Type of Unit	Total Unit Capital Value (£ psm, NIA)	Rent per Unit per week of rented share (£)	Total Annual Rent (£ per Unit)
1 Bed Flat		£0	£0
2 Bed Flat		£0	£0
3 Bed Flat		£0	£0
2 Bed House		£0	£0
3 Bed House		£0	£0
4 Bed House		£0	£0
Other		£0	£0

Owner-occupied share (%) (to capitalise the net rent, cu

Unsold Equity Rent Per Annum (%)

Management Costs (% of rent) (% of gross rent per annum)

Voids / bad debts (% of rent) (% of gross rent per annum)

Repairs Fund (% of rent) (% of gross rent per annum)

Yield (%) (to capitalise the net rent, cu

Timing of Affordable Housing Tenure 4 Purchase Payment

Start Month	End Month
--------------------	------------------

(whole number, minimum of

Affordable Housing Tenure 5: Intermediate - Discounted Market Rented

Type of Unit	Rent per Unit per Week (£)	Total Annual Rent (£ per Unit)
1 Bed Flat		
2 Bed Flat		
3 Bed Flat		
2 Bed House		
3 Bed House		
4 Bed House		
Other		

Management Costs (% of rent) (% of gross rent per annum)

Voids / bad debts (% of rent) (% of gross rent per annum)

Repairs Fund (% of rent) (% of gross rent per annum)

Yield (%) (to capitalise the net rent, currently circa 6% but please seek ad

Timing of Affordable Housing Tenure 5 Purchase Payment

Start Month	End Month
--------------------	------------------

(whole number, minimum of

Open Market Values

Open Market Housing Type	Capital Value (£ psm)	Average value of unit
Open Market Housing Type 1: -		
Open Market Housing Type 2: -	£4,500	£283,500
Open Market Housing Type 3: -	£5,800	£643,800
Open Market Housing Type 4: -		
Open Market Housing Type 5: -		

Timing of First Open Market Housing Sale	Month	<i>(whole number, minimum of</i>
Timing of First Open Market Housing Sale	30	
Timing of Last Open Market Housing Sale	40	<i>(whole number, minimum of</i>

Ground rents

		Average ground rent per unit per annum (£)	(where applicable)
Affordable Housing Tenure 1:	Affordable Rent		
Affordable Housing Tenure 2:	Intermediate - Shared Ownership		
Affordable Housing Tenure 3:	Intermediate - Shared Ownership		
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity		
Affordable Housing Tenure 5:	Intermediate - Discounted Market Rented		
Open Market Housing Type 1:	-	£50	
Open Market Housing Type 2:	-	£50	
Open Market Housing Type 3:	-	£50	
Open Market Housing Type 4:	-	£50	
Open Market Housing Type 5:	-		
Yield (%)	7.00%		(to capitalise the ground rents)
Timing of ground rent payment	Month 30		(whole number, minimum of 0, maximum of 60)

Social Housing Grant & Other Funding

		Grant per unit (£)	
Affordable Housing Tenure 1:	Affordable Rent		
Affordable Housing Tenure 2:	Intermediate - Shared Ownership		
Affordable Housing Tenure 3:	Intermediate - Shared Ownership		
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity		
Affordable Housing Tenure 5:	Intermediate - Discounted Market Rented		
Timing Social Housing Grant Paid		Timing of 1st Payment	Timing of 2nd Payment

Other sources of funding

	Value (£)	Timing of Payment	
RSL Cross Subsidy			(whole number, minimum of
HCA Infrastructure Grant			(whole number, minimum of
LA re-cycled SHG			(whole number, minimum of
Other source of funding 1			(whole number, minimum of
Other source of funding 2			(whole number, minimum of
Land Remediation Tax Relief			(whole number, minimum of

BUILDING COST, MARKETING COST & SECTION 106 ASSUMPTIONS

		Building Costs - Gross (£ / sq m)	Net to Gross Ratio for Building Costs (%)*
Affordable Housing Tenure 1:	Affordable Rent		
Affordable Housing Tenure 2:	Intermediate - Shared Ownership		
Affordable Housing Tenure 3:	Intermediate - Shared Ownership		
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity		
Affordable Housing Tenure 5:	Intermediate - Discounted Market Rented		
Open Market Housing Type 1:	-		
Open Market Housing Type 2:	-	£1,350	85%
Open Market Housing Type 3:	-	£1,350	100%
Open Market Housing Type 4:	-		
Open Market Housing Type 5:	-		

* The ratio is typically 70% - 85% in blocks of flats to reflect the difference between GIA & NIA (ie common parts such as lifts, stairs, corridors etc) and 100% in houses which have no common parts

	Building Costs (£ / car parking space)	% of Building Costs	
Residential Car Parking Building Costs (average cost / car parking space)			
Building Design Fees % (Architects, QS etc)		10.00%	(typically around 10%)
Building Contingencies (% of Building Costs)		7.50%	(typically around 5% for new)
Section 106 Payments (£) *	Cost (£)	Month of Payment	
Infrastructure / Public Transport			
Community Facilities			
Public Realm / Environment			
Sustainability Issues			
S106 payment estimate	£70,000	6	
Affordable Housing			
Covenant release fee			
S106 payment already made			

* This section excludes Affordable Housing section 106 payments

Site Abnormals (£)

Services

Contamination Costs

Demolition Costs

Landscaping

Party Wall

NHBC

Show House

Site Specific Sustainability Initiatives

Cost (£)

Month of Payment

£178,000

15

£75,000

12

£100,000

12

£115,000

30

£20,000

12

£120,000

30

£40,000

30

Building Cost Percentage Increase (if any)

Site Specific Sustainability Initiatives (%)

Lifetime Homes (%)

Code for Sustainable Homes (%)

Other (%)

%

4.00%

OTHER COSTS

SITE ACQUISITION COSTS

Agents Fees (% of site value)

Legal Fees (% of site value)

Stamp Duty (% of site value)

%

2.00%

(typically around 1%)

0.75%

(typically around 0.75%)

5.00%

Cost (£)

Month of Payment

Other Acquisition Costs (£)

FINANCE COSTS

Arrangement Fee (£)

Interest Rate (%)

Misc Fees - Surveyors etc (£)

£187,000

8.50%

£25,000

(typically around 3-5% above)

Marketing Costs

Affordable Housing Marketing Costs

Developer cost of sale to RSL (£)

RSL on-costs (£)

Intermediate Housing Sales and Marketing (£)

Cost (£)

Timing (month)

Open Market Housing Marketing Costs

Sales Fees (agents fees & marketing fees) - %

Legal Fees (per Open Market unit) - £

2.00%

(typically around 6%)

£1,000

(typically around £600 per u)

DEVELOPER'S RETURN FOR RISK AND PROFIT (before taxation)

% of Housing Capital Value

Open Market Housing (%)

16.50%

(typically 17.5-20%)

Affordable Housing (%)

(typically around 6%. profit only taken on the capital value of aff)

GVA GRIMLEY & BESPOKE PROPERTY GROUP
HCA ECONOMIC APPRAISAL TOOL

(Worksheet 3)

INPUT SHEET 3 - COMMERCIAL & NON-RESIDENTIAL

OFFICE ASSUMPTIONS

Size of office scheme (gross sq m)	398	
Size of office scheme (net lettable sq m)	340	
Values		
Rent (£ psm)	£80	
Yield (%)	8.00%	
Purchaser's costs (% of value)	5.75%	(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Office Building Costs (Gross, £ psm)	£1,350	
Office Building Professional Fees (% of building costs)	10.00%	(typically around 10% - 15%)
Building Contingencies (% of building costs)	5.00%	(typically around 5%)
Timing		
	(month)	
Start of Building Period (month)	12	(whole number, minimum of 0, maximum of 60)
End of Building Period (month)	30	(whole number, minimum of 0, maximum of 60)
Timing of Letting / Sale (month)	40	(whole number, minimum of 0, maximum of 60)
Letting, Advertising & Sale fees		
Letting fees (% of annual income)	10.00%	(typically around 10% for sole agent and 15% for joint agents)
Advertising fees (% of annual income)	1.00%	(typically around 1%)
Sale fees (% of sale price)	1.75%	(typically around 1.75%)
Return for risk / profit (% of value)	20.00%	(typically around 20%)

RETAIL ASSUMPTIONS

Size of retail scheme (gross sq m)	394	
Size of retail scheme (net lettable sq m)	335	
Values		
Rent (£ psm)	£215	
Yield (%)	7.00%	
Purchaser's costs (% of value)	6.75%	(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Retail Building Costs (Gross, £ psm)	£1,100	
Retail Building Professional Fees (% of building costs)	10.00%	(typically around 10% - 15%)
Building Contingencies (% of building costs)	5.00%	(typically around 5%)
Timing		
	(month)	
Start of Building Period (month)	12	(whole number, minimum of 0, maximum of 60)
End of Building Period (month)	30	(whole number, minimum of 0, maximum of 60)
Timing of Letting / Sale (month)	40	(whole number, minimum of 0, maximum of 60)
Letting / sale fees		
Letting (% of income)	10.00%	(typically around 10% for sole agent and 15% for joint agents)
Advertising (% of annual income)	1.00%	(typically around 1%)
Sale (% of sale price)	1.75%	(typically around 1.75%)
Return for risk / profit (% of value)	20.00%	(typically around 20%)

INDUSTRIAL ASSUMPTIONS

Size of industrial scheme (gross sq m)		
Values		
Rent (£ psm)		
Yield (%)		
Purchaser's costs (% of value)		(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Industrial Building Costs (Gross, £ psm)		
Industrial Building Professional Fees (% of building costs)		(typically around 10% - 15%)
Building Contingencies (% of building costs)		(typically around 5%)
Timing		
	(month)	
Start of Building Period (month)		(whole number, minimum of 0, maximum of 60)
End of Building Period (month)		(whole number, minimum of 0, maximum of 60)

Timing of Letting / Sale (month)		(whole number, minimum of 0, maximum of 60)
Letting / sale fees		
Letting (% of income)		(typically around 10% for sole agent and 15% for joint agents)
Advertising (% of annual income)		(typically around 1%)
Sale (% of sale price)		(typically around 1.75%)
Return for risk / profit (% of value)		(typically around 20%)

LEISURE ASSUMPTIONS

Size of Leisure scheme (gross sq m)		
Size of Leisure scheme (net lettable sq m)		
Values		
Rent (£ psm)		
Yield (%)		
Purchaser's costs (% of value)		(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Leisure Building Costs (Gross, £ psm)		
Leisure Building Professional Fees (% of building costs)		(typically around 10% - 15%)
Building Contingencies (% of building costs)		(typically around 5%)
	Timing	
	(month)	
Timing		
Start of Building Period (month)		(whole number, minimum of 0, maximum of 60)
End of Building Period (month)		(whole number, minimum of 0, maximum of 60)
Timing of Letting / Sale (month)		(whole number, minimum of 0, maximum of 60)
Letting / sale fees		
Letting (% of income)		(typically around 10% for sole agent and 15% for joint agents)
Advertising (% of annual income)		(typically around 1%)
Sale (% of sale price)		(typically around 1.75%)
Return for risk / profit (% of value)		(typically around 20%)

COMMUNITY USE ASSUMPTIONS

Size of Community-use scheme (gross sq m)		
Size of Community-use scheme (net lettable sq m)		
Values		
Rent (£ psm)		
Yield (%)		
Purchaser's costs (% of value)		(typically around 5.75% assuming a 4% stamp duty)
Building Costs		
Community-use Building Costs (Gross, £ psm)		
Community-use Building Professional Fees (% of building costs)		(typically around 10% - 15%)
Building Contingencies (% of building costs)		(typically around 5%)
	Timing	
	(month)	
Timing		
Start of Building Period (month)		(whole number, minimum of 0, maximum of 60)
End of Building Period (month)		(whole number, minimum of 0, maximum of 60)
Timing of Letting / Sale (month)		(whole number, minimum of 0, maximum of 60)
Letting / sale fees		
Letting (% of income)		(typically around 10% for sole agent and 15% for joint agents)
Advertising (% of annual income)		(typically around 1%)
Sale (% of sale price)		(typically around 1.75%)
Return for risk / profit (% of value)		(typically around 20%)

GVA GRIMLEY & BESPOKE PROPERTY GROUP
HCA ECONOMIC APPRAISAL TOOL

(Worksheet 4)

SUMMARY

Site Address	163 Tottenham Lane
Site Reference	
File Source	
Scheme Description	22 flats and 7 houses and 394 m2 of commercial space and a basement space
Date	1st June 2011
Site Area (hectares)	0.1646
Author & Organisation	David Coate - Adams Integra
HCA Investment Manager	

Housing Mix (Affordable + Open Market)

Total Number of Units	29	units
Total Number of Open Market Units	29	units
Total Number of Affordable Units	0	units
Total Net Internal Area (sq m)	2,163	sq m
Total Habitable Rooms	0	habitable rooms
% Affordable by Unit	0.0%	
% Affordable by Area	0.0%	
% Affordable by Habitable Rooms	-	
% 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	0	Persons
Total Number of Persons	0	Persons
Site Area	0.16	hectares
Net Internal Housing Area / Hectare	13,141	sq m / hectare

Residential Values**Affordable Housing Tenure 1:****Affordable Rent**

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
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 (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
Total	-	-	-

Owner-occupied / rented % share

-

Capital Value of owner-occupied part

-

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
Total (full capital value if sold at OMV)	-	-	-

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

Affordable Housing Tenure 3: Intermediate - Shared Ownership

Type of Unit	Capital Value (£ psm)	Total Floorspace (sq m)	Total Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
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 (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
Total	-	-	-

Owner-occupied / rented % share -

Capital Value of owner-occupied part -

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
Total (full capital value if sold at OMV)	-	-	-

Total Capital Value of Affordable Housing Tenure 4 £0

Affordable Housing Tenure 5: Intermediate - Discounted Market Rented

Type of Unit	Total Rent pa (£)	Yield (%)	Capital Value (£)
1 Bed Flat	-	-	-
2 Bed Flat	-	-	-
3 Bed Flat	-	-	-
2 Bed House	-	-	-
3 Bed House	-	-	-
4 Bed House	-	-	-
Other	-	-	-
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 (£)
Affordable Rent	£0	0	£0
Intermediate - Shared Ownership	£0	0	£0
Intermediate - Shared Ownership	£0	0	£0
Intermediate - Other Type of Shared Own / Sha	£0	0	£0
Intermediate - Discounted Market Rented	£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

RSL Cross Subsidy £0

HCA Infrastructure Grant	£0
LA re-cycled SHG	£0
Other source of funding 1	£0
Other source of funding 2	£0
Land Remediation Tax Relief	£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 (£)
-	-	-	-
-	1,386	£4,500	£6,237,000
-	777	£5,800	£4,506,600
-	-	-	-
-	-	-	-
Total	2,163	-	£10,743,600

	Average value (£ per unit)
-	-
-	£283,500
-	£643,800
-	-
-	-

TOTAL CAPITAL VALUE OF OPEN MARKET HOUSING £10,743,600

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:	Affordable Rent	£0
Affordable Housing Tenure 2:	Intermediate - Shared Ownership	£0
Affordable Housing Tenure 3:	Intermediate - Shared Ownership	£0
Affordable Housing Tenure 4:	Intermediate - Other Type of Shared Own / Shared Equity	£0
Affordable Housing Tenure 5:	Intermediate - Discounted Market Rented	£0
Open Market Housing Type 1:	-	£0
Open Market Housing Type 2:	-	£15,714
Open Market Housing Type 3:	-	£5,000
Open Market Housing Type 4:	-	£0
Open Market Housing Type 5:	-	£0

TOTAL CAPITALISED ANNUAL GROUND RENT £20,714

TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME £10,764,314

Non-Residential Values

Office	£321,513	
Retail	£963,868	
Industrial	£0	
Leisure	£0	
Community-use	£0	£1,285,381

TOTAL CAPITAL VALUE OF NON-RESIDENTIAL SCHEME £1,285,381

TOTAL VALUE OF SCHEME £12,049,695

Residential Building, Marketing & Section 106 Costs

Affordable Housing Build Costs	£0	
Open Market Housing Build Costs	£3,250,244	£3,250,244

Cost Multipliers

Site Specific Sustainability Initiatives (%)	0.0%	£0
Lifetime Homes (%)	0.0%	£0
Code for Sustainable Homes (%)	4.0%	£130,010
Other (%)	0.0%	£0

Residential Car Parking Build Costs		£0
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Other site costs

Building Contingencies	7.5%	£253,519
Building Cost Fees (Architects, QS etc):	10.0%	£363,377
Other Acquisition Costs (£)		£0

Site Abnormals

Services		£178,000
Contamination Costs		£75,000
Demolition Costs		£100,000
Landscaping		£115,000
Party Wall		£20,000
NHBC		£120,000
Show House		£40,000
Site Specific Sustainability Initiatives		£0

Total Building Costs		£4,645,150
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Section 106 Costs (£)

Infrastructure / Public Transport		£0
Community Facilities		£0
Public Realm / Environment		£0
Sustainability Issues		£0
S106 payment estimate		£70,000
Affordable Housing		£0
Covenant release fee		£0
S106 payment already made		£0

Section 106 costs		£70,000
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Marketing (Open Market Housing ONLY)

Sales Fees:	2.0%	£214,872
Legal Fees (per Open Market unit):	£1,000	£29,000

Marketing (Affordable Housing)

Developer cost of sale to RSL (£)		£0
RSL on-costs (£)		£0
Intermediate Housing Sales and Marketing (£)		£0

Total Marketing Costs		£243,872
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Non-Residential Building & Marketing Costs**Building Costs**

Office	£564,165	
Retail	£455,070	
Industrial	£0	
Leisure	£0	
Community-use	£0	£1,019,235

Professional Fees (Building, Letting & Sales)

Office	£65,035	
Retail	£70,297	
Industrial	£0	
Leisure	£0	
Community-use	£0	£135,332

Total Non-Residential Costs		£1,154,567
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TOTAL DIRECT COSTS:		£6,113,589.62
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Finance and acquisition costs**(finance costs are only displayed if there is a positive residual site value)**

Arrangement Fee	£187,000
Misc Fees (Surveyors etc)	£25,000
Agents Fees	£44,665
Legal Fees	£16,749
Stamp Duty	£111,663
Total Interest Paid	£1,287,995

Total Finance and Acquisition Costs	£1,673,073
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Developer's return for risk and profit**Residential**

Open Market Housing Operating 'Profit'	£1,772,694
Affordable Housing 'Profit'	£0

Non-residential

Office	£64,303	
Retail	£192,774	
Industrial	£0	
Leisure	£0	
Community-use	£0	£257,076

Total Operating Profit	£2,029,770
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(profit after deducting sales and site specific finance costs but before allowing for developer overheads and taxation)

Residual Site Value

SITE VALUE TODAY	£2,233,262
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EXISTING USE VALUE	£2,228,000
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DIFFERENCE BETWEEN SITE VALUE AND EXISTING USE VALUE	£5,262
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Checks:

Site Value as a Percentage of Total Scheme Value	18.5%
Site Value per hectare	£13,567,812

Notes & Calculation Sheet

(Worksheet 5)

Arrangement fee includes bank exit fee of £120,000

On sheet 3 office inputs relate to the basement which comprises 203m² of office and 195m² of storage space

Build costs of the retail unit includes fitting out contribution

The existing use value is based upon the current rental of £130,000 per annum from its use as a Quickfit garage.

At a 7% yield this produces an Existing Use Capital Value of £1,857,000

Within Greater London the GLA have assumed that landowners profit to be in the region of 20% above any existing use value to ensure that redevelopment is a viable option for the landowner to move forward.

£1,857,000 + 20% = £2,228,000



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