

## Summary of Viability Report

### AVONMOUTH HOUSE, 6 AVONMOUTH STREET, SE1 6NX

October 2021



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#### **Important Notice**

This report has been prepared for planning input purposes.

Tribe Student Housing Limited,  
35 Berkeley Square,  
London,  
W1J 5BF.

26th October 2021

Dear Sirs,

**AVONMOUTH HOUSE, 6 AVONMOUTH STREET, SE1 6NX.  
VIABILITY OF PURPOSE BUILT STUDENT ACCOMMODATION ('PBSA') AND SCOPE FOR  
AFFORDABLE HOUSING PROVISION.**

**1.0 EXECUTIVE SUMMARY**

1.1 We understand you are proposing a scheme comprising:-

*"Demolition of existing building and structures and erection of a part 2, part 7, part 14, part 16 storey plus basement mixed-use development comprising 1733sqm (GIA) of space for Class E employment use and/or community health hub and/or Class F1(a) education use and 233 purpose-built student residential rooms with associated amenity space and public realm works, car and cycle parking, and ancillary infrastructure."*

1.2 We have assessed the financial viability of your proposed 233 bed student scheme (plus commercial).

1.3 We have sought to establish the extent to which it can viably sustain an affordable housing and affordable student accommodation provision - accounting for the proposed affordable student accommodation provision (35%).

1.4 The RLV driven by the proposed scheme is £4.84m.

1.5 As this is below our assumed BLV, we conclude that the proposed scheme cannot viably sustain any affordable housing provision (by way of commuted sum or other) in addition to proposed affordable student accommodation provision (35%).

## **2.0 INSTRUCTIONS & COVID 19**

- 2.1 We understand that you require a financial viability assessment of your proposed scheme to assess the extent to which it can viably sustain an affordable housing and affordable student accommodation provision - accounting for the affordable student accommodation provision proposed (35%).
- 2.2 We have agreed a fixed fee for this piece of work split between viability report and further discussions with the London Borough of Southwark ('LBS') and their advisors. No performance related or contingent fees have been agreed.
- 2.3 In preparing this report we can confirm that we have no conflicts of interest.
- 2.4 Over the last 18 months, property markets have been negatively impacted by COVID 19.
- 2.5 Some viability consultants acting for Councils are claiming that there is no evidence to suggest that development viability has been negatively impacted. However, even 'if' one assumed the same proposed scheme values as pre-COVID, market risk has substantially increased. This justifies higher profit requirements and/or under-pins profit requirements to cover that risk.
- 2.6 As the full economic consequences of COVID 19 are not yet clear, we recommend that we are given an opportunity to update this report over the next few months.

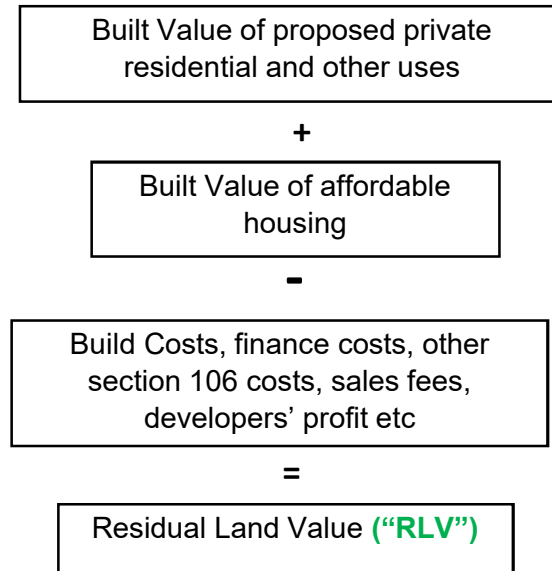
## **3.0 BASIS OF APPRAISALS HEREIN**

- 3.1 This report is to assist planning discussions with the London Borough of Southwark ("LBS").
- 3.2 It is not an RICS (Royal Institution of Chartered Surveyors) "Red Book" compliant valuation report and the figures referred to herein are not formal valuations. However, detailed justification for the indicative values and/or component valuation inputs we have used are provided herein.
- 3.3 We are aware that you will provide LBS with a copy of this report and we are happy for this to occur. However, we do not offer LBS, their advisors and/or any third parties a professional duty of care.

## 4.0 VIABILITY AND PLANNING

4.1 Scheme viability is assessed using residual valuation methodology.

4.2 A summary of the residual process is:-



Residual Value is then compared to a **Benchmark Land Value ('BLV')**. If RLV is lower and/or not sufficiently higher than the BLV – project is not technically viable

4.3 If the RLV driven by a proposed scheme is reduced to significantly below an appropriate BLV, it follows that it is commercially unviable to pursue such a scheme, and the scheme is unlikely to proceed.

4.4 The 'land residual' approach (as summarised above) can be inverted so that it becomes a 'profit residual' based upon the insertion of a specific land cost/value (equivalent to the viability benchmark sum) at the top. By doing this, the focus is moved onto the level of profit driven by a scheme. This is a purely presentational alternative.

## **5.0 APPROACH TO BENCHMARK LAND VALUE ('BLV')**

5.1 We have considered guidance provided by:-

- The RICS's Guidance Note GN 94/2012, and;
- The RICS's Financial Viability in Planning: Conduct & Reporting (1<sup>st</sup> Edition – May 2019), and;
- The RICS's 'Assessing viability in planning under the National Planning Policy Framework 2019 for England' – 1<sup>st</sup> edition – March 2021), and;
- The Mayor's – Homes for Londoners – Affordable Housing & Viability SPG 2017, and;
- The London Plan (2021), and;
- National Planning Policy Guidance on Viability (September 2019), and;
- Recent Appeal cases and agreed viability positions on other PBSA schemes in LBS, and;
- Our own professionally qualified judgement and obligation to provide an opinion that is: objective, impartial, without interference and with reference to all appropriate sources of information.

5.2 Without prejudice, we have primarily considered the value of the existing property on an 'Existing Use Value plus land-owner's premium' basis ('EUV Plus').

## 6.0 THE SITE

6.1 Please see the site plan and photographs below:-











- 6.2 The freehold site comprises 0.297 acres (0.12 hectares) and accommodates an owner-occupied building and some car parking.
- 6.3 The existing building comprises 1,307 sq.m. (14,068 sq.ft.) GIA and is currently used as a managed business space.



## 7.0 BLV

7.1 We have considered the following comparables:-

	<p><u>Salisbury House, Kennington Park, SW9:-</u></p>
	<p><u>Meadow Works, 86 Meadow Road, SW8:-</u></p>
	<p><u>The Grain House, 46 Loman Street, SE1 0EH:-</u></p>
	<p><u>5-13 Trinity Street, SE1 1DB:-</u></p> <p><u>Letting:-</u></p> <p><u>Investment Sale:-</u></p>

	<p><u>3 Murphy Street, SE1 7FP:-</u></p>
	<p><u>Wilcox House, SE1 1LB:-</u></p>
	<p><u>14 – 21 Rushworth Street, SE1 0RB:-</u></p>
	<p><u>10-18 Union Street, SE1 1SZ:-</u></p>

Source: [www.EGi.co.uk](http://www.EGi.co.uk)



## **8.0 SITE CONTEXT & PRACTICAL/FINANCIAL VIABILITY OF ON-SITE AFFORDABLE HOUSING**

- 8.1 For the same reasons cited within the report to Committee on 20/7/2020 regarding the Bianca Warehouse site (20/AP/0039) and the report to Committee on 21/4/21 regarding the '**KFC site**' (20/AP/2701 – where, as previously indicated, you were the applicant and we provided you with a viability assessment), on-site C3 affordable housing cannot be provided here.
- 8.2 As per the Bianca Warehouse and KFC sites (both of which secured positive resolutions), we understand that you are proposing 35% affordable student accommodation within the proposed scheme but no on-site C3 affordable housing.
- 8.3 We have tested the viability of your 35% affordable student accommodation offer.

## 9.0 PROPOSED SCHEME

9.1 The scheme comprises:-

Floor Types	No. Floors	Commercial sqm	Communal amenity sqm	Ensuite	Accessible Ensuite	Studio	Accessible Studio		Total
Basement G-2	1	139.5						0	
Basement G-1	1	604	0	0	0	0	0	0	0
Level 00 (GF)	1	351.7	0	0	0	0	0	0	0
Level 01 Commercial	1	637.8	0	0	0	0	0	0	0
Level 02	1	0	0	22	0	0	1	23	23
Level 03-06	4	0	0	22	0	0	1	23	92
Levels 07	1	0	0	11	0	2	1	14	14
Levels 08-13	6	0	0	14	0	0	1	15	90
Levels 14-15	2	0	0	6	0	1	0	7	14
Total	16	1733	0	217	0	4	12		
		1733	0	217	0	4	12		233
				93%	0%	2%	5%		

Studio	7%
Accessible Units	5.2%

	No. Floors	GIA of floor sqm	GIA Commerical	GIA Accommodation	GIA Total sqm
Basement G-2	1	711.3	139.5	571.8	711.3
Basement G-1	1	683.75	604	79.75	683.75
Level 00 (GF)	1	654.4	351.7	302.7	654.4
Level 01	1	698.7	637.8	60.9	698.7
Level 02	1	570.7	0	570.7	570.7
Level 03-06	4	570.7	0	2282.8	2282.8
Levels 07	1	396.8	0	396.8	396.8
Levels 08-13	6	396.8	0	2380.8	2380.8
Levels 14-15	2	205.1	0	410.2	410.2
	16		1733	7056.45	8789.45

## 10.0 MAYORAL CIL, CIL, S.106 & S.278

10.1 We have assumed a combined MCIL/CIL & S.106 cost of £1.5m based upon an extrapolation of what was agreed in this regard on the KFC site and after accounting some indexation and relief associated the area of the existing building (which is currently occupied).

10.2 We reserve the right to revise our viability conclusion herein if this assumption proves to be significantly inaccurate.

## **11.0 APPROACH TO VIABILITY ASSESSMENT**

- 11.1 We have financially appraised the proposed scheme using ARGUS, a widely used proprietary software package. We have used current day values and costs.

## **12.0 BUILD COSTS**

- 12.1 We have assumed a total build costs reported by your QS.

## **13.0 EXTRAORDINARY COSTS**

- 13.1 We have not accounted for any extraordinary costs at this stage.

## **14.0 CONCLUSION**

- 14.1 The RLV driven by our appraisal falls below our assumed BLV.
- 14.2 As such, we conclude that the proposed scheme cannot viably sustain any affordable housing provision (by way of commuted sum or other) in addition to proposed affordable student accommodation provision (35%).

Yours faithfully,



**James Brown BSc (Hons) MRICS**  
RICS Registered Valuer  
Director