



## Financial Viability Review

### **Avonmouth House, 6 Avonmouth Street, SE1 6NX**

**Prepared for** London Borough of Southwark

## Executive Summary



Existing Site Photo



Proposed Scheme CGI

### Location:

The property is located on Avonmouth Street at the junction of Tiverton Street. It is approximately 0.3 miles to the northeast of Elephant and Castle tube station.

The site is in a predominantly residential area, however, is located close to the retail area in Elephant and Castle.

### Description:

The subject property is currently used as a conference centre containing facilities for training and meetings. The building was built in 1985 and is two storeys. It is situated on a 0.12 hectare brownfield site.

### Planning:

The application is for:

*Demolition of existing building and structures and erection of a part 2, part 7, part 14 storey plus basement mixed-use development comprising 1733 sq m (GIA) of space for Class E employment use and / or Class F1(a) education use and 219 purpose-built student residential rooms with associated amenity space and public realm works, car and cycle parking and ancillary infrastructure.*

### Conclusions

The applicant is proposing 35% affordable student accommodation. Our appraisal reflecting this offer and using the inputs outlined in our report generates the following result:

Approach	Residual Land Value	% Affordable Housing	Benchmark Land Value	Surplus/Deficit
35% affordable student rooms	£6,860,000	35%	£5,000,000	£1,860,000

This demonstrates that the scheme could viably support the applicants 35% affordable student housing offer whilst generating a surplus of £1.86 million. On this basis more affordable student rooms could therefore theoretically be provided. However, and given the context of the outstanding appeal on another application on this site, there are a number of factors that could deplete or extinguish this surplus. We are currently in an environment of rising interest rates, rising build costs and economic instability which could impact upon the GDV and the appraisal outturn via rising costs. On this basis we have undertaken sensitivity analysis on the GDV and build costs to see how easily the surplus could disappear. Our sensitivity analysis shows that a 5% reduction in GDV removes any surplus. A 5% increase in construction costs makes the surplus a nominal £369,000. This demonstrates the sensitivity of small moves on the surplus we have calculated. Therefore, with the current economic uncertainty and the context of the appeal background we consider the applicants offer of 35% affordable student rooms on site to be reasonable.

Our appraisal inputs generate a land value equal to £31,000 per bed space. When comparing this to land evidence it does appear low indicating our assumptions are less optimistic than land purchasers. It would appear from the evidence that should the site be granted permission for the proposed scheme it would trade for a sum greater than that generated by our appraisal. However, the evidence does come from a time with lower build cost inflation and more stable economic conditions which may influence the disconnect between our residual output and the evidence. The applicants residual land value of £3.5 million reflects £15,981 per bed space. It is clear from the evidence that the inputs adopted here are considerably apart from the land market.

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Our Ref: JGK/PG/JF02C204960

30 September 2022

London Borough of Southwark  
160 Tooley Street  
London  
SE1 2QH

**For the attention of: Thomas Weaver**

Dear Sirs

**Property: Avonmouth House, 6 Avonmouth Street, London SE1 6NX**

**Applicant: Tribe Student Housing Limited**

In accordance with your instructions, we have inspected the Property in order to review the viability assessment prepared by James. R. Brown and Company Limited on behalf of the Applicant.

Our instructions are to provide an independent assessment of the viability case made by James. R. Brown and Company Limited in respect of the proposed development and to determine whether the applicant's affordable housing offer is the maximum reasonable amount. We have only been asked to review the affordable student housing provision and not to consider provision of more traditional affordable housing.

In undertaking this exercise, we have considered the Benchmark Value of the property reflecting the NPPF 2019, NPG 2019, GLA Guidance and RICS Guidance, recognising this is currently being amended to align with the NPPF.

In preparing this Financial Viability Review we have had regard to the RICS Professional Statement 'Financial viability in planning: conduct and reporting' (1<sup>st</sup> edition May 2019).

We can confirm that in preparing this report we have, at all times, acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information. In undertaking this review we confirm that we have acted reasonably, fairly and with transparency.

We confirm that our fee for preparing this report is not on performance-related or contingent fee basis.

### **Third Party Liability**

This Report and Valuation is for the sole use of the party to whom it is addressed, and no responsibility is accepted to any party who is not an addressee of the Report for the whole or any part of its contents, without our express consent.

### **Conflicts of Interest**

In assessing any potential conflicts, we have adhered to the RICS Professional Statement – Conflicts of Interest, (1<sup>st</sup> Edition, March 2017) and the RICS Rules of Conduct.

As far as we are aware, we have no conflict of interest in relation to the provision of valuation advice in respect of the property. We have no ongoing or previous fee earning relationship with the developer. We are providing our advice as External Valuers in accordance with the provisions of the Red Book. Avison Young (UK) Limited is a regulated firm.

### **Limitation of Liability and Professional Indemnity Insurance**

Our total liability in connection with this instruction is set out in the terms of appointment we provided to you. We confirm that we hold professional indemnity insurance to cover our liabilities arising in connection with this instruction and this Viability Report.

### **Nature and Source of the Information Relied Upon**

In preparing our valuation, we have been provided with information by the applicant. The extent to which this has been relied upon and verified by us in arriving at our opinion of value, is referred to in our report.





### **Date and Extent of Inspection**

The property was inspected on 15 September 2022 by Jacob Kut MRICS and Juliet Farrow MRICS, both RICS Registered Valuers within the Valuation Consultancy Department of our London City office. Access was available to all parts of the property.

All valuations are reported exclusive of VAT.

We draw your attention to our accompanying report, the Definitions and Reservations for Valuations to which our advice is subject and to the Letter of Appointment agreed between us.

Yours sincerely

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**For and on behalf of**  
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# 1. Instructions

We have been instructed by the London Borough of Southwark to undertake a review of the Viability Assessment prepared on behalf of Tribe Student Housing Limited ("The Applicant") in relation to an application for:

*Demolition of existing building and structures and erection of a part 2, part 7, part 14 storey plus basement mixed-use development comprising 1733 sq m (GIA) of space for Class E employment use and / or Class F1(a) education use and 219 purpose-built student residential rooms with associated amenity space and public realm works, car and cycle parking and ancillary infrastructure.*

We have been instructed to determine the maximum reasonable amount of affordable housing that can be provided. We are not instructed to consider the provision of more traditional affordable housing.

In undertaking this exercise, we have had regard to the following national guidance:

- PPG
- SPG
- GLA Affordable Housing And Viability Supplementary Planning Guidance (August 2017)
- RICS Guidance where appropriate

The specific London Borough of Southwark documents we have had regard to are as follows:

- New Southwark Plan (23 February 2022)
- London Borough of Southwark Development Viability Supplementary Planning Document (March 2016)
- London Borough of Southwark Affordable Housing Draft Supplementary Planning Document (June 2011)

Policy 5 sets the policies relating to student housing in the Borough. These which apply to the subject site are as follows:

- Provide 5% of student rooms as easily adaptable for occupation by wheelchair users
- When providing direct lets at market rent, provide the maximum amount, with a minimum of 35% as conventional affordable housing by habitable room subject to viability, as per policy P4, as a first priority. In addition to this, 27% of student rooms must be let at a rent that is affordable to students as defined by the Mayor of London
- When providing all of the student rooms for nomination further and higher education institutions, provide the maximum amount of affordable student rooms with a minimum of 35% subject to viability. The affordable student rent should be set as defined by the Mayor of London.





The Council has asked us to solely assess affordable student accommodation in this case.

Our assessment has been undertaken in accordance with your instruction letter and our Letter of Appointment, which have been prepared in accordance with the RICS Valuation – Global Standards effective from 31 January 2022 (the Red Book).

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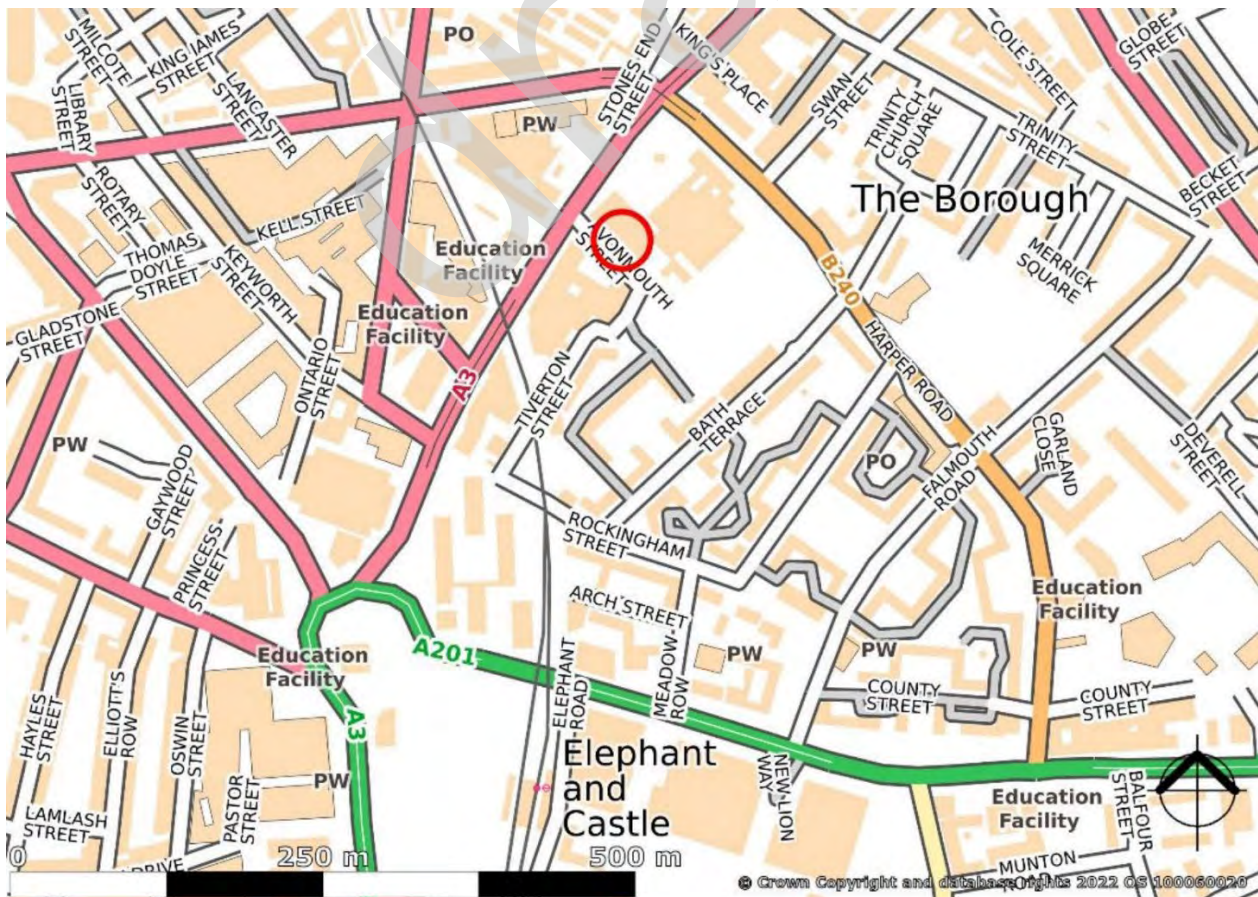
## 2. Location and Situation

The property is located on Avonmouth Street, at the junction of Tiverton Street, off the A3. It is 0.3 miles to the northeast of Elephant and Castle town centre.

The subject site has a Public Transport Access Level (PTAL) rating of 6b which is the best in the scale which ranges from 0 (worst) to 6b (best). PTAL is a measure, undertaken by TfL, which rates a selected place based on how close it is to public transport and how frequent services are in the area.

The nearest underground station is 0.3 miles away at Elephant and Castle serving the Bakerloo line towards Oxford Circus and the west end, and the Northern line which serves Bank and the City. Elephant and Castle station, separate but next to the tube station, also serves both Thameslink and Southeastern services to Blackfriars. 5 bus services are available from a stop round the corner, along the A3, approximately 300ft away.

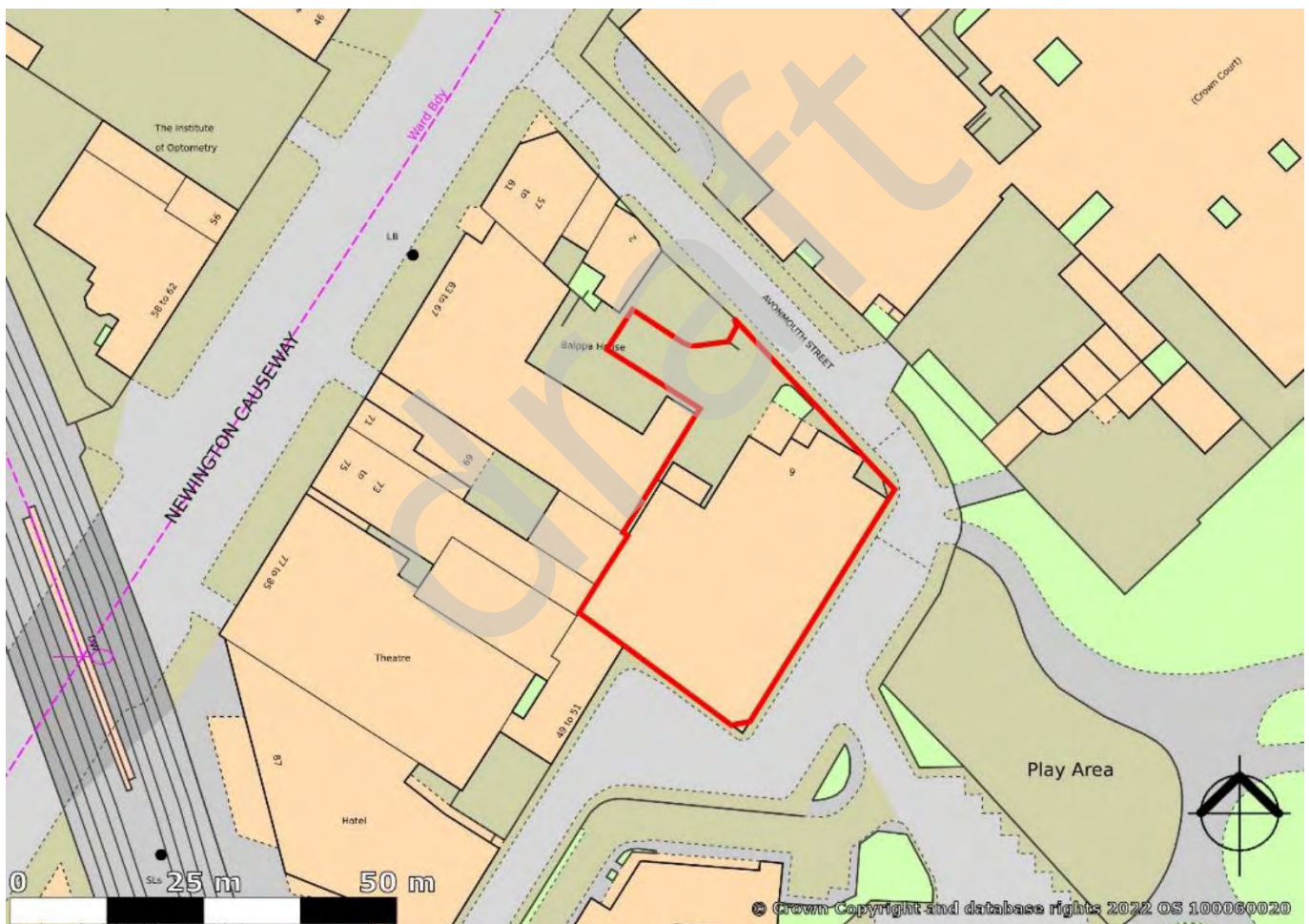
We have provided a plan below showing the location of Elephant and Castle within the context of the surrounding region.



The property is situated in a mixed-use area comprising of retail, leisure and residential units including occupiers such as Travelodge and some independent bars and restaurants. The immediate surrounding is mainly residential use.

We have provided a plan below showing the approximate situation of the property, which is denoted by a red circle.

The subject property has an approximate site area of 0.116 hectares (0.286 acres).



*Boundaries subject to confirmation with deeds*

This area has been computed using the Ordnance Survey Promap system. Our understanding of the site boundary is shown outlined in red on the plan above. We have assumed that this represents the correct boundary to the site and that there are no ongoing boundary disputes. We would recommend that our understanding is confirmed by your legal advisers.

We understand the planning application red line boundary includes the whole of the car park.

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### 3. Tenure

We have not been provided with a Report on Title, however we understand that the interest to be valued is the unencumbered freehold interest.

We have assumed for the purposes of this valuation that there are no unduly onerous or restrictive covenants affecting Title which would have an adverse effect on value. This assumption should be verified by your solicitors.

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## 4. Planning Policy

Planning policy relating to the subject property and provision of affordable housing is contained in the following documents:

- National Planning Policy Framework (NPPF) (Revised February 2019)
- Planning Policy Guidance – Viability (Revised September 2019)
- The London Plan (Adopted March 2016)
- Southwark Plan (Adopted February 2023)

We have summarised below the key policies which relate to the viability assessment of the proposed development.

### **National Planning Policy Framework**

The National Planning Policy Framework (NPPF) (updated February 2019) sets out the Government's planning policies for England and how these are expected to be applied. It provides a framework within which locally-prepared plans for housing and other development can be produced. The NPPF places greater importance in achieving high quality design and undertaking engagement with local communities and it also provides a clearer framework in which to demonstrate doing so. At the same time, there is greater potential to increase the density and value of development in suitable, central locations. The NPPF imposes an incentive to process housing applications as quickly as possible and to work with developers in an attempt to speed up implementation and delivery, with implications for underperformance.

It also highlights that the planning system should be plan-led with 'succinct and up-to-date plans' which 'should provide a positive vision for the future of each area' (Para. 15) with one of the key objectives being sustainable development. Within this framework it is outlined that plans 'should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required' (Para. 34). It goes on to state that 'where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless: a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and b) the agreed approach contributes to the objective of creating mixed and balanced communities.' (Para. 62)

### **National Planning Guidance - Viability**

The revised Viability Planning Practice Guidance was updated in September 2019. The PPG emphasises the need for realistic affordable housing targets to be set at the plan making stage but recognises that there may be circumstances where site specific viability assessments are required. It is up to the Applicant to demonstrate this requirement and refer back to the viability assessment that informed the plan. The weight to be given to a viability assessment is a matter for the decision maker. In this case the relevant development plan, London



Borough of Southwark Local Development Framework Core Strategy (adopted April 2011), sets the affordable requirements for the Borough.

## **The London Plan**

The London Plan is a regional spatial strategy for Greater London and covers the 32 Boroughs and the City of London. The aim of the plan is to set out a framework to co-ordinate and integrate economic, environmental, transport and social considerations over the next 20-25 years. The plan forms a London wide development context within which each Borough sets their local planning agendas.

The London Plan seeks that development should maximise the potential of sites, create or enhance the public realm, provide or enhance a mix of uses, respect local context, character and communities and be sustainable.

Policies within the Plan state that whilst the Borough should seek the maximum reasonable amount of Affordable Housing it should not be at the cost of residential development. Negotiations should be site specific and take into consideration individual circumstances. Affordable Housing is required to meet the needs of specific households which cannot be met on the open market.

The New London Plan (2021) has now been adopted. Policy H17 covers the Mayors policy on student accommodation. It states as follows:

- A Boroughs should seek to ensure that local and strategic need for purpose-built student accommodation is addressed, provided that:
- 1) at the neighbourhood level, the development contributes to a mixed and inclusive neighbourhood
  - 2) the use of the accommodation is secured for students
  - 3) the accommodation is secured through a nomination agreement for the occupation by students of one or more higher education provider
  - 4) the maximum level of accommodation is secured as affordable student accommodation as defined through the London Plan and associated guidance;
    - a) to follow the Fast Track Route, at least 35 per cent of the accommodation must be secured as affordable student accommodation or 50 per cent where the development is on public land or industrial land appropriate for residential uses in accordance with Policy E7 Industrial intensification, co-location and substitution

b) where the requirements of 4a above are not met, applications must follow the Viability Tested Route set out in Policy H6 E Threshold approach to applications.

5) the accommodation provides adequate functional living space and layout.

B Boroughs, student accommodation providers and higher education providers are encouraged to develop student accommodation in locations well-connected to local services by walking, cycling and public transport, as part of mixed-use regeneration and redevelopment schemes.

Affordable student accommodation is defined as a rental cost for the year equal to or below 55% of the maximum income that a new full time student studying in London and living away from home could receive in maintenance loan from the Government for that academic year.

### **Homes for Londoners - Affordable Housing and Viability Supplementary Planning Guidance**

The Mayoral Affordable Housing and Viability SPG was released in late 2017 and sets out the Mayor's approach to viability in the capital. This established a threshold approach to viability whereby schemes offering 35% affordable housing (50% on public land) can follow a fast track application route which does not require a viability assessment. Schemes offering below the threshold are required to submit viability appraisals.

The guidance also sets out the requirement for scheme viability appraisals, which includes the approach to establishing the Benchmark Land Value. This guidance states that Alternative Use Values would only be acceptable in 'exceptional circumstance' (paragraph 3.48).

The SPG states that;

*"If an Applicant seeks to use an 'alternative use value' (AUV) approach it must fully reflect policy requirements. Generally the Mayor will only accept the use of AUV where there is an existing implementable permission for that use. Where there is no existing implementable permission, the approach should only be used if the alternative use would fully comply with development plan policies, and if it can be demonstrated that the alternative use could be implemented on the site in question and there is market demand for that use."*(paragraph 3.51)

The applicant has had regard to what it considers to be the existing use (offices) and undertaken an investment valuation adopting a rent and yield. A 20% premium has then been applied.

### **Local Planning Authority Policy**

#### **Southwark Plan February 2022**

Policy 5 sets the policies relating to student housing in the Borough. These which apply to the subject site are as follows:

- Provide 5% of student rooms as easily adaptable for occupation by wheelchair users
- When providing direct lets at market rent, provide the maximum amount, with a minimum of 35% as conventional affordable housing by habitable room subject to viability, as per policy P4, as a first priority. In addition to this, 27% of student rooms must be let at a rent that is affordable to students as defined by the Mayor of London
- When providing all of the student rooms for nomination further and higher education institutions, provide the maximum amount of affordable student rooms with a minimum of 35% subject to viability. The affordable student rent should be set as defined by the Mayor of London.

The Council has asked us to solely assess affordable student accommodation in this case.

### Planning History

We have provided below a summary of the planning history for the property which has been taken from the Southwark Planning Portal.

Ref	Description	Status
89/AP/0133	Change of use from office B1 to educational D1	Granted 10 January 1989
04/AP/1181	Retention of external refurbishment works to include new planters, resurface existing driveway, installation of new railings to semi-enclosed area and installation of a double set of doors to entrance	Granted 2 July 2004
04/AP/1607	Relocation of existing free standing advertisement sign, to be positioned within a proposed planter.	Granted 1 September 2004

We understand the existing use to be valued is F1.

## 5. Description

### The Existing Property

The subject property comprises an event and training centre operated by Etc Venues.



Exterior Photo



Interior Photo

The property is of portal frame construction with brick elevations under a multiple pitched corrugated metal roof. The property has a mixture of double and single glazed metal windows. The roof includes skylights in some places to increase natural light. The pitched roof can be seen from within the building reducing the ceiling heights in some parts of the building.



Elevation and entrance



Side elevation



Rear elevation

Internally the property provides a training centre over two floors. The building offers a range of meeting rooms over the two floors. At ground floor it has a dining and reception area which is served by a large commercial kitchen.

The building presents well with fixtures and fittings presenting as clean with limited wear and tear. The accommodation has solid floors with perimeter power sockets. The ceilings are suspended with inset spot

lighting. The property has air conditioning sets throughout. The property benefits from large windows which provide good natural light. The floorplates are large for there not be accessible floors. There are toilet facilities on both floors.

The property has an attractive glazed entrance. The main staircase is accessed from the reception and includes a stairlift to provide disabled access to the first floor. There is no lift. There is a second staircase which provides access for operational purposes.



## The Proposed Scheme

The proposed scheme is for:

*Demolition of existing building and structures and erection of a part 2, part 7, part 14 storey plus basement mixed-use development comprising 1733 sq m (GIA) of space for Class E employment use and / or Class F1(a) education use and 219 purpose-built student residential rooms with associated amenity space and public realm works, car and cycle parking and ancillary infrastructure.*

The proposed employment / educational use is set across three levels and designed to accommodate varying types of study and learning environment. The accommodation is set over the two basement floors, ground floor and first floor. The ground floor provides a main entrance which leads to a central staircase. There are two additional staircases and one passenger lift. There is WC provision on each floor. The upper and lower floors use the majority of the footprint and therefore benefit from views over the park. The student accommodation core sits to the north of the footprint which does disrupt the floors somewhat but the commercial layout can be designed/fitted out around this. We note there are also three staircases within the commercial / educational space which seems excessive for floorplates of this size and reduces the net internal area considerably. Subdivision is more likely to be on a floor by floor basis rather than vertically should it occur. The second basement is for plant and bike storage but included within the net internal floor areas provided which is unusual and should be explained by the applicant. As the applicant has valued the whole area including the second basement we have also.



The student accommodation provides 219 beds over floors two to 14. The bedspaces are predominantly provided in cluster flats with X independent studios.

5% of the bedspaces are designed to be wheelchair accessible and 35% are affordable rent rooms. A typical floor is designed with three cluster flats providing between 5 and 8 en-suite rooms with a shared kitchen / living room. Each floor also has an independent studio room which includes kitchenette.

The entrance is located on the northeast corner of the building opposite the entrance to Newington Gardens. The lobby provides an external covered area. The students have break out space on the 7<sup>th</sup> floor and comprises an external roof garden.



Higher education use



Exterior elevation



## 6. Floor Areas

### Existing Areas

In accordance with your instructions, we have not measured the existing property. We have been provided with the following floor areas by the applicant which we assume have been correctly prepared under the RICS Professional Statement – RICS Property Measurement 2<sup>nd</sup> edition, January 2018 and in compliance with the RICS Code of Measuring Practice, 6th edition published by the Royal Institution of Chartered Surveyors. We understand that it provides an approximate Gross Internal Area of 1,307 sq m (14,068 sq ft).

We have used a conversion factor of 10.764 in converting metric floor areas to imperial. We have rounded metric areas to two decimal places and imperial areas to the nearest whole unit.

### Proposed Floor Areas

We have adopted the floor areas provided to us by the applicant. We have assumed that these have been correctly prepared under the RICS Professional Statement – RICS Property Measurement 2<sup>nd</sup> edition, January 2018 and in accordance with the RICS Code of Measuring Practice, 6th edition published by the Royal Institution of Chartered Surveyors:-

GIA Sq. M	GIA Sq. Ft	NIA Sq. M	NIA Sq. Ft	Gross to net ratio
8,379.25	90,194	4,469.30	48,108	53%

Floor	Use	Net Internal Area (Sqm)	Net Internal Area (Sqft)
Basement 2	Education / Employment	139.5	1,502
Basement 1	Education / Employment	533.5	5,743
Ground	Education / Employment	229.0	2,465
First	Education / Employment	575.0	6,189
Second	Student accommodation	308.8	3,324
Third	Student accommodation	308.8	3,324
Fourth	Student accommodation	308.8	3,324
Fifth	Student accommodation	308.8	3,324
Sixth	Student accommodation	308.8	3,324
Seventh	Student accommodation	205.1	2,208
Eighth	Student accommodation	207.2	2,230
Ninth	Student accommodation	207.2	2,230
Tenth	Student accommodation	207.2	2,230
Eleventh	Student accommodation	207.2	2,230

Twelfth	Student accommodation	207.2	2,230
Thirteenth	Student accommodation	207.2	2,230
<b>Total</b>		<b>4,469.3</b>	<b>48,108</b>

We have used a conversion factor of 10.764 in converting metric floor areas to imperial. We have rounded metric areas to two decimal places and imperial areas to the nearest whole unit.

We confirm that we have relied on the floor areas above within our viability review. We note that the gross to net ratio is very poor at 54%.

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## 7. Methodology and Approach

Our approach to reviewing the viability of the proposed scheme is based on policy and guidance set out earlier in this report.

Our appraisal has been prepared adopting the residual method. The approach is to total the capital value of income generating elements of the proposed development which in this case comprise the sale of the proposed student housing and the commercial/F1 space. From the resulting Gross Development Value (GDV) are deducted construction costs (inclusive of professional fees and contingency), incidental estate agency and legal fees, cost of finance and developer's profit. The amount by which GDV exceeds the total of these cost items provides the residual value of the subject property assuming planning permission.

We compare the residual value of the proposed scheme against the Benchmark Land Value to determine if a deficit or surplus is generated. If a deficit is calculated then the proposed scheme is offering the maximum reasonable amount of affordable housing (subject to the cross checks detailed below). If a surplus is generated then additional affordable housing can be provided consistent with policy. Any surplus demonstrates the scheme is viable. The calculation of the Benchmark Land Value is set out in the RICS document 'Assessing Viability in Planning Under the National Planning Policy Framework 2019 for England'. The Benchmark Land Value is assessed based on Existing Use Value (EUV), Alternative Use Value (AUV) and the premium above Existing Use Value. The EUV and AUV are calculated using standard valuation practice, however, the premium is not and requires a detailed discussion to ensure it is not being applied at the detriment of provision of affordable housing.

The RICS document proposes two cross-checks in order to ensure the Benchmark Land Value proposed is robust. These are as follows:

1. Policy compliant residual land value. This is whereas residual land value is calculated assuming a policy compliant quantum of affordable housing.
2. Market comparison approach. Land transactions should be analysed and where necessary adjusted for policy compliance. We consider this later in our report analysing transactions on a per acre, per private unit and per unit basis.

The assessment of Benchmark Land Value requires the assessment of five components which we address in our report:

1. EUV
2. Premium

3. AUV (where appropriate)
4. Policy compliant site value assessed by residual method
5. Policy compliant site value assessed by comparative method

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## 8. Appraisal Inputs

We have considered below the Applicant's appraisal assumptions against our own with reference to the proposed scheme.

### Gross Development Value

The proposed scheme comprises of student accommodation (219 beds) and education / employment at the lower levels.


### Student Accommodation

The Applicant has adopted the following values in their assessment;

Input	Assumption
Student Accommodation	£191,735 per bed
Class E	£453.73 per sq ft

The applicant refers to a potential nomination agreement however we do not have any information on the terms of this. As a result, we have assumed a Direct Let scheme. Whilst Direct Let schemes demand higher rents, they are traded at higher yields as there is risk associated with the income which is removed with a Nomination Agreement.

We have had regard to the following student rental comparables:

Address	Rent Pw 2021/22	Comment
Sidney Webb House, Great Dover Street, SE1 4WW 	Studio - £298 Cluster - £199	Unit run scheme circa 0.5 miles east of the subject property. Comparable transport links, both within easy walking distance of Borough Underground Station.  458 bedspaces of which 434 are single en-suites. Clusters arranged into groups of six to eight flats.  Refurbished in 2017. 40 week contract lengths.  Exclusively for LSE students. Onsite gym, outdoor courtyard, common room, cinema room and communal study space.
Moonraker Point, Pocock Street, Southwark, London SE1	Studio - £400 Cluster - £335	Unite run scheme situated circa 0.5 north of Elephant & Castle;  Good transport links as property is situated between Southwark and Borough Underground stations;

Address	Rent Pw 2021/22	Comment
		<p>Predominantly occupied by King's College Students;</p> <p>Cluster focussed scheme that provides a relatively small number of studios at a premium rent.</p> <p>Comparable asset situated in a superior location, closer to central London;</p>
<p>Julian Markham House, 114 Walworth Road, SE17 1JL</p> 	<p>Studio - £365</p> <p>Cluster - £169</p>	<p>Located very close to Elephant and Castle Railway and Underground Station.</p> <p>Exclusively for Kings College Students. Operated by Unite.</p> <p>40 week contracts.</p> <p>Common room, study areas and outdoor social space. Undergoing essential maintenance.</p>
<p>Wellington Lodge, 268 – 282 Waterloo Road, SE1 8RQ</p> 	<p>Studio - £405</p> <p>Cluster - £342</p>	<p>Operated by Unite for postgraduate students. Located close to Lambeth North and Waterloo Stations. Superior location to subject property.</p> <p>Amenities include common room and study room. A mix of en-suite and studio rooms with ¾ double beds. 51 week contract.</p>
<p>Portchester House, New Kent Rd, Elephant and Castle, London SE1</p> 	<p>Studio - £305</p>	<p>Converted 20 storey office building A 278 bed scheme located close to the subject property.</p> <p>Amenities include, games and cinema rooms and study/library area.</p> <p>Located close to the subject and offers a range of cluster and studio rooms.</p> <p>Gold Studios currently marketed at £495 pw.</p>

Having reviewed the evidence we have adopted the following rental levels:

	Applicant	Avison Young
Studio	£213	£260
En-suite Cluster Room	£225	£350



We have assumed 51 week contracts.


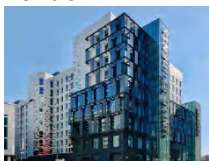
We consider the applicants rents to be low when looking at evidence for student accommodation in the local area. Their report does refer to a Nomination Agreement which is likely to reflect lower rents. However, as we have not had any details on this we have reflected Direct Let market evidence.





For the affordable student units we have adopted a rent of £180 per week and applied this to 35% of the accommodation (72 beds) assuming all these beds are located within the Cluster Flats. This rent is consistent with the GLA policy for student housing at 55% of the maximum income that a new full time student living away from home could receive from the Governments maintenance loan for living costs for the academic year. The affordable units have 38 week contracts and therefore we have allowed for summer income on these beds. For the summer income we have assumed 14 weeks income at £180 per week on 30% of the beds.

Our total gross operating income is £2,687,400. From this we have made deductions of £558,450 which equates to £2,550 per bed and 22.34% overall.

## Investment Evidence

In order to consider an appropriate yield for the proposed scheme we have had regard to the following evidence:

Address	Date	Description	Sale Price (per bed)	Comments
<b>ViBe Student Living, Kingston</b> 	Aug 2021	A 300 bed operational asset in Kingston. Mix of studio and en-suite rooms	£42m 5.80% (£140k)	<ul style="list-style-type: none"> <li>- These halls have 300 fully furnished units across 111 studios and 189 en-suite cluster bed spaces.</li> <li>- Includes a gym, indoor cinema, lounges and a laundry room.</li> <li>- A retail unit on the ground floor is leased to Europcar for the next eight years with no tenant break options.</li> <li>- Older asset in inferior location but comparable studio/cluster mix.</li> </ul>
<b>Unite Wembley &amp; Whitechapel, London</b> 	June 2021	Two operational PBSA assets in Wembley and Whitechapel.	£342m 4.00% (£252k)	<ul style="list-style-type: none"> <li>- Purchased by joint venture with GIC</li> <li>- The properties are located in Wembley and Whitechapel and offer 1,358 bed spaces, of which the majority are direct-let to students.</li> <li>- The Wembley property, Arch View House, was completed for the 2020/21 academic year under a forward fund contract.</li> </ul>

Address	Date	Description	Sale Price (per bed)	Comments
				<ul style="list-style-type: none"> <li>- The two properties had a gross asset value of £338 million as at 31 December 2020 and are valued based on stabilised net operating income of £14.2 million for the 2020/21 academic year.</li> <li>- Large, modern schemes with some trading history in good outer London locations.</li> <li>- Broadly comparable to subject – larger trading assets but cluster led and in slightly inferior locations.</li> </ul>
<b>Nido, West Hampstead</b> 	June 2021	Sale of 347 bed operational PBSA asset in West Hampstead	£124m 3.80% (£357k)	<ul style="list-style-type: none"> <li>- Asset with good trading history.</li> <li>- Situated in slightly superior North London location.</li> <li>- Included c.£10m of ground floor retail elements;</li> <li>- Purchase price driven up by potential to build up, adding more rooms.</li> <li>- Purchased by Blackstone/IQ.</li> </ul>
<b>Scape Mile End</b> 	Feb 2021	A larger 412 bed scheme located in East London.	£106m 4.20% (£257k)	<ul style="list-style-type: none"> <li>- Located just opposite Queen Mary University of London;</li> <li>- A studio led scheme including 24/7 gym, cinema room and around the clock support, available for September 2021;</li> <li>- Inferior location, comparable specification but 100% studio income. Overall good comparable.</li> </ul>
<b>Ravenscourt House, Hammersmith London</b> 	Jan 2021	A 235 Bed scheme	£72m 4.15% (£306k)	<ul style="list-style-type: none"> <li>- Part of the Project Harmony sale;</li> <li>- A studio led scheme offering basement bike storage and fully equipped laundry room, to vending machines and onsite maintenance for any emergency fixes – we've got it covered. Plus wi-fi, contents insurance and utility bills are all included with your room.</li> <li>- Hammersmith is a more established if slightly further out location;</li> <li>- Good comparable for a stabilised scheme.</li> </ul>
<b>Canto Court, Shoreditch</b> 	Jan 2021	A 164 bed studio scheme	£70m 3.90% £427k	<ul style="list-style-type: none"> <li>- Part of the Project Harmony sale;</li> <li>- Occupies a good location on Old Street, close to Shoreditch High Street;</li> <li>- Good quality scheme with strong amenity offerings;</li> <li>- Inferior to Paul Street East sale in Q2 2019 but otherwise a strong London prime sale.</li> <li>- Comparable size but trading asset in superior location.</li> </ul>
<b>Lewisham Exchange</b>	Jan 2020	Large cluster led tower scheme in South London	£140m 4.50% £185k	<ul style="list-style-type: none"> <li>- Sale of a newly completed 758 bed, two tower scheme build by Tide construction;</li> <li>- Offering accommodation over 35 stories;</li> <li>- Situated above an entrance to the Bakerloo extension line;</li> <li>- Understood to have been sold to Vita during construction;</li> </ul>

Address	Date	Description	Sale Price (per bed)	Comments
				- Larger PBSA scheme situated in a slightly inferior South London location.

Having reviewed the evidence, we consider the appropriate yield to adopt is 4% on the private student accommodation. We have adopted a lower yield on the affordable student accommodation as we consider this holds a lower risk profile with vacancy unlikely.

We have deducted purchasers' costs from our capitalised value.

### Commercial Value

We consider that in this location the highest value use is likely to come from the F1 sector as the property is off pitch for offices.

F1 educational use is commonly purchased by owner occupiers. The proposed accommodation will offer high quality student space of approximately 15,000 sq ft over basement, ground and first floor. The space has a dedicated entrance but no prominence on a major road. We have taken this into consideration when reviewing the evidence which we detail more fully in Section 9.

There is a dearth of new build F1 accommodation sales and therefore we have made adjustments from the second hand evidence outlined in Section 9 of our report. We have applied a premium of £100 per sq ft to reflect that the space will be brand new and fitted out to a high specification (as detailed by our QS). Applying a rate of £450 per sq ft for this purpose built accommodation gives a total GDV for this space of £7 million.

### Gross Development Value Conclusions

We outline the assumption applied by ourselves and the applicant below;

Input	Applicant	AY
Student Accommodation GDV	£41,990,000	£46,500,000
Educational / Commercial Use	£9,360,000	£7,000,000

### Development Costs

We now consider below the various items of cost provided by the Applicant followed by our own conclusions.

## Construction Costs

The Applicant commissioned Randall Simmonds to provide a construction cost estimate, dated September 2021 for a slightly larger 15 storey scheme. The total construction cost for the larger scheme is £31,210,000 inclusive of contingency but excluding professional fee allowances. This equates to £329.80 per Sq. ft based on the total larger GIA. The applicant adjusted the costs for the current scheme.

Our total construction cost for the current scheme inclusive of contingency is £31,039,915 (£344 per Sq. Ft). Our QS makes the following comments:

- Commercial fit out – With student accommodation schemes we usually see the commercial space left on a shell and core basis, allowing tenants the flexibility to fit out. With this scheme it is noted that the commercial space is to be fitted out for employment / community health / education use as per the drawings included within the Appendix of the October 2021 Viability Report. The fit-out rate allowed seems very expensive when compared to other schemes we have seen, however we believe it is justified based on the amount of work required. However, we have based this assumption on the basement layout provided within the previous issued Viability Report dated October 2021.
- We have also benchmarked the scheme with a recent comparable scheme. From our assessment, this scheme is comparable in price. From this, we have comfort that this scheme provides value for money.
- Preliminaries – We have reduced the preliminaries level from 16% to 15% in line with similar schemes.
- OH&P – We have reduced the OH&P level from 7% to 5% in line with similar schemes.

Please see the construction cost review prepared by our Quantity Surveyor for the proposed scheme at Appendix 1. This explains the differences between the costs adopted by the Applicant and those adopted by ourselves. We have included the above figure in our appraisal which is the cost above excluding contingency.

## Development Contingency

The Applicant has adopted a contingency allowance of 5%. We consider the risk allowance within the cost plan to be sufficient so have not included any additional contingency.

## Professional Fees

The Applicant has allowed 10% for professional fees, this equates to a figure of £3,103,992 on our assessed build costs. In our view this sum would be sufficient and consistent with recent Mayoral SPG which states that 'Cost applied on a percentage basis should be realistic when considering the monetary value of the assumed cost.' This is also consistent with recent trends in professional fees on standard mixed-use schemes. It should be noted that we have applied this to our build cost figure in our appraisal.

## Sale and Marketing Fees

The Applicant has adopted the following sales and marketing fees:

- Educational / employment letting agent fees of 10.00% on annual rent;
- Educational / employment letting legal fees of 5.00% on annual rent;
- Sales agent fees of 1% on commercial sales revenue;
- Sales legal fees of £150,000

The above assumptions appear to be reasonable and we have adopted these within our appraisal.

## CIL and S106 Costs

The appraisal includes an allowance of £1.5 million for CIL and S106 payments. The CIL consists of £419,269 for Mayoral CIL and £358,640 for borough CIL. This leaves £722,091 for Section 106 payment. We recommend that these figures are reviewed and verified by the Council.

## Developers Profit

The Applicant states that they would expect a profit of 18% on gross development value (GDV). We are of the view that 15% on GDV would be an appropriate allowance especially when considering the resultant IRR.

## Interest on Development Lending

The Applicant has adopted an interest rate of 7.5% in their appraisals. We believe that 6.5% is a realistic finance rate to use in the appraisals for this type of development. This development would be undertaken by a substantial developer who will have access to High Street banks lending rates.

## Development Programme

The Applicant has adopted a pre-construction period of 3 months and a construction period of 20 months. It is assumed the asset is sold on completion. We consider these assumptions to be reasonable.

## Development Cost Conclusions

Our cost elements along with the Applicants are summarised within the table below;

Input	Applicant	AY	Comments
Construction	£30,210,480	£31,039,915	Our build cost includes contingency
Contingency	£1,510,524	Included above	
Professional Fees	10%	10%	
Commercial letting agent fees	£75,000	n/a	We have assumed a sale to an owner occupier
Commercial sales legal fees	£7,000	n/a	
Commercial sales agent fees	1%	1%	
Commercial sales legal fees	£150,000	0.5%	
CIL and Section 106	£1.5 million	£1.5 million	Should be confirmed by the Council as an appropriate sum.
Interest Rate	7.5%	6.5%	
Profit	18%	15% on cost	



## 9. Benchmark Land Value

### Introduction

The RICS viability guidance 'Assessing viability in planning under the National Planning Policy Framework 2019 for England' was introduced in March 2021 and was effective from 01 July 2021.

It states that the formulation of the Benchmark Land Value requires the assessment of five components which should be calculated and reported separately. The five components are;

- i. EUV
- ii. Premium
- iii. AUV, where appropriate
- iv. Policy-compliant site value assessed by the residual method
- v. Policy-compliant site value assessed by the comparative method.

### Applicant Proposed Benchmark

The Applicant has adopted a Benchmark Land Value (BLV) of £7 million based upon their opinion of the Existing Use Value (EUV).

The assumptions applied by the Applicant are as follows

Input	Assumption
EUV	£5.86 million
Premium	£1.2 million
Total	£7 million

The applicants Existing Use Value is based on office rents with an overall rent of £400,000 per annum adopted (£28.43 per sq ft). This rental value has been capitalised at a yield of 6% following a years void. Purchasers costs have been deducted to give the £5.8 million existing use value.

The applicant has not supported the premium adopted other than by reference to a former viability assessment on the KFC site at 671 – 679 Old Kent Road where this was agreed.

We have discussed the current use with the Council, who advise that it is F1 and not offices.

### AY Approach

The RICS Guidance outlines a step-by-step approach which we have applied to our assessment of the benchmark land value.

## Existing Use Valuation

The first step in determining the benchmark land value is to calculate the EUV of a site. We understand the existing use is F1 and is currently operational as an event venue with classrooms hired out for training. We have therefore had regard to F1 properties which have transacted to owner occupiers.

## F1 Evidence

We are aware of the following evidence which we consider to be relevant to the subject property:-

### **The lodge & Annex, Harmondsworth Lane, West Drayton, UB7 0LQ**

The site comprises 3 buildings within a secure gated entrance. The total GIA is 18,750 sq ft. There is approximately 60/70 parking spaces along with a demised outdoor area to the rear. The property is vacant and refurbishment works are currently ongoing. Ideal for a number of uses including day nurseries, creche, medical, dental etc. Or alternative uses including primary/secondary schools subject to consent. The property is available at a guide price of £5,000,000 (£293 psf).



### **Church Grove, Bushy Park, Hampton Wick, KT1 4AL**

Freehold with Vacant Possession.

5,075 sqft of part lower ground and mezzanine floors with a yard / play area to the rear and side and large forecourt to the front.

Potential refurb / development opportunity.

Sold July 2022 for £5,000,000 (£384 psf).



### **390 London Road, Isleworth, TW7 5AJ**

Modern school of 19,759 sq ft in a high visibility corner site of 0.48 acres. Built in 1982 the property is on ground and two upper floors comprising two adjoining halls, 12x classrooms and ancillary accommodation.

Let immediately prior to sale to Options Autism on a new 21-year lease at a rent of £350,000 pa. It sold for £5,750,000 (£291 psf) in October 2021.



### **F Block, Newham College Stratford, Welfare Road, E15 4HT**

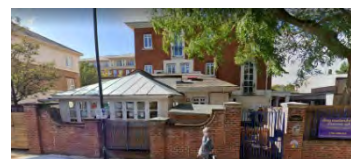
A 19,000 sq ft educational building in a sought-after location. Edwardian building which currently forms part of Newham College Stratford, a further education college. Would suit continued educational use and a demonstrable case could be made for a change of use to residential or other alternative uses.



Agent commented the premises are in poor condition, selling for £2,700,000 in September 2021 (£142 per sq ft).

### **Twickenham Park Day Nursery, Twickenham, Middlesex, TW1**

Purchase of a 5,765 sq ft freehold, purpose built, pre-primary F1 asset located in affluent West London location for £2,300,000 (£399 per sq ft).



Ultimate purchaser unknown but purchase believed to be for an ongoing F1 use.

### **Hyland House, 896 Forest Road, Walthamstow, London, E17**

A vacant, detached, 3,592 sq ft, three storey period building that operated as a co-educational independent school for 90 children. The school closed several years ago, and the property has been vacant since. Requires refurbishment to bring back into use. It sold in January 2021 for £1,455,000 (£405 psf).



### **Centenary Hall, Cottington St, London, SE11**

The 4,437 sq ft Emmanuel Chinese Church has purchased the freehold interest in Centenary Hall, Cottington St from the Charity Commission as part of an owner use sale for a fee of £1.695m (£382 per sq ft).



## **Existing Use Value Conclusions and Premium Over EUV**

The values achieved in the comparables outlined above are the prices the properties traded at. Any development or change of use value would have been tested in the market and reflected in the bids. The sale prices reflect what the building sold for and therefore effectively include any premium. The values generated by the evidence range from £142 to £405 per sq ft. The applicant inclusive of premium has applied a value of £497 per sq ft which is over and above the upper end of the range. The upper end of the range is for smaller assets of less than 6,000 sq ft. The subject property is 14,068 and comparables of a similar size such as 390 London Road and The Lodge have traded closer to £300 per sq ft (£291 per sq ft and £293 per sq ft respectively). The London Road property is a similar age to the subject property although looks more purpose built and is situated in a prominent location, it is however, in a lower value location much further from Central London.

Having reviewed the evidence we consider an appropriate EUV + to be £5 million reflecting £355 per sq ft which we consider consistent with the evidence outlined above.

Having established the EUV plus, we now need to establish the EUV and quantify the premium. In order to establish the EUV we need to make a deduction to remove the potential that the market evidence reflects the potential for change of use / redevelopment. Establishing this percentage is difficult and therefore a subjective deduction needs to be made. This could be the 20% adopted by the applicant which would generate an EUV of £4,000,000 (£284 per sq ft). Potentially this could be less, given the demand for F1 accommodation and the strength of this market which means purchasers would not make such a discount to retain the existing use and could be as low as 10%. However for present purposes we have adopted 20%.

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## 10. Conclusions

### Policy Compliant Appraisal

The applicant is proposing 35% affordable student accommodation. Our appraisal reflecting this offer and using the inputs outlined in our report generates the following result:

Approach	Residual Land Value	% Affordable Housing	Benchmark Land Value	Surplus/Deficit
35% affordable student rooms	£6,860,000	35%	£5,000,000	£1,860,000

This demonstrates that the scheme could viably support the applicants 35% affordable student housing offer whilst generating a surplus of £1.86 million. On this basis more affordable student rooms could therefore theoretically be provided. However, given the background context of the outstanding appeal on another application on this site for a slightly larger scheme, we have looked closely at this surplus as there are a number of factors that could deplete or extinguish this surplus. We are currently in an environment of rising interest rates, rising build costs and economic instability which could impact upon the GDV. On this basis we have undertaken sensitivity analysis on the GDV and build costs to see how easily the surplus could disappear.

Construction Cost					
GDV	-10.00%	-5.00%	0.000%	5.00%	10.00%
-10.00%	£6,036,008	£4,544,883	£3,053,750	£1,562,622	£71,490
-5.00%	£7,939,259	£6,448,121	£4,956,996	£3,465,860	£1,974,736
0.00%	£9,842,503	£8,351,373	£6,860,234	£5,369,110	£3,877,969
5.00%	£11,745,744	£10,254,617	£8,763,487	£7,272,347	£5,781,224
10.00%	£13,648,980	£12,157,858	£10,666,731	£9,175,601	£7,684,460

Our sensitivity analysis shows that a 5% reduction in GDV removes any surplus. A 5% increase in construction costs makes the surplus a nominal £369,000. This demonstrates the sensitivity of small moves on the surplus we have calculated. Therefore, with the current economic uncertainty and the context of the appeal background we consider the applicants offer of 35% affordable student rooms on site could be considered to be reasonable. Please see our further comments below.

## Stand Back Analysis

We have undertaken a stand back analysis in order to test the residual values of the proposed scheme against comparable evidence.

We have considered the following development site sales in respect of student housing:

Scheme	Bed Spaces	Purchase Date	Land Price (per Student Bed)	Sold with Planning
Spa Road, Bermondsey	185 35% affordable	September 2020	£22,640,001 (£122,378)	Yes. Studio based scheme.
Baltic Wharf, Paddington W2	768 35% affordable	November 2020	£70 million (£91,146)	Bought subject to planning. Planning refused
30 Marsh Wall, E14	1,070	March 2020	£26.7 million (£24,953)	No. 47 Storey tower planned.
Cricklewood, NW2	662	June 2022	£40,000,000 (£60,422)	Yes
Trundley's Road, Rotherhithe	393 (35% affordable)	December 2021	£28,800,000 (£73,282)	Yes Includes 58 residential units (affordable tenure)
Grove Crescent, Stratford London	394	December 2021	£17,000,000 (£43,147)	No

Our appraisal inputs generate a land value equal to £31,000 per bed space. When considering this next to the evidence outlined above, it does appear low indicating our assumptions are less optimistic than land purchasers. It would appear from the evidence that should the site be granted permission for the proposed scheme it would trade for a sum greater than that generated by our appraisal. However, the evidence does come from a time with lower build cost inflation and more stable economic conditions which may partly influence the disconnect between our residual output and the evidence.

The applicants residual land value of £3.5 million reflects £15,981 per bed space. It is clear from the evidence that the inputs adopted here are considerably apart from the land market.

We are available to have a dialogue with the Council as to whether they wish to assess the additional affordable provision that could be made with the surplus identified, depending on the state of their discussions with the applicant and the background context of the approaching appeal as well as their



aspirations. We are mindful of the timelines as our report has had to be produced in a short timeframe, given the background appeal. This may necessitate the Council taking more of a commercial view on the surplus. Hence we have considered the sensitivity analysis to help inform your decision making. In the event the Council accept the 35% offer, adoption of a review mechanism may be the best means to secure any future surplus.

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## 11. General Comments

We confirm that we meet the requirements as to competence and the definitions of an External Valuer within the RICS Valuation – Global Standards effective from 31 January 2022.

The Viability Report has been prepared by Juliet Farrow MRICS, an RICS Registered Valuer within the Valuation Consultancy Department. The viability report has been discussed with and approved by Jacob Kut MRICS, an RICS Registered Valuer and Principal / Senior Director in the same department.

draft

# Appendix 1

## QS Review

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GIA (m <sup>2</sup> )		8,789		8,379		8,379		8,379					
GIA (ft <sup>2</sup> )		94,610		90,194		90,194		90,194					
Element	Randal Simmonds - Sept. 21	E/ft <sup>2</sup>	E/m <sup>2</sup>	JRB - 16/08/22	E/ft <sup>2</sup>	E/m <sup>2</sup>	AY Assessment	E/ft <sup>2</sup>	E/m <sup>2</sup>	Difference	E/ft <sup>2</sup>	E/m <sup>2</sup>	Comments
Enabling Works	£ 374,000.00	£ 3.95	£ 42.55	Incl			Incl						
Basement	£ 2,935,000.00	£ 31.02	£ 333.92	Incl			Incl						
Student Accom	£ 17,573,810.00	£ 185.75	£ 1,999.41	Incl			Incl						
Substructure	£ 519,249.00	£ 5.49	£ 59.08	Incl			Incl						
Frame and Upper Floors	£ 2,452,064.00	£ 25.71	£ 276.70	Incl			Incl						
Roof	£ 387,232.00	£ 4.09	£ 44.06	Incl			Incl						
Stairs	£ 272,000.00	£ 2.87	£ 30.95	Incl			Incl						
External Walls	£ 2,608,533.00	£ 27.57	£ 296.78	Incl			Incl						
External Windows and Doors	£ 885,176.00	£ 9.36	£ 100.71	Incl			Incl						
Internal Walls	£ 1,186,704.00	£ 12.54	£ 135.01	Incl			Incl						
Internal Doors	£ 725,893.00	£ 7.67	£ 82.59	Incl			Incl						
Wall Finishes	£ 393,170.00	£ 4.16	£ 44.73	Incl			Incl						
Floor Finishes	£ 639,525.00	£ 6.76	£ 72.76	Incl			Incl						
Ceiling Finishes	£ 404,294.00	£ 4.27	£ 46.00	Incl			Incl						
Fittings	£ 559,000.00	£ 5.91	£ 63.60	Incl			Incl						
Sanitaryware	£ 1,185,000.00	£ 12.53	£ 134.82	Incl			Incl						
Disposal Installations	£ 289,006.00	£ 2.84	£ 30.61	Incl			Incl						
Water Installations	£ 288,221.00	£ 3.05	£ 32.79	Incl			Incl						
Heating	£ 563,631.00	£ 5.96	£ 64.13	Incl			Incl						
Ventilation	£ 512,392.00	£ 5.42	£ 58.30	Incl			Incl						
Electrical Installations	£ 1,328,621.00	£ 14.04	£ 151.16	Incl			Incl						
Lift Installations	£ 610,000.00	£ 6.45	£ 69.40	Incl			Incl						
Protective Installations	£ 413,221.00	£ 4.37	£ 47.01	Incl			Incl						
Communications Installation	£ 768,588.00	£ 8.12	£ 87.44	Incl			Incl						
Specialist Installations	£ 320,245.00	£ 3.38	£ 36.44	Incl			Incl						
General	£ 302,025.00	£ 3.19	£ 34.36	Incl			Incl						
Commercial Fit Out	£ 1,914,270.00	£ 20.23	£ 217.79	Incl			Incl						
Stairs	Incl			Incl			Incl						
Internal Walls	Incl			Incl			Incl						
Internal Doors and Joinery	Incl			Incl			Incl						
Wall Finishes	£ 75,000.00	£ 0.79	£ 8.55	Incl			Incl						
Floor Finishes	£ 199,295.00	£ 2.11	£ 22.67	Incl			Incl						
Ceiling Finishes	£ 144,975.00	£ 1.53	£ 16.49	Incl			Incl						
Fittings	£ 25,000.00	£ 0.26	£ 2.84	Incl			Incl						
Sanitaryware	£ 50,000.00	£ 0.53	£ 5.69	Incl			Incl						
M&E	£ 1,420,000.00	£ 15.01	£ 161.56	Incl			Incl						
External Works	£ 1,159,000.00	£ 12.25	£ 131.86	Incl			Incl						
On Site	£ 309,000.00	£ 3.27	£ 35.16	Incl			Incl						
Off Site	£ 187,000.00	£ 1.98	£ 21.28	Incl			Incl						
Drainage	£ 149,000.00	£ 1.57	£ 16.95	Incl			Incl						
Utilities	£ 514,000.00	£ 5.43	£ 58.48	Incl			Incl						
Building Works Subtotal	£ 23,956,080	£ 253.21	£ 2,725.54	£ 24,634,853	£ 273	£ 2,939.99	£ 24,634,853	£ 273	£ 2,939.99	£ -	£ -	£ -	
Preliminaries	£ 3,750,000	£ 40	£ 426.65	£ 3,856,253			£ 3,695,228			£ 161,025			Reduced from 16% to 5%
OH&P	£ 1,672,000	£ 18	£ 190.23	£ 1,719,375			£ 1,231,743			£ 487,632			Reduced from 7% to 5%
Building Works Estimate	£ 29,378,080	£ 311	£ 3,342.41	£ 30,210,480	£ 335	£ 3,605.40	£ 29,561,823	£ 328	£ 3,527.99	£ 648,657	£ 7	£ 77.41	
Risk / Contingency - 5%	£ 1,490,000	£ 16	£ 169.52	£ 1,510,524	£ 17	£ 180.27	£ 1,478,091	£ 16	£ 176.40	£ 32,433	£ 0	£ 3.87	
Cost Limit	£ 30,868,080	£ 326	£ 3,511.93	£ 31,721,004	£ 352	£ 3,785.67	£ 31,039,915	£ 344	£ 3,704.39	£ 681,089	£ 8	£ 81.28	

# Appendix 2

## Summary Appraisal

draft

Avonmouth House  
6 Avonmouth Street  
London

draft

Development Appraisal  
Licensed Copy  
28 September 2022



**APPRAISAL SUMMARY****LICENSED COPY**

Avonmouth House  
6 Avonmouth Street  
London

**Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Sales Rate ft <sup>2</sup>	Unit Price	Gross Sales
Student Accommodation	219	32,206	1,443.83	212,329	46,500,000
F1	<u>1</u>	<u>15,654</u>	450.00	7,044,300	<u>7,044,300</u>
<b>Totals</b>	<b>220</b>	<b>47,860</b>			<b>53,544,300</b>

**NET REALISATION****53,544,300****OUTLAY****ACQUISITION COSTS**

Residualised Price		6,860,234	
			6,860,234
Stamp Duty	5.00%	343,012	
Agent Fee	1.00%	68,602	
Legal Fee	0.80%	54,882	
			466,496

**CONSTRUCTION COSTS**

Construction	Units	Unit Amount	Cost	
Construction cost	1 un	31,039,915	31,039,915	<b>31,039,915</b>
MCIL2/CIL/S.106/S.278			1,500,000	1,500,000

**PROFESSIONAL FEES**

Professionals	10.00%	3,103,992	
			3,103,992

**DISPOSAL FEES**

Sales Agent Fee	1.00%	535,443	
Sales Legal Fee	0.50%	267,722	
			803,165

**FINANCE**

Debit Rate 6.50%, Credit Rate 0.50% (Nominal)			
Land		919,827	
Construction		1,866,623	
Total Finance Cost			2,786,449

**TOTAL COSTS****46,560,251****PROFIT****6,984,049****Performance Measures**

Profit on Cost%	15.00%
Profit on GDV%	13.04%
Profit on NDV%	13.04%
IRR	20.97%
Profit Erosion (finance rate 6.500)	2 yrs 2 mths

This appraisal report does not constitute a formal valuation.

# Appendix 3

## Definitions and Reservations for Valuations

draft

## Definitions and Reservations for Valuations

### Information

All information supplied by the Client, the Client's staff and professional advisers, local authorities, other statutory bodies, investigation agencies and other stated sources is accepted as being correct unless otherwise specified.

### Tenure

Title Deeds and Leases are not inspected (unless specifically stated) and, unless we are informed to the contrary, it is assumed that a property is free of any onerous covenants, easements, other restrictions or liabilities including mortgages, grants and capital allowances which may affect the value.

No responsibility or liability will be accepted for the true interpretation of the legal position of the client or other parties.

### Tenants

Tenants' status is investigated only where we are so instructed and so specified in the valuation.

### Plans

Any plans supplied are for identification purposes only unless otherwise stated. The valuation assumes site boundaries are as indicated to us. The reproduction of Ordnance Survey sheets has been sanctioned by the Controller of Her Majesty's Stationery Office, Crown Copyright reserved.

### Site Areas

Site areas are normally computed from plans or the Ordnance Survey and not from a physical site survey. They are approximate unless otherwise indicated.

### Floor Areas and Dimensions

Floor areas and dimensions are taken from inspection unless otherwise specified but are nevertheless approximate. Where provided by us, areas quoted are calculated in accordance with the RICS Professional Statement – RICS Property Measurement 2nd edition, January 2018 on the basis agreed with the Client, i.e. adopting either (1) The Code of Measuring Practice, 6th edition published by the Royal Institution of Chartered Surveyors, or (2) The International Property Measurement Standards (IPMS): Office Buildings, or (3) The International Property Measurement Standards (IPMS): Residential Buildings.

The following bases are those most frequently used under the Code of Measuring Practice, 6th edition:

*Net Internal Area* - Measured to the internal faces of external walls, excluding toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

*Gross Internal Area* - Measured to the internal faces of external walls, including toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

*Gross External Area* - Measured to the external faces of external walls, including toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

*Net Sales Area (NSA)* – the GIA of a new or existing residential dwelling, subject to certain Conditions.

The following bases are those used under The International Property Measurement Standards (IPMS): Office Buildings:

*IPMS 1* - The sum of the areas of each floor level of a building measured to the outer perimeter of external construction features and reported on a floor by floor basis.

*IPMS 2 - Office* - The sum of the areas of each floor level of an office building measured to the internal dominant face and reported on a component by component basis for each floor of a building.

*IPMS 3 - Office* - The floor area available on an exclusive basis to an occupier, but excluding standard facilities and calculated on an occupier-by-occupier or floor-by-floor basis for each building.

*IPMS 2 – Residential*: The sum of the areas of each floor level of a residential building measured to the internal dominant face, which may be reported on a component-by-component basis for each floor of a building.

*IPMS 3 – Residential*: The floor area available on an exclusive basis to an occupier.

### Ground Conditions

Soil stability, mining and geological reports are not undertaken by us or normally inspected. Unless we are instructed to the contrary, we assume that the ground and any adjoining or nearby areas are not contaminated, that there are no dangerous materials in the vicinity and that it is capable of development without the need for abnormal costs on foundations and services.

### Condition of Buildings, Plant Etc

Our inspection of a property does not constitute a structural survey. When preparing our valuation we have regard to apparent defects and wants of repair and take into account the age of the property. We do not however carry out the detailed search for defects which is undertaken as part of the structural survey neither do we necessarily set out the various defects when making the report. We do not inspect woodwork or other parts of the structure which are covered, unexposed or inaccessible.

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We do not arrange for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or any other deleterious materials or permanent woodwool shuttering or composite panelling has been used in the construction.

Unless so instructed we do not arrange for any investigations to be carried out to determine whether or not any deleterious or hazardous material or techniques have been used in the construction of the property or has since been incorporated and the services are not tested.

We are therefore unable to report that the property is free from defect in these respects.

For valuation purposes we assume unless otherwise stated that the property (including associated plant and machinery, fixtures and fittings) is in serviceable order and will remain so for the foreseeable future. It will be assumed that the building/s is/are in good repair, except for defects specifically noted.

### Asbestos Regulations

The Control of Asbestos Regulations 2012 came into force on 6 April 2012, updating previous asbestos regulations to take account of the European Commission's view that the UK had not fully implemented the EU Directive on exposure to asbestos (Directive 2009/148/EC). Your legal advisers should enquire as to compliance with these regulations and property owners will need to be able to provide confirmation as to the existence and condition of asbestos.

### Fire Safety

The Regulatory Reform (Fire Safety) Order 2005 (The Order) replaces previous fire safety legislation including both the Fire Precautions Act 1971 and the Fire Precautions (workplace) Regulation 1997. Consequently any fire certificate issued under the Fire Precautions Act 1971 will cease to have any effect. The Order came into force completely on the 1st April 2006.

The Order applies to the majority of premises and workplaces in England and Wales although does not include people's private homes. It covers general fire precautions and other fire safety duties, which are needed to protect 'relevant persons' in case of fire in and around most 'premises'.

Under the order, anyone who has control in a premises or anyone who has a degree of control over certain areas may be classified as a 'responsible person'. It is thus the duty of such individual to comply with the requirements of the Order and make certain that all measures are taken to ensure the safety of all the people he or she is directly or indirectly responsible for.

The responsible person must then carry out a Fire Risk Assessment. In short this is a five-point process whereby fire hazards must be identified, relevant persons at risk recognised, potential risks reduced, staff training implemented and the whole assessment regularly reviewed. The assessment must pay particular attention to those at special risk such as disabled people, those who have special needs and young persons. Furthermore the responsible person must provide and maintain clear Means of Escape, Signs, Notices, Emergency Lighting, Fire Detection & Alarm and Extinguishers.

This approach is different from previous legislation, as it is now necessary to consider everyone who might be on your premises, whether they are employees, visitors or members of the public.

The Risk Assessment must be regularly reviewed and if necessary amended. Finally if the responsible person employs five or more people, the premises are licensed or the Inspector requires it then the Risk Assessment must be formally recorded.

The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 effective 1 October 2015 require that landlords of residential property must provide (1) a smoke alarm on each storey of the premises on which there is a room used wholly or partly as living accommodation and (2) a carbon monoxide alarm in any room of the premises which is used wholly or partly as living accommodation and contains a solid fuel burning combustion appliance. The landlord has a responsibility to ensure that the detectors are checked and in proper working order.

It is assumed that the property is compliant in regard to the above regulations.

## Definitions and Reservations for Valuations

### EWS1 Forms

Avison Young is not responsible for verifying the accuracy of any information contained within an EWS1 form provided to it for the purposes of Avison Young completing its Services. Avison Young shall be entitled to rely on the information contained within the EWS1 form as if it were true and accurate in all material respects. If the Client discovers that the information contained within the EWS1 form is inaccurate in any material way, the Client shall bring this to Avison Young's attention promptly so that the parties can discuss the impact it may have on the Services Avison Young has provided. Avison Young shall not be liable for any loss or damage or costs suffered or incurred by the Client arising either from the information contained within an 'EWS1' form or from Avison Young's reliance on it. For the avoidance of doubt Avison Young are not qualified to produce or complete EWS1 forms and under no circumstances shall we do so. EWS1 forms can only be completed by certain qualified practitioners.

### Accessibility

From 1 October 2010, the Equality Act 2010 replaced previous anti-discrimination laws, including the Disability Discrimination Act, with a single Act to make the law simpler and to remove inconsistencies. The Equality Act protects the important rights of disabled people to access everyday facilities and services and to ensure that disabled workers are not disadvantaged. Our report will contain observations of a general nature on the extent to which we consider that the building would be regarded by the market as complying with the accessibility requirements of the Equality Act. We have not, however, carried out an in-depth study which would be required to reach a formal view.

### Energy Performance Certificates

From 2008 Energy Performance Certificates (EPCs) are required for the sale, rental or construction of commercial buildings. The requirement was phased in over 6 months between 6 April and 1 October 2008. Commercial properties with a useful floor area of more than 10,000 sq m were affected from 6 April 2008, those exceeding 2,500 sq m had to comply from 1 July 2008 and the remaining properties had to comply from 1 October 2008. An EPC must be provided on the sale, rental or construction (or in some cases modification) subject to transitional arrangements. Non-compliance may lead to sanction under civil legislation, involving a financial penalty.

Unless stated to the contrary, our valuation assumes that the property has an Energy Performance Certificate (if required under the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007) and that the Certificate will be maintained as required.

### Services

It is assumed that the services and any associated controls or software, are in working order and free from defect.

### Composite Panels and Insurance

We will not test any panels within the property to see whether there are any polystyrene insulated composite panels. The presence of such panels may result in the property being uninsurable, which would have an adverse impact on value.

### Defective Premises Act 1972

Obligations or liabilities or any rights thereunder, whether prospective or accrued, are not reflected in valuations unless actually specified.

### Environmental Issues

Our Valuation Report does not constitute an Environmental Audit or survey and nothing contained in it should be treated as a statement that there are no contamination or pollution problems relating to the property or confirmation that the property, or any process carried on therein, complies with existing or proposed legislation on environmental matters. If we have been provided with third party reports, we have accepted their contents as being correct.

### Enquiries

Enquiries of local authorities and statutory undertakers are made verbally in respect of contingent liabilities such as road widening, road charges, redevelopment proposals and the possible effect of any town planning restrictions, and on occasion in respect of rating assessments. Local searches are not undertaken. No responsibility is accepted for any inaccurate information provided.

Generally it is assumed that buildings are constructed and used in accordance with valid Town Planning Consents, Permits, Licences and Building Regulation Approval, with direct access from a publicly maintained highway, that Town Planning Consents do not contain restrictions which may adversely affect the use of a property and that there are no outstanding statutory or other notices in connection with a property or its present or intended use.

## Definitions and Reservations for Valuations

It is further assumed unless otherwise stated that all necessary licences, permits etc either run with the property or are transferable to a new occupier as appropriate.

### Flooding Risk

The valuer will make enquiries concerning flooding risk where it is perceived to be of relevance as published by the Environmental Agency. However we are not qualified to definitively assess the risk of flooding and our valuation will assume no difficulties in this regard. Further, Avison Young shall not undertake any additional enquiries to confirm this information.

### Plant, Machinery, Fixtures and Fitting

Unless otherwise specified, all items normally associated with the valuation of land and buildings are included in our valuations and reinstatement cost assessments, including:-

Fixed space heating, domestic hot water systems, lighting and mains services supplying these, sprinkler systems and associated equipment, water, electricity, gas and steam circuits not serving industrial or commercial processes, sub-station buildings, lifts and permanent structures including crane rails where forming an integral part of the building structure, fixed demountable partitions, suspended ceilings, carpets, drains, sewers and sewerage plants not primarily concerned with treating trade effluent, air conditioning except where part of a computer installation or primarily serving plant and machinery.

Unless otherwise specified, the following items are excluded:-

All items of process plant and machinery, tooling and other equipment not primarily serving the building, cranes, hoists, conveyors, elevators, structures which are ancillary to, or form part of an item of process plant and machinery, sewerage plants primarily concerned with treating trade effluent, air conditioning where part of a computer installation or primarily serving plant and machinery, and water, electricity, gas, steam and compressed air supplies and circuits serving industrial and commercial processes.

Unless otherwise specified, no allowance is made for the cost of repairing any damage caused by the removal from the premises of items of plant, machinery, fixtures and fittings.

In the case of filling stations, hotels and other properties normally sold and valued as operational entities, all items of equipment normally associated with such a property are assumed to be owned and are included within the valuation unless otherwise specified.

### Taxation and Grants

Value Added Tax, taxation, grants and allowances are not included in capital and rental values as, unless otherwise specified in the report, these are always stated on a basis exclusive of any VAT liability even though VAT will in certain cases be payable.

It is assumed for the purposes of valuation that any potential purchaser is able to reclaim VAT, unless otherwise stated. In particular it should be noted that where a valuation has been made on a Depreciated Replacement Cost basis the Replacement Cost adopted is net of VAT unless otherwise stated.

Unless otherwise specified Avison Young will not take into account of any existing or potential liabilities arising for capital gains or other taxation or tax reliefs as a result of grants or capital allowances, available to a purchaser of the property.

### Market Value (MV)

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Market Value provides the same basis as the OMV basis of value supported by the first four editions of the Red Book, but no longer used as a defined term.

### Fair Value

1. The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (IVS 2013).
2. The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13).

### Depreciated Replacement Cost

The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Note that this basis of valuation may not reflect the price achievable for the property on the open market.



## Definitions and Reservations for Valuations

### Operational Entities

The RICS advises that the most appropriate basis of valuation of properties normally sold as operational entities is Market Value as defined above. Such properties include public houses, hotels and other leisure uses, together with nursing homes, residential care homes, private hospital and petrol filling stations.

Our valuations reflect the following:-

- a) The market's perception of trading potential with an assumed ability on the part of the purchaser to renew existing licenses, consents, registrations and permits;
- b) That the property is offered with vacant possession throughout, although in the case of nursing and residential care homes, subject to the contractual rights of the patients/residents occupying the home from time to time;
- c) That trade fixtures, fittings, furniture, furnishings and equipment are included.

Our valuations also specifically assume, unless otherwise specified that the business will continue to operate at a level not significantly worse than that indicated to us.

### Existing Use Value

The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

### Market Rent

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

### Insurance

Insurance is usually arranged by clients (or their brokers) based on reinstatement cost assessments or occasionally on an indemnity basis and other methods of valuation are not appropriate.

### Reinstatement Cost Assessment

A Reinstatement cost assessment is our opinion of the likely cost of reinstating all the buildings, normally for insurance purposes, on the basis that:-

- a) the accommodation provided will be similar in construction, design and area to the existing buildings;
- b) the works will be in compliance with conditions imposed by local Authorities in connection with the construction of the building;
- c) unless reported separately, allowances are made to cover the cost of necessary demolition and site clearance prior to rebuilding, external works such as hardstandings, private roadways and fences and professional fees which would normally be incurred.

Unless otherwise stated, the reinstatement cost does not include any allowance for:-

- a) any loss of rent incurred during rebuilding;
- b) planning restrictions which a planning authority might impose;
- c) special foundations required for plant and machinery or due to adverse ground conditions;
- d) any plant, machinery, equipment, tanks, loose tools, office furniture and equipment (refer to the heading "Plant, Machinery, Fixtures and Fittings" for details of items normally included);
- e) any effect of inflation on building costs occurring after the valuation date;
- f) VAT (except on professional fees) which will normally be payable in addition.

Note - A reinstatement cost assessment is not a valuation. The valuer's assessment of the reinstatement cost assessment should be regarded as an informal estimate and should not be used to arrange insurance cover.

### Apportionment of Values

Apportionments provided between buildings, land and plant and machinery are normally for depreciation purposes only. In normal circumstances apportionments are not valuations and they should not be used for any other purpose unless specified in our report.

# Definitions and Reservations for Valuations

## Future Useful Economic Life

Future useful economic life of buildings is normally assessed in bands of years, most frequently subject to a maximum of fifty years. This applies to freehold properties and to leasehold properties where the future life is less than the unexpired term of the lease. An average figure is usually provided for groups of buildings forming a single asset. The figures are appropriate for depreciation purposes only.

## Compliance with Valuation Standards

Where applicable our valuations are in accordance with the RICS Valuation – Global Standards effective from 31 January 2022, published by the Royal Institution of Chartered Surveyors ("RICS"), the Insurance Companies (Valuation of Assets) Regulations 1981, the Financial Conduct Authority (FCA) "Listing Rules" ("Source Book") and "City Code on Takeovers and Mergers" ("Blue Book") as amended and revised from time to time. A copy is available for inspection.

## RICS Investigations

The valuation may be investigated by the RICS for the purposes of the administration of the Institutions conduct and disciplinary regulations. Guidance on the operation of the RICS monitoring scheme including matters relating to confidentiality is available from [www.rics.org](http://www.rics.org).

## Total Valuation

Where provided this is the aggregate of the value of each individual property. It is envisaged that properties would be marketed singly or in groups over an appropriate period of time. If all properties were to be sold as a single lot, the realisation would not necessarily be the same as the total of the valuations. This assumption is not applicable to valuations made for taxation purposes.

## Legal Issues

Any interpretation of leases and other legal documents and legal assumptions is given in our capacity as Property Consultants (including Chartered Surveyors and Chartered Town Planners) and must be verified by a suitability qualified lawyer if it is to be relied upon. No responsibility or liability is accepted for the true interpretation of the legal position of the client or other parties.

## Date, Market Conditions and Validity of Valuation

Valuations may be relied upon for the stated purpose as at the date specified. In normal market conditions the value may not change materially in the short term. However the property market is constantly changing and is susceptible to many external facets which can affect business confidence. If any reliance is to be placed on the valuation following any changes which could affect business confidence, then further consultation is strongly recommended. In any event, the valuation should not be considered valid after a period of three months.

## Valuations and Reports

Valuations and Reports are only for the use of the party to whom they are addressed. They may be disclosed only to other professional advisors assisting in respect of that purpose. No responsibility is accepted to any third party for the whole or any part of the contents.

Reports should be considered in their entirety and should only be used within the context of the instructions under which they are prepared.

Neither the whole nor any part of a valuation, report or other document or any reference thereto may be included in any published article, document, circular or statement or published in any way without prior written approval of Avison Young of the form and context in which it may appear.

## Warranties

The client warrants and represents that, to the best of its knowledge, information and belief, the information supplied by and on its behalf to Avison Young is true and accurate and that it will advise and instruct its third party advisers to advise Avison Young in the event that it and/they receive notice that any such information is either misleading or inaccurate.

# Contact Details

## Enquiries

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