

**THE LONDON BOROUGH OF HARINGEY (HIGH ROAD WEST  
PHASE A) COMPULSORY PURCHASE ORDER 2023**

**(REF APP/PCU/CPOP/Y5420/3316757)**

**PUBLIC INQUIRY 7-10, 14-17 AND 21-22 NOVEMBER 2023**

**JOINT STATEMENT**

**PASCAL LEVINE MRICS &**

**COLIN COTTAGE BSc.(Hons) MRICS**

**SCHEME VIABILITY**

## AGREED APPRAISAL INPUTS

1. Since the commencement of the London Borough of Haringey (High Road West Phase A) Compulsory Purchase Order 2023 Public Inquiry, Pascal Levine MRICS and Colin Cottage BSc (Hons) MRICS ('the Viability Witnesses') have been working together in an attempt to agree the appropriate inputs into a current viability appraisal for the CPO Scheme.
2. As set out in the Appraisal Agreement, attached at Appendix A, the Viability Witnesses' discussions have now resulted in an agreement on all matters, save for the date at which an assumption of sales value growth should be applied, and the inflation rate to be applied to building construction costs.
3. The differing positions held by the Viability Witnesses on these issues are:
  - i) Sales Value Growth – Mr Levine adopts an annualised private residential value growth rate of 5.25% from the outset of the assumed development period, while Mr Cottage assumes growth of 5.25% from January 2025, as he considers there will be no material value growth during 2024.
  - ii) Build Cost Inflation – Mr Levine adopts an annualised construction inflation rate of 3% from the outset of the development period, while Mr Cottage adopts 3.25%.
4. Also attached to this Joint Statement, at Appendix B, is Mr Levine's revised appraisal adopting the agreed appraisal inputs and his sales value growth and build cost Inflation assumptions, producing an IRR of 10.43%.
5. It is agreed that if Mr Cottage had been able to replicate the distribution of the land costs and cashflows as per Mr Levine's appraisal then, adopting Mr Levine's sales value growth and build cost inflation assumptions, he would derive the same IRR. However, adopting Mr Cottage's sales value growth and build cost inflation assumptions would reduce the IRR.



**Pascal Levine MRICS**  
**13 November 2023**



**Colin Cottage BSc.(Hons) MRICS**  
**13 November 2023**

Input	Assumption	Comments	Updated Position 13/11/23
<b>Revenue</b>			
Unit Numbers	Phase A - 1,488 Phase B - 1,125	The updated appraisal is modelled upon the illustrative masterplan which contains 2,613 units across the masterplan, with 1,488 within Phase A and 1,125 in Phase B.	Agreed
Residential - For-sale	Base Value £730 per sq ft with <b>5.25% growth premium per annum</b>	Growth of 5.25% per annum applied to a base sales value of £730 per sq ft. evidence to inform the sales values assumptions included at Appendix 4. Comparable evidence used to inform the growth assumptions provided within Appendix 7 and 8. The units have been cashflowed as 50% units sold off plan and 50% post practical completion.	Agreed. But CC considers growth assumption to commence from January 2025
Social Rent	Replacement units: £64,000 per unit  Additional social rent: £165,000 (index linked)	DS2 have been provided with the figures within the Development Agreement for the replacement social rented homes and the price agreed with the Council for the purchase of the additional social rent units. To note, £165,000 of the agreed price for the additional social rent homes are index linked to BCIS from December 2021 to midpoint of construction. This has been applied within the appraisal. The social rent revenue has been cashflowed in line with 'Golden Brick' payments, with 20% of revenue received at start on site and the remaining revenue cashflowed quarterly across the construction period.	Agreed
Shared ownership	£380 per sq ft	In accordance with the S106 Heads of Terms the 1 and 2 bedrooms units will be affordable at gross household incomes of £40,000 per annum and larger units up to £60,000 for 6 months prior to and up to 3 months prior to completion of each block. After 3 months of marketing all units are then subject to £60,000 income caps. At practical completion the GLA cap of £90,000 income applies. The Shared Ownership units must be affordable to households such that housing costs, including mortgage costs, rent charged and service charges, must represent less than 40% of a household's net income, where net household income is 70% of gross household income. A rate of £380 psf reflects these assumptions.  The shared ownership revenue has been cashflowed in line with 'Golden Brick' payments, with 20% of revenue received at start on site and the remaining revenue cashflowed quarterly across the construction period.	Agreed
Shared equity	£190,000 per unit	The Landlord Offer ensures that all existing resident leaseholders will be offered a shared equity unit, this is reflected in the Development Agreement. The number of existing leaseholders who will take up this offer is still unknown but it is estimated to be circa 46 units. This has been reflected in the shared ownership units in block B with 46 of the proposed units valued at £190,000 per unit and the remainder valued as shared ownership.  These have been cashflowed in line with 'Golden Brick' payments (as per shared ownership above).	Agreed
Office	£27.50 per sq ft rent with 5% yield	Based upon comparable evidence (included at Appendix 5) valued as £27.50 per sq ft rent, capitalised at 5% yield. With a 15 month rent free period, no letting void.	Agreed
Retail	£25 per sq ft rent with 6.75% yield	Based upon comparable evidence (included at Appendix 5) valued at £25 per sq ft rent capitalised at 6.75% yield. With an 18 month rent free period, no letting void.	Agreed
Sports Facilities	£16.50 per sq ft rent with 7% yield	Based upon comparable evidence (included at Appendix 5) valued at £16.50 per sq ft rent and capitalised at a 7% yield. 18 month rent free and no letting void	Agreed
Mayor's Land Fund Grant		£21,200,000 2x tranches. Tranche 1 – Project Start (£10,000,000). Tranche 2 – Jan 24 (£11,200,000).	Agreed
Affordable Grant Funding		£70,312,000 2 x tranches. Tranche 1 – Project Start (£51,936,000). Tranche 2 – Dec 28 (£18,064,000)	Agreed
<b>Development costs</b>			
Construction costs (includes 5% contingency allowance)	£815,730,149	We have been provided with an indexation exercise undertaken by Rider Levett Bucknall (RLB). This has examined cost inflation from September 2021 using BCIS All in TPI and the average of Cost Consultants TPI, applying these to the costs agreed as part of the planning viability exercise. DS2 have taken an average of the values provided by this exercise. The indexing exercise is attached at Appendix 6. This reflects a build cost of £466,594,473 for Phase A and £349,135,676 for Phase B.	Agreed.

		Cost inflation has been applied at a rate of 3% per annum as informed by RLB Tender Price Forecast Q3 2023.	CC considers that 3.25% is appropriate.
Infrastructure costs	£84,820,891	Similar to the construction costs, RLB has applied the indexing exercise to the infrastructure costs which were agreed as part of the planning viability exercise. DS2 have taken an average of the indexed costs once BCIS and Cost Consultants TPI has been applied. This reflects an infrastructure cost of £43,111,859 for Phase A and £41,709,032 for Phase B. Cost inflation has been applied at a rate of 3% per annum	CC agrees with the indexing exercise that has been undertaken, but considers that cost inflation should be applied at 3.25%
S106	£1,732,001	As provided by Lendlease reflecting the agreed S106. This reflects a payment of £1,020,001 for Phase A and £712,000 for Phase B.	Agreed.
Carbon offset	£751,741	This reflects a carbon offset payment for Phase A of £428,087 and for Phase B of £323,655. These have been included in the appraisal on a per block basis.	Agreed.
LBH & Mayoral CIL (Phase A)	£5,192,324.00	Modelled pro rata in the appraisal in correspondence with the market sale homes and cash flowed in line with LBH CIL Payment Schedule. Provided by DP9 April 2023.	Agreed.
LBH & Mayoral CIL (North Site)	£4,603,652.00	Modelled pro rata in the appraisal in correspondence with the market sale homes and cash flowed in line with LBH CIL Payment Schedule.	Agreed.
Purchasers Costs	6.80%	Reasonable assumption	Agreed.
Professional fees	10% of construction costs	Reasonable assumption	Agreed.
Residential Marketing	1.5% of residential GDV	Reasonable assumption	Agreed.
Commercial letting & legal fee	15% of rent	Reasonable assumption	Agreed.
Commercial Sales agent fees	1% of GDV	Reasonable assumption	Agreed.
Commercial Sales legal fees	0.5% of GDV	Reasonable assumption	Agreed.
Residential Sales Agent Fee	1.5% of GDV	Reasonable assumption	Agreed.
Residential Sales Legal fee	£800 per unit (private units) 0.5% of GDV (Shared ownership units)	Reasonable assumption	Agreed.
<b>Land value</b>			
Phase A	£47,547,403	As per the PCE Schedule. Includes all acquisition costs, compensation, disturbance, SDLT, transaction costs etc.	Agreed.
Phase B	£41,295,311	As per DS2's EUV valuation agreed as part of the original FVA submission.	
Homeless & Compensation Costs (Phase B only)	£3,657,275	As per DS2's assumption as part of the original FVA submission.	Agreed.
CPO Promotion Costs (Phase A)	£1,000,000		Agreed.

High Road West  
The Consented Scheme Appraisal  
For CPO

Development Appraisal  
Licensed Copy  
13 November 2023

**High Road West  
The Consented Scheme Appraisal  
For CPO**

**Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9 10 11**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Sales Rate ft <sup>2</sup>	Unit Price	Gross Sales	Adjustment	Net Sales
Phase 1 - Block A1 - Social Rent	32	22,292	91.87	64,000	2,048,000	0	2,048,000
Phase 1 - Block A2 - Social Rent	16	13,584	75.38	64,000	1,024,000	0	1,024,000
Phase 1 - Block A3 - Social Rent	13	11,184	74.39	64,000	832,000	0	832,000
‡ Phase 3 - Block D - Market Sale	380	244,308	730.00	469,329	178,344,840	96,733,926	275,078,766
‡ Phase 3 - Block G - Market Sale	30	26,156	730.00	636,463	19,093,880	9,136,096	28,229,976
‡ Phase 4 - Block F - Market Sale	450	303,919	730.00	493,024	221,860,870	152,743,598	374,604,468
Phase 2 - Block B - Social Rent	276	202,146	222.49	162,957	44,976,000	0	44,976,000
Phase 2 - Block B - Shared Ownership	74	49,880	319.00	215,026	15,911,948	0	15,911,948
Phase 2 - Block C - Social Rent	165	135,195	247.69	202,950	33,486,750	0	33,486,750
‡ Phase 3 - Block C2 - Market Sale	<u>52</u>	<u>35,101</u>	730.00	492,764	<u>25,623,730</u>	<u>9,795,958</u>	<u>35,419,688</u>
<b>Totals</b>	<b>1,488</b>	<b>1,043,765</b>			<b>543,202,018</b>	<b>268,409,578</b>	<b>811,611,596</b>

**Rental Area Summary**

	Units	ft <sup>2</sup>	Rent Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase 3 - Block D - Retail	1	3,850	25.00	96,250	96,250	96,250
Phase 3 - Block D - Sports Facilities	1	1,981	16.50	32,687	32,687	32,687
Phase 3 - Block G - Retail	1	3,010	25.00	75,250	75,250	75,250
Phase 4 - Block F - Retail	1	4,912	25.00	122,800	122,800	122,800
Phase 4 - Block F - Office	1	547	27.50	15,043	15,043	15,043
Phase 4 - Block F - Sport Facilities	1	5,546	16.50	91,509	91,509	91,509
Phase 2 - Block C - Retail	1	998	25.00	24,950	24,950	24,950
Phase 2 - Block C - Sports Facilities	1	3,866	16.50	63,789	63,789	63,789
Phase 2 - Block E - Retail	1	17,836	25.00	445,900	445,900	445,900
Phase 2 - Block E - Education	1	13,143		0	0	
Phase 3 - Block C2 - Retail	1	1,259	25.00	31,475	31,475	31,475
Phase 3 - Block C2 - Sports Facilities	<u>1</u>	<u>3,169</u>	16.50	52,289	<u>52,289</u>	<u>52,289</u>
<b>Totals</b>	<b>12</b>	<b>60,117</b>			<b>1,051,941</b>	<b>1,051,941</b>

**Investment Valuation**

<b>Phase 3 - Block D - Retail</b>				
Market Rent	96,250	YP @	6.7500%	14.8148

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(1yr 6mths Rent Free)		PV 1yr 6mths @	6.7500%	0.9067	1,292,841
<b>Phase 3 - Block D - Sports Facilities</b>					
Market Rent	32,687	YP @	7.0000%	14.2857	
(1yr 6mths Rent Free)		PV 1yr 6mths @	7.0000%	0.9035	421,886
<b>Phase 3 - Block G - Retail</b>					
Market Rent	75,250	YP @	6.7500%	14.8148	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.7500%	0.9067	1,010,767
<b>Phase 4 - Block F - Retail</b>					
Market Rent	122,800	YP @	6.7500%	14.8148	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.7500%	0.9067	1,649,464
<b>Phase 4 - Block F - Office</b>					
Market Rent	15,043	YP @	5.0000%	20.0000	
(1yr 3mths Rent Free)		PV 1yr 3mths @	5.0000%	0.9408	283,050
<b>Phase 4 - Block F - Sport Facilities</b>					
Market Rent	91,509	YP @	7.0000%	14.2857	
(1yr 6mths Rent Free)		PV 1yr 6mths @	7.0000%	0.9035	1,181,109
<b>Phase 2 - Block C - Retail</b>					
Market Rent	24,950	YP @	6.7500%	14.8148	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.7500%	0.9067	335,131
<b>Phase 2 - Block C - Sports Facilities</b>					
Market Rent	63,789	YP @	7.0000%	14.2857	
(1yr 6mths Rent Free)		PV 1yr 6mths @	7.0000%	0.9035	823,326
<b>Phase 2 - Block E - Retail</b>					
Market Rent	445,900	YP @	6.7500%	14.8148	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.7500%	0.9067	5,989,380
<b>Phase 3 - Block C2 - Retail</b>					
Market Rent	31,475	YP @	6.7500%	14.8148	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.7500%	0.9067	422,776

**Phase 3 - Block C2 - Sports Facilities**

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Market Rent	52,289	YP @	7.0000%	14.2857	
(1yr 6mths Rent Free)		PV 1yr 6mths @	7.0000%	0.9035	674,889

**Total Investment Valuation** **14,084,619**

**GROSS DEVELOPMENT VALUE** **825,696,215**

Purchaser's Costs	6.80%	(116,601)	
Purchaser's Costs	6.80%	(68,732)	
Purchaser's Costs	6.80%	(211,726)	
Purchaser's Costs	6.80%	(78,775)	
Purchaser's Costs	6.80%	(407,278)	
Purchaser's Costs	6.80%	(74,641)	
Effective Purchaser's Costs Rate	6.80%		(957,754)

**NET DEVELOPMENT VALUE** **824,738,461**

**Additional Revenue**

Grant Funding	51,936,000	
Mayor's Land Fund Grant	10,000,000	
Mayor's Land Fund Grant	11,200,000	
Grant Funding	18,376,000	91,512,000

**NET REALISATION** **916,250,461**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	725,000	
Fixed Price	15,635,296	
Fixed Price	4,076,903	
Fixed Price	2,419,217	
Fixed Price	24,690,989	
Total Acquisition	47,547,405	47,547,405
Agent Fee	1.00%	475,474
Legal Fee	0.80%	380,379

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855,853

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>ft<sup>2</sup></b>	<b>Build Rate ft<sup>2</sup></b>	<b>Cost</b>
‡ Phase 1 - Block A1 - Construction	29,336	393.73	12,109,687
‡ Phase 1 - Block A2 & A3 - Construction	32,593	342.76	11,712,587
‡ Phase 3 - Block D - Construction	334,557	359.02	150,020,264
‡ Phase 3 - Block G - Construction	38,100	252.08	11,590,626
‡ Phase 4 - Block F - Construction	413,712	317.22	173,217,295
‡ Phase 2 - Block B - Construction	331,666	314.92	117,444,166
‡ Phase 2 - Block C - Construction	183,996	290.14	59,018,419
‡ Phase 3 - Block E - Construction	38,720	262.18	12,122,532
‡ Phase 3 - Block C2 - Construction	<u>51,729</u>	288.68	<u>17,325,136</u>
<b>Totals</b>	<b>1,454,409 ft<sup>2</sup></b>		<b>564,560,712</b>
S106 (Est.)			1,020,001
Carbon Offset (Est.)			428,087
CIL (Borough & MCIL Est.)			5,192,324

571,201,124

**Other Construction Costs**

Phase 3 Infrastructure Costs			6,639,578
Phase 3 Infrastructure Costs			1,975,309
Phase 1 Infrastructure Costs			2,674,640
Phase 4 Infrastructure Costs			12,371,258
Phase 2 Infrastructure Costs			12,659,343
Phase 2 Infrastructure Costs			10,109,242
Phase 2 Infrastructure Costs			4,579,646

51,009,014

**PROFESSIONAL FEES**

Professional Fees	10.00%	61,556,973
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61,556,973

**MARKETING & LETTING**

Resi Marketing	1.50%	10,699,993
Commercial Letting Agent Fee	10.00%	105,194
Commercial Letting Legal Fee	5.00%	52,597

10,857,785

**DISPOSAL FEES**

Commercial Sale Agent	1.00%	131,269
Resi Sale Agent	1.50%	10,699,993

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Commercial Sale Legal		0.50%	65,634	
Resi Sale Legal	912 un	800.00 /un	729,600	
Shared Ownership Sales Legal Fee		0.50%	79,560	
				11,706,056

**MISCELLANEOUS FEES**

CPO Promotion Costs			1,000,000	1,000,000
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**TOTAL COSTS**

**755,734,210**

**PROFIT**

**160,516,251**

**Performance Measures**

Profit on Cost%	21.24%
Profit on GDV%	19.44%
Profit on NDV%	19.46%
Development Yield% (on Rent)	0.14%
Equivalent Yield% (Nominal)	6.77%
Equivalent Yield% (True)	7.07%
 IRR% (without Interest)	 10.43%

‡ Inflation/Growth applied

**Growth on Sales**

		<b>Ungrown</b>	<b>Growth</b>	<b>Total</b>
Phase 3 - Block D - Market Sale	Growth Set 1 at 5.250%	178,344,840	96,733,926	275,078,766
Phase 3 - Block G - Market Sale	Growth Set 1 at 5.250%	19,093,880	9,136,096	28,229,976
Phase 4 - Block F - Market Sale	Growth Set 1 at 5.250%	221,860,870	152,743,598	374,604,468
Phase 3 - Block C2 - Market Sale	Growth Set 1 at 5.250%	25,623,730	9,795,958	35,419,688

**Inflation on Construction Costs**

		<b>Uninflated</b>	<b>Inflation</b>	<b>Total</b>
Phase 1 - Block A1 - Construction	Inflation Set 1 at 3.000%	11,550,415	559,272	12,109,687
Phase 1 - Block A2 & A3 - Construction	Inflation Set 1 at 3.000%	11,171,655	540,932	11,712,587
Phase 3 - Block D - Construction	Inflation Set 1 at 3.000%	120,112,207	29,908,057	150,020,264
Phase 3 - Block G - Construction	Inflation Set 1 at 3.000%	9,604,417	1,986,209	11,590,626
Phase 4 - Block F - Construction	Inflation Set 1 at 3.000%	131,237,617	41,979,678	173,217,295

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Phase 2 - Block B - Construction	Inflation Set 1 at 3.000%	104,447,776	12,996,390	117,444,166
Phase 2 - Block C - Construction	Inflation Set 1 at 3.000%	53,385,277	5,633,142	59,018,419
Phase 3 - Block E - Construction	Inflation Set 1 at 3.000%	10,151,765	1,970,767	12,122,532
Phase 3 - Block C2 - Construction	Inflation Set 1 at 3.000%	14,933,344	2,391,792	17,325,136