

The Aylesham Centre, Peckham, SE15 5EW

Independent Viability Review

Prepared on behalf of Southwark Council

22nd October 2024 (revised)

Planning Reference: 24/AP/2074



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1.0 Introduction

- 1.1 BPS Chartered Surveyors have been instructed by Southwark Council ('the Council') to undertake a review of a Financial Viability Assessment ('FVA') prepared by Berkeley Homes South East London ('the Applicant') in connection with a planning application for the redevelopment of the above site.
- 1.2 The site currently comprises 20 retail units and a Morrisons supermarket, a car park (353 spaces) and petrol filling station to the east.
- 1.3 The location is predominantly mixed in character, including residential and retail units. A small section of the site is located within the conservation area. The buildings are not listed.
- 1.4 The application site comprises a total area of 6.74 acres (2.71 ha) and boundaries are outlined in red on the map below reproduced from the FVA:



- 1.5 BPS was instructed to review an FVA associated with a previous pre-application scheme by the current applicant on the subject site. We issued our report on the 25th of September 2023 and concluded that the scheme would generate a deficit of c. - £32m and, therefore, the previous affordable housing offer of 33% (both on a per unit and per habitable room basis) was the maximum reasonable contribution. We understand the current Application was submitted on the 3rd of September 2024.
- 1.6 The current proposals are for:

'Demolition of existing buildings and phased redevelopment to provide a replacement supermarket and associated service yard and car parking (Use Class E(a)), flexible retail,

leisure (including drinking establishment), and commercial accommodation (Use Class E/Sui Generis), dwellings (Use Class C3), landscaping and associated works

Additional information to describe the proposals:

New buildings ranging from 4 to 20-storeys in height (max. 78.4m AOD)

877 new homes

17,251.2sqm of commercial floorspace as follows:

Supermarket (Use Class E(a)) 5,994.5sqm (GIA)

Supermarket Car Park (Use Class E(a)) 4,731.3sqm (GIA)

Workspace (Use Class E(g)) 2,725.3sqm (GIA)

Flexible Retail, Leisure, Commercial (Use Class E(a-g) and Drinking Establishment (Sui Generis) 3,800.1sqm (GIA)

This application is accompanied by an Environmental Statement (ES) submitted pursuant to the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 (as amended). Electronic copies of the Environmental Statement and Non-Technical Summary are available free of charge and can be provided via a downloadable file provided by email. Printed copies of the Environmental Statement (Volumes 1, 2 and 3) and Non-Technical Summary would incur a printing and postage charge. For further details please contact hello@triumenv.co.uk with reference in email header of Environmental Statement Request Aylesham Centre or Telephone 0203 887 7118. Status Under consideration/assessment'

- 1.7 The basis of our review is the Financial Viability Assessment prepared by the Applicant, dated July 2024, which concludes that the scheme currently shows a deficit of approximately **-£141.7m**, and therefore no additional affordable housing can viably be offered. The FVA demonstrates that the scheme generates a material net loss of **-£57.8m** and nil profit. The Applicant states that their proposal includes 35% affordable homes, with 25% Social Rent and 10% Intermediate (by habitable room).
- 1.8 We have downloaded documents available on the Council's planning website.
- 1.9 We have received a live version of the Argus appraisal included in the report.
- 1.10 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make any affordable housing contributions.

1.11 We have searched the Council's planning website and have identified the following planning applications relating to the site.

- 22/AP/3758 (Dated October 2022)- *"Removal of existing advertising unit and installation of an internally illuminated freestanding double-sided digital advertisement unit."* Status: Granted
- 22/AP/0931 (Dated March 2022)- *"Erection of a 'WeBuyAnyCar' pod in car park area."*, Status: Granted
- 22/AP/1051 (Dated March 2022)- *"Advertisement consent for 4x fascia signs and 4x hoardings displayed on the 'WeBuyAnyCar' pod in car park area."*, Status: Granted
- 21/AP/4619 (December 2021)- *"Temporary change of use for a period of two years from retail (Class E(a)) to a Consultation Hub (Sui Generis)."*, Status: Granted
- 20/AP/3167 (October 2020)- *"Advertising Consent for Replacement of existing signage for display of 4no sets of letters, 1no totem, 1no canopy, 1no kiosk sign and 1no car wash sign."*, Status: Granted
- 20/AP/3152 (October 2020)- *"Installation of a new double glazed shopfront."*, Status: Granted
- 20/AP/0749 (March 2020)- *"Scoping opinion request for 'Demolition of existing shopping centre building and bus standing area and construction of approximately 7 new buildings up to circa 20 storeys plus basements across the site, approximately 850 - 1,000 new residential dwellings in 85,000sqm of residential floorspace, approximately 12,000sqm of non-residential flexible floorspace including a replacement Morrisons supermarket, public and private amenity spaces, pedestrian and vehicular routes, replacement and expanded bus stand with associated bus driver/operator welfare facilities, replacement bus stops and partial replacement of existing retail car parking at basement level"*, Status: Decided

1.12 We understand the proposed scheme would be delivered in two phases described as follows:

- **Phase 1** – *Includes the construction of the new Morrisons store to the east of the site; 145 car parking spaces located within a basement (140 Morrisons spaces and 5 residential blue badge spaces) and 392 homes, the majority of which are located above podium.*
- **Phase 2** – *Demolition and redevelopment of the existing Morrisons and Aylesham shopping centre to provide a mixture of flexible retail, leisure and commercial accommodation as well as 485 homes.*

1.13 We understand from the FVA that the subject site is owned by the Applicant, except for the existing petrol filling station which is owned by Morrisons. We understand from the FVA that the Applicant has entered a contract to purchase this part of the site subject to planning. The

blue line (shown on site plan above) delineates the extended ownership. A Land Registry search shows that the applicant purchased the site for £44.65m in June 2021.

- 1.14 The advice set out in this report is provided in the context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2022, the provisions of VPS1–5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation. The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the Council and with any associated Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Council.
- 1.15 This Viability Review adheres to the RICS Professional Statement on Financial Viability in Planning (published May 2019). In accordance with this Statement, we refer you to our standard terms and conditions which incorporate details of our Quality Standards Control & Statement on Limitation of Liability/ Publication.

2.0 Summary Table

2.1 Our analysis presents the following outturn financial position for the project:

Input	Berkeley Homes	BPS	Comments
Income			
Open Market Sales	£369,085,800 (£9,144psm/£850psf)	£369,085,800 (£9,144psm/£850psf)	Agreed
Shared Ownership	£32,816,300 (£5,920psm/£550psf)	£34,245,355 (£5,986psm/£556psf)	Disagreed
Social Rent	£32,408,652 (£2,282psm/£212psf)	£39,670,000 (£2,828psm/£263psf)	Disagreed
Commercial	£40,814,256 (£3,739/£347psf)	£52,776,676 (£4,834psm/449psf)	Disagreed
Expenditure			
EUV	£25,200,000	Inconclusive	Agreed
Landowner Premium	30%	10%	Disagreed
Benchmark Land Value	£36,335,000	Inconclusive	Disagreed
Construction Costs (exc. contingency)	£328,020,694	£328,020,694	Agreed
Contingency	5%	5%	Agreed
Third Party Costs	£5,307,500	£nil	Ambiguous – Further evidence required
Tenants Compensation & Legals	£4,187,298	£nil	Ambiguous – Further evidence required
Post Completion maintenance & service charge voids	£1,821,000	£1,821,000	Agreed
Professional Fees	10%	10%	Agreed
OMS Marketing & Agent Fees	4.7%	3%	Disagreed
Commercial Sales Agent, Marketing & Legal fees	4%	1.5%	Disagreed
Letting Agent Fee	10% (£350,923)	10%	Ambiguous – Figures included in the Applicants do not equate to 10% of the market rent. Clarification required.
Letting Legal Fees	5% (£176,337)	5%	Ambiguous – Figures included in the Applicants do not equate to 5% of the market rent. Clarification required.
Affordable Sales legal fee	0.50%	0.50%	Agreed
CIL	£9,910,543	£8,949,919	Disagreed – Figures revised as per the Council's instructions.

S106 charges (Carbon Offset)	£880,000	£880,000	Ambiguous - We require confirmation from the Council on this input.
Finance	8%	7%	Disagreed
Profit: OMS Affordable Housing Commercial Supermarket	20% 6% 15% 15%	20% 6% 15% 10%	Disagreed
Development Timeframes			
Pre-construction Period	6-months (phase 1) 3- months (phase 2)	6-months (phase 1) 3- months (phase 2)	Agreed
Construction Period	100-months (8.3 years)	100-months (8.3 years)	Ambiguous – Development programme required
Sales Rate	6 units pcm	6 units pcm	Agreed
Viability Position	-£141.7m	Inconclusive	
Actual Profit/ Loss	-£57.8m (-12.17% on GDV)	Inconclusive	

3.0 FVA Checklist

- 3.1 On the 26th of September 2024 we sent The Applicant a request to provide the following information to assist with our review of the FVA. The table below summarises the documentation received at the date of this submission.

Existing Site	
Land ownership plan	Downloaded.
Measurements of the Existing Site / Buildings	Partially provided (marginally differ from the previous submission)
Floor plans	Partially provided (Site plan provided)
Detailed Description of the existing site	Received.
A schedule of condition	Not provided.
External Photographs of the Existing Site / Buildings	Not provided.
Internal Photographs of the Existing Site / Buildings	Not provided.
Copies of the existing or recent leases	Partially provided (tenancy schedule provided).
Current Tenancy Schedule	Not provided.
Recent transactional evidence to support their BLV assumptions	Received
Modelling used to generate values (Residential/ Commercial)	Received
Copy of the live BLV Appraisal	Not provided.
Proposed Development	
Application plans	Downloaded.
Accommodation schedule	Received.
Measurements for the proposed scheme (GIA/ NIA)	Received.
Design and Access statement	Downloaded.
Planning Statement	Downloaded.
Detailed design specification	Received.
Recent transactional evidence to support their GDV assumptions	Received.
Modelling used to generate values (Affordable Housing)	Not provided.
Modelling used to generate values (Commercial)	Not provided.
Construction	
A detailed cost plan	Received.
Development programme	Not provided.
Evidence of post-completion maintenance & service charge voids	Not provided.

Appraisals	
Copy of the live Argus appraisal	Received.

4.0 Conclusions And Recommendations

- 4.1 We have reviewed the Financial Viability Assessment prepared by Berkeley Homes on behalf of the applicant, which concludes that the proposed scheme generates a residual loss of **-£57.8m**, which is approximately **-£141.7m** below their benchmark profit of **+£83.8m**. On this basis, the scheme cannot provide any additional affordable housing contribution.
- 4.2 We note that if the Applicant were to continue on this basis, then the scheme would generate an actual financial loss. We, therefore, question how the scheme is deliverable and what is the commercial logic behind proceeding with the scheme that generates a negative financial outcome of such a large scale.

Benchmark Land Value

- 4.3 The Applicant has approached the Benchmark Land Value on an Existing Use Value (EUV) basis. They suggest that the supermarket unit is currently under rented and valued the BLV using the Hardcore and Slice method.
- 4.4 We have reviewed the Applicant's investment valuation and included our comments in Section 7 of this report. We have reviewed the estimated open market rental values and yields. However, as we have not been provided with the current tenancy schedule and an appropriate running cost assessment, we are not able to conclude whether or not EUV adopted by the Applicant is appropriate. Clarification of the operating costs was also requested in paragraph 5.22 of our pre-application review.
- 4.5 We are of the opinion that the Landowner's Premium of 30% adopted by the Applicant to be likely overstated, and provisionally consider 10% to be more appropriate for the subject site. Our reasoning is also outlined in Section 7.
- 4.6 Overall, we consider Benchmark Land Value to be inconclusive at this stage and pending further information to conclude the EUV.

Development Value

- 4.7 The scheme includes 877 residential units (inc. 607 private and 270 affordable) and 11,576 sqm (124,641 sq ft) GIA commercial accommodation.

Private Residential

We have reviewed the information provided by the Applicant in support of their Open Market Sales values and we have also undertaken our own research into recent transactions in the

local area. We are of the view that the values proposed are broadly in line with current market expectations.

Affordable Housing

- 4.8 We have reviewed the information provided by the Applicant in support of affordable housing values and we have also used our in-house model to test the reasonableness of their adopted values. We are of the view that the values proposed are below our expectations. We are aware that there is currently limited Registered Provider (RP) interest in acquiring S106 generated affordable housing, in many instances across London. This generates a degree of uncertainty concerning the potential value of this element and we consider actual RP offers should inform this part of the assessment. We have suggested some changes to the values proposed by the Applicant, which are outlined in Section 7 of this report. Overall, our suggested revisions result in an increase of approximately £18m (13%) on the scheme's GDV. However, we reserve the right to alter our opinion upon receiving evidence from offers/ contracts from the RPs.

Commercial Values

- 4.9 We have reviewed the information provided by the Applicant in support of their commercial values and we have also undertaken our own research into recent transactions in the local area. We are of the view that the values proposed values are below our expectations. We have outlined our reasoning in Section 7 of this report. The results of our assessment reflects an increase of c. £12m (29%) on the commercial GDV.

Ground rents

- 4.10 The Leasehold Reform (Ground Rent) Act 2022 is now in full force. We therefore consider the omission of capitalised ground rents as being a reasonable assumption.

Development Costs

- 4.11 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Fulkers Bailey Russell, dated 9th July 2024, and concludes that:

“Our benchmarking of Phase 1 results in an adjusted benchmark of £2,954/m² that compares to the Applicant’s £2,944/m². We therefore consider the Applicant’s costs to be reasonable.”

“Our benchmarking of Phase 2 results in an adjusted benchmark of £3,227/m² that compares to the Applicant’s £3,122/m². We therefore consider the Applicant’s costs to be reasonable.”

- 4.12 We have reviewed the other costs outlined within the FVA and consider further evidence should be provided to support c.£9m of additional costs adopted.

Recommendations

- 4.13 We have been provided with a live version of the Argus appraisal included in Applicant's report to which we have applied our amendments. These amendments are outlined in the table included at Section 2 and our revised appraisal is at Appendix 3.
- 4.14 We were unable to conclude our deficit position due to the absence of information related to the Benchmark Land Value assessment. We have, however, modelled a scenario which assumes the Applicant's EUV of £25.2m and our Landowner's Premium of 10% in order to provide a provisional viability position figure. After these changes we identify a reduced scheme deficit of **-£72.5m** on a current day basis. We have not considered the implications of growth modelling at this stage though we have undertaken sensitivity analysis. In light of our assessment we consider that the scheme would not be able to viably contribute towards or provide additional affordable housing. Even allowing that we conclude a reduced scale of deficit, there must be considerable concerns about the deliverability of this scheme or that it will be delayed in terms of its delivery pending wider improvements in the market.
- 4.15 We note that should the site have been brought forward based on the figures included in the Applicant's report, the scheme would have generated an actual loss of **-£58m**. We consider it illogical to assume that any scheme would have been brought forward with such a substantial level of loss, not only due to the potential lack of interest from the lenders, but also from such a concept being illogical from the commercial perspective. Given the substantial level of loss reported, we assume the Applicant is hoping for an improvement in the market conditions, which would enable the scheme to come forward. This conclusion signals that assumptions about the value premium and growth potential of this scheme is highly relevant to any assessment of viability, especially in the context of the lengthy overall development programme.
- 4.16 Given that our provisional findings (which assumed the Applicant's EUV) result in the estimated net profit of **+£26.5m**, we consider it to be more commercially realistic than conclusions reported by the Applicant.
- 4.17 We have undertaken sensitivity analysis to test the impact of changes to the cost and sales revenues on the provisional scheme's viability position. It can be seen that with a 10% reduction in the build cost and 10% increase in sales revenue, the scheme will be in a surplus position. We include our sensitivity analysis as follows:

OMS	Build Cost				
	-10.00%	-5.00%	0.00%	+5.00%	+10.00%
-10.00%	-£71,389,854.35	-£94,527,634.37	-£117,665,414.38	-£140,803,194.40	-£163,940,974.42
-5.00%	-£48,819,011.77	-£71,956,791.79	-£95,094,571.81	-£118,232,351.82	-£141,370,131.84
0.00%	-£26,400,927.94	-£49,385,949.21	-£72,523,729.23	-£95,661,509.25	-£118,799,289.26
+5.00%	-£4,385,181.80	-£26,982,789.87	-£49,952,886.65	-£73,090,666.67	-£96,228,446.69
+10.00%	£17,296,958.25	-£4,965,364.70	-£27,564,651.80	-£50,519,824.09	-£73,657,604.11

- 4.18 Decision makers should apply considerable caution to affordable housing offers which are not underpinned by the outcome of a viability assessment supporting the affordable housing offer proposed. We are aware of a wide number of schemes where Section 73 applications have been submitted shortly after grant of planning consent where viability arguments have been used to substantially reduce or remove previously offered affordable housing. We are not suggesting that such an eventuality would occur in relation to this scheme but simply alert decision makers to this widespread practice. Ultimately the relevant safeguard to this contingency is for any affordable offer to be fully supported by an agreed viability position. In the absence of such a safeguard, appropriate weight only should be provided to the current affordable housing offer when considering the planning balance.
- 4.19 In the absence of agreement of the viability position, should the application proceed to committee, we strongly recommend that any approval be subject to the adoption of our viability figures for review purposes.
- 4.20 We recommend that if a policy compliant offer is not made, the scheme should be subject to pre-implementation and late stage reviews of viability in order that the viability can be assessed over the lifetime of the development.

5.0 Principles Of Viability Assessment

- 5.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

$$\begin{aligned} &\text{Gross Development Value} - \text{Development Costs (including Developer's Profit)} \\ &= \text{Residual Value} \end{aligned}$$

- 5.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.
- 5.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.
- 5.4 Development appraisals can also be constructed to include a fixed land value and fixed profit targets. If an appropriate benchmark is included as a fixed land value within a development appraisal this allows for interest to be more accurately calculated on the Benchmark Land Value, rather than on the output residual value. By including fixed profit targets as a cost within the appraisal, programmed to the end of development so as not to attract interest payments, the output represents a 'super' profit. This is the profit above target levels generated by the scheme which represents the surplus available towards planning obligations.
- 5.5 This Viability Review report adheres to the RICS Professional Statement on Financial Viability in Planning: Conduct and Reporting (published May 2019). In accordance with this Statement, Section 8 below incorporates details of our Quality Standards Control & Statement on Limitation of Liability/ Publication. This report has been prepared according to the Professional Statement's requirement for objectivity and impartiality, without interference and with reference to all appropriate available sources of information. Where information has not been obtainable, we have stated this expressly in the body of the report.

6.0 Benchmark Land Value

Viability Benchmarking

6.1 Planning Policy Guidance, published May 2019, states:

Benchmark land value should:

- *be based on existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. These may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

The evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

[...] Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

6.2 The NPPF recognises the need to provide both landowners and developers with a competitive return. In relation to landowners this is to encourage landowners to release land for development. This is set out in PPG as follows:

To define land value for any viability assessment, a benchmark land value should be established on the basis of existing use value (EUV) of the land, plus a premium for the

landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The Premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

- 6.3 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the NPPG's definition of Benchmark Land Value.

- 6.4 NPPG further defines EUV as follows:

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

- 6.5 The Mayor of London's Affordable Housing and Viability SPG published August 2017 states a clear preference for using EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. This is evidenced through the following extract:

The Mayor considers that the 'Existing Use Value plus' (EUV) approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used.

- 6.6 Guidance indicates that the sale of any premium should reflect the circumstances of the landowner. We are of the view that where sites represent an ongoing liability to a landowner and the only means of either ending this liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable. This view is corroborated in the Mayor of London's Affordable Housing and Viability SPG which states:

Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/ costs, a

lower premium of no premium would be expected compared with a site occupied by profit-making businesses that require relocation. The premium could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary.

- 6.7 While EUV is the primary approach to defining BLV, in some circumstances an Alternative Use Value approach can be adopted. This is the value of the land for a use other than its existing use. NPPG outlines:

If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.

[...] Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued.

- 6.8 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the definition of AUV from NPPG and reiterates that any AUV must reflect relevant policy requirements.
- 6.9 When adopting an AUV approach, the premium to the landowner is implicit and therefore an additional landowner premium should not be added as this would be double counting.
- 6.10 NPPG and RICS guidance are clear that if refurbishment or redevelopment is necessary to realise an existing use value then this falls under the AUV provision of NPPG and no landowner premium should be added.

The Proposed Benchmark

- 6.11 The benchmark proposed by Berkeley for viability testing is based on an Existing Use Value approach. Berkeley instructed Savills to provide their opinion of the current EUV. We have been provided with a copy of the Savills report dated April 2024.
- 6.12 We have summarised our respective positions in terms of the Benchmark Land Value from the previous and the latest report in the table below:

	Applicants Pre-Application Position	BPS' Pre-Application Position	Applicant's current position
EUV	£28.6m	£22.9m	£25.2m
Landowner's Premium	30%	10%	30%
BLV	£37.2m	£24.3m	£36.3m

- 6.13 The property comprises a freehold shopping centre in Peckham, southeast London, occupying a site of 6.74 acres.
- 6.14 The shopping centre currently comprises 20 retail units extending to an aggregate floor area of 107,402 sq ft (9,978 sq m) It includes units with a high street frontage, as well as located inside of the shopping centre. The shopping centre is anchored by a Morrison's supermarket which extends to 51,419 sq ft (4,777 sq m) and an associated car park which is let to Morrison's until 28 September 2034 without break. The petrol filling station located within the site red line boundary is currently owner-occupied by Morrisons and is in the process of being acquired by Berkeley Homes for £2.00M, as stated in Savills' report.
- 6.15 We have included plan of the site, reproduced from the FVA:



6.16 Savills based their assessment of the values on the rental comparable evidence. They estimated the shopping centre would achieve an aggregated annual rental income of £2,477,500.

6.17 We have provided our commentary on the respective BLV components in the sections below.

Morrisons EUV

6.18 Savills assume the EUV of the existing supermarket to equate to £10,300,000. We understand that the current passing rent for Morrisons supermarket is £660,000 (c. £12.8psf) and is subject to rent reviews to 60% of the open market rent. There is 10 years remaining on the lease. In their assessment of the Morrisons EUV, Savills assumed an Estimated Rental Value ('ERV') of £20psf (£10,028,380pa).

6.19 As mentioned earlier, the supermarket extends to 51,419 sq ft (47,77 sq m) and an associated car park. It has not been clarified in Savills' report whether the measurement is based on GIA or NIA basis. We have been provided with the accommodation schedule of the existing site, which suggests NIA was adopted. The existing GIA of the supermarket extends to 53,558 sqft.

6.20 We have analysed the evidence provided in support of the ERV in Section 7 of this report. We also note that the current rateable value of Morrisons supermarket equates to £1,149,707 (excluding the petrol station), which broadly aligns with the Estimated Rental Value adopted by Savills'.

6.21 We consider the annual estimated open market rental value of £1,030,000 (£20psf) adopted by Savills for the existing supermarket to be broadly reasonable, although the logic for adopting this figure has not been made explicit.

6.22 In their assessment, Savills used a Hardcore and Slice method of valuation, which we consider appropriate. They state in their report that they adopted a NIY of 6% and a Reversionary Yield of 9.37%, giving an equivalent yield of 7.5%. Yet, we note that an Initial Yield of 6.76% and a Reversionary Yield of 10.56%, giving the Equivalent Yield of 8.4% were used in their actual assessment. We assume that gross yields were used in the calculations. We consider figures referred to in Savills' report should be consistent with those used in their valuation to maintain the clarity of adopted assumptions. We expect Savills' to clarify why different yields were used in their calculations.

6.23 We assume the original lease of the supermarket reflected terms whereby the operator paid for the development of the store and as such paid a geared rent. On expiry of the lease it is reasonable to assume this would revert to open market rent value

- 6.24 We have included our assessment of the supermarket yields in Section 7 of this report. We adopted an NIY of 6.5% and a reversionary yield of 9.37%, as well as 6.8% of Purchaser's Costs. We have also assumed a 12-month rent-free void period to relet the property after the end of the lease. Our assessment results in the Supermarkets EUV to equate to c. £10,500,000 (£205psf), which broadly aligns with Savills' final numbers. On this basis, we consider Savills' assessment to be appropriate.
- 6.25 We note Berkeley added an additional value described as "EUV of the Morrisons Lease" of £2,750,000 in their appraisal, albeit no rationale for this has been provided in the body of the report. We have included the Applicant's BLV summary reproduced from the Section 13 of their report below, which clearly does not incorporate this particular figure. We have, therefore, excluded this figure in our assessment.

13.12 The BLV assumed in the FVA is therefore as follows:

EUV of Morrisons Supermarket:	£10,300,000
EUV of Petrol Filling Station:	£800,000
EUV of Retail Fronting Hanover Park:	£650,000
EUV of Retail in Aylesham Centre:	£1,300,000
EUV of Retail Fronting Rye Lane:	£12,150,000
Landowner Premium at 30%:	£8,145,000
Total BLV:	£36,335,000

Rental Values

- 6.26 Savills' adopted the following rental values in their assessment:

Element	Size (sq ft)	Unit No	Savills: Estimated Rental Value ('ERV') (PA)	Savills: Estimated Rental Value PSF ("ERV")	Savills: Passing Rent (PA)	Savills: Passing Rent PSF	Savills: Net Income
Foodstore (Morrisons)	51,419	18	£1,030,000	£20.00	£660,000	£13	£660,000
Retail Units Fronting Rye Lane	39,189	1-10 & 13	£1,170,000	£35- £40	£1,083,100	£28	£1,036,522
Retail Units within the Aylesham Centre	10,027	12 & 14- 17	£217,500	£15- £18	£176,322	£13	£131,785

Retail Units fronting Hanover Park	4,069	11	£60,000	£14	£60,000	£16	£60,000
Petrol Filling Station	Not Known	1	£51,500		-	-	-
Total	104,705		£2,529,000		£1,979,422		£2,064,982

- 6.27 We note the adopted areas are lower than those submitted as a part of the Applicant's pre-application assessment. The total area is lower by c. 2,700 sq ft than assessed by ourselves in September 2023. The main body of Savills' report also refers to the aggregated area of c 107,000 sq ft, which aligns more closely with last year's assessment. We also note the number of units in the existing tenancy schedule does not match the information received at the pre-application stage. We request the Applicant to clarify the reason for the difference in the areas adopted.
- 6.28 No clarification has been made in Savills' report whether the areas are measured on NIA, IPMS3 or GIA basis. We note from the accommodation schedule that the adopted measurements broadly align with the NIA provided for respective components of the site, which we consider an appropriate basis for retail measurements.
- 6.29 We understand from Savills' report that the current vacancy rate of the units within Aylesham Centre is 20% (2 vacant units), whilst retail units fronting Rye Lane is 5% (1 unit).
- 6.30 Savills report states that the passing rent for the property is £1,979,422, reflecting a net income of £1,888,305pa, with the estimated rental value assessed as £2,529,000 pa. We have not been provided with an up to date tenancy schedule or a break down of running costs to verify these figures.
- 6.31 We note that the majority of the leases have now expired. According to Savills' report, assuming Morrison's income is excluded, the WAULT falls to 4 years 6 months and WAUTC to 3 year 6 months. We consider a short WAULT to be consistent with the market trend, where the site is due to be redeveloped but also consistent with general trends in retailing.
- 6.32 We note the ERV attributed to the Retail Units Fronting Rye Lane equates to an average of £30psf, which is lower than the £35- £40psf range stated in Savills' report.
- 6.33 In support of the ERV adopted, Savills provides rental evidence of comparable retail units ranging between £12.33 and £78.27psf. We note some of the comparables include units that

are currently under offer or are being negotiated, as well as the asking prices. We consider these to be of lower relevance as these do not always translate into achieved prices. Achieved rents range between £26.99 and £78.27psf. We also note the comparables include the units which form a part of the subject site.

- 6.34 Additional retail comparable evidence has been provided by CF Commercial in support of their assessment of the proposed scheme. We consider the evidence of transactions prior to 2022 to be overly historic for the purpose of the current assessment. We note that the evidence range to be drawn from units with floor areas between 380- 2,724 sq ft and achieved rentals reflecting between £19- £78psf.
- 6.35 We have included our further commentary on the comparable evidence in Section 7 of this report.
- 6.36 Having conducted our own search into the local comparable transactions, we found the evidence provided by the Applicant to provide a good reflection of the local retail market. We have identified two additional pieces of evidence outlined in the table below, however, located in a further distance from the subject and, therefore, we have considered these with caution:

Address	Rent (£psf)	Date	Size (Sq ft)	Description
Ground Floor, 38 East Dulwich Road, London SE22 9AX	£27,500 (£54.94)	31/03/2023	501	A retail unit below flats located amongst a small shopping parade on East Dulwich Road. The retail unit appears to be in a good condition. The property is 0.9 miles from the subject development.
Ground and First Floor, 1-3 Butterfly Walk, Denmark Hill, London, SE5 8RW	£95,000 (£26.03)	24/01/2023	3649	A retail unit located in a small shopping centre on a 10 year lease with 5 months rent free. The units appear to be in good condition. The property is 1.2 miles from the subject development.

- 6.37 Overall, we found the estimated open market rental values adopted by Savills to be broadly reasonable, which also aligns with our pre-application advice.

Retail Investment Yields

- 6.38 Savills' used the Hardcore and Slice method of valuation, to reflect the under-rented character of the site. They have adopted the following yield levels in their assessment:

Element	Savills' Inputs		Reversionary Yield
	NIY	Equivalent Yield	
Foodstore (Morrisons)	6%	7.58%	9.37%
Retail Units Fronting Rye Lane	7.99%	8.73%	9.02%
Retail Units within the Aylesham Centre	9.56%	13.8%	15.78%
Retail Units fronting Hanover Park	8.79%	8.79%	8.79%
Petrol Filling Station		5.93%	6.11%
Total	7.02%	8.40%	9.40%

- 6.39 In support of the adopted values, Savills provided evidence of comparable high street investment transactions ranging between 8%- 10%. We note that shopping centre investment yield evidence ranges between 6% and 15%. We note two transactions which show the highest yields of 13% and 15% are located in Uxbridge and Dartford, which are both inferior locations to the subject. The strongest yield of 6% was achieved in at West 12 in Shepherds Bush, which we consider to be a superior location.
- 6.40 In addition, CF Commercial included investment evidence ranging between 6% and 9% in support of their assessment of the proposed scheme. We have included our commentary in Section 7 of our report.
- 6.41 We note the reversionary yield adopted for units in Aylsham Centre is significantly higher than the comparables. We assume it is due to the high vacancy rate, unrecoverable costs and less desirable location, albeit this has not been clarified in the report.
- 6.42 We have identified additional investment retail evidence, which are outlined in the table below:

Address	Price Achieved	Yield	Date	Size (Sq ft)	Description
27 - 27A Garlick Hill, Blackfriars, London, EC4V 2BA	£1,900,000 (£909psf)	6.94%	19/09/2024	2089	A 679/sqft retail unit with apartments above in a very good condition located 3.4 miles from the subject development.
KFC, 150-164 Evelyn Street, Deptford, London, SE8 5DB	£1,360,000 (£679psf)	5.49%	10/06/2024	2001	A unit let to KFC on a 20 year lease. The property is in good condition and is located 2.2 miles from the subject development.

62 Denmark Hill, Camberwell, London, SE5 8RZ	£530,000 (£431psf)	5.92%	14/03/2023	1227	A retail unit let to a blue chip tenant with apartments above (sold separately) in an average condition. The property is located 1.2 miles from the subject development.
58 Clapham High Street, Clapham, London, SW4 7UL	£535,000 (£741psf)	7.14%	23/09/2024	722	A retail unit along Clapham high street in an average condition located 3.3 miles from the subject development.

- 6.43 We consider the above evidence to present stronger locations and, on this basis, the yield for the subject site would be higher.
- 6.44 In our assessment of the proposed retail units, we have assumed the yield level of high street retail units of 6.85%. We have outlined our methodology in arriving to the yield value in Section 7 of this report. Given the subject units are of an inferior condition, we consider the equivalent yield of at least 7.85% to be appropriate for retail units fronting Rye Lane and between 8% and 10% for the units fronting Hanover Park and Aylesham Centre. We consider this assessment to be very generous noting that many shopping centres are facing redevelopment due to negative values. This assumption may requiring revision in light of more detailed information about current unrecoverable cost levels.
- 6.45 According to Knight Franks Investment Yield Guide, the current high street retail in regional cities equates to c. 7.25% whilst shopping centres range between 7.75% and 10%
- 6.46 The adopted yields are slightly higher in comparison to the ones agreed with the Applicant at the pre-application advice. Having reviewed the most recent evidence, we consider the adopted yields to be reasonable.

Petrol Station

- 6.47 We understand from the FVA that the petrol station is owner occupied by Morrisons, however, the Applicant has entered to purchase this part subject to planning for the sum of £2m.
- 6.48 In their pre-application assessment, Savills' arrived at the value of £1,325,000. By contrast, in our report we have not assessed the value of the petrol station due to the poor information being provided. Savills estimated the value of the petrol station to equate to £800,000. We understand from the existing accommodation schedule provided that the Petrol Station comprises a size of 1054.9 sq ft, which would indicate a value of £759psf.

- 6.49 Petrol filling stations ('PFS') are generally valued as trading businesses with the bulk of the value being dependent on the margin on petrol sales, trade from any retail or workshop business ancillary to fuel sales. Any profit from fuel sales can be relatively nominal but all depends on the pricing strategy and proximity of competition and their pricing strategy. Many supermarkets promote highly competitive fuel prices as a customer draw to bring in other sales. In this case, trading records have been supplied and we have therefore considered chiefly the site's visibility and road frontage (the subject is considered reasonable) and the size and condition of the retail area (the subject is considered small/poor condition).
- 6.50 In their current assessment, Savills assumed ERV of £51,500 and capitalised the rent at a 6% Yield. Savills assumed a 6-month void period, letting fees of 15% and a 12-month rent free period.
- 6.51 Savills states in their report that *"It is generally accepted within the market an associated petrol filling station may command a rent of circa 3.0% to 5.0% of the food store rental value, which would indicate a rental value ranging from £30,900 per annum to £51,500 per annum"*. We note Savills' based their assumption on the open market rent of the supermarket, as opposed to the store which is associated with the petrol station. We also require Savills' to clarify what the assumption of 3%-5% of the food store value is based on.
- 6.52 Savills' also referred to the rental value on its rateable value of £34,526, which equates to c. 3.35% of the rental value of the supermarket. We consider rateable value to form a secondary type of evidence in the RICS Hierarchy of Evidence.
- 6.53 Savills provided a range of supporting evidence showing sales of the petrol stations across the UK with the yield levels ranging between 4.3% and 7.8%. We note that the yield of 6% was adopted, which falls broadly in a mid point of the comparable range. Nevertheless, more accurate assessments have not been provided.
- 6.54 We have conducted our own search into the comparable evidence. There is a scarcity of evidence of former petrol filling stations in the area surrounding the property and we have therefore extended our search:

Address	Description (and Floor Area)	Date	Sale Price	Size (Sq ft)
Desborough Park Service Station, High Wycombe HP12 3BE	PFS with 1,249 sq ft IMPS1 convenience store. Sold freehold. Trading business purchased for refurbishment.	Jul 23	£720,000	-

11a and 13 Crouching Street, Watlington, OX49 5QF	PFS with garage/workshop, sold freehold, trading business in need of refurbishment.	Jun 23	£700,000	-
Land and Building on the East side of Congreaves Road, Cradley Heath, B64 6BE	Freehold former PFS and carwash and retail unit	Mar 23	£400,000	-
Shell Toothill, Grimsby DN34 4EY	Freehold former PFS development potential STPP	Feb 23	£100,000	-
Lowers Filling Station, Main Road, Temple Cloud, Bristol, BS39 5BZ	Freehold PFS and shop with adjoining garage/workshop, let at £70,013 pa	Feb 20	£1.28m	5.2% NIY
Milestone Services, London Road, Exeter, EX5 2QB	Freehold PFS with large ground floor retail and post office 3,528 sq ft, let at £75,804 pa	Feb 20	£1.1m	6.51 NIY
Bucks Horn Oak Service Station, Farnham, GU10 4LT	Freehold PFS with 2,131 sq ft workshop/office/retail, currently let at £50,000 pa, development potential STPP	Oct 19	£760,000	6.24% NIY

6.55 We note the petrol stations rental values, with associated retail stores and offices range between £50,000 and £75,000pa. The adopted rent of £51,500pa appears to fall within that range. Overall, we are of the opinion that the most reliable assessment of the value of the petrol station would be one based on the trading information. With the lack of this information, we have accepted Savills' rent on a without prejudice basis.

6.56 We note that the resulting value of £800,000 adopted by Savills' falls broadly in the middle of the comparable range above. It also broadly aligns with our other recent assessment of another petrol station in London. On this basis, we consider Savills' value to be broadly reasonable.

Unrecoverable running costs

6.57 We note Savills adopted the passing rent of £1,979,422, a net income of £1,888,305pa, which would indicate unrecoverable costs running at c. 5% of the passing rent. No evidence has been provided to support this. No empty property costs or costs connected to the maintenance of the whole shopping centre were adopted in the assessment.

Landowner's Premium

- 6.58 In our original report we stated that the 30% premium is excessive and found 10% to be more appropriate, especially given that the trajectory of traditional retail investments is far from optimistic and we note considerable numbers of similar centres are labouring with under-occupation and high and often growing empty property costs. We note our comments were not considered in the Berkeley's latest report.
- 6.59 We note Berkeley supports their adoption of the premium claiming that the site has a potential for "active management to improve and add value as an ongoing investment". We assume that Berkeley refers to the improvement works that could be undertaken on this somewhat dated site. PPG is clear that any assumption of refurbishment/ improvement works would constitute an AUV and not an EUV approach, where Landowner's Premium is not applicable. We also do not consider that the potential site owner would require a significant premium, where site is in need of further investment. Should further consideration of refurbishment or improvement be considered relevant this should be put forward with relevant information such as a schedule of works, cost plan and development appraisal.
- 6.60 Berkeley also mentioned that the leaseholder requires a significant incentive to release their land interest. We accept this position in relation to the current supermarket where Morrisons are currently sitting on a substantial profit rent. However, we also note that they will benefit from a new store with a modern configuration. We further note that the development is phased to ensure continuity of trade for the store which has a considerable impact on programme and finance costs, so a considerable element of cost has been built into the scheme which is not in contention. We accept that the level of the Landowner's Premium should essentially incentivise the freeholder to release the land for sale. We accept that such an incentive may incorporate some fees that would be payable to the leaseholder for an earlier termination of the lease. We, however, consider that any planning for delivery of the site of development should minimise the risk of such cost being incurred, for example timing the delivery to the end of the lease or entering into temporary agreements with the Tenants. Given that the Landowner's Premium itself amounts to c. £8m (which we consider to be somewhat substantial), we require Berkeley to provide detailed evidence of how much their cost of obtaining vacant possession would amount to.
- 6.61 We have computed that on Savills figures Morrisons is sitting on a profit rent of approximately ££1,131,000, which equates to c. 11% of the ERV. This should be the practical limit of the land owner premium for this element and 10% for the remainder of the scheme.

Our Assessment of Benchmark Land Value

6.62 We have approached the Benchmark Land Value on an Existing Use Value basis. Having analysed the individual inputs in the section above, we have outlined the summary of our resulting conclusions in the table below:

Element	BPS' Estimated Rental Value ("ERV")	BPS: Passing Rent PSF	BPS' Net Initial Yield	BPS' Reversionary Yield
Foodstore (Morrisons)	£20psf (Agreed)	£13 (Agreed)	6.5% (Disagreed with Savills' 6%, noting different figures used in Savills' appraisal)	9% (Agreed)
Retail Units Fronting Rye Lane	£30psf (Agreed, albeit different figure stated in Savills' report)	£28 (Agreed)	7.99% (Agreed)	9.02% (Agreed)
Retail Units within the Aylesham Centre	£15- £18psf (Agreed)	£13 (Agreed)	9.56% (Agreed)	15.78% (Agreed)
Retail Units fronting Hanover Park	£14psf (Agreed)	£16 (Agreed)	8.79% (Agreed)	8.79% (Agreed)
Petrol Filling Station	£51,500 (Accepted on a without prejudice basis)	-	6% (Accepted on a without prejudice basis)	-
Total				

6.63 Our respective positions are outlined in the table below:

EUV Component	Applicants Pre-Application Position	BPS' Pre-Application Position	Applicant's current position
Foodstore	£12,300,000	£9,300,000	£10,300,000
Retail Units Fronting Rye Lane	£13,450,000	£12,500,000	£12,150,000
Retail Units within the Aylesham Centre	£925,000	£650,000	£1,300,000
Retail Units fronting Hanover Park	£750,000	£500,000	£650,000
Petrol Filling Station	£1,250,000	-	£800,000
EUV	£28.6m	£22.9m	£25.2m
Landowner's Premium	30%	10%	30%
BLV	£37.2m	£24.3m	£36.3m

6.64 Although we have reached the conclusion on the estimated open market rental values and yields, we were unable to conclude our assessment due to the absence of a reliable, up to date tenancy schedule and evidence of current unrecoverable costs.

6.65 We consider the dated shopping centre would necessitate increasing levels of maintenance and refurbishment costs in the future. Moreover, given the lower level of retail take up, especially inside the shopping centres in comparison to the previous years, we expect the empty property costs are likely to appreciate, none of which have been accounted for in our assessment, but which will need to be reached to reach a finalised position. On this basis, we do not consider that the landowner requires such a high level of Landowner's Premium as claimed by the Applicant.

6.66 We maintain our opinion that the appropriate Landowner's Premium for the site to be 10%.

7.0 Development Values

- 7.1 The residential element of the proposed scheme, as sought by the planning application, is for 877 residential units comprising the following accommodation:

Building	1B1P	1B2P	2B3P	2B4P	3B5P	3B6P	Total
A	0	4	0	2	12	0	18
B	0	0	0	24	0	0	24
C	0	4	2	1	10	0	17
D	0	0	0	0	0	0	0
E	16	40	3	15	2	2	78
F	0	0	0	10	0	10	20
G	11	23	0	23	0	14	71
H	0	4	7	12	20	0	43
J1	12	50	0	29	0	17	108
J2	4	4	1	10	0	2	21
K	8	30	14	16	7	10	85
L	18	40	10	26	0	0	94
M	15	33	6	55	6	34	149
N	6	46	9	3	0	0	64
P	0	12	21	10	18	0	61
Q	0	7	5	0	12	0	24
Total	90	297	78	236	87	89	877

- 7.2 According to the Desing and Access statement, private units would be located in blocks E, F, G, J1 and J2. Blocks K, L & N will contain a mix of intermediate and market sale homes, with Social rent units in the remaining blocks A, B, C, H, P & Q. Buildings will be reaching 5-20 storeys in height.
- 7.3 We understand the residential element of the scheme will be provided as a mix of private, social rent and intermediate units, summarised in the following table:

Tenure	1B1P	1B2P	2B3P	2B4P	3B5P	3B6P	Total
Private	90	247	9	162	10	89	607
Social Rent	0	31	33	49	72	0	185
Intermediate	0	19	36	25	5	0	85
Total	90	297	78	236	87	89	90

Open Market Sales ('OMS') Residential Values

- 7.4 607 units are proposed to be for OMS. Berkeley instructed Savills to provide their estimate of the open market values for the proposed scheme. Savills pricing reflects a blended rate of £794psf. We note that the Applicant's own marketing team estimated the achievable values

at a 7% premium over Savills' pricing, to account for Berkeley's upper quality of accommodation. The quality also being factored into the cost estimate.

- 7.5 We understand that 272 units will be delivered in the first phase, with the remaining 335 units in the following phase of the development. The table below outlines average values adopted by Savills, combined from Phases 1 & 2. We have also included the values calculated by the Savills and later increased by the Applicant in the table below:

Unit type	No of Units	Avg Size (sqm)	Avg Size (sqft)	Savills' Unit Value	Applicant's final av unit Value (inc. 7% uplift)	Applicant's final £psf, including a 7% uplift
1B1P	90	41	437	£395,889	£423,601	£969
1B2P	247	56	606	£480,152	£513,763	£848
2 Bed	171	75	808	£639,707	£684,487	£847
3 Bed	99	103	1111	£821,439	£878,940	£791
Total	607	69	738	£568,270	£608,049	£824

- 7.6 We note from the plans that some of the units described as 1B1P would have a separate bedroom, but some would be simply large studio flats. We have included the example floorplans reproduced from the Design and Access statement:



- 7.7 It is not possible from the information provided to extract which 1B1P units would be studios and which would be actual one-bedroom units. We have adjusted our assessment to reflect both possibilities, however we consider this information should be clarified.

- 7.8 We understand that the proposed development will have a mix of typologies that includes mansion blocks, maisonettes, gallery access buildings and point building. At the ground floor there will be maisonettes, which will benefit from a private access from the street. 10% of the units will be wheelchair accessible. 70% of the units would benefit from a dual aspect.
- 7.9 We understand the proposed scheme includes buildings which reach up to 20 storeys. We understand that Savills adopted a general higher average values to Phase 1 due to the additional height of the buildings up to 20 storeys and the resulting aspects. However, in the absence of a detailed unit-by-unit price schedule, we are unable to fully ascertain the level if any to which height premiums per floor have been applied.
- 7.10 New homes will have private amenity space, access to shared gardens, roof terrace, amenity terrace and play space for all ages. The residents will benefit from a concierge service.
- 7.11 Savills provided comparable evidence to support their opinion of the values, which we comment on in the table below:

Address	Value	BPS Comments
Rye Green, SE15 4TP	Achieved: £655psf 2 Bed: £580,000 (£735psf) 3 Bed: £600,000- £650,000 (609- £635psf) Resale: 1 Bed: £392,500 (£650 psf) Size: 603 sq ft	Transactions completed in 2019, which we find to be overly historic and limited weight should be applied in its consideration of the current market values. We agree with Savills that the proposed scheme is likely to achieve higher values
The Catcher Building SE15 5BS	Achieved: £720psf 1 Bed: £325,000- £355,000 (£789- £824psf) 2 Bed: £575,000- £600,000 (£631- £723psf) 3 Bed: £635,000- £732,100 (£567- £812psf) RESALE: 1 Bed: £355,000 (£823 psf) Size: 431 sq ft 1 Bed: £575,000 (£643psf) Size: 893 sq ft	Transactions completed between 2017 and 2019. According to Savills two studio flats were sold in May 2023 and February 2024 achieving a blended rate of £967psf. According to Molior the recent resale was completed in July 2023. We would expect Savills to provide more details of the units sold, including the floor area and achieved unit price. Overall, we find the evidence of new build sales to be overly historic and limited weight should be applied in its consideration of the current market values. We agree with Savills that the proposed scheme is likely to achieve higher values

Ninety Five Peckham Rd SE15 5LJ	Achieved: £680psf 1 Bed: £400,000- £473,000 (£619- £771paf) 2 Bed: £475,000- £585,000 (£664- £795psf) 3 Bed: £600,000- £720,000 (£553- £752psf)	Transactions completed between 2019 and 2020. We find the evidence to be rather historic and limited weight should be applied in its consideration of the current market values. We agree with Savills that the proposed scheme is likely to achieve higher values
Leyland Court (Sumner Workshop) SE15 6LA	Achieved between 2022 and 2023: 1 Bed: £362,000 (£542psf) 2 Bed: £488,585 (£578psf) Asking 1 Bed: from £370,000 2 Bed: from £440,000 Achieved (after relaunch): £595psf	We note Savills includes prices achieved between 2020 and 2021, which we consider to be overly historic. We understand that the property was taken off the market and used as temporary accommodation during COVID, having relaunched in 2024. We note Savills included asking prices of those units, however, we question whether this should be relevant like-for-like comparable for new build units (having been previously occupied). We also note a blended achieved rate was provided, however, we would expect for the average achieved prices per unit were provided. We note from the Molior database that some units were sold between 2022 and 2023, which we have included in our analysis. Caution needs to be taken when analysing asking prices as these do not always translate into achieved prices. The development is situated further away from the train station than the subject, therefore, we consider the achieved values would be lower.
Wyndham Studios SE5 0EE	Average asking price (original sale): £742psf BPS' prices achieved in 2022: Studio: £351,000 (£799psf) 1 Bed: £437,500 (£739psf) 2 Bed: £556,000 (£709psf) 3 Bed: £625,000 (£604psf) Average achieved prices from resale: ££68psf	The scheme originally sold out in 2021, which we consider to be overly historic for the purpose of the current assessment. Only blended rates were provided, we have identified more detailed sales evidence achieved in 2022 from Molior database. We, agree with

		Savills that the subject scheme would achieve higher values.
The Gallery SE5 0DL	Achieved in 2020: £730psf Resale asking: £685psf BPS' resale achieved prices: 1 Bed: £398,000 (£740 psf) Size: 538 sq ft 2 Bed: £460,000 (£669 psf) Size: 688 sq ft 3 Bed: £885,500 (£555psf)	The scheme sold out in 2020, which we consider to be overly historic for the purpose of this assessment. Savills' provided a recent blended asking price, however without any further information on the individual unit prices. We have sourced additional information on the resale prices achieved in 2022 from the Molior database. We agree with Savills that given the scale and height of the Aylesham Centre, we expect it to achieve higher values.
Peckham Place (Wood Dene Estate) SE15 2EP	Achieved in 2022 1 Bed: £440,000 (£753psf) 2 Bed: £584,000 (£622psf) 3 Bed: 600,000 (£541psf)	We understand the scheme sold out in 2022. Savills provided a blended achieved rate of £635psf, which we consider to be somewhat vague. We have identified more detailed evidence of transactions completed in 2022 from Molior database and summarised them in this table. We agree with Savills that although Peckham Place presents a relevant comparable in our analysis, subject site is likely to achieve higher values on account of improved public realm and additional height to the building.
Alfred Fagon Apartments, SE15 4TP	Asking prices: £710psf 1 Bed: £425,000- £450,000 2 Bed: £495,000- £560,000 3 Bed: £650,000	Only a blended asking price is provided by Savills, which we consider to be overly vague. We have sourced more detailed pricing. We agree with Savills that the subject site would achieve higher values on account of the improved public realm and additional height to the building.
The BeCa, SE15 1JU	Asking price: £805psf 1 Bed: £440,000- £505,000 2 Bed: £580,000- £660,000	The site is currently under construction and is located within 1.1 miles of the subject site. The nearest station is South Bermondsey serviced by railway and not connected to the underground system. The subject

		nearest station is located within 14 minutes walk Queens Road Peckham, serviced by Overground and railway lines, which we consider to provide improved connectivity with other parts of London. We, therefore, consider the subject to have an improved connectivity to Beca. The site will comprise buildings ranging between 9 and 18 storeys, therefore, of a similar height to the subject. We consider the subject would achieve higher values than those that are likely to be achieved in Beca on account of its quality and place-making character.
Bermondsey Heights, SE15 1NS	Asking prices: (£805psf blended rate) 1 Bed: £447,000- £531,000 2 Bed: £584,000- £703,000 3 Bed: £781,000- £812,000	Developed by Barrat London. The block will range between 6- 25 storeys and, therefore, we would expect the height premium to exceed this at the subject site. We note that Savills consider the location to be superior to the subject. We note, however, that the nearest station to the comparable is operated by railway only, whilst the subject benefits from its connection to the tube network. We consider the location of Bermondsey Heights and the subject is comparable. Although the values at Bermondsey Heights would benefit from added height premium, but we consider such premium would be outweighed by the benefit of a place making character of the subject, as well as improved quality of accommodation secured by Berkeley Homes. On this basis, we consider the subject values would be broadly similar to Bermondsey Heights.
The Pomeroy, 43-49 Pomeroy	Achieved (original sale): £650psf (blended rate) 1 Bed: £400,000 (£700psf) 2 Bed: £545,000 (£653psf)	We consider sales evidence from 2021 to be overly historic for the purpose of current assessment. We have sourced additional resale

Street, SE14 5BL	3 Bed: £628,750 (£573psf) Achieved resale: 1 Bed: £415,000 (£664psf)	prices from 2023 from the Molior database. Overall, we agree with Savills that the proposed scheme is superior to the comparable on account of improved quality and public realm.
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7.12 We note that Savills also provided comparable evidence of second-hand units, albeit we consider them to be of lower relevance as these do not include a new build premium.

7.13 Savills have not had regard to any other Berkeley schemes in London. Berkeley is a market-leading renowned developer who typically achieve a premium over and above local market competing schemes owing to their brand, build quality, and ability to successfully regenerate schemes and achieve place-making. We have identified the following additional evidence of Berkeley's schemes:

Oval Village, SE11 5QY

7.14 Berkeley is currently developing Oval Village, 275 Kennington Lane, SE11 5QY. Being a Berkeley scheme, it does have relevance to the subject noting it is located 3.2 miles northwest of the subject scheme.

7.15 Oval Village is a former gas works regeneration project by Berkeley Homes for up to 1,309 units. The latest phases are Phoenix Court and Juniper. Phoenix Court comprises 286 units with a scheme height of 8-16 storeys. Juniper Gardens comprises of 189 units with a scheme height of up to 16 storeys, which is lower than the proposed scheme. Phoenix Court completed by the end of Q1 2024, whilst Juniper Gardens is due to complete across Q4 2025/ Q1 2025.

7.16 We have sourced the prices achieved between 2023 and 2024 in the development:

Bedroom no	Av Price	Av Size	Av £psf
Studio	£496,400	450	£1,105
1	£584,866	546	£1,071
2	£818,271	801	£1,023
3	£1,020,150	1119	£911

7.17 We consider the Oval to be a stronger location than the subject. It can be seen that the values assumed for the subject scheme are c. 17%- 21% lower than the ones achieved in Oval.

Royal Arsenal Riverside, Woolwich, SE18 6FR

- 7.18 Riverside positioned Berkeley Homes development, as part of a wider Woolwich Arsenal regeneration scheme. The development benefits from a resident's only spa and gym facilities. The apartments are due to complete in 2024. Being a Berkeley scheme, it does have relevance to the subject, however, it is located c. 6 miles east of the subject scheme.
- 7.19 The latest phases of the Royal Arsenal relate to the units at Sailors Wharf, Seafarers Wharf and Gallery Wharf. Development benefits form a placemaking character, with shops, cafes and theatre available on site.
- 7.20 Although Royal Arsenal benefits from a riverside position, which is desirable among many buyers, it is located within Zone 4. The subject site is located within Zone 2, therefore in closer proximity to London Central. On this basis, we consider the location of the subject to be superior to Royal Arsenal.
- 7.21 The latest average asking prices for the Royal Arsenal scheme are below for the units located between floors 1- 20:

Bedroom No	Av Size	Av Val	Av £psf
1	555	£496,540	£898
2	836	£751,663	£900
3	1099	£971,052	£884

- 7.22 We note the prices assumed by the Applicant for one-bedroom are c. 3% higher, however, two- and three-beds, which on average are of a similar size to the proposed scheme, appear to be valued at c. 10% lower than the asking prices in the Royal Arsenal. Given that the asking prices do not always translate into achieved prices, we applied a lower relevance to this evidence. Nevertheless, in our opinion, this should be clarified by the Applicant.
- 7.23 Having analysed the above evidence, we consider the values of studios and one-bedroom adopted by the Applicant to be broadly reasonable. We have provisionally accepted values attributed by the Applicant of two- and three-bedroom units, however, we consider its comparison to the Arsenal Riverside development to be a material consideration. It would be beneficial for the Applicant to disclose the prices achieved in the Arsenal Riverside, so that we could conduct a more accurate comparison.
- 7.24 Generally, we have accepted the values proposed by the Applicant on a without-prejudice basis, however, we consider recent prices achieved in Arsenal Riverside should be provided.

Ground Rents

- 7.27 The Leasehold Reform (Ground Rent) Act 2022 is now in force. Now the act is in force, any ground rent demanded as part of a new residential long lease cannot be for any more than a peppercorn (no financial value). Therefore, ground rents should no longer be included as a future revenue stream for planning & viability purposes. We understand the act covers single 'dwellings' and will therefore capture student and retirement accommodation providing they are occupied or intended to be occupied as single dwellings throughout England and Wales.
- 7.28 We therefore consider the omission of capitalised ground rents as being a reasonable assumption.

Parking

- 7.29 The proposed scheme would include a 145-space basement car park for the Morrisons store, which has 5 blue badge residential bays. There would be, however, no private car parking provision for the residential element of the scheme. We consider the lack of GDV attributed to this element of the scheme in the Applicant's appraisal to be appropriate.

Affordable Residential Values

- 7.30 The proposed scheme includes 270 affordable housing units. This represents a provision of 31% (by unit) and 35% (by habitable room) with a tenure split of 69: 31 (Social Rent: Intermediate).

Tenure	1 Bed	2 Bed	3 Bed	Total (units)	Total (hab. rooms)
Social Rent	31	82	72	185	704
Intermediate	19	61	5	85	261
Total	50	143	77	270	965

- 7.31 The Council's planning policy requires an affordable housing contribution of a minimum of 35% with a minimum of 25% social rented and a minimum of 10% intermediate housing (tenure split 67:33).
- 7.32 In their assessment of Affordable Values, Berkeley attributes a figure of £550psf to the Intermediate and £212psf to Social Rent units, based on their experience with Registered Providers. We have not been provided with any evidence that would support this.
- 7.33 Berkeley referred to the affordable housing values sourced from the Molior database. We consider the affordable housing values listed on Molior to be somewhat generic. We consider

that since Berkeley refer to their experience with RPs, we consider more accurate evidence in the form of contracts/ official RPs offers of their other schemes should be made available.

- 7.34 We have used our in-house model to assess the reasonableness of their adopted values. We have accounted for maintenance and management costs, calculated formula rents in line with the Policy Statement On Rents For Social Housing and adhered to 2024/2025 Social Rent caps.
- 7.35 We arrived at the Social Rent GDV of £39,670,052, which translates to c. £263psf or £214,000 per unit. This represents an increase of c. £7.3m (22%) on the values assessed by Berkeley.
- 7.36 We have tested the Applicant's approach of assessing Intermediate values using our bespoke model. Within our calculation, we have assumed an initial equity sale of 25%, rent on unsold equity of 2.5% and a discount factor of 5%. We have also made allowances for management, maintenance, major repairs and voids.
- 7.37 We arrived at the Intermediate GDV of £34,245,355 (£556psf or £402,887 per unit), which reflects an increase of c. 4% on the Applicant's figures. We accept that the higher the value the more limited the market participants would be noting this value would be only to households earning the upper end of the £90,000 income bracket.
- 7.38 We note that many RP's decide to directly develop residential schemes or via JV arrangements, therefore, the evidence from such schemes might not be straight forward. We have been involved with an RP's development in Kensington recently, where the value attributed to shared ownership units of £669psf was put forward by the Applicant. At the time of the review, we have also noted that some of the shared ownership units were advertised by the RPs at value levels which exceeded the nationally set affordability criteria of £90,000pa. Although we have adjusted our assessment to meet the £90,000 affordability threshold, we consider the RPs use their own bespoke measures, which in consequence may lead to the intermediate market values that differ from our own assessment.
- 7.39 On this basis, we do accept transactional evidence is highly relevant and invite the applicant to share the information underpinning their own assessment.
- 7.40 Having spoken to our Client, we understand the evidence from Flaxyard Peckham development can be made available. We reserve the right to alter our position if necessary, upon reviewing these evidence.
- 7.41 Overall, our assessment reflects an increase of c. £8.7m (13%) in the Affordable GDV.

Commercial Valuation

- 7.42 The scheme will deliver a supermarket within Phase 1, which would provide 55,017 sq ft (5,111sqm), where the Morrisons will relocate. We note that in one part of the report, Berkeley states that the parking would form part of Phase 1, whilst in the other one that it would be excluded. We require clarification from Berkeley on this point, albeit we appreciate it would not affect the GDV of the proposed commercial space. We also understand that in addition, the scheme would deliver 69,624 sq ft (6,468 sqm) GIA of commercial floorspace designated for retail, office, workspace and sui generis uses.
- 7.43 We understand that block D would be solely designated for commercial use. Other blocks would comprise commercial units located on ground floor levels.
- 7.44 The Applicant instructed CF Commercial to provide their assessment of the proposed commercial space, which is outlined in the following table:

Applicant's Assessment								
Block	Street	Level	Use	GIA (sf)	£PSF	Gross Yield	Sales Cost	Net Val
A	Rye Lane	Ground	Retail	4,941	37.50	7.00%	6.74%	£2,329,419
B	Rye Lane	Ground	Retail	4,316	37.50	7.00%	6.74%	£2,035,070
C	Rye Lane	Ground	Retail	2,096	37.50	7.00%	6.74%	£988,100
C	Rye Lane	Ground	Retail	2,220	37.50	7.00%	6.74%	£1,046,614
D	Peckham Yard	Ground	Office	5436	35.00	9.00%	6.74%	£1,781,181
D	Peckham Yard	1st	Office	5393	35.00	9.00%	6.74%	£1,767,073
D	Peckham Yard	2nd	Office	5393	35.00	9.00%	6.74%	£1,767,073
D	Peckham Yard	3rd	Office	5393	35.00	9.00%	6.74%	£1,767,073
D	Peckham Yard	4th	Office	5393	35.00	9.00%	6.74%	£1,767,073
D	Peckham Yard	5th	Office	2314	40.00	9.00%	6.74%	£866,657
E	Aylesham Gardens	Ground	F&B	1944	35.00	8.50%	6.74%	£678,465
E	Aylesham Gardens	Ground	Office	1727	30.00	9.00%	6.74%	£484,925
F	Hanover Park	Ground	F&B	1541	32.50	8.50%	6.74%	£499,537
F	Hanover Park	Ground	Retail	692	25.00	8.50%	6.74%	£172,541
G	Aylesham Gardens	Ground	Office	661	35.00	8.50%	6.74%	£230,663
G	Aylesham Gardens	Ground	F&B	2076	32.50	8.50%	6.74%	£672,910
H	Aylesham Gardens	Ground	F&B	1730	32.50	8.50%	6.74%	£560,584
H	Aylesham Gardens	Ground	Retail	609	27.50	8.50%	6.74%	£167,067
J1	Linear Park	Ground	Retail	987	27.50	8.50%	6.74%	£270,672
K	Peckham Yard	Ground	Retail	815	27.50	8.50%	6.74%	£223,445
K	Peckham Yard	Ground	Gym	4284	25.00	8.50%	6.74%	£1,094,759
K	Peckham Yard	Ground	Office	624	35.00	8.50%	6.74%	£217,890
K	Peckham Yard	Ground	Retail	1894	27.50	8.50%	6.74%	£519,502
K	Peckham Yard	Ground	Retail	527	27.50	8.50%	6.74%	£144,634

K	Peckham Yard	1st	Gym	5,409	17.50	8.50%	6.74%	£967,542
L	Morrisons block	Ground	Retail	174	20.00	8.50%	6.74%	£35,648
N	Hanover Park	Ground	Retail	1035	25.00	8.50%	6.74%	£258,141

- 7.45 We understand that units fronting Rye Lane would benefit from a prime pitch location and will attract mass market operators. We also understand from CF Commercial that units can be configured to reflect the different operators' requirements. Aylesham Gardens will be located at the centre of the site and will be accessible via route from Rye Lane. It has been assumed that the space would attract F&B operators, which we consider reasonable.
- 7.46 We note CF Commercial based their assessment on the GIA measurement. We do not consider the adopted approach to comply with the RICS Code of Measuring Practice, which clearly states that Office and retail units should be measured on an NIA basis. We require CF Commercial to revisit their assessment with the NIA base figures.
- 7.47 We note that the value of Morrisons supermarket was individually assessed by Savills in their report dated March 2024 and is not included in the above table.
- 7.48 The resulting figures of the Applicant assessment are summarised in the table below:

Use	NDV	Area (sf)	CV £PSF
Retail	£8,190,853	20,306	£403
Office	£10,649,608	32,334	£329
F& B	£2,411,496	7,291	£331
Gym	£2,062,301	9,693	£213
Total	£23,314,258	£69,624	£335

Office, Retail and Gym Assessment

- 7.49 We note the Applicant instructed CF Commercial to provide their opinion on the proposed commercial component of the scheme.

Rental Values

- 7.50 Having reviewed the retail comparables provided, we deem those dated prior to 2022 to be overly historic for the purpose of the current assessment. As a result, we believe that they do not accurately reflect current rents. Furthermore, the proposed retail lacks any description or a comparative analysis beyond basic information such as sign date, size and rent. This makes it difficult to determine whether how it was applied in the analysis of the proposed values. We have commented on the evidence provided in the following paragraphs:

- 7.51 The evidence in Peckham range between £22.34 and £78.19, while the unit sizes vary between 380 and 2,215 square feet. The comparables are close to the subject development, with all except one within a 1-mile radius. The properties appear to be in a good state of repair, although most could be described as being in average condition. These do not include a new-build premium. Tenants range from big brands such as Subway, which occupied the Ground Floor of 1 Central Buildings, Rye Lane at £78.19 per square foot, to lesser-known independent shops like Mist Foundation and Sourcing Wines who occupied 376, Old Kent Road, London, SE1 5AA for £22.34 and 184, Bellenden Road, London, SE15 4BW for £41.84, respectively. From the comparable evidence, £22.34 and £78.19 also represent the lowest and highest rental values per square foot, while the unit sizes vary between 380 and 2,215 square feet.
- 7.52 The evidence in Brixton ranges between £39.32 and £52.19, while the unit sizes vary between 575 and 2,162 square feet. The three relevant comparables in Brixton range in distance to the subject development between 2.4 and 2.6 miles. The properties appear to be in a good state of repair and in good condition. The strongest tenant is Five Guys, who occupied Units 2-4, Metro Centre, Electric Lane, London, SW9 8FA for £39.32. From the comparable evidence, £39.32 and £52.19 represent the lowest and highest rental values per square foot, while the unit sizes vary between 575 and 2,162 square feet.
- 7.53 The evidence range between £19.48 and £53.75psf, while the unit sizes vary between 586 and 2724 sq ft. The comparables in Lewisham are between 3.1 and 3.9 miles from the subject development. The properties all appear to be in a good state of repair and range from newly refurbished to average condition. The tenants are predominantly small independent retailers.
- 7.54 It is unclear from the report where the comparable evidence is located in Elephant Park, as no addresses were provided. We assume that these form part of the ongoing development, as instead of “a sign date”, the “invoice date” was included. The units appear to be new retail space and have achieved rents ranging from £23.88 and £42.55, while the unit sizes vary between 611 and 1,850 sq ft. The area is just over 2 miles from the subject development.
- 7.55 We have also reviewed the high street retail evidence included in Savills’ report, provided in support of the EUV assessment. We appreciate the evidence that were provided in support of dated retail accommodation and include units that currently form part of the site. Nevertheless, we consider these to form a useful indication of the bottom-end values achievable in the area. We note the evidence ranges widely between £12 and £78psf. Some evidence also includes asking prices and units “in negotiation”, which we consider to be of a lower relevance.
- 7.56 For the office and gym elements of the proposed scheme, no comparable evidence has been provided to support the values provided.

7.57 We have conducted our own search to test the reasonableness of the Applicant's assumptions. From our own research, it appears that there is limited gym lettings comparables in the nearby area, we have therefore extended the scope of our search. Below we have provided additional retail & office rental evidence:

Address	Rent (£psf)	Date	Size (Sq ft)	Description
Retail				
Ground Floor, 38 East Dulwich Road, London SE22 9AX	£27,500 (£54.94)	31/03/2023	501	A retail unit below flats located amongst a small shopping parade on East Dulwich Road. The retail unit appears to be in a good condition. The property is 0.9 miles from the subject development.
Ground and First Floor, 1-3 Butterfly Walk, Denmark Hill, London, SE5 8RW	£95,000 (£26.03)	24/01/2023	3649	A retail unit located in a small shopping centre on a 10 year lease with 5 months rent free. The units appears to be in good condition. The property is 1.2 miles from the subject development.
Office				
41-45 Consort Road, London, SE15 3SS	£56,945 (£35psf)	01/03/2024	1,627	Ground floor self contained office space located within 0.5 miles of the subject site, forms a part of modern, mixed used development. We note the brochure refers to the proximity to Rye Lane as a desirable feature. We the unit features a similar proximity to the Peckham Rye as the subject site. Given the superior quality of accommodation and being located by Rye Lane, we consider the subject property would achieve higher value.
41-45 Consort Road, London, SE15 3SS	£27,600 (£29.52psf)	28/04/2023	935	Grade B office unit let for a 3 years lease. We the unit features a similar proximity to the Peckham Rye Station as the subject site. Given the superior quality of accommodation and being located by Rye Lane, we consider the subject property would achieve higher value.
1-3, Brixton Rd, London, SW9 6DE	£25,000 (£50)	01/12/2023	500	A grade B listed office with various benefits and amenities such as surface parking, a reception, air conditioning, a fitness centre, shower facilities etc. Currently on a short-term 2 year let. The property is located 2.2 miles from the subject development, in a less comparable location. We have, therefore, considered this evidence with caution.
20 Kings Bench Street, London, SE1 0QX	£42,000 (£33.6)	01/07/2024	1250	A self-contained first floor office in a mixed development with its own entrance lobby, kitchen and air conditioning. The property is 2.9 miles from the subject development.in a less comparable location. We have, therefore, considered this evidence with caution.
Gym				

15 Newport Street, London, SE11 6AJ	£277,500 (£30psf)	07/02/2023	9,249	Unit let for a 10 years lease with 5 yearly rent reviews and tenant only break clause after 5 years. Unit let to Churchill's Boxing Gym Ltd. Good condition space in a purpose built building. Does not include a new build premium. Unit located in Lambeth, which is superior location to the subject.
38 Balham Hill, London, SW12 9EL	£18,000 (£24.96)	22/12/2024	721	Ground floor space let to Willpower Ltd, who is the "Fitness Works" operator. Let for a 20 years lease with 5 yearly rent reviews and 1 month rent free period. Space in a good condition, however, located in a dated building. Unit is located in Clapham
5 Hertsmere Road, London, E14 4AN	£265,000 (£14.56psf)	11/10/2022	18,197	Large space in the City Docklands let to Pure Gym for the period of 10 years. With rent review after 8 years. Given the significant floorspace of the comparable, we consider the £psf to be deflated.

- 7.58 Having analysed the above evidence, we are of the opinion that the office rental values have been understated. Considering that office units located on a nearby Consort Road achieved between £30- £35psf, we consider the subject smaller units on Aylesham Gardens and Peckham Yard, giving their superior location and condition, would exceed this range.
- 7.59 We note that 18a Rye Lane included in CF Commercial's comparable evidence, comprising 2,215 sq ft, achieved a £45 psf. We note that Cf Commercial assumed a lower value of £37.5psf for brand new units of a broadly similar size fronting Rye Lane. Their assessment would indicate that the newly delivered accommodation with high street frontage would achieve a lower rent than the existing, dated unit, which we consider to be somewhat illogical. We also note that 61-63 Rye Lane, another dated unit on the high street comprising c1,500 sq ft, is currently under offer at £70psf, with 28 Rye Lane (1,675 sq ft) achieved £60psf. We have adopted £60psf to the units fronting Rye Lane comprising c 2,000 sq ft in our assessment and applied a lower £psf for larger units accordingly. We consider our assessment to be conservative with a minimum consideration of the new build premium.
- 7.60 Overall, we consider there is limited evidence of the units which do not benefit a high street frontage in the area to Rye Lane or Peckham High Street. Nevertheless, having analysed the local market, we consider that the proposed scheme would provide an improved quality of accommodation in comparison to the existing stock and would maintain the retail activity between Morrisons and Rye Lane, essentially replacing the dated Aylesham Centre.
- 7.61 Overall, we consider the rental values adopted by CF Commercial have been somewhat understated.

Investment Yields

- 7.62 The comparable retail investment properties included in CF Commercial's report vary in quality with some being newly refurbished buildings while others are older stock. It is also worth noting that a number of these properties are mixed-use, with some examples given being predominantly comprised of residential space (e.g., 48 & 49 Deptford Broadway, & Land On The South West Side Of 48 Deptford Broadway, Deptford, London, SE8 4PH). The comparables range in proximity to the subject development with the nearest being 0.1 miles away and the furthest being 5 miles away. Retail yields range between 6% and a high of 9.1%, albeit it has not been clarified whether the figures refer to gross or net yields. The achieved sales values per square foot fall between £135.70 and £481.43.
- 7.63 We note that Savills' included some high street retail yield evidence of a secondary stock ranging between 7.75%- 10%.
- 7.64 No evidence of the office or gym investment yields have been provided.
- 7.65 We have identified additional investment evidence, which are outlined in the below table:

Address	Price	Yield	Date	Size (Sq ft)	Description
Retail					
27 - 27A Garlick Hill, Blackfriars, London, EC4V 2BA	£1,900,000	6.94%	19/09/2024	2089	A 679/sqft retail unit with apartments above in a very good condition located 3.4 miles from the subject development. We consider the location of the subject to be inferior to the comparable, albeit caution needs to be taken when analysing this comparable due to the inclusion of residential component.
KFC, 150-164 Evelyn Street, Deptford, London, SE8 5DB	£1,360,000	5.49%	10/06/2024	2001	A unit let to KFC on a 20 year lease. The property is in good condition and is located 2.2 miles from the subject development. We consider the location of the comparable to be superior to the subject.
62 Denmark Hill, Camberwell, London, SE5 8RZ	£530,000	5.92%	14/03/2023	1227	A retail unit let to a blue chip tenant with apartments above (sold separately) in an average condition. The property is located 1.3 miles

					from the subject development. We consider the unit to be a good comparable given the proximity to the subject. We, however, consider the yield could be also impacted by the strong lease.
58 Clapham High Street, Clapham, London, SW4 7UL	£535,000	7.14%	23/09/2024	722	A retail unit along Clapham high street in an average condition located 3.3 miles from the subject development.
Office					
8-9 Lovat Lane, Eastcheap, London, EC3R 8DW	£4,260,000	7.90%	08/02/2024	8068	An office property comprehensively refurbished in 2019. The office previously had planning permission for B1 to C3 conversion, but this has now lapsed. The property is 3.4 miles from the subject development and has clear views of The Shard and 'Walkie Talkie' building.
13-15 Dock Street, Aldgate, London, E1 8JN	£3,000,000	3.69%	14/12/2023	4523	A former warehouse converted into office space. The office is well specified and has two secure off-street parking spaces. The property is 3.4 miles from the subject development.
35 Whitehall, London, SW1A 2BX	£4,500,000	3.99%	26/11/2023	3732	A mixed-use office and residential building in a prime location. The property is 4.1 miles from the subject development. Redevelopment potential has been suggested with pre-application proposals prepared to reconfigure the existing space and extend the fifth floor to create two additional three bedroom units, a duplex unit and a triplex unit.
18-20, Bromells Road, London, SW4 0BG	£2,900,000	5.38%	20/07/2023	5500	A recently refurbished office ready for immediate occupation. The office has an average specification

					with air conditioning, nearby green space and a central location. The property is 3.6 miles from the subject development.
373-377, CLAPHAM ROAD, LONDON, SW9 9BT	£2,800,000	5.50%	01/05/2023	12055	A former Georgian House converted to office space. The office space has a lift, but general has a poor specification compared to modern stock and needs upgrading. There is potential to convert the space back to residential use. The property is 3.2 miles from the subject development.
1 & 1A Richborne Terrace, Vauxhall, London, SW8 1AS	£950,000	5.98%	31/03/2023	538	An office arranged over three floors and a roof terrace. The office is part of a larger new build office building built in 2018. The property is 2.5 miles from the subject development. Opportunity to convert to residential use subject to planning permission.

- 7.66 Having analysed the above evidence we note that the retail units with a high street frontage and good covenant are capable of achieving a 6% yield. We consider 221 Rye Lane (NIY of 6.88%, 727 sq ft) provided by CF Commercial to be a good comparable, given its located on the same street as some of the proposed retail units, however, given its inferior condition, we consider the subject would achieve a lower yield.
- 7.67 Overall, we consider an NIY of 6.5% could be achieved from high street retail units fronting Rye Lane. We have adopted slightly higher yields of 7.5% to other retail units, to reflect their slightly inferior frontage. Our assessment reflects a reduction in yields of in comparison to CF Commercial's assumptions, however it broadly aligns with our pre-application conclusions where the average of 6.75% was adopted.
- 7.68 We note that the office evidence range between 3.7% and 8%, yet the higher figure of 8.5% was adopted by CF Commercial. In our assessment of the office accommodation, we have also considered Knight Frank Investment Yield guide dated September 2024, where the office yields in major regional cities range between 6.5%- 7.5%. We consider a yield of 7% to be broadly reasonable.

- 7.69 We have accepted a yield of 8.5% attributed by CF Commercial to the gym component of the scheme on a without prejudice basis, however we consider evidence should be provided to support this.

Void & Rent Free Periods

- 7.70 CF Commercial adopted void periods of 9-12 months void period in their assessment. Given that commercial units are typically advertised before the completion of the site and the majority of the units are due to complete during the last phase of the development (10 years time), we consider this to allow sufficient time to minimise or remove any void periods. We consider the adopted periods to be excessive and consider 6 months to be more reasonable.
- 7.71 CF Commercial adopted rent-free periods ranging between 18- 24 months. No evidence has been provided by CF Commercial to support these figures. We note from the evidence included in Savills' report as a part of an EUV assessment that the rent-free period range between 3-6 months. We consider the range adopted by CF Commercial to be somewhat excessive. We have adjusted the figures to reflect the 6-months period, however, we reserve the right to alter our position upon receiving supporting evidence.
- 7.72 Overall, we adopted a 12-month rent free & void period in our assessment, which also aligns with our pre-application advice.

Commercial Space Conclusions

- 7.73 We have summarised our assessment of the proposed commercial space in the table below:

Use	NDV	Area (sf)	CV £PSF
Retail	£12,451,881	20,306	£613
Office	£14,509,459	32,334	£449
F& B	£2,565,809	7,291	£352
Gym	£2,049,528	9,693	£211
Total	£31,576,676	69,624	£454

- 7.74 Overall, our assessment reflects an increase of c. 35% on the values adopted by CF Commercial.

Morrisons Assessment

- 7.75 The proposed Morrisons supermarket would comprise the NIA of 47,888 sq ft (4,448 sqm) and GIA of 55,017 sq ft, which reflects an efficiency of 87%. Which will comprise a ground floor of

41,305 sq ft and a first floor of 6,582 sq ft NIA. We note the existing store comprises GIA of 53,558 sq ft and NIA of 51,419 sq ft, which reflects an efficiency of 96%. We, therefore, understand that the proposed supermarket reflects an increase in the GIA, however, a reduction in NIA and overall efficiency in comparison to the existing one.

- 7.76 We also understand the car parking provision is being reduced from 353 surface spaces to 140 and we assume that this is considered sufficient for the requirements of the current trading operation reflecting the increase in basket shopping and online deliveries and is likely to have a relatively minimal impact upon value. We note that the car parking is going to be located under the store, which we consider overall to be an inferior trading feature in comparison to the existing surface level parking. Nevertheless, we consider the layout to be consistent with the current trends.
- 7.77 As mentioned in our assessment of the BLV, we understand that the passing rent of the Morrisons supermarket is currently £12.84psf and is reviewed to 60% of the Market Rent.
- 7.78 We understand that Morrisons will relocate to the new, improved space upon the completion of the first phase of development. Savills provides the summary of the proposed pre-let agreement to Morrisons in the table below. It has not been clarified in their report whether the agreement was reached with Morrisons based on the figures below:

Date	Rent Per Sq Ft	Rent Per Annum	Anticipated Start Date
Term Commencement Date	£1 (if demanded)	£1	October 2025
Rent Commencement Date – 14 months from Term Commencement Date	£13.75 per sq ft	£658,451	December 2027
Upon Practical Completion of Phase 2 – Anticipated to be 3 years 11 months from Term Commencement Date	£17.50 per sq ft	£838,028	September 2029
Upon Practical Completion of Phase 3 – Anticipated to be 8 years 9 months from Term Commencement Date	£20.00 per sq ft	£957,750	July 2033

- 7.79 Berkeley based their opinion of the Morrisons value on the assessment conducted by Savills, in their report dated 17th of April 2024.
- 7.80 Savills' assumed a 25-year agreement with 5-year CPI-linked rent reviews, which is in line with the current market standards.
- 7.81 Savills modelled two assessments of the proposed supermarket store. They arrived at the market value of £17.5m (£366psf), on the assumption that the pre-let arrangement would be disregarded, and £13m (£271psf), with the pre-let agreement being incorporated. Noting that

their opinion of the Existing Use Value of the food store is £10.3m (£200psf), the proposed newly developed space would reflect an increase of £2.7m (26%) or £7.2m (70%), depending on the scenario. We note that Berkeley used a more optimistic figure of £17.5m (£366psf) in their appraisal. Given that the viability assessment is not developer-specific, we consider a limited weight should be applied on this occasion to the pre-let agreement.

7.82 Consideration of the land owner premium applicable to the store is also relevant in considering the terms of the new lease. If Morrisons are in effect being compensated for the loss of their current profit rent in reduced rents on the new store, there should not be a similar allowance in respect of this loss when assessing the level of land owner premium.

7.83 The assumptions made in the respective scenarios are outlined below:

Input	Savills' Scenario 1- disregarding pre-let agreement	Savills' Scenario 2- incorporating pre-let agreement
Initial Rent	£1,250,000 (£26.1psf)	£957,750 (£20psf)
Market Rent	£1,250,000 (£26.1psf)	£1,250,000 (£26.1psf)
Lease length	20 years	25 years
Break Clause	15 years	Not Stated
Rent Free Period	12 months	Incentives of £2m, equivalent to 2 years RF
NIY	6.25%	6%
Reversionary Yield	-	9.01% (although 7.83% used in the calculations)
Equivalent Yield	6.25%	7.28%
GDV	£17.5m (£366psf)	£13m (£271psf)

Morrisons Estimated Rental Value

7.84 In their assessment of the Estimated Rental Value, Savills provides comparable evidence for supermarkets ranging between £12.5- £36psf. Yet, they state in their report that prime rental levels typically range between £25- £30psf. We note the majority of evidence provided by Savills are located outside of London, in less valuable areas. Savills assumed the rental value of the ground floor at £27.5psf and 1st floor at £13.75psf (50%), giving the blended rental value of £26.1psf, which sits on the lower level of the comparable range.

7.85 We note the Morrisons supermarket in Gloucester, of a larger size than the proposed unit, was sold last year with the passing rent of £27.49psf. We also note the Tesco in another inferior location, Aylesbury, comprising over 100,000 sq ft, was sold last year with a passing rent of £23.65psf

7.86 We understand that two pieces of evidence provided by Savills are from London rental transactions- first is the supermarket in Angel let to Sainsbury's for £36.34psf (67,426 sq ft- larger space than the subject scheme). Another piece of evidence is Morrisons supermarket in Brentford, which achieved a rental value of £19.85psf (35,268 sq ft). We consider this evidence to be highly relevant, given that the space was taken in a brand new Ballymore development- Waterside and is associated with the residential development. Nevertheless, the space provided is much smaller than the subject and with restricted parking. Given the Brentford station is located in Zone 4, whilst the proposed scheme forms a part of Zone 2, we consider the subject location to be more attractive.

7.87 We have conducted a market search and identified the following additional evidence to test the reasonableness of Savills' assumptions:

Address	Rent psf	Date	Area (sf)	Description
Westfield London Shopping Centre, Ariel Way, London, W12 7GD	£43.02	September 2023	60,431	Unit inside the Westfield shopping centre. Let for a 15-year lease with 5 yearly rent reviews and tenant-only break clause.
Sevenoaks Way Industrial Estate, Main Road, Orpington, BR5 3QD	£27.50	September 2024	34,818	Retail warehouse let to Sainsbury's supermarket on a 10 years and 8 months lease.

7.88 We have also sourced the following rent reviews published by Colliers:

Address	Size (SF)	Rent roll
Sainsbury's Kingsway, High Holborn, WC2	26,000	£900,000 (£34.6psf)
Tesco Metro Bishopsgate, London EC3	26,000	£1.2m (£46psf)
M&S Simply Food High Holborn, London WC1	10,000	£440,000 (£44psf)
Waitrose Marylebone High Street, W1	33,000	£1.05m (£31.8psf)
Tesco Eastcheap, EC2	12,000	£350,000 (£29psf)
Waitrose High Street, Kensington, W8	30,000	£750,000 (£25psf)
M&S Cardinal Place, Victoria, SW1	42,000	£1.5m (£36psf)
Sainsbury's Sloane Avenue, Brompton Cross, SW3	10,000	£460,000 (£46psf)
Waitrose	27,000	£915,000 (£34psf)

Gloucester Arcade, London SW7		
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- 7.89 We note that the majority of the above rents exceed £30psf, which was the higher end of the range as stated in Savills' report. Nevertheless, we acknowledge the units comprise smaller floorspace and are located in the central, prime parts of London.
- 7.90 We consider that the store in London, in an established retail location, would achieve a higher rent than the store in Gloucester of the same tenant. On this basis, we adopted the ERV of £30psf (c. £1,440,000) to the proposed Morrisons space, which also aligns with our pre-application advice.
- 7.91 We note that Savills assumed that stabilised rent, agreed at the pre-let agreement, would be increased with inflation at the rent review dates through a cap and collar arrangement. In our opinion any information on the rent increases should be already included in the yield level. We, therefore, adopted a different approach in our consideration of the pre-let scenario, which does incorporate real terms rent increases during the lease term by an appropriate yield.

Morrisons Yield

- 7.92 Savills provided investment transactional evidence of food stores dated between 2023 and 2024, ranging between 4.42% and 11%. We consider evidence, which is located outside of London to be of a lower relevance. We note the evidence of Greater London transactions range between 4.42% and 6.5%. We consider the lease to Morrisons in Brentford (6.5%) to be a good comparable, given its new-build nature and the character of the Tenant. Nevertheless, given the subject Morrisons location is superior and the tenant's presence in the local area is already well established, we consider the subject yield to be lower.
- 7.93 Savills attributed the following yields in their assessment of the existing value of Morrisons:

	Savills' NIY	Savills' Reversionary Yield	Savills' Equivalent Yield
EUV	6%	9.37%	7.58%

- 7.94 We also note that Savills adopted an NIY of 6% to the existing, dated supermarket. We would expect the newly developed space, which provides an improved quality of accommodation longer unexpired term, to form a stronger investment opportunity and attract a lower yield. We also consider Savills' assumption of a reversionary yield

7.95 We have identified the following additional investment evidence to test the reasonableness of Savills' assumption.

Address	Date	Size (sf)	NIY	Description
97-131, High Road, London, RM6 6PB	01/12/2023	53,410	5.25%	Property leased to Sainsbury's, achieving the total rental income of £904,189 pa (c. £16.93psf). We understand the rent Freehold, comprising 302 surface car parking spaces (5:64 parking ratio). Sold with the planning permission for 365 new homes and reprovision of the current supermarket and ancillary car parking space. The site was sold for £18m, exceeding its asking price of £17.5m by c. 6%. The current lease is subject to a 5-yearly CPI rent reviews and the transaction reflects a purchase cost of 6.74%.
Aldi, 330 Northolt Road, Harrow, HA2 8EQ	15/11/2022	27,993	5.47%	Purpose-built supermarket of 27,993 sq ft, with 6 residential flats above on part (sold off long leasehold) and 55 car parking spaces. The property is achieving a total rental income of £397,000. The property was sold for £6.8m

7.96 According to Colliers Grocery Real Estate Report 2024, "average prime yields for assets let on an index-linked basis achieved yields of approximately 6.00% but covenant differences among operators introduced potential variance of +/- 75 to 100bps". We note from the Supermarket Income REIT website that the current NIY for the supermarket sector equates to c. 5.9%, which broadly aligns with information available currently online.

7.97 We also note that Savills' research refers to the yield of 5.5% for food stores in February 2024, which broadly aligns with the yields achieved at 333 Northolt Road and in Romford:

Savills prime equivalent yields

	February 2023	January 2024	February 2024
West End offices	4.00%	4.00%	4.00%
City offices	4.50%	5.25%	5.25%
South East offices	6.25%	↑ 7.50%	7.50%
Provincial offices	6.00%	↓ 7.00%	7.00%
High street retail	9.50%	↓ 7.00%	7.00%
Shopping centres	8.00%	↑ 8.25%	↑ 8.25%
Retail warehouse (Open A1)	5.50%	↓ 6.00%	↓ 6.25%
Retail warehouse (Restricted)	6.00%	↓ 6.50%	↓ 6.25%
Foodstores (OMR)	5.25%	5.50%	5.50%
Industrial/Distribution (OMR)	5.00%	↓ 5.25%	↓ 5.25%
Industrial multi-lets	5.00%	↓ 5.25%	↓ 5.25%
Leisure parks	7.00%	7.25%	7.25%
London leased (cond) hotels	4.50%	4.75%	4.75%
Regional pubs (RP1)	5.75%	↑ 6.50%	6.50%

7.98 We note Savills' attributed NIY of 6.25% and 6% in their assessment of the existing value, which exceeds their benchmark prime yield of 5.5%, on account of the property forming a part of a residential development. We do not consider such an assumption to be reasonable, given that the majority of the newly developed supermarkets in London form part of a residential developments. Given the increasing demand for residential accommodation, we do not expect that trend to change in the future. Any supermarket accommodation that would be required to be provided in isolation, would need to be sought outside of London, in less valuable areas. Supermarkets located in the residential developments, that just as the subject benefits from a large parking provision, can benefit from meeting not only local but also wider community demands. Overall, we do not consider the assumption of a higher yield on this basis to be reasonable.

7.99 Having considered the recent lease agreement to Morrisons in Brentford (6.5%), which represents a newly built property with a similar covenant, we are of the opinion that the proposed scheme yield would achieve a stronger yield of 6% on account of the better location and established retail presence. This figure also aligns with our pre-application advice. Assuming the pre-let agreement is taken into account, where a rent below the market rent has been agreed, we consider this to be a more secure investment and we found a yield of 5.5% to be more appropriate. Given, however, that the rent would be brought to the market rent at the reversion, we consider a reversionary yield of 6.5% to be more appropriate.

7.100 We have outlined our assessment of the yield levels in the table below:

	BPS' NIY	BPS' Reversionary Yield
New Build, assuming let on the open market	6%	-
New Build, assuming pre-let agreement	5.5%	9%
EUV	6.5%	9.37%

Morrisons Assessment- Conclusion

7.101 Overall, we consider Savills' assessment of the value of Morrisons to be understated. The table below outlines the summary of our assessment. Although we have reviewed the scenario which incorporates the pre-let agreement, we consider this to be of least relevance:

Input	BPS' Scenario 1- disregarding pre-let agreement	BPS' Scenario 2- incorporating pre-let agreement
NIA (SF)	47,888	47,888
Initial Rent	£1,440,000 (£30psf)	£957,750 (£20psf)
Market Rent	£1,440,000 (£30psf)	£1,440,000 (£30psf)
Lease length	20 years	25 years
Break Clause	15 years	Not Stated
Rent Free Period	12 months	Incentives of £2m, equivalent to 2 years RF
NIY	6%	6%
Reversionary Yield	-	9.01% (although 7.83% used in the calculations)
Equivalent Yield	6%	7.28%
Purchasers Costs	6.8%	6.8%
NDV	£21.2m (£443psf)	£13.6m (£284psf)

7.102 Overall, our assessment of the Morrisons supermarket results in a value of £21.2m, which reflects an increase of c. £3.7m on the value adopted by Berkeley.

Conclusion

7.103 Overall, we are of the opinion that a total of £52.7m could be generated from the commercial component of the scheme, which comprises the Morrisons value of £21.2m and the remaining commercial component of £31.5m. Our respective conclusions are outlined in the below table:

	BPS	Berkeley	Area
Morrisons	£21,200,000.00	£17,500,000.00	47,888
Commercial	£31,576,676.19	£23,314,258.00	69624
Total	£52,776,676.19	£40,814,258.00	117,512

8.0 Development Costs

Construction Costs

- 8.1 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Fulkers Bailey Russell, dated 9th July 2024, and concludes that:

“Our benchmarking of Phase 1 results in an adjusted benchmark of £2,954/m² that compares to the Applicant’s £2,944/m². We therefore consider the Applicant’s costs to be reasonable.”

“Our benchmarking of Phase 2 results in an adjusted benchmark of £3,227/m² that compares to the Applicant’s £3,122/m². We therefore consider the Applicant’s costs to be reasonable.”

“The appraisal also includes allowances for post completion maintenance and service charge voids totalling £1,821,000. We consider these allowances reasonable.”

- 8.2 We note the Applicant adopted a £14.9m contingency in their appraisal, which equates to c. 4.55%. Yet, they state in their report that 5% was adopted. We require the Applicant to clarify what their current position is.
- 8.3 We note the Applicant adopted a Third Party Cost of £5.3m and Tenants Compensation and Legals of £4,187,298. No evidence has been provided to support these figures.
- 8.4 We would expect that in respect of the latter insurance cover is a standard means of mitigating the potential cost and would expect to be provided with evidence of such cover in justification for this figure.
- 8.5 The Applicant states in their report that evidence to support the 3rd party cost is commercially sensitive, however, NPPG is clear that " *Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government’s recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available.*“.
- 8.6 There are well rehearsed routes for verifying this information should this factor become critical to the overall conclusion on viability.
- 8.7 We have provisionally excluded the said costs from our assessment on a without prejudice basis, pending evidence to be provided.
- 8.8 Mr Powling’s full cost report can be found at Appendix 1.

Additional Costs

8.9 The Applicant have applied the following additional cost assumptions:

- Professional fees of 8%
- Professional fees (pre-planning) of 2%
- Commercial Marketing of 1.5%
- Residential Marketing of 2.5%
- Letting Agent fees of £350,923 (c.15%)
- Letting Legal fees of £176,337 (c 7.7%)
- Commercial Sales Agent fee of 2%
- Residential Sales Agent fee of 2%
- Commercial Sales legal Fee of 0.5%
- Residential Sales Legal fee of £1,000 p/u (£607,000 or 0.13%)
- Affordable Sales Legal fee of 0.5%

8.10 Combined private residential marketing, sales and legal fees translate to c. 4.7% on GDV, we consider these should not exceed 3%

8.11 We note the combined commercial marketing, agent and legal fees equate to 4.5% on GDV. We consider this figure should not exceed 1.5%.

8.12 We note the Applicant states in their report that 10% letting agent and 5% letting legal fees were adopted. Yet, in their appraisal, figures of £350,923 and £176,337, which reflect a 15% and 7.7% letting agent and legal fees respectively, based on the annual rent stated in CF's report of £2,266,725. We assume this was an error, however, we require Berkeley to clarify their position. We consider the figures of 10% & 5% stated in their report to be appropriate.

8.13 Generally, we accept that other percentages are realistic and in line with market norms.

8.14 CIL and S106 charges have been assumed at £9,910,543 and £880,000 respectively. We were informed by the Council that at this stage the estimated CIL for the subject site equates to £8,949,919, which we have adopted in our assessment. We request the Council verify the S106 costs figure.

8.15 Finance has been included at 8% assuming that the scheme is 100% debt financed. The finance allowance reflects an increase of 0.5% in comparison to our September 2023 assessment, where this input was agreed with the Applicant at 7.5%. We consider this finance allowance to be overstated and find 7% to be more appropriate, especially considering the recent and forecast reductions in the base rate.

Profit

- 8.16 The blended developer profit target adopted by the Applicant is 17.6% on GDV, which incorporates the following returns:
- Private Residential: 20%
 - Affordable: 6%
 - Commercial: 15%
- 8.17 In their pre-application assessment, the Applicant's consultant adopted a lower profit target of 10% to the supermarket. Given that the phasing of the development is adjusted to enable the relocation of Morrisons, which also aims to minimise the time of ceasing the trading, we consider this component of the scheme to be less risky being effectively pre-let and find the previously accepted profit target of 10% to be more appropriate.
- 8.18 Generally, we would expect a lower profit target of 17.5% on a private residential component of the scheme. Having considered, however, additional risk associated with the multi-phase character of the scheme, we consider the above assumptions to be broadly reasonable.

Development Timeframes

- 8.19 The Applicant have adopted the following timeframes in their assessment:
- Phase 1 Morrisons pre-construction: 6 months (Dec 2025- May 2026)
 - Phase 1 Morrisons construction: 28 months (June 2026- Sep 2028)
 - Phase 1 Residential pre-construction: 3 months (Mar 2026- May 2026)
 - Phase 1 Residential construction: 46 months (June 2026- March 2030)
 - Phase 2 pre-construction: 3 months (March 2030- May 2030)- Although we note 35 months adopted in the appraisal, which we do not consider a standard practice.
 - Phase 2 construction: 54 months (May 2030- October 2034)
- 8.20 In their appraisal, the Applicant assumed that Phase 1 would commence in June 2026 and finish in March 2030. This would follow by Phase 2, with a further 1 months pre-construction and 54 month construction period. Morrisons will run concurrently. This translates to a total duration of $46+1+54 = 101$ months.
- 8.21 Our Cost Consultant, Neil Powling, cross-checked the proposed timescales against the BCIS durations and arrived at the following figures:

Duration of phases following on with 1 month gap				
			Avg	Max
		Phase 1	27.2	31.2
		1 month gap	1	1
		Phase 2	27.7	31.8
		Total	55.9	64

- 8.22 As seen, the figures concluded by Mr Powling are significantly lower than those adopted by the Applicant. Mr Powling states that a detailed development programme should be provided to support the timeframes adopted, we consider the phasing implications associated with the store to ensure it can keep trading are likely to impact the overall project timescales.
- 8.23 We have requested a development programme to be provided to support the extended timeframes adopted, however, we were informed that the appraisal reflects a detailed development programme. We have, however, been provided with a detailed development programme by the Applicant at the pre-application stage, which confirmed the adopted previous construction timeframe of 153 months and note the latest programme has reduced this significantly. It is unclear why a similar evidence could not be supplied at this stage.
- 8.24 We assume that the construction programme has been tailored to allow continuity of Morrisons trading and, therefore, could not necessarily fall under the BCIS generic timeframes. Given that the extensive construction period was evidenced by the Applicant at the pre-application stage.,. We have adopted the Applicant's timeframes on a without prejudice basis, however, we maintain that the detailed development programme should be supplied.
- 8.25 The Applicant adopted a sales rate of 6 units per month. In their appraisal, they adopted a 14 month sales period for phase 1 and 25 months for phase 2. Nevertheless, we note that both phases end 1-2 months after the end of the construction, which would indicate nearly a 100% off-plan sales rate. It appears that Berkeley assumed that the majority of the units would be completed and ready for occupation before the end of construction, which is not a standard assumption made at the viability stage. We found it to be rather optimistic, however we have adopted it in our assessment.

9.0 Author Sign Off

- 9.1 This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.
- 9.2 The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information.
- 9.3 The following persons have been involved in the production of this report:



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22nd October 2024

Appendix 1: Build Cost Report

Project: The Aylesham Centre, Peckham - Southwark

24/AP/2074

Independent Review of Assessment of Economic Viability

1 SUMMARY

- 1.1 The fit out costs in the cost plan have been costed on a per unit basis without an elemental build-up - we have determined an elemental split for inclusion in our elemental analysis from other information available.
- 1.2 The cost plan includes a provision for fees of 7.73% (£26,498,787). This sum has been separately included in the appraisal together with 2% preplanning fees - the total fees included is therefore 9.93%.
- 1.3 The appraisal also includes allowances for post completion maintenance and service charge voids totalling £1,821,000. We consider these allowances reasonable.
- 1.4 We have adopted the same GIA of 109,135m² (1,174,721ft²) used in the Applicant's cost plan. We note the construction area stated in the appraisal of 2,314,803ft² (215,052m²) is not consistent with the area in the cost plan.
- 1.5 Our benchmarking of Phase 1 results in an adjusted benchmark of £2,954/m² that compares to the Applicant's £2,944/m². We therefore consider the Applicant's costs to be reasonable.
- 1.6 Our benchmarking of Phase 2 results in an adjusted benchmark of £3,227/m² that compares to the Applicant's £3,122/m². We therefore consider the Applicant's costs to be reasonable.
- 1.7 The duration allowed in the Applicant's appraisal comprises a pre-construction period of 6 months and a construction period of 28 months. The results determined from the BCIS duration calculation provides an estimated average construction duration for Phase 1 from start on site to construction completion of 118 weeks (27.2 months) with a 90% confidence interval for this estimate of 103 to 135 weeks (23.8 to 31.2 months).
- 1.8 The results for Phase 2 are from start on site to construction completion of 120 weeks (27.7 months) with a 90% confidence interval for this estimate of 104 to 138 weeks (24.0 to 31.8 months).

- 1.9 We consider the Applicant's allowance for pre-construction reasonable. Assuming Phase 2 follows immediately upon the completion of Phase 1 we consider an appropriate duration to be 55 months.

2 METHODOLOGY

- 2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.
- 2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element-by-element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5-year and also 30-year average prices. We have previously considered 5-year data more likely to reflect current regulations, specification, technology and market requirements, but because of reduce sample sizes in the last 5 years we consider the default values the most appropriate for benchmarking.
- 2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available on an overall £ per sqm and on a group element basis i.e., substructure, superstructure, finishings, fittings and services - but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher-than-normal cost of external wall and window elements.
- 2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

- 2.5 BCIS costs are available on a quarterly basis - the most recent quarters use forecast figures; the older quarters are firm. If any estimates require adjustment on a time basis, we use the BCIS all-in Tender Price Index (TPI).
- 2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However, if the Applicant's cost plan does not distinguish different categories, we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.
- 2.7 To undertake the benchmarking, we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.
- 2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also, any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.
- 2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.
- 2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element-by-element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.
- We have considered the duration of the construction period by reference to the average duration calculation resulting from use of the BCIS Duration Calculator, and

- 2.11 if we consider appropriate have drawn attention to any significant divergence between the Applicant's duration and the BCIS calculation. The duration is expected to be the result of a programme in appropriate detail for the stage of the project that should be prepared by a specialist in the field. We consider our experience of construction and duration sufficient for benchmarking comparisons using BCIS, but do not possess the appropriate qualifications and experience for undertaking a more detailed examination of the construction duration.

3 GENERAL REVIEW

- 3.1 We have been provided with and relied upon the Financial Viability Assessment issued July 2024 by Berkeley together with the Stage 1 Cost Plan issued 9th July 2024 by Fulkers Bailey Russell - 2Q2024 current day.
- 3.2 We have also downloaded a number of files from the planning web site.
- 3.3 The information we require to undertake the cost benchmarking process outlined in section 2 is a reasonably detailed cost estimate in elemental detail with each element separately costed, with separate sub-totals in accordance with the BCIS/NRM rules of measurement, preferably presented as an elemental summary, and supported by a sufficiently detailed build-up to indicate the proposed specifications. If fit-out is separated in the estimate it too should be in similar elemental detail.
- 3.4 The Cost Plan received is in elemental detail although the sums transferred to the summary consolidate some of the elements and so require separate extraction for our elemental analysis. This part of the cost plan is for the shell sections only. The fit out has been costed on a per unit basis without an elemental build-up - we have determined an elemental split from other information available. The services costs are in partial elemental detail. There is reasonable supporting detail.
- 3.5 The base date of the cost plan is 2Q2024 on a current day basis. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 2Q2024 is 392 (Provisional) and for 3Q2024 394 (Forecast).
- 3.6 The design information used to produce the cost plan has been scheduled. There is no structural information listed, but there is some services information scheduled.
- 3.7 The cost plan includes an allowance of 15% for preliminaries. The allowance for overheads and profit (OHP) is 6%. We consider both of these allowances reasonable.
- 3.8 The allowance for contingencies is 4.55% which we consider reasonable - we have used 5% in our benchmarking. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.
- 3.9 The cost plan includes a provision for fees of 7.73% (£26,498,787). This sum has been separately included in the appraisal together with 2% preplanning fees - the total fees included is therefore 9.93%.
- The appraisal also includes allowances for post completion maintenance and service charge voids totalling £1,821,000. We consider these allowances reasonable.

3.10 We have extracted the cost information provided by the Applicant into a standard BCIS/NRM format to facilitate our benchmarking.

3.11 Sales of market units have been included in the Appraisal at average figures of £850/ft² (Net Sales Area).

3.12 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Southwark of 126 that has been applied in our benchmarking calculations.

3.13 We have adopted the same GIA of 109,135m² (1,174,721ft²) used in the Applicant's cost plan. We note the construction area stated in the appraisal of 2,314,803ft² (215,052m²) is not consistent with the area in the cost plan. We assume the GIA to be calculated in accordance with the RICS Code of Measurement 6th Edition 2007.

3.14 The development is in two phases with a Morrisons supermarket constructed in Phase 1 and blocks predominantly of flats ranging in height from 5 to 20 storeys. BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6 storey or above. We have prepared a blended rates for each phase for benchmarking as the tables below.

3.15	Phase 1	GIA m ²	%	BCIS	Blended
				£/m ²	£/m ²
	Morrison - shell + base fit out	5,116	10%	1,806	173
3.16	Retail	1,424	3%	1,504	40
	Flats	46,776	88%	2,666	2,339
	Total	53,316	100%		2,553

3.17	Phase 2	GIA m ²	%	BCIS	Blended
				£/m ²	£/m ²
	Commercial	2,052	4%	1,504	55
	Food & Beverage	755	1%	2,717	37
	Office inc Cat A	3,547	6%	3,272	208
	Leisure	1,042	2%	2,098	39
	Ancillary	150	0.3%	1,504	4
	Flats	48,274	86%	2,666	2,306
	Total	55,819	100%		2,649

3.18 Our benchmarking of Phase 1 results in an adjusted benchmark of £2,954/m² that compares to the Applicant's £2,944/m². We therefore consider the Applicant's costs to be reasonable.

- 3.19 Our benchmarking of Phase 2 results in an adjusted benchmark of £3,227/m² that compares to the Applicant's £3,122/m². We therefore consider the Applicant's costs to be reasonable.
- 3.20 The duration allowed in the Applicant's appraisal comprises a pre-construction period of 6 months and a construction period of 28 months. The results determined from the BCIS duration calculation provides an estimated average construction duration for Phase 1 from start on site to construction completion of 118 weeks (27.2 months) with a 90% confidence interval for this estimate of 103 to 135 weeks (23.8 to 31.2 months).
- 3.21 The results for Phase 2 are from start on site to construction completion of 120 weeks (27.7 months) with a 90% confidence interval for this estimate of 104 to 138 weeks (24.0 to 31.8 months).
- 3.22 We consider the Applicant's allowance for pre-construction reasonable. Assuming Phase 2 follows immediately upon the completion of Phase 1 we consider an appropriate duration to be 55 months.
- 3.23 The costs included in the appraisal are consistent with the costs in the cost plan.

BPS Chartered Surveyors

Date: 26th September 2024

The Aylesham Centre, Peckham - Southwark
Elemental analysis & BCIS benchmarking

	GIA m ²		109,135		53,316		55,819		Flats	
	Total		Phase 1		Phase 2				LF100	LF126
	£	£/m ²	£	£/m ²	£	£/m ²	£/m ²	£/m ²		
Demolitions 4.53%	11,706,352	107								
1 Substructure	29,336,344	269	19,777,401	371	9,558,943	171	177	223		
2A Frame	43,018,028	394	21,405,324	401	21,612,704	387	156	197		
2B Upper Floors							92	116		
2C Roof	16,092,486	147	8,585,706	161	7,506,780	134	112	141		
2D Stairs	3,058,723	28	1,467,943	28	1,590,780	28	33	42		
2E External Walls	48,563,172	445	19,145,938	359	29,417,234	527	233	294		
2F Windows & External Doors	10,846,854	99	4,610,804	86	6,236,050	112	100	126		
2G Internal Walls & Partitions	16,964,590	155	7,486,067	140	9,478,523	170	84	106		
2H Internal Doors	5,663,750	52	2,511,197	47	3,152,553	56	56	71		
2 Superstructure	144,207,604	1,321	65,212,979	1,223	78,994,624	1,415	866	1,091		
3A Wall Finishes	5,706,179	52	2,538,894	48	3,167,285	57	85	107		
3B Floor Finishes	5,365,597	49	2,401,360	45	2,964,237	53	69	87		
3C Ceiling Finishes	3,535,729	32	1,556,340	29	1,979,390	35	46	58		
3 Internal Finishes	14,607,506	134	6,496,594	122	8,110,912	145	200	252		
4 Fittings (inc sanitary appliances)	14,205,163	130	6,377,419	120	7,827,744	140	76	96		
Morrison fit-out	1,270,889	12	1,270,889	24		0				
Residential fit-out		0		0		0				
5A Sanitary Appliances - inc in fittings							33	42		
5B Services Equipment (kitchen, laundry) MEPH fit out	20,292,690	186	8,981,531	168	11,311,159	203	22	28		
5C Disposal Installations							16	20		
5D Water Installations - Mech S&C	13,114,668	120	5,811,042	109	7,303,626	131	37	47		
5E Heat Source							40	50		
5F Space Heating & Air Treatment							115	145		
5G Ventilating Systems, smoke extract & control							20	25		
5H Electrical Installations (power, lighting, emergency lighting, standby generator, UPS, PV Panels)	7,862,766	72	2,945,090	55	4,917,676	88	104	131		
5I Fuel Installations							8	10		
5J Lift Installations	3,572,603	33	1,323,723	25	2,248,880	40	42	53		
5K Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)							18	23		
5L Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)							24	30		
5M Special Installations - (window cleaning, BMS, medical gas)							39	49		
Services to commercial & car park	2,458,813	23	1,452,676	27	1,006,137	18				
5N BWIC with Services and fire stopping	1,182,539	11	512,852	10	669,687	12	15	19		
5O Management of commissioning of services										
5 Services	48,484,079	444	21,026,914	394	27,457,165	492	533	672		
6A Site Works	4,846,251	44	1,815,499	34	3,030,752	54				
6B Drainage	1,404,921	13	462,950	9	941,971	17				
6C External Services										
6D Minor Building Works										
6 External Works 2.37%	6,251,172	57	2,278,449	43	3,972,723	71	0	0		
SUB TOTAL	270,069,108	2,475	122,440,645	2,297	135,922,111	2,435	1,852	2,334		
7 Preliminaries 14.83%	40,047,000	367	18,979,000	356	21,068,000	377				
Overheads & Profit 5.77%	17,904,586	164	8,485,179	159	9,419,407	169				
SUB TOTAL	328,020,694	3,006	149,904,824	2,812	166,409,518	2,981	1,852	2,334		
Design Development risks										
Construction risks 4.55%	14,920,488	137	7,070,982	133	7,849,506	141				
Employer change risks										
Employer other risks - to balance		0	2	0	-1	0				
TOTAL	342,941,182	3,142	156,975,808	2,944	174,259,023	3,122				
Fees 7.73%	26,498,787	243	12,558,065	236	13,940,722	250				
TOTAL	369,439,969	3,385	169,533,873	3,180	188,199,745	3,372				
		3,385	169,533,873	3,180		3,372				
Benchmarking				2,553		2,649				
Add external works			43		71					
Add additional cost of substructure			148							
Add additional cost of external walls					233					
Add additional cost of fittings			24		44					
			215		349					
Add prelims 14.83%			32		52					
Add OHP @ 5.77%			14	261	23	424				
				2,813		3,073				
Add contingency 5%				141		154				
Total adjusted benchmark				2,954		3,227				

Appendix 2: Glossary

Term	Definition (links provided for further information)
Actual Developer Return (or profit)	As opposed to target return, the actual return is what developers are due to receive from a development scheme.
Affordable Rent:	Affordable rent is rent that is set at up to 80% of market rent (including service charges). Includes SR, LAR and DMR housing.
Social Rent (SR)	Social rent is usually rent that is paid to registered providers and local authorities. It is low-cost rent that is set by a government formula.
London Affordable Rent (LAR)	London Affordable Rent (LAR) homes are rented by social landlords with rents capped at benchmark levels published by the Greater London Authority. They are lower than the 80% per cent of market rents at which affordable rents can be charged. The London Plan
Discounted Market Rent (DMR)	Usually at 80% or less of open market rent, or to LAR levels.
Alternative Use Value (AUV)	Ultimately, AUV considers other options for a property to ascertain the highest value and best use for the land. There's usually more than one thing that can be done to release value in a site, and it's logical that the landowner should consider all avenues before bringing a scheme forward. Government guidance allows viability assessors to consider the alternative use value of a building as a benchmark, provided this relates to a lawful use which complies with the adopted development plan. This alternative use can therefore be: <ul style="list-style-type: none"> - a legal permitted change of use or development (which does not require planning permission) - an existing planning permission (for example a smaller scheme) - or a proposal which fully complies with all development plan policies. Existing Use Value remains the preferred method of assessing BLV under PPG and AUV use is limited by a number of specific conditions. NPPG
Benchmark Land Value (BLV)	The benchmark land value (BLV) is the hypothetical land value used to assess planning viability; it does not include hope value. Established based on either the existing use value (EUV) or the Alternative Use Value (AUV) of the land and may include a Landowner Premium. NPPG
Construction Costs	Total build costs associated with the development.
Build to Rent (BTR)	Build to Rent is a property development that is designed with the sole intention of appealing to the rental market as opposed to long-term home ownership. The London Plan
Co-Living	the practice of living with other people in a group of homes that include some shared facilities (typically shared working, leisure spaces and kitchens). The London Plan
Community Infrastructure Levy (CIL)	The Community Infrastructure Levy (CIL) is a levy on development that councils across the country, are implementing. It helps to pay for local infrastructure including schools, paths, parks, open spaces and healthcare facilities.
Developer Return (or profit)	The amount or percentage return retained or retainable by the developer. NPPG
Developer return on cost	The amount of developer Return expressed as a percentage of Build Costs. NPPG
Developer return on GDV	The amount of Developer Return expressed as a percentage of GDV. NPPG
Development Appraisal	A financial appraisal of a development. It is normally used to calculate either the residual site value or the residual development profit, but it can be used to calculate other outputs. RICS Development Valuation
Existing Use Value (EUV)	What property or land is worth in its current form. In other words, the hypothetical price that it can be sold for on the open market, assuming it will only be used for the existing use for the foreseeable future and that no capital works will be undertaken. It excludes hope value for redevelopment. NPPG
Extra Care	The term 'extra care' housing is used to describe developments that comprise self-contained homes with design features and support services available to enable self-care and independent living.
Fair Value	'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.' (This definition derives from international Financial Reporting Standards IFRS 13.) The Red Book

Gross Development Value (GDV)	The value of a development once construction has been completed, or the total sum of the sales values for the finished development. NPPG
Gross External Area (GEA)	Broadly speaking the whole area of a building taking each floor into account, including the thickness of the external walls. Most similar to IPMS 1. Code of Measuring Practice IPMS
Gross Internal Area (GIA)	Broadly speaking the whole enclosed area of a building taking each floor into account and excluding the thickness of the external walls. Most similar to IPMS 2. Code of Measuring Practice IPMS
Ground Rent	An additional amount which many people who own leasehold properties must pay. It's charged by a "landlord", although the more accurate term is perhaps "freeholder" – the person who owns the land, and ultimately owns the lease. No longer applied on new dwellings.
House of Multiple Occupation (HMO)	A property shared by at least 3 people who are not from 1 'household' (for example a family) and share facilities like the bathroom and kitchen. You must have a licence if you're renting out a large HMO in England or Wales. Your property is defined as a large HMO if all of the following apply: <ul style="list-style-type: none"> it is rented to 5 or more people who form more than 1 household. some or all tenants share toilet, bathroom, or kitchen facilities. at least 1 tenant pays rent (or their employer pays it for them) The London Plan
Internal Rate of Return (IRR)	The rate of interest (expressed as a percentage) at which all future project cash flows (positive and negative) will be discounted in order that the net present value (NPV) of those cash flows, including the initial investment, be equal to zero. IRR can be assessed on both gross and net of finance. RICS Development Valuation
Shared Ownership (SO)	The purchaser pays a mortgage on the share they own and pays a subsidised rent to a housing association on the remaining share. The purchaser has the option to increase their share during their time in the property via a process known as 'staircasing', and in most cases can staircase all the way to 100%. It is a form of intermediate housing.
London Living Rent (LLR)	London Living Rent is a type of intermediate affordable housing for Londoners to build up savings to buy a home. London Living Rent provides rented homes on stable tenancies, with rents based on a third of local household incomes. It is a form of intermediate housing. The London Plan
ITZA	ITZA is surveyor-abbreviation meaning 'area in terms of Zone A'. Totalling the Zone A equivalent of each zone (i.e. Zone B/2, Zone C/4 etc) and expressing the total in terms of Zone A is a method of analysing rents. Code of Measuring Practice
Landowner Premium	The premium (or the 'plus' in EUV+) is a component of benchmark land value. It is the amount (if any) above existing use value (EUV) that goes to the landowner and reflects an incentive for the landowner to dispose of the land for development. NPPG
Market Value	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. The Red Book
National Planning Policy Framework (NPPF)	The revised National Planning Policy Framework sets out government's planning policies for England and how these are expected to be applied. National Planning Policy Framework
Net Internal Area (NIA)	Broadly speaking the usable area within a building measured to the face of the internal finish of perimeter or party walls, excluding corridors and WCs etc and taking each floor into account. Most similar to IPMS 3. Code of Measuring Practice IPMS
Net Sales Area (NSA)	Net Sales Area is the GIA of a new or existing residential dwelling, including basements, mezzanines, galleries and hallways, but excluding garages, conservatories, balconies, outbuildings, terraces and restricted height areas under 1.5m. Code of Measuring Practice
Net Lettable Area (NLA)	As above, expressing the area to be rentalised. Code of Measuring Practice
Planning Obligations	Planning obligations are legal obligations entered into to mitigate the impacts of a development proposal. This is usually via s106 agreement. Planning obligations run with the land, are legally binding and enforceable. They can include affordable housing, infrastructure contributions, CIL etc.
NPPG	The National Planning Practice Guidance adds further context to the National Planning Policy Framework (NPPF) and it is intended that the two documents should be read together. Plan makers must have regard to national policies and advice contained in the guidance when developing their plans. The guidance is also a 'material consideration' when taking decisions on planning applications. This means that if a local policy is deemed out of date, local authorities may be directed by the national guidance's requirements.
Open Market Sale (OMS)	Housing that is to be sold at Market Value.

Residual Value	The amount remaining once the gross development cost of a project is deducted from its gross development value (GDV) and an appropriate return has been deducted. RICS Development Valuation
Retirement Living	A retirement village or development built specifically for older adults - often those aged 55, 60 or 65 and over. They come with a range of superb facilities and can offer on-site care.
RICS	Royal Institution of Chartered Surveyors.
Target Developer Return (or profit)	The target profit required by the developer. NPPG
The Red Book	The Red Book is issued by RICS and details mandatory practices for RICS members undertaking valuation services. It also offers a useful reference resource for valuation users and other stakeholders. The Red Book
Zoning	In retail property valuation, Zoning is the area closest to the street and the most valuable area of retail, with the value decreasing with distance from the frontage: Zone B is the next 6 metres and then Zone C until the entire depth of the retail area is allocated into a zone. Anything after Zone C is usually delegated as the remainder (of space). Code of Measuring Practice

The above definitions are indicative only and are not to be relied upon. Professional advice should always be sought.

Appendix 3: BPS Appraisal (Provisional)

APPRAISAL SUMMARY**BPS SURVEYORS****Aylesham Centre, Peckham
Net Profit****Appraisal Summary for Merged Phases 1 2 3**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Block N - Market Sale	49	28,359	881.29	510,052	24,992,525
Block M - Market Sale	149	116,164	858.18	669,055	99,689,225
Block L - Market Sale	74	45,713	859.74	531,096	39,301,100
Block L - Shared Ownership	20	14,817	640.00	474,144	9,482,880
Block P - Social Rent	61	47,625	263.00	205,334	12,525,375
Block Q - Social Rent	24	19,859	263.00	217,622	5,222,917
Block N - Shared Ownership	15	10,433	640.00	445,141	6,677,120
Block C - Social Rent	17	14,161	263.00	219,079	3,724,343
Block B - Social Rent	24	18,700	263.00	204,921	4,918,100
Block A - Social Rent	18	15,924	263.00	232,667	4,188,012
Block E - Market Sale	78	49,901	850.09	543,848	42,420,150
Block G - Market Sale	71	51,806	847.43	618,339	43,902,100
Block K - Shared Ownership	47	33,581	640.00	457,273	21,491,840
Block K - Market Sale	38	29,831	813.32	638,480	24,262,250
Block J1 -Market Sale	108	78,444	858.69	623,696	67,359,175
Block J2 -Market Sale	20	15,824	789.96	625,014	12,500,275
Block J2 -Shared Ownership	1	835	640.00	534,400	534,400
Block H -Social Rent	43	36,602	263.00	223,868	9,626,326
Block F -Market Sale	<u>20</u>	<u>18,417</u>	<u>795.95</u>	<u>732,950</u>	<u>14,659,000</u>
Totals	877	646,996			447,477,113

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
New Supermarket	1	47,887	30.07	1,440,000	1,440,000	1,440,000
Supermarket Block Kiosk	1	174	35.00	6,090	6,090	6,090
Block N Commercial	1	1,035	35.00	36,225	36,225	36,225
Block C - Retail	2	4,316	60.00	129,480	258,960	258,960
Block B - Retail	1	4,316	50.00	215,800	215,800	215,800
Block A - Retail	1	4,941	50.00	247,050	247,050	247,050
Block D - Office	6	29,321	35.40	172,973	1,037,840	1,037,840
Block E - F&B	1	1,944	35.00	68,040	68,040	68,040
Block E - Office	1	1,727	38.00	65,626	65,626	65,626
Block G - Office	1	661	44.00	29,084	29,084	29,084
Block G - F&B	1	2,076	30.00	62,280	62,280	62,280
Block K - Retail	3	3,237	33.53	36,175	108,525	108,525
Block K - Gym (Ground Floor)	1	4,284	25.00	107,100	107,100	107,100
Block K - Gym (1st Floor)	1	5,409	17.50	94,658	94,658	94,658
Block K - Office	1	624	44.00	27,456	27,456	27,456
Block J1 - Retail	1	987	35.00	34,545	34,545	34,545
Block H - F&B	1	1,730	32.50	56,225	56,225	56,225
Block H - Retail	1	609	35.00	21,315	21,315	21,315
Block F - F&B	1	1,541	32.50	50,083	50,083	50,083
Block F - Retail	<u>1</u>	<u>692</u>	<u>35.00</u>	<u>24,220</u>	<u>24,220</u>	<u>24,220</u>
Totals	28	117,511			3,991,121	3,991,121

Investment Valuation**New Supermarket**

Market Rent	1,440,000	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	22,641,509

Supermarket Block Kiosk

Market Rent	6,090	YP @	7.5000%	13.3333	
(1yr Rent Free)		PV 1yr @	7.5000%	0.9302	75,535

Block N Commercial

Market Rent	36,225	YP @	7.5000%	13.3333	
(1yr Rent Free)		PV 1yr @	7.5000%	0.9302	449,302

Block C - Retail

APPRAISAL SUMMARY

BPS SURVEYORS

Aylesham Centre, Peckham

Net Profit

Market Rent (1yr Rent Free)	258,960	YP @ PV 1yr @	6.5000% 6.5000%	15.3846 0.9390	3,740,845
Block B - Retail					
Market Rent (1yr Rent Free)	215,800	YP @ PV 1yr @	6.5000% 6.5000%	15.3846 0.9390	3,117,371
Block A - Retail					
Market Rent (1yr Rent Free)	247,050	YP @ PV 1yr @	6.5000% 6.5000%	15.3846 0.9390	3,568,797
Block D - Office					
Market Rent (1yr Rent Free)	1,037,840	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	13,856,342
Block E - F&B					
Market Rent (1yr Rent Free)	68,040	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	843,907
Block E - Office					
Market Rent (1yr Rent Free)	65,626	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	876,182
Block G - Office					
Market Rent (1yr Rent Free)	29,084	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	388,304
Block G - F&B					
Market Rent (1yr Rent Free)	62,280	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	772,465
Block K - Retail					
Market Rent (1yr Rent Free)	108,525	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	1,346,047
Block K - Gym (Ground Floor)					
Market Rent (1yr Rent Free)	107,100	YP @ PV 1yr @	8.5000% 8.5000%	11.7647 0.9217	1,161,290
Block K - Gym (1st Floor)					
Market Rent (1yr Rent Free)	94,658	YP @ PV 1yr @	8.5000% 8.5000%	11.7647 0.9217	1,026,376
Block K - Office					
Market Rent (1yr Rent Free)	27,456	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	366,569
Block J1 - Retail					
Market Rent (1yr Rent Free)	34,545	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	428,465
Block H - F&B					
Market Rent (1yr Rent Free)	56,225	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	697,364
Block H - Retail					
Market Rent (1yr Rent Free)	21,315	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	264,372
Block F - F&B					
Market Rent (1yr Rent Free)	50,083	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	621,178
Block F - Retail					
Market Rent (1yr Rent Free)	24,220	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	300,403

APPRAISAL SUMMARY**BPS SURVEYORS****Aylesham Centre, Peckham****Net Profit**

Total Investment Valuation

56,542,624

GROSS DEVELOPMENT VALUE

504,019,737

Purchaser's Costs

(3,810,973)

Effective Purchaser's Costs Rate

6.74%

(3,810,973)

NET DEVELOPMENT VALUE

500,208,764

NET REALISATION

500,208,764

OUTLAY**ACQUISITION COSTS**

Premium

10.00%

80,000

EUV of Petrol Station

800,000

Landowners' Premium

10.00%

2,440,000

EUV of Retail Fronting Rye Lane

12,150,000

EUV of Retail in Aylesham Centre

1,300,000

EUV of Retail Fronting Hanover Park

650,000

EUV of Supermarket Freehold

10,300,000

Total Acquisition

27,720,000

27,720,000

Stamp Duty

5.00%

1,386,000

Irrecoverable VAT on SDLT

20.00%

277,200

Effective Stamp Duty Rate

6.00%

Agent Fee

1.00%

277,200

Legal Fee

0.50%

138,600

2,079,000

CONSTRUCTION COSTS**Construction**ft² Build Rate ft²

Cost

Phase 1 - Podium Construction

573,886

63.81

36,622,205

Block C - Retail

4,316

273.24

1,179,304

Block B - Retail

4,316

273.24

1,179,304

Block A - Retail

4,941

273.24

1,350,079

Block D - Office

29,321

273.24

8,011,670

Block E - F&B

1,944

273.24

531,179

Block E - Office

1,727

273.24

471,885

Block G - Office

661

273.24

180,612

Block G - F&B

2,076

273.24

567,246

Block K - Retail

3,237

273.24

884,478

Block K - Gym (Ground Floor)

4,284

273.24

1,170,560

Block K - Gym (1st Floor)

5,409

273.24

1,477,955

Block K - Office

624

273.24

170,502

Block J1 - Retail

987

273.24

269,688

Block H - F&B

1,730

273.24

472,705

Block H - Retail

609

273.24

166,403

Block F - F&B

1,541

273.24

421,063

Block F - Retail

692

273.24

189,082

Block N - Market Sale

57,514

217.79

12,525,974

Block M - Market Sale

235,590

217.80

51,311,486

Block L - Market Sale

92,710

217.79

20,191,311

Block L - Shared Ownership

30,050

217.79

6,544,589

Block P - Social Rent

96,587

217.79

21,035,683

Block Q - Social Rent

40,276

217.79

8,771,710

Block N - Shared Ownership

21,159

217.79

4,608,219

Phase 2 & 3 Podium Construction

600,835

19.48

11,703,014

Block C - Social Rent

19,789

273.24

5,407,102

Block B - Social Rent

26,010

273.24

7,106,771

Block A - Social Rent

22,250

273.24

6,079,410

Block E - Market Sale

69,723

273.24

19,051,033

Block G - Market Sale

72,385

273.24

19,778,318

Block K - Shared Ownership

46,920

273.24

12,820,439

Block K - Market Sale

35,894

273.24

9,807,459

Block J1 -Market Sale

107,947

273.24

29,495,592

APPRAISAL SUMMARY**BPS SURVEYORS****Aylesham Centre, Peckham****Net Profit**

Block J2 -Market Sale	18,786	273.24	5,132,986	
Block J2 -Shared Ownership	1,167	273.24	318,786	
Block H -Social Rent	51,178	273.24	13,983,713	
Block F -Market Sale	<u>25,733</u>	273.24	<u>7,031,179</u>	
Totals	2,314,803 ft²		328,020,694	
Contingency			14,920,488	
Carbon Offset			880,000	
Phase 1 M&BCIL			4,986,518	
Phase 2 M&BCIL			3,963,401	
				352,771,101

Other Construction

Post completion maintenance (PD)	272 un	2,000.00 /un	544,000	
Service charge voids	272 un	1,000.00 /un	272,000	
Post completion maintenance (PD)	335 un	2,000.00 /un	670,000	
Service charge voids	335 un	1,000.00 /un	335,000	
				1,821,000

PROFESSIONAL FEES

Professional Fees (Pre-planning)		2.00%	6,560,414	
Professional Fees (8%)			26,498,787	
				33,059,201

MARKETING & LETTING

Commercial Sales, Marketing & Legal		1.50%	1,133	
Residential Sales, Agent & Legal		3.00%	11,072,574	
Commercial Sales, Agent & Legal		1.50%	473,640	
Letting Agent Fee		10.00%	399,112	
Letting Legal Fee (Kiosk)		5.00%	72,304	
Letting Legal Fee		5.00%	127,252	
				12,146,015

DISPOSAL FEES

Affordable Disposal Fees		0.50%	391,957	
				391,957

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				43,719,461

TOTAL COSTS**473,707,734****PROFIT****26,501,030****Performance Measures**

Profit on Cost%	5.59%
Profit on GDV%	5.26%
Profit on NDV%	5.30%
Development Yield% (on Rent)	0.84%
Equivalent Yield% (Nominal)	6.62%
Equivalent Yield% (True)	6.90%
Rent Cover	6 yrs 8 mths
Profit Erosion (finance rate 7.000)	9 mths

APPRAISAL SUMMARY

BPS SURVEYORS

Aylesham Centre, Peckham Viability Appraisal

Appraisal Summary for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Block N - Market Sale	49	28,359	881.29	510,052	24,992,525
Block M - Market Sale	149	116,164	858.18	669,055	99,689,225
Block L - Market Sale	74	45,713	859.74	531,096	39,301,100
Block L - Shared Ownership	20	14,817	640.00	474,144	9,482,880
Block P - Social Rent	61	47,625	263.00	205,334	12,525,375
Block Q - Social Rent	24	19,859	263.00	217,622	5,222,917
Block N - Shared Ownership	15	10,433	640.00	445,141	6,677,120
Block C - Social Rent	17	14,161	263.00	219,079	3,724,343
Block B - Social Rent	24	18,700	263.00	204,921	4,918,100
Block A - Social Rent	18	15,924	263.00	232,667	4,188,012
Block E - Market Sale	78	49,901	850.09	543,848	42,420,150
Block G - Market Sale	71	51,806	847.43	618,339	43,902,100
Block K - Shared Ownership	47	33,581	640.00	457,273	21,491,840
Block K - Market Sale	38	29,831	813.32	638,480	24,262,250
Block J1 -Market Sale	108	78,444	858.69	623,696	67,359,175
Block J2 -Market Sale	20	15,824	789.96	625,014	12,500,275
Block J2 -Shared Ownership	1	835	640.00	534,400	534,400
Block H -Social Rent	43	36,602	263.00	223,868	9,626,326
Block F -Market Sale	20	18,417	795.95	732,950	14,659,000
Totals	877	646,996			447,477,113

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
New Supermarket	1	47,887	30.07	1,440,000	1,440,000	1,440,000
Supermarket Block Kiosk	1	174	35.00	6,090	6,090	6,090
Block N Commercial	1	1,035	35.00	36,225	36,225	36,225
Block C - Retail	2	4,316	60.00	129,480	258,960	258,960
Block B - Retail	1	4,316	50.00	215,800	215,800	215,800
Block A - Retail	1	4,941	50.00	247,050	247,050	247,050
Block D - Office	6	29,321	35.40	172,973	1,037,840	1,037,840
Block E - F&B	1	1,944	35.00	68,040	68,040	68,040
Block E - Office	1	1,727	38.00	65,626	65,626	65,626
Block G - Office	1	661	44.00	29,084	29,084	29,084
Block G - F&B	1	2,076	30.00	62,280	62,280	62,280
Block K - Retail	3	3,237	33.53	36,175	108,525	108,525
Block K - Gym (Ground Floor)	1	4,284	25.00	107,100	107,100	107,100
Block K - Gym (1st Floor)	1	5,409	17.50	94,658	94,658	94,658
Block K - Office	1	624	44.00	27,456	27,456	27,456
Block J1 - Retail	1	987	35.00	34,545	34,545	34,545
Block H - F&B	1	1,730	32.50	56,225	56,225	56,225
Block H - Retail	1	609	35.00	21,315	21,315	21,315
Block F - F&B	1	1,541	32.50	50,083	50,083	50,083
Block F - Retail	1	692	35.00	24,220	24,220	24,220
Totals	28	117,511			3,991,121	3,991,121

Investment Valuation

New Supermarket

Market Rent	1,440,000	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	22,641,509

Supermarket Block Kiosk

Market Rent	6,090	YP @	7.5000%	13.3333	
(1yr Rent Free)		PV 1yr @	7.5000%	0.9302	75,535

Block N Commercial

Market Rent	36,225	YP @	7.5000%	13.3333	
(1yr Rent Free)		PV 1yr @	7.5000%	0.9302	449,302

Block C - Retail

APPRAISAL SUMMARY

BPS SURVEYORS

Aylesham Centre, Peckham Viability Appraisal

Market Rent (1yr Rent Free)	258,960	YP @ PV 1yr @	6.5000% 6.5000%	15.3846 0.9390	3,740,845
Block B - Retail					
Market Rent (1yr Rent Free)	215,800	YP @ PV 1yr @	6.5000% 6.5000%	15.3846 0.9390	3,117,371
Block A - Retail					
Market Rent (1yr Rent Free)	247,050	YP @ PV 1yr @	6.5000% 6.5000%	15.3846 0.9390	3,568,797
Block D - Office					
Market Rent (1yr Rent Free)	1,037,840	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	13,856,342
Block E - F&B					
Market Rent (1yr Rent Free)	68,040	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	843,907
Block E - Office					
Market Rent (1yr Rent Free)	65,626	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	876,182
Block G - Office					
Market Rent (1yr Rent Free)	29,084	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	388,304
Block G - F&B					
Market Rent (1yr Rent Free)	62,280	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	772,465
Block K - Retail					
Market Rent (1yr Rent Free)	108,525	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	1,346,047
Block K - Gym (Ground Floor)					
Market Rent (1yr Rent Free)	107,100	YP @ PV 1yr @	8.5000% 8.5000%	11.7647 0.9217	1,161,290
Block K - Gym (1st Floor)					
Market Rent (1yr Rent Free)	94,658	YP @ PV 1yr @	8.5000% 8.5000%	11.7647 0.9217	1,026,376
Block K - Office					
Market Rent (1yr Rent Free)	27,456	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	366,569
Block J1 - Retail					
Market Rent (1yr Rent Free)	34,545	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	428,465
Block H - F&B					
Market Rent (1yr Rent Free)	56,225	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	697,364
Block H - Retail					
Market Rent (1yr Rent Free)	21,315	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	264,372
Block F - F&B					
Market Rent (1yr Rent Free)	50,083	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	621,178
Block F - Retail					
Market Rent (1yr Rent Free)	24,220	YP @ PV 1yr @	7.5000% 7.5000%	13.3333 0.9302	300,403

APPRAISAL SUMMARY**BPS SURVEYORS****Aylesham Centre, Peckham
Viability Appraisal****Total Investment Valuation** 56,542,624**GROSS DEVELOPMENT VALUE** 504,019,737

Purchaser's Costs	(3,810,973)
Effective Purchaser's Costs Rate	6.74%
	(3,810,973)

NET DEVELOPMENT VALUE 500,208,764**NET REALISATION** 500,208,764**OUTLAY****ACQUISITION COSTS**

Premium	10.00%	80,000	
EUV of Petrol Station	800,000		
Landowners' Premium	10.00%	2,440,000	
EUV of Retail Fronting Rye Lane	12,150,000		
EUV of Retail in Aylesham Centre	1,300,000		
EUV of Retail Fronting Hanover Park	650,000		
EUV of Supermarket Freehold	10,300,000		
Total Acquisition		27,720,000	27,720,000
Stamp Duty	5.00%	1,386,000	
Irrecoverable VAT on SDLT	20.00%	277,200	
Effective Stamp Duty Rate	6.00%		
Agent Fee	1.00%	277,200	
Legal Fee	0.50%	138,600	
			2,079,000

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Phase 1 - Podium Construction	573,886	63.81	36,622,205
Block C - Retail	4,316	273.24	1,179,304
Block B - Retail	4,316	273.24	1,179,304
Block A - Retail	4,941	273.24	1,350,079
Block D - Office	29,321	273.24	8,011,670
Block E - F&B	1,944	273.24	531,179
Block E - Office	1,727	273.24	471,885
Block G - Office	661	273.24	180,612
Block G - F&B	2,076	273.24	567,246
Block K - Retail	3,237	273.24	884,478
Block K - Gym (Ground Floor)	4,284	273.24	1,170,560
Block K - Gym (1st Floor)	5,409	273.24	1,477,955
Block K - Office	624	273.24	170,502
Block J1 - Retail	987	273.24	269,688
Block H - F&B	1,730	273.24	472,705
Block H - Retail	609	273.24	166,403
Block F - F&B	1,541	273.24	421,063
Block F - Retail	692	273.24	189,082
Block N - Market Sale	57,514	217.79	12,525,974
Block M - Market Sale	235,590	217.80	51,311,486
Block L - Market Sale	92,710	217.79	20,191,311
Block L - Shared Ownership	30,050	217.79	6,544,589
Block P - Social Rent	96,587	217.79	21,035,683
Block Q - Social Rent	40,276	217.79	8,771,710
Block N - Shared Ownership	21,159	217.79	4,608,219
Phase 2 & 3 Podium Construction	600,835	19.48	11,703,014
Block C - Social Rent	19,789	273.24	5,407,102
Block B - Social Rent	26,010	273.24	7,106,771
Block A - Social Rent	22,250	273.24	6,079,410
Block E - Market Sale	69,723	273.24	19,051,033
Block G - Market Sale	72,385	273.24	19,778,318
Block K - Shared Ownership	46,920	273.24	12,820,439
Block K - Market Sale	35,894	273.24	9,807,459
Block J1 -Market Sale	107,947	273.24	29,495,592

APPRAISAL SUMMARY**BPS SURVEYORS****Aylesham Centre, Peckham****Viability Appraisal**

Block J2 -Market Sale	18,786	273.24	5,132,986	
Block J2 -Shared Ownership	1,167	273.24	318,786	
Block H -Social Rent	51,178	273.24	13,983,713	
Block F -Market Sale	<u>25,733</u>	273.24	<u>7,031,179</u>	
Totals	2,314,803 ft²		328,020,694	
Contingency			14,920,488	
Carbon Offset			880,000	
Phase 1 M&BCIL			4,986,518	
Phase 2 M&BCIL			3,963,401	
				352,771,101

Other Construction

Post completion maintenance (PD)	272 un	2,000.00 /un	544,000	
Service charge voids	272 un	1,000.00 /un	272,000	
Post completion maintenance (PD)	335 un	2,000.00 /un	670,000	
Service charge voids	335 un	1,000.00 /un	335,000	
				1,821,000

PROFESSIONAL FEES

Professional Fees (Pre-planning)		2.00%	6,560,414	
Professional Fees (8%)			26,498,787	
				33,059,201

MARKETING & LETTING

Commercial Sales, Marketing & Legal		1.50%	1,133	
Residential Sales, Agent & Legal		3.00%	11,072,574	
Commercial Sales, Agent & Legal		1.50%	473,640	
Letting Agent Fee		10.00%	399,112	
Letting Legal Fee (Kiosk)		5.00%	72,304	
Letting Legal Fee		5.00%	127,252	
				12,146,015

DISPOSAL FEES

Affordable Disposal Fees		0.50%	391,957	
				391,957

Additional Costs

Commercial Profit		15.00%	11,330	
Supermarket Profit		10.00%	2,264,151	
Affordable Profit		6.00%	2,034,498	
Residential Profit		20.00%	32,796,570	
Commercial Profit		15.00%	67,395	
Affordable Profit		6.00%	2,668,981	
Residential Profit		20.00%	41,020,590	
Commercial Profit		15.00%	4,669,007	
				85,532,523

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				57,211,697

TOTAL COSTS**572,732,493****PROFIT****(72,523,729)****Performance Measures**

Profit on Cost%	-12.66%
Profit on GDV%	-14.39%
Profit on NDV%	-14.50%
Development Yield% (on Rent)	0.70%
Equivalent Yield% (Nominal)	6.62%
Equivalent Yield% (True)	6.90%
Rent Cover	-18 yrs -2 mths
Profit Erosion (finance rate 7.000)	N/A