

December 2024

The Aylesham Centre, Peckham

Financial Viability Assessment Executive Summary

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Aylesham Centre, Hanover Park, SE15 5EW

FINANCIAL VIABILITY ASSESSMENT ADDENDUM - EXECUTIVE SUMMARY

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On behalf of **Berkeley Homes (Capital) Ltd**

December 2024



1 Executive Summary

- 1.1 DS2 have prepared this amended Financial Viability Assessment Addendum ('FVA Addendum') in respect of the development proposals for the Aylesham Centre, Peckham, Southwark, SE15 5EW (hereafter the 'Site') situated in the London Borough of Southwark ('LBS' or 'the Council').
- 1.2 An FVA ('Application FVA') was prepared and submitted by Berkeley Homes (Capital) Plc (hereafter the 'Applicant') in respect of an application for full planning permission reference 24/AAP/2074. This was submitted by Avison Young on behalf of the Applicant.
- 1.3 The application for full planning permission was submitted on 15 July 2024 and validated by LBS on 3 September 2024. The Application FVA is available on LBS's planning portal as part of the planning documentation.
- 1.4 The application for full planning permission ('Proposed Development'), in summary, seeks the 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.

The Amended Proposed Development

- 1.5 DS2 have been instructed by the Applicant to collate an FVA Addendum to reflect several scheme amendments to the Proposed Development. These changes can be summarised as follows:
 - Reduction in units from 877 units to 867;
 - Change in unit mix with the inclusion of four-bedroom apartments (all of which are at low-cost rent) and an increase in two-bedroom apartments;
 - Reduction in the level of affordable housing provided from 35 percent to 12 percent calculated by habitable room.
- 1.6 The primary amendment relates to a reduction in the affordable housing percentage from 35 percent to 12 percent calculated by habitable rooms and as a result incorporates a change to the housing mix. Of these, 72 percent by habitable room will comprise low-cost rent and 28 percent intermediate tenures. This equates to 50 social rented homes, of which two-thirds will be three and four bed accommodation, and 27 intermediate homes.
- 1.7 Further to the submission of the July 2024 planning application for the Proposed Development, LBS instructed BPS to undertake a review of the Application FVA. The BPS Report agrees that the 35 percent as applied for is unviable, i.e. the Proposed Development is in significant financial deficit however the scale of the deficit is not agreed and further clarification on number of the development appraisals inputs is sought.
- 1.8 Further to the receipt of the BPS Report, a meeting took place between the Council, the Applicant and BPS and further information was exchanged. This FVA Addendum has been prepared with reference to the Application FVA, the BPS report, the additional evidence provided and market evidence.

- 1.9 In preparing the FVA Addendum, we have sought to avoid unnecessary repetition from the Application FVA, and the FVA Addendum should be read in conjunction with the Application FVA.

Objectivity

- 1.10 The Application FVA was submitted by the Applicant. As part of the amendment to the planning application, the Applicant have instructed DS2 to prepare an independent and objective financial assessment that accords with the planning policy and professional guidance.
- 1.11 The FVA Addendum has been prepared without interference, and in full accordance with planning policy and professional best practice requirements. DS2's instruction is not on a performance-related or on a contingent basis.

Appraisal Results

- 1.12 The table below set out the appraisal results for the Proposed Development.

PROPOSED DEVELOPMENT APPRAISAL, AYLESHAM CENTRE, DECEMBER 2024 (12 PERCENT AFFORDABLE HOUSING)	
Item	£
Gross Development Value ("GDV")	£557,799,692
Less	
Purchaser's costs	£2,726,962
Benchmark Land Value (EUV+)	£33,540,000
Land acquisition fees	£2,180,100
Construction costs	£333,296,967
Contingency	£16,074,997
CIL/S106	£13,345,088
Professional fees	£33,329,840
Third Party Costs	£5,307,500
Tenant Compensation	£4,187,298
Marketing and agents	£25,279,724
Finance	£59,561,168
Equals	
Residual Developer's return	£26,602,731
% of total costs	5.03%
% of GDV	4.77%

- 1.13 Noting the above, the results of the Proposed Development assessment are summarised below:

PROPOSED DEVELOPMENT (12 PERCENT) APPRAISAL RESULTS, AYLESHAM CENTRE, DECEMBER 2024			
Scheme	Dev. Return Target	Developer Return Output	Surplus/(deficit)
Proposed Development	19.12%	4.77%	(14.35%)

- 1.14 The Proposed Development remains in deficit however the deficit is narrowed when compared to the Application FVA and the BPS report deficits.
- 1.15 In summary, the Applicant is delivering in excess of the maximum viable amount of affordable housing and is able to do so by taking a long-term view on the economics of the Proposed Development. As required in accordance with policy and professional standards, this Addendum FVA presents an objective, assessment and the conclusions are that the Proposed Development is

technically unable to deliver affordable housing and that the 12 percent commitment is done so at the Applicant's risk.

Conclusion

- 1.16 The Proposed Development now seeks to deliver 867 high quality homes alongside flexible commercial space, accessible car parking spaces, cycle parking spaces and replacement of the existing supermarket.
- 1.17 The FVA has been undertaken to assess the maximum viable amount of affordable housing the Proposed Development can provide, in accordance with policy and professional standards.
- 1.18 As set out in the FVA Addendum, the Applicant is committed to delivering as much affordable housing as possible whilst ensuring the Proposed Development remains commercially deliverable. The Applicant has taken a long-term view on the viability of the Proposed Development and the potential for the economics of the Proposed Development to improve over the development period. As such, the Applicant has made the commercial decision to deliver 12 percent affordable housing (by habitable room).
- 1.19 Sensitivity testing has been undertaken to illustrate how the Proposed Development can reach a technically viable position over the lifetime of the development and indeed, under a range of scenarios, deliver some additional affordable housing through the review mechanism process.
- 1.20 In addition to the above, the Proposed Development supports a range of other public benefits including CIL and Section 106 contributions.