Holloway Prison Site,
Parkhurst Road,
London, N7 0NU

Planning Application: P2021/3273/FUL

Independent Viability Review

Prepared on behalf of Islington Borough Council

11th January 2022

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1.0 INTRODUCTION

1.1 BPS Chartered Surveyors have been instructed by the London Borough of Islington ('the Council') to undertake a review of an Application Stage Financial Viability Assessment ('FVA') dated November 2021 prepared by DS2 on behalf of Peabody ('the Applicant') in connection with the above application.

1.2 BPS previously assisted the Council in providing the development viability database underpinning the Holloway Prison Site SPD adopted on 4 January 2018 and reviewed the pre-application FVA, reporting in August and October 2021.

1.3 The site currently comprises a former prison largely constructed in the 1970s and 1980s. The FVA states that the site extends to 4.16 hectares (10.28 acres), which we assume to be the case. The site is roughly square in shape and has a significant variance in levels. The former prison was decommissioned in 2016 due to its design and physical state making it inadequate for continued use and antiquated. The existing buildings on site extend to a maximum of 4 storeys. The site is bordered by Parkhurst and Camden Roads (A503) and a residential area characterised by period terraces and Council estates. We have not inspected the site but have relied upon the information contained in the FVA and supplied by the Council.

1.4 The current proposals are for:

- 985 homes (including extra care housing for 60)
- 60% Affordable Housing by unit (including grant funding)
- 70/30 affordable split between social rent (at Target Rent) and London Shared Ownership
- Women's building (use class F2)
- Flexible class E commercial space
- 17 buildings on 5 plots
- Maximum 14 storeys including ground and lower ground floors
- Public open space including park

1.5 The construction programme supplied with the FVA indicates that construction is to be delivered across the five plots in five overlapping phases, the overall project length totals 86 months.

1.6 The FVA states that the Social Rent element of the development benefits from GLA grant funding of: £70,000 per London Affordable Rent unit; £38,000 per London Living Rent or Shared Ownership unit and £21,645 per unit to convert from LAR to social rent per unit. This totals £44.80m.

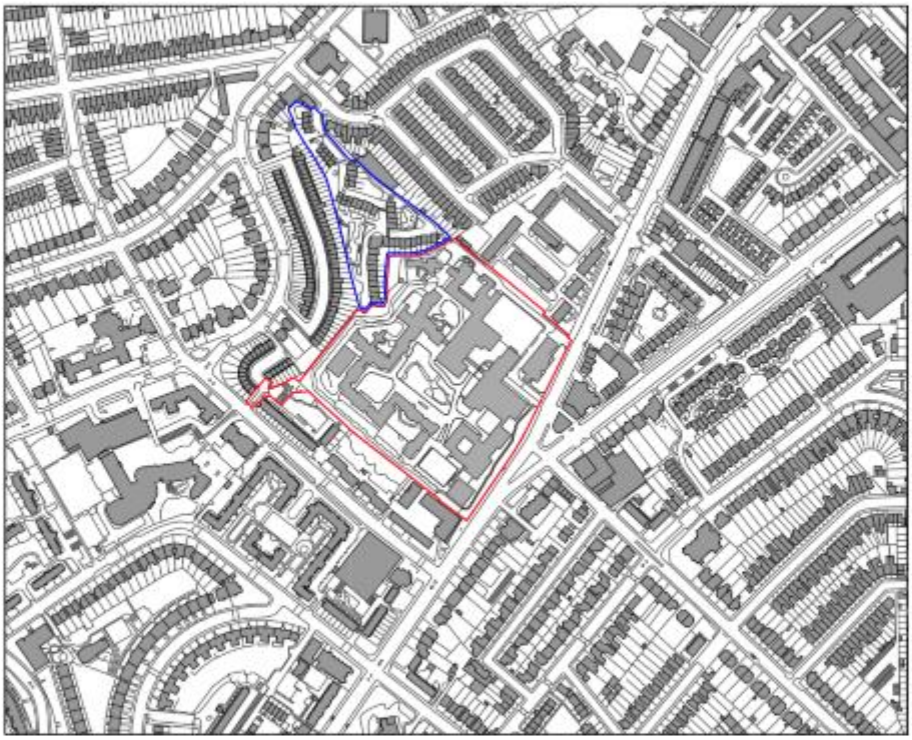
1.7 We are aware that although the scheme would otherwise be eligible for the 'Fast Track' route negating the necessity for an FVA, the developer wishes to build to 30 metres in height in a number of areas of the site and therefore the Council has requested an FVA to demonstrate that this degree of quantum is necessary to support the Affordable Housing offered.

1.8 We have identified the following additional recent planning application from the Council website:

P2019/2979/FUL – Temporary change of use of the existing Prison Visitors Centre (First Floor, part Ground Floor) from a use ancillary to a Prison (C2A) to a Homeless

Shelter (Sui Generis), including associated works. Approved with conditions in November 2019.

1.9 The location is predominantly residential in nature, being adjacent to a variety of low to medium rise residential properties (up to 10 above ground storeys at the rear of the site). The site is located on bus routes along Camden Road and Pankhurst Road and is close to London Underground Stations and shopping facilities on the Holloway Road. The rear of the site is less well served by public transport. We include a site plan taken from the FVA which we note shows an additional area above that analysed in the Holloway Prison SPD to the western corner of the site. The site area is shown edged in red:



1.10 The site is not located within a Conservation Area, nor is it listed.

1.11 The basis of our review is the FVA prepared by DS2, dated November 2021, which analyses the scheme offering 60% affordable by unit. The FVA identifies a Benchmark Land Value (BLV) of £58.38m and a net overall apparent deficit of £43.99m. The report concludes that the '*applicant is seeking to enhance the public and commercial value of the scheme and maximise the delivery of a variety of forms of planning gain for the community included [sic] much needed planning gain.*'

1.12 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make affordable housing contributions.

1.13 A Land Registry search shows that the freehold of the majority of the site (title NGL804775) was purchased on the 7th March 2019 by Peabody Developments Limited for £81,495,000. The additional section added to the western corner of the site appears to be a Council freehold. For the purposes of our report, however, we have assumed that the applicant owns the site.

1.14 The pre-application FVA states that the purchase of the site in 2019 from the Ministry of Justice was on the basis of a 60% Affordable Housing provision and secured housing grant from the GLA.

1.15 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 2020, 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.

1.16 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 CONCLUSIONS AND RECOMMENDATIONS

2.1 We have reviewed the FVA prepared by DS2 on behalf of the applicant for the proposed scheme which concludes that the 60% (by unit) Affordable Housing proposed scheme generates a deficit of £43.99m with a proposed Benchmark Land Value (BLV) of £58.38m. DS2 have concluded that despite the claimed deficit, the applicant is willing to proceed with the scheme on the basis of providing 60% Affordable Housing by unit.

2.2 The National Planning Policy Guidance 2019 states:

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

2.3 The Council's affordable housing policy is set out in the emerging Local Plan Strategic and development management policies 2019. Under the Council's policy H3, the Council seeks to deliver a strategic target of 50% affordable housing units across all sites across the borough and sites of the scale of Holloway Prison must:

'Exhaust all potential options for maximising the delivery of on-site affordable housing to reach and exceed the strategic 50% target, particularly through securing public subsidy.'

2.4 H3 continues:

'D. All sites which are capable of delivering 10 or more conventional units (gross) and/or which propose 1,000sqm (GIA) residential floorspace or more, and which are currently or have been in public sector ownership (either part or full public ownership) must:

(i) provide at least 50% on-site affordable housing (by net additional unit) without public subsidy; and

(ii) exhaust all potential options for maximising the delivery of on-site affordable housing in excess of 50%, particularly through securing relevant public subsidy.

E. Where a site triggers Part D, and additional on-site affordable housing does not demonstrate 'additionality' above 50% to the Council's satisfaction, the proposal will be subject to detailed review mechanisms throughout the period up to full completion of the development, including an advanced stage review mechanism.'

2.5 DS2's recommendation for the proposed 60% affordable provision with grant funding would place this scheme in compliance with the H3 Local Plan policy requirement (subject to viability considerations) and despite grant funding, the scheme accords with the Mayor's fast track approach as set out within the Publication London Plan Policy H5. We understand from other projects that the assessment of meeting the relevant thresholds should be undertaken on without grant basis and recommend clarity is sought on this point from the GLA. An FVA is provided at this point to establish the maximum amount of affordable housing deliverable in the light of the storey heights proposed.

2.6 We have assessed the site using both an EUV+ approach, in line with DS2's FVA, and an AUV approach. We conclude that in line with current guidance under PPG, a Depreciated Replacement Cost ('DRC') approach is no longer appropriate as was used to inform the Site specific SPD. We have therefore assessed the BLV on an AUV basis.

2.7 We have analysed DS2's Affordable Housing valuation figure, which appears low, although we do not consider the standard shared ownership model to be genuinely affordable and have therefore reduced our Affordable Housing GDV in line with DS2's figures.

2.8 Capitalised ground rents have not been included in DS2's appraisal. In the light of the proposed changes to leasehold property legislation we consider omission of ground rents to be appropriate.

2.9 No value has been attributed to any potential car parking spaces as this is a car free development and they are therefore assumed to be either accessible spaces or loading bays.

2.10 We have been provided with Cost Plan Rev 01 prepared by Faithful and Gould dated 4th November 2021 for the proposed scheme. Our Cost Consultant, Geoffrey Barnett Associates, has reviewed the costs prepared as part of the FVA, and concludes that:

'We conclude that the construction costs put forward in the cost plan are within acceptable estimating margins of our own assessment of costs.'

Appraisal Updates and Conclusions:

2.11 We have been provided with a live version of DS2's live Argus development appraisal to which we have applied our amendments which include:

- The Benchmark Land Value has been inputted as a fixed land value so that land interest charges are not over or understated. Profit has been included as a development cost timed to the end of development. This results in the appraisal outputting a profit above profit targets representing either the development surplus or deficit.
- We have reduced the BLV in line with our comments below.
- We have included university style fit out costs to a 'Cat B' standard for the Women's Building in line with Council requirements.

2.12 Our updated viability position for the scheme scenarios are as follows:

60% with grant	DS2	BPS
EUV	£27.00m	-
Landowner Premium	116%	-
AUV	-	£11.49m
BLV	£58.38m	£11.49m
GDV	£399.80m	£399.80m
Developer's Profit	14.17%	14.17%
Surplus/ Deficit	**-£43.99m**	**-£4.73m**

2.13 Our analysis shows a small deficit of £4,732,354 for the proposed scenario with 60% Affordable Housing and grant funding. This would indicate that that the proposed scheme is unviable in planning terms although the size of the deficit sum should be seen as effectively a marginal position given the scale of the development. Our appraisals are provided in Appendix 2.

2.14 The results of the viability assessment indicate that the quantum of development proposed by the applicant, in combination with grant, is required in order to deliver 60% Affordable Housing at a policy compliant tenure split of 70% social rent and 30% intermediate housing.

2.15 The sensitivity analysis also provided in Appendix 2 shows that this is a marginal position and only small changes to revenue or costs results in a surplus position. It is understood that an Early Stage review mechanism will be attached to the proposed scheme, which if triggered and a surplus is generated, would seek to improve the affordability of the intermediate units.

2.16 We note the considerable difference in BLV position between the parties due to changes in costs, values and the planning context since production of the SPD.

2.17 For illustrative purposes, we can show how the cumulative impact of changes in construction costs and revenues together with resultant changes to BLV would impact upon the proposed scheme appraisal as follows:

Proposed scheme Surplus/Deficit			
	Construction Cost		
Residential sales	-10.00%	-5.00%	0.00%
0.00%	BLV: £32,670,329 Surplus: £346,629	BLV: £22,082,024 Deficit: -£1,553,473	**BLV: £11,493,718** **Deficit: -£4,732,354**
+5.00%	BLV: £43,580,478 Deficit: -£4,799,979	BLV: £32,992,172 Deficit: -£6,700,079	BLV: £22,403,867 Deficit: -£8,600,180
+10.00%	BLV: £54,490,627 Deficit: -£9,946,587	BLV: £43,902,321 Deficit: -£30,904,851	BLV: £33,314,016 Deficit: -£13,746,788

2.18 The above table shows that as costs fall and revenues rise, resulting in a higher BLV, the overall impact of this is to a greater or lesser extent negated by the cost/revenue impact upon the proposed scheme. The sensitivity analysis shows the base case small net surplus reverting to a small net deficit for most scenarios as costs decrease and sales revenues increase.

3.0 BENCHMARK LAND VALUE

Viability Benchmarking

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

Gross Development Value – Development Costs (including Developer's Profit) = Residual Value

3.2 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.

3.3 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.

3.4 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.

3.5 We note the 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).

3.6 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 the 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 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+).

3.7 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 or 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.

The Proposed Benchmark

3.8 The financial modelling undertaken by BPS for the 2018 SPD took place against the backdrop for the MoJ evaluating options for this site. On this basis an existing use value was adopted which reflected a depreciated replacement cost (DRC) valuation basis. DRC as a valuation method is used to value specialist properties for which there is no ready market demand in their current use, reflecting benefit to the owner; it is not a market based valuation and does not seek to assess the realisable value on the open market.

3.9 DS2 have approached the BLV assessment on the basis of an EUV+ approach. DS2 have assessed EUV with reference to the Depreciated Replacement Cost ('DRC') of the existing buildings. We note that since the 2018 SPD there have been substantial changes made to the NPPF and PPG, as well as the adoption of a new London Plan. In light of these changes, we consider a DRC valuation to have no basis of support either in terms of planning policy or through any potential continuation of prison use. DS2 have quoted the DRC as assessed by BPS in 2017 at £27m.

3.10 DS2 also adopt the premium provided in the 2017 BPS report of 116%, resulting in a BLV of £58.38m.

3.11 In terms of comparable evidence, DS2 quote the 2017 BPS report in addition to various sources of comparables, transactional and otherwise. The FVA also refers to

The London Borough of Islington: Draft Local Plan Viability Study December 2018 typologies which include a former emergency services building valued at an equivalent of £55m and £124m for a 4.16 hectare plot.

BPS Assessment of Benchmark Land Value

3.12 In the interests of completeness, we have considered the BLV on the basis of both an EUV+ and AUV approach.

3.13 For the EUV approach, we have updated our 2017 DRC valuation. We have received advice from our retained Cost Consultants, Geoffrey Barnett Associates ('GBA') who confirm that the updated BCIS build rate for closed prisons previously used (lower mean figure) rebased to Islington (factor of 1.29) is £3,823 psm GIA although we would caveat that the sample size relied upon is only 2. There is therefore a higher degree than normal of uncertainty surrounding this figure.

3.14 We have calculated the replacement cost based on an area of 31,041sm GIA, to which we have added 30% additional costs for externals and abnormal development costs. This results in a total updated replacement cost of £154,270,666. The buildings are now 36-50 years old and we have therefore increased the depreciation allowance proportionately to 88%. This results in a DRC figure of £18,512,480.

3.15 We note that since our last report in 2017, PPG has been subject to substantial revision and DRC has no support as an approach to calculating BLV. The significant reduction in DRC value since our report in 2017 is also indicative of the limitations of this type of analysis.

3.16 Land sales of large sites in London, such as the subject are scarce. Under PPG, hope value for redevelopment must be excluded from these comparables, rendering the majority of such evidence irrelevant.

3.17 We have therefore assessed the following AUV scheme presented to us by the Council as reflecting a compliant scheme which also accords with the SPD. We would be willing to revisit our figures should a further appropriate AUV scheme be presented.

3.18 The AUV scheme is based upon the proposed scheme, but with reduced height and massing to some areas. The Council have advised that such a scheme including 50% affordable housing with an affordable housing tenure split of 70% social rent and 30% intermediate housing (and including the women's centre at a peppercorn rent into perpetuity) would be considered a policy compliant scheme and can therefore serve as the AUV scheme for the purposes of the financial viability assessment. The scheme differs from the proposals as follows:

- 911 residential units
- Total GIA 1,001,262 sf
- 50% Affordable Housing
- 455 private units
- 137 Shared Ownership units
- 319 Social Rent units
- No grant funding

3.19 The AUV scheme removes elements which breach the 30m building heights policy. We have assumed that the overall mix of unit types for each tenure has remained the same. The reduction in units and changes to NSAs are summarised in the table below:

		Reduction in NSA floorspace and Units		
Building Ref	**Description of change**	**NSA (sqm)**	**NSA (sqft)**	**Units**
B4	Removal of 1x Floor	409.2	4405	6
B5	Removal of 2x Floors	948.6	10211	16
C1	Removal of 4x Floors and top floor (L12)	2637	28385	36
C2	Removal of Top Floor (L9)	356	3832	4
D1	Removal of 1x floor	618	6652	8
D2	Removal of Top Floor (L7)	250	2691	4
	Totals	**5218.8**	**56175**	**74**

3.20 We have been advised on costs for the AUV by our retained Cost Consultant, Geoffrey Barnett Associates ('GBA') and their full report is included in Appendix 1. They have calculated a total construction cost of £273,868,944 (£273.53psf) for this scheme including additional and abnormal costs and 5.00% contingency. In addition, we have included university style fit out costs for the Women's Building but reduced these to CAT A standard (which lower standard than CAT B).

3.21 Estimated CIL for the AUV scheme have been provided by the Council as follows:

Plot	Mayoral CIL	Borough CIL
C	£12,516	£27,001
D	£1,381,764	£5,962,109
E	£105,830	£456,639
A	£991,115	£4,276,514
B	£1,178,395	£4,823,064
Total	**£3,669,620**	**£15,545,327**

3.22 Interim S106 costs of £2,927,950 have been supplied by the Council although these have yet to be confirmed. Our report reflects the above developer contributions. Our appraisal will require amendment should these figures change.

3.23 We have therefore amended DS2's appraisal to reflect the above changes and our amendments to the inputs as described in s2.0 above. This results in a blended profit of 13.16%.

3.24 Our appraisal shows a residual value around £11.49m and is included in Appendix 2.

3.25 We conclude that the current BLV, in line with PPG is £11,493,718. We note that the respective parties' assessment of BLV substantially differ. This is as a result of substantial changes in PPG since the production of the SPD which has created a considerable distance between the two figures.

3.26 Although purchase price has not, under PPG, any relevance to the viability assessment, we are aware that price paid is likely to have been influenced by the findings of the SPD. We are aware development values and costs have both altered since the production of the SPD, in addition, there has been an introduction of MCIL2 and changes to the national planning policy context in terms of the new NPPF (2021), updated PPG and the Development Plan with the adoption of the London Plan 2021, all of which have impacted upon land value.

3.27 We therefore note the following sensitivity analysis for the AUV scheme, which shows the variability of the BLV as costs and revenues alter:

BLV					
	Construction Cost				
Residential sales	-10.00%	-5.00%	0.00%	+5.00%	+10.00%
-10.00%	+£10,850,031	+£261,726	-£12,051,539	-£24,766,325	-£37,751,050
-5.00%	+£21,760,180	+£11,171,875	+£583,569	-£11,666,883	-£24,362,284
0.00%	+£32,670,329	+£22,082,024	+£11,493,718	+£905,413	-£11,282,226
+5.00%	+£43,580,478	+£32,992,172	+£22,403,867	+£11,815,562	+£1,227,257
+10.00%	+£54,490,627	+£43,902,321	+£33,314,016	+£22,725,711	+£12,137,406

4.0 RESIDENTIAL UNIT VALUES

4.1 The proposed scheme proposes 985 homes including 60% Affordable Housing by unit comprising 70% Social Rent (including 60 extra care units) and 30% London Shared Ownership. The housing is proposed in 17 buildings over 5 plots extending to a maximum of 14 storeys. Plots A and B comprise 2 blocks each.

4.2 The mix of housing is as follows (percentages by unit):

Flat type	Market sale	*MS %*	Social Rent	Shared Ownership	*Extra Care AH*	*AH %*	Total	*Total %*	*Max Storeys plus Grd*
Plot A	67	*28.5%*	116	52	-	*71.5%*	235	*23.9%*	9
Plot B	129	*40.2%*	84	108	-	*59.8%*	321	*32.6%*	*12*
Plot C	-	-	155	-	-	*100.0%*	155	*15.7%*	*14*
Plot D	165	*90.2%*	-	18	-	*9.8%*	183	*18.6%*	*10*
Plot E	31	*34.1%*	-	-	*60*	*65.9%*	91	*9.2%*	*7*
Total	**392**	***39.8%***	**355**	**178**	***60***	***60.2%***	**985**	***100%***	***14***

4.3 The Islington emerging Local Plan policy H4 requires a minimum of 10% wheelchair user dwellings.

<u>Private Residential Values</u>

4.4 DS2 have assessed the market value of the 392 Market Sale units on the basis of transactional comparables. They have provided evidence from three local developments all of which comprise 1 and 2 bedroom flats, two of which have commercial premises on the ground floor. The schemes cited are between 21 and 58 flats, so considerably smaller than the subject proposals and arguably too small to benefit from the placemaking possibilities of the subject site. We consider their comparables in turn:

Icon Apartments N7 0FJ

6 storey, residential led development with balconies, very close to the subject in a directly comparable location. Average prices achieved in Q2 2020 £802psf. Considered inferior to the subject due to lower average storey height, lack of placemaking and noisier environment, close to a busy road.

Cottonworks House N7 7FN

5 storey residential led development extending along Seven Sisters Road. Average prices achieved in Q1 2020 £801psf. Similar location to subject, but considered inferior due to the lack of balconies, lower average storey height, lack of placemaking and noisier environment, close to a busy road.

Jewel House N7 9HL

9 storey block with concierge, gym and balconies. Average prices achieved Q1 2020 £982psf. Marginally superior location in terms of public transport links and leisure

facilities, set back from the adjacent roads behind other blocks and overlooking Market Road Gardens to the west. The block has a similar storey height to the subject and forms part of a larger development. It is therefore considered marginally superior to the subject.

4.5 DS2 have adopted the following valuations which appear to be in line with the evidence quoted in their report:

	Units	Average sf	DS2 Market Value psf	DS2 Average Market Value	DS2 Total Market Value
1b	87	561	£993	£557,126	£48.47m
2b	278	792	£937	£742,302	£206.36m
3b	27	963	£914	£879,630	£23.75m
Total/Ave	**392**	**752**	**£945**	**£710,663**	**£278.58m**

4.6 We have identified the following additional comparables which we consider to be relevant:

Address	Ave sf	Beds	Ave Sale Price	Ave Price psf	Comments
City North N4 3HY	619	1 & 2	£477,313	£771	Sales achieved throughout 2020. New build, well located for public transport and includes a tower block but considered inferior to the subject due to location.
43 Carleton Road N7 0ET	678	2	£500,000	£737	2nd floor, small Victorian conversion, resale, completed March 2021. Two bathrooms, fair presentation.
71d Crayford Road N7 0NE	397	1	£550,000	£1,385	Small 1st floor conversion, resale completed in March 2021. Reasonably presented.
13, Hilton House, Parkhurst Road N7 0NN	533	1	£375,000	£704	Modern purpose built ground floor flat, well presented. Resale completed March 2021.
12b Tabley Road N7 0NQ	1,130	2	£700,000	£619	Ground floor February 2021 resale completed of converted flat, fair presentation with garden.
XY Maiden Lane Estate, NW1 9XZ	576 734	1 2	£600,714 £754,500	£1,043 £1,028	2021 average asking prices for new build scheme for flats over floors 10 to 18. Superior location and increased height premiums.

Visiv, Agar Grove Estate, NW1 9SS	587 809	1 2	£577,000 £777,000	£983 £962	2021 average asking prices for new build scheme for flats from ground to 4th floors. No height premiums, but superior location.

5.7 The new build evidence has been obtained from Molior, a subscription database. Resale areas have been obtained from either Rightmove or the EPC as available.

5.8 The resale evidence is varied in terms of age, character, size and presentation. The closest resale comparable to the subject is Hilton House which is in a very comparable location and is purpose built and well presented but sold at a discount as expected for a resale. On the basis of the available comparable sale prices above, we consider DS2’s assessment of the average market value to be reasonable.

5.9 We have reviewed DS2’s unit by unit pricing schedule. The 4 bedroom flats have been valued at a higher rate psf than the smaller units, however they are predominantly corner penthouses which accounts for this seeming anomaly. The values psf generally increase at around 1 to 2% on average per storey, as might be expected.

5.10 In the present market and considering the type and location of the proposed scheme, we consider DS2’s view of Market Value to be reasonable, resulting in a GDV of £278.58m. In the light of current market uncertainties, we would recommend that this GDV should be subject to review.

Car Parking

5.11 The proposed scheme is designated ‘car free’ and we have therefore not included additional GDV for the residential parking. We understand that 30 accessible spaces will be provided.

6.0 AFFORDABLE HOUSING

6.1 We summarise below the revised Affordable Housing offer for the 60% Affordable scheme as proposed below:

	Units
Social Rent (LLR and Extra Care)	
1b	106
2b	209
3b	87
4b	13
Total	**415**
Intermediate (LSO)	
1b	96
2b	82
Total	**178**
AH Total	**593**

5.3 We have not been provided with average unit sizes for the Affordable Housing and have assumed that they are of a similar size to the Market Sale units.

5.4 DS2 have applied a valuation of £179.89psf for the Social Rented units (including extra care) based upon a previous BPS value.

5.5 DS2 have valued the shared ownership units on the basis of London Shared Ownership at £450psf although no evidence or analysis has been produced to support this. DS2 have assumed that the shared ownership units will be affordable to households with an income up to £90,000.

5.6 We have not been provided with any further details regarding the Extra Care proposals and in the absence of this information have assumed there to be no additional profit generating services provided to these homes in excess of the normal service charge. This will need to be agreed in the s106, which must confirm that any extra care given in respect of these units will be on a non-profit making basis in perpetuity. Should this not be the case, then we reserve the right to amend our valuation accordingly.

5.7 We have assessed the Social Rent units (including extra care) using the Islington social rent weekly (target rents) for 2021-22 which are the maximum rents that can be charged by a Registered Provider in Islington. These rents have been provided by the council's Housing Team and are listed below:

Bedrooms	2021/22
1	£148.88
2	£157.62
3	£166.38
4	£175.12

5.8 In addition, we have assumed 0.50% rental growth and have discounted the cashflow over a 60 year period (after deductions for management, maintenance, repairs and voids/bad debts). On this basis, we calculate the social rent element of the 60% Affordable Housing proposed scheme to have a GDV of £59,705,129 (£180.57psf). This equates to around 19% of the Market Value psf.

5.9 This is marginally more than the £179.89psf assumed by significantly more than the £150psf assumed by DS2 and we therefore consider their valuation to be reasonable.

5.10 We have assessed the Intermediate units on the basis of London Shared Ownership tenure, in line with DS2's approach. We have tested generic appraisal assumptions of an initial 25% equity stake including a 5% deposit and rent of 2.50% charged on the remaining equity. In addition, we have assumed 0.50% rental growth and have discounted the cashflow over a 60 year period. On this basis, we calculate the shared ownership element of the 60% Affordable Housing proposed scheme to have a GDV of £71,425,502 (£587.70psf). This equates to around 62% of the Market Value psf.

5.11 We note that at this level, our valuation of the Shared Ownership units would be higher than the DS2 valuation which reflects a value of £450 psf. We also consider a value based on £588 psf to be unaffordable, therefore in practice the percentage level of rent would need to be reduced to make this tenure affordable. We have therefore defaulted to DS2's value of £450 psf for this element which we consider to be at the threshold of affordability.

5.12 In line with best practice, we recommend a review at the stage of RP offer.

6.0 COMMERCIAL VALUATION

6.1 A breakdown of the proposed commercial space is provided as follows. A total of 30 car parking spaces are wheelchair accessible in line with the development's car free status and we have assumed them to be non-income producing in line with the FVA.

Plot	Use	GIA sf	NIA sf
B	Commercial (E)	17,943	12,400
C	Women's Building (F2)	16,023	15,161
C	Commercial (E)	1,665	1,531
D	Resident's Ancillary Facilities (C3)	14,359	12,400
Total		**49,990**	**41,492**

Commercial (Use Class E)

6.2 The FVA states that the commercial space is intended for retail use and will be located on the upper and lower ground floor. We note that its flexible use class will increase its marketability and letting prospects. We have not been provided with unit sizes for the commercial space and assume that the space will be divisible into several units to reflect occupier demand.

6.3 DS2 have based their valuation of £35.00 psf on transactional comparables of A1 and A3 units throughout North London in 2020 and 2021. Rents achieved range from £22.90psf to £32.35psf. DS2 highlight that the two closest comparables were let at over £30psf and that there is a premium for new build space.

6.4 Further, we acknowledge that this is not currently a retail location and the proposed units would have to be establish a retail pitch following completion.

6.5 We have identified the following rental comparables:

Address	Use Class	Total NIA sf	Rent psf	Date	Comments
476 Holloway Road N7 6HT	A1	898	£24.50	Jan 21	Letting at £22,000pa of ground floor unit, shell condition, 5 yearly rent reviews, 6 months' rent free, FRI terms. Busy location with good footfall.
206 Hornsey Road N7 7LL	A1	645	£22.48	Feb 21	Shop let for 10 years at £14,500 pa, 2 month rent free, 5 yearly rent reviews, 298 sf on ground, remainder in basement.
378 Caledonian Road N1 1DY	A1	610	£26.23	Jan 21	Let for £16,000pa, 1 month rent free, 5 yearly rent reviews, break at year 5, 305sf ground, 305sf basement.

6.6 On the basis of the above comparables and the evidence presented in the FVA, we consider DS2's assessment of GDV to be reasonable.

6.7 DS2 have capitalised the commercial rental income using a yield of 6.50% which they have supported with transactional comparables from across north and north west London between 2019 and 2021. The comparables presented show a range of yields between 4.98% and 6.67%, although no information such as term unexpired or rent passing which would allow analysis of the yields is provided.

6.8 We have been unable to identify any further comparable investment deals but would present the following owner-occupier sales:

Address	Use Class	Total NIA sf	Sale price psf	Date	Comments
18 Brecknock Road N7 0DD	A1	302	£570	Sep 20	Long leasehold sold for £172,000
175-177 Holloway Rd N7 8LX	A1	2,134	£234	Aug 19	Freehold sold for £500,000
238 Upper Street N1 1RU	A1	880	£1,795	Aug 19	Freehold in superior location sold for £1.58m

6.9 The comparables above vary hugely, but Upper Street is a much superior location. The remaining sales provide some indication for the off pitch locations more comparable to the subject.

6.10 DS2's assessment of commercial GDV of £7,043,481 equates to £506psf, which in the light of the above sales appears reasonable. DS2 have assumed a yield of 6.50% and a total rent free/void period of 12 months to arrive at this figure, which appears reasonable. Whilst DS2 claim that the investment market for retail has declined over the past 18 months, we do not accept that what is likely to be a temporary effect of the Covid pandemic is relevant for our analysis. Nevertheless, we agree with their overall findings.

6.11 We recommend that in the light of scarce close comparables, the commercial space is subject to review under the s106 agreement.

<u>Women's Centre</u>

6.12 The Women's Centre is described as use class F2 (Community Use). DS2 have assumed that it will provided to shell and core finish at a peppercorn rent. We have therefore not attributed a value to this area although we note that the Council have proposed that the Women's Centre be supplied to a 'Category B' fit out to provide university style facilities and our costs reflect the Council's requirements. We recommend that this position be confirmed in the s106 agreement.

6.13 There is no industry standard for Cat A and Cat B, although the following can be reasonably expected for a university style fit out:

- CAT A: electrical and mechanical services, toilets, fire detection systems and smoke alarms, air-conditioning and ventilation, raised floors and suspended ceilings.
- CAT B as above in addition to: fitted kitchens, IT installation and infrastructure/power points, AV installations, BMS (building management

system), access control, furniture and workspaces, partitioning for offices, meeting rooms and breakout spaces.

Amenity Space

6.14 This space is described as ancillary to the residential areas and classed as Use Class C3. DS2 have not attributed a GDV to this area and we assume that it will not be income producing.

7.0 DEVELOPMENT COSTS

7.1 Our Cost Consultant, Geoffrey Barnett Associates, has analysed the cost information within the Cost Plan Rev 01 prepared by Faithful and Gould dated 4th November 2021. They observed that:

The difference between costs in the cost plan and an assessment of costs using BCIS is £3,817,515 or 1.27 % - see Appendix B.

We conclude that the construction costs put forward in the cost plan are within acceptable estimating margins of our own assessment of costs.'

7.2 Geoffrey Barnett Associates' full cost report can be found at Appendix 1.

7.3 In addition, we have included fit out costs for the Women's Building reflecting CAT B standard for university facilities. GBA have advised that this equates to £1,900 psm plus 5.00% contingency which on a GIA of 1,489sm results in a cost of £2,970,555.

7.4 DS2 have applied the following additional cost assumptions:

- Professional fees of 10.00%
- Contingency 5.00%
- Residential Marketing 1.50%
- Commercial Marketing £1.50psf NIA
- Commercial Letting Agent Fees 10.00%
- Commercial Letting Legal Fees 5.00%
- Residential Disposal Legal Fees of £1,000 per unit
- Commercial Sales Agent fee 1.00%
- Commercial Sales Legal Fee 0.50%

7.5 Generally, we accept that these percentages are realistic and in line with industry norms.

7.6 DS2 have deducted charges as follows:

- Borough CIL £13,663,408
- Mayoral CIL £3,355,289
- S106 £3,085,849

7.7 The above CIL costs have been confirmed by the Council. The Council have provided an interim S106 cost of £3,435,949, and although this is subject to final confirmation by the Council it has been assumed to be correct for the purposes of this report.

7.8 We have amended our appraisals accordingly. These figures are subject to confirmation, our appraisals will need to be revised should these amounts change.

7.9 DS2 have included finance at 6.00%. We are of the view that in the light of current interest rate levels, this level of finance rate is appropriate. We have assumed that the scheme is 100% debt financed.

7.10 DS2 have adopted the following timescale in their appraisal:

Months	Phase:	A	B	C	D	E
Pre-construction				6		
Demolition enabling				18		
Construction		24	31	39	26	25
Letting				6		
Sale		8	15		18	5

7.11 Combined construction duration is stated to be 71 months, including the 6 month pre-construction period. We consider these timescales to be reasonable. The DS2 cashflow is based upon 50% Market Residential pre-sales with approximately 5 sales per month following completion, which we consider reasonable, although at the lower end of the spectrum.

7.12 The developer profit target adopted by DS2 is a blended rate of 15.00% on the commercial GDV, 17.5% on the Private residential element and 6.00% on the Affordable Housing equating to 14.17% overall on the 60% Affordable Housing scheme as proposed. We are of the view that a blended profit on this basis is reasonable, and in our appraisal, these rates equate to 14.17% on the 60% Affordable Housing scheme.

8.0 AUTHOR SIGN OFF

The following persons have been involved in the production of this report.

Clare Jones MRICS

RICS Membership no. 0095561
For and on behalf of BPS Chartered Surveyors

&

Andrew Jones MRICS
RICS Membership no. 0085834
For and on behalf of BPS Chartered Surveyors

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.

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.

Appendix 1: Build Cost Report

Geoffrey Barnett Associates

REVIEW OF COST PLAN REV 01
PREPARED BY
FAITHFUL+GOULD

FOR

FORMER HOLLOWAY PRISON SITE, LONDON, N7 0NU

05 JANUARY 2022

Geoffrey Barnett Associates
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Project Coordinators
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1.0 INTRODUCTION:

1.1 Geoffrey Barnett Associates are Chartered Quantity Surveyors, established in 1974, and have over 45 years' experience of providing quantity surveying, project co-ordination and construction cost management services to clients throughout the UK. The firm's experience covers a wide range of project types and sizes including new build residential and commercial developments, infrastructure projects and refurbishment projects.

1.2 This review relates to Cost Plan Rev 01 dated 04 November 2021 produced by Faithful+Gould.

2.0 BASIS OF REVIEW

2.1 The contract build cost estimate provided by the applicant is reviewed by comparison against the Building Cost Information Service (BCIS) construction cost data published by the RICS. The reason for using the BCIS service is that it provides a UK wide and fully independent database compiled and continually updated by input from varied project types and locations.

2.2 BCIS publish costs as average overall prices on a cost per sq metre basis and an elemental cost per sq metre basis for new build work. For new build construction, the BCIS cost levels are used as a baseline to assess the level of cost and specification enhancement in the scheme on an element by element basis.

2.3 BCIS costs are updated on a quarterly basis. The most recent quarters use forecast figures, the earlier quarters are firm costs based on historic project data. The BCIS also provides a location adjustment facility against a UK mean index of 100, which allows adjustment of costs for any location in the UK. The BCIS also publish a Tender Price Index based on historic tender prices. This allows adjustment of costs on a time basis where necessary.

2.4 BCIS average costs are available for various categories of buildings such as apartments, offices, shops, hotels, schools, etc.

2.5 BCIS average prices per sq metre include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Average prices per sq metre or elemental costs do not include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs.

2.6 Ideally, a contract build cost estimate should be prepared by the applicant in the BCIS elements. If this is not available exactly in the BCIS format then, where relevant, we undertake analysis and adjustment to allow direct comparison to BCIS elemental benchmark costs. This requires access to the drawings, specifications, and any reports which have a bearing on cost.

2.7 The review of an applicant's contract build cost estimate against BCIS would typically require:

- Adjustment by location factor

- Adjustment for abnormal and enhanced costs
- Review of the applicants estimate on element by element basis
- More detailed analysis where there are significant deviance from BCIS costs
- Adjustment of overheads & profit inclusions to provide direct comparison to BCIS
- Addition of contractors' preliminaries costs
- Addition of ancillary costs, such as fees, statutory charges, etc., as appropriate

These adjustments enable us to make a direct comparison with BCIS benchmark costs.

2.8 The floor areas stated in the applicants cost estimate are accepted and we do not attempt to check the floor areas.

3.0 REVIEW OF COST ESTIMATE – PROPOSED SCHEME (985 UNITS)

3.1 The proposed development is stated to comprise: "Phased comprehensive redevelopment including demolition of existing structures; site preparation and enabling works; and the construction of 985 residential homes including 60 extra care homes (Use Class C3), a Women's Building (Use Class F.2) and flexible commercial floorspace (Use Class E) in buildings of up to 14 storeys in height; highways/access works; landscaping; pedestrian and cycle connections; publicly accessible park; car (blue badge) and cycle parking; and other associated works".

3.2 We have previously assessed a development on this site in July 2021 and accepted proposed construction costs. The scheme has changed insignificantly. As we identified the changes are related to increase in number of residential units from 980 to 985, different heights of blocks and amendments to residential and commercial GIAs.

3.2 Total GIA is stated in the cost plan to be 99,507m2. The breakdown of areas is as follows:-

<u>Residential:</u>	
Plot A	22,930m2
Plot B	29,547m2
Plot C	15,154m2
Plot D	18,234m2
Plot E1	5,946m2
Plot E2	3,051m2
<u>Commercial, Women's Building & Amenity:</u>	
Plot B - commercial (shell and core)	1,667m2
Plot C - community centre Women's Building (shell and core)	1,489m2
Plot C commercial (shell and core)	155m2
Plot D – residential amenity space	1,334m2
	99,507m2

It should be noted that there is a slightly different total GIA of 99,568m2 is shown in clause 5.5 (page 9 of the FVA). We assume it is due to an error in the GIA for Commercial (E), it shows 1,882m2 instead of 1,822m2. We have used the GIA of 99,507m2 in our assessment of costs.

3.3 Construction costs are shown in the cost plan to be £301,259,460 in total, which concurs with the appraisal summary. The breakdown of costs is as follows:-

Site clearance and demolition	£4,128,548
Build costs	£269,480,766
External works	£13,304,457
Contingency	£14,345,689
Total	**£301,259,460**

3.4 Date basis for the costs is stated to be 4Q2021.

3.5 Costs are presented in an elemental summary and partially quantified breakdown.

3.6 The cost plan includes preliminaries at 15%, overheads & profit at 5% and contingency at 5%.

4.0 GBA ASSESSMENT OF CONSTRUCTION COSTS – PROPOSED SCHEME (985 UNITS)

4.1 To benchmark the figures in the cost plan, we have calculated costs using BCIS average m2 rates. These rates relate to buildings only, so we have added allowances for external works, plus any abnormals – see following clauses.

4.2 Date basis for the costs is 4Q2021.

4.3 We have used Median BCIS rates rebased to Islington.

4.4 We have reviewed the costs in the cost plan for costs that are excluded from BCIS rates (demolition and facilitating works, external works and services). On the whole we consider them to be reasonable and we have therefore used them in our assessment.

4.5 We have also reviewed the plan in detail to see if there are any abnormal costs that we do not consider would be included in BCIS rates. We consider that the following could be considered as abnormal:

- Piled foundations
- Basement with secant piled retaining wall
- ASHP
- Sprinkler system to residential areas

4.6 In line with common practice and general guidance we have added an allowance of 5% for contingency.

4.7 On the basis of the foregoing we have calculated a total construction cost of £297,441,945 – see Appendix A.

5.0 CONCLUSION – PROPOSED SCHEME (985 UNITS)

5.1 The difference between costs in the cost plan and an assessment of costs using BCIS is £3,817,515 or 1.27% - see Appendix B.

5.2 We conclude that the construction costs put forward in the cost plan are within acceptable estimating margins of our own assessment of costs.

6.0 REVIEW OF PROFESSIONAL FEES AND CONSTRUCTION DURATION – PROPOSED SCHEME (985 UNITS)

6.1 Professional fees are stated to be 10%, which is considered to be reasonable.

6.2 Combined construction duration for all plots is stated to be 71 months, including 6-months pre-construction period. BCIS data does not support projects of this size and value. We have reviewed individual durations for each plot. Taking into consideration the presence of basement and necessity of extensive secant piled retaining wall we consider proposed durations reasonable. Individual durations of build for plots are overlapping. We cannot comment if the overlapping is sufficient as we assume it is related to commercial reasons.

7.0 GBA ASSESSMENT OF CONSTRUCTION COSTS – AUV SCHEME (911 UNITS)

7.1 We have been asked to assess construction costs for an AUV scheme. We have not received any design information for this scheme. We have received an area schedule, from which we assumed that the scheme is very similar to the proposed one with the number of the residential units reduced from 985 to 911, a number of floors increased for Plot A and a number of floors reduced for Plots B, C and D with subsequent reduction of residential GIAs.

7.2 Total GIA is stated in the area schedule to be 93,019m2. The breakdown of areas is as follows:-

<u>Residential:</u>	
Plot A	22,930m2
Plot B	27,796m2
Plot C	11,485m2
Plot D	17,168m2
Plot E1	5,945m2
Plot E2	3,050m2
<u>Commercial, Women's Building & Amenity:</u>	
Plot B - commercial (shell and core)	1,667m2
Plot C - community centre Women's Building (shell and core)	1,489m2

Plot C – commercial (shell and core)	155m2
Plot D – residential amenity space	1,334m2
	93,019m2

7.3 We have used additional costs from Faithful+Gould cost plan without adjustment and adjusted our own abnormal costs to reflect revised GIAs and the number of units.

7.4 In line with common practice and general guidance we have added an allowance of 5% for contingency.

7.5 On the basis of the foregoing, we have calculated a total construction cost of £273,868,944 – see Appendix C.

APPENDIX A

CALCULATION OF COSTS USING BCIS M2 RATES - PROPOSED SCHEME (985 UNITS)

Base costs based on M2 rates					
*Plot A flats (9 storey blocks)	22,930	m2 @	£2,450	/m2	£56,178,500
*Plot B flats (12 storey blocks)	29,547	m2 @	£2,597	/m2	£76,733,559
*Plot C flats (14 storey blocks)	15,154	m2 @	£2,695	/m2	£40,840,030
*Plot D flats (10 storey block)	18,234	m2 @	£2,499	/m2	£45,566,766
Plot E1 flats (7 storey block) - old people's house	5,946	m2 @	£2,308	/m2	£13,723,368
Plot E2 flats (7 storey block)	3,051	m2 @	£2,255	/m2	£6,880,005
Plot B commercial (shell & core)	1,667	m2 @	£1,146	/m2	£1,910,382
Plot C Women's building - community centre (shell & coı	1,489	m2 @	£1,789	/m2	£2,663,821
Plot C commercial (shell & core)	155	m2 @	£1,146	/m2	£177,630
Plot D residents amenity space in LG floor	1,334	m2 @	£1,917	/m2	£2,557,278
Total	99,507		£2,485		**£247,231,339**
Additional costs not included in base rates					
Demolition and facilitating works					£4,128,548
External works and services					£13,304,457
					£17,433,005
Abnormal costs					
Piled foundations (600Ø CFA piles 25m deep)	11,643	m2 @	£300	/m2	£3,492,900
Basement (including secant pilied retaining wall)	10,068	m2 @	£800	/m2	£8,054,400
ASHP	985	units @	£2,500	/unit	£2,462,500
Sprinkler system to residential areas	96,196	m2 @	£45	/m2	£4,328,820
Inflation upgrade from 3Q2021 (TPI=339) to 4Q2021 (TPI=344) as above rates were 3Q2021			1.5%		£275,079
					£18,613,699
Total base and additional costs					£283,278,043
Contingency			5%		£14,163,902
					£297,441,945
Cost per m2 of GIA	£2,989				

Notes:
1. BCIS rates are Median, rebased to Islington and current date (4Q2021).
2. BCIS rates are inclusive of prelims and OHP.
3. * BCIS rates adjusted for high rise buildings.
4. Facilitating works and external works and services costs are taken from Faithful+Gould cost plan.
5. Abnormal costs - GBA own assessment.
6. All additional and abnormal costs are inclusive of preliminaries and overheads and profit.

APPENDIX B

COMPARISON OF COST PLAN AGAINST COSTS USING BCIS M2 RATES - PROPOSED SCHEME (985 UNITS)

Cost using BCIS m2 rates - Appendix A	£297,441,945
Cost from cost plan	£301,259,460
Difference £	£3,817,515
Difference %	1.27%

APPENDIX C

CALCULATION OF COSTS USING BCIS M2 RATES - AUV SCHEME (911 UNITS)

Base costs based on M2 rates					
*Plot A flats (10 storey blocks)	22,930	m2 @	£2,499	/m2	£57,302,070
*Plot B flats (11 storey blocks)	27,796	m2 @	£2,548	/m2	£70,824,208
*Plot C flats (10 storey blocks)	11,485	m2 @	£2,499	/m2	£28,701,015
*Plot D flats (9 storey block)	17,168	m2 @	£2,450	/m2	£42,061,600
Plot E1 flats (7 storey block)- old people's house	5,945	m2 @	£2,308	/m2	£13,721,060
Plot E2 flats (7 storey block)	3,050	m2 @	£2,255	/m2	£6,877,750
Plot B commercial (shell & core)	1,667	m2 @	£1,146	/m2	£1,910,382
Plot C Women's building - community centre (shell & co	1,489	m2 @	£1,789	/m2	£2,663,821
Plot C commercial (shell & core)	155	m2 @	£1,146	/m2	£177,630
Plot D residents amenity space in LG floor	1,334	m2 @	£1,917	/m2	£2,557,278
Total	93,019		£2,438		**£226,796,814**
Additional costs not included in base rates					
Demolition and facilitating works					£4,128,548
External works and services					£13,304,457
					£17,433,005
Abnormal costs					
Piled foundations (600Ø CFA piles 25m deep)	10,271	m2 @	£300	/m2	£3,081,300
Basement (including secant pilied retaining wall)	8,696	m2 @	£800	/m2	£6,956,800
ASHP	911	units @	£2,500	/unit	£2,277,500
Sprinkler system to residential areas	89,708	m2 @	£45	/m2	£4,036,860
Inflation upgrade from 3Q2021 (TPI=339) to 4Q2021 (TPI=344) as above rates were 3Q2021			1.5%		£245,287
					£16,597,747
Total base and additional costs					£260,827,566
Contingency			5%		£13,041,378
					£273,868,944
Cost per m2 of GIA	£2,944				

Notes:
1. BCIS rates are Median, rebased to Islington and current date (4Q2021).
2. BCIS rates are inclusive of prelims and OHP.
3. * BCIS rates adjusted for high rise buildings.
4. Facilitating works and external works and services costs are taken from Faithful+Gould cost plan.
5. Abnormal costs - GBA own assessment.
6. All additional and abnormal costs are inclusive of preliminaries and overheads and profit.

APPENDIX D: BCIS DATA

BCIS® RICS

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 04-Dec-2021 00:40

› Rebased to London Borough of Islington (127; sample 31)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
447. Care homes for the elderly							
Generally (15)	2,402	1,487	1,830	2,308	2,710	4,864	36
Up to 500m2 GFA (25)	2,363	2,255	-	-	-	2,470	2
500 to 2000m2 GFA (15)	2,803	1,537	1,622	2,461	3,470	4,864	8
Over 2000m2 GFA (15)	2,288	1,487	1,941	2,289	2,665	3,228	28
532. Community Centres							
Generally (25)	2,843	1,167	2,181	2,705	3,321	8,762	119
Up to 500m2 GFA							
Generally (25)	3,000	1,167	2,001	2,683	3,572	8,762	50
Steel framed (25)	3,361	1,624	2,151	2,835	3,899	8,762	23
Concrete framed (50)	1,821	-	-	-	-	-	1
Brick construction (25)	2,150	1,167	1,703	2,081	2,456	3,564	18
Timber framed (25)	3,789	2,740	3,353	3,649	4,262	4,928	8
500 to 2000m2 GFA							
Generally (25)	2,735	1,179	2,380	2,659	3,080	4,500	65
Steel framed (25)	2,750	1,410	2,349	2,765	3,108	4,500	41
Concrete framed (30)	2,762	-	-	-	-	-	1
Brick construction (25)	2,511	1,179	2,345	2,490	2,734	4,475	16
Timber framed (25)	3,151	2,390	2,875	2,962	3,519	3,918	7
Over 2000m2 GFA							
Generally (25)	2,627	2,145	-	2,727	-	2,909	4
Steel framed (30)	2,581	1,899	-	2,727	-	2,969	4
Concrete framed (50)	1,936	-	-	-	-	-	1
Brick construction (50)	1,428	-	-	-	-	-	1
Timber framed (15)	2,909	-	-	-	-	-	1
816. Flats (apartments)							
Generally (15)	2,023	1,001	1,685	1,917	2,275	6,983	874
1-2 storey (15)	1,918	1,190	1,635	1,837	2,146	3,446	200
3-5 storey (15)	1,993	1,001	1,679	1,909	2,247	4,229	572
6 storey or above (15)	2,413	1,484	1,971	2,255	2,585	6,983	99

BCIS®

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 18-Dec-2021 00:39

› Rebased to London Borough of Islington (127; sample 31)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
Shell only							
345. Shops (15)	1,294	793	1,041	1,146	1,295	2,954	10
816. Flats (apartments) (15)	1,789	-	-	-	-	-	1

BCIS®

RICS®

BCIS All-in TPI #101

Base date: 1985 mean = 100 | **Updated:** 17-Dec-2021 | #101

			Percentage change		
Date	**Index**	**Equivalent sample**	**On year**	**On quarter**	**On month**
1Q 2020	335	Provisional	1.2%	0.6%	
2Q 2020	335	Provisional	0.0%	0.0%	
3Q 2020	330	Provisional	-1.5%	-1.5%	
4Q 2020	328	Provisional	-1.5%	-0.6%	
1Q 2021	328	Provisional	-2.1%	0.0%	
2Q 2021	331	Provisional	-1.2%	0.9%	
3Q 2021	339	Provisional	2.7%	2.4%	
4Q 2021	344	Provisional	4.9%	1.5%	
1Q 2022	350	Forecast	6.7%	1.7%	
2Q 2022	355	Forecast	7.3%	1.4%	
3Q 2022	355	Forecast	4.7%	0.0%	
4Q 2022	358	Forecast	4.1%	0.8%	
1Q 2023	363	Forecast	3.7%	1.4%	
2Q 2023	368	Forecast	3.7%	1.4%	
3Q 2023	371	Forecast	4.5%	0.8%	
4Q 2023	376	Forecast	5.0%	1.3%	
1Q 2024	381	Forecast	5.0%	1.3%	
2Q 2024	386	Forecast	4.9%	1.3%	
3Q 2024	389	Forecast	4.9%	0.8%	
4Q 2024	394	Forecast	4.8%	1.3%	
1Q 2025	397	Forecast	4.2%	0.8%	
2Q 2025	402	Forecast	4.1%	1.3%	
3Q 2025	405	Forecast	4.1%	0.7%	
4Q 2025	411	Forecast	4.3%	1.5%	
1Q 2026	415	Forecast	4.5%	1.0%	
2Q 2026	420	Forecast	4.5%	1.2%	
3Q 2026	423	Forecast	4.4%	0.7%	

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BCIS®

RICS®

New Build, Construction

FORMER HOLLOWAY PRISON SITE, LONDON, N7 0NU

Contract value out of range: the model supports contracts between 49,763 and 193,591,504 (assuming all other parameters unchanged)

The estimate is based on the following project details:

Contract value: £301,259,460 at 4Q 2021 (351; forecast) prices and London Borough of Islington (127; sample 31) level

Building function: Flats

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

Appendix 2: BPS Appraisals

Holloway Prison BPS version
50% Affordable Scheme AUV

Development Appraisal
BPS Surveyors
26 January 2022

APPRAISAL SUMMARY	BPS SURVEYORS

Holloway Prison BPS version
50% Affordable Scheme AUV

Appraisal Summary for Merged Phases 1 2 3 4 5

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Plot C Residential - Affordable	115	89,826	179.89	140,511	16,158,799
Plot D Residential - Market	171	137,876	934.51	753,488	128,846,509
Plot E Residential - Market	13	9,893	940.25	715,532	9,301,914
Plot E Residential - Affordable	60	40,753	179.89	122,184	7,331,057
Plot E Residential - Shared Ownership	18	13,270	450.00	331,750	5,971,500
Plot A Residential - Market	125	97,565	947.36	739,432	92,428,958
Plot A Residential - Shared Ownership	52	36,350	450.00	314,567	16,357,500
Plot A Residential - Affordable	58	49,525	179.89	153,604	8,909,052
Plot B Residential - Market	146	101,626	959.21	667,673	97,480,211
Plot B Residential - Affordable	86	71,195	179.89	148,922	12,807,269
Plot B Residential - Shared Ownership	67	42,730	450.00	286,993	19,228,500
Totals	**911**	**690,609**			**414,821,270**

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Plot C Commerical	1	1,531	35.00	53,585	53,585	53,585
Plot B Commerical	1	12,400	35.00	434,000	434,000	434,000
Totals	**2**	**13,931**			**487,585**	**487,585**

Investment Valuation

Plot C Commerical					
Market Rent	53,585	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	774,070
Plot B Commerical					
Market Rent	434,000	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	6,269,411
Total Investment Valuation					**7,043,481**

GROSS DEVELOPMENT VALUE			**421,864,752**
Purchaser's Costs		(478,957)	
Effective Purchaser's Costs Rate	6.80%		
			(478,957)
NET DEVELOPMENT VALUE			**421,385,795**
NET REALISATION			**421,385,795**

OUTLAY

ACQUISITION COSTS

Residualised Price		11,493,718	
			11,493,718
Stamp Duty	5.00%	574,686	
Agent Fee	1.00%	114,937	
Legal Fee	0.80%	91,950	
			781,573

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Plot C Build Cost	1 un	34,862,015	34,862,015
Womens' Building fit out	1 un	1,549,900	1,549,900
Plot D Build Cost	1 un	47,938,427	47,938,427
Plot E Build Cost	1 un	23,918,359	23,918,359
Plot A Build Cost	1 un	60,621,619	60,621,619
Plot B Build Cost	1 un	76,054,139	76,054,139
Totals			**244,944,459**
Contingency		5.00%	13,041,378
Site Clearance & Preparation/Demo			4,128,548
External Works			13,304,457
S106			2,927,950

Holloway Prison BPS version
50% Affordable Scheme AUV

Plot C - LBI CIL			27,001	
Plot C - MCIL2			12,516	
Plot D - LBI CIL			5,962,109	
Plot D - MCIL2			1,381,764	
Plot E - LBI CIL			456,639	
Plot E - MCIL2			105,830	
Plot A - LBI CIL			4,276,514	
Plot A - MCIL2			991,115	
Plot B - LBI CIL			4,823,064	
Plot B - MCIL2			1,178,395	
				297,561,739
PROFESSIONAL FEES				
Professional Fees		10.00%	27,386,894	
				27,386,894
MARKETING & LETTING				
Marketing - Commercial	13,931 ft²	1.50	20,897	
Marketing		1.50%	4,920,864	
Letting Agent Fee		10.00%	48,759	
Letting Legal Fee		5.00%	24,379	
				5,014,898
DISPOSAL FEES				
Sales Agent Fee - Commercial		1.00%	65,645	
Sales Agent Fee - Residential		1.50%	4,920,864	
Sales Legal Fee		0.50%	32,823	
Sales Legal Fee	455 un	1,000.00 /un	455,000	
				5,474,332
FINANCE				
Debit Rate 6.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				18,155,239
TOTAL COSTS				**365,868,394**
PROFIT				
				55,517,401

Performance Measures

Profit on Cost%	15.17%
Profit on GDV%	13.16%
Profit on NDV%	13.17%
Development Yield% (on Rent)	0.13%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%
IRR% (without Interest)	17.37%
Rent Cover	113 yrs 10 mths
Profit Erosion (finance rate 6.000)	2 yrs 4 mths

Holloway Prison BPS version
50% Affordable Scheme AUV

Table of Land Cost and Gross Development Value

	Construction: Gross Cost				
Sales: Rate /ft²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	(£10,850,031) £385,500,392	(£261,726) £385,500,392	£12,051,539 £385,500,392	£24,766,325 £385,500,392	£37,751,050 £385,500,392
-5.000%	(£21,760,180) £403,682,572	(£11,171,875) £403,682,572	(£583,569) £403,682,572	£11,666,883 £403,682,572	£24,362,284 £403,682,572
0.000%	(£32,670,329) £421,864,752	(£22,082,024) £421,864,752	(£11,493,718) £421,864,752	(£905,413) £421,864,752	£11,282,226 £421,864,752
+5.000%	(£43,580,478) £440,046,931	(£32,992,172) £440,046,931	(£22,403,867) £440,046,931	(£11,815,562) £440,046,931	(£1,227,257) £440,046,931
+10.000%	(£54,490,627) £458,229,111	(£43,902,321) £458,229,111	(£33,314,016) £458,229,111	(£22,725,711) £458,229,111	(£12,137,406) £458,229,111

Sensitivity Analysis : Assumptions for Calculation

Construction: Gross Cost
Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Plot C Build Cost	1	£34,862,015	2.00 Up & Down
Plot D Build Cost	2	£47,938,427	2.00 Up & Down
Plot E Build Cost	3	£23,918,359	2.00 Up & Down
Plot A Build Cost	4	£60,621,619	2.00 Up & Down
Plot B Build Cost	5	£76,054,139	2.00 Up & Down
Womens' Building fit out	1	£1,549,900	2.00 Up & Down

Sales: Rate /ft²
Original Values are varied by Steps of 5.000%.

Heading	Phase	Rate	No. of Steps
Plot D Residential - Market	2	£934.51	2.00 Up & Down
Plot E Residential - Market	3	£940.25	2.00 Up & Down
Plot A Residential - Market	4	£947.36	2.00 Up & Down
Plot B Residential - Market	5	£959.21	2.00 Up & Down
Plot D Residential - Shared Ownership	2	£450.00	2.00 Up & Down
Plot A Residential - Shared Ownership	4	£450.00	2.00 Up & Down
Plot B Residential - Shared Ownership	5	£450.00	2.00 Up & Down

Holloway Prison BPS version
60% Affordable Scheme as proposed

Development Appraisal
BPS Surveyors
26 January 2022

Holloway Prison BPS version
60% Affordable Scheme as proposed

Appraisal Summary for Merged Phases 1 2 3 4 5

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Plot C Residential - Affordable	155	122,475	179.89	142,142	22,032,028
Plot D Residential - Market	165	133,364	934.51	755,333	124,630,000
Plot D Residential - Shared Ownership	18	13,843	450.00	346,075	6,229,350
Plot E Residential - Market	31	23,164	940.25	702,581	21,780,000
Plot E Residential - Affordable	60	40,666	179.89	121,923	7,315,407
Plot A Residential - Market	67	49,295	947.36	697,015	46,700,000
Plot A Residential - Shared Ownership	52	36,443	450.00	315,372	16,399,350
Plot A Residential - Affordable	116	97,281	179.89	150,861	17,499,879
Plot B Residential - Market	129	89,105	959.21	662,558	85,470,000
Plot B Residential - Affordable	84	70,235	179.89	150,412	12,634,574
Plot B Residential - Shared Ownership	108	71,247	450.00	296,862	32,061,150
Totals	**985**	**747,118**			**392,751,738**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Plot C Commerical	1	1,531	35.00	53,585	53,585	53,585
Plot B Commerical	1	12,400	35.00	434,000	434,000	434,000
Totals	**2**	**13,931**			**487,585**	**487,585**

Investment Valuation

Plot C Commerical					
Market Rent	53,585	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	774,070
Plot B Commerical					
Market Rent	434,000	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	6,269,411
Total Investment Valuation					**7,043,481**

GROSS DEVELOPMENT VALUE			**399,795,219**
Purchaser's Costs		(478,957)	
Effective Purchaser's Costs Rate	6.80%		
			(478,957)
NET DEVELOPMENT VALUE			**399,316,262**
Additional Revenue			
Grant Funding		44,796,685	
			44,796,685
NET REALISATION			**444,112,947**
OUTLAY			
ACQUISITION COSTS			
Fixed Price	11,493,718		
Fixed Price		11,493,718	
			11,493,718
Stamp Duty	5.00%	574,686	
Agent Fee	1.00%	114,937	
Legal Fee	0.80%	91,950	
			781,573

CONSTRUCTION COSTS

Construction	**Units**	**Unit Amount**	**Cost**
Plot C Build Cost	1 un	39,821,657	39,821,657
Womens' Building fit out	1 un	2,829,100	2,829,100
Plot D Build Cost	1 un	52,986,392	52,986,392
Plot E Build Cost	1 un	25,123,065	25,123,065
Plot A Build Cost	1 un	62,957,307	62,957,307
Plot B Build Cost	1 un	88,592,346	88,592,346

Holloway Prison BPS version
60% Affordable Scheme as proposed

Totals			**272,309,867**	
Contingency		5.00%	14,345,689	
Site Clearance & Preparation/Demo			4,128,548	
External Works			13,304,457	
S106			3,435,949	
Plot C - LBI CIL			27,128	
Plot C - MCIL2			134,183	
Plot D - LBI CIL			6,166,770	
Plot D - MCIL2			1,429,196	
Plot E - LBI CIL			1,062,639	
Plot E - MCIL2			246,275	
Plot A - LBI CIL			2,108,628	
Plot A - MCIL2			488,691	
Plot B - LBI CIL			4,298,253	
Plot B - MCIL2			1,056,946	
				324,543,219
PROFESSIONAL FEES				
Professional Fees		10.00%	30,125,946	
				30,125,946
MARKETING & LETTING				
Marketing - Commercial	13,931 ft²	1.50	20,897	
Marketing		1.50%	4,178,700	
Letting Agent Fee		10.00%	48,759	
Letting Legal Fee		5.00%	24,379	
				4,272,734
DISPOSAL FEES				
Sales Agent Fee - Commercial		1.00%	65,645	
Sales Agent Fee - Residential		1.50%	4,178,700	
Sales Legal Fee		0.50%	32,823	
Sales Legal Fee	392 un	1,000.00 /un	392,000	
				4,669,168
MISCELLANEOUS FEES				
Comm Profit		15.00%	116,111	
AH Profit		6.00%	1,321,922	
PM Profit		17.50%	21,810,250	
AH Profit		6.00%	373,761	
PM Profit		17.50%	3,811,500	
AH Profit		6.00%	438,924	
PM Profit		17.50%	8,172,500	
AH Profit		6.00%	2,033,954	
Comm Profit		15.00%	940,412	
PM Profit		17.50%	14,957,250	
AH Profit		6.00%	2,681,743	
				56,658,326
FINANCE				
Debit Rate 6.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				16,300,617
TOTAL COSTS				**448,845,301**
PROFIT				
				(4,732,354)
Performance Measures				
Profit on Cost%		-1.05%		
Profit on GDV%		-1.18%		
Profit on NDV%		-1.19%		
Development Yield% (on Rent)		0.11%		
Equivalent Yield% (Nominal)		6.50%		
Equivalent Yield% (True)		6.77%		
IRR% (without Interest)		4.23%		
Rent Cover		-9 yrs -8 mths		
Profit Erosion (finance rate 6.000)		N/A		

Holloway Prison BPS version
60% Affordable Scheme as proposed

Table of Profit Amount and Gross Development Value

	Construction: Gross Cost				
Sales: Rate /ft²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	£8,184,837 £371,937,219	(£10,745,138) £371,937,219	(£29,798,345) £371,937,219	(£48,851,551) £371,937,219	(£67,904,757) £371,937,219
-5.000%	£20,235,415 £385,866,219	£1,781,869 £385,866,219	(£17,265,349) £385,866,219	(£36,318,556) £385,866,219	(£55,371,762) £385,866,219
0.000%	£32,063,845 £399,795,219	£14,021,604 £399,795,219	(£4,732,354) £399,795,219	(£23,785,560) £399,795,219	(£42,838,767) £399,795,219
+5.000%	£43,809,556 £413,724,219	£26,003,569 £413,724,219	£7,713,768 £413,724,219	(£11,252,565) £413,724,219	(£30,305,772) £413,724,219
+10.000%	£55,555,268 £427,653,219	£37,780,946 £427,653,219	£19,817,890 £427,653,219	£1,278,133 £427,653,219	(£17,772,776) £427,653,219

Sensitivity Analysis : Assumptions for Calculation

Construction: Gross Cost
Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Plot C Build Cost	1	£39,821,657	2.00 Up & Down
Plot D Build Cost	2	£52,986,392	2.00 Up & Down
Plot E Build Cost	3	£25,123,065	2.00 Up & Down
Plot A Build Cost	4	£62,957,307	2.00 Up & Down
Plot B Build Cost	5	£88,592,346	2.00 Up & Down
Womens' Building fit out	1	£2,829,100	2.00 Up & Down

Sales: Rate /ft²
Original Values are varied by Steps of 5.000%.

Heading	Phase	Rate	No. of Steps
Plot D Residential - Market	2	£934.51	2.00 Up & Down
Plot E Residential - Market	3	£940.25	2.00 Up & Down
Plot A Residential - Market	4	£947.36	2.00 Up & Down
Plot B Residential - Market	5	£959.21	2.00 Up & Down