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Your ref:  
Our ref: ADL/120838

12 January 2014

Dear Claire

**ROYAL BOROUGH OF KENSINGTON & CHELSEA ('RBKC'): COMMUNITY  
INFRASTRUCTURE LEVY ('CIL') ADDITIONAL VIABILITY TESTING**

I am writing to outline the results of our additional viability testing of developments in the Borough to further test the potential impact of proposed rates of CIL. You have requested the following advice:

1. Consideration of the proposed 30% viability buffer or cushion and evidence to support (or otherwise) a change to a 20% cushion;
2. Consideration of the impact of the proposed CIL on 12 'marginal sites'; and
3. Consideration of the impact of the proposed CIL upon the Borough's strategic sites, being Kensal Gas Works and Earl's Court;

We address each of these issues in the following sections.

**1. Viability buffer/cushion**

Paragraph 30 of the April 2013 Statutory Guidance requires that charging authorities should "avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area". There is no guidance on the 'buffer' or 'cushion' that should be allowed below the margin of viability. Indeed, the Local Housing Delivery Group guidance (*'Viability Testing Local Plans: Advice for planning practitioners'*) notes that "the decision on what cushion might be appropriate will rest with planning authorities...haven taken a view on the level of risk to delivery".

The extent of viability buffers varies between different authorities and at different points in the economic cycle. For example, Bristol City Council adopted a substantial viability of cushion by setting their CIL rates at 50% of the theoretical maximum rate. However, at the time Bristol published its Preliminary Draft Charging Schedule ('PDCS') (November 2011), macro-economic conditions were substantially worse than they were in 2013. Furthermore, the housing market recovery in Bristol at the time was much more muted



than the recovery in London. Bristol Council's consideration of these factors led to the conclusion that a high viability buffer would be the most appropriate route at the time.

Other authorities who have considered their rates in light of more recent macro-economic developments have adopted considerably lower viability buffers than Bristol. For example, Chelmsford Borough Council were satisfied that a buffer of 18% was sufficient on brownfield sites to ensure that delivery of development was not threatened.

In setting its rates and allowing for an appropriate buffer, the Council may wish to have regard to the following factors:

- Market conditions in the Borough (the demand for residential property appears to have strengthened considerably over the last 6 to 12 months which reduces development risk). The risk of falling prices appears to have receded in the short to medium term.
- Development profit: some advisors have started to argue in the last 6 months that lower development risk should result in reductions in developer's profit. Our appraisals assume a 20% profit, and if the other advisors' position is adopted, this already provides a degree of viability cushion. Arguably, therefore, the Council could probably reduce the buffer below the maximum rate without adversely impact on delivery.
- Build costs: although sales values are likely to increase over the next 5 years (with Savills predicting nominal increases of circa 30% in prime London markets), there are also predictions that build cost inflation will erode some of these increases.

The Council will need to weigh the factors above and decide whether it would be appropriate to reduce the viability buffer, which is currently set at 30%. Whilst the viability buffer is ultimately a matter of judgement by each individual charging authority, we would suggest a buffer should be no lower than 20%. Table 1.1 below shows the CIL rates in the PDCS with a 30% buffer and a reduced 20% buffer.

**Table 1.1: RBKC CIL rates from PDCS and with reduced buffer of 20% on residential**

CIL zone	CIL rate after 30% buffer	CIL rate after 20% buffer
A	£650	£750
B	£500	£590
C	£370	£430
D	£230	£270
E	£150	£190
F	£100	£110

**2. Impact of CIL on marginal sites**

The Council has supplied details of 12 'marginal' sites in order that we can consider the impact of the proposed rates of CIL on their viability. The content of the 12 developments are summarised in Table 2.1 below.



**Table 2.1: Marginal developments**

Site reference	CIL zone	Description of development
1	F	Change of use from public house to 8 residential units.
2	B	Change of use from post office to 3 residential units and 320 sqm of retail
3	B	Redevelopment of vacant office to provide 50 residential units
4	E	Change of use from public house and 2 residential units to 8 residential units and 439 square metres of A4 floorspace
5	C	Redevelopment of cinema to provide new cinema and 40 residential units
6	B	Redevelopment of existing residential unit to provide 2 new units
7	A	Development of 13 residential units
8	A	Roof extension across three existing properties to create 1 additional dwelling
8	A	Roof extension across three existing properties to create 1 additional dwelling
9	B	Change of use of 1 <sup>st</sup> to 4 <sup>th</sup> floors and rear extension to provide 6 residential units
10	D	Subdivision of existing flat to provide 2 dwellings
11	Student	Conversion of existing building to provide 88 student units
12	Hotel	Extension of existing hotel

Our appraisals of each development are attached as Appendix 1 (30% buffer below maximum rates) and Appendix 2 (20% buffer below maximum rates). In each case, we have adopted appraisal assumptions that are consistent with those adopted in the main viability report. However, given the elapse of time since that report was undertaken, sales values have increased by 9.2% according to Land Registry data. We have therefore increased sales values in each zone by this percentage.

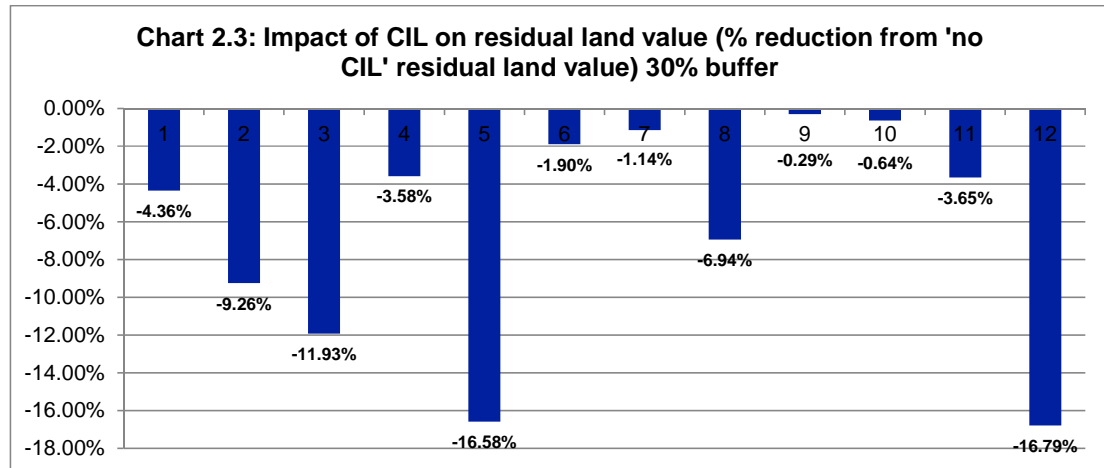
We have considered two factors to determine the impact of CIL on viability. The first is the proposed CIL for each site as a proportion of scheme value. This measure has been accepted as a broad 'test of reasonableness' of proposed CIL rates by examiners at numerous CIL examinations elsewhere. Secondly, we have considered the impact of the proposed CIL on residual land values, as this will be of more relevance to landowners than scheme value. It is important to note, however, that CIL will replace a significant proportion of existing Section 106 obligations and is therefore not an entirely 'additional burden' on development. However, our analysis of the impact of CIL on land value treats CIL as being an additional burden and should therefore be seen as a worst case scenario. Table 2.2 summarises the outputs of our appraisals with CIL rates assuming a 30% buffer (as consulted on in the PDCS).



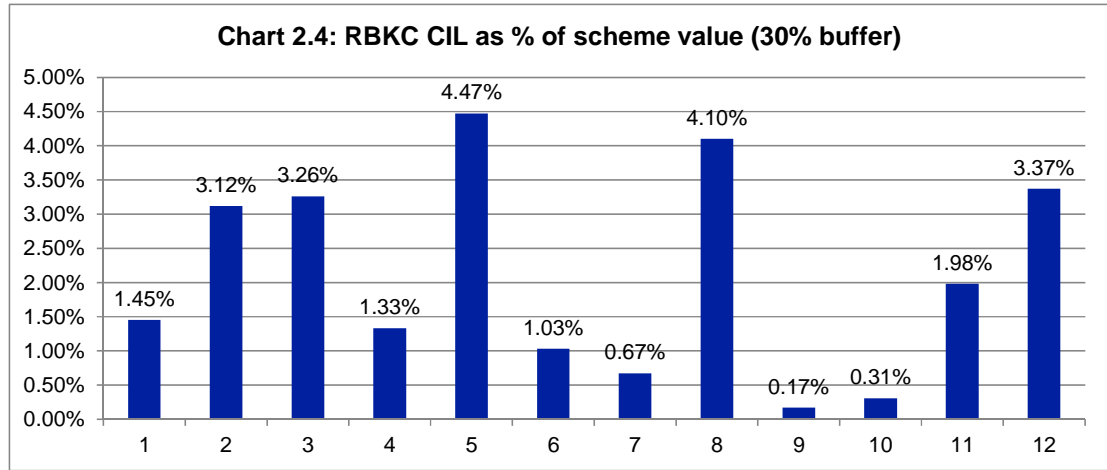
**Table 2.2: Results of marginal sites analysis (30% buffer)**

	Residual land value - with RBKC CIL	Residual land value - No RBKC CIL	Impact of CIL on residual land value	GDV	RBKC CIL as % of GDV
1	£1,554,410	£1,625,191	-4.36%	£5,487,766	1.45%
2	£4,091,273	£4,508,836	-9.26%	£15,026,384	3.12%
3	£7,322,438	£8,314,710	-11.93%	£35,134,192	3.26%
4	£2,877,438	£2,984,144	-3.58%	£9,032,383	1.33%
5	£17,493,318	£20,970,732	-16.58%	£89,809,758	4.47%
6	£5,067,090	£5,165,472	-1.90%	£10,761,627	1.03%
7	£100,038,155	£101,196,739	-1.14%	£195,358,927	0.67%
8	£1,473,267	£1,583,052	-6.94%	£2,980,430	4.10%
9	£4,340,065	£4,352,643	-0.29%	£8,465,689	0.17%
10	£758,915	£763,829	-0.64%	£1,787,285	0.31%
11	£8,886,264	£9,222,985	-3.65%	£19,246,216	1.98%
12	£3,421,611	£4,112,232	-16.79%	£23,220,000	3.37%

In all but 3 cases, the CIL reduces the residual land value by less than 10%, with the remaining 3 seeing reductions of 12% and circa 17% (see Chart 2.3 below). The reduction is sufficiently small in all cases for the CIL not to be considered to put these developments at risk, particularly as the residual land values very often result in a considerable uplift in value compared to the existing use values of the sites.



The proposed rates of CIL also represent a modest proportion of overall scheme value, as shown in Chart 2.4 below. In 7 cases, the proposed CIL will amount to less than 2% of scheme value, while on the remaining 5 sites, CIL as a proportion of scheme value ranges from 3.12% to 4.47%. CIL is demonstrably a marginal cost and given its modest scale, is unlikely to threaten the delivery of these 12 sites.

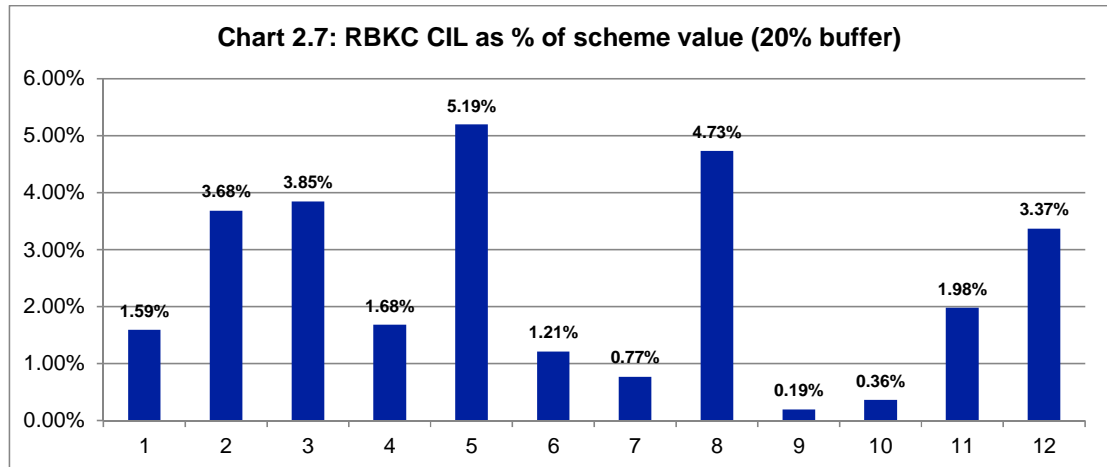
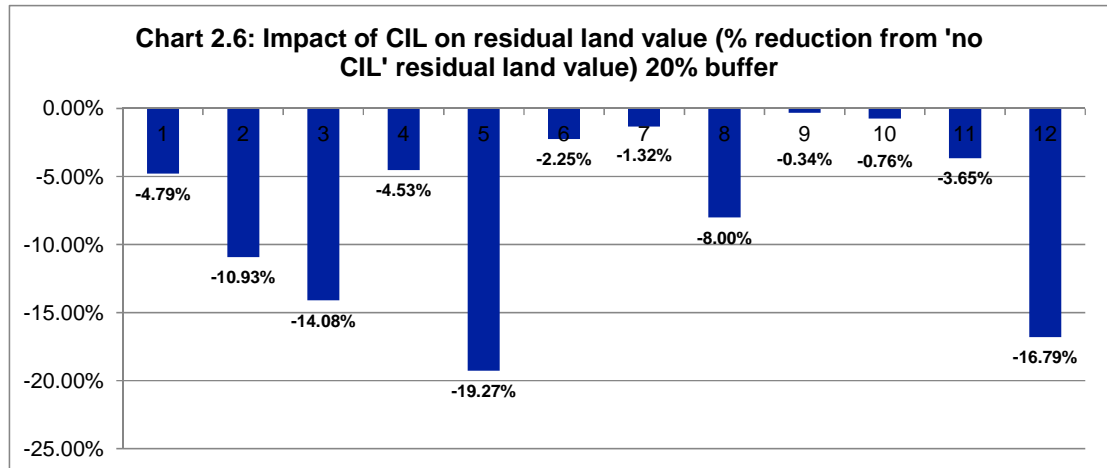


We have repeated the analysis above but with a reduced buffer of 20% below the maximum rate. The CIL rates with a 20% buffer are shown in Table 1.1 above.

**Table 2.5: Results of marginal sites analysis (20% buffer)**

	Residual land value - with RBKC CIL	Residual land value - No RBKC CIL	Impact of CIL on residual land value	GDV	RBKC CIL as % of GDV
1	£1,547,332	£1,625,191	-4.79%	£5,487,766	1.59%
2	£4,016,111	£4,508,836	-10.93%	£15,026,384	3.68%
3	£7,143,829	£8,314,710	-14.08%	£35,134,192	3.85%
4	£2,848,980	£2,984,144	-4.53%	£9,032,383	1.68%
5	£16,929,412	£20,970,732	-19.27%	£89,809,758	5.19%
6	£5,049,382	£5,165,472	-2.25%	£10,761,627	1.21%
7	£99,859,912	£101,196,739	-1.32%	£195,358,927	0.77%
8	£1,456,377	£1,583,052	-8.00%	£2,980,430	4.73%
9	£4,338,044	£4,352,643	-0.34%	£8,465,689	0.19%
10	£758,060	£763,829	-0.76%	£1,787,285	0.36%
11	£8,886,264	£9,222,985	-3.65%	£19,246,216	1.98%
12	£3,421,611	£4,112,232	-16.79%	£23,220,000	3.37%

With a 20% buffer, the reduction in land value is marginally greater than would be the case with a 30% buffer, as would be expected (see Chart 2.6). However, the impact is not significant. The CIL as a percentage of GDV is also marginally higher (see Chart 2.7).



### 3. CIL and the strategic sites

The Council considers that two identified sites in the Borough (Earl's Court and Kensal Gas Works) are of strategic importance in terms of delivery of the Development Plan. Key features of the sites are outlined below.

#### 3.1 *Kensal Gasworks*

The 16.65 hectare site is located to the south of Kensal Green Cemetery and is bisected by the West Coast Main Line. The site has been the subject of an 'Issues and Options' paper published in 2012 exploring residential-led mixed use schemes on the site. The Site has a Core Strategy policy (Policy CA1) with a land use allocation of:

- Up to 3,500 new homes;
- 10,000 square metres of office floor space;
- 2,000 square metres of non-residential floorspace including social and community uses (inc. possible new GP surgery, nursery and neighbourhood shopping centre);
- Potential expansion and relocation of the existing Sainsbury's supermarket;



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- Provision of new bridges over the canal and railway to improve connectivity with the wider area.

The site currently accommodates National Grid gasholders. Other than the Sainsbury's Supermarket and listed Kensal House on Ladbrooke Grove (which will be retained), there are no other buildings of any note on the site. Parts of the site are currently being used temporarily by Crossrail for track works and this use is to cease by 2018.

There is very little additional detail on the proposed development at the current time. We have therefore run a high level appraisal based on the parameters outlined above. The key assumptions are as follows:

- Sales values of £675 per square foot (£7,265 per square metre), reflecting the tone of the surrounding area, but adjusting for impact of the railway. This is likely to be at the lower end of likely achievable values.
- Affordable housing blended value of £1,399 per square metre.
- Office rents of £250 per square metre (£23.23 per square foot). The area does not offer considerable amounts of office floor space and there is very little comparable evidence of lettings of new grade A space. We have assumed an investment yield of 6.5%.
- Supermarket rent of £310 per square metre (£28.80 per square foot). We have assumed an investment yield of 4.75%.
- Rents for the Neighbourhood Centre (which will comprise a blend of retail and community uses) assumed to be £150 per square metre (£13.94 per square foot). We have applied an investment yield of 6.5%.
- Base build costs reflecting BCIS costs for various uses (£2,105 per square metre for residential; £1,841 per square metre for offices; £1,057 per square metre for the re-located supermarket; and £1,175 per square metre for the neighbourhood centre). Additional allowance of 15% for site preparation (excluding decontamination) and external works.
- Developer's contingency of 5% of base build costs.
- Allowance for decontamination of the gas holder site of £5 million.
- Professional fees 12% of construction costs.
- Allowance for bridge construction of £29.81 million, based on RBKC's estimate.
- Finance rate 7% applied to all costs.
- 12 month pre-construction period, followed by 84 month residential construction period. Sales commencing 24 months after commencement of construction. Final unit sold 10 months after completion of construction of final unit.
- Mayoral CIL applied to office, retail, neighbourhood centre and private residential at a rate of £50 per square metre and RBKC CIL applied to the private residential units only at a rate of £110 per square metre. We have assumed that the supermarket will attract a nil CIL liability, as it is a direct like for like replacement of the existing store.



Our appraisal is attached as Appendix 3. The appraisal shows a residual land value of £50.14 million, which equates to £3.00 million per hectare. As previously noted, the only building of significant scale is the Supermarket, but our appraisal assumes a like for like replacement. The £50.14 million land value generated by our appraisal would be available to the current landowners in order to incentivise them to bring the site forward for development. If CIL were not levied on the site, the residual land value would increase to £63.44 million. Imposition of CIL at the proposed rate of £110 per square metre would therefore reduce the site's land value by 21%.

Given that there is currently very little detail on the composition of the scheme, the Council may wish to consider adopting a rate of CIL that is consistent with the rest of Zone F (i.e. £110 per square metre). The indicative programme for the development appears to suggest that it will not commence until 2018, by which time the Council may well be reviewing its CIL Charging Schedule. There would be an opportunity to review the rates for the site based on the more detailed scheme that would have been worked up by that point. If the scheme comes forward at an earlier time and viability issues emerge, the Council could grant exceptional relief upon the production of a viability submission by the Developer.

An alternative option would be to accept a small reduction in affordable housing. We have run a second appraisal of the site which maintains a residual land value of £63.4 million (i.e. the same residual as the nil-CIL rate appraisal) by altering the mix of private and affordable housing. Our appraisal indicates that the scheme could absorb the proposed CIL and generate a residual land value of £63.49 million if the affordable housing is reduced from 42.86% to 40.95% of units. This small reduction in affordable housing may be seen as striking an appropriate balance between the desirability of the additional funding for local infrastructure and provision of affordable housing. However, we should stress that we see no compelling reason at this early stage of scheme development why the site should not come forward at a lower land value, thus enabling the Council to secure 42.86% affordable housing.

### **3.2 Earl's Court**

This 9.06 hectare site currently comprises a major Exhibition Centre; commercial floorspace; residential units; and education/community uses. The site is located on Warwick Road, immediately opposite Earl's Court Underground Station and extends beyond the District Line which bisects the site to the west of the Exhibition Centre.

The site is located in both RBKC and also London Borough of Hammersmith and Fulham ('LBHF'). RBKC and LBHF have granted planning permission for the parts of the site located in their respective boroughs, subject to completion of section 106 agreements, which we understand are about to be signed.

During the application, the Applicant (Capital and Counties) submitted a confidential viability assessment in support of its negotiations with the boroughs on the level of affordable housing and Section 106 obligations that the scheme would provide. This information is not in the public domain and is therefore not available to the Council as 'appropriate available evidence'. However, viability work commissioned by the boroughs and the GLA (produced by the District Valuer Service ('DVS')) has been made available on LBHF's website. This document is titled '*Development Infrastructure Study: Earl's Court and West Kensington Opportunity Area Draft Joint Supplementary Planning Document – Viability Assessments of Each of the Development Capacity Scenarios*' (attached as Appendix 4).





We have used the analysis in the DVS report to consider the potential impact of the Council’s proposed CIL on the viability of the development proposals.

The DVS report considers three scenarios: 4,000 residential units; 6,000 residential units; and 8,000 residential units. The third scenario (8,000 units) most closely resembles the quantum of units in the outline planning permission (7,500 units).

Section 5 of the DVS study summarises the results of the appraisals. Table 3.2 below sets out the residual land values derived from the DVS study. The column headed “*Residual land values – Excl RBKC CIL*” is the corresponding figure from the DVS study, which incorporates Mayoral CIL and both of the boroughs’ full affordable housing requirements. In the second column headed “with RBKC CIL”, we have added our calculation of the RBKC CIL at a rate of £270 per square metre (assuming for the purposes of this exercise that the RBKC rate would apply across the whole scheme, including parts of the scheme that are located in LBHF). Our calculations are attached as Appendix 5.

Although the reduction in residual land value is relatively modest for scenario 1 (12%), this scheme is also the most unviable, with a negative value of -£410 million before RBKC CIL and -£459 million including RBKC CIL. A similar result emerges for scenario 2. However, scenario 3 is the most viable of the three options, with a negative land value of -£100 million before RBKC CIL is deducted. However, when RBKC CIL is deducted, the scheme becomes significantly more unviable, with a negative residual value of -£288 million, a change of -186%.

**Table 3.2: Results of DVS analysis and re-worked results including RBKC CIL**

DVS results - Policy compliant Aff Hsg with Mayoral CIL and RBKC CIL	Residual land values		Change in land value
	Excl RBKC CIL	With RBKC CIL	
Scenario 1	-£410,022,000	-£459,015,930	-12%
Scenario 2	-£417,707,000	-£535,820,930	-28%
Scenario 3	-£100,455,000	-£287,688,930	-186%

The change in residual land value resulting from the application of CIL to the site is considerably greater than the results of the other sites we have considered earlier in this analysis. Given the strategic importance of this site to delivering the scale of housing identified in the Development Plan, it would not be possible to conclude that the site would be unaffected by CIL, certainly in the short term. We would therefore suggest that the Council might consider setting a nil rate for this strategic development. In light of the fact that the scheme has secured planning permission (with completion of the Section 106 agreement imminent and certainly well in advance of adoption of CIL by the Borough), setting a nil rate is unlikely to have an adverse impact on CIL income.



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I trust the analysis above is useful to the Council in considering its CIL rates in its Draft Charging Schedule.

Yours sincerely

A handwritten signature in black ink that reads "Anthony Lee".

Anthony Lee MRTPI MRICS  
Senior Director

Encs:

Appendix 1: Marginal Sites appraisals (30% buffer below maximum rates)

Appendix 2: Marginal Sites appraisals (20% buffer below maximum rates)

Appendix 3: Kensal Gas Works site appraisal

Appendix 4: DVS report on Earl's Court

Appendix 5: Calculations of CIL liability on Earl's Court

**RBKC CIL - Site 1**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>
Residential flats	675.75	£8,121.00	5,487,766

**NET REALISATION**

**5,487,766**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			1,554,410
Stamp Duty		4.00%	62,176
Agent Fee		1.00%	15,544
Legal Fee		0.80%	12,435
			<b>1,644,566</b>

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Residential flats	795.00	£2,105.00	1,673,475
Contingency		5.00%	83,674
			<b>83,674</b>
<b>Other Construction</b>			
External works		15.00%	251,021
			<b>251,021</b>

**Municipal Costs**

Section 106			1
RBKC CIL	795.00 m <sup>2</sup>	100.00 pm <sup>2</sup>	79,500
Mayoral CIL	795.00 m <sup>2</sup>	50.00 pm <sup>2</sup>	39,750
			<b>119,251</b>

**PROFESSIONAL FEES**

Professional fees		10.00%	192,450
			<b>192,450</b>

**MARKETING & LETTING**

Marketing		3.00%	164,633
			<b>164,633</b>

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			169,950
Construction			91,193
Total Finance Cost			<b>261,143</b>

**TOTAL COSTS**

**4,390,213**

**PROFIT**

**1,097,553**

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%

	33.23%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

**RBKC CIL - Site 2**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>
Residential flats	888.25	£13,738.00	12,202,779

<b>Rental Area Summary</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross MRV</b>
Retail	288.00	£667.00	192,096

**Investment Valuation**

**Retail**

Market Rent	192,096	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	2,987,375

GROSS DEVELOPMENT VALUE 15,190,153

Purchaser's Costs 5.80% (163,769)  
 NET DEVELOPMENT VALUE 15,026,384

**NET REALISATION 15,026,384**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			4,091,273
Stamp Duty		4.00%	163,651
Agent Fee		1.00%	40,913
Legal Fee		0.80%	32,730
			4,328,567

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Retail	320.00	£2,153.00	688,960
Residential flats	1,045.00	£2,105.00	2,199,725
Totals	<u>1,365.00</u>		<u>2,888,685</u>

Contingency 5.00% 144,434  
 144,434

**Other Construction**

External works 15.00% 433,303  
 433,303

**Municipal Costs**

Section 106			988,350
RBKC CIL			469,000
Mayoral CIL			46,900
Affordable hsg contribution			1,306,250
			2,810,500

**PROFESSIONAL FEES**

Professional fees 10.00% 332,199  
 332,199

**MARKETING & LETTING**

Marketing		3.00%	366,083
Letting Agent Fee		10.00%	19,210
Letting Legal Fee		5.00%	9,605
			394,898

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			447,316
Construction			208,452
Total Finance Cost			655,768

**TOTAL COSTS 11,988,354**

**PROFIT**

RBKC CIL - Site 2

3,038,031

**Performance Measures**

Profit on Cost%	25.34%
Profit on GDV%	20.00%
Profit on NDV%	20.22%
Development Yield% (on Rent)	1.60%
Equivalent Yield% (Nominal)	5.75%
Equivalent Yield% (True)	5.96%
Gross Initial Yield%	6.43%
Net Initial Yield%	6.43%
	35.55%
Rent Cover	15 yrs 10 mths
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

**RBKC CIL - Site 3**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>	
Residential flats	2,125.00	£13,738.00	29,193,250	
Affordable housing	2,125.00	£1,399.00	2,972,875	
<b>Totals</b>	<b><u>4,250.00</u></b>		<b><u>32,166,125</u></b>	<b>32,166,125</b>

<b>Rental Area Summary</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross MRV</b>
Office	711.00	£284.00	201,924

**Investment Valuation**

<b>Office</b>					
Market Rent	201,924	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	3,140,215

GROSS DEVELOPMENT VALUE 35,306,340

Purchaser's Costs 5.80% (172,148)

NET DEVELOPMENT VALUE 35,134,192

**NET REALISATION 35,134,192**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			7,322,438	
Stamp Duty		4.00%	292,898	
Agent Fee		1.00%	73,224	
Legal Fee		0.80%	58,580	
				7,747,140

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>	
Office	790.00	£2,153.00	1,700,870	
Residential flats	2,500.00	£2,105.00	5,262,500	
Affordable housing	2,500.00	£2,105.00	5,262,500	
<b>Totals</b>	<b><u>5,790.00</u></b>		<b><u>12,225,870</u></b>	<b>12,225,870</b>

Contingency 5.00% 611,294 611,294

**Other Construction**

External works 15.00% 1,578,750 1,578,750

**Municipal Costs**

Section 106 577,800  
 RBKC CIL 1,145,000  
 Mayoral CIL 114,500  
**1,837,300**

**PROFESSIONAL FEES**

Professional fees 10.00% 1,380,462 1,380,462

**MARKETING & LETTING**

Marketing 3.00% 875,798  
 Letting Agent Fee 10.00% 20,192  
 Letting Legal Fee 5.00% 10,096  
**906,086**

**MISCELLANEOUS FEES**

Profit on private 20.00% 6,466,693  
 Profit on affordable 6.00% 178,373  
**6,645,065**

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)  
 Land 1,255,636

**APPRAISAL SUMMARY****BNP PARIBAS REAL ESTATE****RBKC CIL - Site 3**

Construction	946,589	
Total Finance Cost		2,202,225

**TOTAL COSTS** **35,134,192**

**PROFIT** **0**

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.57%
Equivalent Yield% (Nominal)	5.75%
Equivalent Yield% (True)	5.96%
Gross Initial Yield%	6.43%
Net Initial Yield%	6.43%
	6.71%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	0 yrs 0 mths

**RBKC CIL - Site 4**
**Summary Appraisal for Phase 1**
**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>
Residential flats	679.15	£10,871.00	7,383,040

<b>Rental Area Summary</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross MRV</b>
A4 floorspace	395.10	£284.00	112,208

**Investment Valuation**
**A4 floorspace**

Market Rent	112,208	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	1,745,005

GROSS DEVELOPMENT VALUE 9,128,045

Purchaser's Costs 5.80% (95,662)  
 NET DEVELOPMENT VALUE 9,032,383

**NET REALISATION 9,032,383**

**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			2,877,438
Stamp Duty		4.00%	115,098
Agent Fee		1.00%	28,774
Legal Fee		0.80%	23,020
			3,044,330

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
A4 floorspace	439.00	£2,153.00	945,167
Residential flats	799.00	£2,105.00	1,681,895
Totals	<u>1,238.00</u>		<u>2,627,062</u>

Contingency 5.00% 131,353  
 131,353

**Other Construction**

External works 10.00% 262,706  
 262,706

**Municipal Costs**

Section 106 3,100  
 RBKC CIL 119,850  
 Mayoral CIL 39,950  
 162,900

**PROFESSIONAL FEES**

Professional fees 10.00% 288,977  
 288,977

**MARKETING & LETTING**

Marketing 3.00% 221,491  
 Letting Agent Fee 10.00% 11,221  
 Letting Legal Fee 5.00% 5,610  
 238,322

**MISCELLANEOUS FEES**

Profit on private 20.00% 1,825,609  
 1,825,609

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)  
 Land 314,602  
 Construction 136,521  
 Total Finance Cost 451,124

**TOTAL COSTS 9,032,383**



RBKC CIL - Site 4

**PROFIT**

0

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	1.24%
Equivalent Yield% (Nominal)	5.75%
Equivalent Yield% (True)	5.96%
Gross Initial Yield%	6.43%
Net Initial Yield%	6.43%
	6.60%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	0 yrs 0 mths

**RBKC CIL - Site 5**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>	
Residential flats	4,609.13	£13,738.00	63,320,159	
Affordable housing	4,609.13	£1,399.00	6,448,166	
<b>Totals</b>	<b><u>9,218.25</u></b>		<b><u>69,768,325</u></b>	<b>69,768,325</b>

<b>Rental Area Summary</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross MRV</b>
Cinema	4,686.00	£277.00	1,298,022

**Investment Valuation**

**Cinema**

Market Rent	1,298,022	YP @	5.5000%	18.1818	
(2yrs Rent Free)		PV 2yrs @	5.5000%	0.8985	21,203,836

GROSS DEVELOPMENT VALUE 90,972,162

Purchaser's Costs 5.80% (1,162,403)

NET DEVELOPMENT VALUE 89,809,758

**NET REALISATION 89,809,758**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			17,493,318	
Stamp Duty		4.00%	699,733	
Agent Fee		1.00%	174,933	
Legal Fee		0.80%	139,947	
				18,507,930

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>	
Cinema	4,686.00	£2,178.00	10,206,108	
Residential flats	5,422.50	£2,105.00	11,414,363	
Affordable housing	5,422.50	£2,105.00	11,414,363	
<b>Totals</b>	<b><u>15,531.00</u></b>		<b><u>33,034,833</u></b>	<b>33,034,833</b>

Contingency 5.00% 1,651,742 1,651,742

**Other Construction**

External works 15.00% 3,424,309 3,424,309

**Municipal Costs**

Section 106			20,000	
RBKC CIL			4,012,650	
Mayoral CIL			542,250	
				4,574,900

**PROFESSIONAL FEES**

Professional fees 10.00% 3,645,914 3,645,914

**MARKETING & LETTING**

Marketing		3.00%	1,899,605	
Letting Agent Fee		10.00%	129,802	
Letting Legal Fee		5.00%	64,901	
				2,094,308

**MISCELLANEOUS FEES**

Profit on private		20.00%	16,904,799	
Profit on affordable		6.00%	386,890	
				17,291,689

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)  
Land 3,000,433

**APPRAISAL SUMMARY****BNP PARIBAS REAL ESTATE****RBKC CIL - Site 5**

Construction	2,583,701	
Total Finance Cost		5,584,134

**TOTAL COSTS****89,809,758****PROFIT****0****Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	1.45%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
Gross Initial Yield%	6.12%
Net Initial Yield%	6.12%
	6.70%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	N/A

**RBKC CIL - Site 6**
**Summary Appraisal for Phase 1**
**REVENUE**

Sales Valuation	m <sup>2</sup>	Rate m <sup>2</sup>	Gross Sales
Residential flats	577.00	£18,651.00	10,761,627

**NET REALISATION**
**10,761,627**
**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			5,067,090
Stamp Duty		4.00%	202,684
Agent Fee		1.00%	50,671
Legal Fee		0.80%	40,537
			5,360,982

**CONSTRUCTION COSTS**

Construction	m <sup>2</sup>	Rate m <sup>2</sup>	Cost
Residential flats	678.82	£2,420.00	1,642,753

**1,642,753**

Contingency		5.00%	82,138
			82,138

**Other Construction**

External works		15.00%	246,413
			246,413

**Municipal Costs**

RBKC CIL			110,500
Mayoral CIL			11,050
			121,550

**PROFESSIONAL FEES**

Professional fees		10.00%	188,917
			188,917

**MARKETING & LETTING**

Marketing		3.00%	322,849
			322,849

**MISCELLANEOUS FEES**

Profit on private		20.00%	2,152,325
			2,152,325

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			554,006
Construction			89,695
Total Finance Cost			643,701

**TOTAL COSTS**
**10,761,627**
**PROFIT**
**0**
**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

	6.70%
Profit Erosion (finance rate 7.000%)	0 yrs 0 mths

**RBKC CIL - Site 7**
**Summary Appraisal for Phase 1**
**REVENUE**

Sales Valuation	m <sup>2</sup>	Rate m <sup>2</sup>	Gross Sales
Residential flats	5,943.20	£32,871.00	195,358,927

**NET REALISATION**
**195,358,927**
**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			100,038,155
Stamp Duty		4.00%	4,001,526
Agent Fee		1.00%	1,000,382
Legal Fee		0.80%	800,305

**105,840,368**
**CONSTRUCTION COSTS**

Construction	m <sup>2</sup>	Rate m <sup>2</sup>	Cost
Residential flats	6,992.00	£2,420.00	16,920,640

**16,920,640**

Contingency		5.00%	846,032
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**846,032**
**Other Construction**

External works		15.00%	2,538,096
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**2,538,096**
**Municipal Costs**

Section 106			304,275
RBKC CIL			1,301,300
Mayoral CIL			110,100
Affordable hsg contribution			8,740,000

**10,455,675**
**PROFESSIONAL FEES**

Professional fees		10.00%	1,945,874
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**1,945,874**
**MARKETING & LETTING**

Marketing		3.00%	5,860,768
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**5,860,768**
**MISCELLANEOUS FEES**

Profit on private		20.00%	39,071,785
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**39,071,785**
**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			10,937,589
Construction			942,100
Total Finance Cost			11,879,689

**195,358,927**
**TOTAL COSTS**
**PROFIT**
**0**
**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

Profit Erosion (finance rate 7.000%)	6.70%
	0 yrs 0 mths

**RBKC CIL - Site 8**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>
Residential flats	159.80	£18,651.00	2,980,430

**NET REALISATION** **2,980,430**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			1,473,267	
Stamp Duty		4.00%	58,931	
Agent Fee		1.00%	14,733	
Legal Fee		0.80%	11,786	
				1,558,716

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>	
Residential flats	188.00	£2,105.00	395,740	
Contingency		5.00%	19,787	
				19,787

**Municipal Costs**

RBKC CIL			122,200	
Mayoral CIL			9,400	
				131,600

**PROFESSIONAL FEES**

Professional fees		10.00%	39,574	
				39,574

**MARKETING & LETTING**

Marketing		3.00%	89,413	
				89,413

**MISCELLANEOUS FEES**

Profit on private		20.00%	596,086	
				596,086

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)				
Land			131,500	
Construction			18,014	
Total Finance Cost				149,514

**TOTAL COSTS** **2,980,430**

**PROFIT** **0**

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
	6.60%
Profit Erosion (finance rate 7.000%)	N/A

**RBKC CIL - Site 9**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>
Residential flats	453.90	£18,651.00	8,465,689

**NET REALISATION** **8,465,689**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			4,340,065
Stamp Duty		4.00%	173,603
Agent Fee		1.00%	43,401
Legal Fee		0.80%	34,721
			<b>4,591,789</b>

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Residential flats	534.00	£2,105.00	1,124,070

Contingency		5.00%	56,203
			<b>56,203</b>

**Other Construction**

External works		15.00%	168,611
			<b>168,611</b>

**Municipal Costs**

RBKC CIL			14,000
Mayoral CIL			1,400
			<b>15,400</b>

**PROFESSIONAL FEES**

Professional fees		10.00%	129,268
			<b>129,268</b>

**MARKETING & LETTING**

Marketing		3.00%	253,971
			<b>253,971</b>

**MISCELLANEOUS FEES**

Profit on private		20.00%	1,693,138
			<b>1,693,138</b>

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			387,382
Construction			45,858
Total Finance Cost			<b>433,240</b>

**TOTAL COSTS** **8,465,689**

**PROFIT**

**0**

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

	6.62%
Profit Erosion (finance rate 7.000%)	0 yrs 0 mths

**RBKC CIL - Site 10**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>
Residential flats	142.80	£12,516.00	1,787,285

**NET REALISATION** **1,787,285**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			758,915	
Stamp Duty		4.00%	30,357	
Agent Fee		1.00%	7,589	
Legal Fee		0.80%	6,071	
				802,932

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Residential flats	168.00	£2,105.00	353,640

Contingency		5.00%	17,682	
				17,682

**Other Construction**

External works		15.00%	53,046	
				53,046

**Municipal Costs**

Section 106			1	
RBKC CIL			5,520	
Mayoral CIL			1,200	
				6,721

**PROFESSIONAL FEES**

Professional fees		10.00%	40,669	
				40,669

**MARKETING & LETTING**

Marketing		3.00%	53,619	
				53,619

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)				
Land			82,975	
Construction			18,544	
Total Finance Cost				101,520

**TOTAL COSTS** **1,429,828**

**PROFIT** **357,457**

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%

	29.06%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths



**RBKC CIL - Site 11**
**Summary Appraisal for Phase 1**
**REVENUE**

Rental Area Summary	m <sup>2</sup>	Rate m <sup>2</sup>	Gross MRV	Adjustment	Net Income
Student housing	2,442.40	£596.73	1,457,456	(184,800)	1,272,656

**Investment Valuation**
**Student housing**

Current Rent	1,272,656	YP @	6.2500%	16.0000	20,362,496
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**GROSS DEVELOPMENT VALUE**

Purchaser's Costs		5.80%	(1,116,280)	20,362,496	
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**NET DEVELOPMENT VALUE**
19,246,216
**NET REALISATION**
**19,246,216**
**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			8,886,262		
Stamp Duty		4.00%	355,450		
Agent Fee		1.00%	88,863		
Legal Fee		0.80%	71,090		
				9,401,666	

**CONSTRUCTION COSTS**

Construction	m <sup>2</sup>	Rate m <sup>2</sup>	Cost	
Student housing	3,053.00	£1,174.00	3,584,226	<b>3,584,226</b>

Contingency		5.00%	179,211	179,211
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**Other Construction**

External works		10.00%	358,423	358,423
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**Municipal Costs**

RBKC CIL			381,625	
Mayoral CIL			152,650	
				534,275

**PROFESSIONAL FEES**

Professional fees		10.00%	394,265	394,265
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**MARKETING & LETTING**

Letting Agent Fee		10.00%	127,266	
Letting Legal Fee		5.00%	63,633	
				190,898

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)					
Land			1,153,104		
Construction			242,447		
Total Finance Cost				1,395,551	

**TOTAL COSTS**
**16,038,514**
**PROFIT**
**3,207,702**
**Performance Measures**

Profit on Cost%	20.00%
Profit on GDV%	15.75%
Profit on NDV%	16.67%
Development Yield% (on Rent)	7.93%
Equivalent Yield% (Nominal)	6.25%
Equivalent Yield% (True)	6.50%
Gross Initial Yield%	7.16%

**RBKC CIL - Site 11**

Net Initial Yield% 6.25%

21.38%

Rent Cover 2 yrs 6 mths

Profit Erosion (finance rate 7.000%) 2 yrs 8 mths

**RBKC CIL - Site 12**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>
Hotel extension	3,914.00	£369.86	23,220,000

**NET REALISATION** **23,220,000**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			3,421,611
Stamp Duty		4.00%	136,864
Agent Fee		1.00%	34,216
Legal Fee		0.80%	27,373
			<b>3,620,064</b>

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Hotel extension	4,892.00	£2,105.00	10,297,660

Contingency		5.00%	514,883
			<b>514,883</b>

**Other Construction**

External works		15.00%	1,544,649
			<b>1,544,649</b>

**Municipal Costs**

Section 106			17,000
RBKC CIL			782,720
Mayoral CIL			244,600
			<b>1,044,320</b>

**PROFESSIONAL FEES**

Professional fees		10.00%	1,184,231
			<b>1,184,231</b>

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			443,997
Construction			700,195
Total Finance Cost			<b>1,144,192</b>

**TOTAL COSTS** **19,350,000**

**PROFIT** **3,870,000**

**Performance Measures**

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%

Profit Erosion (finance rate 7.000%)	28.03%
	2 yrs 8 mths

**RBKC CIL - Site 1 - Higher CIL**
**Summary Appraisal for Phase 1**
**REVENUE**

Sales Valuation	m <sup>2</sup>	Rate m <sup>2</sup>	Gross Sales
Residential flats	675.75	£8,121.00	5,487,766

**NET REALISATION**
**5,487,766**
**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			1,547,332
Stamp Duty		4.00%	61,893
Agent Fee		1.00%	15,473
Legal Fee		0.80%	12,379

**1,637,078**
**CONSTRUCTION COSTS**

Construction	m <sup>2</sup>	Rate m <sup>2</sup>	Cost
Residential flats	795.00	£2,105.00	1,673,475

**1,673,475**

Contingency		5.00%	83,674
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**83,674**
**Other Construction**

External works		15.00%	251,021
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**251,021**
**Municipal Costs**

Section 106			1
RBKC CIL	795.00 m <sup>2</sup>	110.00 pm <sup>2</sup>	87,450
Mayoral CIL	795.00 m <sup>2</sup>	50.00 pm <sup>2</sup>	39,750

**127,201**
**PROFESSIONAL FEES**

Professional fees		10.00%	192,450
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**192,450**
**MARKETING & LETTING**

Marketing		3.00%	164,633
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**164,633**
**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			169,176
Construction			91,505
Total Finance Cost			260,681

**260,681**
**TOTAL COSTS**
**4,390,213**
**PROFIT**
**1,097,553**
**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%

Profit Erosion (finance rate 7.000%)	33.28%
	3 yrs 3 mths

**RBKC CIL - Site 2 - Higher CIL**
**Summary Appraisal for Phase 1**
**REVENUE**

Sales Valuation	m <sup>2</sup>	Rate m <sup>2</sup>	Gross Sales
Residential flats	888.25	£13,738.00	12,202,779

Rental Area Summary	m <sup>2</sup>	Rate m <sup>2</sup>	Gross MRV
Retail	288.00	£667.00	192,096

**Investment Valuation**
**Retail**

Market Rent	192,096	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	2,987,375

GROSS DEVELOPMENT VALUE 15,190,153

Purchaser's Costs 5.80% (163,769)  
 NET DEVELOPMENT VALUE 15,026,384

**NET REALISATION 15,026,384**

**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			4,016,111
Stamp Duty		4.00%	160,644
Agent Fee		1.00%	40,161
Legal Fee		0.80%	32,129
			4,249,046

**CONSTRUCTION COSTS**

Construction	m <sup>2</sup>	Rate m <sup>2</sup>	Cost
Retail	320.00	£2,153.00	688,960
Residential flats	1,045.00	£2,105.00	2,199,725
Totals	<u>1,365.00</u>		<u>2,888,685</u>

Contingency 5.00% 144,434  
 144,434

**Other Construction**

External works 15.00% 433,303  
 433,303

**Municipal Costs**

Section 106 988,350  
 RBKC CIL 553,420  
 Mayoral CIL 46,900  
 Affordable hsg contribution 1,306,250  
 2,894,920

**PROFESSIONAL FEES**

Professional fees 10.00% 332,199  
 332,199

**MARKETING & LETTING**

Marketing 3.00% 366,083  
 Letting Agent Fee 10.00% 19,210  
 Letting Legal Fee 5.00% 9,605  
 394,898

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)  
 Land 439,098  
 Construction 211,771  
 Total Finance Cost 650,869

**TOTAL COSTS 11,988,354**

**PROFIT**

RBKC CIL - Site 2 - Higher CIL

3,038,031

**Performance Measures**

Profit on Cost%	25.34%
Profit on GDV%	20.00%
Profit on NDV%	20.22%
Development Yield% (on Rent)	1.60%
Equivalent Yield% (Nominal)	5.75%
Equivalent Yield% (True)	5.96%
Gross Initial Yield%	6.43%
Net Initial Yield%	6.43%
	35.76%
Rent Cover	15 yrs 10 mths
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

**RBKC CIL - Site 3**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>	
Residential flats	2,125.00	£13,738.00	29,193,250	
Affordable housing	2,125.00	£1,399.00	2,972,875	
<b>Totals</b>	<b><u>4,250.00</u></b>		<b><u>32,166,125</u></b>	<b>32,166,125</b>

<b>Rental Area Summary</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross MRV</b>
Office	711.00	£284.00	201,924

**Investment Valuation**

<b>Office</b>					
Market Rent	201,924	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	3,140,215

GROSS DEVELOPMENT VALUE 35,306,340

Purchaser's Costs 5.80% (172,148)

NET DEVELOPMENT VALUE 35,134,192

**NET REALISATION 35,134,192**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			7,143,829	
Stamp Duty		4.00%	285,753	
Agent Fee		1.00%	71,438	
Legal Fee		0.80%	57,151	
				7,558,171

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>	
Office	790.00	£2,153.00	1,700,870	
Residential flats	2,500.00	£2,105.00	5,262,500	
Affordable housing	2,500.00	£2,105.00	5,262,500	
<b>Totals</b>	<b><u>5,790.00</u></b>		<b><u>12,225,870</u></b>	<b>12,225,870</b>

Contingency 5.00% 611,294 611,294

**Other Construction**

External works 15.00% 1,578,750 1,578,750

**Municipal Costs**

Section 106			577,800	
RBKC CIL			1,351,100	
Mayoral CIL			114,500	
				2,043,400

**PROFESSIONAL FEES**

Professional fees 10.00% 1,380,462 1,380,462

**MARKETING & LETTING**

Marketing		3.00%	875,798	
Letting Agent Fee		10.00%	20,192	
Letting Legal Fee		5.00%	10,096	
				906,086

**MISCELLANEOUS FEES**

Profit on private		20.00%	6,466,693	
Profit on affordable		6.00%	178,373	
				6,645,065

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)  
Land 1,224,979

**APPRAISAL SUMMARY****BNP PARIBAS REAL ESTATE****RBKC CIL - Site 3**

Construction	960,115	
Total Finance Cost		2,185,093

**TOTAL COSTS** **35,134,192**

**PROFIT** **0**

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.57%
Equivalent Yield% (Nominal)	5.75%
Equivalent Yield% (True)	5.96%
Gross Initial Yield%	6.43%
Net Initial Yield%	6.43%
	6.70%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	0 yrs 0 mths



**RBKC CIL - Site 4 - Higher CIL**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>
Residential flats	679.15	£10,871.00	7,383,040

<b>Rental Area Summary</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross MRV</b>
A4 floorspace	395.10	£284.00	112,208

**Investment Valuation**

**A4 floorspace**

Market Rent	112,208	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	1,744,999

GROSS DEVELOPMENT VALUE 9,128,039

Purchaser's Costs 5.80% (95,662)

NET DEVELOPMENT VALUE 9,032,377

**NET REALISATION 9,032,377**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			2,848,980
Stamp Duty		4.00%	113,959
Agent Fee		1.00%	28,490
Legal Fee		0.80%	22,792
			3,014,220

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
A4 floorspace	439.00	£2,153.00	945,167
Residential flats	799.00	£2,105.00	1,681,895
Totals	<u>1,238.00</u>		<u>2,627,062</u>

Contingency 5.00% 131,353 131,353

**Other Construction**

External works 10.00% 262,706 262,706

**Municipal Costs**

Section 106			3,100
RBKC CIL			151,810
Mayoral CIL			39,950
			194,860

**PROFESSIONAL FEES**

Professional fees 10.00% 288,977 288,977

**MARKETING & LETTING**

Marketing		3.00%	221,491
Letting Agent Fee		10.00%	11,221
Letting Legal Fee		5.00%	5,610
			238,322

**MISCELLANEOUS FEES**

Profit on private 20.00% 1,825,608 1,825,608

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			311,491
Construction			137,778
Total Finance Cost			449,268

**TOTAL COSTS 9,032,377**

**RBKC CIL - Site 4 - Higher CIL****PROFIT**

0

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	1.24%
Equivalent Yield% (Nominal)	5.75%
Equivalent Yield% (True)	5.96%
Gross Initial Yield%	6.43%
Net Initial Yield%	6.43%
	6.60%
Profit Erosion (finance rate 7.000%)	N/A

**RBKC CIL - Site 5 - Higher CIL**
**Summary Appraisal for Phase 1**
**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>	
Residential flats	4,609.13	£13,738.00	63,320,159	
Affordable housing	4,609.13	£1,399.00	6,448,166	
<b>Totals</b>	<b><u>9,218.25</u></b>		<b><u>69,768,325</u></b>	<b>69,768,325</b>

<b>Rental Area Summary</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross MRV</b>
Cinema	4,686.00	£277.00	1,298,022

**Investment Valuation**
**Cinema**

Market Rent	1,298,022	YP @	5.5000%	18.1818	
(2yrs Rent Free)		PV 2yrs @	5.5000%	0.8985	21,203,836

GROSS DEVELOPMENT VALUE 90,972,162

Purchaser's Costs 5.80% (1,162,403)

NET DEVELOPMENT VALUE 89,809,758

**NET REALISATION 89,809,758**

**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			16,929,412	
Stamp Duty		4.00%	677,176	
Agent Fee		1.00%	169,294	
Legal Fee		0.80%	135,435	
				17,911,318

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>	
Cinema	4,686.00	£2,178.00	10,206,108	
Residential flats	5,422.50	£2,105.00	11,414,363	
Affordable housing	5,422.50	£2,105.00	11,414,363	
<b>Totals</b>	<b><u>15,531.00</u></b>		<b><u>33,034,833</u></b>	<b>33,034,833</b>

Contingency 5.00% 1,651,742 1,651,742

**Other Construction**

External works 15.00% 3,424,309 3,424,309

**Municipal Costs**

Section 106 20,000  
 RBKC CIL 4,663,350  
 Mayoral CIL 542,250  
 5,225,600

**PROFESSIONAL FEES**

Professional fees 10.00% 3,645,914 3,645,914

**MARKETING & LETTING**

Marketing 3.00% 1,899,605  
 Letting Agent Fee 10.00% 129,802  
 Letting Legal Fee 5.00% 64,901  
 2,094,308

**MISCELLANEOUS FEES**

Profit on private 20.00% 16,904,799  
 Profit on affordable 6.00% 386,890  
 17,291,689

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)  
 Land 2,903,641

**APPRAISAL SUMMARY****BNP PARIBAS REAL ESTATE****RBKC CIL - Site 5 - Higher CIL**

Construction	2,626,404	
Total Finance Cost		5,530,045

**TOTAL COSTS** **89,809,758**

**PROFIT** **0**

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	1.45%
Equivalent Yield% (Nominal)	5.50%
Equivalent Yield% (True)	5.69%
Gross Initial Yield%	6.12%
Net Initial Yield%	6.12%
	6.70%
Profit Erosion (finance rate 7.000%)	N/A

**RBKC CIL - Site 6 - Higher CIL**
**Summary Appraisal for Phase 1**
**REVENUE**

Sales Valuation	m <sup>2</sup>	Rate m <sup>2</sup>	Gross Sales
Residential flats	577.00	£18,651.00	10,761,627

**NET REALISATION**
**10,761,627**
**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			5,049,382
Stamp Duty		4.00%	201,975
Agent Fee		1.00%	50,494
Legal Fee		0.80%	40,395
			5,342,246

**CONSTRUCTION COSTS**

Construction	m <sup>2</sup>	Rate m <sup>2</sup>	Cost
Residential flats	678.82	£2,420.00	1,642,753

**1,642,753**

Contingency		5.00%	82,138
			82,138

**Other Construction**

External works		15.00%	246,413
			246,413

**Municipal Costs**

RBKC CIL			130,390
Mayoral CIL			11,050
			141,440

**PROFESSIONAL FEES**

Professional fees		10.00%	188,917
			188,917

**MARKETING & LETTING**

Marketing		3.00%	322,849
			322,849

**MISCELLANEOUS FEES**

Profit on private		20.00%	2,152,325
			2,152,325

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			552,070
Construction			90,477
Total Finance Cost			642,547

**TOTAL COSTS**
**10,761,627**
**PROFIT**
**0**
**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

	6.69%
Profit Erosion (finance rate 7.000%)	N/A

**RBKC CIL - Site 7 - Higher CIL**
**Summary Appraisal for Phase 1**
**REVENUE**

Sales Valuation	m <sup>2</sup>	Rate m <sup>2</sup>	Gross Sales
Residential flats	5,943.20	£32,871.00	195,358,927

**NET REALISATION**
**195,358,927**
**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			99,859,912
Stamp Duty		4.00%	3,994,396
Agent Fee		1.00%	998,599
Legal Fee		0.80%	798,879

**105,651,787**
**CONSTRUCTION COSTS**

Construction	m <sup>2</sup>	Rate m <sup>2</sup>	Cost
Residential flats	6,992.00	£2,420.00	16,920,640

**16,920,640**

Contingency		5.00%	846,032
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**846,032**
**Other Construction**

External works		15.00%	2,538,096
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**2,538,096**
**Municipal Costs**

Section 106			304,275
RBKC CIL			1,501,500
Mayoral CIL			110,100
Affordable hsg contribution			8,740,000

**10,655,875**
**PROFESSIONAL FEES**

Professional fees		10.00%	1,945,874
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**1,945,874**
**MARKETING & LETTING**

Marketing		3.00%	5,860,768
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**5,860,768**
**MISCELLANEOUS FEES**

Profit on private		20.00%	39,071,785
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**39,071,785**
**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			10,918,100
Construction			949,970
Total Finance Cost			11,868,071

**195,358,927**
**TOTAL COSTS**
**PROFIT**
**0**
**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

Profit Erosion (finance rate 7.000%)	6.70%
	N/A

**RBKC CIL - Site 8 - Higher CIL**
**Summary Appraisal for Phase 1**
**REVENUE**

Sales Valuation	m <sup>2</sup>	Rate m <sup>2</sup>	Gross Sales
Residential flats	159.80	£18,651.00	2,980,430

**NET REALISATION**
**2,980,430**
**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			1,456,377
Stamp Duty		4.00%	58,255
Agent Fee		1.00%	14,564
Legal Fee		0.80%	11,651
			1,540,847

**CONSTRUCTION COSTS**

Construction	m <sup>2</sup>	Rate m <sup>2</sup>	Cost
Residential flats	188.00	£2,105.00	395,740
Contingency		5.00%	19,787
			19,787

**Municipal Costs**

RBKC CIL			141,000
Mayoral CIL			9,400
			150,400

**PROFESSIONAL FEES**

Professional fees		10.00%	39,574
			39,574

**MARKETING & LETTING**

Marketing		3.00%	89,413
			89,413

**MISCELLANEOUS FEES**

Profit on private		20.00%	596,086
			596,086

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			129,992
Construction			18,591
Total Finance Cost			148,583

**TOTAL COSTS**
**2,980,430**
**PROFIT**
**0**
**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
	6.60%
Profit Erosion (finance rate 7.000%)	N/A

**RBKC CIL - Site 9 - Higher CIL**
**Summary Appraisal for Phase 1**
**REVENUE**

Sales Valuation	m <sup>2</sup>	Rate m <sup>2</sup>	Gross Sales
Residential flats	453.90	£18,651.00	8,465,689

**NET REALISATION**
**8,465,689**
**OUTLAY**
**ACQUISITION COSTS**

Residualised Price			4,337,801
Stamp Duty		4.00%	173,512
Agent Fee		1.00%	43,378
Legal Fee		0.80%	34,702
			<b>4,589,394</b>

**CONSTRUCTION COSTS**

Construction	m <sup>2</sup>	Rate m <sup>2</sup>	Cost
Residential flats	534.00	£2,105.00	1,124,070

**1,124,070**

Contingency		5.00%	56,203
			<b>56,203</b>

**Other Construction**

External works		15.00%	168,611
			<b>168,611</b>

**Municipal Costs**

RBKC CIL			16,520
Mayoral CIL			1,400
			<b>17,920</b>

**PROFESSIONAL FEES**

Professional fees		10.00%	129,268
			<b>129,268</b>

**MARKETING & LETTING**

Marketing		3.00%	253,971
			<b>253,971</b>

**MISCELLANEOUS FEES**

Profit on private		20.00%	1,693,138
			<b>1,693,138</b>

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land			387,180
Construction			45,935
Total Finance Cost			<b>433,115</b>

**TOTAL COSTS**
**8,465,689**
**PROFIT**
**0**
**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
	6.62%
Profit Erosion (finance rate 7.000%)	N/A



**RBKC CIL - Site 10 - Higher CIL**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>
Residential flats	142.80	£12,516.00	1,787,285

**NET REALISATION** **1,787,285**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			758,060	
Stamp Duty		4.00%	30,322	
Agent Fee		1.00%	7,581	
Legal Fee		0.80%	6,064	
				802,028

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Residential flats	168.00	£2,105.00	353,640

Contingency		5.00%	17,682	
				17,682

**Other Construction**

External works		15.00%	53,046	
				53,046

**Municipal Costs**

Section 106			1	
RBKC CIL			6,480	
Mayoral CIL			1,200	
				7,681

**PROFESSIONAL FEES**

Professional fees		10.00%	40,669	
				40,669

**MARKETING & LETTING**

Marketing		3.00%	53,619	
				53,619

**FINANCE**

Debit Rate 7.00% Credit Rate 0.00% (Nominal)				
Land			82,882	
Construction			18,582	
Total Finance Cost				101,464

**TOTAL COSTS** **1,429,828**

**PROFIT** **357,457**

**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%

	29.07%
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths

**RBKC CIL - Kensal Gas Works Site**

**Summary Appraisal for Phase 1**

**REVENUE**

<b>Sales Valuation</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross Sales</b>	
Residential flats	150,000.00	£7,265.00	1,089,750,000	
Affordable housing	112,500.00	£1,399.00	157,387,500	
<b>Totals</b>	<u>262,500.00</u>		<u>1,247,137,500</u>	<b>1,247,137,500</b>

<b>Rental Area Summary</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Gross MRV</b>
Office	8,500.00	£250.00	2,125,000
Supermarket	8,720.00	£310.00	2,703,200
Neighbourhood Centre	1,800.00	£150.00	270,000
<b>Totals</b>	<u>19,020.00</u>		<u>5,098,200</u>

**Investment Valuation**

**Office**

Market Rent	2,125,000	YP @	6.5000%	15.3846	
(2yrs Rent Free)		PV 2yrs @	6.5000%	0.8817	28,823,477

**Supermarket**

Market Rent	2,703,200	YP @	4.7500%	21.0526	
(1yr Rent Free)		PV 1yr @	4.7500%	0.9547	54,328,853

**Neighbourhood Centre**

Market Rent	270,000	YP @	6.5000%	15.3846	
(2yrs Rent Free)		PV 2yrs @	6.5000%	0.8817	3,662,277
					<b>86,814,607</b>

GROSS DEVELOPMENT VALUE 1,333,952,107

Purchaser's Costs 5.80% (4,759,213)  
 NET DEVELOPMENT VALUE 1,329,192,894

**NET REALISATION 1,329,192,894**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price			63,439,592
Stamp Duty	4.00%		2,537,584
Agent Fee	1.00%		634,396
Legal Fee	0.80%		507,517
			<b>67,119,089</b>

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>m<sup>2</sup></b>	<b>Rate m<sup>2</sup></b>	<b>Cost</b>
Office	10,000.00	£1,841.00	18,410,000
Supermarket	8,720.00	£1,057.00	9,217,040
Neighbourhood Centre	2,000.00	£1,175.00	2,350,000
Residential flats	176,470.59	£2,105.00	371,470,588
Affordable housing	132,360.00	£2,105.00	278,617,800
<b>Totals</b>	<u>329,550.59</u>		<u>680,065,428</u>

Contingency	5.00%	34,003,271
Decontamination - gas holder site		5,000,000
		<b>39,003,271</b>

**Other Construction**

External works	15.00%	102,009,814
Bridge construction		29,809,000
		<b>131,818,814</b>

**Municipal Costs**

Section 106	3,500.00 units	1,000.00 /un	3,500,000
Mayoral CIL	188,470.59 m <sup>2</sup>	50.00 pm <sup>2</sup>	9,423,529
			<b>12,923,529</b>

**PROFESSIONAL FEES**

Professional fees	12.00%	81,607,851
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**APPRAISAL SUMMARY****BNP PARIBAS REAL ESTATE****RBKC CIL - Kensal Gas Works Site**

			81,607,851
<b>MARKETING &amp; LETTING</b>			
Marketing	3.00%	32,692,500	
Letting Agent Fee	10.00%	509,820	
Letting Legal Fee	5.00%	254,910	
			33,457,230
<b>MISCELLANEOUS FEES</b>			
Profit on private	20.00%	235,312,921	
Profit on affordable	6.00%	9,443,250	
			244,756,171
<b>FINANCE</b>			
Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Land		32,848,508	
Construction		5,592,492	
Total Finance Cost			38,441,000
<b>TOTAL COSTS</b>			<b>1,329,192,385</b>
<b>PROFIT</b>			<b>509</b>

**Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.38%
Equivalent Yield% (Nominal)	5.44%
Equivalent Yield% (True)	5.63%
Gross Initial Yield%	5.87%
Net Initial Yield%	5.87%
	7.79%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	0 yrs 0 mths

**Development Infrastructure Study**

**Earl's Court and West Kensington Opportunity  
Area Draft Joint Supplementary Planning  
Document**

**Viability Assessments of Each of the  
Development Capacity Scenarios**

**Completed on behalf of  
The Royal Borough of Kensington and Chelsea  
The London Borough of Hammersmith and  
Fulham and  
The Greater London Authority**

**by**

**DVS**

**November 2011**

# **Development Infrastructure Study**

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- 1) Introduction**
- 2) Study Brief**
- 3) The Development Capacity Scenarios**
- 4) Scheme Assumptions and Inputs**
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## **1.0 Introduction**

DVS have been instructed by the Royal Borough of Kensington and Chelsea, London Borough of Hammersmith and Fulham and the Greater London Authority to undertake a Development Infrastructure Study based on the Development Capacity Scenarios contained in the Earl's Court and West Kensington Opportunity Area Draft Joint Supplementary Planning Document (SPD) (First Draft March 2011)

The Study has been undertaken using information provided by the Three Authorities, and our own research into both values and costs. In some areas we have adopted the figures provided if we believe they are reasonable.

We have undertaken cash flow models to prepare viability assessments to test the three scenarios and this report summaries the results of those assessments.

## **2.0 Study Brief**

The study brief was issued on 17 May 2011 and in summary requires the following areas to be included

- a) Development Capacity and viability
- b) Infrastructure requirements and costs

### **Development capacity and viability**

- a) To undertake a viability assessment of each of the Development Capacity Scenarios (No's 1, 2 and 3) contained in the Earl's Court and West Kensington Opportunity Area Draft Joint Supplementary Planning Document (SPD) based on the Working Development Capacity Figures. This assessment should include whether this level of development is economically viable given the forecast supply and demand for residential and commercial property in the Opportunity Area (OA).
- b) To establish a cash flow model to test and forecast the viability of the proposed development scenarios and to calculate developer contributions for all development including residential and commercial uses.
- c) To identify an appropriate level, tenure mix, unit size and mix of affordable housing that can be provided in light of the other infrastructure requirements including investigation of an agreed range of affordable housing.
- d) To provide recommendations on likely phasing, build out and take up rates in order to set the basis for a model that accurately reflects the risks and opportunities of the project.

### **Infrastructure requirements and costs**

- a) To provide a full analysis of scheme costs
- b) To include all infrastructure requirements including some public transport intervention, roads, open space, public realm utilities and social infrastructure (that have been identified in the SPD) that are required to support the proposed level of development in the OA.

- c) To include construction costs
- d) To include any exceptional construction costs arising from the proposed decking over the existing rail infrastructure, including the retained elements of the TFL depot and any other exceptional costs associated with the development in the vicinity of such infrastructure.
- e) To include any exceptional costs arising from the potential phased regeneration of the housing estates in the OA.
- f) To include any other reasonable exceptional costs
- g) To identify essential and non essential infrastructure costs

### 3.0 The Development Capacity Scenarios

The Earl's Court and West Kensington Opportunity Area Draft Joint Supplementary Planning Document contains 3 Development Capacity Scenarios which have been assessed and are outlined below:

Scenario	Housing Capacity	Residential Floorspace	Total commercial Floorspace	Total Floorspace
1	4000	364,000 sq m	129,500 sq m	493,500 sq m
2	6000	546,000 sq m	203,500 sq m	749,500 sq m
3	8000	728,000 sq m	277,500 sq m	1,005,500 sq m

Each of the three Development Capacity Scenarios are illustrated as masterplan solutions in the SPD which we have taken regard of.

The total site area of the OA is 37.2 hectares but net of major thoroughfares totals 32.6 hectares. Assuming 70% is for residential and 30% for commercial etc the resultant residential area for Scenario's 2 and 3 is 22.8 hectares whilst Scenario 1 is based on a site area of 12.4 hectares.

### 4.0 Scheme Assumptions and Inputs

The following assumptions and inputs have been made in order to assess the viability of each scenario and are dealt with on a scheme basis:

#### a) Residential Split

**Scenario 1** – 4,000 dwellings with 800 in the Royal Borough of Kensington and Chelsea (RBKC) and 3,200 in London Borough of Hammersmith and Fulham (LBHF) with a private and affordable split as follows:

Borough	Private	Affordable	Social Rented	Intermediate/Affordable Rented
RBKC	50% 400 units	50% 400 units	85% 340 units	15% 60 units
LBHF	60% 1,920 units	40% 1,280 units		100% 1,280 units

**Scenario 2** – 6,000 dwellings with 800 in the borough of RBKC and 5,200 in the borough of LBHF with a private and affordable split as follows:

Borough	Private	Affordable	Social Rented	Intermediate/Affordable Rented
RBKC	50% 400 units	50% 400 units	85% 340 units	15% 60 units
LBHF	60% 3,120 units	40% 2080 units	Reprovision 590 units	Remainder 1,490units

**Scenario 3** – 8,000 dwellings with 800 in the borough of RBKC and 7,200 in the borough of LBHF with a private and affordable split as follows:

Borough	Private	Affordable	Social Rented	Intermediate/Affordable Rented
RBKC	50% 400 units	50% 400 units	85% 340 units	15% 60 units
LBHF	60% 4,320 units	40% 2,880units	Reprovision 590 units	Remainder 2,290 units

In addition we have assumed that 40% of units are flats and 60% are houses which we believe is not unreasonable and sizes are based on an average of 70 sq m plus a generous 30% allowance of net to gross.

**b) Residential Values – Private**

Following research into current average sales values we have adopted £13,500 per sq m for units in RBKC (Premium) and £11,000 per sq m for units in LBHF (Standard) as part of the Gross Development Value (GDV).

**c) Residential Values – Affordable**

We have used an average for both social rented and intermediate, including affordable rented of £2,500 per sq m in RBKC but £2,260 per sq m in LBHF.

**d) Ground Rents**

We have used an average of £400 per annum on all private flats capitalised at 6%.



e) **Commercial Values**

Type	Rent per Sq m	Yield	Purchasers Costs	Rent Free
Offices	£414	6%	5.75%	12 months
Retail	£377	6%	5.75%	12 months
Hotel 1	Capital Value of £300,000 per bedroom		5.75%	
Hotel 2	Capital Value of £125,000 per bedroom		5.75%	
Leisure	£129	6%	5.75%	12 months
Other non residential	£108	8%	5.75%	
Health Provision	£240	6.5%	5.75%	

f) **Growth Rates**

Where growth has been applied a net rate of 2.5% per annum compound has been used. This is the net amount after growth in build costs etc has also been taken into account.

g) **Residential Build Costs**

Our Quantity Surveyor has researched the appropriate costs to be utilised as follows:

Type	Rate per Sq M
Private Residential Flats Premium	£3,283
Private Residential Houses Premium	£4,263
Private Residential Flats Standard	£2,379
Private Residential Houses Standard	£2,379
Affordable – Rented	£1,475
Affordable - Intermediate	£1,647

h) **Sustainability**

A rate of £3,500 per unit has been included for code 3 costs only at this stage.

i) **Commercial Build Costs**

Type	Rate per Sq M
Offices	£1,905
Retail - Shell	£883
Boutique Hotel	£3,305
Budget Hotel	£2,153
Leisure	£2,347
Other non residential	£2,314
Health Provision	£2,314

j) **Other Plot Related Costs**

In addition other plot related costs have been applied including over-sailing costs, occupier contributions, building regs and NHBC fees etc, additional planning/reserved matters costs and void management costs for each scenario as follows:

Scenario	Other Costs
Scenario 1	£7,500,000
Scenario 2 and 3	£19,614,000

k) **Contingency**

A contingency rate of 3% has been added to all build costs in the appraisals

l) **Infrastructure and Abnormals**

This includes all of the site enabling works, roads, structural and civil infrastructure, off-site road improvements, site and off-site public transport improvements, utilities and site services, infrastructure abnormals which includes the decked structure over the railways etc, car parking, new building abnormals and public spaces.

These costs have been assessed on a range of rates and then applied to the gross size of each scenario in order to compare as follows:

Scenario	Total Sq M	Total Costs	Infrastructure Abnormals
Scenario 1	554,481	£886,060,000	£296,093,000
Scenario 2	843,273	£1,347,550,000	£450,308,000
Scenario 3	1,132,065	£1,809,040,000	£604,523,000

In addition Fees of 8% and a contingency of 3% have also been added.

m) **Professional Fees**

A rate for all professional fees of 10% has been adopted which we believe is reasonable.

n) **Section 106/Social Infrastructure Costs**

The SPD details the requirements for each scenario which have been included in our assessments as follows:

Item	Scenario 1	Scenario 2	Scenario 3
Primary Education	£16,000,000	£22,000,000	£33,000,000
Secondary Education	£10,000,000	£15,000,000	£20,000,000
Health Care	800 sq m	1,200 sq m	1,600 sq m
Open Space etc	Incl in scheme costs	Incl in scheme costs	Incl in scheme costs
Library	£1,091,800	£1,638,200	£2,184,600

In addition we have also considered the inclusion of the Mayoral Community Infrastructure Levy in accordance with the Draft Charging Schedule dated June 2011. The Mayoral CIL, the adoption of which is anticipated in April 2011, would be applied ahead of the section 106 costs above and result in the following approximate sums being applied to each scenario:

<b>Scenario</b>	<b>CIL Costs</b>
Scenario 1	£9.4m
Scenario 2	£14.46m
Scenario 3	£19.52m

**o) Other Costs And Fees**

Detailed below are other costs and fees that are also included in our assessment of each scheme which we believe are the current market norm as follows:

<b>Costs/Fees</b>	<b>Rate</b>
Marketing Costs	1.5% of GDV
Residential Agent Sale Fees	1.0% of Residential GDV
Residential Legal Sale Fees	0.5% of Residential GDV
Affordable Agents Sale Fees	1.0% of Affordable GDV
Affordable Agents Legal Fees	0.5% of Affordable GDV
Commercial Agent Sale Fees	1.0% of Commercial GDV
Commercial Legal Sale Fees	0.5% of Commercial GDV
Commercial Agents Letting Fees	10.0% of Commercial Rental Value
Commercial Legal Letting Fees	5% of Commercial Rental Value

**p) Finance**

We have adopted an all inclusive finance rate of 6.5% on the basis that the whole scheme is debt funded which we do not feel is unreasonable and will depend on the overall timescale and cash flow of the scheme which can only be in outline at present.

**q) Scheme Programme/Phasing**

We have assumed a start on site in 2013 since we understand that Earl's Court is required for the Olympics in 2012. In addition we are the view that a sales rate for the private residential of 250 units per year is achievable which will drive the programme as follows for each scheme:

<b>Scenario</b>	<b>No of Houses</b>	<b>Scheme Programme</b>
Scenario 1	4000	2013 to 2023
Scenario 2	6000	2013 to 2028
Scenario 3	8000	2013 to 2033

It is also likely that there will be phasing of both the residential and commercial space although it will not affect the overall programme and cash flow at this stage.

r) **Profit levels**

For the purposes of these assessments we have assumed the following profit levels which are the market norms

Private Residential Profit Level – 20% of Private Residential GDV  
Affordable Profit Level – 6% of Affordable GDV  
Commercial Profit Level – 15% of Commercial GDV

s) **Land Values**

Following detailed discussions with RBKC we have adopted, at this stage, the estimated Existing Use Values provided to us of the various sites required to undertake each of the scenarios however these may well need to be up dated when further research has been undertaken and clarification received.

The following overall land values have been adopted for each scheme.

Scenario	Adopted Land Values
Scenario 1	
Scenario 2	
Scenario 3	

In addition we have also included stamp duty at 4% and fees etc at 1.75%.

t) **Other land and overall scheme related costs**

In addition to the land acquisition costs and the plot related costs there are additional land costs relating to the regearing of leases plus relocation costs and overall scheme costs including decant costs and estate costs etc the total of which detailed below:

Scenario	Other land/Scheme Costs
Scenario 1	
Scenario 2	
Scenario 3	

## 5.0 Results of Viability assessments

We have undertaken detailed cash flow excel based appraisals of each of the scenarios to assess the viability which include all of the assumptions and inputs detailed above both with and without the Mayoral CIL.

The results of these assessments are detailed below in summary:

- A) Policy Compliant with no growth and including Mayoral CIL

Scenario	Gross Development Value	Gross Development Costs	Surplus/Deficit
Scenario 1	£3,454,138,000	£3,864,160,000	- £410,022,000
Scenario 2	£5,229,697,000	£5,647,404,000	- £417,707,000
Scenario 3	£7,002,254,000	£7,102,709,000	- £100,455,000

With these assumptions none of the scenarios are viable

B) Policy Compliant with no growth but excluding Mayoral CIL

Scenario	Gross Development Value	Gross Development Costs	Surplus/Deficit
Scenario 1	£3,454,138,000	£3,851,407,000	- £397,269,000
Scenario 2	£5,229,697,000	£5,626,584,000	- £396,887,000
Scenario 3	£7,002,254,000	£7,075,044,000	- £72,791,000

With these assumptions none of the scenarios above are viable

C) Policy Compliant with Net Growth as detailed under 4f and including CIL

Scenario	Gross Development Value	Gross Development Costs	Surplus/Deficit
Scenario 1	£3,540,333,000	£3,852,157,000	- £311,824,000
Scenario 2	£5,361,376,000	£5,600,633,000	- £239,257,000
Scenario 3	£7,178,564,000	£7,062,669,000	£115,895,000

D) Policy Compliant with Net Growth as detailed under 4f but excluding CIL

Scenario	Gross Development Value	Gross Development Costs	Surplus/Deficit
Scenario 1	£3,540,333,000	£3,839,898,000	- £299,564,000
Scenario 2	£5,361,376,000	£5,580,506,000	- £219,129,000
Scenario 3	£7,178,564,000	£7,035,679,000	£142,884,797

Under C) and D) with these assumptions only Scenario 3 is viable.

We have also considered scenarios 1 and 2 on the basis of reduced affordable housing levels in order to determine viability as follows:

E) Reduced affordable housing on the basis of 60% private and 40% affordable for RBKC and 70% private with 30% affordable for LBHF but with the current tenure split including CIL.

Scenario	Gross Development Value	Gross Development Costs	Surplus/Deficit
Scenario 1	£3,874,090,000	£3,963,585,000	- £89,495,000
Scenario 2	£5,869,270,000	£5,759,163,000	£110,108,000

- F) Reduced affordable housing on the basis of 60% private and 40% affordable for RBKC and 70% private with 30% affordable for LBHF but with the current tenure split excluding CIL

Scenario	Gross Development Value	Gross Development Costs	Surplus/Deficit
Scenario 1	£3,874,090,000	£3,949,749,000	- £75,659,000
Scenario 2	£5,869,270,000	£5,736,501,000	£132,769,000

On the basis of reduced affordable housing under E) and F) scenario 2 is now viable whilst scenario 1 is closer to viability.

- G) Reduced affordable housing on the basis of 70% private and 30% affordable for RBKC and 80% private with 20% affordable for LBHF but with the current tenure split including CIL.

Scenario	Gross Development Value	Gross Development Costs	Surplus/Deficit
Scenario 1	£4,208,047,000	£4,091,816,000	£116,232,000

- H) Reduced affordable housing on the basis of 70% private and 30% affordable for RBKC and 80% for private with 20% affordable for LBHF but with the current tenure split excluding CIL.

Scenario	Gross Development Value	Gross Development Costs	Surplus/Deficit
Scenario 1	£4,208,047,000	£4,076,345,000	£131,701,918

On the basis of reduced affordable housing under G) and H) scenario 1 is now viable.

## 6.0 Conclusions

Taking account of all the assumptions and inputs above we detail below a summary of the scenarios and their viability in accordance with our assessments:

### Summary Assessments including the Mayoral CIL

Scenario	Policy Compliant Scheme	Policy Compliant Scheme with Growth	Reduced Affordable Housing Private 60% Affordable 40%	Reduced Affordable Housing Private 70% Affordable 30%
Scenario 1	- £410,022,000	- £311,824,000	- £89,495,000	Viable
Scenario 2	- £417,707,000	- £239,257,000	Viable	Viable
Scenario 3	- £100,455,000	Viable	Viable	Viable

## Summary Assessments excluding the Mayoral CIL

Scenario	Policy Compliant Scheme	Policy Compliant Scheme with Growth	Reduced Affordable Housing Private 60% Affordable 40%	Reduced Affordable Housing Private 70% Affordable 30%
Scenario 1	- £397,269,000	- £299,564,000	- £75,659,000	Viable
Scenario 2	- £396,887,000	- £219,129,000	Viable	Viable
Scenario 3	- £72,791,000	Viable	Viable	Viable

The key reasons why scenarios 1 and 2 are not viable without reducing the level of affordable housing is due to costs related to the reprovision of the existing TFL depot and land and also the abnormal costs of the decking over the railways without sufficient private residential housing.

When the scheme is viable as described above it can support all of the costs detailed above including the site specific Infrastructure and Abnormal and Social Infrastructure costs as set out in the SPD.

A J Williams MRICS  
 Development Viability Consultant  
 DVS  
 November 2011

## Earl's Court

Scenario	Housing capacity (units)	Residential floorspace (sqm)	Commercial floorspace (sqm)	Total floorspace (sqm)
1	4,000	364,000	129,500	493,500
2	6,000	546,000	203,500	749,500
3	8,000	728,000	277,500	1,005,500
Deduct existing floorspace (sch 4 of RBKC Planning Application form)		-	129,732	129,732
Deduct existing floorspace (sch 4 of LBHF Planning Application form)		71,006	111,303	182,309
Chargeable floorspace - scenario 1				181,459
Chargeable floorspace - scenario 2				437,459
Chargeable floorspace - scenario 3				693,459
Mayoral CIL - scenario 1			£50	9,072,950
Mayoral CIL - scenario 2			£50	21,872,950
Mayoral CIL - scenario 3			£50	34,672,950
RBKC CIL - scenario 1			£270	48,993,930
RBKC CIL - scenario 2			£270	118,113,930
RBKC CIL - scenario 3			£270	187,233,930
S106 - scenario 1	27,091,800	6,773		
S106 - scenario 2	38,638,200	6,440		
S106 - scenario 3	55,184,600	6,898		
Infrasrtucture and abnormals - scenario 1	296,093,000	74,023		
Infrasrtucture and abnormals - scenario 2	450,308,000	75,051		
Infrasrtucture and abnormals - scenario 3	604,523,000	75,565		

DVS results - Policy compliant Aff Hsg with Mayoral CIL and Borough CIL	Residual land values		
	With CIL	Excl RBKC CIL	Change in land value
Scenario 1	-£459,015,930	-£410,022,000	-12%
Scenario 2	-£535,820,930	-£417,707,000	-28%
Scenario 3	-£287,688,930	-£100,455,000	-186%