



MOUNT PLEASANT COMMUNITY RIGHT TO BUILD VIABILITY ASSESSMENT



Mount Pleasant Community Right to Build Site

Viability Assessment

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Mount Pleasant Community Right to Build Site

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1 Information relied upon

This report has been prepared based on the following information:-

- Accommodation Schedule provided by CalfordSeaden for 125 units in five blocks
- Cost assessment provided by CalfordSeaden for the above, adjusted by reference to the BCIS Tender Price Index
- Estimated construction period provided by CalfordSeaden. An additional contingency of 2.5% above these figures has been included
- Assessment of statutory costs based on Mayoral and Camden Council CIL charging schedules and an assessment of the cost of complying with “zero-carbon” requirements
- Valuation advice provided by Carter Jonas, adjusted to reflect recent falls in market prices
- Land Value estimate provided by Create Streets

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2 Scenarios assessed

Two scenarios have been assessed in respect of the quantum of affordable housing. In both cases I have taken either a whole block or combination of whole blocks as affordable, as would be expected in the market.

The first scenario looks at a near policy compliant scheme with 48.8% by unit and 45.5% by number of bedroom, with blocks 3, 4 & 5 of the proposed scheme designated as affordable homes. The second looks at a scheme with 30.4% affordable by unit, 32.9% by bedroom, where block 1 is designated as affordable homes.

Both scenarios have been assessed against a target developer's profit level of 17.5%

The value of the affordable units is based on the homes being let at the Local Housing Allowance rent and the resulting gross rental income being capitalised at 6%. This is assumed to provide an average level of affordability across the units which could be varied in more detailed negotiation at a later stage. The equivalent £/sqM rate is in line with the Carter Jonas advice.

In both scenarios the resultant market housing is included at a £/sqM figure approximately 10% below the figures provided by Carter Jonas to take account of recent falls in sale values as reported to me.

3 Approach:

A traditional residual valuation method has been adopted with a cash flow encompassing all costs over the life of the project. Varying the levels of Affordable Housing provision therefore produces varying land values as set out in the table below. This allows the assessment of the level of affordable housing which can be supported by the scheme.

The two scenarios have been based on taking whole blocks as affordable.

4 Summary of results

Affordable	17.5% Profit	
48.8%	Land	£37,650,000
	Profit	£15,500,000
30.4%	Land	£56,745,000
	Profit	£19,625,000

John Moss MRICS

JOHN MOSS REGENERATION

Mount Pleasant Community Right to Build Site

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The individual summary sheets for each scenario are attached at appendix one.

5 Land Value

Create Streets provided an assessment of land value based on comparable schemes in a number of locations across London. Due to the size and complexity of the site, direct evidence is difficult to find. However, my assessment is that the project is not capable of delivering a land value at which the site could be acquired and providing policy compliant levels of affordable housing.

My assessment shows a potential land value of just under £57m which is close to the target value provided by Create Streets. I therefore believe the project to be viable based on providing 30% affordable housing, delivering a 17.5% developer's profit at the land value indicated by Create Streets.

This is not a valuation and the results of this exercise should not be relied upon in reference to any application for finance or for any other purpose.

John J C Moss MRICS
John Moss Regeneration

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Appendices

i	Accommodation Schedule
ii	Cost Estimate
iii	Copy Valuation Advice Carter Jonas
iv	Realisation Assumptions
v	Cash Flows
vi	Summary Sheets

Viability Summary						
30% Affordable 17.5% profit						
	Weekly LHA Rent		Annual	Units	Gross Rent	
1 Bed	£ 260.64	£	13,553	8	£	108,426
2 Bed	£ 302.33	£	15,721	15	£	235,817
3 Bed	£ 354.46	£	18,432	15	£	276,479
					£	620,722
						6.00%
					£	10,345,374
Gross Realisation		£	131,798,190			
Development Cost excluding finance		£	98,784,013			
Finance Cost		£	13,397,141			
Total Cost		£	112,181,154	17.50%		£ 19,631,702
Gross Profit		£	19,617,036	17.49%		-£ 14,666
Land Value		£	56,650,000			

Viability Summary						
50% Affordable 17.5% profit						
	Weekly LHA Rent		Annual	Units	Gross Rent	
1 Bed	£ 260.64	£	13,553	11	£	149,086
2 Bed	£ 302.33	£	15,721	37	£	581,683
3 Bed	£ 354.46	£	18,432	13	£	239,615
					£	970,384
						6.00%
					£	16,173,066
Gross Realisation		£	103,999,382			
Development Cost excluding finance		£	78,633,513			
Finance Cost		£	9,882,926			
Total Cost		£	88,516,440	17.50%		£ 15,490,377
Gross Profit		£	15,482,942	17.49%		-£ 7,435
Land Value		£	37,550,000			

Note & source

Land Price, £	-£59,073,578	<i>Nine Elms 2015 sale adjusted for size & consented affordable housing level</i>
CIL, £	-£2,169,455	<i>John Moss Regeneration. Mount Pleasant CIL assumptions</i>
Build and full development cost, £	-£39,671,630	<i>calford seaden and John Moss Regeneration</i>
Finance, £	-£13,118,906	<i>John Moss Regeneration</i>
Total Development Cost, £	-£114,033,569	
Private Sale Realisation, £	£121,710,176	<i>Carter Jonas and John Moss Regeneration</i>
Affordable housing realisation, £	£12,310,000	<i>John Moss Regeneration</i>
Gross Profit, £	£19,986,606	
Gross Profit, %	17.5%	
<i>Total Affordable Units</i>		
1 bed	8	
2 bed	16	
3 bed	14	
Total	38	

Mount Pleasant Circus

Feasibility Order of Cost - Elemental Summary

Draft version 1 - 20/5/15

Commercial & flats combined				Commercial			Flats				
Gross internal floor area:		14,605 m2		1,179 m2			13,426 m2				
No. of Units		126 flats		4 units			126 flats				
ELEMENT	Total Cost	E/m2	% of Total	Total Cost	E/m2	% of Total	Total Cost	E/m2	E/Flat	% of Total	
	of Element	(of GIFA)	Cost	of Element	(of GIFA)	Cost	of Element	(of GIFA)	Cost		
1	SUBSTRUCTURE	1,912,371	130.94	6.37%	154,390	130.94	11.44%	1,757,981	130.94	13,952	6.14%
2	SUPERSTRUCTURE										
2.1	Frame	3,578,250	245.00	11.93%	288,880	245.00	21.40%	3,289,370	245.00	26,106	11.48%
2.2	Upper floors	277,200	18.98	0.92%	0	0.00	0.00%	277,200	20.65	2,200	0.97%
2.3	Roof	647,577	44.34	2.16%	52,280	44.34	3.87%	595,296	44.34	4,725	2.08%
2.4	Stairs	465,000	31.84	1.55%	0	0.00	0.00%	465,000	34.63	3,690	1.62%
2.5	External walls	2,699,588	184.36	8.98%	217,378	184.36	16.10%	2,475,210	184.36	19,645	8.64%
2.6	Windows & external doors	1,332,573	91.24	4.44%	107,581	91.24	7.97%	1,224,992	91.24	9,722	4.28%
2.7	Internal walls	664,470	45.50	2.21%	0	0.00	0.00%	664,470	49.49	5,274	2.32%
2.8	Internal doors	606,500	41.53	2.02%	0	0.00	0.00%	606,500	45.17	4,813	2.12%
	TOTAL - SUPERSTRUCTURE	10,264,157	702.78	34.21%	666,119	564.94	49.34%	9,598,038	714.88	76,175	33.50%
3	INTERNAL FINISHES										
3.1	Wall finishes	607,428	41.59	2.02%	0	0.00	0.00%	607,428	45.24	4,821	2.12%
3.2	Floor finishes	1,139,984	78.05	3.80%	0	0.00	0.00%	1,139,984	84.91	9,047	3.98%
3.3	Ceiling finishes	484,604	33.18	1.62%	0	0.00	0.00%	484,604	36.09	3,846	1.69%
	TOTAL - Internal finishes	2,232,016	152.82	7.44%	0	0.00%	0.00%	2,232,016	166.25	17,714	7.79%
4	FITTINGS	850,215	58.21	2.83%	0	0.00	0.00%	850,215	63.33	6,748	2.97%
5	M & E SERVICES										
5.1	Sanitary fittings	306,840	21.01	1.02%	0	0.00	0.00%	306,840	22.85	2,435	1.07%
5.2	Services equipment	0	0.00	0.00%	0	0.00	0.00%	0	0.00	0	0.00%
5.3	Plumbing & disposal inst	150,500	10.30	0.50%	0	0.00	0.00%	150,500	11.21	1,194	0.53%
5.4	Water Installations	173,800	11.90	0.58%	0	0.00	0.00%	173,800	12.95	1,379	0.61%
5.5	Heat Source	1,386,179	94.91	4.62%	0	0.00	0.00%	1,386,179	103.25	11,001	4.84%
5.6	Space heating and air conditioning	548,100	37.53	1.83%	0	0.00	0.00%	548,100	40.82	4,350	1.91%
5.7	Ventilation Systems	277,200	18.98	0.92%	0	0.00	0.00%	277,200	20.65	2,200	0.97%
5.8	Electrical installations	909,125	62.25	3.03%	0	0.00	0.00%	909,125	67.71	7,215	3.17%
5.9	Gas installations	incl			incl			incl			
5.10	Lift installations	485,000	33.21	1.62%	0	0.00	0.00%	485,000	36.12	3,849	1.69%
5.11	Protective installations	64,553	4.42	0.22%	0	0.00	0.00%	64,553	4.81	512	0.23%
5.12	Communication, security and control system	88,200	6.04	0.29%	0	0.00	0.00%	88,200	6.57	700	0.31%
5.13	Special installations	201,600	13.80	0.67%	0	0.00	0.00%	201,600	15.02	1,600	0.70%
5.14	BWIC with services	230,000	15.75	0.77%	0	0.00	0.00%	230,000	17.13	1,825	0.80%
	TOTAL - M & E Services	4,821,096	330.10	16.07%	0	0.00%	0.00%	4,821,096	359.09	38,263	16.83%
	TOTAL - BUILDING WORKS	20,289,600	1,389.21	67.63%	837,442	710.24	62.03%	19,452,158	1,448.84	154,382	67.90%
6	EXTERNAL WORKS & SERVICES										
6.1	Site preparation works	122,745	8.40	0.41%	9,909	8.40	0.73%	112,836	8.40	896	0.39%
6.2	Paths & pavings	66,470	4.55	0.22%	5,366	4.55	0.40%	61,104	4.55	485	0.21%
6.3	Planting	81,125	5.55	0.27%	6,549	5.55	0.49%	74,576	5.55	592	0.26%
6.4	Fencing, railing & walls	228,456	15.64	0.76%	18,444	15.64	1.37%	210,012	15.64	1,667	0.73%
6.5	Site/street furniture & equipment	184,150	12.61	0.61%	14,867	12.61	1.10%	169,283	12.61	1,344	0.59%
6.6	External drainage	319,077	21.85	1.06%	25,760	21.85	1.91%	293,317	21.85	2,328	1.02%
6.7	External services	634,750	43.46	2.12%	51,245	43.46	3.80%	583,505	43.46	4,631	2.04%
	TOTAL - Site works	1,636,773	112.07	5.46%	132,140	112.07	9.79%	1,504,632	112.07	11,942	5.25%
7	FACILITATING WORKS	209,745	14.36	0.70%	16,933	14.36	1.25%	192,812	14.36	1,530	0.67%
	TOTAL - BUILDING & SITE WORKS	21,926,373	1,501.28	73.09%	969,582	822.31	71.82%	20,956,791	1,560.91	166,324	73.15%
8	ON-COSTS										
8.1	Preliminaries (18%)	3,946,747	270.23	13.16%	174,525	148.02	12.93%	3,772,222	280.96	29,938	13.17%
8.2	Profit & overheads (7%)	1,811,118	124.01	6.04%	80,087	67.92	5.93%	1,731,031	128.93	13,738	6.04%
8.3	Price & design risk (3%)	830,527	56.87	2.77%	36,726	31.15	2.72%	793,801	59.12	6,300	2.77%
8.4	Contingencies (5%)	1,485,234	101.69	4.95%	89,080	75.55	6.60%	1,396,154	103.99	11,081	4.87%
	TOTAL	30,000,000	2,054.08	100.00%	1,350,000	1,144.94	100.00%	28,650,000	2,133.92	227,381	100.00%

BCIS adjustment

May-15	276		
Jul-16	271	1.018450185	£ 29,456,522
		Contingency	0.025 £ 736,413 £ 30,192,935

CREATE Streets

	<i>Gross Internal Floor Area (sqm)</i>	<i>Net Internal Floor Area (sqm)</i>	<i>Affordable Floor Area (sqm)</i>	<i>GIFA minus Affordable (sqm)*</i>	<i>Mayoral CIL £/sqm</i>	<i>Camden CIL / £sqm</i>	<i>TOTAL (£)</i>
Resi	13426	9280	2784	9398.2	£50	£150	£2,081,030
Retail	1179	1200	N/A	N/A	£50	£25	£88,425
Commercial	0	0	N/A	N/A	£50	£45	£0
TOTAL	14605	10480			-	-	£2,169,455

* Minus gross affordable not net affordable

Carter Jonas LLP

Development Appraisal

Mount Pleasant

Royal Mail Group scheme

model v4

Report Date: 03 August 2015

**Mount Pleasant
Royal Mail Group scheme**

Summary Appraisal for Merged Phases 1 2 3 4 5

Currency in £

REVENUE

Sales Valuation	Units	m²	Rate m²	Unit Price	Gross Sales
Car Parking	29	0.00	0.00	100,000	2,900,000
P1 - private residential	173	14,705.00	19,375.00	1,646,875	284,909,375
P1 - affordable housing	41	3,485.00	3,666.19	311,626	12,776,672
Car Parking	8	0.00	0.00	100,000	800,000
P2 - private residential	90	7,650.00	19,375.00	1,646,875	148,218,750
P2 - affordable housing	41	3,485.00	3,666.19	311,626	12,776,672
Car Parking	48	0.00	0.00	100,000	4,800,000
C1 - private residential	115	9,775.00	19,375.00	1,646,875	189,390,625
C1 - affordable housing	40	3,400.00	3,666.19	311,626	12,465,046
C2 - private residential	140	11,900.00	19,375.00	1,646,875	230,562,500
C2 - affordable housing	41	<u>3,485.00</u>	3,666.19	311,626	<u>12,776,672</u>
Totals	766	57,885.00			912,376,312

Rental Area Summary

	Units	m²	Rate m²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground rents	173			500	86,500	86,500
Ground rents	90			500	45,000	45,000
Block G - office	1	3,629.50	538.20	1,953,397	1,953,397	1,953,397
Flexible commercial	1	1,142.40	270.00	308,448	308,448	308,448
Ground rents	115			500	57,500	57,500
Ground rents	<u>140</u>			<u>500</u>	<u>70,000</u>	<u>70,000</u>
Totals	520	4,771.90			2,520,845	2,520,845

Investment Valuation

Ground rents					
Current Rent	86,500	YP @	5.0000%	20.0000	1,730,000
Ground rents					
Current Rent	45,000	YP @	5.0000%	20.0000	900,000
Block G - office					
Current Rent	1,953,397	YP @	6.0000%	16.6667	32,556,615
Flexible commercial					
Current Rent	308,448	YP @	6.0000%	16.6667	5,140,800
Ground rents					
Current Rent	57,500	YP @	5.0000%	20.0000	1,150,000
Ground rents					
Current Rent	70,000	YP @	5.0000%	20.0000	1,400,000
					42,877,415

GROSS DEVELOPMENT VALUE

955,253,727

**Mount Pleasant
Royal Mail Group scheme**

Purchaser's Costs	5.80%	(2,486,890)	(2,486,890)
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NET DEVELOPMENT VALUE **952,766,837**

NET REALISATION **952,766,837**

OUTLAY

ACQUISITION COSTS

Residualised Price		253,616,420	
Stamp Duty	4.00%	10,144,657	
Agent Fee	1.20%	3,043,397	
Legal Fee	0.60%	1,521,699	
			268,326,172

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Car Parking	29 un	22,000	638,000
Car Parking	<u>8 un</u>	22,000	<u>176,000</u>
Totals			814,000

	m ²	Rate m ²	Cost
Block G - office	4,270.00 m ²	2,600.00 pm ²	11,102,000
Flexible commercial	1,428.00 m ²	2,600.00 pm ²	3,712,800
P1 - private residential	19,606.09 m ²	2,600.00 pm ²	50,975,834
P1 - affordable housing	4,646.53 m ²	2,600.00 pm ²	12,080,978
P2 - private residential	10,200.23 m ²	2,600.00 pm ²	26,520,595
P2 - affordable housing	4,646.77 m ²	2,600.00 pm ²	12,081,605
C1 - private residential	13,033.58 m ²	2,600.00 pm ²	33,887,310
C1 - affordable housing	4,533.42 m ²	2,600.00 pm ²	11,786,890
C2 - private residential	15,866.41 m ²	2,600.00 pm ²	41,252,663
C2 - affordable housing	<u>4,646.59 m²</u>	2,600.00 pm ²	<u>12,081,137</u>
Totals	82,877.62 m²		215,481,812

Contingency	5.00%	10,814,791	
Demolition		40,000,000	
CIL/s106		3,189,534	
Islington CIL		5,300,000	
			59,304,325

PROFESSIONAL FEES

Professional fees	12.00%	25,955,497	25,955,497
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MARKETING & LETTING

Marketing	1.50%	12,796,219	
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Mount Pleasant

Royal Mail Group scheme

Letting Agent Fee	10.00%	252,084	
Letting Legal Fee	5.00%	126,042	
			13,174,345

DISPOSAL FEES

Residential agent and legals	2.50%	21,327,031	
Commercial agent and legals	1.50%	1,367,784	
			22,694,815

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			83,114,306

TOTAL COSTS

688,865,272

PROFIT

263,901,565

Performance Measures

Profit on Cost%	38.31%
Profit on GDV%	27.63%
Profit on NDV%	27.70%
Development Yield% (on Rent)	0.37%
Equivalent Yield% (Nominal)	5.88%
Equivalent Yield% (True)	6.10%
 IRR	 20.00%
 Rent Cover	 104 yrs 8 mths
Profit Erosion (finance rate 7.000%)	4 yrs 8 mths