

CAMBERWELL UNION

**BURGESS BUSINESS PARK
SE5**

FINANCIAL VIABILITY ASSESSMENT

EXECUTIVE SUMMARY

1. Gerald Eve LLP was instructed by Peachtree Services Limited (“the Applicant”) to undertake a financial viability assessment (“FVA”), to support the development proposals at Camberwell Union, Burgess Business Park, London (“the Site”). A planning application has been submitted for the redevelopment of the Site to provide a total of 505 residential units comprising a mix of flats, maisonettes and terraced houses and approximately 4,062 sq m of commercial floorspace comprising creative business, co-working and retail uses (“the Scheme”).
2. The purpose of the FVA is to support the planning application to the Council by providing a financial assessment, rationale and justification for the proposed amount of affordable housing. The assessment also has regard to the affordable housing provision and other planning obligations including Community Infrastructure Levy (“CIL”), which can be collectively referred to as “the pot”.
3. By assessing the viability of the Scheme this, in turn, defines the level of the pot. We have tested a total “pot” of £5,367,207 plus 167 affordable housing units on-site comprising the following:

| Planning Obligations | Amount |
|----------------------|---|
| Affordable Housing | 35% by Habitable Room |
| Borough CIL | £2,127,381 |
| Mayoral CIL | £1,453,876 |
| S.106 package | £1,785,950 |
| Total | £5,367,207 plus 35% on-site affordable housing |

4. Our report has been prepared having regard to the National Planning Policy Framework (“NPPF”); Planning Practice Guidance (“PPG”); the Greater London Authority Housing SPG March 2016 (“the Housing SPG”) and Affordable Housing and Viability SPG August 2017 (“the AH&V SPG”); the London Borough of Southwark (“the Council”) Core Strategy April 2011; the London Plan March 2016; the RICS Guidance Note: Financial Viability in Planning 2012 (“the RICS GN”); Southwark Development Viability Supplementary Planning Document (2016) (“the LBS VSPD”) and generally accepted principles of undertaking (site specific) FVAs.
5. This report has relied upon inputs from a number of other consultants (including the Applicant itself) in respect of costs, values and development programme. A summary inputs table accompanies this Executive Summary.
6. A detailed Site Value assessment has been undertaken in accordance with national and local planning policy and viability best practice guidance. We have presented both an EUV and Market Value in order to determine the premium that should be applied above EUV to release the Site for development. Our Site Value therefore fully meets the requirements of the Council’s Development Viability SPD.
7. We have measured the Scheme’s viability against a benchmark IRR of 14.0% on a present day basis. After engagement with the Council’s viability consultant it was agreed that target margins (all on GDV) of 17.5% for private residential, 16.67% on commercial, and 6.0% on affordable were reasonable.
8. A summary of our primary assumptions is provided below:-

| Assumption | Amount |
|-------------------------|--|
| Gross Development Value | £ 203.9m |
| Acquisition Costs | £ 1.3m |
| Construction Costs | £ 126.7m |
| Professional Fees | £ 15.8m |
| Marketing and Letting | £ 1.7m |
| Disposal Fees | £ 3.3m |
| Finance | £ 17.2m |
| Developer Profit | See para. 7 above |
| Contingencies | 5% (inc. in construction) |
| Residual Land Value | £4.3m (<i>applying the fixed profit allowances at para. 7 above</i>) |
| Benchmark Land Value | £ 25.0m |

9. The outturns of the appraisals in respect of the Scheme are summarised in the table below:

| Scheme | Output | Target |
|-------------|-------------|---------------|
| Present Day | 7.5% IRR | 14.0% IRR |
| Present Day | 1.8% on GDV | 15.7% (Blend) |

10. It can be concluded that on a present day assessment the resulting appraisals demonstrate a return below the target level.

11. To substantiate our assessment, a sensitivity analysis has been carried out which shows that even on a wholly optimistic basis, the Scheme is unlikely to achieve a viable return.

12. It follows that the proposed planning obligations and CIL package of £5,367,207, along with 35% on-site affordable housing (70:30), exceeds the maximum reasonable level that the Scheme can afford in order for the Applicant to be able to deliver and implement a deliverable viable scheme.

13. We therefore conclude that there is a risk that a Scheme with 35% affordable housing (70:30) is not deliverable in viability terms. The Scheme should be amended to allow it to be policy compliant and deliverable.