

## Financial Viability Assessment

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BioPark (Broadwater Gardens)  
Broadwater Road,  
Welwyn Garden City,  
AL7 3TT



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Welwyn Hatfield Borough Council

REF: 6/2020/3420/MAJ

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February 2021

## Quality Assurance

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Date of Report

February 2021

Version

Filename and path

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BioPark, Welwyn Garden City FVA\_WHBC\_v2.docx

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## Non-technical Summary

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- ES 1 This non-technical summary is to be read in conjunction with the main report, general assumptions and definitions attached hereto.
- ES 2 AspinallVerdi have been instructed by Welwyn Hatfield Borough Council (hereafter referred to as “the Council”) to undertake a Financial Viability Assessment (FVA) of the proposed development at BioPark (Broadwater Gardens), Broadwater Road, Welwyn Garden City, AL7 3TT (the proposal site).
- ES 3 In December 2020, HG Group (hereafter referred to as “the Applicant”) submitted a planning application in respect of the site (REF: 6/2020/3420/MAJ) which seeks full planning permission for the following:

*Demolition of existing buildings and construction of 289 residential units (Use Class C3) and community hub (Use Class E/F.2), with public realm and open space, landscaping, access, associated car and cycle parking, refuse and recycling storage and supporting infrastructure.*

- ES 4 The application involves the demolition of the research and development complex currently occupying the site to allow for 289no. new-build dwellings, comprised of 281no. flatted units and 8no. townhouses. The scheme also includes 102 sqm of commercial floorspace, 800 sqm of communal amenity space (roof terrace) and c. 3,000 sqm of public open space.
- ES 5 The purpose of this report is to provide an independent and objective assessment of the level of policy contributions which the development can viably support. Certain S106/S278 obligations will be expected based on planning policy, including the delivery of on-site affordable housing. Paragraph: 002 Reference ID: 10-002-20190509 of the PPG (2019) states that:

*‘Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable...’*

- ES 6 The Applicant has provided a viability assessment undertaken by Kempton Carr Croft (KCC) in January 2021. Based on their assumptions of costs and values, the Applicant’s appraisal shows the delivery of an entirely private scheme to be unviable. The Applicant’s appraisal has been undertaken on a fixed profit basis with a Benchmark Land Value (BLV) of £6,000,000. At this BLV, and in a scenario where the development is delivered privately without any on-site

affordable housing, the scheme generates a deficit of c. £4.44m. The Applicant's report does not explain how the scheme will be delivered based on this outcome.

ES 7 For the purposes of this FVA, we have reviewed the report provided by the Applicant and also undertaken our own appraisals. Where we agree with the Applicant's position, we have assumed their cost and value inputs. Where we disagree, we have adopted our own assumptions and set out in detail the reasons for these variations in our report. Table 1-1 summarises the inputs adopted in comparison to the Applicant's assumptions.

**Table 1-1 – Summary of Appraisal Inputs**

Item	Applicant	AspinallVerdi	Difference
<b>Values</b>			
Private Sale GDV	£466 psf	£466 psf	-
Affordable Rented Transfer Value	n/a	53%	+53%
Shared Ownership GDV	n/a	65%	+65%
Commercial GDV	-	+£266,094	+£266,094
Total GDV (100% Private)	£95,096,838	£95,362,932	+£266,094
<b>Costs</b>			
Construction Costs	£61,530,182	£61,530,182	-
Professional Fees	6.0%	6.0%	-
Land Agent	1.0%	1.0%	-
Land Legal	0.8%	0.8%	-
Marketing	3.0%	3.0%	-
Sales Agent	Incl. in above	Incl. in above	-
Sales Legal	Incl. in above	Incl. in above	-
Finance Rate	6.75%	6.75%	-
Private Profit	17.5% on GDV	17.5% on GDV	-
Affordable Profit	n/a	6.0% on GDV	+6.0% on GDV
Commercial Profit	-	15.0% on GDV	+15.0% on GDV
Benchmark Land Value	£6,000,000	£6,000,000	-

Source: KCC & AVL, 2021.

ES 8 We have calculated the financial viability using ARGUS Developer model. We have taken into account our views / analysis on residential values, benchmark land value, construction and other costs and the values on completion.

## Conclusions and Recommendations

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- ES 9 The Residual Land Value (RLV) generated by our appraisals differs from the Applicant's due to the way in which the respective appraisals have been modelled. Based on our review of the Applicant's viability assessment and analysis of the proposed development, we conclude that the scheme cannot viably meet the full level of affordable housing sought by planning policy (30% / 87no. on-site units). At this level, the scheme generates a deficit of c. £9.07m against the revised BLV.
- ES 10 Our updated appraisals have also shown an entirely private scheme to be unviable, generating a reduced deficit of c. £2.90m against the revised BLV. With the exception of the commercial revenue, our appraisal inputs have remained largely unchanged from those in the Applicant's assessment, however we note that the outcome of our private scenario reflects a c. £1.5m improvement in overall viability. We expect this to be explained by the way in which the respective appraisals have been modelled, as the finance cost included in the Applicant's appraisal is c. £1.6m higher than the level calculated in our own models. We have not been provided with a digital copy of the Applicant's appraisals and re therefore unable to scrutinise the source of this disparity further.
- ES 11 Our sensitivity analysis has shown that build costs and sales values would need to adjust favourably by c. 5-10% for a policy-compliant scheme to become viable, however smaller improvements may allow for a lower proportion of affordable housing to be delivered or an off-site commuted sum. Based on these outcomes, we recommend that a viability review mechanism is installed within the Section 106 to allow the Council to benefit from any favourable changes in viability.
- ES 12 We trust that our report is in a format suitable for your purposes and that it provides all the relevant information. Should you have any questions or queries in respect of the scheme or the contents of this report, please do not hesitate to contact Parminder Dosanjh or Matthew Olive.

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**For the Attention of Clare Howe, Principal Major Development Officer**

Dear Clare,

## 1 Introduction

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- 1.2 We refer to your instructions dated 20 January 2021, requesting a Financial Viability Assessment (FVA) in respect of the proposed development at BioPark (Broadwater Gardens), Broadwater Road, Welwyn Garden City, AL7 3TT.
- 1.3 Certain S106/S278 obligations will be expected from the development(s) based on planning policy, including the delivery of on-site affordable housing. The purpose of this report is to provide an independent and objective assessment of the level of policy contributions the proposed development can viably support.
- 1.4 The Applicant has established the proposed scheme to be unviable without any affordable housing contributions, generating a deficit of c. £4.44m against the benchmark land value. No explanation has been provided as to how the Applicant intends to deliver the scheme given the outcome of their assessment.

## RICS Practice Statement

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- 1.5 Our FVA has been carried out in accordance with the RICS Financial Viability in Planning: Conducts and Reporting Practice Statement (May 2019).
- 1.6 Our FVA is also carried in accordance with the following:
  - RICS Financial Viability in Planning Guidance Note (1<sup>st</sup> edition, August 2012)
  - National Planning Policy Framework (NPPF, updated February 2019)
  - Viability Planning Practice Guidance (PPG, September 2019), and;
  - RICS Assessing financial viability in planning under the National Planning Policy Framework for England, guidance note [Consultant Draft], 1st edition (December 2019).

## Objectivity, Impartiality and Reasonableness

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- 1.7 We have carried out our review in collaboration with the Council (as Local Planning Authority (LPA)) and the Applicant / Landowner. At all times we have acted with objectivity, impartially and without interference when carrying out our assessment and review.

## Confirmation of Instructions

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- 1.8 We attach at Appendix 1 our Terms of Engagement. We confirm that in the preparation of this report no performance-related or contingent fees have been agreed.
- 1.9 We have not been instructed to inspect the site.

## Conflicts of Interest

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- 1.10 We confirm that we have no conflict of interest in providing this advice and we have acted independently and impartially.

## Transparency of Information

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- 1.11 Transparency and fairness are key to the effective operation of the planning process. The presumption is that this viability assessment will be published in full, except where this may compromise the delivery of the proposed application scheme or infringe other statutory and regulatory requirements. In this instance, we have not agreed any exceptions with the LPA.

## Area Wide Viability Assessment

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- 1.12 We confirm that we have not previously acted for Welwyn Hatfield Borough Council in respect of the preparation of an area-wide Local Plan Viability Assessment, nor have we previously encountered or advised on the site or proposed scheme.

## Information Relied Upon

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- 1.13 For the purposes of our appraisals, we have relied on the following information:
- Floorplans and Design & Access Statement: Alan Camp Architects
  - Viability Assessment: Kempton Carr Croft
  - Cost Estimate: HG Construction
  - Planning Statement: HGH Consulting
- 1.14 All the above information is logged electronically and can be provided should you require.

## Engagement

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- 1.15 At all stages of the viability process, we have advocated reasonable, transparent and appropriate engagement between the relevant parties. We have documented this in the form of written clarification questions which are contained in Appendix 2.

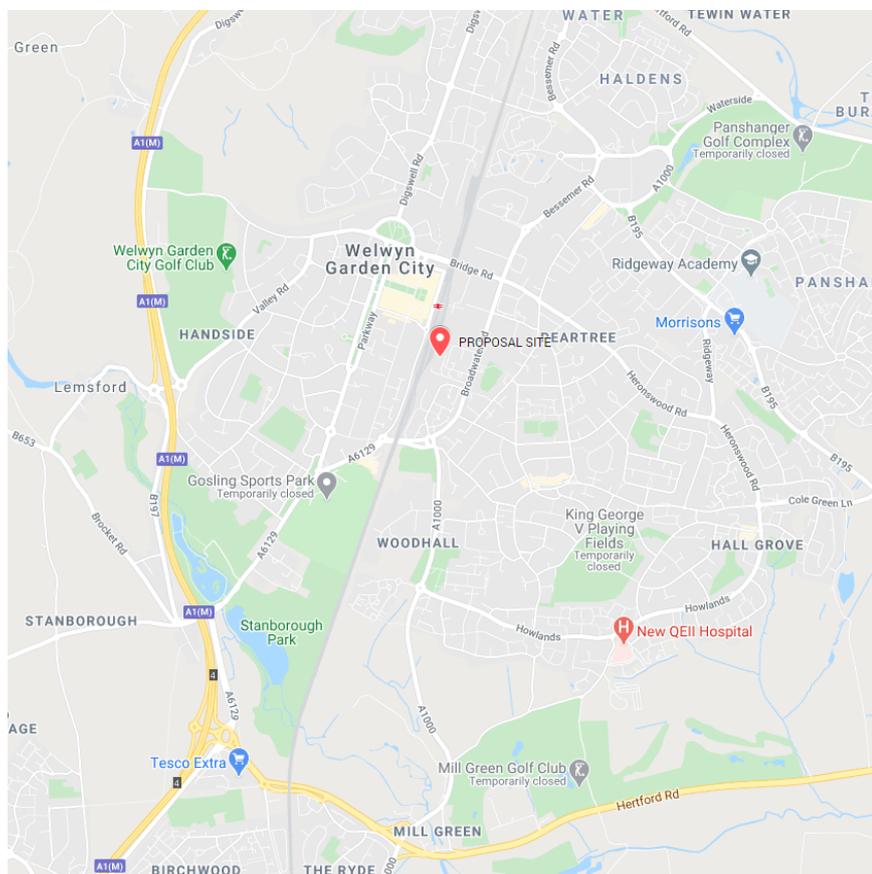
## 2 Scheme Details

2.1 This section of our report sets out our understanding of the development proposals.

### Location

2.2 The proposal site is within the locality of Welwyn Garden City; a new town in the county of Hertfordshire approximately 20-miles north of Central London. Welwyn Garden City lies on the western side of the A1(M), between junctions 4 & 6, and north of Hertford Road (A414). The macro location is shown in Figure 2-1 below.

**Figure 2-1 - Location Map**



Source: Google MyMaps, 2021.

- 2.3 The proposal site is located to the south-east of Welwyn Garden City's main local centre and on the western side of the national rail line. The surrounding land uses are a mix of residential and commercial, with a few employment uses remaining from the area's original industrial designation during the early growth of the Garden City.
- 2.4 The site is well served by public transport links - Welwyn Garden City train station is located 0.2-miles north of the site and provides Thameslink and Great Northern services to Cambridge,

London St Pancras, Moorgate and Royston. A number of bus stops are located within c. 0.3-miles of the site and provide routes to Hatfield, Heathrow Airport, Hemel Hempstead, Luton and St Albans.

2.5 The site's immediate surroundings are shown in Figure 2-2 below. The site's irregular boundary has meant the neighbouring uses are varied, including:

- Pall Mall Distribution warehouse (north)
- Former Shredded Wheat development site (north-east)
- Residential – Penn Way, Otto Road, Griffin Place (east, south-east, south)
- Broadwater Crescent Allotments (south-west)
- Lorry trailer storage / loading area & National rail line (west & north-west)

**Figure 2-2 – Proposal Site**



Source: Google Maps, 2021.

2.6 Historically, the area has been characterised by industrial / employment uses however, more recently, a number of sites have obtained planning consents for flatted schemes / townhouses meaning the location is becoming increasingly residential. Notably, this includes the large Wheat Quarter site located to the north-east, which proposes a mix of market sale, build to rent and

residential care units. At the time of our assessment, this proposal remains under consultation, with revised proposals looking to increase the unit numbers to over 1,200no.<sup>1</sup>

- 2.7 The site is asymmetrically shaped, covering a gross area of 3.06 acres / 1.24 hectares, and is currently occupied by a former research and development complex. The part-two, part-five-storey building provides office space and laboratory facilities which were formerly owned, used and let to the University of Hertfordshire. The remainder of the site is comprised of access roads and car parking.

## Proposed Scheme

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- 2.8 As set out in the planning application (REF: 6/2020/3420/MAJ) the development proposals include:

*Demolition of existing buildings and construction of 289 residential units (Use Class C3) and community hub (Use Class E/F.2), with public realm and open space, landscaping, access, associated car and cycle parking, refuse and recycling storage and supporting infrastructure.*

- 2.9 The application seeks consent to clear the site to allow for a 289no. unit scheme, comprised of 281no. flats units and 8no. townhouses. The flatted units will be divided across 6no. two-to-nine storey blocks concentrated on the larger northern area of the site, with the townhouses located on the smaller strip of land to the south. The proposed site plan is shown in Figure 2-3.

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<sup>1</sup> The Wheat Quarter, 2021. *Proposals*. [Available: <https://thewheatquarter.co.uk/proposals/>]

**Figure 2-3 – Proposed Site Plan**



Source: Alan Camp Architects, 2020.

- 2.10 The site’s primary access point is provided via ‘BioPark Drive’ which extends eastwards and connects directly to Broadwater Road (A1000). The residential entrances are accessed via pedestrian pathways within the landscaped areas, with vehicular access provided via the main highway along the site’s eastern perimeter. Undercroft parking is proposed beneath the flatted blocks, providing 199no. spaces in total including 29no. wheelchair-accessible and 22no. visitor bays. There are also 20no. surface bays for residents, 6no. commercial bays (including 1no. accessible) and 1no. car club bay. The total number of parking spaces providing across the site therefore amounts to 226no.

## Scheme Mix/Areas

- 2.11 We summarise the proposed residential areas / unit mix in Table 2-1.

**Table 2-1 – Proposed Area Schedule**

Block	Unit Type	No. Units	Area (sqft)
A&B	Studio	8	3,201
	1B2P WCH	14	9,902
	1B2P	46	26,403

Block	Unit Type	No. Units	Area (sqft)
	2B3P	21	15,081
	2B4P	36	28,691
	3B4P	14	11,723
	3B5P	7	6,791
	<b>Total</b>	<b>146</b>	<b>101,792</b>
<b>C&amp;D</b>	Studio	3	1,373
	1B2P WCH	13	9,395
	1B2P	35	19,615
	2B3P	26	17,898
	2B3P WCH	2	1,737
	2B4P	20	15,495
	3B4P	1	896
	3B5P	1	926
	<b>Total</b>	<b>101</b>	<b>67,335</b>
<b>E</b>	Studio	1	456
	1B2P	9	5,000
	2B3P	11	7,674
	2B4P	7	5,419
	3B4P	1	874
<b>Total</b>	<b>29</b>	<b>19,422</b>	
<b>F</b>	2B4P	3	2,275
	3B5P	2	2,018
<b>Total</b>	<b>5</b>	<b>4,293</b>	
<b>G (Townhouse)</b>	<b>4B6P</b>	<b>8</b>	<b>11,427</b>

Source: HG Construction, 2021.

- 2.12 The proposals also include 1,101 sqft of commercial floorspace (Use Class E/F.2) within the ground floor of block E. The Planning and Design & Access statements describe the space as flexible, with potential uses as either a café and / or gym.

## 3 Planning Policy Requirements

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3.1 In this section, we set out the policy and guidance relevant to viability.

### NPPF (2019)

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- 3.2 Paragraphs 54 – 57 deal with planning conditions and obligations under the revised National Planning Policy Framework. Within this section, we note that there is no longer a ‘Paragraph 173’ which, under the previous NPPF, referred to providing competitive returns to landowners and developers. The wording within this paragraph was geared towards policies not undermining viability and thus enabling development. Whilst Paragraph 56 of the revised NPPF sets out the conditions on how planning obligations are sought i.e. being ‘fair and reasonable’, the emphasis is on strengthening planning policy rather than allowing obligations to be negotiated (established further through the PPG, discussed shortly)
- 3.3 Paragraph 64 of the NPPF requires that, where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable homeownership.<sup>2</sup> This is unless additional contributions to affordable housing would exceed the level required in the given area, or prejudice the ability to meet affordable housing needs of specific groups.
- 3.4 It is also stated under paragraph 57 that, where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the Applicant to justify the need for a viability assessment at the application stage, further strengthening the weight given to the viability testing at the plan-making stage.
- 3.5 Furthermore, the weight to be given to a viability assessment is a matter for the decision-maker, having regard to all the circumstances in the case including whether the plan and the viability evidence underpinning it is up to date, and if there have been any changes in site circumstances since the plan was brought into force.

### PPG Viability (2019)

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- 3.6 In addition to the revised NPPF, the Ministry of Housing, Communities and Local Government has updated the Planning Practice Guidance (PPG) on viability, setting out key principles for viability in plan making and decision taking.
- 3.7 National policy is seeking to ensure policy requirements are taken into consideration when land is valued and purchased and this is reiterated on multiple occasions within the revised PPG.

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<sup>2</sup> As part of the overall affordable housing contribution from the site.

- 3.8 National Policy is aiming to create an environment where viability assessments are only required at the decision-taking stage in particular circumstances. Policy requirements are set at a plan level to take into account affordable housing and infrastructure needs, without the need for further viability assessment at the decision-making stage.<sup>3</sup>
- 3.9 Should a viability assessment be required at the decision-taking stage, then the PPG emphasises that the onus is on the Applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.<sup>4</sup>
- 3.10 Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan, and the Applicant should provide evidence of what has changed since then.<sup>5</sup>
- 3.11 The weight to be given to a viability assessment is a matter for the decision-maker, having regard to all the circumstances in the case.<sup>6</sup> A decision-maker can also give appropriate weight to emerging policies.<sup>7</sup>

### Standard Inputs to Viability

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- 3.12 Paragraph 010 of the PPG describes the principles for carrying out a viability assessment, stating:
- 'viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it.'*<sup>8</sup>
- 3.13 We note the principles of carrying out viability assessments, namely proportionately and transparency, are to:
- 'strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure the maximum benefits in the public interest through the granting of planning permission'*<sup>9</sup>
- 3.14 It is not a balance that the landowner's aspirational land value and the developer's profit is protected at the expense of affordable housing.
- 3.15 Paragraphs 011 and 012 define how the gross development value and costs should be defined for the purposes of viability assessments.

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<sup>3</sup> Paragraph: 002 Reference ID: 10-002-20190509, Revision date: 09 05 2019

<sup>4</sup> Paragraph: 007 Reference ID: 10-007-20190509, Revision date: 09 05 2019

<sup>5</sup> Paragraph: 008 Reference ID: 10-008-20190509, Revision date: 09 05 2019

<sup>6</sup> Paragraph: 008 Reference ID: 10-008-20190509, Revision date: 09 05 2019

<sup>7</sup> Paragraph: 007 Reference ID: 10-007-20190509, Revision date: 09 05 2019

<sup>8</sup> Paragraph: 010 Reference ID: 10-010-20180724, Revision date: 24 07 2018

<sup>9</sup> Paragraph: 010 Reference ID: 10-010-20180724, Revision date: 24 07 2018

## Benchmark Land Value

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- 3.16 The PPG defines the benchmark land value (BLV) for any viability assessment as the existing use value (EUV) of the land, plus a premium for the landowner.<sup>10</sup> The BLV should reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees.<sup>11</sup>
- 3.17 In establishing Benchmark Land Values, Paragraph 014 states:

*'market evidence can also be used as a **cross-check** of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners'.*

*'this evidence should be based on developments which are **fully compliant with emerging or up to date plan policies**, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.'*<sup>12</sup>

- 3.18 Paragraph 014 also reiterates that in no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local Authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).<sup>13</sup>

- 3.19 Paragraph 015 defines EUV as follows:

*'[...] the value of the land in its existing use. Existing use value is **not the price paid** and should **disregard hope value**. Existing use values will vary depending on the type of site and development types.'*<sup>14</sup>

- 3.20 Paragraph 016 defines the premium to the landowner:

*'The premium (or the 'plus' in EUV+) [...] is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a **reasonable incentive** for a land owner to bring forward land for development while allowing a **sufficient contribution to fully comply with policy requirements**.*

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<sup>10</sup> Paragraph: 013 Reference ID: 10-013-20190509, Revision date: 09 05 2019

<sup>11</sup> Paragraph: 014 Reference ID: 10-014-20190509, Revision date: 09 05 2019

<sup>12</sup> Paragraph: 014 Reference ID: 10-014-20190509, Revision date: 09 05 2019

<sup>13</sup> Paragraph: 014 Reference ID: 10-014-20190509, Revision date: 09 05 2019

<sup>14</sup> Paragraph: 015 Reference ID: 10-015-20190509, Revision date: 09 05 2019

## Developers Return / Profit

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- 3.21 The PPG also defines developer's return / profit for the purposes of viability assessment at the plan-making stage. The key points are:
- The cost of fully complying with policy requirements should be accounted for in the benchmark land value.
  - For the purpose of plan making, an assumption of 15 - 20% of gross development value (GDV) may be considered a suitable return to developers.
  - Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development.
  - A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk.
  - Alternative figures may also be appropriate for different development types.<sup>15</sup>
- 3.22 There is no specific profit guidance at the decision-taking stage but we have considered the above principles in our assessment.

## Local Development Plan

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- 3.23 Welwyn Hatfield Borough Council are currently in the process of updating their Local Plan which, once adopted, will shape development across the Borough up to 2032. The Local Plan was submitted for examination in May 2017 and has since been through various rounds of consultation. The original programme envisaged that the new Local Plan would be adopted in Spring / Summer 2020, however at the time of our assessment, this remains to be enacted.
- 3.24 Whilst the new Local Plan awaits formal adoption, the saved policies from the Welwyn Hatfield District Plan (2005) form the statutory development plan / framework. Below, we summarise the policies in both the adopted and draft plans relevant to the viability of the proposed scheme.

## Adopted Policy H7 – Affordable Housing

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- 3.25 Policy H7 of the adopted District Plan (2005) sets the Councils expectations on affordable housing delivery. For all residential schemes on sites larger than 1 ha or proposals with 25no. units or more, the Council will seek a minimum of 30% subsidised housing.
- 3.26 The proportion, type and mix of affordable housing will be based on the information in the latest housing needs survey and the criteria in Section 10 of the now revoked Circular 6/98.

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<sup>15</sup> Paragraph: 018 Reference ID: 10-018-20190509, Revision date: 09 05 2019

## Draft Policy SP 7 – Type and Mix of Housing

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- 3.27 Draft Policy SP 7 requires a proportion of all new homes to be provided as affordable housing, subject to viability. The policy sets variable delivery targets for different areas of the Borough, with Welwyn Garden City requiring 30% affordable housing on sites of 0.5 ha in size / proposals of 11no. or more new dwellings. The Council's preference is that affordable housing will be delivered on the main application site, with off-site contributions or commuted sums requiring robust justification.
- 3.28 Policy SP 7 does not set a specific tenure mix but recognises that a mix of social rent, affordable rent and intermediate housing options will be required to help meet affordable housing need. Paragraph 9.4 of the Draft Local Plan recognises that social rented housing may prove challenging in certain areas of the Borough and that account will be taken of market conditions, precise mix and tenure of housing on proposed sites. We note that the Viability Study (2016) undertaken by BNP Paribas Real Estate in support of the emerging plan policies assumes the following tenure mixes:
- 70% Affordable Rent & 30% Intermediate
  - 50% Social Rent, 20% Affordable Rent & 30% Intermediate
- 3.29 We understand from further correspondence with the Council that the preference is for our assessment to be undertaken within the context of the emerging Draft Local Plan. We have assumed a policy-compliant affordable housing contribution to be one which satisfies Draft Policy SP 7 and delivers a tenure mix of 70% affordable rent / 30% intermediate.

## 4 Review of Gross Development Value

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- 4.1 We set out below our review of the gross development value (GDV) of the proposed scheme. This includes an analysis of the residential and commercial property markets in the areas surrounding the proposal site.

### COVID-19 Notice

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- 4.2 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted financial markets across the world. Whilst the exact economic consequences remain uncertain, we are faced with unprecedented circumstances upon which to base our professional judgement for the purposes of valuation and financial appraisal. This has been recognised by the RICS who have noted limited access to evidential data and restrictions on information as considerations which may affect the work carried out by RICS Regulated Members.<sup>16</sup>
- 4.3 Accordingly, we have conducted our market research using the evidence available at the time of our assessment, and our assumptions are established on a ‘business as usual’ approach. Given the continued uncertainty over what impact COVID-19 might have on real estate markets (short & long term), the cost and value inputs adopted may be subject to change and we recommend that the conclusions of this report are kept under review.

### Residential Market Review

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- 4.4 This section reviews the market for new-build accommodation in Welwyn Garden City and the areas surrounding the proposal site. We have based our analysis on the proposed accommodation, focussing on flatted units of 1 – 3no. bedrooms and 4-bedroom terrace / townhouses.
- 4.5 In support of their value assumptions, the Applicant has sought advice from Ashtons Land and New Homes, a local estate agent, and Lambert Smith Hampton. This advice has also been substantiated through market research undertaken by the Applicant which considers transacted values and listing prices for new-build and resale homes in the surrounding areas. Based on their review, the Applicant has considered the Lambert Smith Hamilton estimate to be more appropriate, which amounts to a total residential GDV of £95,096,838 (£466 psf).
- 4.6 We have undertaken our own analysis of comparable evidence from completed new-build transactions and supplemented this by reviewing the listing prices for new-build properties currently advertised for sale. This ensures our value assumptions are informed by recent market

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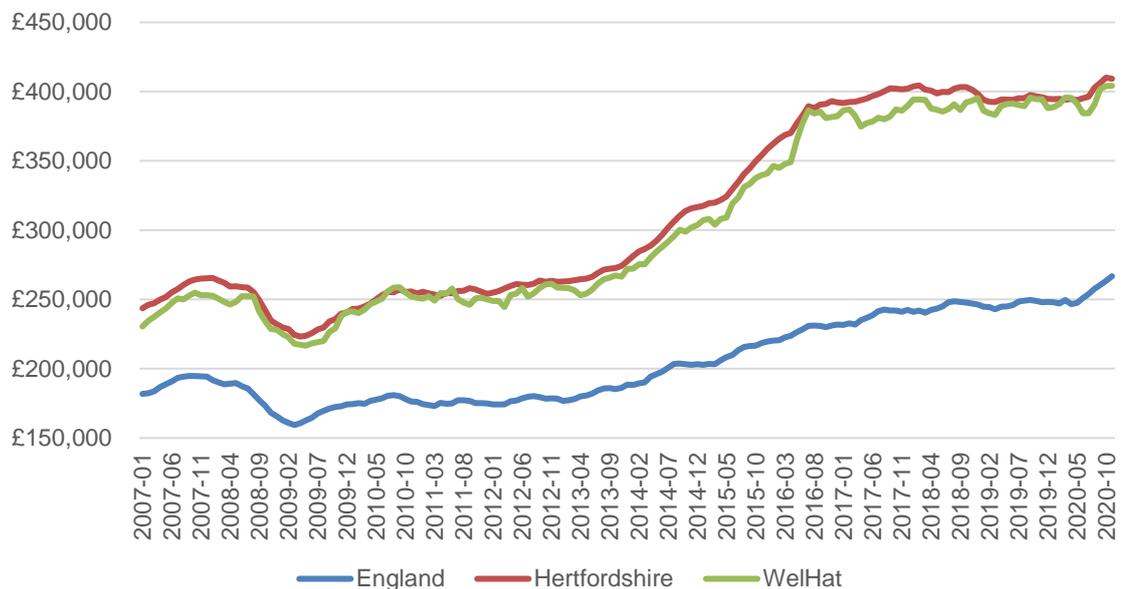
<sup>16</sup> RICS, 2020. *Valuation Practice Alert – Coronavirus*. (Available online: <https://www.rics.org/uk/upholding-professional-standards/sectorstandards/valuation/valuation-coronavirus/>)

activity and are reasonable within the context of the proposed development; the site & location; and general market sentiment.

## National & Regional Context

4.7 Following the Global Financial Crisis, property markets in the south-east experienced a prolonged period of growth. Demand was driven by both owner-occupiers and investors, resulting in a market imbalance and outstripped supply. The supply constraints led to average prices rising at significant rates, notably between 2013 and late 2016, however the rate of growth decelerated following the UK's European Union membership referendum in 2017. Since then, prices have plateaued, showing a less consistent pattern of growth and decline.

**Figure 4-1 – Land Registry Average Property Prices**



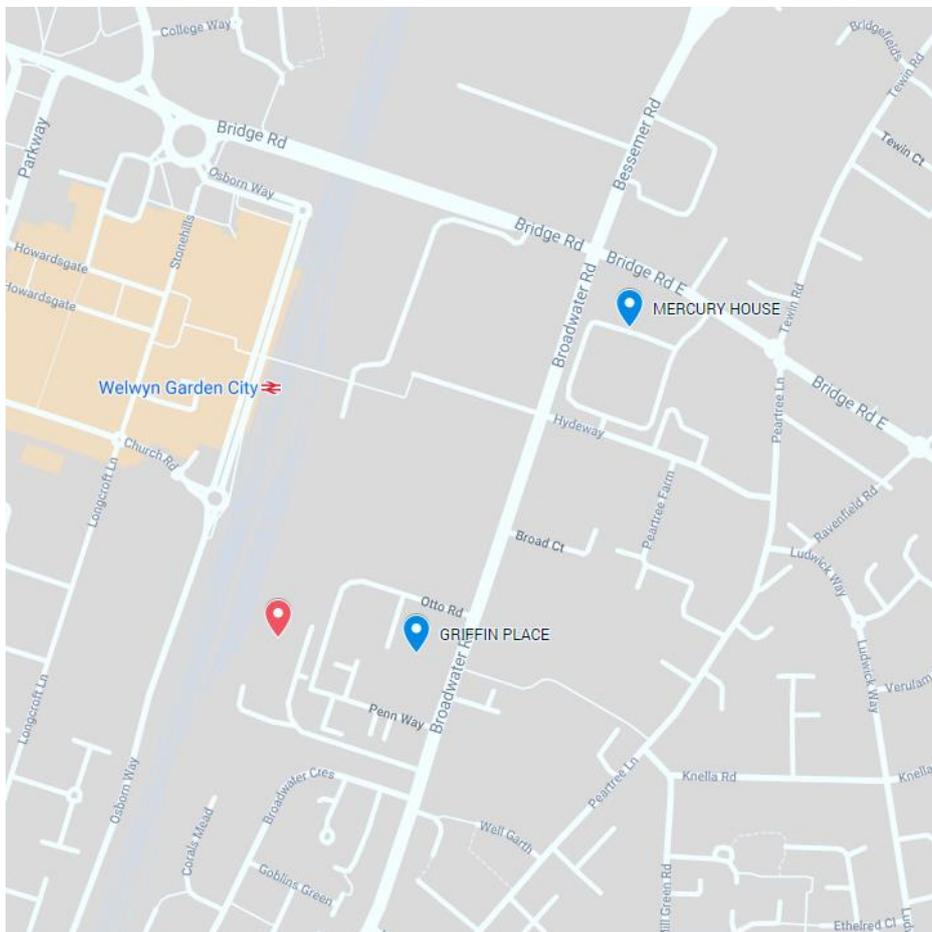
Source: Land Registry, 2021.

4.8 Figure 4-1 shows the average prices for all property types in England, Hertfordshire and Welwyn Hatfield. Since the lowest point of the market in May 2009, Welwyn Hatfield has seen prices rise by over 86%. Local values have followed a very similar trajectory to the regional averages (green & red plots), with both experiencing a period of accelerated growth between 2013 – 2017. In recent years house price growth in Welwyn & Hatfield has been less consistent with the regional average, showing smaller variations and a more levelled pattern of growth. As of November 2020, the average price of £404,147 for all property types in Welwyn & Hatfield (new-build and resale) is only 51.5% higher than the national average (£266,772) but 1.27% less than the regional average (£409,292).

## New-Build Flatted Achieved Values

- 4.9 We have reviewed transactions of new-build flatted units which have completed in areas surrounding the proposal site during the past 18-months. Achieved value data has been obtained from the Land Registry, however this does not disclose the unit type, size or specification. To obtain the corresponding floor area, we have relied on the Energy Performance Certificate (EPC) Register and cross-referenced the data sets. We have relied on other sources such as online portals (Rightmove, Zoopla), property particulars and development brochures to confirm details such as the number of bedrooms, development features and specifications.
- 4.10 Our search revealed 31no. transactions from two schemes which have completed during the last 18-months (Sep 2019). The locations are shown in Figure 4-2 below.

**Figure 4-2 – Comparable Scheme Locations**



Source: Google MyMaps, 2021.

- 4.11 The transactions are summarised in Table 4-1 overleaf, with a full list detailed in Appendix 3.

**Table 4-1 – New Build Achieved Data**

Scheme	Type	No. Sold	Price Range	Size Range (sqft)	Avg. £ / sqft
Mercury House, AL7	1-Bed	16	£230,000 - £280,000	441 – 549	£479
Griffin Place, AL7	1-Bed	5	£270,000 - £295,000	553 – 622	£460
	2-Bed	10	£315,000 - £620,000	681 – 1,351	£454

Source: Land Registry, 2021.

4.12 Achieved values range from £385 - £633 psf with an average of £468 psf. In line with typical trends, the smaller 1-bed units achieved a higher average price-per-square-foot (£475 psf) when compared with larger 2-bed units (£454 psf). Our search did not identify any transactions of 3-bed units.

4.13 We note that the Applicant has also identified Mercury House and Griffin Place within their market review. Below, we summarise the nature and characteristics of the two schemes:

- Mercury House** is an office to residential conversion by developers, Aldenham Residential. The gated scheme is located within 0.3-miles of the proposal site on Bridge Road East and provides 43no. 1- and 2-bedroom apartments. Units range from 334 – 581 sqft and are generally smaller than those proposed in each of the four development options. Select units on the first, second and third floors benefit from private terraces and the scheme also provides a c. 140 sqm roof terrace. Private parking is provided for every unit.
- Griffin Place** is another office to residential conversion by developers, Oakbridge Homes. Located within 150-meters of the site, the original building was built in c. 1940 and was granted a Grade II Listing by Historic England in 1980. The conversion has provided 31no. flatted units of 1 to 3-bedrooms which range from 458 – 1,351 sqft in size. Residents benefit from landscaped communal gardens and off-street parking. We note that some units are duplex apartments arranged over two floors.

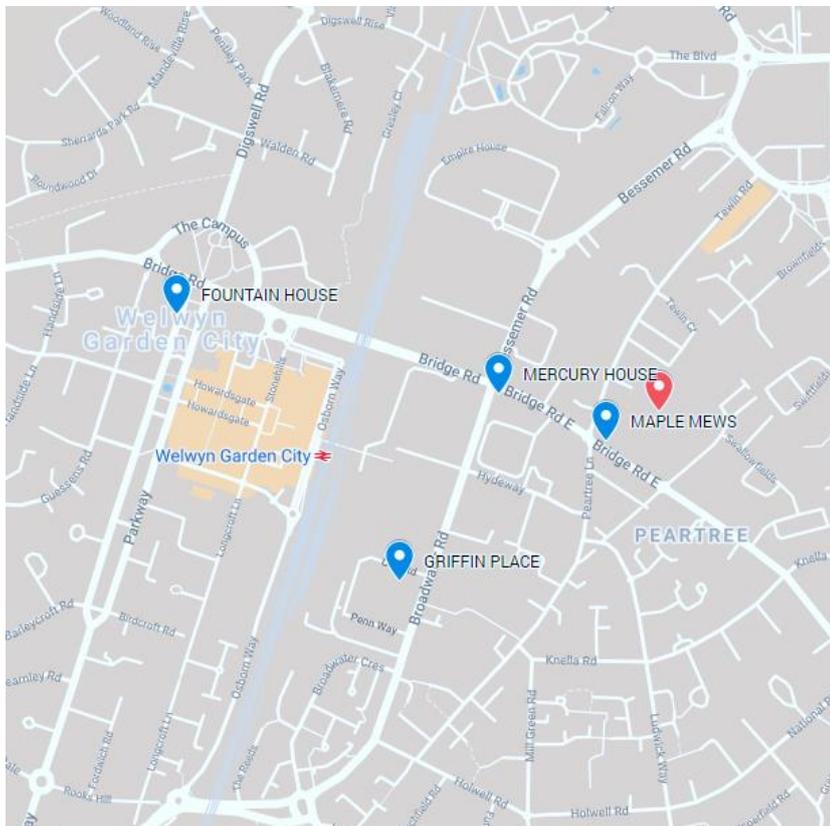


4.14 The sample demonstrates that the prices achieved across the two schemes are relatively consistent, with minor adjustments relative to the location and development features (e.g. private outside space at Mercury House). The converted nature of both schemes is also likely to have an influence on the prices achieved, with the relaxed space standards often influencing the £ / psf values. Whilst the data obtained is relatively consistent, the range of unit sizes and types at Griffin Place are more closely aligned with the proposed flatted accommodation. Further, Griffin Place is located within a matter of meters of the proposal site. Overall, the achieved prices are consistent with the values adopted by the Applicant.

## New-Build Flatted Listings

4.15 To supplement the limited transactional data identified, we have reviewed the asking prices of new-build flatted units currently listed for sale in the areas surrounding the proposal site. This helps determine whether prices for new new-build flatted development differ from the prices achieved from converted schemes, and also provides an insight into the volume of development due to be delivered in the area. Our search identified 13no. listings from four schemes, as shown in Figure 4-3 and summarised in Table 4-2 below. Please note, we have only considered units where the floorspace information was disclosed within the marketing particulars.

**Figure 4-3 – New-Build Scheme Locations**



Source: Google MyMaps, 2021.

**Table 4-2 – New-Build Listing Prices**

Scheme	Unit Type	No. Listed	Price Range	Size Range (sqft)	Avg. £ / sqft
Mercury House, AL7	1-Bed	3	£240,000 - £260,000	505 – 538	£484
Griffin Place, AL7	2-Bed	6	£280,000 - £355,000	622 – 832	£439
Fountain House, AL8	1-Bed	2	£250,000 - £285,000	431 – 527	£561
Maple Mews, AL7	2-Bed	2	£325,000 - £343,400	719 – 791	£443

Source: Rightmove, accessed 11<sup>th</sup> February 2021.

4.16 The listings identified range in price from £407 - £580 psf, with an average of £469 psf across the whole sample. The range and averages are consistent with the achieved values identified earlier which suggests that prices in Welwyn have remained stable amidst recent political and economic uncertainty (i.e. Brexit, COVID-19). Further, a number of listings identified are shown as ‘Sold Subject to Contract’ which suggests that demand for new-build flatted accommodation in and around the town centre also remains stable. We note the following in regards to the two other schemes identified above:

- **Fountain House** – conversion of a former retail / office building located c. 0.5-miles west of the proposal site and within the town centre. The scheme provides 29no. 1- and 2-bedroom apartments across the first to third floor, with commercial space retained at ground floor level. The residential units provide internal areas of 431 – 721 sqft but do not benefit from private outside space nor allocated off-street parking.
- **Maple Mews** – is a 54no. unit development by Taylor Wimpey, located 0.5-miles north-west of the proposal site. The scheme consists of four flatted blocks which provide a mix of 1- and 2-bedroom apartments which range from 557 – 819 sqft. Parking is included with each apartment and additional spaces are available at £10,000 per space. The majority of units also benefit from private outside space.



4.17 Maple Mews is the only scheme which provides data from entirely new-build development (i.e. not converted). The average listing price of £443 psf is lower than both the achieved value data and other average listing prices for some of the converted schemes in the surrounding areas. Whilst comparably smaller to the proposed scheme, Maple Mews is also the largest of all

developments identified in our review of evidence, however with a sample of only 2no. listing prices we question the reliability of the data as a sole source.

4.18 Fountain House provides another example of a commercial conversion scheme, with units of similar sizes to those at Mercury House and Griffin Place. We would expect that the higher average listing price to be partially explained by the central location of the scheme although we note that the units do not provide outside space or parking. Overall, the listings identified provide reasonable supplementary evidence which is consistent with the achieved values identified in our market review.

## Terrace / Townhouse Accommodation

4.19 To verify the values adopted for the 8no. townhouses proposed at the southern end of the site, we have reviewed evidence for new-build terraced and townhouse-style in the areas surrounding the proposal site. Our search was unable to identify any recent transactions or proximate listings so we elected to extend our search criteria (i.e. completion date / radius). The evidence identified is summarised in Table 4-3 below.

**Table 4-3 – Housing Comparable Evidence**

Address / Scheme	Date Sold	Beds	Size (sqft)	Price	Price / Sqft
Groom Place, Welwyn GC, AL7	27/02/2017	3	1,580	£580,000	£367
	05/04/2017	3	1,580	£570,000	£361
	23/06/2017	3	1,580	£575,000	£364
	21/07/2017	3	1,580	£560,000	£354
	04/08/2017	3	1,580	£560,000	£354
	18/08/2017	3	1,580	£560,000	£354
	25/08/2017	3	1,580	£565,000	£358
	30/08/2017	3	1,580	£554,000	£351
	15/09/2017	3	1,580	£560,000	£354
	27/10/2017	3	1,580	£575,000	£364
	10/11/2017	3	1,580	£560,000	£354
	08/12/2017	3	1,580	£575,000	£364
	12/09/2017	3	1,580	£550,000	£348

	24/01/2017	3	1,580	£580,000	£367
	29/03/2017	3	1,580	£600,000	£380
Leaside Close, Welwyn GC, AL7	SSTC	4	1,528	£570,000	£373
	SSTC	4	1,420	£565,000	£398
	SSTC	4	1,270	£535,000	£421
Willow Place, Bessemer Road, Welwyn GC, AL7	SSTC	4	1,292	£524,950	£406
	SSTC	3	928	£474,950	£512
	For Sale	3	928	£469,950	£506

Source: Rightmove & Land Registry, 2021.

- 4.20 Achieved prices at Groom Place range from £351 - £380 psf, with an average of £360 psf, although we note that these transactions were recorded c. 3-4-years ago and are therefore considered a less dependable indication of current-day values. Comparatively, the values adopted by the Applicant equate to a blende rated of £383 psf, reflecting an appreciation of 6.4% (c. 1.6 – 2.1% per annum). This is consistent with Land Registry data, which shows that the average value of terraced housing in Welwyn Hatfield has grown by 6.44% since January 2017.
- 4.21 Our search also identified 6no. listings from two schemes located within 1.5-miles of the proposal site. These include a range of 3- and 4-bedroom terraced, townhouse and semi-detached houses of two and three storeys. The listing prices range from £373 - £512 psf, with an average of £436 psf. Conversely, this suggests that the values adopted by the Applicant are relatively low, particularly as many of the listings are shown as sold subject to contract.
- 4.22 To substantiate the evidence collected above, we have briefly reviewed the transacted prices for second-hand stock located in the areas surrounding the proposal site. This provides a 'bottom line' indication of local prices as new-build stock typically achieves higher values than second-hand properties. We have focussed our analysis on 3 – 4-bedroom houses of similar internal proportions, as shown in Table 4-4 below

**Table 4-4 – Second-hand Transactions**

Address	Date Sold	Size (sqft)	Price	£ / psf
11 Groom Place, AL7 1GG	01/10/2020	1,580	£615,000	£389
134 Longcroft Lane, AL8 6EN	30/09/2020	1,379	£630,000	£457

6 Groom Place, AL7 1GG	01/07/2020	1,580	£595,000	£377
13 Homerfield, AL8 6QZ	16/11/2020	1,129	£690,000	£611
9 Disgwell Lodge, AL8 7NU	20/07/2020	1,238	£600,000	£485
37 Marsden Green, AL8 6YD	01/10/2020	1,447	£475,000	£328
2 Purdom Road, AL7 4FH	18/09/2020	1,339	£435,000	£325

Source: Rightmove, accessed 11<sup>th</sup> February 2021.

- 4.23 Achieved prices for second-hand stock range from £325 - £611 psf, with an average of £415 psf. This is £32 psf higher than the Applicant's assumption, although we note that the Homerfield property could be considered an outlier at £611 psf. With this removed from consideration, the average drops to £393 psf and is more consistent with the Applicant's assumption.
- 4.24 We note that the Applicant has included a 'townhouse discount' within their value schedule of 12%. This is said to reflect the discount applied to marketing three-storey housing when compared to traditional two-storey housing. We have not previously encountered such a discount when undertaking viability assessments, so we requested further evidence. In an email dated 28<sup>th</sup> January 2021, the Applicant provided evidence from a Bellway development in Welwyn Garden City which demonstrates that the values achieved by 3-storey properties to be lower on a £ / psf rate when compared to 2-storey dwellings.
- 4.25 Whilst we would expect there to be a higher premium for new-build units, we consider the value assumptions to be reasonable, albeit at the lower end of what is realistically achievable. The second-hand transaction sample consists of mostly two-storey dwellings which were shown to be of higher value on a £ / psf basis. Further, we have also considered the fact that the proposed units appear to benefit from relatively small garden spaces.

## Residential Conclusion

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- 4.26 Our review of the new-build market in Welwyn Garden City has indicated that, given the nature of the proposed development, the approach and values adopted by the Applicant are reasonable. The achieved values and listing prices indicate that average values for 1- and 2-bedroom flats in Welwyn are in the region of c. £450 – £485 psf. We note, however that some of the units contained within the samples identified are significantly smaller when compared to the proposed

accommodation, and we would expect these smaller units to achieve a higher average £ / psf. Further, our search was unable to identify any 3-bed units which we would typically expect to achieve lower values of a £ / psf basis. Accordingly, the Applicant's average of £470 psf for a mix of 1-, 2- and 3-bedroom units therefore considered reasonable (inclusive of LSH parking costs).

4.27 Our review has also demonstrated that the values adopted by the Applicant for the townhouses to be reasonable but at the lower end of what could be achieved. The Applicant's average of £383 psf is lower than transactions of second-hand stock within the area, however the evidence provided in support of their 3-storey 'townhouse discount' appears reasonable, so we have elected to assume the same values in our appraisals.

4.28 We have therefore adopted the same gross revenue of £95,096,838 / £466 psf in our appraisals.

## Commercial Market Review

4.29 The Applicant has not allowed for income from the 1,101 sqft of Class E/F.2 commercial floorspace at the ground floor of Block E. We note the Design & Access statement refers to this element of the scheme as community space, but also states that this will be a flexible space accommodating the likes of a gym or café. Further, there is reference to the use of the community space from 'visitors and employees', inferring that the hub is not under exclusive ownership or use of the residents and will provide a commercial amenity to the wider community. As such, we consider it reasonable to assume that this space will provide an income-generating capacity.

4.30 To inform our rental value assumptions, we have sought evidence from lease transactions of health & fitness / retail space within the Hertfordshire submarket. Under the updated Use Class Order, the space is likely to fall under the revised Class E part (a), part (d) or F2, and we have therefore considered spaces which have leased under the former classifications of D2 and A1-3. Table 4-5 summarises the units identified.

**Table 4-5 – Welwyn Hatfield Commercial Transactions**

Address	Date	Size (sqft)	Rent (psf)	Lease Terms
<b>Gyms / Health &amp; Fitness (Former D2)</b>				
Suite 11, Bridge Road, Letchworth GC, SG6 4ET	May 2019	9,451	£12.81	15-year lease with 6-month rent free (considered in £ / psf rate) on FRI terms.
Jarman Retail Park, Hemel Hempstead, HP2 4JS	Sep 2017	18,200	£6.59	No information available.

Riverside Shopping Centre, Hemel Hempstead, HP1 1BT	May 2017	7,202	£12.50	15-year lease with 12-month rent free (considered in £ / psf rate) on FRI terms.
<b>Retail (Former A1-A3)</b>				
1 Church Street, St Albans, AL4 8AP	Nov 2020	1,192	£25.17	15-year lease with 6-month rent free (considered in £ / psf rate) on undisclosed terms. Let to Nonna's Pizza.
44 High Street, Ware, SG12 9BY	Jul 2020	1,087	£20.70	20-year lease on undisclosed terms. Let to Isabel Hospice LTD.
47 Cole Green Lane, AL7 3PP	Dec 2019	1,055	£18.01	15-year lease with 2-month rent-free (considered in £ / psf rate) on undisclosed terms. No tenant information available.
45 The Quadrant, St Albans, AL4 9RB	Nov 2019	1,058	£35.92	Let to Greggs on undisclosed terms. £ / psf rate reflects asking price, achieved rate unconfirmed.

Source: CoStar, 2021.

- 4.31 The transactions above demonstrate there to be a reasonable difference between the respective uses. The rents achieved by former D2 uses range from c. £7 - £13 psf, although we note that unit sizes are considerably larger than the proposed commercial space which perhaps explains the lower £ / psf values. Conversely, the retail transactions are more consistent in size but evidence similarly wide-ranging rental values (c. £18 - £36 psf). CoStar Market Analytics estimate market rents of £24.68 psf within the Welwyn Hatfield retail submarket, which supports the range identified from the transactions above. CoStar do not provide submarket information for health & fitness / leisure uses.
- 4.32 The space is described as flexible, with no information on how much space each use could be allocated. As such, we consider a blended rent of £17.50 psf to be reasonable. This reflects the fact that the gym is likely to take up a greater proportion of the total floorspace, however the smaller retail space is likely to command a higher rent. Accordingly, we have assumed a gross annual rent of £19,268 in our appraisals.

## Yield

4.33 To determine a suitable investment yield, we have reviewed investment transactions of retail spaces in the Hertfordshire submarkets during the past year. These are summarised in Table 4-6 below.

**Table 4-6 – Hertfordshire Investment Transactions**

Address	Size (sqft)	Date	Yield	Description
41 Hatfield Road, St Albans, AL1 4JE	643	Oct 2020	5.00%	Small A1/2 class retail unit located at the end of a retail parade.
72 Town Centre, Welwyn GC, AL10 0JW	904	Apr 2020	7.13%	Sale & leaseback transaction of ground-floor retail space on 125-year lease.
211 Hatfield Road, St Albans, AL1 4SY	1,877	Nov 2019	5.42%	Freehold investment sale of self-contained retail unit sold with unexpired term of 6-months.
Turners Hill, Clayton Parade, Cheshunt, EN8 8NQ	956	Nov 2019	4.68%	Previously let to fast-food operator. No further information available.
61 High Street, Berkhamsted, HP4 2DE	842	Oct 2019	7.00%	Freehold investment sale of retail unit with new 10-year lease agreed with tenant in situ.
63 Catherine Street, St Albans, AL3 5BN	1,391	For Sale	6.86%	Self-contained ground floor retail unit let on FRI lease with unexpired term of 7-years.

Source: CoStar, 2021.

4.34 Given the flexible nature of the proposed commercial space, there are few directly comparable investment sales recorded across the Hertfordshire submarket. Whilst broadly comparable in location and size, there is no evidence to support the yield achievable for a flexible commercial space contained within a large residential development. However, based on the evidence presented above, a yield in the region of c. 4 – 8% is likely to be reasonable.

4.35 CoStar Market Analytics estimate market yields of 6.8% for retail spaces across the Welwyn Hatfield retail submarket. In the context of the available evidence above, we consider a yield of

7.0% to be reasonable in this instance. This is at the higher end of the range identified from recent transactions but is considered to reflect the location and nature of the commercial space.

## 5 Cost & Value Analysis

- 5.1 This section provides an assessment of the cost and value assumptions adopted for the proposed scheme. Where relevant, we have referred back to the area-wide assessment undertaken in support of the Local Development Plan, as promoted by Paragraph 008 of the PPG. Given the Council's preference to consider the proposals against the Draft Local Plan, we refer to the Local Plan Viability Update Report (LPVUR) undertaken by BNP Paribas Real Estate in August 2016.

### Costs

#### Construction Costs

- 5.2 The Applicant has provided a cost plan undertaken by HG Construction. Their estimate amounts to a gross construction cost of £61,630,182 inclusive of preliminaries, overheads & profit and a construction contingency.
- 5.3 We have instructed cost consultants, Concert, to review the estimate provided by the Applicant and ensure the allowances are reasonable. The differences between the Applicant's costs and Concert's estimates are summarised in Table 5-1 below, with a full review in Appendix 4.

**Table 5-1 – Prior Approval Scheme Cost Review**

Element	HGC Costs	Concert Costs	Difference
Demolition & Enabling	£1,094,400	£1,094,000	-
Basement	£7,733,813	£7,674,213	-£59,600
Substructures	£327,147	£327,147	-
New Build Blocks	£40,930,754	£41,429,880	+£499,126
External Works	£2,279,500	£2,288,500	+£9,000
<b>Sub-Total</b>	<b>£52,365,614</b>	<b>£52,814,140</b>	<b>+£448,526</b>
Preliminaries	£5,236,561	£5,281,414	+£44,853
OH&P	£2,304,087	£2,323,822	+£19,735
Contingency	£1,329,919	£1,341,310	+£11,391
Provisional Sums	£294,000	£294,000	-
<b>Total Cost</b>	<b>£61,530,182</b>	<b>£62,054,686</b>	<b>+£524,504</b>

Source: HG Construction & Concert, 2021.

5.4 Based on the figures summarised above, Concert consider the HG Construction estimate to be fair and reasonable. We have therefore adopted the same costs in our appraisals.

### Professional Fees

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5.5 The Applicant has included an allowance of 6.0% for professional fees.

5.6 The plan-wide assessment assumes a flat allowance of 10% which is said to be at the middle-to-higher end of the range for most schemes. On this basis, we have elected to adopt the same professional fees allowance as the Applicant.

### Disposal Costs

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5.7 The Applicant has assumed a gross disposal cost of 3.0% of sales GDV for sales, marketing and legal costs. The LPVUR adopts a gross disposal cost of 3.0%, inclusive of the three components above. We have therefore assumed the same rates in our appraisals.

### Land Acquisition

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5.8 The Applicant has included the following land acquisition allowances:

- Land Agent: 1.00%
- Land Legal: 0.80%

5.9 The plan-wide assessment does not include acquisition allowances. From our experience, such costs typically range from 1% for smaller greenfield sites up to 2% for larger more complex brownfield sites. Given the nature and size of the proposal site, we have adopted the same allowances as the Applicant.

5.10 The Applicant has also included Stamp Duty Land Tax in their appraisals. We have based our SDLT on the bandings shown in Figure 5-1.

**Figure 5-1 – Commercial Stamp Duty Banding**

Property or lease premium or transfer value	SDLT rate
Up to £150,000	Zero
The next £100,000 (the portion from £150,001 to £250,000)	2%
The remaining amount (the portion above £250,000)	5%

Source: HMRC, 2021.

5.11 The Stamp Duty calculated in our appraisals relates to the benchmark land value and not the residual land value.

## Finance Costs

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5.12 The Applicant has assumed a development finance debit rate of 6.75%. The plan-wide assessment assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees. We have therefore assumed the same debit finance rate as the Applicant.

## Developers Profit

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5.13 The Applicant has fixed the developers profit at 17.5% on Gross Development Value (GDV) for the private units. This is 2.5% lower than the rate adopted in the plan-wide assessment for private market housing, however we have elected to adopt the same rate as the Applicant in our appraisals. To test a policy-compliant scenario, we have adopted a reduced profit allowance of 6.0% on GDV for the affordable elements.

5.14 For the commercial unit, we have assumed a reduced profit of 15% on GDV.

## CIL / Section 106 Costs

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5.15 The Applicant has not included Section 106 costs at this stage but notes that the introduction of contributions will have a negative impact on scheme viability. Similarly, whilst CIL is yet to be adopted across Welwyn Hatfield, any contributions will add further costs to the appraisals and implicate viability.

5.16 We have not been made aware of any S106 / CIL contributions and have therefore omitted these costs from our revised appraisals.

## Revenue

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### Market Housing

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5.17 As concluded in Chapter Four, we consider the Applicant's value assumptions to be reasonable and consistent with the market evidence identified. We have therefore adopted the same gross revenue of £95,096,838 / £466 psf in our appraisals.

5.18 The Applicant has not allowed for ground rent income in their appraisals. We are aware of the Government's recent announcement into leasehold reform and the proposals to change the law governing ground rents.<sup>17</sup> This includes a commitment to restrict ground rents for new leases to £0 and provide existing leaseholders with the right to extend their lease by a maximum term of

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<sup>17</sup> MHCLG, 2021. Government reforms make it easier and cheaper for leaseholders to buy their homes. [Available: <https://www.gov.uk/government/news/government-reforms-make-it-easier-and-cheaper-for-leaseholders-to-buy-their-homes>]

990-years at zero ground rent. On this basis, we have also excluded ground rent income from our appraisals, however should they be charged on completion then any income received should be included within any viability review mechanisms installed within the Section 106 agreement.

## Affordable Housing

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- 5.19 The Applicant has not tested a policy-compliant scenario and has therefore not considered the values associated with affordable rented and shared ownership / intermediate units. Accordingly, we have undertaken our own calculations to determine appropriate transfer values for these tenures.
- 5.20 For the affordable rented units, we have adopted the weekly rent limits relative to the Local Housing Allowance caps (South East Herts BRMA). Our affordable housing calculator determined these to be c. 53% of market value.
- 5.21 For the shared ownership units, we have assumed an initial purchase of 40% with an equity rent of 2.5% on the unsold share. With appropriate management deductions, our calculations have shown shared ownership units to be c. 65% of market value.

## Commercial Unit

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- 5.22 Unlike the Applicant's approach, we have elected to include a revenue for the commercial unit located within Block E. Based on our review of evidence, we consider an annual rent of £19,268 to be reasonable, equating to a rate of £17.50 psf. This has been capitalised by a yield of 7.0%, again supported by our review of available evidence.
- 5.23 We have assumed the unit will be let upon completion, with the incoming tenant(s) benefitting from a 6-month rent-free period. The unit will then be sold after a 6-month stabilisation period. Based on these assumptions, the commercial GDV amounts to £266,094.

## Programme & Phasing

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- 5.24 The Applicant has assumed the following development programmes:
- Pre-construction: 8-months
  - Construction: 24-months
  - Sale: 29-months
- 5.25 The Applicant has assumed an off-plan sales period in which 40% of the units are sold prior to practical completion. The income is received within the first month of the sales period, with the remaining 60% sold at a rate of 6no. units / month. We have reviewed the Applicant's phasing and consider their assumptions to be reasonable, although we have weighted the market sale income over the sales period to reflect the typical dissipation over time.

## Cost & Value Summary

5.26 Table 5-2 sets out the key areas of difference between the Applicant's assumptions and our own.

**Table 5-2 – Summary of Appraisal Inputs**

Item	Applicant	AspinallVerdi	Difference
<b>Values</b>			
Private Sale GDV	£466 psf	£466 psf	-
Affordable Rented Transfer Value	n/a	53%	+53%
Shared Ownership GDV	n/a	65%	+65%
Commercial GDV	-	+£266,094	+£266,094
Total GDV (100% Private)	£95,096,838	£95,362,932	+£266,094
<b>Costs</b>			
Construction Costs	£61,530,182	£61,530,182	-
Professional Fees	6.0%	6.0%	-
Land Agent	1.0%	1.0%	-
Land Legal	0.8%	0.8%	-
Marketing	3.0%	3.0%	-
Sales Agent	Incl. in above	Incl. in above	-
Sales Legal	Incl. in above	Incl. in above	-
Finance Rate	6.75%	6.75%	-
Private Profit	17.5% on GDV	17.5% on GDV	-
Affordable Profit	n/a	6.0% on GDV	+6.0% on GDV
Commercial Profit	n/a	15.0% on GDV	+15.0% on GDV

Source: KCC & AVL, 2021.

## 6 Land Value

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- 6.1 We set out below our comments in respect of land value.
- 6.2 Paragraph 57 of the NPPF states that *'all viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance.'*<sup>18</sup>
- 6.3 The Benchmark Land Value (BLV, also referred to as the threshold land value) is promoted in the Planning Practice Guidance as the preferred method of defining land value. The PPG does not provide an explicit definition of land value but states in Paragraph 013, Reference ID: 10-013-20190509 that:

*'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).'*

- 6.4 In regards to the factors which should be considered in establishing a BLV, Paragraph 014, Reference ID: 10-014-20190509 states:

*'Benchmark land value should:*

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees.'* (our emphasis).

### Applicant's Assessment of Benchmark Land Value

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- 6.5 In support of their Benchmark Land Value, the Applicant has appended a valuation report undertaken by Aitchison Rafferty in December 2020. The valuation has been carried out in accordance with the RICS Valuation – Global Standards 2020 (the “Red Book”) and considers the market value of the freehold interest of the existing property.

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<sup>18</sup> MHCLG, 2019. *National Planning Policy Framework*. (p. 16)

- 6.6 The Applicant's valuation has been undertaken on a comparable basis, reviewing transactional information from similar properties. The report states that from the valuer's experience, lab accommodation 'goes for similar values to offices'. As such, their evidence base considers the values achieved by office spaces across the Hertfordshire sub-markets.
- 6.7 Based on their review of evidence, the valuer considers a capital value of £50 psf to be reasonable, amounting to a rounded value of £6,000,000. The Applicant has not considered a premium at this stage but their report has reserved the right to review this if necessary.

## AVL Assessment of BLV

- 6.8 We have reviewed the Applicant's approach and consider the overall methodology to be reasonable. We note, however, that there is a lack of comparable evidence contained within the Aitchison Rafferty report and the supporting analysis is considered very thin (i.e. reference to only 1no. transaction). As such, and to verify the Applicant's assumptions, we have undertaken our own review of comparable transactions.
- 6.9 We have reviewed CoStar for sales of R&D facilities which have sold across the South-East / East region during the past 2-years. Our search identified only 2no. comparables, as summarised in Table 6-1 below.

**Table 6-1 – R&D Transactions**

Address	Date Sold	Size	£ / psf	Notes
1 Fleming Way, Crawley, RH10 9NX	25/08/2020	221,940	£135	Investment sale involving short-term leaseback. Proposed redevelopment of site to provide 225,000 sqft of logistics space.
Brentwood Blood Centre, Brentwood, CM15 8DP	03/01/2019	59,441	£118	Purchased by Fairview New Homes without planning permission. Building was vacant prior to sale.

Source: CoStar, 2021.

- 6.10 The limited transactional evidence available for R&D facilities suggests that the price of £50 psf adopted by the Applicant is below market rates, however the nature of both transactions means there could be an element of hope value attributed within the agreed price (i.e. for the redevelopment potential). To substantiate the evidence base, we have also reviewed sales of office / light industrial space of similar size across the Hertfordshire submarkets / surrounding area. Our findings are summarised in Table 6-2.

**Table 6-2 – Office / L. Industrial Transactions**

Address	Date Sold	Built	Size	£ / psf	Notes
1 Cherry Tree Road, Watford, WD24 6SH	10/01/2019	1965	110,619	£131	Investment sale & leaseback on 10-year term. Property was marketed for c. 6-months before sale was agreed.
38 Clarendon Road, Watford, WD17 1SE	19/07/2019	1991	75,702	£38	Legal & General purchased the investment interest in the building for a price of £2,850,000.
Focus 31, Mark Road, Hemel Hempstead, HP2 7BW	01/04/2019	1980	54,853	£104	Investment sale of the freehold interest in a large office unit located within an employment park / industrial estate.
477-481 Whippendell Road, Watford, WD19 7PU	16/08/2019	1984	40,088	£162	Development sale of light manufacturing building to Ridgepoint Homes. Sold without permission.
Station Road, Kings Langley, WD4 8SE	16/11/2019	1985	23,077	£107	Development sale of three-storey office building to Strength Property Limited. Sold without permission but with a prior approval application submitted to convert to residential.

Source: CoStar, 2021.

- 6.11 Transacted values for office / light industrial units of similar age across the Hertfordshire sub-markets range from £38 - £162 psf, with an average of £108 psf. Like the two R&D unit sales, this suggests that the Applicant's land value has potentially been understated. However, our assessment has been undertaken using desktop resources, and unlike the Applicant's valuer, we have not had the benefit of visiting the site or inspection the premises. As such, the reliability and applicability of the evidence above are somewhat less reliable, and despite there being a lack of directly comparable evidence, we would expect the Applicant's valuation to provide a more tailored indication of the market value of the site.

## AVL Final Benchmark Land Value

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- 6.12 Based on the evidence reviewed in the sections above, we have adopted the same BLV as the Applicant of £6,000,000. Like the Applicant, we have elected not to include a landowner premium at this stage.
- 6.13 We note that the site was purchased in February 2020 for £10,000,000 and therefore, in the context of the above, we do not suspect the land value is being artificially inflated to reduce scheme viability.

## 7 Conclusions

7.1 This chapter sets out both the results of both the Applicant’s and AspinallVerdi’s viability assessments. We have used the Applicant’s assumptions where we agree and substituted these with our own assumptions where we disagree. We conclude by setting out our findings and recommendations.

### Applicant’s Results

7.2 The Applicant’s appraisal has been undertaken using ARGUS Developer. The model has been set up on a target profit basis with a fixed Benchmark Land Value (BLV) of £6,000,000. Based on the delivery of an entirely private scheme the Applicant’s appraisal is shown to be unviable, generating a deficit of over £4.44m. On this basis, the Applicant has stated that the scheme cannot viably provide any affordable housing contributions. No explanation has been provided as to how the scheme will be delivered based on this outcome.

### AspinallVerdi’s Assessment

7.3 We have also tested the scheme’s viability using ARGUS Developer software. Please refer to Appendix 5 for a copy of our development appraisals.

7.4 We first tested a policy-compliant scenario to determine whether the changes made to the appraisal inputs would viably support 30% on-site affordable housing. The output is shown in Table 7-1 below.

**Table 7-1 – AVL Appraisal – Scenario 1 (Policy-Compliant)**

Description	Value
Residual Land Value	-£3,072,908
Benchmark Land Value	£6,000,000
Surplus / Deficit	-£9,072,908

Source: AVL, 2021.

7.5 Scenario 1 shows that the scheme is unable to support a policy-compliant level of affordable housing, generating a significant deficit of c. £9.07m against the BLV. In accordance with Draft Policy SP7, this scenario provides 87no. on-site affordable units, consisting of 61no. affordable rented and 26no. intermediate units. Whilst the inclusion of commercial revenue contributes a small increase in development value, this is offset by the inclusion of affordable tenures which deflates the residential revenue.

7.6 We then tested an entirely private scenario to determine whether the scheme is viable without any off-site contributions. The outputs of this appraisal are shown in Table 7-2.

**Table 7-2 – AVL Appraisal – Scenario 2 (100% Private)**

Description	Value
Residual Land Value	£3,097,264
Benchmark Land Value	£6,000,000
Surplus / Deficit	-£2,902,736

Source: AVL, 2021.

7.7 Scenario 2 demonstrates an entirely private scheme to be unviable, generating a reduced deficit of c. £2.90m. Despite a slight improvement when compared to the Applicant’s appraisal, the outcome is fundamentally the same in that the scheme cannot support any off- nor on-site affordable housing contributions.

## Conclusion

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7.8 Based on our review of the Applicant’s viability assessment and analysis of the proposed development, we conclude that the scheme cannot viably meet the full level of affordable housing sought by planning policy (30% / 87no. on-site units). At this level, the scheme generates a deficit of c. £9.07m against the revised BLV.

7.9 Our updated appraisals have also shown an entirely private scheme to be unviable, generating a reduced deficit of c. £2.90m against the revised BLV. With the exception of the commercial revenue our appraisal inputs have remained largely unchanged from those in the Applicant’s assessment, however we note that the outcome of our private scenario reflects a c. £1.5m improvement in overall viability. We expect this to be explained by the way in which the respective appraisals have been modelled, as the finance cost included in the Applicant’s appraisal is c. £1.6m higher than the level calculated in our own models. We have not been provided with a digital copy of the Applicant’s appraisals and re therefore unable to scrutinise the source of this disparity further.

7.10 Based on the outcome above, we recommend that a viability review mechanism is installed within the Section 106 to allow the Council to benefit from any favourable changes in viability.

## Sensitivity Analysis

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7.11 The RICS Practice Statement requires that all FVAs and subsequent reviews must provide a sensitivity analysis of the results and an accompanying explanation and interpretation in respective calculations on viability, having regard to risks and an appropriate return(s). This is to:

- allow both the Applicant and decision-maker to consider how changes in inputs to a financial appraisal affect viability, and
- understand the extent of these results, to arrive at an appropriate conclusion on the viability of the application scheme.

7.12 This also forms part of an exercise to ‘stand back’ and apply a viability judgment to the outcome of a report.

7.13 In this respect, we have carried out a sensitivity analysis to demonstrate the impact of variable build costs and sales values on the scheme’s viability in a policy-compliant scenario. This is shown in Figure 7-1 below.

**Figure 7-1 – S1 (Policy Compliant) Sensitivity Analysis**

		Construction: Gross Cost				
		-10.0%	-5.0%	0.00%	5.0%	10.0%
Sales Values	-10.0%	(£7,292,256)	(£11,112,034)	(£14,967,075)	(£18,822,116)	<b>(£22,677,157)</b>
	-5.0%	(£4,428,347)	(£8,181,973)	(£12,009,278)	(£15,864,319)	(£19,719,360)
	0.00%	(£1,599,675)	(£5,310,303)	<b>(£9,072,908)</b>	(£12,906,521)	(£16,761,562)
	5.0%	£1,204,346	(£2,474,034)	(£6,193,914)	(£9,964,142)	(£13,803,765)
	10.0%	<b>£3,989,455</b>	£335,182	(£3,352,233)	(£7,079,251)	(£10,857,434)

Source: AVL, 2021.

7.14 The profit levels have remained consistent at 17.5% on GDV for the market units and 6.0% for the affordable. The cell highlighted blue shows the base scenario (i.e. without adjustments).

7.15 Unsurprisingly, with increases in sales values and decreases in construction costs, a policy-compliant scheme begins to become viable. For example, with a 10% increase in sales values and a decrease in construction costs by the same amount, the scheme generates a surplus of c. £3.99m above the benchmark land value and can support the full contribution sought by Draft Policy SP7 (shown green). Conversely, if values were to decrease by 10% and costs were to increase by the same amount, the deficit would be further exacerbated to c. £22.7m (shown red).

7.16 Whilst our sensitivities have demonstrated that reasonable adjustments are required to make the delivery of affordable housing viable, we recommend that the Council install a viability review mechanism within the Section 106 agreement. This will allow the Council to benefit from any significant improvements in viability by adopting the actual build costs incurred and sales revenue received.

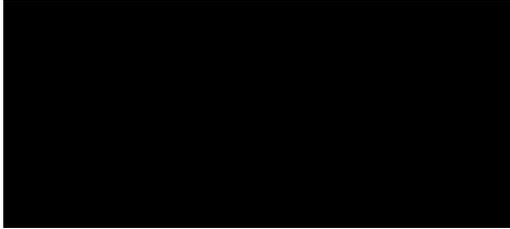
## Authorisation

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7.17 Should you have any questions or queries in respect of any aspect of this report, please do not hesitate to contact AspinallVerdi.

7.18 For and on behalf of Aspinall Verdi Ltd:

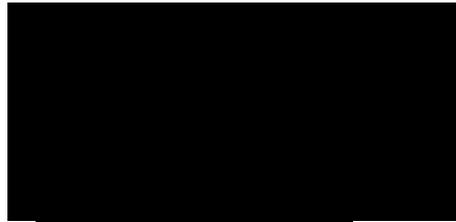
Yours faithfully,



**Matthew Olive MSc, BSc (Hons)**  
Senior Consultant

0207 183 7580  
[matthewo@aspinallverdi.co.uk](mailto:matthewo@aspinallverdi.co.uk)

Checked by:



**Parminder Dosanjh MRICS MRTPI**  
Executive Director

0207 183 7580  
[parm@aspinallverdi.co.uk](mailto:parm@aspinallverdi.co.uk)

## Appendix 1 – Terms of Engagement

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## **AspinallVerdi – Property Regeneration Consultants**

### **Standard Terms of Appointment**

#### **Definitions**

“AspinallVerdi” refers to Aspinall Verdi Limited trading as AspinallVerdi – Property Regeneration Consultants providing professional planning and surveying services for property development and regeneration.

“Client” refers to the client named in the Fee Proposal provided with these terms. In the case of sub-contract commissions the Client is the lead contractor for these purposes.

“Fee Proposal” refers to any letter, email, proposal document, tender, Invitation To Negotiate, Invitation To Tender, bid submission, etcetera, taken all together, containing a description of the scope of the services and professional fees.

#### **Description of services to be provided**

AspinallVerdi shall provide the services described within the Fee Proposal.

In the event of any inconsistency, the Fee Proposal will apply over these Standard Terms of Appointment.

#### **Professional Fees**

All fees for work carried out by AspinallVerdi will be as agreed in the Fee Proposal.

#### **Client’s obligations**

The Client will provide in a timely manner all necessary information reasonably required, enabling AspinallVerdi to carry out the services during the appointment.

The Client acknowledges that AspinallVerdi is entitled to rely upon the accuracy, sufficiency and consistency of any information supplied to it by the Client. AspinallVerdi accepts no liability for any inaccuracies contained in any information provided by the Client or any third party on behalf of the Client.

The Client shall ensure that they have a representative authorised to make decisions on their behalf.

Unless otherwise specifically agreed, the Client authorises AspinallVerdi to speak to or meet with any other person it may need to contact in order to provide the services during the appointment.

#### **Changes to the scope of instructions**

The Client shall notify AspinallVerdi in writing of any instruction to vary the services.

Abortive work - AspinallVerdi reserves the right to make additional charges in the event that the scope of the services is modified during the appointment, or additional information is provided by the Client requiring additional or abortive work, or any other unforeseen circumstance prevents the timely completion of the appointment.

Unforeseen delays - Where information required to carry out the services is not provided by the Client in a timely manner, or any other unforeseen circumstance prevents the timely completion of the appointment, AspinallVerdi reserves the right to issue an interim invoice based on the tasks in the Fee Proposal that have been completed and/or by reference to time incurred (in hours/days) on the Client’s behalf multiplied by the previously agreed hourly/daily rates.

Material variations - Where there are material variations to the scope of the appointment our professional fees will be based on an amended Fee Proposal or by reference to time incurred (in hours/days) on the Client’s behalf multiplied by the previously agreed hourly/daily rates.

Additional meetings / conference calls – Where the Client requires additional formal meetings or conference calls in lieu of meetings over and above those specified in the Fee Proposal, these will be charged based on the agreed hourly/daily rates.

AspinallVerdi reserves the right to amend these terms of appointment as a consequence of any variation of the services.

#### **Conflicts of Interest**

AspinallVerdi will undertake a search of other clients, properties and roles to protect its Clients against any potential conflicts of interest that may exist within the firm.

AspinallVerdi employees must not accept or carry out any instruction where there may be, or reasonably construed to be, a conflict of interest.

If such a conflict of interest arises or becomes known after the instruction has been accepted, AspinallVerdi will withdraw from any instruction unless such conflict of interest is fully disclosed in writing to all relevant parties and all such parties agree that the instruction may be accepted or continued by AspinallVerdi.

#### **Disbursements**

The Client will pay all incidental expenses incurred by AspinallVerdi, including without limitation, all travel expenses incurred, accommodation, subsistence, special delivery postage/carrier services, copying, photography, advertising and other goods and services purchased on the Client’s behalf (e.g. Land Registry Title plans, Ordnance Survey plans etc), unless otherwise agreed in the Fee Proposal.

These expenses will be recharged to the Client at cost.

Car mileage will be recharged at 0.55 pence per mile.

Any disbursements properly incurred but not yet processed at the time of any invoice will be invoiced separately.

#### **Payment Terms**

The Client shall pay the agreed fees and disbursements to AspinallVerdi for the performance of the services in such instalments as are set out in the Fee Proposal.

All fees and charges are exclusive of Value Added Tax which if due shall be paid concurrently in addition.

Payment shall be made within 30 days of the invoice date.

AspinallVerdi reserves the right to charge interest and debt recovery costs in respect of any amounts that remain unpaid after the date for payment. Interest will be calculated at a rate of 3% per month or part month from the due date on any invoice which remains unpaid 30 days after the invoice date.

#### **Documentation**

The copyright in all documents prepared by AspinallVerdi in providing the services shall remain the property of AspinallVerdi. Subject to payment by the Client of the fees properly due to AspinallVerdi under this agreement AspinallVerdi grants to the Client an irrevocable non-exclusive royalty-free licence to copy and use the documents for any purpose related to the project. The costs of copying any documents for the Client by AspinallVerdi shall be recharged to the Client.

AspinallVerdi shall not be liable for any use of the documents for any purpose other than that for which they were prepared and provided by AspinallVerdi or for any use by a third party. No reliance will be placed by the Client on draft reports or other work products (oral or written) provided by AspinallVerdi as these may vary significantly from any final report or work product.

#### **Intellectual Property**

The Client will keep confidential and not disclose any methodologies and/or technology utilised by AspinallVerdi in providing the services.

AspinallVerdi does not normally release digital copies of spreadsheets, valuations and/or development appraisals, although hard copies and pdf copies can be provided.

AspinallVerdi is the beneficial owner of all Intellectual Property Rights arising out of or in connection with the provision of the services to the Client.

#### **Reporting**

Unless otherwise agreed, AspinallVerdi will provide an electronic pdf version of the final report/output plus 1 paper copy (if requested).

Incidental expenses for additional copies will be recharged together with administration time for the preparation and collation of further reports.

Should the Client require AspinallVerdi to present the final report, the time costs and disbursements associated with this service will be recharged, unless otherwise agreed in the Fee Proposal.

#### **Data Protection**

As a result of AspinallVerdi's relationship with the Client, AspinallVerdi will hold personal data about individuals within the Client's business. AspinallVerdi will process that information only in connection with providing the services and for the purpose of contacting them about other services AspinallVerdi may offer.

#### **Confidentiality**

All the work carried out by AspinallVerdi is on a confidential basis.

AspinallVerdi will not disclose any confidential information relating to the Client, which it obtains during the course of the instruction, to any person other than its own advisors.

AspinallVerdi will only disclose its files if required to do so by a court or other tribunal of competent jurisdiction or otherwise only with the Client's written consent.

#### **Assignment**

Neither the Client nor AspinallVerdi shall assign the whole or any part of this agreement without the consent of the other in writing. Such consent shall not be unreasonably withheld.

#### **Complaints**

In the event that the Client has a complaint the Client shall be entitled to have access to the complaints handling procedure maintained by AspinallVerdi, copies of which are available on request from a Director.

A dispute resolution service is available should the complaint not be settled satisfactorily between the parties.

#### **Notice**

Any notice to be given under this Agreement shall be in writing and delivered by hand or sent by recorded delivery post to the party at the address showing in this Agreement or to such an

address as the other party may have specified from time to time by written notice to the other.

#### **Suspension and termination**

If the Client materially breaches its obligations under this agreement AspinallVerdi may serve on the Client a notice specifying the breach and requiring its remedy within 28 days, and if the Client thereafter fails to remedy that breach within that period AspinallVerdi may terminate this agreement by giving written notice to the Client. The Client shall pay the fees and disbursements to AspinallVerdi for work incurred prior to the termination.

The Client has the right to terminate this agreement at any time on giving reasonable notice to AspinallVerdi and AspinallVerdi has the right to terminate this agreement at any time on giving reasonable notice to the Client.

If a conflict arises during the course of AspinallVerdi's work with the Client it may not be able to continue to act for the Client. If such a conflict arises AspinallVerdi will discuss the position with the Client and agree an appropriate course of action.

#### **Professional indemnity insurance**

AspinallVerdi is required to comply with the regulations of the Royal Institution of Chartered Surveyors and the Royal Town Planning Institute in respect of the maintenance of professional indemnity insurance.

The level of PI Insurance cover appropriate for the instruction being undertaken is limited to £1 million. AspinallVerdi shall on the written request of the Client provide evidence that PI insurance is in place.

AspinallVerdi's liability to the Client arising out of these terms of appointment shall be limited to the amount specified above. AspinallVerdi will not be liable for any consequential, special, indirect or exemplary damages, costs or losses or any damages, costs or losses attributable to lost profits or opportunities.

#### **Liability of Employees**

The duties and responsibilities owed to the Client are solely and exclusively those of AspinallVerdi. No employee of AspinallVerdi shall be liable to you for any loss or damage howsoever arising as a consequence of the acts or omissions of such employee (including negligent acts or omissions) save and to the extent that such loss or damage is caused by the fraud, dishonesty, wilful misconduct or unauthorised conduct on the part of such employee.

#### **RICS Regulation**

AspinallVerdi is regulated by the RICS for the provision of surveying services. This means we agree to uphold the RICS Rules of Conduct for firms and all other applicable mandatory professional practice requirements of the RICS, which can be found at [www.rics.org](http://www.rics.org). As an RICS regulated firm we have committed to cooperating with the RICS in ensuring compliance with its standards. The firm's nominated RICS Responsible Principal is Atam Verdi, MRICS Chairman.

#### **Law**

English law shall apply to this agreement and if there is any dispute, the English courts will have exclusive jurisdiction.

190405 AspinallVerdi Standard Terms and Conditions\_v5

## Appendix 2 – Clarification Questions

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## Matthew Olive

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**From:** Matthew Olive  
**Sent:** 22 January 2021 16:36  
**To:** Clare Howe  
**Cc:** Parminder Dosanjh  
**Subject:** BioPark, Welwyn Garden City FVA - Information Request [Filed 25 Jan 2021 17:11]

Hi Clare,

Hope you're keeping well.

I've had a chance to go through the Applicant's viability assessment for the proposed development at the BioPark site in WGC and wanted to raise the following queries / information requests:

- Could the Applicant / Agent please clarify their position in regards to professional / technical fees? See Para 14.1.3 @ 8% and Para 14.7.1 @ 6% - if these allowances are different then please could the elaborate on what is included within the respective fees?
- Please could the Applicant / Agent provide the accommodation schedule in Appendix E in Microsoft Excel format?
- Please could the Applicant / Agent provide the LSH value schedule in Appendix F in Microsoft Excel format?
- Could the Applicant / Agent please clarify the 'townhouse discount' applied within the LSH value schedule (see column 11). I see no reference to how this has been informed within the report.

Kind regards,

Mat

**Matthew Olive** BSc (Hons), MSc  
**Senior Consultant**  
AspinallVerdi – Property Regeneration Consultants  
[matthewo@aspinallverdi.co.uk](mailto:matthewo@aspinallverdi.co.uk)  
[www.aspinallverdi.co.uk](http://www.aspinallverdi.co.uk)  
T: 020 7183 7580

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*COVID-19 Notice - In order to keep everyone safe and well and continue to run the business we are working from home and respecting social distancing. We are contactable as normal during this time.*

See <http://www.aspinallverdi.co.uk/blog/2020/covid-19-announcement>

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## Appendix 3 – Comparable Data

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**Land Registry New-Build Sold**

Address				Postcode	Date Sold	Price	SQM	SQFT	£ / psf	No. Beds
FLAT 5	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	07/02/2020	520,000	125.51	1351	384.90	2.00
FLAT 17	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	20/03/2020	365,000	87.98	947	385.43	2.00
FLAT 18	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	28/11/2019	350,000	82.78	891	392.82	2.00
FLAT 3	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	06/01/2020	230,000	51.00	549	418.97	1.00
FLAT 14	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	17/04/2020	370,000	79.15	852	434.27	2.00
FLAT 25	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	20/03/2020	270,000	57.60	620	435.48	1.00
FLAT 2	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	13/05/2020	235,000	50.00	538	436.64	1.00
FLAT 12	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	03/12/2019	375,000	79.15	852	440.14	2.00
FLAT 11	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	17/01/2020	367,500	77.48	834	440.65	2.00
FLAT 31	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	13/03/2020	280,000	57.79	622	450.16	1.00
FLAT 34	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	31/01/2020	280,000	57.79	622	450.16	1.00
FLAT 24	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	07/02/2020	242,500	50.00	538	450.58	1.00
FLAT 13	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	21/02/2020	245,000	50.00	538	455.22	1.00
FLAT 4	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	07/08/2020	250,000	51.00	549	455.41	1.00
FLAT 5	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	11/02/2020	250,000	51.00	549	455.41	1.00
FLAT 10	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	06/12/2019	315,000	63.27	681	462.56	2.00
FLAT 26	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	17/07/2020	254,000	51.00	549	462.69	1.00
FLAT 25	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	15/11/2019	260,000	51.00	549	473.62	1.00
FLAT 30	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	12/12/2019	295,000	57.79	622	474.28	1.00
FLAT 15	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	10/12/2019	315,000	61.59	663	475.11	2.00
FLAT 14	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	31/10/2019	265,000	51.00	549	482.73	1.00
FLAT 16	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	18/10/2019	265,000	51.00	549	482.73	1.00
FLAT 1	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	04/10/2019	250,000	48.00	517	483.87	1.00
FLAT 24	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	12/12/2019	270,000	51.38	553	488.25	1.00
FLAT 12	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	24/04/2020	252,500	48.00	517	488.71	1.00
FLAT 4	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	21/11/2019	327,000	61.97	667	490.25	2.00
FLAT 23	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	11/10/2019	260,000	48.00	517	503.22	1.00
FLAT 27	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	15/10/2019	280,000	51.00	549	510.06	1.00
FLAT 8	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	27/09/2019	240,000	41.00	441	543.82	1.00
FLAT 36	MERCURY HOUSE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FB	07/11/2019	250,000	41.00	441	566.48	1.00
FLAT 7	GRIFFIN PLACE	BROADWATER ROAD	WELWYN GARDEN CITY	AL7 3FD	15/11/2019	420,000	61.59	663	633.48	2.00

## Appendix 4 – Concert Construction Cost Review

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# **Broadwater Gardens Welwyn Garden City AL7 3TT**

**Aspinall Verdi**

Construction Cost Viability Review

**Project No. 9572**

**05 February 2021**

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**1.0 NOTES**

- This commentary has been prepared to assist Aspinall Verdi undertake a review of the Viability Appraisal Report submitted in respect of the proposed development at Broadwater Gardens, Welwyn Garden City.
- Costs have been assessed at fourth quarter 2020 in line with the Elemental Cost Plan prepared by HG Construction Ltd dated 16<sup>th</sup> November 2020.
- We have restricted our comments to the Construction Costs only and Aspinall Verdi will comment on the other costs and values.
- The information we have used to review the costs put forward by the applicant are: -
  - Viability Appraisal Report prepared by Kempton Carr Croft dated 14<sup>th</sup> December 2020.
  - Elemental Cost Plan prepared by HG Construction Ltd dated 16<sup>th</sup> November 2020.
- We have not inspected the site.

## 2.0 **SUMMARY OF OBSERVATIONS**

- The Construction Cost within the Viability Appraisal Report prepared by Kempton Carr Croft refers to a figure of £61,530,182.
- The Construction Cost of £61,530,182 is derived from the Elemental Cost Plan prepared by HG Construction Ltd that includes Preliminaries, Overheads & Profit, Contingency and Provisional Sums that equates to £1,955/m<sup>2</sup> of GIA or £182/ft<sup>2</sup> of GIA.
- We have carried out a thorough review of the Elemental Cost Plan and consider the total Construction Cost of £61,530,182 to be fair and reasonable for this development and this is illustrated on the Main Summary on Page 5.
- There are some instances where Construction Costs have been reduced but this has been negated by a combination of arithmetical and unit count errors; Please refer to the detailed Cost Reviews contained on Pages 6 to 14 of this report.
- We consider the allowance of 10% for Preliminaries to be fair and reasonable on a development of this scale and assumes a traditional procurement route.
- We consider the allowance of 4% for Overheads & Profit to be fair and reasonable and relatively in-line with market expectations.
- We consider the Contingency allowance of 2.22% to be fair and reasonable on a development of this scale.
- We note from the Viability Appraisal Report that there has been no further allowance for Developers Contingency in addition to the Contingency of 2.22% included in the Construction Costs.
- We have carried out a thorough review of the Elemental Cost Plan that has been very well prepared and in detailed elemental format and our view is based on this information provided.

**3.0 MAIN SUMMARY**

	Construction Cost Summary	HG Construction Ltd	£/m <sup>2</sup> (GIFA)	£/ft <sup>2</sup> (GIFA)	Concert Value	£/m <sup>2</sup> (GIFA)	£/ft <sup>2</sup> (GIFA)	Overall Saving	Cost/Unit Saving
0.0	Demolition & Enabling	1,094,400	35	3	1,094,400	35	3	-	-
1.0	Basement Construction	7,733,813	246	23	7,674,213	244	23	59,600	206
2.0	Substructures	327,147	10	1	327,147	10	1	-	-
3.0	New Build Blocks	40,930,754	1,300	121	41,429,880	1,316	122	(499,125)	(1,721)
4.0	External Works	2,279,500	72	7	2,288,500	73	7	(9,000)	(31)
5.0	<b>Sub-Total</b>	<b>52,365,614</b>	<b>1,663</b>	<b>155</b>	<b>52,814,140</b>	<b>1,678</b>	<b>156</b>	<b>(448,525)</b>	<b>(1,547)</b>
6.0	Preliminaries @ 10%	5,236,561	166	15	5,281,414	168	16	(44,853)	(155)
7.0	Overheads & Profit @ 4%	2,304,087	73	7	2,323,822	74	7	(19,735)	(68)
8.0	Contingency @ 2.22%	1,329,919	42	4	1,341,310	43	4	(11,391)	(39)
9.0	Provisional Sums	294,000	9	1	294,000	9	1	-	-
10.0	<b>CONSTRUCTION COST AS AT 4Q 2020</b>	<b>61,530,182</b>	<b>1,955</b>	<b>182</b>	<b>62,054,686</b>	<b>1,971</b>	<b>183</b>	<b>(524,504)</b>	<b>(1,809)</b>

**4.0 DEMOLITION & ENABLING**

Item	Element	HG Construction Ltd			Concert Value	Bruce Shaw Comments
		Quantity	UoM	Rate		
0.1	Demolition	1	item	750,000	750,000	allow ances appear reasonable based on the GIA of existing buildings
0.2	Asbestos Removal Prov Sum	1	item	150,000	150,000	
0.3	Piling Mat	4,320	m3	45	194,400	rate for piling mat is reasonable
<b>Total Demolition &amp; Enabling</b>					<b>1,094,400</b>	<b>1,094,400</b>

**5.0 BASEMENT**

Item	Element	HG Construction Ltd				Concert Value	Concert Comments
		Quantity	UoM	Rate	Value		
<b>1.1</b>	<b>Excavating</b>						
	Excavate Basement 01 to a depth of 4m (allow for total area)	16,348	m3	44	721,764	721,764	rate is reasonable
	Excavate Basement 02 to a depth of 4m (allow for total area)		m3	44	-	-	
	Allowance of 20% for hazardous	3,270	m3	72	233,776	233,776	rate is reasonable
	Excavate pile caps to basement level 01	136	m3	44	6,015	6,015	rate is reasonable
	Excavate pile caps to basement level 02		m3	44	-	-	
<b>1.2</b>	<b>Propping</b>						
	Propping to Basement 01						
		928	m2	200	185,600	185,600	overall propping allowance is reasonable based on volume of basement
	Propping to Basement 02	760	m2	200	152,000	152,000	
	Temporary Wall to Existing Basement	1	item	164,000	164,000	164,000	allowance appears reasonable
<b>1.3</b>	<b>Piles</b>						
	CFA Piles (incl 20% uplift for additional piles to caps)	500	no	1,000	500,000	500,000	rate and allowance is reasonable
	Contig Sheet piling to basement level 01						cost reduced based on £300/m2 for sheet piling and £10k for mobilisation & demobilisation
		232	m	1,500	348,000	288,400	
<b>1.4</b>	<b>Pile Caps</b>						
	Pile caps to basement level 01 (assumed 500 x 500 x 120mm dp)	454	no		-	-	
	Concrete						rates for concrete, rebar and formwork are reasonable
		136	m3	169	23,078	23,078	
	reinforcement (assumed 230kg/m3)	31	t	1,200	37,600	37,600	
	Formwork	1,090	m2	39	41,993	41,993	
	Pile caps to basement level 02 (assumed 500 x 500 x 120mm dp)	243	no				
	Concrete						rates for concrete, rebar and formwork are reasonable
		73	m3	169	12,344	12,344	
	reinforcement (assumed 230kg/m3)	17	t	1,200	20,111	20,111	
	Formwork	583	m2	39	22,460	22,460	
<b>1.5</b>	<b>Ground Beams</b>						
	Ground beam supports between pile caps (allow for 1000mm x 750mm x 2.5m length)	697	no				
	Concrete						rates for concrete, rebar and formwork are reasonable
		1,307	m3	169	221,385	221,385	
	reinforcement (assumed 250kg/m3)	327	t	1,200	392,063	392,063	
	Formwork	1,394	m2	39	53,711	53,711	
<b>1.6</b>	<b>Basement Slab</b>						
	Concrete						rates for concrete and rebar are reasonable
		1,600	m3	240	384,000	384,000	
	Reinforcement (assumed 300kg/m3)	320	t	1,200	384,000	384,000	
<b>1.7</b>	<b>Waterproofing</b>						
	Waterproofing to basement level 01						rates for waterproofing are reasonable
		4,087	m2	60	245,220	245,220	
	Waterproofing to basement level 02	2,186	m2	60	131,160	131,160	
	Tanking to basement walls level 01	1,952	m2	60	117,120	117,120	
	Tanking to basement walls level 02	760	m2	60	45,600	45,600	
<b>1.8</b>	<b>Frame</b>						
	Basement Level 01 (assumed floor height 4m)						
	Columns						
	RC columns assume 500mm x 500mm x 4m (one column per 50m2)	133	no				
	Concrete						rates for concrete, rebar and formwork are reasonable
		133	m3	240	32,016	32,016	
	reinforcement (assumed 220kg/m3)	29	t	1,200	35,218	35,218	
	Formwork	534	m2	25	13,340	13,340	

**5.0 BASEMENT (CONT'D)**

Item	Eement	HG Construction Ltd				Concert Value	Concert Comments
		Quantity	UoM	Rate	Value		
<b>1.9 RC Walls</b>							
	Supply and install 250mm thick RC w alls to Basement level 01 perimeter walls	1,952	m2				
	Concrete 250mm thick	488	m3	240	117,120	117,120	] rates for concrete, rebar and formw ork are reasonable
	reinforcement (assumed 240kg/m3)	117	t	1,200	140,544	140,544	] ]
	Formw ork	3,904	m2	25	97,600	97,600	] ]
	Supply and install 225mm thick RC w alls to Basement level 01 Core Walls	1,880	m2				
	Concrete 225mm thick	1,692	m3	240	406,080	406,080	] rates for concrete, rebar and formw ork are reasonable
	reinforcement (assumed 240kg/m3)	406	t	1,200	487,296	487,296	] ]
	Formw ork	3,760	m2	25	94,000	94,000	] ]
<b>1.10 Suspended Slabs</b>							
	Supply and install 500mm thick transfer slab to basement level 01	6,670	m2				
	Concrete	3,335	m3	240	800,400	800,400	] rates for concrete, rebar and formw ork are reasonable
	Reinforcement (assumed 300kg/m3)	667	t	1,200	800,400	800,400	] ]
	Formw ork	6,670	m2	40	266,800	266,800	] ]
	<b>Total Basement</b>				<b>7,733,813</b>	<b>7,674,213</b>	

**6.0 SUBSTRUCTURES**

Item	Element	HG Construction Ltd				Concert Value	Concert Comments
		Quantity	UoM	Rate	Value		
	Blocks F & G						
<b>2.1</b>	<b>Excavating</b>						
	Excavate ground floor slab area allow for 250mm thick slab	212	m3	9	1,935	1,935	rate is reasonable
<b>2.2</b>	<b>Disposal</b>						
	Dispose for excavated material off site, assume 70% material to be removed from site	148	m3	55	8,083	8,083	rate is reasonable
	Dispose of hazardous material off site, assume 30% material to be removed from site (add bulking)	63	m3	72	4,537	4,537	rate is reasonable
<b>2.3</b>	<b>Piles</b>						
	CFA Piles (incl 20% uplift for additional piles to caps)	113	no	800	90,240	90,240	rate and allowance is reasonable
<b>2.4</b>	<b>Pile Caps</b>						
	Pile caps to GF (assumed 500 x 500 x 1200mm dp)	25	no				
	Concrete	28	m3	169	4,777	4,777	rates for concrete, rebar and formwork are reasonable
	Reinforcement (assumed 230kg/m3)	6	t	1,200	7,783	7,783	
	Formwork	226	m2	39	8,693	8,693	
<b>2.5</b>	<b>Ground Beams</b>						
	Ground beam supports between pile caps (allow for 1000mm x 750mm x 2.5m length)	25	no				
	Concrete	176	m3	169	29,858	29,858	rates for concrete, rebar and formwork are reasonable
	Reinforcement (assumed 230kg/m3)	41	t	1,200	48,645	48,645	
	Formwork	188	m2	39	7,244	7,244	
<b>2.6</b>	<b>Ground Floor Slab</b>						
	Supply and install ground floor slab assume 250mm thick RC slab area	227	m2		-	-	
	Concrete	212	m3	169	35,829	35,829	rates for concrete and rebar are reasonable
	reinforcement (assumed 230kg/m3)	49	t	1,200	58,374	58,374	
<b>2.7</b>	<b>Upstands / Downstands</b>						
	Upstands to ground floor level (assumed 150mm wide upstands)		m		-	-	
	Concrete		m3		-	-	
	reinforcement (assumed 230kg/m3)		t		-	-	
	Formwork		m2		-	-	
<b>2.8</b>	<b>Waterproofing</b>						
	Supply and install waterproofing to ground floor slab area	846	m2	25	21,150	21,150	rate is reasonable
	<b>Total Substructure</b>				<b>327,147</b>	<b>327,147</b>	

**7.0 NEW BUILD BLOCK ACCOMMODATION**

	Element	HG Construction Ltd				Concert Value	Concert Comments
		Quantity	UoM	Rate	Value		
<b>3.1</b>	<b>Frame</b>						
	<u>Bocks A to F</u>						
	Concrete Columns	354	m3	192	68,061	68,061	rates for concrete, rebar and formwork are reasonable
	Reinforcement (assumed 220kg/m3)	78	t	1,199	93,487	93,487	
	Formwork	1,417	m2	51	72,907	72,907	
	Concrete Walls	1,472	m3	192	282,641	282,641	
	Reinforcement (assumed 240kg/m3)	353	t	1,199	423,521	423,521	
	Formwork	11,772	m2	51	605,525	605,525	
	Cantilevered Columns - Block E	3	nr	7,500	22,500	22,500	rate and allowance is reasonable
<b>3.2</b>	<b>Upper floors</b>						
	<u>Bocks A to G</u>						
	Concrete	5,738	m3	168	963,287	963,287	rates for concrete, rebar and formwork are reasonable
	Reinforcement (assumed 200kg/m3)	1,148	t	1,199	1,376,119	1,376,119	
	Formwork	25,150	m2	19	479,522	479,522	
	Supply and install 250mm precast slab Block G	779	m2	250	194,750	194,750	rate and allowance is reasonable
<b>3.3</b>	<b>Roof</b>						
	<u>Bocks A to G</u>						
	Green roof area to sixth floor	1,630	m2	285	464,550	464,550	rates and allowances for roof construction including finishes are reasonable
	Roof finish to terrace area	1,139	m2	255	290,445	290,445	
	Green roof	1,157	m2	285	329,745	329,745	
	Roof finish to over run	120	m2	255	30,600	30,600	
	Base and line fall restraint system	441	m	45	19,845	19,845	rate and allowance is reasonable
	Pitched roof to townhouses	4	no	13,500	54,000	54,000	roof on plan area is 93m2 for 2 out of 8 townhouses; allowance for roof construction including finishes is reasonable
<b>3.4</b>	<b>Stairs</b>						
	<u>Bocks A to G</u>						
	Staircases & Balustrades	54	flights	7,500	405,000	405,000	allowance per flight appears reasonable with finishes included elsewhere
	Handrailing to stair cores	918	m	250	229,500	229,500	rate and allowance is reasonable
	Staircases incl balustrading and banisters - Block G	8	units	5,500	44,000	44,000	rate and allowance per townhouse appears reasonable with finishes included elsewhere
<b>3.5</b>	<b>External walls</b>						
	<u>Bocks A to G</u>						
	Brickwork assumed half brick thick stretcher bond. Allow for façade 100% brickwork	13,855	m2	425	5,888,269	5,888,269	rate and allowance is reasonable
	Snap on balconies	177	no	5,397	955,269	955,269	rates and allowances for balconies are reasonable including handrails, balustrades and finishes
	Balconies built into frame / terraces	99	nr	2,559	253,341	253,341	
<b>3.6</b>	<b>Windows and external doors</b>						
	<u>Bocks A to G</u>						
	Windows & external doors	6,827	m2	468	3,195,130	3,195,130	rate is reasonable and in-line with expectations

**7.0 NEW BUILD BLOCK ACCOMMODATION (CONT'D)**

	Element	HG Construction Ltd				Concert Value	Concert Comments
		Quantity	UoM	Rate	Value		
<b>3.7</b>	<b>Internal walls and partitions</b>						
	<u>Bocks A to G</u>						
	Party Walls	10,651	m2	98	1,043,809	1,043,809	rate is reasonable
	Corridor Walls	6,614	m2	98	648,158	648,158	rate is reasonable
	Internal stud partitions to resi units	9,226	m2	65	599,707	599,707	rate is reasonable
	Internal stud partitions to resi units	430	m2	68	29,209	29,209	rate is reasonable
	<u>Arithmetical Errors</u>						
	<u>Bocks A</u>						
	Internal stud partitions to resi units	5,908	m2	65	188,963	384,020	rate is reasonable but arithmetically corrected
	<u>Bocks B</u>						
	Internal stud partitions to resi units	4,448	m2	65	142,257	289,120	rate is reasonable but arithmetically corrected
	<u>Other</u>						
	Blockwork Walls to Basement Area	1,815	m2	105	-	190,575	arithmetically incorrect as amount has not been carried to summary; rate is reasonable
	Head Detail	1,000	m	40	-	-	arithmetically incorrect as the amount has not been carried to summary; we consider the head detail to be included in the partition rates above
	Base Detail	1,000	m	40	-	-	arithmetically incorrect as the amount has not been carried to summary; we consider the head detail to be included in the partition rates above
<b>3.8</b>	<b>Internal doors</b>						
	<u>Bocks A to G</u>						
	Apartment entrance doors	285	no	955	272,175	276,950	rate and allowance is reasonable; quantity changed to reflect correct number of units [290]
	Internal apartment doors	843	no	725	611,175	611,175	rate and allowance is reasonable
	Cupboard doors	292	no	650	189,800	189,800	rate and allowance is reasonable
	Corridor fire doors / stair core doors	224	no	650	145,600	145,600	rate and allowance is reasonable
<b>3.9</b>	<b>Wall finishes</b>						
	<u>Bocks A to G</u>						
	Wall Finishes	285	no	2,700	769,500	783,000	overall cost based on GIA is reasonable; quantity changed to reflect correct number of units [290]
	Apartments						
	Full height tiling to bathroom walls						
	Standard paint emulsion to resin walls						
	Common Areas						
	Standard paint emulsion to common walls						
<b>3.10</b>	<b>Floor finishes</b>						
	<u>Bocks A to G</u>						
	Apartments						
	Bedroom floor finish	9,270	m2	85	787,950	787,950	rate and allowance is reasonable
	Bathroom floor finish	1,545	m2	75	115,875	115,875	rate and allowance is reasonable
	Living room / kitchen floor finish	8,652	m2	75	648,900	648,900	rate and allowance is reasonable
	Communal carpet	3,399	m2	65	220,935	169,950	rate reduced to £50/m2
	Common Areas						
	Corridor floor finish	2,544	m2	65	165,360	127,200	rate reduced to £50/m2
	Stair cores	57	no	450	25,650	25,650	rate and allowance is reasonable

**7.0 NEW BUILD BLOCK ACCOMMODATION (CONT'D)**

	Element	HG Construction Ltd				Concert Value	Concert Comments
		Quantity	UoM	Rate	Value		
<b>3.11</b>	<b>Ceiling finishes</b>						
	<u>Bocks A to G</u>						
	Apartments						
	Bedroom Ceiling finish	9,270	m2	35	324,450	324,450	] rate and allowance is reasonable
	Bathroom Ceiling finish	1,545	m2	35	54,075	54,075	]
	Living room / kitchen Ceiling finish	8,652	m2	35	302,820	302,820	]
	Communal Ceiling	3,399	m2	35	118,965	118,965	]
	Common Areas						
	Corridor Ceiling finish	2,544	m2	35	89,040	89,040	] rate and allowance is reasonable
	Stair cores	57	no	35	1,995	1,995	]
<b>3.12</b>	<b>Fittings</b>						
	<u>Bocks A to G</u>						
	Supply and install new kitchens	285	no	6,500	1,852,500	1,885,000	] rate and allowance is reasonable; quantity changed to reflect correct number of units [290]
	Fitted wardrobes	285	units	1,000	285,000	290,000	] rate and allowance is reasonable; quantity changed to reflect correct number of units [290]
	Communal Items	290	item	750	217,500	217,500	] rate and allowance is reasonable
<b>3.13</b>	<b>Sanitary Appliances</b>						
	<u>Bocks A to G</u>						
	Bathrooms (pod installation)	290	units	6,626	1,921,581	1,921,581	] rates for pod installations are based on quotations that will include internal finishes and fittings and are considered reasonable
	Ensuites (pod installation)	218	units	4,900	1,068,200	1,068,200	]
<b>3.14</b>	<b>Mechanical Installations</b>						
	<u>Bocks A to G</u>						
	Mechanical Installations	290	units	20,650	5,988,500	5,988,500	] overall allowance of £35k per unit as a blended average across the differing accommodation types is considered reasonable on the assumption that it does not include for AV/IT installations
<b>3.15</b>	<b>Electrical Installations</b>						
	<u>Bocks A to G</u>						
	Electrical Installations	290	units	14,350	4,161,500	4,161,500	]
<b>3.16</b>	<b>Lift Installations</b>						
	<u>Bocks A to E</u>						
	Lift installations Basement 02 - 8th floor	10	no	78,000	780,000	780,000	] rate and allowance is reasonable
<b>3.17</b>	<b>Builders Work in Connection</b>						
	Builders Work in Connection		3%		417,593	417,593	] BWIC @ 3% is reasonable
	<b>Total New Build Block Accommodation</b>				<b>40,930,754</b>	<b>41,429,880</b>	

**8.0 EXTERNAL WORKS**

Item	Element	HG Construction Ltd			Concert Value	Concert Comments
		Quantity	UoM	Rate		
<b>4.1</b>	<b>Drainage</b>					
	<u>Bocks A to G</u>					
	Surface Water; allowance per plot					overall cost of drainage based on GIA is reasonable; quantity changed to reflect correct number of units [290]
		285	nr	1,100	313,500	319,000
	Foul Water; allowance per plot	285	nr	700	199,500	203,000
<b>4.2</b>	<b>Site Works</b>					
	Provisional sum					PS allowance appears reasonable for approximately 7,500m2 of hard and soft landscaping including associated site furniture and features
		1	PS	1,300,000	1,300,000	1,300,000
<b>4.3</b>	<b>External Services</b>					
	Provisional sum					PS allowance appears reasonable based on 290 plots
		1	PS	466,500	466,500	466,500
	<b>Total External Works</b>				<b>2,279,500</b>	<b>2,288,500</b>

**9.0 PROVISIONAL SUMS**

Item	Element	HG Construction Ltd				Concert Value	Concert Comments
		Quantity	UoM	Rate	Value		
<b>9.0</b>	<b>Provisional Sums</b>						
	UXO	1	PS	1,500	1,500	1,500	allow ances appear reasonable and as a percentage of the overall cost of the development
	Allow ance for works associated w ith the Railw ay	1	PS	20,000	20,000	20,000	]
	Allow ance for surface / ground w ater measures	1	PS	15,000	15,000	15,000	]
	Gas Diversions	1	PS	20,000	20,000	20,000	]
	Open Reach Diversions	1	PS	25,000	25,000	25,000	]
	Cable Diversions	1	PS	40,000	40,000	40,000	]
	Water diversions	1	PS	10,000	10,000	10,000	]
	BAPA fees and works	1	PS	100,000	100,000	100,000	]
	SI investigation	1	PS	7,500	7,500	7,500	]
	Solutions features	1	PS	50,000	50,000	50,000	]
	WAC Tests	1	PS	5,000	5,000	5,000	]
	<b>Total External Works</b>				<b>294,000</b>	<b>294,000</b>	

## Appendix 5 – AVL Development Appraisals

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2102 BioPark, WGC - S1  
Policy Compliant

Development Appraisal  
AspinallVerdi  
15 February 2021

**APPRAISAL SUMMARY****ASPINALLVERDI**

2102 BioPark, WGC - S1  
Policy Compliant

**Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Unit Price	Gross Sales
Market Sale	202	143,669	469.88	334,195	67,507,385
Affordable Rent	61	42,805	240.36	168,665	10,288,559
Shared Ownership	<u>26</u>	<u>17,796</u>	298.67	204,427	<u>5,315,100</u>
<b>Totals</b>	<b>289</b>	<b>204,270</b>			<b>83,111,044</b>

**Rental Area Summary**

	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale
Commercial Space	1	1,101	17.50	19,268	19,268

**Investment Valuation**

Commercial Space					
Market Rent	19,268	YP @	7.0000%	14.2857	
(6mths Unexpired Rent Free)		PV 6mths @	7.0000%	0.9667	266,094

**GROSS DEVELOPMENT VALUE****83,377,138****NET REALISATION****83,377,138****OUTLAY****ACQUISITION COSTS**

Fixed Price			6,000,000		
				6,000,000	
Stamp Duty			289,500		
Agent Fee		1.00%	60,000		
Legal Fee		0.80%	48,000		
				397,500	

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Construction Costs	338,862 ft <sup>2</sup>	181.58 pf <sup>2</sup>	61,530,182	<b>61,530,182</b>

**PROFESSIONAL FEES**

Professional Fees		6.00%	3,691,811		
				3,691,811	

**MARKETING & LETTING**

Marketing		1.00%	675,074		
				675,074	

**DISPOSAL FEES**

Sales Agent Fee		1.00%	675,074		
Investment Agent Fee		1.00%	2,661		
Sales Legal Fee		1.00%	675,074		
Investment Legal Fee		1.00%	2,661		
				1,355,470	

**Additional Costs**

Private Profit		17.50%	11,813,792		
Affordable Profit		6.00%	936,220		
Commercial Profit		15.00%	39,914		
				12,789,926	

**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)					
Land				1,157,123	
Construction				3,474,380	
Other				1,378,580	
Total Finance Cost					6,010,084

2102 BioPark, WGC - S1  
Policy Compliant

<b>TOTAL COSTS</b>	<b>92,450,046</b>
<b>PROFIT</b>	<b>(9,072,908)</b>

**Performance Measures**

Profit on Cost%	(9.81)%
Profit on GDV%	(10.88)%
Profit on NDV%	(10.88)%
Development Yield% (on Rent)	0.02%
Equivalent Yield% (Nominal)	7.00%
Equivalent Yield% (True)	7.32%
IRR	(3.93)%
Rent Cover	-470 yrs -11 mths
Profit Erosion (finance rate 6.750%)	N/A

2102 BioPark, WGC - S1  
Policy Compliant

**Initial**  
**MRV**  
19,268

2102 BioPark, WGC - S1  
Policy Compliant

2102 BioPark, WGC - S2  
100% Private

Development Appraisal  
AspinallVerdi  
15 February 2021

**APPRAISAL SUMMARY****ASPINALLVERDI**

**2102 BioPark, WGC - S2**  
**100% Private**

**Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Market Sale	289	204,270	465.54	329,055	95,096,838

**Rental Area Summary**

	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Initial MRV/Unit</b>	<b>Net Rent at Sale</b>
Commercial Space	1	1,101	17.50	19,268	19,268

**Investment Valuation****Commercial Space**

Market Rent	19,268	YP @	7.0000%	14.2857	
(6mths Unexpired Rent Free)		PV 6mths @	7.0000%	0.9667	266,094

**GROSS DEVELOPMENT VALUE****95,362,932****NET REALISATION****95,362,932****OUTLAY****ACQUISITION COSTS**

Fixed Price			6,000,000		
				6,000,000	
Stamp Duty			289,500		
Agent Fee		1.00%	60,000		
Legal Fee		0.80%	48,000		
				397,500	

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Cost</b>	
Construction Costs	338,862 ft <sup>2</sup>	181.58 pf <sup>2</sup>	61,530,182	<b>61,530,182</b>

**PROFESSIONAL FEES**

Professional Fees		6.00%	3,691,811		
				3,691,811	

**MARKETING & LETTING**

Marketing		1.00%	950,968		
				950,968	

**DISPOSAL FEES**

Sales Agent Fee		1.00%	950,968		
Investment Agent Fee		1.00%	2,661		
Sales Legal Fee		1.00%	950,968		
Investment Legal Fee		1.00%	2,661		
				1,907,259	

**Additional Costs**

Private Profit		17.50%	16,641,947		
Commercial Profit		15.00%	39,914		
				16,681,861	

**FINANCE**

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)					
Land			1,208,135		
Construction			4,152,850		
Other			1,745,102		
Total Finance Cost				7,106,087	

**TOTAL COSTS****98,265,668****PROFIT**

**2102 BioPark, WGC - S2**  
**100% Private**

**(2,902,736)**

**Performance Measures**

Profit on Cost%	(2.95)%
Profit on GDV%	(3.04)%
Profit on NDV%	(3.04)%
Development Yield% (on Rent)	0.02%
Equivalent Yield% (Nominal)	7.00%
Equivalent Yield% (True)	7.32%
IRR	4.37%
Rent Cover	-150 yrs -8 mths
Profit Erosion (finance rate 6.750%)	N/A

2102 BioPark, WGC - S2  
100% Private

**Initial**  
**MRV**  
19,268

**2102 BioPark, WGC - S2**  
**100% Private**

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