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Review of 'Affordable Housing Statement'

Trocoll House, Wakering Road, Barking

Prepared for

BeFirst (London Borough of Barking & Dagenham)

June 2020



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1 Introduction and Terms of Reference

BeFirst (The London Borough of Barking & Dagenham) ('the Council') has commissioned BNP Paribas Real Estate to advise on a 'Financial Viability Assessment' dated October 2019 submitted by HEDC on behalf of Coplan Estate ('the Applicant') in relation to its development ('the Development') at Trocoll House, Wakering Road, Barking ('the Site').

The development comprises the redevelopment of the site to provide 198 private rented sector apartments and ground floor commercial accommodation fronting onto Wakering Road.

This report provides an independent assessment of the Applicant's viability assessment in order to advise the Council whether the Applicant's contention that the scheme cannot support more than 20% affordable housing is correct.

1.1 BNP Paribas Real Estate

BNP Paribas Real Estate is a leading firm of chartered surveyors, town planning and international property consultants. The practice offers an integrated service from nine offices in eight cities within the United Kingdom and over 180 offices, across 37 countries in Europe, Middle East, India and the United States of America, including 16 wholly owned and 21 alliances. In 2005, the firm expanded through the acquisition of eight offices of Chesterton and in 2007, the firm acquired the business of Fuller Peiser. We are a wholly owned subsidiary of BNP Paribas, which is the number one bank in France, the second largest bank in the Euro Zone and one of only six top rated banks worldwide.

BNP Paribas Real Estate has a wide ranging client base, acting for international companies and individuals, banks and financial institutions, private companies, public sector corporations, government departments, local authorities and registered providers ("RPs").

The full range of property services includes:

- Planning and development consultancy;
- Affordable housing consultancy;
- Valuation and real estate appraisal;
- Property investment;
- Agency and Brokerage;
- Property management;
- Building and project consultancy; and
- Corporate real estate consultancy.

This report has been prepared by Jamie Purvis MRICS, RICS Registered Valuer and reviewed by Anthony Lee MRTPI, MRICS, RICS Registered Valuer.

The Affordable Housing Consultancy of BNP Paribas Real Estate advises landowners, developers, local authorities and RPs on the provision of affordable housing.

In 2007, we were appointed by the Greater London Authority ("GLA") to review its 'Development Control Toolkit Model' (commonly referred to as the 'Three Dragons' model). This review included testing the validity of the Three Dragons' approach to appraising the value of residential and mixed use developments; reviewing the variables used in the model and advising on areas that required amendment in the re-worked toolkit and other available appraisal models and submitted our report in February 2012.

In addition, we were retained by Homes England ('HE') advise on better management of procurement of affordable housing through planning obligations.

The firm has extensive experience of advising landowners, developers, local authorities and RPs on the value of affordable housing and economically and socially sustainable residential developments.

1.2 Report Structure

This report is structured as follows:

Section two provides a brief description of the Development;

Section three describes the methodology that has been adopted;

Section four reviews the assumptions adopted by the Applicant, and where necessary, explains why alternative assumptions have been adopted in our appraisals;

Section five sets out the results of the appraisals;

Section six, we draw draft conclusions from the analysis and

Finally, **Section seven**, sets out our final conclusions.

1.3 The Status of our advice

This report is not a valuation and should not be relied upon as such. In accordance with PS1 (5.2) of the RICS Valuation – Professional Standards – Global Standards 2017 (the ‘Red Book’), the provision of VPS1 to VPS5 are not of mandatory application and accordingly this report should not be relied upon as a Red Book valuation.

In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

We are not aware of any conflicts of interest in relation to this assessment.

In preparing this report, no ‘performance-related’ or ‘contingent’ fees have been agreed.

This report is addressed to BeFirst and should not be reproduced without our prior consent.

2 Development Description

2.1 Site Location and Description

The site comprises a mixed use, 5 storey building constructed in the 1960s situated on the corner of Longbridge Road/Station Road and Waking Road adjacent to Barking Station. The ground floor comprises a Wetherspoon's pub and retail unit with serviced office accommodation on the upper floors. To the rear of the property is a car park.

2.2 Planning History

We have reviewed the Council's planning website and note that the Site was granted planning permission in February 2016 for:

“Demolition and redevelopment of car park site, erection of a part 4, 23 and 28-storey building and conversion of upper floors of Trocoll House from office use (B1), to provide 198 residential units and flexible commercial uses at ground floor level (Classes A1, A2, A3, B1 and/or D1)”.

This planning permission expired in February 2019.

2.3 The Proposed Development

The Applicant is seeking planning permission for the following:

“Demolition and redevelopment of existing building and car park site, erection of a part 4, 5, 23 and 28-storey building to provide 198 residential units, re-provision of the existing public house (Class A4) and new commercial floorspace at ground floor level (Use Class A3)”.

3 Methodology

The Applicant has submitted their appraisal using Argus Developer ('Argus').

We have used also Argus to appraise the development proposals. Argus is a commercially available development appraisal package in widespread use throughout the industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com.

This cash-flow approach allows the finance charges to be accurately calculated over the development/sales period. The difference between the total development value and total costs equates to either the profit (if the land cost has already been established) or the residual value. The model is normally set up to run over a development period from the date of the commencement of the project and is allowed to run until the project completion, when the development has been constructed and is occupied.

Essentially, such models all work on a similar basis:

- Firstly, the value of the completed development is assessed;
- Secondly, the development costs are calculated, using either the profit margin required or land costs (if, indeed, the land has already been purchased).

The difference between the total development value and total costs equates to either the profit (if the land cost has already been established) or the residual value.

The output of the appraisal is a Residual Land Value ('RLV'), which is then compared to an appropriate benchmark, often considered to be the Current Use Value ('CUV') of the site plus, where appropriate, a landowner's premium.

An Alternative Use Value ('AUV') may also constitute a reasonable benchmark figure where it is considered to be feasible in planning and commercial terms. Development convention and GLA guidance suggests that where a development proposal generates a RLV that is higher than the benchmark, it can be assessed as financially viable and likely to proceed. If the RLV generated by a development is lower than the benchmark, clearly a landowner would sell the site for existing or alternative use or might delay development until the RLV improves.

4 Review of Assumptions – January 2020

In this section, we review the assumptions adopted by the Applicant in their viability assessment.

4.1 Built to Rent Revenue

The Applicant's appraisal adopts build to rent revenue totalling £67.11m (c. £526 per sq/ft) comprising market build to rent revenue of c. £56.41m (c. £545 per sq/ft) and discount market rent of c. £10.70m (c. £445 per sq/ft).

In support of this revenue the Applicant has provided a breakdown of the average rents adopted for each unit type and tenure and we summarise these rents in tables 4.1.1 and 4.1.2

Table 4.1.1: Average Market Rents

Private rented units	Units	Average size m ² /ft ²	Average rent per month
1 Bed (1 person)	2	48 / 517	£1,269
1 Bed (2 person)	61	51.8 / 558	£1,358
2 Bed (3 person)	57	63.3 / 682	£1,512
2 Bed (4 person)	39	71.5 / 770	£1,629
Total / Averages	159	9,615 / 103,495	-

Table 4.1.2: Discount Market Rents

Private rented units	Units	Average size m ² /ft ²	Average rent per month
1 Bed (1 person)	8	43.4 / 467	£1,016
1 Bed (2 person)	12	51.1 / 550	£1,086
2 Bed (3 person)	14	63.6 / 685	£1,210
2 Bed (4 person)	5	76.8 / 827	£1,303
Total / Averages	39	11,871 / 127,774	-

In support of the market rents the Applicant has submitted the following statement:

“The average gross rents shown are derived partly from advice previously received by the applicant from GVA and other agents and partly on current advertised rents for similar good quality new build schemes in the local area (e.g. the Abbeville Apartments building at 37 London Road, operated by Grainger). The average rents shown are approximately 5% higher than those agreed in early 2018 by the Borough's own viability consultants Boyer as being reasonable estimates.

However, market information suggests that private rents have remained generally static over the intervening period. At the time of writing, Savills are advertising at £1,500 per calendar month a two bedroom apartment of 80.8 square metres on the fifteenth floor of a newly built development in Cambridge Road, which is very close to Trocoll House on the other side of the railway lines. A two bedroom flat of 69.8 square metres is currently advertised on-line at £1,500 PCM on the fourth floor of the Grainger development”.

Whilst the Applicant has had regard to previously agreed rents and a comparison to 2 apartments to rent currently available on the market, there is limited evidence in the immediate locality of current asking rents for BTR schemes other than Abbeville Apartments. We consider that the subject site will provide a superior product to Abbeville insofar that is located immediately adjacent to Barking Station and rises to 28 storeys. Given the limited BTR evidence in the locality and that we consider the subject scheme will be superior to Abbeville, we consider that it will achieve higher rents. However, it

is unclear the extent to which the subject site will achieve higher rents than Abbeville and we have modelled the scheme with a 5% and 10% increase to the gross rents adopted by the Applicant.

We summarise in Table 4.1.3 a summary of the rents increased by 5% and 10%.

Table 4.1.3: Average Market Rents (5% and 10% increase)

Private rented units	Units	Average size m2/ft2	Applicant's Average rent per week/month	5% increase	10% increase
1 Bed (1 person)	2	48 / 517	£1,269	£1,332	£1,466
1 Bed (2 person)	61	51.8 / 558	£1,358	£1,426	£1,568
2 Bed (3 person)	57	63.3 / 682	£1,512	£1,588	£1,746
2 Bed (4 person)	39	71.5 / 770	£1,629	£1,710	£1,881
Total / Averages	159	9,615 / 103,495	-	-	-

With regards to the discount market rents the Applicant has adopted a 20% discount to the market rents and we would welcome confirmation from the Council that this discount is appropriate. Pending receipt of confirmation from the Council we set out below a summary of the average discount market rents increased by 5% and 10%.

Table 4.1.2: Discount Market Rents (5% and 10% increase)

Private rented units	Units	Average size m2/ft2	Average rent per month	5% increase	10% increase
1 Bed (1 person)	8	43.4 / 467	£1,016	£1,067	£1,173
1 Bed (2 person)	12	51.1 / 550	£1,086	£1,140	£1,254
2 Bed (3 person)	14	63.6 / 685	£1,210	£1,271	£1,398
2 Bed (4 person)	5	76.8 / 827	£1,303	£1,368	£1,505
Total / Averages	39	11,871 / 127,774	-	-	-

The Applicant's viability provides the following additional information with regards to their adopted revenue assumptions:

"The viability appraisal assumes a deduction of 25% of the gross rent for landlord operating costs, including marketing and letting; concierge, security, cleaning and other staff costs; maintenance, renewals, utilities, insurance etc; and void periods/bad debts. This assumption of 25% as a percentage of gross rents is at the lower end of the range of typical operating costs. Limited information on operating costs is publicly available but Grainger's own initial estimate for the Abbeville Apartments was over 30% of the gross rents. Research published by agent JLL in September 2018 suggested average costs of 26.6% of gross rental income for a range of Build to Rent developments with an average of 130 apartments.

The net rental income is shown in the Argus appraisal as being capitalised at practical completion of the development at a yield of 3.75% based on 100% rental income. No deduction has been assumed for initial letting voids or for purchaser's costs. In practice it would take the operator time to attract tenants to the 198 apartments and to build up rental income. The yield of 3.75% is taken from general guidance published regularly by agent Knight Frank and is stated as being applicable to the sale of a "stabilised asset" i.e. one that has been let and in management for a period of time".

Based upon our own experience of appraising BTR schemes we do not consider that a 25% deduction for operational costs or a yield of 3.75% is unreasonable.

In summary, we have appraised the scheme with a 5% increase to rents which generates overall revenue of c. £70.48m (c. £553 per sq/ft) and a 10% increase which generates overall revenue of c. £77.53m (c. £608 per sq/ft).

4.2 Commercial Revenue

The scheme proposes a 3,347 sq ft commercial unit and the planning application seeks a range of potential uses including retail and employment uses. The Applicant has adopted a rent of £20 per sq ft with a 6 month rent free period capitalising the rental income at 6% to generate a capital value of c. £1.08m. We have considered the suggested rent and yield for this unit we have undertaken our own research and we do not consider that the Applicant's commercial revenue is unreasonable.

The Applicant has also included rental income for the new proposed public house which will be let to Wetherspoons at £0.075m capitalised at 5% which generates revenue of c. £1.41m. We have not been provided with any supporting information to support this rent per annum and we request that the Applicant provides further evidence.

4.3 Construction Costs

The Applicant's appraisal adopts construction costs of £58.01m (£293 per sq/ft) and in support of these costs the Applicant has submitted a cost plan prepared by Tower Eight dated September 2019. The Council has instructed Savile Brown to review the cost plan and we attach as Appendix 1 a copy of the cost review. In summary, Savile Brown have assessed the costs at c. £52.47m (£265 per sq/ft) and we have adopted this cost within our assessment.

4.4 Professional Fees

The Applicant has adopted a professional fee allowance of 10% and given the scale of the scheme, we do not consider that this is an unreasonable assumption.

4.5 Community Infrastructure Levy ('CIL')

The Applicant has adopted a Borough CIL payment of £1,030,292 in addition to a Mayoral CIL payment of £302,948 and we would welcome confirmation from the Council that this payment is correct.

4.6 Finance

The Applicant's appraisal adopts a finance rate of 6.5% and we do not consider that this finance rate is unreasonable as it falls within current day lending requirements.

Although a bank would not provide 100% of the funding required for the proposed Development it is convention to assume finance on all costs in order to reflect the opportunity cost (or in some cases the actual cost) of committing equity to the project.

4.7 Developer's Profit

The Applicant has adopted a profit on value of 12.5% on GDV for the BTR units, 15% on GDV for the Commercial uses and 6% for the affordable housing units. For the purpose of this assessment, the Applicant's profit thresholds are not unreasonable.

4.8 Sales, Marketing, Lettings & Disposal Fees

The Applicant has adopted the following costs.

Table 4.8.1: Marketing, Letting and Disposal Costs

Cost Heading	Cost
Commercial letting agent fee	10% of first year's rent

Cost Heading	Cost
Commercial letting legal fee	5% of first year's rent
Sales legal fee for BTR units & Commercial	0.25% of value
Sales Agent Fee (Commercial)	1% of GDV

For the purpose of this assessment, we do not consider that the Applicant's fees are unreasonable.

4.9 Project Programme

The Applicant's viability assessment adopts the following project programme.

Table 4.9.1: Project Programme

Project Event	Duration (months)
Site Purchase	1
Pre-Construction	6
Construction	27
Investment Sale (after practical completion)	1

Generally, given the scale of the scheme and close proximity to Barking Station on a constrained site, the project programme does not appear to be unreasonable.

4.10 Additional Costs

The Applicant has adopted a compensation cost of c. £0.50m which will be payable to Wetherspoon's which reflects terms agreed with the operator for the existing public house. The Applicant has not submitted any information to support the agreed terms and we request that the Applicant provides further confirmation of this compensation cost.

5 Appraisal Outputs

In this section, we consider the outputs of the appraisals and the implications for the provision of affordable housing at the proposed development and review the benchmark land value.

5.1 Viability Benchmark Site Value

The Applicant has made reference to a site value of £3.15m adopted in the Council's previous viability review undertaken by Boyer Planning in February 2019 which was based upon the existing use value of the site assuming a refurbishment of the building to a lettable standard.

We have previously assessed the viability of a previous planning application on behalf of the Council in 2015 in which the existing building was still subject to existing tenancies across all uses. In support of their site value, the Applicant submitted a valuation report prepared by Colliers which valued the site at c. £3.15m on the basis of the existing tenancies or at c. £2.3m on the basis of vacant possession. Our assessment subsequently adopted a site value of c. £2.3m.

However, we understand that the office element of the site is currently vacant and Applicant's planning statement which supports the current planning application dated October 2018 states:

"The use of the offices at Trocoll House are generally on a short term, flexible basis. The building comprises 18,000 sq ft of office space organised into individual offices ranging from 100 – 350 sq ft over four floors. Up to 70 occupiers can sign a flexible agreement with two month's notice to vacate the office.

The general pattern over recent years has been that approximately 20% of the office space is vacant. Due to the large number of small entrepreneurial start-ups, the risk is high and many companies have failed and end up in rent arrears. The current level of occupation is now significantly lower.

The building itself is approximately 50 years old and is no longer DDA compliant. The costs of repairs and maintenance have resulted in the company not breaking even since the start of 2009. These costs are rising each year and it would be unsustainable and unviable for Trocoll House to be used as offices in the future, as additional costs for replacing the windows (£350,000) and bringing it up to DDA compliant levels (£100,000) currently exceed the level of rent that can be charged.

In recent years, nearby subsidised local offices have further forced Trocoll House to drop its rents by 25%. As a result, in correlation with the expenses detailed above, running this business is unviable and can no longer be justified in combination with the high default risk".

Whilst the Applicant's proposed scheme appraisal generates a deficit, the significance of the benchmark land value to the Applicant's appraisal has minimal effect on the viability of the scheme. However, we would request that the Applicant's provides an updated site value benchmark to reflect the Site as it currently stands.

For the purpose of this initial draft report we have adopted the site value benchmark adopted in our 2015 assessment of c. £2.30m, however, we highlight that this value may be subject to revision upon receipt of the Applicant's updated site value benchmark.

5.2 Appraisal Results

We tabulate below the results of the Applicant's viability assessment.

Table 5.2.1: Applicant's Appraisal Results

Proposed Scheme Residual Land Value	Benchmark Site Value	Surplus/Deficit
c. - £9.92m	c. £3.15m	c. - £13.07m

In summary, the Applicant's proposed scheme appraisal generates a negative residual land value of c. £9.92m and when benchmarked against a site value of c. £3.15m the proposed scheme generates a deficit of c. £13.07m.

We tabulate in Tables 5.2.2 and 5.2.3 our appraisal results.

Table 5.2.2: BNPPRE Appraisal Results (5% increase to rents)

Proposed Scheme Residual Land Value	Benchmark Site Value	Surplus/Deficit
c. - £0.19m	c. £2.30m	c. - £2.49m

In summary, our proposed scheme appraisal with an increase of 5% to the rents generates a negative residual land value of c. £0.19m and when benchmarked against a site value of £2.30m the proposed scheme generates a deficit of c. £2.49m.

We have also modelled the scheme with a 10% increase to rents and we summarise our appraisal results in the table below.

Table 5.2.3: BNPPRE Appraisal Results (10% increase to rents)

Proposed Scheme Residual Land Value	Benchmark Site Value	Surplus/Deficit
c. £4.65m	c. £2.30m	c. £2.35m

In summary, our proposed scheme appraisal generates a residual land value of c. £4.65m and when benchmarked against a site value of £2.30m the proposed scheme generates a surplus of c. £2.35m.

6 Conclusion – January 2020

We have reviewed the Applicant's viability assessment, which seeks to demonstrate that the scheme cannot support more than 20% affordable housing as the scheme generates a deficit of c. £13.07m.

We have undertaken our own assessment of the scheme and we have modelled increases in rents of the BTR units of 5% and 10%. Our assessment of the scheme with a 5% rental increase generates a negative residual land value of c. £0.19m and when benchmarked against a site value of £2.30m the proposed scheme generates a deficit of c. £2.49m.

By contrast, our assessment of the scheme with a 10% rental increase generates a residual land value of c. £4.65m and when benchmarked against a site value of £2.30m the proposed scheme generates a surplus of c. £2.35m.

However, we would expect that the Applicant will wish to respond to our report as we have requested additional information, consequently, our initial conclusions may be subject to revision.

7 Final Conclusion – June 2020

Since issuing our draft report in January 2020, the Applicant has had further discussions with the GLA and has provided an updated viability response which was submitted to the GLA dated 30 April 2020. We make further comment under the headed sections below.

7.1 Build to Rent Revenue

In order to reach agreement with the GLA, the Applicant has increased rents of the 2 bed/3 person units to £1,560 and £1,700 for the 2 bed/4 person units which represents an increase of 3% and 4%. The Applicant has made reference again to 360 Barking, however, we understand that units currently being marketed for rent are not a build to rent product and will differ to the proposed scheme facilities. We have had regard to the Applicant's October 2019 Design and Access statement which states:

"Patrizia are committed to building communities within their developments and providing those residents with a generosity of space and level of amenity to retain them as long-term tenants. As an example of the quality of amenity offered to residents, images have been included from a previously completed project by Patrizia at The Forum in Birmingham, to showcase the successful, thriving community that has already been established since the projects completion in November 2018".

We have had regard to the website for 'The Forum' which provides an overview of the product and on the basis of the communal areas and facilities available at this scheme we consider that the proposed scheme will attract a premium in comparison to '360 Barking'. We have therefore maintained our appraisal modelling with a 5% and 10% increase from the Applicant's initial rents.

We have also adjusted our yield to 3.50% on the basis of CBRE's 'Market View Data (Multifamily Investment Q1 2020)' which makes reference to a yield of 3.50% for BTR schemes in zones 3 to 6.

7.2 Affordable Housing

We note that the GLA require 30% of the Applicant's offer of 20% affordable housing units to comprise London Living Rent. We have also modelled this requirement in our appraisal with the remaining units comprising discount market rent units (80% of market rents).

7.3 Construction Costs

Savile Brown have had further discussions with the Applicant's cost consultant and they have increased their construction costs to c. £55.02m. We also note that the Applicant has adopted the revised Savile Brown costs.

7.4 Additional Costs

The Applicant has confirmed that a payment towards fit out costs of the public house has been agreed with the tenant at £1.5m. We have also added this cost to our appraisal.

7.5 Benchmark Site Value

The Applicant has submitted a revised benchmark site value of c. £3.65m based upon an alternative use for the site which assumes a conversion of the first floor office accommodation to 30 apartments together with the existing use value of the existing public house.

We understand that the Applicant has not indicated any willingness previously to implement a permitted development scheme for the site and we have currently disregarded the Applicant's AUV scheme. Furthermore, the NPPG directs that the site's existing use value should be the starting point for consideration of a benchmark site value.

We have therefore adopted the site value of c. £2.3m that we adopted in our 2015 viability assessment. We understand that a value of £0.70m was agreed the car park was agreed with another viability consultant, however, we have not been provided with any detail to support this value.

7.6 Final Appraisal Results

We summarise below our final appraisal results.

Table 7.6.1: BNPPRE Appraisal Results (5% increase to rents)

Proposed Scheme Residual Land Value	Benchmark Site Value	Surplus/Deficit
c. - £0.44m	c. £2.30m	c. - £2.74m

In summary, our proposed scheme appraisal with an increase of 5% to the Applicant's initial rents generates a negative residual land value of c. £0.44m and when benchmarked against a site value of £2.30m the proposed scheme generates a deficit of c. £2.74m. We attach our appraisal as Appendix 4.

We have also modelled the scheme with a 10% increase to rents and we summarise our appraisal results in the table below.

Table 7.6.2: BNPPRE Appraisal Results (10% increase to rents)

Proposed Scheme Residual Land Value	Benchmark Site Value	Surplus/Deficit
c. £4.52m	c. £2.30m	c. £2.22m

In summary, our proposed scheme appraisal generates a residual land value of c. £4.52m and when benchmarked against a site value of c. £2.30m the proposed scheme generates a surplus of c. £2.22m. We attach our appraisal as Appendix 5.

We have converted this surplus to affordable housing using a blended rent (70% DMR & 30% LAR) of £14,191 per unit. In summary, the proposed scheme can support 35% affordable housing whilst still generating a surplus of c. £1.53m.

7.7 Sensitivity Analysis

We have also undertaken appraisal scenarios which assume that the proposed scheme is forward funded. The Applicant's approach assumes that the development is funded as if it were a traditional development (i.e. with a conventional approach to developer finance) and does not consider the potential for the scheme to be forward funded. We summarise in the tables below our appraisal results assuming that scheme is forward funded.

Table 7.7.1: Forward Funding Appraisal Results (5% increase to rents) & 30% Affordable Housing

Proposed Scheme Residual Land Value	Benchmark Site Value	Surplus/Deficit
c. £2.35m	c. £2.30m	c. £0.05m

In summary, our forward funding appraisal adopting a 5% increase to the rents generates a residual land value of c. £2.35m and when benchmarked against a site value of £2.30m the scheme can support 30% Affordable Housing and a surplus of c. £0.05m. We attach our appraisal as Appendix 6.

Table 7.7.2: Forward Funding Appraisal Results (10% increase to rents) & 35% Affordable Housing

Proposed Scheme Residual Land Value	Benchmark Site Value	Surplus/Deficit
c. £7.09m	c. £2.30m	c. £4.79m

In summary, our forward funding appraisal adopting a 10% increase to the rents generates a residual land value of c. £7.09m and when benchmarked against a site value of £2.30m the scheme can support 35% Affordable Housing. We attach our appraisal as Appendix 7.

7.8 Conclusion

In conclusion, we have produced our final appraisal results summarised above and the scheme can support 30% affordable housing when the Applicant's initial market rents are increased by 10%. We have also undertaken scenarios assuming that the scheme is forward funding and when this scenario is tested the scheme can support 30% affordable housing when rents are increased by 5% and 35% affordable housing when rents are increased by 10%.

Appendix 1 - Savile Brown Cost Review

Appendix 2 - January 2020 Proposed Scheme Appraisal (5% increase to rents)

Appendix 3 - January 2020 Proposed Scheme Appraisal (10% increase to rents)

Appendix 4 - June 2020 Proposed Scheme Appraisal (5% increase to rents)

Appendix 5 - June 2020 Proposed Scheme Appraisal (10% increase to rents)

Appendix 6 - Forward Funding Appraisal with 30% Affordable Housing (5% increase)

Appendix 7 - Forward Funding Appraisal with 35% Affordable Housing (10% increase)