

Appendix 13: Neighbour representations and officer responses

Objection/Support/Comment	Response
<p><u>Objection from resident of Rycroft Way N17</u></p> <p>The list below is not exhaustive but demonstrates why the development economics are challenged.</p> <p>Increases in finance costs because of rising interest rates. The Bank of England has increased the base rate of interest from 0.10% (November 2021) peaking at 5.25% between August 2023 and July 2024 before being recently revised to 4.5% (March 2025) increasing debt costs."</p> <p>When the planning application was made in January 2023 base rate was 3.5%- with clear national guidance that further rises were to come- Haringey council itself published in January 2023 advice that correctly forecast a peak of 5.25% in late 2023. The developer is responsible for its failure to do its own due diligence before submitting their application.</p> <p>"Increases in Bank of England interest rates and risk-free rates is also having detrimental impact on investment yields, resulting in reduced values for commercial or other 'living' investment uses such as student housing and BtR. As the yield on government bonds increases, the attractiveness of investing in commercial property, which in comparison is inherently riskier, reduces. This in turn increases the yields required by investors, reducing the revenue achievable for these uses."</p> <p>The yield required by investors being higher than they believe they can achieve is not an affordability issue and the expectation of a yield is a straight forward admittance that the scheme is viable, they would just prefer a higher return on their investment. In their own documentation the assumption of the yield for BtR is</p>	<p>The FVA has been independently assessed by financial viability consultants Carter Jonas and by the GLA's Viability Team who have both found that the proposal cannot support an affordable housing contribution.</p> <p>The applicant wishes to proceed and deliver the scheme on the basis that current market conditions will improve and the homes would begin to make a return for the developer in the future.</p>

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<p>4.15%, which is lower than the yield for commercial property, which is 7%.</p> <p>To quote Savills "UK BTR had a record-breaking year in 2024, with investment volumes exceeding £5 billion for the first time" Which would certainly be surprising considering the claims of a lack of access to capital or unaffordability within that sector. They in fact specify the current environment in the BtR investment is "A lack of opportunities relative to demand has created competition between lenders and applied downward pressure on pricing."</p> <p>"BtR Management Cost Inflation – increases in the cost of labour and energy has increased the cost of managing BtR schemes and reduced the gross to net efficiency on rental income."</p> <p>They don't provide a basis to support this claim in the determination of OPEx, They use figures from a recent Grainger PLC document that shows an improvement in their gross-to-net efficiency over 2024.</p> <p>When arriving at an appropriate yield they look to published works like Knight Frank yield guide, March 2025 produced below- Knight Frank yields are provided on a Net Initial Yield (NIY) - this is a calculation arrived at by comparing Net Operating Income to Gross Property Value. With costs like management, letting, maintenance, utility and voids costs etc deducted from the Gross profit to arrive at the Net Operating Income. However under the "sales, marketing and legal costs" they include the following costs- this is an line item with a figure attached but it would appear to be double counting OPEx costs (ie the cost of managing the units as they intend to) as disposal costs (ie the cost of theoretically selling the units in order to arrive at a valuation)</p>	

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<p>Letting Agent Fee – 10% (of 1st year's annual rental income) Letting Legal Fee – 5% (of 1st year's annual rental income)</p> <p>Which would reduce the Gross Development Value while increasing the costs.</p> <p>Also when calculating OPEX they use Grainger as a guide for the figure they arrive at being at the "latest full year results (December 2024) reported by Grainger PLC, the largest residential landlord in the UK, indicate an OPEX of 28.9% for their stabilised portfolio."</p> <p>Quoting directly from Grainger plc results announcement November 2024 - "Operating expenses continue to be improved with our 'gross to net' leakage down from 25.5% to 25%, a 75% gross rental margin. This margin is after refresh and refurbishment costs which are included in the 25%."</p> <p>Firstly they seem to have misquoted Grainger plc, claiming 28.9%, one of many basic errors in the document, indicating that the numbers used in the document have been repeatedly changed to suit the argument desired. It also highlights how the report can distort reality with small changes in baseline assumptions.</p> <p>Selecting a large mature portfolio which now requires both higher maintenance and which has been undertaking a refurbishment program and still has a OPex in decline is inappropriate to compare to a brand new properties OPex. A 5% drop in OPex would net a BtR valuation £7m higher than otherwise.</p> <p>The assumptions of rental yield of £25 per sq ft for high quality newly refurbished office space at a very well connected tube station is likely weighted by the current low rent of the property which considering the</p>	

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<p>long period of development in the area and uncertainty about this proposal is likely to be suppressed from market value. 40,0000 sq ft of office space incorporated into a new development with amenities is a very different proposal to Fountayne road, which is also proposed for development. 49A Oxford Road, N4 3EY at £39.50 and 17000 sq ft is a better example but being half a mile from Finsbury Park (2 stops away from Tottenham Hale) and isolated from any surrounding amenities like the emerging Berol Quarter it could still undersell the valuation “Conversely, rents in Tottenham Hale are closer to £30 per sq ft” this is referring to Tottenham Hale prices being lower than other areas surveyed, therefore approaching closer from above £30. Despite this office space is priced at £25 per sq foot</p> <p>For retail the two units it surveyed in Tottenham Hale, in the Berol Link are both shell and core and short leases, ie likely to be the absolute bottom that retail could achieve in the area and they both achieved £30 per sq ft- you would expect some premium above that for a standard lease with Category A finish.</p> <p>Most recent inflation figure for rent in London is 9.1% annualised, which is a drop from its high. The expected lead of 56 months is factored into the projected cost of borrowing. The applicant also relies on inflationary costs elsewhere in their report- with cost inflation considered a medium risk. Therefore to be balanced this should also be applied to their projection of income. Taking a conservative 4.5% figure and applying it cumulatively over the 56 months projected from start of project to capitalisation- 12 months pre-construction, 40 months construction, 4 months to capitalisation. Applying that to their assumed gross annual rent of £6,765,600 would project a</p>	

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<p>gross annual rent on capitalisation of £8,273,041. Resulting, all things being equal, in an net value of £140,243,003 for the BtR units. £26m higher than their current projection.</p> <p>It also makes an assumption that if BtR yields go up then this would have a negative impact on their viability but this assumption is illogical and again highlights how unrealistic the process is- they are the holder of the yield on this potential unit, not a potential buyer. If the overall market produces a larger net yield on the same investment than expected by an agent like Knight Frank when recommending potential marketable rates to their clients then they will profit from that trend. It's only if the yields specifically grow because of market uncertainty leading to a lack of potential buyers and therefore an upward pressure on yields demanded by buyers would they lose. In the current environment with BtR experiencing a booming market and London rent prices rising by 9.1% annually the former is more likely than the latter. As its own figures show a mere 10% increase in BtR rents erases much of the deficit.</p> <p>Having said all that, and taking the applicants figures at face value, the applicants documentation highlights that even with the proposed changes to BtV is still not meeting viability.</p> <p>“of the report demonstrate the RLV generated on a 100% private basis generates a negative land value“</p> <p>So what gain is there in making the change? Either way they are not changing the status of the project- it will still be “challenged financially” and couldn’t possibly be proceeding.</p>	
<u>Objection from resident of Bruce Castle Rd N17</u>	<p>Current market conditions mean that the development is unviable. This has been</p>

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<p>I object to any reduction in the level of social/affordable housing</p>	<p>independently tested by Carter Jonas and the GLA who concur with the findings of an FVA submitted by the applicant. The scheme cannot support any affordable housing contributions.</p> <p>The scheme would still deliver several public benefits including significant CIL contributions.</p>