

Assessment of Financial Viability

GLA Case Number:	2025/0371
Scheme Address:	Berol Quarter, N17 9LJ
Applicant:	Berol Quarter Limited
Local Planning Authority:	London Borough of Haringey
Date:	14 August 2025
Prepared by:	Luke Kon David Nip MRICS

1. Introduction

1.1 This document represents the position of the Greater London Authority's Viability Team in relation to the following viability submission made concerning the planning application on this site:

- *Financial Viability Assessment Berol Quarter, N17 9LJ* ("FVA") prepared by DS2 LLP ("DS2") on behalf of the Applicant, dated April 2025.
- *Review of Applicant's Financial Viability Assessment* ("FVA review") prepared by Carter Jonas on behalf of LB Haringey, dated July 2025

1.2 In this review, the GLA's Viability Team consider the extent to which the viability assessments submitted comply with the London Plan 2021 and Mayoral, National and Professional Guidance.

1.3 This report has been prepared to advise the GLA's Development Management Team and the Mayor of London, and is also provided to the LPA and Applicant. Relevant professional guidance has been taken into account, and this is confirmed in Section 12 of this report.

1.4 This document covers the following:

- Proposed development and affordable housing.
- Site and context.
- Form and methodology of the FVA and Review.
- Viability inputs
- Gross Development Value.
- Development Costs.
- Benchmark Land Value.
- Appraisal results and analysis.
- Overall comment and recommended next steps.
- Photographs and plans.

2. Non-Technical Summary

Scope of Report

- 2.1 This report constitutes a review of the *Financial Viability Assessment Berol Quarter, N17 9LJ* ("FVA"), prepared on behalf of the Applicant (Berol Quarter Limited) in relation to the planning application (GLA Reference: 2025/0371) at Berol Quarter, N17 9LJ within the London Borough of Haringey.
- 2.2 It also comments on the FVA review prepared by Carter Jonas (CJ).
- 2.3 The report considers whether the proposed affordable housing offer, as set out in the submission documents and the FVA, represents the maximum viable amount at the application stage.

Proposed development

- 2.4 The planning application seeks permission for the 210 residential units as a Build to Rent ("BTR") development, with retail space, office space, and amenity space associated with the BTR units.
- 2.5 The original development consented to 35% affordable housing by habitable room. The latest s73 application proposes to remove the affordable housing provision in its entirety.

Conclusions of the Report

- 2.6 The FVA concludes that the proposed scheme incorporating no affordable housing would produce a deficit of -£23,718,207 when the residual land value of -£12,747,164 is compared against a £10,971,043 Benchmark Land Value. DS2 conclude that the proposed scheme with 100% market unit is in deficit.
- 2.7 On behalf of the LPA, CJ reviewed the FVA and advised that the proposed scheme would produce a deficit of -£8,106,056 when the residual land value of -£169,556 is compared against a £7,936,500 Benchmark Land Value. CJ also concluded that the proposed 100% market unit scheme is in deficit.
- 2.8 There are a number of inputs/assumptions adopted in *the FVA* which the GLA disagree at this stage.

These include:

- BTR operating costs
- BTR rent levels
- Interim rents
- Purchasers' costs
- Benchmark Land Value

- 2.9 The GLA has identified the following additional items of information that should be provided:

- Explanation as to how the scheme with a significant deficit (as modelled in the FVA) can be delivered by the Applicant or another developer.
- As above, a sense-checking exercise should cross-check the viability assessment's outcome and ensure its robustness.
- Cultural space – the FVA assume the cultural space to be let at 80% of retail market space with a 3 year rent free period. The Council should confirm whether this is supported in planning terms and whether the rental discount and the rent-free period would be secured by the s106 agreement
- CIL and S106 Contributions – we request verification of the CIL liability and S106 contributions.
- Development Programme – We seek further clarification on the 40-month construction period for the BTR block.
- Clarification on Delivery Model—The FVA does not confirm whether the BTR scheme will be sold or retained after completion. We request clarification on whether a forward funding model is being pursued and recommend an additional appraisal reflecting this scenario.

3. Proposed Development and Affordable Housing

3.1 The proposed scheme (LPA Ref: HGY/2025/0930) is described as follows:

“Application made under Section 73 of the Town and Country Planning Act 1990 to vary Condition 2 (Approved Plans and Documents) attached to planning permission HGY/2023/0261 granted 03/03/2025. Permission is sought to alter the approved drawings to show inward opening doors at the roof level of 2 Berol Yard instead of the permitted glass panels. Permission is also sought to alter the permitted level of affordable housing.”

3.2 The proposed scheme comprises 603sqm (GIA) of Class E accommodation, which is expected to comprise retail uses at ground floor level and 160.2sqm (GIA) of community space at first floor level. It will comprise 210 homes on floors 1 to 29 with associated amenity space.

3.3 The existing Berol House will be refurbished and extended to provide 5,491sqm of Class E commercial floorspace.

Residential accommodation schedule

Units	Habitable rooms	Floorspace NIA (sq ft)
210	428	153,514

3.4 Non-residential accommodation schedule

Site	Use	Floorspace NIA (sq ft)
Berol Yard	Retail	6,487
	Cultural	1,724
Berol House	Office	40,009
	Retail	4,844

3.5 The proposed scheme would provide amenity space on three levels: a podium garden at level 2, a residential amenity space at level 1, and a rooftop garden at level 18.

Affordable housing

3.6 The proposed scheme does not include affordable housing. This s73 application proposes to remove the 35% affordable housing secured in the original consent granted in March 2025.

4. Site and Context

4.1 The site is located in Tottenham Hale, within the London Borough of Haringey. It forms part of the Ashley Road South Masterplan (ARSM).

4.2 The site area is 0.6 hectares. 2 Berol Yard is a vacant plot, most recently used as a construction site for neighbouring development and temporary car parking. Part of the car park is currently being utilised to construct the One Ashley Road scheme south of the site.

4.3 Berol House is a three-story locally listed building. It was built in the early 1900s and completed by 1913. It is made of yellow stock brick and red brick. The building was a former pencil factory owned by the Berol Company, which produced the famous Berol pencil at the site. Currently, Berol House is used as a serviced office building.

4.4 The surrounding area has a frontage onto both Ashley Road and Watermead Way. The site is bounded north by Gessner house and south by 1 Ashley Road, another BTR development.

4.5 The site has a PTAL rating of 5-6a, indicating excellent public transport accessibility. Tottenham Hale Underground Station is 180m from the site. The site is also within close proximity of Tottenham Hale Bus Station, which is served by eight regular services to Archway Station, Bank, Waterloo, Wood Green, Enfield, Walthamstow, Trafalgar Square, Victoria Bus Station and Kings Cross.

4.6 The site is not located within a Conservation Area, and there are no listed buildings within or near the site. Berol House, located in the centre of the site on Ashley Road, is a locally listed building that will be retained and refurbished as part of these development proposals.

4.7 The site is located in Flood Zone 2, indicating a moderate probability of flooding.

4.8 With respect to the site's most relevant planning history:

- **HGY/2017/2044**

This was the original hybrid planning application for Berol Yard. It proposed:

- Full permission for demolition (excluding Berol House) and construction of two buildings (8–14 storeys) with 166 Build to Rent homes, 891 sqm of commercial space, and 7,275 sqm of education floorspace.
- Outline permission for the conversion and extension of Berol House to provide up to 3,685 sqm of commercial space and 18 residential units.
-

Approved in 2018, this scheme was seen as a key part of Tottenham Hale's regeneration, with early and late-stage viability reviews secured and a minimum 35% affordable housing commitment if the college use was dropped.

- **HGY/2020/0080**

This was a Reserved Matters application tied to the outline element of the 2017 permission. It focused on:

- The detailed design, layout, and access for the conversion and extension of Berol House, delivering 3,366 sqm of commercial space and 18 homes.

It was approved in 2020, allowing the Berol House element to move forward with more certainty.

- **Subsequent s96A application**

This is a non-material amendment (HGY/2020/1292) under Section 96A, which:

- Added a condition relating to external materials for Berol House, refining the design control without altering the scheme's substance

- **HGY/2023/0261**

Planning application for the wider Berol Quarter site, submitted after the college proposal fell through. It proposes:

- Refurbishment and extension of Berol House for commercial use (Class E).
- Redevelopment of 2 Berol Yard with 210 Build to Rent homes, 35% affordable (London Living Rent and Discount Market Rent), and ~2,900 sqm uplift in commercial space.
- Public realm improvements, landscaping, and enabling works for a future bridge over Watermead Way.

Approved in March 2025, this scheme reflects a shift from education to residential-led mixed use, while retaining the heritage asset.

- **Section 73 (HGY/2023/0241)**

This s73 application was submitted to remove reference to the phases of the Berol Yard development that are no longer intended to be delivered. This will enable the new planning application submitted at the site to be delivered as a standalone permission.

According to the Council's website, this application is still under consideration.

5. Form and Methodology of the FVA

- 5.1 DS2's assessment adopts a target profit as a fixed input, producing a Residual Land Value which is then compared with a Benchmark Land Value. The RLV is calculated as -£12,747,164, not including the BLV.
- 5.2 CJ has taken a similar approach to DS2 in their FVA review.

Delivery model

- 5.3 DS2's model assumes a 4-month stabilisation period for the appraisal. It is stated that the stabilised yield is applied to the net operating income at the end of the initial leasing period.

6. Viability Inputs

Gross Development Value

Residential Value: OMR Build-to-Rent

6.1 The proposed scheme comprises 210 units.

6.2 DS2 have conducted a market analysis and identified comparable BTR schemes in the vicinity of the site to inform the inputs in the FVA.

6.3 The FVA adopts a gross annual rent value of £6,765,600, reflecting an average rental value of £44 per sq. ft:

DS2 values

Unit Type	No. of Units	Rent			Average Size	
		£pcm	£pcw	£psf	Sq. Ft.	Sq. M.
Studio	21	£2,000	£462	£49	490	46
1b2p	47	£2,400	£554	£51	568	53
2b3p	24	£2,600	£600	£43	719	67
2b4p	90	£2,800	£646	£43	775	72
3b5p	17	£3,300	£762	£37	1,063	99
3b6p	11	£3,500	£808	£40	1,045	97
TOTAL	210	£2,685	£620	£44	731	68

6.4 Below is a summary of the comparable used by DS2 in their report, followed by a table summarising the average rental value for all unit mixes.

6.5 **The Gessner:** the Gessner is in close proximity to the site and benefits from similar access to public transport and off-site amenities. The scheme provides 158 units. Onsite amenities include communal gardens, concierge, cycle storage, gym, private dining room, co-working area, rooftop terrace, and BBQ areas. There is also a 24-hour concierge and an events programme—these are broadly comparable to the subject scheme. We expect the subject scheme to attract rents similar to those of this development. Rents advertised on the website: www.wayoflife.com shows the following (Aug 2025):

- Studios from £2,030 to £2,050 (471sqft to 535sqft) – average £48psf
- 1-beds from £2,355 to £2,555 (589sqft to 663sqft) – average £47psf
- 2-beds from £2,750 to £3,015 (798sqft to 916sqft) – average £40psf
- 3-bed from £3,840 to £3,940 (1079sqft) – average £43psf

6.6 **The Sessile:** The Sessile is located adjacent to the subject site and shares similar access to public transport and local amenities. The scheme provides 308 units. Amenities include communal gardens, concierge, cycle storage, gym, private dining room, co-working area, roof terrace, and a 24-hour concierge and events programme. These are broadly comparable to the subject scheme. We expect the subject scheme to

attract rents similar to those of this development. Rents advertised on the website: www.wayoflife.com shows the following (Aug 2025):

- 1-beds from £2,390 to £2,640 (532sqft to 670sqft) – average £50psf
- 2-beds from £2,660 to £3,230 (722sqft to 920sqft) – average £43psf
- 3-bed from £3,430 to £4,000 (937 to 1,057sqft) – average £45psf

6.7 **1 Ashley Road:** 1 Ashley Road is in close proximity to the site and benefits from similar access to public transport and off-site amenities. The scheme provides 183 units. Amenities include a residents' lounge, podium garden, fifth-floor roof terrace, and a 24-hour concierge and events programme. These are broadly comparable to the subject scheme. We expect the subject scheme to attract rents similar to those of this development. The only rental information we have gathered (apart from what was reported in the FVA) is a 3-bed property asking for £3,600pm (<https://www.rightmove.co.uk/properties/165473384> - 12 Aug 2025)

6.8 **Equipment Works:** Equipment Works is located near Blackhorse Road in Walthamstow. While it has good access to public transport, the off-site amenity is considered slightly inferior to the subject site. The scheme provides 257 units. Amenities include co-working space, residents' lounge and kitchen, concierge, gym, terrace, screening room, games area, meeting rooms, a courtyard, resident events, car parking (at additional cost), and on-site maintenance. These are broadly comparable to the subject scheme. We expect the subject scheme to attract rents similar to those of this development. Rents advertised on the website: www.ilivearound.com shows the following (Aug 2025):

- Studio from £1,975 (434sqft) – average £54psf
- 1-beds from £2,100 to £2,690 (554sqft to 717sqft) – average £45psf
- 2-beds from £2,750 to £2,970 (767sqft to 923sqft) - average £40psf
- 3-bed at £3,265 to £3,380 (977sqft to 1,015sqft) – average £40psf

6.9 **Blackhorse Mills:** Blackhorse Mills is also located near Blackhorse Road in Walthamstow. It has good access to public transport, but the off-site amenity is considered slightly inferior to the subject site. The scheme provides 479 units. Amenities include a gym and yoga studio, rooftop terrace, tennis court, outdoor swimming pool, games room, concierge, residents' lounge, co-working space, and private dining room. These are broadly comparable to the subject scheme. We expect the subject scheme to attract rents similar to those of this development. Rents advertised on Molior (Oct 2024):

- 1-beds from £2,061 to £2,341.
- 2-beds from £2,753 to £2,824.
- The gross annual average is £47 psf

6.10 **Windlass Apartments:** Windlass Apartments is located approximately 440m east of the subject site. It has slightly reduced access to public transport and off-site amenities compared to the subject site. The scheme provides 173 units. Amenities include a residents' lounge, gym, private dining room, and cycle storage. These are slightly inferior to the subject scheme. We would expect the subject scheme to attract higher rents than this development. Rents advertised on Molior (Oct 2024):

- 1-beds from £2,065 to £2,130.
- 2-beds from £2,560 to £2,625.
- 3-beds from £3,480 to £3,500.
- The gross annual average is £41 psf

6.11 CJ have reviewed the BTR values and stated that the asking rents in the comparable evidence range from £41psf to £47psf, with the majority clustering between £45-£47psf. CJ concluded that the evidence is representative of current market conditions and do not take issue with the rents adopted in the FVA.

6.12 Regeneration Premium: As the subject site is one of the last plots to come forward in the masterplan, GLAVT would estimate an uplift of 5% to the rents to reflect the placemaking and public realms improvement works in comparison to the current day asking rents.

6.13 Therefore, the GLAVT consider the following rates to reflect the current rental values achievable for the subject scheme:

GLAVT comments – BTR values

Unit Type	No. of Units	Rent			Average Size	
		£pcm	£pcw	£psf	Sq. Ft.	Sq. M.
Studio	21	£2,100	£484	£51.42	490	46
1b2p	47	£2,520	£582	£53.24	568	53
2b3p	24	£2,730	£630	£45.56	719	67
2b4p	90	£2,940	£678	£45.52	775	72
3b5p	17	£3,465	£799	£39.12	1,063	99
3b6p	11	£3,675	£848	£42.20	1,045	97
TOTAL	210	£2,819	£650	£46.28	731	68

The above results in a gross annual rent of £7,103,880 for the BTR units, reflecting an average rate of £46.28psf, which is within the range of the average rental values of the comparable evidence within the area. We have adopted this in our appraisal.

Operating Costs

6.14 DS2 have assumed a 25% reduction in gross rental income to cover the operating costs (OPEX) of the scheme. This is equivalent to £8,054 per unit per annum. No evidence has been provided in the FVA to support the assumption, apart from the reference to Grainger's report on 28.9% OPEX in the full year results (conversely, GLA officers have cited a report of 25% OPEX for Grainger in another scheme at Elephant West).

6.15 CJ have assumed an allowance of 22.5% on OPEX, stating that the assumed costs over £8,000 per unit appear high and advised that they typically expect operating costs in the range of £5,500-£7,000 per unit.

6.16 The following schemes were referenced in CJ's FVA review:

- The Waitrose, Bromley South (353 units) BTR scheme reflected an OPEX of £5,830 per unit.
- The Waitrose, West Ealing (428 units) scheme reflected an OPEX of £5,680 per unit.
- A 228-unit mixed-use BTR scheme on Sedgemere Road, Abbey Wood (SE2) was agreed at a 22.5% operating cost.
- The Broad Street Mall development, where DS2 acted as viability advisor, applied the same 22.5%.

6.17 GLA officers have reviewed the proposed BTR scheme and understand from the submitted drawings that it contains the following amenities:

- Level 01 – Residential Amenity - 165.5sqm
- Level 02 – Podium Garden
- Level 18 – Communal Terrace

6.18 It is noted that the proposed development comprises some residential amenities at Level 01; however, the details of the amenities are not available, and it is not considered to be an extensive level of amenities, which would warrant a significant amount of additional operational expenses.

6.19 Whilst OPEX costs can be accounted for as a proportion of a scheme's rental income, the level of OPEX that a scheme incurs may not necessarily rise linearly as rent increases.

6.20 Having cross-checked the % of OPEX in monetary terms and having regard to the other BTR schemes reported by CJ, it is considered that an allowance of £6,750 per unit, which is equivalent to 20%, would be appropriate. We have adopted this in our appraisal. If the Applicant disagrees and considers that different assumptions should be made, they should provide evidence to demonstrate that an OPEX exceeding £8,000 per unit per annum is required for this development.

Residential: BTR Investment Yield

6.21 DS2 adopted a yield of 4.15% for the BTR component. It is stated that there is an absence of directly comparable transaction evidence to inform the yield assumption. They referenced the Residential Investment Yield Sheets from CBRE and Knight Frank.

6.22 CJ adopted the same yield and commented that it broadly reflects the current market expectations, taking into account the delivery structure proposed.

6.23 Given the site's well-connected Zone 3 location and high-quality amenities, these factors support a prime yield.

6.24 As one of the final developments to be delivered within the wider Ashley Road South regeneration area, the Berol Quarter benefits from the established success of neighbouring schemes, many of which are already well-occupied. This proven market performance reduces perceived investment risk, enabling investors to accept lower yield thresholds, thereby supporting higher capital values for the scheme.

6.25 In conclusion, GLAVT considers a 4.15% yield is not unreasonable for this location.

6.26 It is noted that CJ have tested lower yields as sensitivity testing, and commented that the reduction of interest rates means further yield compressions are possible in the future. This should be taken into account, as small changes to the investment yield could significantly affect the outputs.

6.27 The yield evidence the parties have relied on is based on net initial yields for stabilised assets. However, BTR developments are often delivered via a forward-funded model.

6.28 To further sense check the output of the FVA appraisal and the deliverability of the scheme, the GLAVT have produced a forward funding scenario appraisal based on a weaker yield (by 50 basis points – 4.65%) to cross-check the appraisal outputs based on the stabilised approach.

Interim income

6.29 DS2 did not assume any income from the BTR component during the letting period leading up to stabilisation.

6.30 CJ have assumed an income allowance of £1,747,788 to reflect the four-month interim income based on the stabilisation period assumed.

6.31 CJ's approach is considered reasonable in reflecting the additional income leading up to stabilisation. GLA officers have profiled the income based on the assumed letting rate across the four months, resulting in a lower income level of £1,184,661, which is included in our stabilised appraisal.

6.32 If the scheme is appraised based on a forward funding scenario, then this interim income should not be assumed, as the site's transaction would occur prior to or at completion.

Commercial Values

6.33 Both Berol Yard (BTR tower) and Berol House (office building) contain non-residential uses:

Site	Use	Floorspace NIA (sq ft)
Berol Yard	Retail	6,487 sqft
	Cultural	1,724 sqft
Berol House	Office	40,009 sqft
	Retail	4,844 sqft

Retail

6.34 The proposed scheme includes 11,331 sq ft (NIA) of retail space, split between 4,844 sq ft at Berol House and 6,487sq ft at Berol Yard.

6.35 DS2 adopted a rent of £30psf based on the four comparable letting evidence within the local areas in Tottenham and Walthamstow.

6.36 CJ have adopted the same rental allowance in their appraisal.

6.37 The GLAVT consider this to be an appropriate rental assumption.

6.38 In terms of investment yield, the Applicant has referenced two reports produced by Knight Frank and CBRE on high street retail conditions, with a range of prime yields between 6.5 and 6.75%. In addition, the same reports refer to Good Secondary yields at 10% and 9% respectively.

6.39 The Applicant has adopted a yield of 7% for retail use and has been advised that the proposed retail space is located on the ground floor and mezzanine within a comprehensive mixed-use development. However, upon review of the proposed drawings, it is noted that the mezzanine level does not contain any retail floorspace, and all the retail areas are on the ground floor.

6.40 CJ have also adopted a 7% yield in their appraisal.

6.41 Given the site location and its close proximity to Tottenham Hale rail and underground station, it is considered that the proposed retail units would attract good levels of footfall and investment. It is therefore considered that the 7% yield adopted is likely to be at the higher end of the range of yields which can be achieved in this location. We have adopted the same yield assumption in our appraisal.

Office

6.42 The proposed development includes 40,009 sq ft (NIA) of office space. The Applicant has adopted a total annual rent of £1,000,000, which is equivalent to £25 per sq ft.

6.43 CJ have reviewed the FVA and adopted a higher rental assumption at £27.50psf. The following comparable evidence was referenced:

- Stamford Works N16 – ranged from £25.23psf to £29.16psf
- Parkhaus E5 – £29.82psf
- Andre Street E8 - £21.29psf
- Bonsoir House N16 - £20.15psf

6.44 It is noted that the comparables above vary in terms of quality and location (i.e., proximity to high street locations). CJ commented that the proposed commercial units would be superior to the comparable units above due to their new-build or refurbished quality. They also benefited from enhanced placemaking (as we commented on the BTR value section above), footfall, and long-term appeal. They also commented on the site's strong connectivity with the Tottenham Hale rail and underground station and the emerging residential clusters within the masterplan development.

6.45 Overall, it is considered that the rent adopted £27.50psf by CJ is more reasonable and even that is slightly conservative. We have adopted this in our appraisal.

6.46 In terms of the office yield, DS2 have referenced Knight Frank's Investment Yield Guide (February 2025), which reports yields for office major regional cities (10 years) are 6.5% (5 years are 7.5%). Knight Frank's Investment Yield Guide (May 2025) shows London City Prime at 5.25% to 5.5%.

6.47 The Applicant has also referenced CBRE's Property investment yields (February 2025), which present yields for regional cities of 6.5% and 5.75% for the City of London.

6.48 The GLAVT has checked these yields against Savills UK Commercial – Market in minutes June 2025, which shows Provincial offices at 6.75% and City offices at 5.25% for prime equivalent yields.

6.49 DS2 have adopted a yield of 6%, noting that the site is in a non-central London location. CJ also adopted the same yield in their appraisal.

6.50 The GLAVT finds this assumption to be reasonable.

6.51 The Applicant has assumed a 12-month rent-free period and a six-month void. The commercial element is assumed to capitalise upon the expiry of the void period.

Cultural

6.52 The proposed development includes a total of 1,724 sq ft (NIA) cultural space. The Applicant's FVA assumed letting the cultural space at 80% of retail market space, equating to £24 per sq ft and 3 year rent period is adopted. The rent-free period is understood to be included in the terms of the S106 agreement.

6.53 It is unclear whether this approach is supported by planning policy and the Council as a provision of affordable workspace. The Council should confirm whether this is supported in planning terms and whether the rental discount and the rent-free period (i.e. unit to be let at peppercorn rate for a fixed period of time) would be secured by the s106 agreement.

Purchaser's costs

6.54 DS2 have adopted an allowance of 6.80% for both residential and commercial elements for purchasers' costs.

6.55 CJ assumed 6.8% in their appraisal but have also tested a reduced purchase's cost at 3% to reflect potential savings on SDLT through usage of Special Purpose Vehicles to facilitate the BTR transactions. Given this can results in savings of SDLT, it would be reasonable to assume that the developers would opt for this in order to be tax efficient.

6.56 Therefore, we consider that a 3% allowance would be more reasonable for the BTR component and 6.8% for the commercial. We have adopted these assumptions in our appraisal.

Development Costs

Construction costs

6.57 The construction costs for the proposed scheme have been advised by the Applicant's cost consultant, Calfordseaden.

6.58 The Calfordseaden cost plan dated February 2025 is included as an appendix to the Berol Yard FVA report and sets out a total construction cost of £92,587,0468 exclusive of contingency, reflecting a cost per sq. ft of £280.14 on the proposed scheme's total GIA. This is split as £74,608,800 for 2 Berol Yard and £16,978,668 for Berol House.

6.59 CJ instructed Johnson Associates to review the FVA cost plan, and they concluded that the following costs to be reasonable for the proposed development:

- Berol Yard: £71,007,274 (reduction of £1,224,263)
- Berol House: £15,778,960 (reduction of £703,183)
- Total: £86,786,234 (average £265.44psf)

6.60 GLAVT has adopted the same construction costs suggested by Johnson Associate in their review of the Applicant's build cost.

Professional fees

6.61 Professional fees of 10% of the total construction costs have been adopted in the FVA.

6.62 CJ have adopted a lower allowance of 8% and advised that professional fees typically range from 8-10% of build costs, depending on the complexity of the proposals. They further commented that on a scheme of this scale and characteristics, and in the absence of a detailed breakdown, a reduced 8% allowance was adopted in their appraisal.

6.63 It is considered that a professional fees allowance of 10% of total construction costs is generally reasonable for the proposed scheme, and such an assumption is in line with professional fee allowances adopted in appraisals of similar schemes reviewed by the GLA Viability Team, given the programme assumptions and retrofit of the locally listed building. However, with regard to the CJ's comments and the fact that the FVA is showing a significantly unviable scheme (with no affordable housing), it would be reasonable to test the outturn of the appraisal at 8%.

6.64 We have adopted a 10% allowance in our appraisal, but we reserve the opportunity to review our position once the Applicant provides further information.

Finance

6.65 A debit rate of 7% has been adopted in the FVA. This is an all-in rate, includes the basic margin (4-5%), commitment fees, arrangement fees (2-3%) and exit fees (0.5-1%) as well as a bank management/monitoring costs.

6.66 CJ have also adopted the same rate. This is equivalent to 10.4% of the total costs.

6.67 Whilst the 7% rate is not considered to be exceedingly high, it is considered that a debit rate of 6.5% would be more in line with comparable schemes referred to the Mayor, particularly it is noted that the BoE base rate has been reduced by 50 basis point since April 2025 (from 4.5% to 4%) and further reductions are likely.

6.68 As mentioned above, the scheme should also be tested in a forward funded basis to sense check the level of finance costs required for the proposal.

Community Infrastructure Levy and Financial Section 106 Planning Obligations

6.69 The FVA includes £2,702,822 of LB Haringey CIL and £1,772,914 of MCIL2 as development costs in the appraisal.

6.70 In addition, the FVA includes £2,648,750 of financial S106 contributions.

6.71 The CIL liability and total financial S106 contributions should be checked and verified by the LPA.

6.72 It would be useful to understand the increase in CIL liability from the extant 35% scheme to the proposed 0% scheme, as the increase in CIL rate (due to the increase in the number of market units) is circular and negatively affects the viability of the scheme and provision of affordable housing.

Marketing, letting and disposal fees

6.73 The following table sets out the marketing, letting and disposal fee allowances adopted in the FVA:

Commercial Marketing Fees	£1.50 per sq ft (of commercial NIA)
Residential: BTR Marketing Fees	1% of GDV (£1,222,699)
Letting Agent Fees - Commercial	10% of annual rent (of 1 st year's annual rental income)
Letting Legal Fees - Commercial	5% of annual rent (of 1 st year's annual rental income)
Sales Agent Fee (BTR)	0.5% (of BTR NDV)
Commercial: Sales Agent Fees	1% of Commercial NDV
Commercial: Sales Legal Fees	0.5% of Commercial NDV
Sales Legal Fee (BTR)	0.25% (of BTR NDV)

6.74 CJ have agreed with most of the assumptions above except the BTR marketing costs. The marketing of the BTR units is typically reflected as a revenue expense during the operational phase of the development. This is agreed by GLA officers and we have also excluded BTR marketing costs in our appraisal.

Profit

6.75 The profit allowances adopted by DS2 in their FVA are set out in the table below:

Type of Development	Percentage of GDV
	FVA
Market Housing	12.5%
Commercial	15%
Cultural	15%

6.76 It is considered that the developer's profit for market housing should be no greater than 12.5% of market housing GDV for BTR.

6.77 With respect to the proposed commercial element, it is considered that the adopted developer's profit of 15% on commercial GDV is a reasonable assumption.

6.78 It is questioned whether the cultural spaces would require the same target profit rate as the commercial units. Neither DS2 nor CJ have provided commentary on this, and it should be clarified.

Development Programme

6.79 The FVA has assumed a 12-month pre-construction period to prepare the site for development. The 'lead-in' period includes a three-month allowance for gateway 2 and a nine-month allowance for:

- Signing of s106 agreement (GLA comments: this is normally signed before the determination of the application)
- Vacant possession of the site
- Expiration of the Judicial Review period
- Discharge of pre-commencement conditions
- Main contractor procurement
- Tender period for building contract packages and
- Securing development funding.

6.80 A 40-month construction programme for Berol Yard, as advised by the Applicant, and an 18-month construction programme for Berol House.

6.81 CJ adopted the same development programme but requested further information on the Berol Yard construction period.

6.82 Similar to CJ, we request that the Applicant should provide further details on the length of programme, particularly regarding the construction period for the Berol Yard block. We have adopted the FVA's programme in our appraisal, but we reserve the right to review this once further information have been provided.

6.83 The Gateway 3 period is assumed to be 14 weeks and coincides with the BTR let-up period.

6.84 As outlined previously in this report, it is considered that an assumption of a letting rate of 60 units per month post-practical completion would be reasonable for the proposed scheme.

7. Benchmark Land Value

7.1 The FVA adopts £10,971,043 Benchmark Land Value ('BLV') for the subject site and compares this against the residual land value generated by the proposed scheme to ascertain viability. This is established using the Existing Use Value ('EUV') approach, and it has been compared against the Residual Land Value ('RLV') generated by the proposed scheme to ascertain the viability position.

7.2 CJ adopted a lower BLV at £7,936,500.

7.3 As set out in section 2 above, the proposed amendments under this application are based on the original approval in March 2025, which is the same development that includes 35% affordable housing. The scope of this s73 application is to assess the difference between the approved development and the latest proposal without compliance with the conditions attached the original development, therefore, it would be appropriate to assess the Benchmark Land Value of the site based on the extant consent, which is the development approved under HGY/2023/0261, on the basis of an Alternative Use Value.

7.4 Notwithstanding the above, we have reviewed the EUV assessments carried out by DS2.

EUV assessment - office

7.5 The site comprises Berol house, which is an existing office building comprising 27,900 sq. ft NIA. According to the FVA, the building is currently let to 82%. The existing tenancy is unknown (appendix 5 of the FVA was not included in the document that we received), but DS2 reported that the passing rent is £438,399 per annum. This produces an average existing income of £15.71psf.

7.6 DS2 have provided a number of office letting comparable which ranges from £15.00- £39.50psf. DS2 commented that most of the evidence are historic and there are little comparable evidence in the last 24 months. GLA officers agree with this observation based on our own research.

7.7 DS2 are of the opinion that the rents at the subject site would be higher than Champness Close (2,530 sqft, £15psf) as it was let in shell and core. It is worth noting that Champness Close is substantially smaller than the subject site in size. In fact, most of the comparable evidence is significantly smaller than the subject site (27,900sqft). One of the sites on Oxford Road (N4) is relatively large (16,619sqft) but is a new office and not considered to be directly comparable to the existing building on the subject site.

7.8 DS2 also noted that a unit at the subject property was let at £19.50psf and therefore assumed this rate can be achieved across the whole building based on its existing condition, on a five-year lease basis.

7.9 In terms of investment yield, six properties were referenced with transactions dated in 2022-23 at sale prices range from £1.75m - £9.15m. On an average £psf, the evidence range from £289psf - £540psf. There is no commentary provided in the FVA on whether the transacted sites have any scope for redevelopment or refurbishment which would not reflect the EUV of the site.

7.10 DS2 adopted a term (unexpired 2.9 years) and reversion yield at 6.5% and 6.75% respectively. This produces a net value of c.£7.85m and an average value of £281psf.

7.11 CJ agreed with the level of rents at £19.50psf but considered that the adopted yields at 6.5% and 6.75% appear overly optimistic given the asset's dated condition, lease profile and physical limitations. They advised a yield (also term and reversion) at 7.0% and 7.5% would be more appropriate.

EUV assessment - Open storage

7.12 For the Berol Yard site, DS2 have assumed that it can be used as an open storage.

7.13 DS2 have referenced a number of open storage asking and achieved rents comparable, which range from £4.29-£14.00 psf.

7.14 DS2 adopted a rent of £6.50psf and applied this rate across the whole site, assuming it is 100% lettable.

7.15 In terms of investment yield, DS2 referenced the Carter Jonas report in 2024, showing prime yields of 5.4% for London. They quoted Knight Frank's investment yield guide, which advises prime distribution/warehousing at 5.50% and secondary distribution at 6.00%. They also referenced CBRE's yields for Prime Distribution at 5.25% and Good Secondary at 6.50%.

7.16 DS2 adopted a yield of 6.5% for the open storage. After deducting purchasers' costs and letting/agent fees, it produces a value of c.£1,295m, reflecting a £4.017m per acre.

7.17 CJ, in their FVA review, agreed with DS2's rental assumption but considered that the yield adopted at 6.5% is too low. They have adopted a 7% yield to reflect the site's profile due to its small and constrained nature which does not offer the flexibility to prospect tenants.

Premium

7.18 DS2 have adopted a 20% landowner premium.

7.19 DS2 stated that their adoption of a 20% premium is based on Berol House currently let with 82% and that the site is located at proximity to Tottenham Hale station with good public transport accessibility.

7.20 CJ have reviewed the FVA and commented that whilst the existing Berol House building is let at 82% and is generating income, the property itself is ageing and may require ongoing investment. CJ considered that a 10% premium is more appropriate in this particular case.

Land transactions

7.21 No market evidence has been referenced by DS2 nor CJ to sense check their adopted Benchmark Land Value for the subject site.

Alternative Use Value

7.22 DS2 have not reported an Alternative Use Value (AUV) to support their adopted Benchmark Land Value for the subject site. They stated that the existing consent, which contains 35% affordable housing, would generate a lower revenue than the proposed scheme. As the latest scheme generates a negative land value, DS2 advised that the extant scheme would also generate a negative land value with a greater financial deficit, however, the extent of the deficit has not been specified in the FVA.

7.23 CJ have not tested the BLV of the site based on the Alternative Use Value and have not provide any comments on the extant scheme.

GLA comments on BLV

7.24 The GLA consider that the primary method to assess the Benchmark Land Value for this section 73 application should be based on the site's Alternative Use Value, due to the fact that the latest proposal would not have been submitted without the extant consent and that the assessment of this s73 application is primarily to assess the changes made from the extant consent, which in this case, the main change is the reduction of the proposed affordable housing from 35% to 0%.

7.25 Notwithstanding the comments above and on a without prejudice basis, GLA officers have reviewed the EUV calculations provided by DS2 and also the FVA review carried out by CJ:

- Berol House
 - For the reversionary valuation, DS2 adopted an average rental value of £19.50psf for the existing office building, assuming full occupation.
 - It is worth noting that DS2 have adopted a rate of £25psf for the proposed refurbished building, which is expected to meet the latest planning and building regulations and guidance. (We are adopting £27.50psf in line with CJ's review.)
 - It is noted that most of the comparable EUV office evidence are either newly built or converted, it is considered that they are likely to be superior to the subject site building in terms of location and quality. As mentioned above, the comparable evidence are all significantly smaller than the subject site.
 - Therefore, GLA officers are of the opinion that a lower rental value at £17.50psf should be adopted for the subject site on the basis of 100% occupation.
 - In terms of investment yield, due to the lack of direct comparables, we agree with CJ's comments on the building's existing conditions and limitations and therefore, the term and reversion yields at 7.0% and 7.5% are considered to be more reflective of the existing building.
- Berol Yard
 - It is important for the LPA to confirm whether the site in its current form and use, can be lawfully occupied as a separate open storage (i.e. that the use of the site as open storage would not result in a material change of use of the site, and therefore does not require planning permission for the use and the associated operation).
 - The committee report for the extant scheme stated that the last use of the Berol Yard was a construction compound for adjacent developments, and therefore, it

does not appear to be used as an open storage as an individual planning unit, separate from the uses of the surrounding sites, which are subject to redevelopment and construction works.

- The LPA should also consider whether Berol Yard constitutes a separate planning unit for the operation as an open storage (i.e. whether Berol Yard can be operated as an open storage as an independent planning unit, with its own established access and facilities that comply with relevant planning policies).
- If the open storage use requires planning permission, the LPA should confirm whether they are likely to be granted planning permission, taking into account the masterplan and the transition of the area, as well as any environmental and amenity considerations in regard to the surrounding occupiers.
- No commentary was provided in the FVA on whether any of the comparable sites are subject to redevelopment, and the quality of the comparable sites (e.g. servicing, access, facilities, utilities) has not been commented on. It is noted that a number of sites in Wembley are located in an established industrial area, which is superior to the subject site. Therefore, we question whether the evidence provided is directly comparable to the nature of the subject site and further commentary/analysis is required to support the rental value adopted at £6.50psf for the subject site in its existing form and condition.
- It is not considered that this section of the subject site warrants a premium as there is no evidence which suggests that the site is currently income generating, and in its current state and conditions, provides any incentive to the landowners to retain the site rather than releasing it for redevelopment. In the extant consent, the Applicant sought planning permission for the redevelopment of the site with 35% of affordable housing, which was the policy-compliant position. This indicates that the landowner was willing to release the site to comply with planning policies up until the planning permission was granted in March 2025.

Benchmark Land Value conclusion

7.26 As set out above, GLA officers consider that the Benchmark Land Value for this s73 application should be based on the extant consent.

7.27 The lawful use and the policy compliant position of the site, particularly Berol Yard, would need to be clarified by the LPA prior to the confirmation of the site's BLV.

7.28 Notwithstanding the above and on a without prejudice basis, GLA officers consider that the EUV of the site should be:

	Berol House	Berol Yard (NB subject to further confirmation)
EUV	Rent: £438,399p.a. (Term) and £17.5psf (Reversion) Yield: 7% (Term) and 7.5% (Reversion) Letting fee: 15% Rent free/void: 18 months £5,769,434 (£207psf)	Rent: £6.50psf Yield: 7% Letting fee: 15% £1,290,576 (c.£4m per acre)

Purchasers' costs	6.8%	
Premium	10%	0%
EUV+	£7,117,639	

7.29 Therefore, it is considered that the site benchmark should not exceed £7,117,639 even if the site's BLV is based on the EUV+.

8. Appraisal Results and Sensitivity Analysis

Appraisal Results

- 8.1 DS2's appraisal adopts profit as a fixed input, producing a Residual Land Value which is then compared to their adopted Benchmark Land Value.
- 8.2 DS2's FVA concludes that the proposed scheme generates a residual land value of - £12,747,164. This is lower than DS2's £10,971,043 Benchmark Land Value, resulting in a deficit of £23,718,207.
- 8.3 CJ's appraisal adopts the same approach and produces a residual land value of - £169,556 based on 6.8% of purchaser's costs for the proposed BTR block. This is lower than their benchmark land value at £7,936,500, resulting in a deficit of £8,106,056.
- 8.4 On this basis, both DS2 and CJ concluded that the proposed scheme with no affordable housing is financially unviable.
- 8.5 GLA officers have tested both stabilised and forward funding scenario and both appraisals are showing that the scheme would produce a residual land value of £8,198,450 (stabilised) and £10,404,405 (forward fund). When compared to the Benchmark Land Value (subject to further confirmation) of £7,117,639 (based on EUV+), the scheme is viable with a small surplus at £1,080,811 and £3,286,766 respectively.
- 8.6 On this basis, even if the site's BLV is to be based on the Existing Use Value plus a premium, the scheme at 0% affordable housing does not provide the maximum viable amount of affordable housing.

Sensitivity Analysis

- 8.7 The RICS' Financial viability in planning: conduct and reporting Professional Statement at section 2.9 states that all FVA and reviews must undertake sensitivity analysis. This can take the form of testing changes in build costs and GDV and/or testing different inputs.
- 8.8 Schemes coming forward for development are expected to be capable of fully complying with planning policy requirements whilst also generating sufficient developer and landowner returns to allow for delivery to occur.
- 8.9 Paragraph 3.10 of the Mayor's Affordable Housing and Viability SPG requires applicants to demonstrate that their proposal is deliverable and that their approach to viability is realistic.
- 8.10 Appraisals testing both the proposed level of affordable housing and a policy-compliant level of affordable housing (such as the extant scheme) should be provided alongside sensitivity testing for both appraisals.
- 8.11 The FVA includes sensitivity analysis showing changes to build costs against investment yields and BTR Rents. It shows that the scheme would remain in deficit unless the build costs reduce by at least 5%.

8.12 CJ have tested changes to market rent and construction costs, as well as changes to yield assumptions for the BTR component. They have also tested 3% allowance for purchaser's costs and as per the above section of the report, we considered this to be appropriate and have adopted in our appraisal.

9. Sense Checking Exercise

- 9.1 Residual valuations are sensitive to changes in value and cost assumptions. The RICS' Financial viability in planning: conduct and reporting Professional Statement requires that Chartered Surveyors undertake a "Stand back" sense checking exercise.
- 9.2 If the proposed level of affordable housing shows a deficit position, the Applicant is required to demonstrate how the scheme is deliverable, in accordance with paragraph 3.10 of the Mayor of London's Affordable Housing and Viability SPG.
- 9.3 This is particularly important in this case, as the proposal with no affordable housing is still expected to result in a deficit. This either suggests that the scheme is not deliverable, or the methodology of the viability assessment does not reflect the realistic assumptions that a typical developer would make to ensure that the proposed development, regardless of the level of affordable housing, is viable and deliverable. Otherwise, it begs the question of whether the proposal (which the Applicant stated as unviable as part of the application) can contribute to the Borough's housing supply, as the development is, according to the FVA, not viable to be brought forward.

Rental Growth and Cost Inflation

- 9.4 The FVA is carried out on a current-day basis, assuming no rental growth and cost inflation throughout the development period. Due to the deficit position identified in the FVA and the issues highlighted above, GLA officers consider that further viability testing should be carried out to consider the impact of rental growth and cost inflation. Whilst it is noted that testing growth and inflation would result in additional uncertainty as growth may or may not materialise, however, due to the output set out in the FVA, it will help provide an additional sense check to ensure that the value of the site reflects the position of an investor.

Cross checking land transactions

- 9.5 The RICS Valuation of Development Property (2019) Professional Standard sets out that best practice avoids reliance on a single approach or method of assessing the value of development property. It advocates an approach where valuation undertaken by the market comparison approach should be cross-checked by reference to the residual method; and conversely, where a residual method is used, it is important to cross-check the residual land value output with comparable market bids and transactions.
- 9.6 In light of the above, and taking account of the recommendations outlined in this report, the Applicant should undertake a sense-checking exercise to ensure that their adopted appraisal input assumptions including profit are reasonable and the reported viability position is robust.

10. Review Mechanisms

10.1 The Section 106 Agreement, in accordance with the London Plan 2021, will need to include early and late stage review mechanisms. The mechanisms should use the formulas set out in the Mayor's Affordable Housing and Viability SPG.

11. Overall Comments and Recommended Next Steps

11.1 Based on the appraisal results set out in section 8 of this report. It is considered that the project could provide additional affordable housing beyond the proposed level, which is zero.

11.2 An updated FVA which accounts for the comments set out in this document should be produced to identify the maximum viable amount of affordable housing.

11.3 The GLA will reassess the proposed scheme once the further information requested in this document has been provided.

12. Author Sign Off

12.1 The author(s) of this report confirm that:

- In preparing this report, they have acted with objectivity, impartiality, without interference, and with reference to all appropriate sources of information.
- They are not aware of any conflicts of interest in relation to this report.
- In preparing this report, no performance-related or contingent fees have been agreed upon.
- This report has been prepared on the basis that it can be made publicly available.
- They are not providing ongoing advice in relation to an area-wide financial viability assessment.
- Where this report relies on external contributions who have been instructed directly by the GLA, the contributors have been considered competent and understand that they must comply with the mandatory requirements of the relevant professional guidance. Where this report relies on external contributions who have not been instructed directly by the GLA (such as in relation to build cost advice) the GLA expects the instructing organisation to ensure the party appointed is aware of relevant requirements.
- Adequate time was taken to produce this report, proportionate to the scale and complexity of the planning application.

Author
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Date: 14/08/2025

Appendix A: Site Location Plan



Source: Site Location, Prepared by DS2 LLP

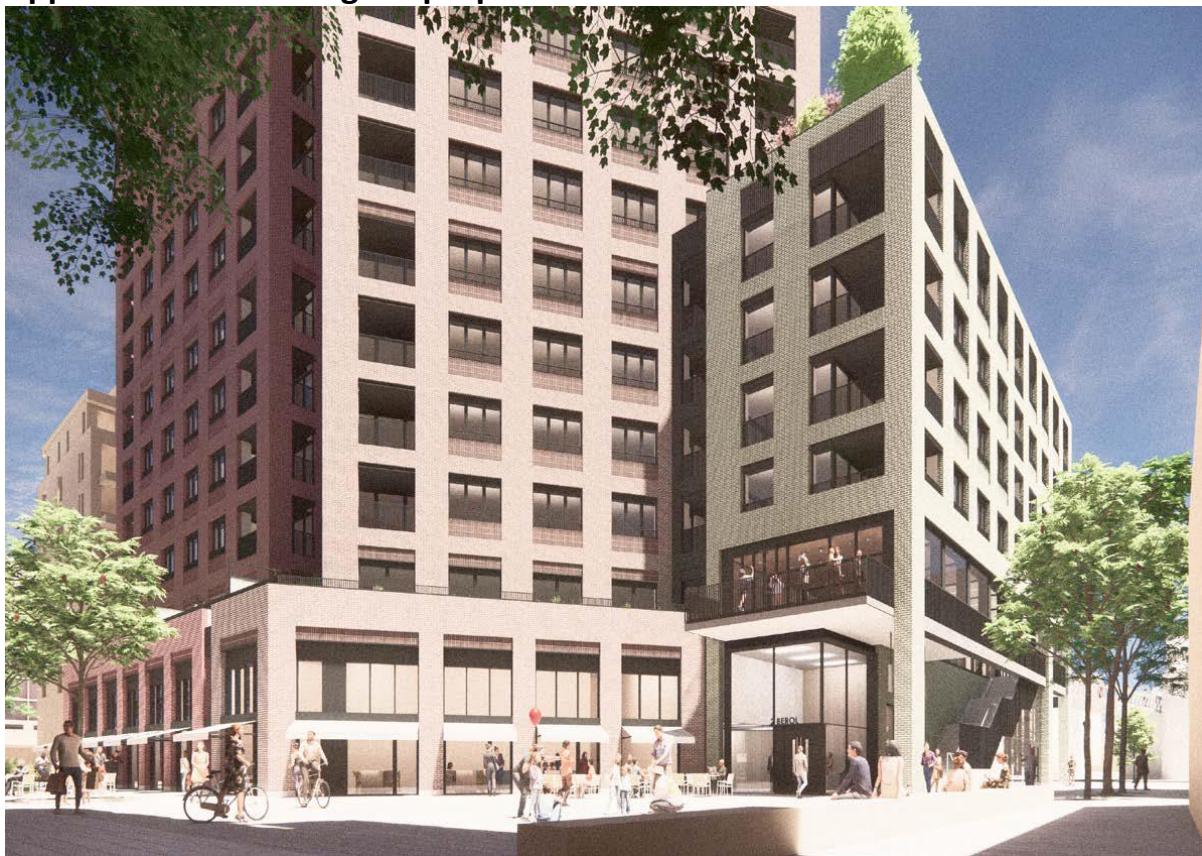
Appendix B: Existing Site



Source: Google Maps (2023)



Source: Google Maps (2023)

Appendix C: Renderings of proposed scheme

Source: Applicant/Allies and Morrison



Source: Applicant / Applicant/Allies and Morrison