

# Appendix 10 - Carter Jonas Rebuttal Response October 2025

## **BEROL QUARTER, N17 9LJ**

**Berol Quarter Response to DS2 Viability Response letter dated 25<sup>th</sup> September 2025**

Final

### **SUBMITTED ON BEHALF OF CLIENT:**

LB Haringey

October 2025

## Introduction

We have reviewed DS2's viability response document dated 25 September 2025 in relation to the proposed redevelopment of the Berol Quarter, N17. For ease of reference, our comments are set out in the right-hand column (in blue) in the tables below. Please note that our response addresses DS2's comments directed to Carter Jonas, rather than those addressed to the GLA.

Table One: Areas of Divergence – Berol Yard & House FVA, September 2025		
Input	Comments	Carter Jonas Comments - October 2025
<b>Benchmark Land Value ('BLV')</b>		
Carter Jonas comments	<p>Carter Jonas have discounted the yield from 6.5 percent for Berol House to 7 percent for the term and 7.5 percent for the reversion given the building's age, limited specification and fragmented occupancy.</p> <p>Carter Jonas have discounted the yield from 6.5 percent to 7 percent.</p> <p>In terms of the premium, Carter Jonas have applied a 10 percent premium given the constrained development economics and the viability constraints of a lack of affordable housing.</p> <p>Overall, the amendments result in a reduction in the BLV of £3,034,543.</p>	
GLA comments	<p>The GLAVT comments refer to the BLV being the consented position rather than the existing use. This is incorrect, as per the PPG, the consent (an AUV) is an informative to the EUV plus approach.</p> <p>In terms of the yield and the premium, the GLAVT have adopted the Carter Jonas position.</p>	
DS2 comments and updated position	<p>In terms of the yield, we are willing to accept the 50bps reduction as proposed by Carter Jonas. In respect of the reduction in premium from 20 percent to 10 percent, we note that BNPPRE in their report November 2017 report, adopted a 20 percent premium (subsequently increased to 30 percent) on the basis that the Site is income producing and has an allocation for development, and</p>	<p>DS2 originally attributed a BLV of £10,971,043. Applying our own yield profile assumptions reduces the overall EUV to £7,215,000. DS2 has accepted the 50bps reduction in the yield profile for the purpose of establishing the BLV.</p> <p>In relation to the premium, DS2 initially proposed 20%, compared to the 10% adopted by us. We acknowledge that the existing asset is income-</p>

	<p>as such, in accordance with the PPG requirements a reasonable incentive is justifiable.</p> <p>We would also note that the Site includes a car parking area (as noted in the FVA) to service the tenants in Berol House during its pre-development phase. No value has been attributed for this element of the BLV.</p> <p>As such, the amended BLV is £8,658,000.</p>	<p>producing, and DS2 has highlighted the previously accepted position on premium. However, on balance, and reflecting DS2's acceptance of our position in respect of EUV, we consider the application of a 20% premium reasonable in this instance.</p> <p>Accordingly, this results in a revised BLV of £8,658,000, representing a discount of £2,313,043 from DS2's original position.</p>
<b>Operating Expenditure ('OPEX')</b>		
Carter Jonas comments	Carter Jonas notes that on a per unit basis, the 25 percent input equates to in excess of £8,000 per unit which is higher than the comps provided (a number of which relate to DS2 projects).	
GLA comments	The GLA have adopted the Carter Jonas OPEX.	
DS2 comments and updated position	<p>25 percent is commonly accepted, and we note that Grainger, the UK's largest residential landlord quotes on pg. six of their 2024 Annual Report that OPEX across their portfolio are 25 percent.</p> <p>However, on a without prejudice basis, the 22.5 percent OPEX budget has been accepted albeit on the basis that the BTR marketing budget is accepted (as explained below, this is an upfront cost that sits outside the traditional OPEX).</p>	<p>We note DS2 acceptance of our 22.5% Opex (on a without Prejudice basis).</p>
<b>Purchaser's Costs</b>		
Carter Jonas comments	Reduction in the costs to 3 percent rather than 6.8 percent. This assumes explicitly that an SPV will be used to facilitate the transaction of the completed asset.	
GLA comments	The GLA have adopted the Carter Jonas Purchaser's Costs.	

DS2 comments and updated position	<p>As DS2 have noted consistently elsewhere, and as explained in the RICS Valuation guidance (Valuing residential property purpose built for renting, effective from October 2018), full purchaser's costs should be reflected as a standard (para 5.4.3 - representative of the market rather than the position of an individual investor) assumption and the full costs would be reflected for an asset on a landowner's balance sheet.</p> <p>The key component regardless of the delivery structure is the assessment of the Gross Development Value and the deduction to a Net Operating Income ('NOI'). Notwithstanding that the majority of Forward Funding and Forward Commit (FF / FC) agreements are currently unviable given the softening of yields and increase in costs in recent years, a FF or FC structure is simply a procurement route to delivering an empty building.</p> <p>As such, we have retained the full Purchaser's Costs.</p>	<p>We note DS2's comments, and our position as set out within the FVA remains unchanged. Our base model reflected the same underlying assumptions as DS2; however, the reduction of stamp duty to 3% was applied by way of sensitivity analysis. We continue to consider this a helpful exercise in illustrating the impact of varying stamp duty assumptions.</p>
<b>Interim Rent</b>		
Carter Jonas comments	Carter Jonas notes that further to a four-month stabilisation period, the NOI is capitalised (i.e. a sale of the asset takes place) but correctly also notes that there is no income for the first three months.	
GLA comments	GLA makes the same observation.	
DS2 comments and updated position	<p>The three-month period allows for Gateway Three sign off, at which time no occupation can take place, this is likely to be longer based on current experience with the Building Safety Regulator.</p> <p>In reality, the stabilisation of a new asset will take place over 1 to 2 years, however the upfront capitalisation benefits the appraisals. The market yield is a net yield for a stabilised (i.e. fully let) asset. We would also note that recent lettings in similar buildings, The Sessile next door for example, required significant incentives</p>	<p>We note DS2's observations regarding the Gateway Three sign-off period, the stabilisation timeframe, and the associated leasing incentives required in comparable assets such as The Sessile. While we recognise that the market yield reflects a stabilised, fully-let position, we accept that in practice the stabilisation process can extend over a 1-2 year period and that material incentives are often required to secure lettings.</p>

	(including rent-free periods) to secure lettings and these are not included in our pricing.  As such, we have not included any additional income.	On balance, and reflecting the capitalisation approach adopted in the appraisals, we accept DS2's position not to include additional income in this instance.
<b>Commercial Property Income</b>		
Carter Jonas comments	Carter Jonas have increased the rent for the commercial space from £25 psf to £27.50 psf to reflect the 'specification and positioning of the proposed space' which has increased the overall value by c. £1.6m.	
GLA comments	Largely in line with Carter Jonas' comments.	
DS2 comments and updated position	<p>The construction costs for the commercial space assume CAT A and the latest rental of the 14,500sqft Class E commercial unit at The Gessner has been let at £14.50 psf for shell and core, plus 18 months' rent free.</p> <p>Increasing the rent beyond £25 is not reflective of the current market conditions and as such these are already optimistic based on The Gessner letting (further details of which, can be provided if required).</p>	We do not consider that DS2 has provided any new or compelling information. While reference has been made to the Gessner Building letting, no supporting detail has been provided. Our review report already referred to the Applicant's own agent evidence, and we remain satisfied that our rental tone sits reasonably within the range of that evidence. Accordingly, we see no reason to alter our position at this stage.
<b>Construction Costs</b>		
Carter Jonas comments	The construction budgets have been scrutinised by Johnson Associates who have reduced Berol Yard by £1,224,263 and Berol House by £703,183.	
GLA comments	Adopted Carter Jonas lower costs.	
DS2 comments	A reduction in the construction costs is not compatible with the rental allowances. The Gessner and The Sessile are both relied	We note DS2 acceptance of our position (on a without Prejudice basis).

and updated position	<p>on as the rental indicators, however both of these buildings were delivered by the Applicant and the construction allowances were significantly more than those proposed by Johnson Associates. For example, the rents in The Gessner and The Sessile are based on part-furnished apartments, but there are no such allowances in the construction cost plan. Similarly, The Gessner and The Sessile have enhanced public amenity areas, with no such allowances made within the construction cost plan. Finally, given the height and complexity of constructing a tower above a London Underground Tube Line and compliance with the Building Safety Act, construction costs will only rise.</p> <p>However, given this is a relatively small reduction and within a reasonable margin of tolerance, these figures have been included on a without prejudice basis</p>	
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Professional Fees		
Carter Jonas comments	Carter Jonas have reduced the professional fees budget to 8 percent citing a lack of a detailed breakdown.	
GLA comments	The GLA have accepted 10 percent as an industry norm.	
DS2 comments and updated position	<p>DS2 would note that 10 percent is the normal objective allowance and includes a range of costs that are commonly excluded from the viability process (project insurances, warranties etc). We can't recall ever accepting less than 10 percent and we have not had to provide a detailed breakdown in adopting 10 percent elsewhere (indeed, working collaboratively with Carter Jonas elsewhere).</p> <p>We would also now note that the fees budget allows for additional costs related to the Building Safety Act requirements.</p> <p>We have retained the 10 percent budget as an objective industry norm.</p>	<p>DS2 has retained their original assumption of 10%. We provided a schedule of 20 major BTR schemes and the corresponding professional fee allowances, which indicated a range of 7% to 10%. Given the scale of this scheme, we noted that a 10% allowance equates to capital costs of £9,158,747. No breakdown has been provided to justify this level of allowance, though we acknowledge the potential for additional costs arising from Building Safety Act requirements.</p> <p>For the purposes of our updated modelling, we have adopted a 9% allowance, representing the mid-point between our respective positions. This mirrors the compromise reached on major BTR proposals for the Broad Street Mall in Reading between Carter Jonas and DS2.</p>
BTR Marketing Fee		
Carter Jonas comments	This has been excluded as an operating expense i.e. within the OPEX budget.	
GLA comments	Adopted Carter Jonas position.	
DS2 comments and updated position	DS2 have commonly had BTR marketing costs included as a standalone cost outside the OPEX as this is an upfront cost that sits outside the normal OPEX. In reality, there are broader 'launch' costs that are significantly higher than 1 percent of the GDV, which are not included here and would be included within the budget from the BTR operator as a one-off cost. This is	We note DS2's acceptance of a 22.5% Opex cost (on a without prejudice basis). However, we maintain that marketing costs should be considered within the Opex allowance. We recognise that some mobilisation costs have been reflected, typically ranging from £800–£1,000 per unit, but in our experience a separate allowance for marketing costs (outside of

	<p>particularly relevant given there is no stabilisation period allowed within the FVA.</p> <p>We have retained the 1 percent budget.</p>	<p>Opex) is not common practice. We would welcome any examples DS2 can provide to support such an approach.</p> <p>For the avoidance of doubt, in our updated modelling we have continued to exclude the additional 1% marketing cost, while reflecting a £1,000 per unit start-up/mobilisation cost.</p>
<b>Development Programme</b>		
Carter Jonas comments	Carter Jonas have requested a more detailed breakdown for the Berol Yard construction timeline.	
GLA comments	Have also requested additional information on the construction programme.	
DS2 comments and updated position	The construction programme is based on the information provided during the original planning application process and the Construction Logistics Plan. The 40-month programme excludes the 12-week Gateway 3 approval process and is based on a start on site date (i.e. excluding lead-in time).	We mirrored DS2 assumptions for the purpose of our modelling and we acknowledge the additional information provided.
<b>Community Infrastructure Levy</b>		
Carter Jonas comments	Carter Jonas accepts the figures subject to further verification.	
GLA comments	As above.	
DS2 comments and updated position	<p>We have been provided with an updated CIL notice by planning consultants' Lichfields published by the London Borough of Haringey dated 4 March related to the consented scheme.</p> <p>Given the time passed and the reduction in affordable housing, the overall liability will likely be higher, and the figures can be updated in due course if required. The FVA is based on the updated CIL notice from the London Borough of Haringey.</p>	<b>Noted – Needs validating and updating in due course.</b>

## Updated Modelling – October 2025

A side-by-side summary of DS2 and our original and updated viability outputs are detailed in the table below: -

Proposed Development	DS2	Carter Jonas	DS2	Carter Jonas
	Original Position		Revised Poistion	
Total BLV	£10,971,043	£7,936,500	£8,658,000	£8,658,000
Residual Land value	-£12,747,164	-£169,556	-£6,342,947	-£2,537,531
Surplus Deficit	(£23,718,207)	(£8,106,056)	(£15,000,947)	(£11,195,531)*

\*on the assumption of a 3% stamp duty allowances the be a positive land value of £1,058,432 and a reduced project deficit of £7,599,568

### Overall Conclusions

Our overall conclusion remains unchanged from our original findings in that based on current costs and values, the proposed development faces viability challenges, as evidenced by the projected deficit. As highlighted in our review report, relatively modest positive market movements could overturn the identified deficits. Accordingly, the Applicant is expected to engage with the Council's standard review mechanisms and trigger points. Given the nil affordable provision at the outset, and the potential for improved viability through positive market trends, these mechanisms are essential to securing additional affordable housing over the project's lifespan.

## APPENDIX 1 – APPRAISAL PRINT-OUT (October 2025)

Berol Quarter  
FVA Appraisal CJ

Development Appraisal  
Licensed Copy  
01 October 2025

**APPRAISAL SUMMARY****LICENSED COPY**

**Berol Quarter**  
**FVA Appraisal CJ**

**Appraisal Summary for Merged Phases 1 2****Currency in £****REVENUE****Rental Area Summary**

	Units	ft <sup>2</sup>	Rent Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale
2 Berol Yard BtR	210			32,217	5,243,340
2 Berol Yard Retail	1	6,487	30.00	194,610	194,610
2 Berol Yard Cultural Space	1	1,724	24.00	41,376	41,376
Berol House Retail	1	4,844	30.00	145,320	145,320
2Berol House Offices	1	40,009	27.50	1,100,248	1,100,248
<b>Totals</b>	<b>214</b>	<b>53,064</b>			<b>6,724,894</b>

**Investment Valuation****2 Berol Yard BtR**

Current Rent	5,243,340	YP @	4.1500%	24.0964	126,345,542
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**2 Berol Yard Retail**

Market Rent (1yr Rent Free)	194,610	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	2,598,264
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**2 Berol Yard Cultural Space**

Market Rent (3yrs Rent Free)	41,376	YP @ PV 3yrs @	7.0000% 7.0000%	14.2857 0.8163	482,502
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**Berol House Retail**

Market Rent (1yr Rent Free)	145,320	YP @ PV 1yr @	7.0000% 7.0000%	14.2857 0.9346	1,940,187
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**2Berol House Offices**

Market Rent (1yr Rent Free)	1,100,248	YP @ PV 1yr @	6.0000% 6.0000%	16.6667 0.9434	17,299,489
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**Total Investment Valuation****148,665,984****GROSS DEVELOPMENT VALUE****148,665,984**

Purchaser's Costs	(10,109,287)
Effective Purchaser's Costs Rate	6.80%

(10,109,287)

**NET DEVELOPMENT VALUE****138,556,698****NET REALISATION****138,556,698****OUTLAY****ACQUISITION COSTS**

Residualised Price (Negative land)	(2,537,531)
	(2,537,531)

(2,537,531)

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
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**APPRAISAL SUMMARY****LICENSED COPY****Berol Quarter****FVA Appraisal CJ**

2 Berol Yard Construction Costs	267,836	265.11	71,007,274	
Berol House Construction Costs	<u>59,105</u>	266.96	<u>15,778,960</u>	
<b>Totals</b>	<b>326,941 ft<sup>2</sup></b>		<b>86,786,234</b>	<b>86,786,234</b>
Contingency		5.00%	4,339,312	
MCIL			1,772,914	
LBH CIL			2,702,822	
Monitoring Fee			50,000	
Carbon Levy			327,750	
Travel Plans (Resi/Commercial)			6,000	
TMO			5,000	
Car Club			31,500	
Apprenticeship Support Contribution			53,500	
Construction Logistics Monitirng			20,000	
Energy Plan Review			5,000	
NHS Contribution			25,000	
Public Art Allowance			100,000	
Bridgehead Feasibility Study			25,000	
Waste Recycling Contribution			100,000	
DEN Connection costs			1,900,000	
				11,463,798
<b>Other Construction</b>				
Site Mobilisation (£1,000 per unit)			210,000	210,000
<b>PROFESSIONAL FEES</b>				
Professional Fees		9.00%	7,829,661	7,829,661
<b>MARKETING &amp; LETTING</b>				
Commercial Marketing	8,211 ft <sup>2</sup>	1.50	12,317	
Commercial Marketing	44,853 ft <sup>2</sup>	1.50	67,280	
Letting Agent Fee		10.00%	148,155	
Letting Legal Fee		5.00%	74,078	
				301,829
<b>DISPOSAL FEES</b>				
BtR Sales Agent Fee		0.50%	588,770	
Commercial Sales Agent Fee		1.00%	208,027	
Commercial Sales Legal Fee		0.50%	104,013	
BtR Sales Legal Fee		0.25%	294,385	
				1,195,195
<b>Additional Costs</b>				
Profit on GDV - Commercial		15.00%	462,115	
Profit on GDV - BtR		12.50%	15,793,193	
Profit on GDV - Commercial		15.00%	2,885,951	
				19,141,259
<b>FINANCE</b>				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				14,166,253
<b>TOTAL COSTS</b>				<b>138,556,698</b>
<b>PROFIT</b>				<b>0</b>

**Performance Measures**

**Berol Quarter**  
**FVA Appraisal CJ**

**APPRAISAL SUMMARY****LICENSED COPY**

**Berol Quarter**  
**FVA Appraisal CJ**

<b>Initial MRV</b>	<b>Net MRV at Sale</b>
6,765,600	5,243,340
194,610	194,610
41,376	41,376
145,320	145,320
<u>1,100,248</u>	<u>1,100,248</u>
<b>8,247,154</b>	<b>6,724,894</b>

**Berol Quarter**  
**FVA Appraisal CJ**

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