

16 January 2026

Bradley Tollon
GLA Viability Team

Dear Bradley

BEROL QUARTER, TOTTENHAM HALE, LONDON BOROUGH OF HARINGEY (VIABILITY CASE 2025/0371)

Introduction

We refer to the meeting (06 January 2026) with the GLA and the Local Authority Officer in respect of the above scheme. There is agreement between the Applicant, the Local Authority and the GLA that due to the prevailing market conditions, the scheme cannot viably deliver any affordable housing at this time. However, there are a number of important points of principle where in our opinion the GLA viability assessment has diverged from planning policy or accepted RICS guidance for such assessments and we have noted these below.

The Site benefits from Planning Permission (HGY/2023/0261) that was granted on 3rd March 2025. The subsequent Section 73 application (LPA ref HG/2025/0930) removes the affordable housing given the significant current viability changes in light of the volatile economic and geopolitical environment and the need to ensure that any subsequent planning consent can ultimately be delivered.

GLA meeting key matters

DS2 and the Applicant met with the Council and the GLA Viability Team to discuss a range of outstanding viability matters, albeit importantly all the parties are in agreement on the maximum viable level of affordable housing that the project can currently support. The main areas of divergence are as follows:

- BLV premium
- Purchaser's costs on the BtR GDV
- Commercial revenue assumptions
- Launch / let up costs
- CIL



I have included concise comments below on each of the points we discussed. These should be read in conjunction with information already provided, by way of the April 2025 FVA and my subsequent September 2025 letter.

As was discussed, I understand that the Council are proposing to determine the current application in February 2026.

In terms of background, whilst the extant consent was secured in 2025, this followed an extensive period of dialogue on the Section 106 as the application was presented to planning committee members in 2023 further following the submission of the application in 2022.

Over the intervening period, the proposals have been blighted by increased costs (driven by both market forces and regulatory changes) and also a softening of the valuation of Build to Rent (BtR) developments. Yields for BtR developments are currently 65bps to 80bps softer than when this scheme was devised, which has reduced the income by over £27 million. However, recent reductions in interest rates suggest the potential for yield compression which would improve the viability of BtR development is more positive (albeit with current significant geopolitical / economic risks).

As we discussed with GLA Officers, we have also tested the viability of the proposal with the benefit of a certain amount of reasonable rental growth and some yield compression, in order to seek to alleviate deliverability concerns.

The results are included below. The applicant has a significant track record of delivery in the local area and subject to improving conditions, has every intention of delivering a planning consent (subject to this being secured).

BLV Premium

- Existing asset is 84 percent occupied with leases extending to 2034 and has been held by the current owner for over 30 years. Details of the leases were provided previously in the DS2 Financial Viability Assessment (April 2025)
- The PPG test on the premium relates to an incentive above EUV compared to all other options available (i.e. a no development scenario)
- A 20 percent premium was agreed by BNPPRE as reasonable as part of the application for the extant scheme, and has recently upon review also been deemed to be reasonable by Carter Jonas
- On the GLA SPG's own hierarchy of 10 to 30 percent, 20 percent for a good quality income producing asset with a long track record of performance is in our opinion, entirely reasonable and would be consistent with the premium adopted on a wide range of other similar assets and indeed for the purposes of local plan policy testing.



Purchaser's Costs

- The market net yield sheets (produced by the likes of CBRE and Knight Frank) are based on stabilised assets and therefore assume full Purchaser's Costs of 6.8%. The GLA valuation of 2 Berol Yard is a net yield of 4.15% based on the Knight Frank yield sheet for a stabilised BtR asset and therefore must include full Purchaser's Costs.
- If, in anticipation of an alternative form of procurement, a lower rate of Purchaser's Costs (3.57%) was to be applied, then an alternative and softer net yield would need to be applied, reflecting the increased risk to the funder of not buying a stabilised asset, but purchasing a construction project with all of the inherent risks associated with delivery.
- Whether a development is delivered directly or by way of a forward fund (FF) or forward commit (FC), these are simply different procurement routes and the RICS Professional Standard (section 5.4) for BtR valuation is clear that the investor's true net position should be reported, i.e. net of purchaser's costs.
- Further, notwithstanding this, there is no guarantee in this dysfunctional marketplace that FF / FC scenarios could be secured given the current market net yield expectations and as such any sensitivity to illustrate the impact of reduced costs under a specific delivery scenario, should be just this (not the base position).
- Given the above, and the GLA's valuation being based on a stabilised asset, we consider that there are no reasonable grounds to diverge from the RICS guidance to apply full Purchaser's Costs at 6.8%.

Commercial Revenue Assumptions

- As discussed, we remain of the opinion that the revenue assumption for the newly provided commercial space is too optimistic having regard to a recent letting at the neighbouring Gessner building of 14,500 sqft which was let at £145,000 after an 18-month rent free period for shell and core.
- Whilst there is an expectation that market rents for the commercial units will eventually rise, the existing market remains subdued and the suggested 10% increase to £27.50psqft from £25.00psqft is not reflective of the commercial situation in Tottenham Hale. Please find attached a copy of the lease at Appendix One.

Launch (Marketing) Costs

- The development will provide an operator with an empty building however the Net Operating Income (NOI) has been capitalised using a market net (stabilised) yield. The construction cost plan excludes any of the FFE needed to enable the building to operate or furnish the amenity areas.
- The market net yield assumes a building is running at a high level of occupancy (commonly 97-98 percent) and for a period of time.

- The RICS Professional Standard (section 5) includes detail in terms of the operating expenditure that is accounted for in a deduction from gross to net income. This does not include certain costs such as upfront marketing to get the building let, service charge voids / council tax and FF&E. As such, we are of the opinion that the £1.2m in the appraisal is on the low side given the number of units and amenity areas.

These real costs which are recognised by the RICS as being a justified inclusion in order to get to a stabilised income that reflect the market net yield used to value the development. If these are costs are not included, the construction cost plan should be increased to provide an FF&E allowance

CIL

- Please see attached a copy of the Charging authority's CIL liability notice equating to:
 - MCIL: £1,906,349.44
 - Local CIL: £2,828,364.32

We have updated the attached appraisal on the basis of the above figures and ask that this is agreed as the basis for determining this application. Please find attached a copy of the CIL liability notice from the Charging Authority at Appendix Two.

Further Sensitivity Analysis

Adopting DS2's latest appraisal (included at Appendix Three), as included in our September 2025 response to the GLA (and the Council), we have adopted incremental 0.1 bps improvements in the market net yield and 3 percent incremental improvements in the net operating income.

The table attached at Appendix Four illustrates the impact on the residual land value when increasing the rents in 3 percent increments and 0.1 percent on the BtR yield.

We would note that the green cells illustrate scenarios where the residual land value is in excess of the £8,658,000 BLV as proposed by DS2 (and as per our Sept 2025 response) and the £7,936,500 BLV as defined by Carter Jonas in their assessment. It is perhaps worth noting that the BLV as proposed in the April 2025 FVA was £10,971,043 and as such, a significant concession has already been applied to the original EUV plus.

Summary

As noted in the meeting, the Applicant has a track record of delivery in the local vicinity and is planning on delivering the planning consent subject to a planning consent being secured.

All parties are in agreement that the application is delivering the maximum amount of affordable housing in accordance with the policy tests and this is a direct function of the dysfunctional marketplace that we find ourselves in.



The scheme does however deliver a significant number of benefits including 210 homes, new commercial spaces, c. £4.7 million in CIL receipts and associated S106 contributions. The sensitivity analysis included in this note illustrates how with relatively modest increases in rental income and yield compression, the scheme can become viable.

DS2 LLP