



EXECUTIVE SUMMARY

FINANCIAL VIABILITY ASSESSMENT BACKGROUND AND CONCLUSIONS

VOLVO GARAGE, 177 HIGH ROAD, CHIGWELL, IG7 6NX

In December 2020, White Square Investments Limited ("the Applicant") commissioned BNP Paribas Real Estate to provide an assessment of the financial viability of their proposed Development ("the Development") at 177 High Road, Chigwell, IG7 6NX ("the Site"). Our terms of reference are summarised as follows:

- Assess the residual land value generated by the Development; and
- Using the outputs of the appraisal, consider an appropriate level of affordable housing and determine the maximum level of Section 106 contributions that can viably be provided, whilst ensuring that the scheme is viable and deliverable in line with requirements set out in the National Planning Policy Framework.

Background and description of Development

The Application Site is located on High Road, Chigwell to the south of Brook Mews and west of Station Road. Chigwell Station is located within 0.1 miles providing access to the Central Line and onward journeys via the wider London Underground Network. The Site currently comprises a car dealership, workshop and office space. The surrounding properties are a mix of residential and commercial uses.

The proposed Development is for the demolition of the existing buildings and erection of a mixed-use development comprising between 2-4 storeys to provide 35 residential units and circa 486.5 square metres (NIA) of commercial floorspace with associated car and cycle parking.

Discussions between BNPPRE and BPS

Epping Forest District Council ("the Council") instructed BPS Chartered Surveyors ("BPS") to undertake an independent review of our report. Extensive discussions have taken place between BNP Paribas Real Estate ("BNPPRE") and BPS which are detailed within the following correspondence:

- BNPPRE Financial Viability Assessment (December 2020);
- BPS Viability Review (February 2021);
- BNPPRE response (17 March 2021); and
- BPS Addendum Report (April 2021).

Construction costs

To establish reasonable construction costs, BNPPRE relied upon a construction cost plan prepared by Savile Brown Associates ("SBA"). The cost plan has been reviewed by Geoffrey Barnett Associates ("GBA") on behalf of BPS as part of the BPS viability review.

We have requested SBA provide a summary paragraph in relation to the construction costs, included below for ease of reference:

"The cost drivers of the project which are different from a greenfield situation are: demolitions and breaking up; removal of existing underground tanks; allowance for removal of contaminated material; piling; the need for undercroft / basement parking and the slope of the site mean retaining structures and waterproofing are required; the installation of the podium with its related structure all force the developer towards a reinforced concrete solution; the steps in the building and commercial element mean there are number of transfer structures required; amenity space requirements means inset balconies and terraces are introduced which equate to circa 9% of the GIA. Other cost drivers are the site shape and shape of the building which means you have a high wall to floor ratio; and long corridors. The roofs are complicated, part flat, part pitched with green roofs, metal seam roofs with a



number of roof lights and interfaces. Passivhaus requirements to building B are also outside the normal cost parameters”.

Agreed Conclusion

Both BNPPRE and BPS have concluded in their reports that the scheme cannot viably provide an affordable housing contribution based upon current day costs and values. We have included the concluding paragraph from the BPS Addendum Report (April 2021) below for ease of reference:

“BNPPRE have provided new evidence which has led to slight revisions to our previous reporting. We calculate that changes to the scheme’s size, costs, profit and benchmark land value produce a deficit of -£596,319, therefore removing the surplus found in our previous assessment. This is considerably less than the -£1,777m deficit found by BNPPRE but nonetheless implies that the scheme cannot viably provide an affordable housing contribution at this stage”. (emphasis added).

As outlined above, it is clear that agreement has been reached between the Applicant, the Council and their respective advisors that the proposed Development is unable to viably provide any affordable housing based upon current day costs and values. Therefore, any provision of affordable housing provided by the Applicant is done so on an ‘ex gratia’ basis.

16 August 2021