

Viability Study - Addendum Report

Potters Bar, Mutton Lane,
Hertfordshire, EN6 5BA

Turner Morum LLP

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32-33 Cowcross Street London EC1M 6DF • Tel: 020 7490 5505 • Web: www.tmlp.co.uk • Email: enquiries@tmlp.co.uk

Partners: • Thomas Hegan BSc(Hons) MRICS • Nicholas Bignall BSc(Hons) MRICS • Oli Smith BSc(Hons) MRICS
• Peter Marshall BSc (Hons) MRICS Dip Rating • Ramsay Evans BA(Hons) MRICS

Consultants: John Turner BSc(Hons) MRICS • Ian Charman FRICS FIRR V • Charlie Hill BSc(Hons) IRRV(Dip)

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1. INTRODUCTION

- 1.1. The following report has been produced in response to the Aspinall Verdi ("AV") report and the associated analysis, which was received on the 2nd October 2026. This report was received in response to my Financial Viability Assessment ("FVA"), dated 3rd July 2026.
- 1.2. There are a number of variances between my assessment and that produced by AV – which I have examined in more detail below. A request was received from the Planning Inspector for myself and Messrs Aspinall Verdi to agree a viability Statement of Common Ground, although this has not been possible (out of office responses were received, in this regard). It is therefore hoped that the following report and additional analysis assists in clarifying matters, and in particular, the respective areas of disagreement.
- 1.3. Before getting into the detail of the AV analysis, it should be noted that their appraisal assessment shows a fairly notional viability surplus of £1.72m (at 0% affordable housing), and the scheme will show a viability deficit, once justified amendments are made to their adopted appraisal inputs – as examined in detail below.
- 1.4. I believe it is also worth noting that AV have identified at paragraph 7.20 of their report several areas where a wholly conservative approach has been adopted within my assessment, which they have effectively mirrored within their appraisal analysis. I do not believe that this represents a correct approach, given the requirements for Chartered Surveyors to produce objective assessments of viability, and I believe these points (and those examined in detail below) undermine the credibility of AV's suggestion that this scheme shows a c. £1.72m viability surplus. Once appropriate amendments are made to these various inputs, I believe it is clear that the viability conclusions identified within my report are correct.

2. MATTERS AGREED AND NOT AGREED

- 2.1. AV have provided a table on page 8 of their report which (generally) identifies the areas that are agreed and not agreed. An important omission from this table is the scheme finance costs, which is a critical point, for the reasons provided.
- 2.2. The key areas which are not agreed can be summarised as follows:

Input	TM	AV
Non-Residential Rent	£20.00 per ft ²	£25.00 per ft ²
Non-Residential Yield	7.50%	7.00%
Car Park Revenue	Embedded in GDV	£1,725,000
S106 Contributions	£53,815	£1,465,000
Profit (Market Units)	20.0%	17.50%
Existing Use Value ("EUV")	£16,662,075	£9,958,000
EUV Premium	-	-
Finance Costs	£8,352,569	£3,048,974

NON-RESIDENTIAL RENT & YIELD

- 2.3. Firstly, it is noted that AV have adopted a higher rent of £25.00 per square foot (in comparison with the £20.00 per square foot that I have adopted) and a lower 7% yield, in comparison with the 7.5% applied within my viability assessment – for the non-residential elements of the proposed scheme.
- 2.4. Their allowances are not considered to be appropriate, nor are they reflective of current market conditions (which are extremely poor). The AV allowances are also not considered to be reflective for this location; a 7% yield would be appropriate for a more prime location, perhaps closer to the station, whereas this is very much a secondary location. This is evidenced by the Knight Frank Yield Guide as per Appendix 5 – here it will be noted that in October 2026 Knight Frank estimate Retail Yields of 6.25%-10% for South East Towns, and I therefore consider AV's 7% to be at the lower end of this range, and if anything shows by 7.5% to be optimistic.
- 2.5. The Council have also indicated a wish to see smaller operator tenants (e.g. not nationally operating supermarkets) which is further supportive of my adopted yield. The proposed layout of the scheme has not been designed to accommodate larger operators in line with this request from the Council.
- 2.6. For these reasons, I maintain that a 7.5% yield and £20 per square foot of assumed rent, as adopted within my assessment, remains correct / appropriate. The AV approach adds an additional £1.4m of additional revenue to the scheme, which in my opinion is not justified, and should be removed.

SEPARATE CAR PARKING REVENUE ALLOWANCE

- 2.7. It is then noted that AV have included some £1.725m of additional scheme income for the separate sale of the car parking spaces. In my professional opinion, this is unquestionably a

double count of scheme revenue and there is no justification for the inclusion of this additional revenue.

2.8. As will be evident from my viability submission, I adopted market revenues of £600 per square foot which significantly exceeded the recommended market revenue position for the three agents. This evidence can be seen as per Appendix 3 to my submission, with the following recommended average market revenues:

- Barnfields / Sequence - £584 per square foot
- Hamptons - £584 per square foot
- Lanes - £494 per square foot
- Average - £554 per square foot

As will be noted, the average of this market revenue advice was some £554 per square foot and yet £600 per square foot was adopted within my assessment.

2.9. In my experience, it would be extremely unusual for parking spaces to be sold separately (I cannot recall ever seeing this happening within a flatted scheme – or any other development for that matter). The value associated with car parking spaces is therefore already 'baked into' the estimates sales values of £600 per square foot, notwithstanding that this level of sales values is already significantly above the GDV positions recommended by all three agents.

2.10. The other way to consider this point is that there would be absolutely zero prospect of achieving £600 per square foot if car parking was not included. An average revenue of £600 per square foot is already wholly optimistic, given current market conditions, and the general appetite for market apartments in this location at present – which is extremely limited.

2.11. For these reasons, the inclusion of this separate GDV allowance for parking spaces is unquestionably a double count of scheme revenue and should be removed. It is worth noting that the removal of this £1.725m GDV item will result in the AV appraisal immediately reducing in surplus to just £216k.

S106 CONTRIBUTION ALLOWANCES

2.12. It is noted that AV have adopted a different s106 allowance at £1.45m in comparison with c. £54k included within my most recent assessment. I understand that my c. £54k allowance is considered to be the correct allowance, but this cost variance will obviously have a bearing on the viability conclusions.

PROFIT ALLOWANCE FOR THE MARKET APARTMENTS

- 2.13. It should then be recognised that AV have suggested that a profit return of just 17.5% of market unit GDV should be adopted, instead of the 20% adopted within my assessment. AV have seemingly sought to justify this allowance by making reference to the 17% allowance adopted within the LPA's 2012 Economic Viability Assessment – which is clearly extremely dated and not representative of current market conditions, and to the 17.5% allowance adopted within the draft Local Plan viability assessment. I do not believe either document provide evidential assistance, for the purposes of this scheme specific assessment. It is worth noting, however that the draft local plan viability assessment shows the closest typology assessment (which is a 160-dwelling flatted scheme) to be significantly non-viable.
- 2.14. Current market conditions are as poor as I have experienced in my career, principally for viability reasons – and this should be reflected within the required target level of return. Furthermore, this is a wholly flatted development and the market for apartments is extremely challenging and therefore risky. It is a well-established valuation principle that a developer return allowance should be risk reflective, and it is hard to imagine more risky market conditions that at present, for an entirely flatted market housing development. Paragraph 19 of the Viability PPG makes reference to profit margin in the region of 15-20% on GDV, and in my view the upper end of this range is unquestionably justified in current market conditions and because of the characteristics of this (entirely flatted) development.
- 2.15. This scheme is also extremely capital intensive, and it will take any developer a considerable amount of time to make any return from this development, i.e. blocks will need to be constructed before any occupation can occur (and sales income received). These points are firmly supportive of a minimum 20% return requirement, as reflected within my viability assessment.

BENCHMARK LAND VALUE (EXISTING USE VALUE – “EUV”)

- 2.16. It is noted that AV have significantly reduced the Benchmark Land Value (BLV), seemingly because they feel that Canada Life House should be excluded, due to it being outside of the red line area. This approach cannot be correct, for the following reasons:
- Firstly, the scheme will struggle to be delivered without the acquisition of Canada Life House, or at the very least a complex Development Agreement to purchase access / service rights. Whilst the building itself is excluded from the planning application area, a significant amount of the surrounding areas (currently used for car parking)

are required for this development to proceed. AV have not explained how the scheme could proceed without Canada Life House and the associated curtilages being purchased.

- Secondly, if for arguments sake, one was to accept that the value of Canada Life House should be excluded from the viability assessment, the adjacent land (which forms part of Canada Life House) which is required for the subject scheme currently comprises 355 car parking spaces. Given that AV anticipate car parking spaces in this location are worth £15,000 each – which would generate an Existing Use Value of £5.325m, before the application of a landowner EUV premium (more on this below). It is hard to see how an additional payment would not be required, given that Canada Life House would effectively now become unusable, given that it no longer has car parking.

2.17. For these reasons, the Benchmark Land Value adopted within my appraisal remains entirely correct / appropriate, and conversely the BLV adopted by AV is significantly understated – by £6.175m, before the (lack of) an EUV premium is addressed. I believe it is again necessary to consider this additional (missing) £6.175m cost, in the context of AV's current £1.725m viability surplus.

The lack of an EUV Premium

2.18. Firstly, it is important to note that the PPG Viability Guidance (014 Reference ID: 10-014-20190509 & 015 Reference ID: 10-015-20190509) firmly advocates the application of an "EUV Premium" – which is intended to represent the incentive that the hypothetical landowner would require above a property's existing use value, to sell for the purposes of development

2.19. The "EUV+" approach set out at paragraph 014 of the Viability PPG at states that *"...a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land..."*.

2.20. AV have not applied an EUV premium and their justification for this is – seemingly – that I did not apply one. However, as identified within my viability report, I made it very clear that this was a wholly conservative position to adopt, and AV have acknowledged at paragraph 7.20 of their report that an EUV premium would be appropriate (see 3rd bullet). In my experience, the EUV premium would typically range between 15% and 30%, which would be

approximately £2.5m - £5m of additional land costs to be reflected within my analysis, based on my EUV. Clearly the premium would be lower if applied to AV's lower EUV, but as above this is artificially low.

- 2.21. Furthermore, if AV had adopted a Premium, there would be a further impact on their scheme finance costs. I note that AV's finance costs are approximately £6m lower than mine. I find it hugely surprising that AV have not commented upon this critical issue within their report, and it will be noted within the following section that AV's finance costs have clearly not been calculated correctly.

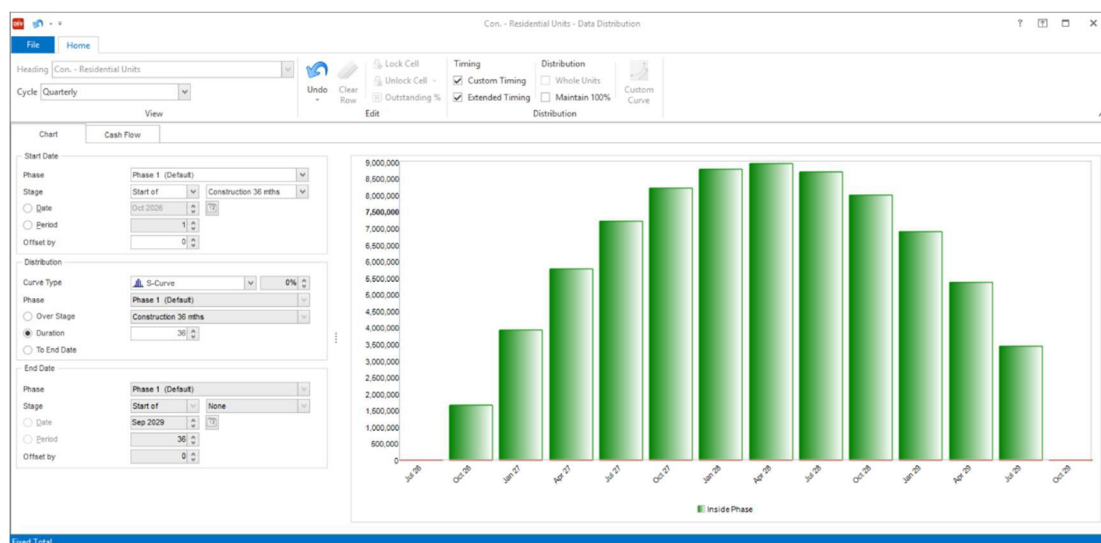
AV'S FINANCE COST CALCULATIONS

- 2.22. The final (extremely important) point that requires detailed consideration is AV's finance costs, which (as above) are approximately £6m lower than mine. There are three key reasons for this:

- Their higher GDV (due to the car parking income and more valuable Class E space)
- Their lower BLV – as consider above, and
- They have reflected their construction costs on an S-Curved Basis – which is the critical issue

- 2.23. To explain the S-Curve point, for their viability analysis, AV have adopted the Argus appraisal valuation software – which is an extremely well used valuation toolkit (we have a subscription to this toolkit but I prefer to produce bespoke Excel appraisals). However, I am extremely familiar with Argus and how it operates. Within the Argus toolkit, there is a 'standard setting' that allows the development costs to be reflected on an S-Curved basis, which essentially reflects the costs being incurred to a lesser extent at the start of the development, peaking in the middle and then tailing-off again towards the end.

- 2.24. I have included a screenshot below, from Argus, which demonstrates the approach that AV have taken in S-Curving their assumed build costs:



- 2.25. In some instances, this is an appropriate assumption to adopt (simple single-phase flatted developments, where the cost expenditure tends to be incurred during the substructure phase – in the middle of the development) but this is not for the subject scheme, where a significant amount of development costs will be 'front loaded', simply due to the nature of the scheme including the up-front demolition, the ground remodelling and foundation works, followed by all of the external works, and then the costly substructures etc. plus the associated professional fee expenditure - which will again typically be incurred relative to cost expenditure.
- 2.26. For these reasons, when considering a scheme of this nature it is necessary to reflect the front-loaded nature of the development costs, as was reflected in the cashflows within my viability submission. In effect, AV have reflected their development costs being incurred disproportionately within the middle of the scheme, but they have reflected their development income being achieved on a flat-line basis, which in valuation terms means they are reflecting income from apartment sales, when they have not incurred the costs to build them. In my view, this is very clearly an erroneous approach, which results in AV's finance costs being so much lower than my own. This can be demonstrated as per the screenshot below, which shows AV's cashflow on quarterly basis:

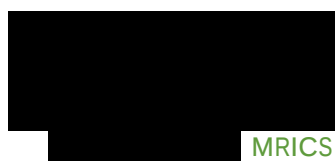
		1 Oct 26:Dec 26	4 Jan 27:Mar 27	7 Apr 27:Jun 27	10 Jul 27:Sep 27	13 Oct 27:Dec 27	16 Jan 28:Mar 28	19 Apr 28:Jun 28	22 Jul 28:Sep 28
		0	(13,828,211)	(18,515,622)	(25,944,147)	(34,416,815)	(28,618,972)	(22,019,876)	(18,814,514)
Heading	Total	Construction Cash Activity							
Revenue									
Cap - Class E Space	5,910,558	0	0	0	0	2,955,279	2,955,279	0	0
Sale - Car Parking	1,725,000	0	0	0	0	191,667	191,667	191,667	191,667
Sale - Residential U	125,490,600	0	0	0	0	14,133,754	14,133,754	14,133,754	14,133,754
Total for Revenue	133,126,158	0	0	0	0	17,280,699	17,280,699	14,325,420	14,325,420
Disposal Costs									
Total for Disposal Costs	(3,686,947)	0	0	0	0	(628,185)	(628,185)	(353,344)	(353,344)
Acquisition Costs									
Total for Acquisition Cc	(10,594,770)	(10,594,770)	0	0	0	0	0	0	0
Construction Costs									
Con. - Residential U	(76,929,879)	(1,663,159)	(3,932,253)	(5,779,582)	(7,205,147)	(8,208,947)	(8,790,982)	(8,951,253)	(8,689,758)

- 2.27. The above screenshot shows that AV only incur c. £18.58m (see bottom line "Con-Residential" (Months 1-12) of construction costs before sales income of £17.28m (see Month 13, line "Total for Revenue") is received. This is disproportionate and could not be realistically achieved from this scheme. This flawed approach has the impact of reducing the total compound finance costs, because where revenue received is higher than the cost expenditure in that period, no finance costs will be incurred.
- 2.28. To illustrate the significance of this issue, I have firstly (exactly) rebuilt the AV appraisal for the scheme at 0% affordable (please see Appendix 1) and screenshot example above. This appraisal reflects their S-curved approach to the scheme finance costs (this is also why I am certain that AV have selected the default S-Curve setting in Argus). I have then produced a further appraisal where I have reflected the development costs consistently with those reflected within my viability analysis, to appropriately reflect the front-loaded nature of the development costs within this scheme – as per Appendix 2.
- 2.29. As will be noted, the finance costs within my Appendix 1 appraisal total £3.048m – which is consistent with the AV appraisal. However, when the profile of costs is more front loaded in line with my assumptions, as per Appendix 2 – the finance costs increase to £6.425m, which is an increase of £3.38m. This is also before the additional finance costs that would arise, once appropriate amendments are made to the BLV, which would be considerable – given that the BLV is a day-1 costs within the cashflow.
- 2.30. As will be noted from the appraisal at Appendix 2, this increase in finance cost puts AV's appraisal into a viability deficit of £1.659m. So, quite simply, this amendment alone shows AV's appraisal to have a viability deficit at 0% affordable – before any of the other above inputs of disagreement are considered.

- 2.31. I have then undertaken a further sensitivity to the AV appraisal by removing AV's £1.725m income for car parking – as per Appendix 3. It will be noted that this then shows a viability deficit of -£3.17m.
- 2.32. From here, I have then undertaken a further sensitivity by adopting my BLV of £15.655m. This sensitivity appraisal is included at Appendix 4 of this report, and it will be noted this shows a viability deficit of £10.603m.
- 2.33. For ease, I have summarised the conclusions of these sensitivity appraisals in the table below:

Appendix	Scenario	Finance Costs	Total BLV	Surplus / Deficit
Appendix 1	AV Appraisal Rebuild	£3,048,974	£9,958,000	£1,716,647
Appendix 2	AV Appraisal Rebuild + Build Cost Profile	£6,425,193	£9,958,000	-£1,659,573
Appendix 3	AV Appraisal Rebuild + Build Cost Profile + Remove Car Parking GDV	£6,512,845	£9,958,000	-£3,170,349
Appendix 4	AV Appraisal Rebuild + Build Cost Profile + Remove CP GDV + TM EUV	£7,878,449	£15,655,00	-£10,603,258

- 2.34. The above table demonstrates that the conclusions shown by AV in their Viability Review of a £1.716m surplus can quite quickly be eroded with some fairly minor changes to their appraisal, all of which I consider are justified.
- 2.35. The Appendix 4 appraisal is effectively a direct replication of my appraisal assessment – albeit there is a minor variance in the finance cost position, due to different scheme completion assumptions. However I maintain that the marginally higher deficit figure referenced within my submission is correct, noting the various conservative inputs adopted within my assessment (as acknowledged by DSP) most notably the professional fee allowance and the lack of an EIV premium.
- 2.36. I believe that summarises the key points following my review and I hope I have provided a sufficient level of information. I would welcome the opportunity to discuss the findings of my analysis with you at your earliest convenience.



MRICS

Appendices:

Appendix 1 – TM Rebuild of AV Appraisal

Appendix 2 – TM Rebuild of AV Appraisal, corrected build cost profiling

Appendix 3 – TM Rebuild of AV Appraisal, corrected build cost profiling and removal of car parking GDV

Appendix 4 – TM Rebuild of AV Appraisal, corrected build cost profiling and removal of car parking GDV and TM EUV

Appendix 5 – Knight Frank Yield Guide (October 2026)