

Former King Edward VII Hospital Viability Appraisal: Current Application Plus 22 Additional Units.			
<i>This viability appraisal is for both the first and second application schemes which provides a mixed use development of 147 assisted care units, 238 new residential apartments/houses, 30 residential conversion units and associated facilities.</i>			
Site costs		Comments on amendments (30.6.2011)	
Open market value of property in existing condition	£ -		No change
<i>Costs incidental to acquisition:</i>			
Stamp Duty on acquisition at open market value	4% £ -		
Legal fees on acquisition at open market value	1% £ -		
Agent's fees on acquisition at open market value	2% £ -		
Total site costs:	£ -		
Reasonable holding costs			
Total holding costs:	£ 3,806,566		For the purposes of this exercise, holding costs have simply been adjusted to reflect an overall extension to the programme of 19 months. However, these costs significantly understate the position due to individual unit holding cost increases for Council Tax, utility, maintenance, and management costs and charges. For example, Council Tax is estimated to be a minimum of an additional £488,250 as on completion of construction 84 units will be left unsold, 51 units (phase 3) build complete but unsold for a further 7 months and 15 units (phase 2) build complete and unsold for a full 15 months. Average Council Tax is assumed at £2,500 (Band G). The utility charges expected to be incurred for void units be on average £140 per unit per month and an additional cost of £328,440 is estimated to be incurred. Phases 3 and 4 will require external redecoration due to the extended holding period and this cost has not been assessed for the purposes of this exercise.
Design and construction			
Survey costs	£ 260,000		The construction inflation allowance previously included has been removed.
Research & analysis costs	£ -		
Contamination costs	£ 250,000		
<i>Construction costs:</i>			
Conversion	41,627,035		
New Build	59,413,848		
Additional 22 units	4,632,085		
Underground car parks	10,083,380		
Additional u/g parking	0		
Contingency	7,036,628		
Inflation allowance	0		
Total build and contingencies	£ 122,792,976		
Landscaping costs	£ 1,271,374		
Extraordinary ecological costs	£ 465,903		
Irrecoverable Vat @ 20% rate	£ 848,000		
Sub Total	£ 125,378,253		
Build Savings @ 5% of sub-contract element:	£ 4,388,239		
Professional fees including contingencies	£ 10,523,648		
Total design and construction costs	£ 132,023,662		
Statutory and other charges			
Total Statutory & Other Charges:	£ 3,573,515		The arrangement fee has increased due to the additional level of funding required although the arrangement fee has been left unadjusted at 1%. This position is also understated as the increased loan required due to the front loading of costs will increase funders exposure and they will wish to charge a higher fee.
Interest			
Total Interest:	£ 7,569,768		Interest has increased due to the significant requirement for increased funding to enable the construction works to the Sanatorium and the Chapel to be completed prior to any of the new build development being delivered.
Letting and sales costs			
Total letting and sales costs:	£ 6,697,259		The sales and marketing costs have been increased by 10% to reflect an increase in the overall sales period from 72 months to 93 months.
Service charge voids			
Total service charge voids:	£ 892,846		For the purposes of this exercise, service charge voids have been increased to the equivalent of 8 months per unit to reflect the increased voids due to the acceleration of the conversion construction together with a 30% increase on the conversion service charges voids due to the need to fund communal facilities and services. However, these are significantly understated due to the programmed period of voids in the Sanatorium. At the increased service charge figure (+30%) of £5,200 pa service charge voids for phases 2,3 and 4 of the Sanatorium only will be £1,016,600.
Deductions from costs: (£)			
Short-term income from site Grants	£ -		
Total Deductions from costs	£ -		
Net Costs	£ 154,563,617		
Developer's profit on net costs:	£ 46,369,085		Developer profit has been increased from 25% to 30% to reflect the likely funders requirements due to the increased risk/additional funding due to the up front investment required for the Sanatorium works.
TOTAL COSTS	£ 200,932,702		
COMPLETED OPEN MARKET VALUE OF SCHEME	£ 163,423,180		The values are the current day values provided by Strutt & Parker. The final sales values for the sanatorium have been reduced by 10% to reflect the higher stock levels and the negative impact on the ability to maximise sales values. Purchasers view high stock levels as an indication that developers are finding sales difficult and will impact negatively on their confidence to buy.
SURPLUS/ DEFICIT		-£ 37,509,523	
Design and construction costs by phase as follow:			
		Start	Complete
Phase 1 & 8	30.72%	40,557,669 Jun-12	Jun-16 49
Phase 2	9.13%	12,056,401 Oct-12	Jun-16 45
Phase 3	7.22%	9,525,507 Feb-16	Jun-17 17
Phase 4	13.14%	17,343,948 Jan-16	Dec-17 24
Phase 5	17.86%	23,582,067 Sep-17	Feb-19 18
Phase 6	1.76%	2,320,976 Jan-19	Oct-19 10
Phase 7	8.28%	10,926,336 Feb-19	May-20 16
Phase 8	11.90%	15,710,816 May-20	Feb-21 10
Total	100.00%	132,023,720	
Sales by phase as follows			
Phase 1	40,649,500	Jun-13	Jan-20 80
Phase 2	12,900,000	Jun-16	Mar-17 10
Phase 3	13,890,000	Mar-17	Jun-17 4
Phase 4	20,975,003	Jun-17	Aug-18 15
Phase 5	33,395,000	Aug-18	Oct-19 15
Phase 6	9,353,292	Oct-19	Dec-19 3
Phase 7	15,875,000	Dec-19	Sep-20 10
Phase 8	15,320,000	Sep-20	Aug-21 12
Total	162,357,795	Dec-13	Aug-21 93