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Condition Survey and Estimated Cost report

For

Lister and Treves House, London, E15

For

Tower Hamlets Homes

By



June 2016

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Appendix 1 – Building Condition Survey report

Appendix 2 – Valuation Estimate

Appendix 3 – Indicative Cost Estimate

## 1. Introduction

- 1.1 John Rowan and Partners (JRP) have been commissioned to carry out a detailed condition survey of Lister and Treves Houses, London, E15.
- 1.2 Lister and Treves are existing housing blocks located at the junction of Lomas Street and Vallance Road, Whitechapel. Lister has 33 units (11 tenanted and 22 leaseholder) and Treves has 18 units (7 tenanted and 11 leaseholder). The surrounding area is a primarily residential, with the Osmani School and Osmani Centre opposite the site. White Chapel Road is 250 metres to the south
- 1.3 The commission incorporates the following scope of service;
  - i. Detailed stock condition report with elemental renewal costs and predicted failure dates.
  - ii. Detail of the structural defects to the existing buildings and the implications of retention on resident safety, energy efficiency etc.
  - iii. List and costings for “essential” (e.g. FRA works) that must be completed regardless of the decision about the future of the blocks
  - iv. NPV (Net Present Value) of the building
  - v. Likely leaseholder buy-out costs
  - vi. An overall view of the value of the site in the context of the Whitechapel Vision, should the council wish to sell the site to a developer.
- 1.4 The purpose of the survey is to establish the current condition of the building in relation to its component life cycles, emergency works, health and safety aspects and fire safety works.

In addition, to ascertain the viability of the property over a thirty-year period, so that a decision can be made, with regards to investment in accordance with the proactive strategic asset management guidelines.

## 2. Our Approach

We have compiled the following documentation in formulation of this report: -

### 2.1 Building Condition Survey report;

A general building condition survey (internal and external) was carried out by Luis Zarraoa (John Rowan and Partners LLP). A detailed report is attached at **Appendix 1** and includes the following;

- i. A general structural survey; carried out by EDA (Engineering Design Associates). Please note that the survey is based on general observations and we have not done any detailed investigations.
- ii. A general mechanical and electrical survey; carried out by our services specialist Pinnacle ESP Consulting Engineers.
- iii. Fire Risk Related Survey, carried out by Carl Dennis Ltd

The outcome of the building condition is itemised in **Item 3**

### 2.2 Net Present Value;

Net present value was calculated by our strategic asset management team and is based on predicted income and expenditure. Detailed outcome is itemised in **Item 4**.

### 2.3 Valuation Estimate;

Purchase cost of leaseholder properties and approximate valuation, should the existing building be sold based on its current condition. The above was carried out by Phillip Arnold Auctions based on a desktop review and site visit. Detailed outcome is itemised in **Item 5**. A detailed report is enclosed to **Appendix 3**.

### 2.4 Indicative Cost Estimate;

An indicative cost estimate was prepared and is enclosed as **Appendix 4**. Detailed outcome is itemised in **Item 6**

Two options have been considered and these are as follows: -

- a. Estimate for year 1 works based on emergency and health and safety works in the event future investment is not achieved.
- b. Estimate for necessary improvement works and component replacement works in the event all future investment is obtained.

### 3. Condition of the building

The condition of the building's key construction elements are listed below and carry a priority status alongside. Details to the allocation of the priority status and resultant findings are contained within **Appendix 1**.

KEY ASPECT	STATUS	PRIORITY STATUS
Lister House - Roof	Roof with leaks and is at end of useful life	
Lister House – Lightning protection	Damaged current system	
Lister House - Cladding	Poor thermal protection and water and air ingress ...	
Lister House - Windows	Windows in derelict state and falling down	
Plant room in roof	Concrete remedial repairs necessary	
Lister House – Fabric and structure	Numerous cracks and carbonation probably present	
Lister House – Air Handling Units	AHU serving bathrooms and toilets have reached the end of their useful life	
Lister House – Gas	Gas pipework to be run at high level	
Lister House – Cold Water Tanks	Systems non-compliant with ACoP L8 legislation.	
Lister House - Fire Safety – Compartmentation	Risers do not afford appropriate vertical and horizontal compartmentation in toilet areas	
Lister House – Fire Safety in Flats	No heat detectors in kitchens and some flats missing smoke detectors	
Lister House – Fire Safety – Communal Areas	No smoke detectors in communal areas, neither bells or sounders or call points	

KEY ASPECT	STATUS	PRIORITY STATUS
Lister House – Fire Safety - Doors	Flat entrance doors not compliant and no fire/smoke proof. Security grilles need to be removed	
Lister House – Fire Safety – Communal Areas	Communal FE doors not fully complaint. No smoke seals and hard to open	
Treves House - Roof	Roof with leaks and is at end of useful life	
Treves House – Lightning protection	Damaged current system	
Treves House - Cladding	Poor thermal protection and water and air ingress ...	
Treves House - Windows	Windows in bad condition	
Treves House – Fire Safety in Flats	No heat detectors in kitchens and some flats missing smoke detectors	
Treves House – Fire Safety – Communal Areas	Communal FE doors not fully complaint. No smoke seals and hard to open	

#### 4. Net Present Value

A detailed assessment of discounted cash flow, net present value calculation appraisal was calculated based on the income and expenditure so that investment decision can be made based on financial return.

##### Discounted Rates and Net Present Value

Definition by the Cabinet Office: *Discounting is an established decision making technique used to compare costs and benefits that occur in different time period. It's a separate concept from inflation and is based on the principles that generally people prefer to receive good and service now rather than later. This is known as "time preference"*

Present value and discount rate: *Calculating the net present value of the difference between the streams of costs and benefits provides the net present value (NPV) on an option. The NPV is the primary criterion whether the decision can be justified or not.*

It is essential that detailed NPV calculations are carried out for current expenditure, planned maintenance costs, day to day maintenance costs, management costs, rental income, and service charge income. NPVs will justify the need and rationale for development and justify it. The HCA often uses NPVs to assess the justification for disposal or regeneration under the regulatory requirements.

The NPV is the most important factor in their decision.

We have calculated the current NPV of Lister and Treves Houses, using the following data:

Income:

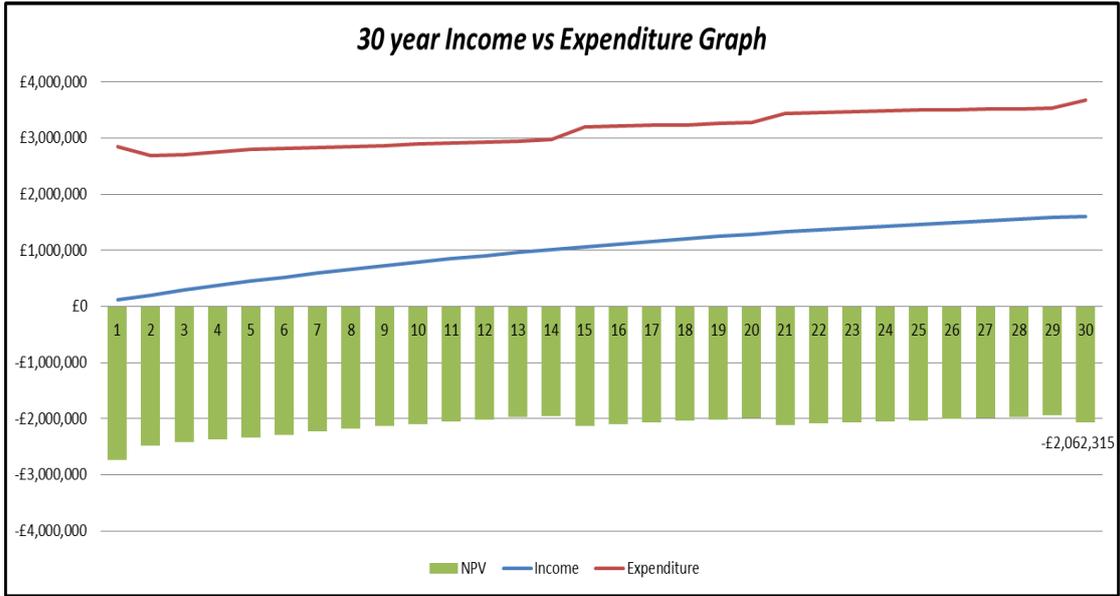
- Rental income (including the rent reduction announced by the government)

Expenditure:

- Planned maintenance expenditure for 30 years,
- Investment required to bring Lister and Treves to a particular standard based on current regulations
- Management cost
- Day to day repairs
- Cyclical decoration

Industry data and other THH strategic AM data:

- Inflation
- Maintenance inflation
- Maintenance inflation
- Discount rate
- Void %
- Bad debt %



## 5. Likely leaseholder buy out cost and value of the site

Likely leaseholder buy out cost and value of the site should the council wish to sell the site to a developer in the current condition is considered below.

The following are approximate leaseholder buy out cost values;

<b>Size</b>	<b>Cost</b>
2 Bed	£310,000
3 Bed	£325,000
4 Bed	£340,000
5 Bed	£355,000

The likely value of the site if the council wish to sell to a developer is £5,000,000 to £7,000,000.

See detailed report in **Appendix 3**.

## 6. Indicative Cost Estimate

See **Appendix 4** for the detailed estimate alongside necessary assumptions and exclusions.

Indicative Estimate;

- i. Retain Lister and Treves with long term investment based on the current condition.

	LISTER	TREVES
Construction Works including fees and preliminaries	£3,985,570	£2,170,329
VAT	£797,114	£434,066
Total works including VAT	£4,782,684	£2,604,395

- ii. Emergency works to improve health and safety if no long term investment is planned

iii.

	LISTER	TREVES
Construction Works including fees and preliminaries Works	£579,847	£150,113
VAT	£115,969	£30,023
Total works including VAT	£695,816	£180,136

## **7. Conclusion**

If you require further information please contact Ken Morgan on 07971 988 206.