SITE SPECIFIC
FINANCIAL VIABILITY ASSESSMENT

REVIEW

Surrey Canal Road, Stockholm Road, Bolina Road and Rollins Street, London SE15 & SE16

On behalf of:

London Borough of Lewisham

Date: January 2022

Prepared by: James Brierley
Fiona Kilminster, Rosanna Cole

RICS MANDATORY REQUIREMENTS

Requirement	Section/ Page	**This assessment has been produced having regard to and abiding to the requirements of RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019). Appendix 1, where applicable provides a guide to where in the report the requirements have been adhered to.**
		In preparing this viability assessment, we confirm that we have acted with reasonableness, impartiality and without interference. We have also complied with the requirements of PS2 Ethics, competency, objectivity, and disclosures in the RICS Valuation – Global Standards 2020 in connection with valuation reports.
		This document sets out our terms of engagement for undertaking this viability assessment. We declare that to the best of our knowledge there is no conflict of interest (paragraph 1.1 of the Conflict-of-Interest Professional Statement of January 2018), Other than, if necessary, where stated in the report circumstances which fall under Informed Consent (as per the Conflict-of-Interest Professional Statement).
		We confirm that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.
		We confirm that this viability assessment has been prepared in the full knowledge that it may be made publicly at some point in the future. Where we believe there to be information, which is commercially sensitive, that we have relied upon in arriving at our opinion we have stated so in our report. We request that permission is sought by the instructor/applicant prior to being made public to ensure commercially sensitive or personal information does not infringe other statutory regulatory requirements.
		We confirm that we have not undertaken an area-wide viability assessment concerning existing and future policies against which the scheme will in due course be considered. We have confirmed with the instructing party that no conflict exists in undertaking the viability assessment, we have also highlighted to the Council where we have previously provided advice relating the site in question. Should this position change, we will immediately notify the parties involved. We understand that if any of the parties identified in this report consider there to be a conflict that we would immediately stand down from the instruction.
		Throughout this viability assessment we have set out a full justification of the evidence and have also supported our opinions where they differ from the Applicant's advisor with a reasoned justification. We note in due course the emphasis within the RICS Professional Statement on conduct and reporting in Financial Viability in Planning the need to see to resolve differences of opinion wherever possible
	S8	In determining Benchmark Land Value (if required) we have followed NPG (Viability) (2019) setting out this in detail within the Benchmark Land Value section.
	S13	We make a clear distinction in our report between preparation/review of a viability assessment and subsequent negotiations. Such negotiations may be identified as part of an addendum documents and may relate to S106 agreements.
	S12	Sensitivity analysis and accompanying explanation and interpretation of the results is undertaken for the purposes of a viability assessment. This enables the reader to consider the impact on the result of changes to key variables in the appraisal having regard to the risk and return of the proposed scheme.
		We confirm we have advocated transparent and appropriate engagement between the Applicant and Council's viability advisors.
	P6	This report includes a non-technical summary at the commencement of the report which includes all key figures and issues relating to the assessment.

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We confirm this report has been formally reviewed and signed off by the individuals who have carried out the assessment and confirm that this FVA [as above*] has been prepared in accordance with the need for objectivity, impartiality and without interference. Subject to the completion of any discussion and resolution or note of differences, we will be retained to then subsequently advise upon and negotiate the Section 106 Agreement.

All contributors to this report have been considered competent and are aware of the RICS requirements and as such understand they must comply with the mandatory requirements.

We were provided an adequate time to produce this report, proportionate to the scale of the project and degree of complexity of the project.

SIGN OFF

This report has been prepared by James Brierley MRICS and reviewed by Alex Brown MRICS MRTPI.

James Brierley MRICS,
Partner

For and on behalf of Gerald Eve LLP

Alex Brown MRICS MRTPI,
Partner

For and on behalf of Gerald Eve LLP

NOTE: This report has been produced in accordance with National Planning Policy Framework (2019) and Planning Policy Guidance (as amended). Gerald Eve LLP can confirm that the report has been produced by suitably qualified Practitioners of the Royal Institution of the Chartered Surveyors (RICS) and that the report has been produced in accordance with RICS Practitioner guidance on viability in planning matters.

The contents of this report are specific to the circumstance of the Proposed Scheme and date of publication; and it together with any further information supplied shall not be copied, reproduced, or distributed to any third parties for any purpose other than determining the application for which it is intended. Furthermore, the information is being supplied to **the client** on the express understanding that it shall be used only to assist in the financial assessment in relation to the Application. The information contained within this report is believed to be correct as at the date of publication, but Gerald Eve LLP give notice that:

I. all statements contained within this report are made without acceptance of any liability in negligence or otherwise by Gerald Eve LLP. The information contained in this report has not been independently verified by Gerald Eve LLP.
II. none of the statements contained within this report are to be relied upon as statements or representations of fact or warranty whatsoever without referring to Gerald Eve LLP in the first instance and taking appropriate legal advice.
III. references to national and local government legislation and regulations should be verified with Gerald Eve LLP and legal opinion sought as appropriate.
IV. Gerald Eve LLP do not accept any liability, nor should any of the statements or representations be relied upon, in respect of intending lenders or otherwise providing or raising finance to which this report as a whole or in part may be referred to.
V. Any estimates of values or similar, other than specifically referred to otherwise, are subject to and for the purposes of discussion and are therefore only draft and excluded from the provisions of the RICS Valuation – Professional Standards 2014; and
VI. Information in this report should not be relied upon or used as evidence in relation to other viability assessments without the agreement of Gerald Eve LLP.

CONTENTS

EXECUTIVE SUMMARY (NON-TECHNICAL)

Instruction	i. Gerald Eve LLP ('GE') has been instructed by London Borough of Lewisham ('the Council') to undertake a Financial Viability Review ('FVR') of a Financial Viability Assessment ('FVA'), submitted on behalf of Renewal ('the Applicant'), to determine whether the appropriate level of planning obligations including Section 106 contributions and affordable housing have been proposed.
Site	ii. The Site comprises approximately 15.8 acres (6.4 ha) and is made up of four separate parcels of land which surround the Millwall FC Stadium. These lie within the Surrey Canal Triangle area, in the north west of the Borough of Lewisham. The Site is also adjacent to the London Borough of Southwark to the north and west, with South Bermondsey Station located at the northwest corner of the Site, just north of the Bolina parcel.
Proposed Scheme	iii. The proposed redevelopment ('the Scheme') comprises a hybrid planning application for the redevelopment of land at Surrey Canal Road, Stockholm Road, Bolina Road and Rollins Street, London SE15 and SE16 ('the Site') to provide a mixed-use development comprising c.3,500 residential units together with retail, employment; and community provision.
Approach	iv. GE has had regard to planning documents and cost reports provided by the Applicant in undertaking this assessment as well as acceptable assumptions based upon other viability assessments undertaken in the Borough and wider London. Conclusions may require consideration following any adjustment to the Scheme or the provision of additional information supporting the application. These are set out in the summary of inputs table below.
	v. This report has been prepared having regard to relevant planning policy applicable to the Site at the date of writing and generally accepted principles of undertaking (site specific) FVAs. It has also been written adhering to the RICS Guidance note Financial Viability in Planning (2021) (the "RICS GN") and the RICS Professional Statement on Conduct and Reporting in viability that supports the RICS GN (2019) (the "RICS Professional Statement").
Purpose	vi. The purpose of this FVA is to demonstrate the viability of the Scheme including proposed level of affordable housing on-site; considering specific site and Applicant circumstances; including potential Section 106 ('S106') obligations, Borough Community Infrastructure Levy ('BCIL') and Mayoral Community Infrastructure Levy ('MCIL').
Method	vii. GE has considered the Scheme against the minimum return at which it is considered a reasonable landowner would be willing to sell their land known as the Benchmark Land Value (BLV).
Applicant Viability Conclusions	viii. Newsteer ('the Advisor') has produced the FVA on behalf of the Applicant which forms part of the planning application. The Advisor's assessment concludes that the application results in the viable provision of 35% affordable housing to be delivered across five phases. The Advisor has concluded this based upon a GDV of £2.031b, a cost of £2.024b, a BLV of £94.41m and a profit return on private residential sales of 20%. We note the Advisor has not presented the viability of the scheme in their report on an IRR basis which we consider to be more appropriate for a development of this length.

Review Viability Conclusions	ix.	GE has robustly tested the proposed Scheme and concludes that the inclusion of 35% (by unit) on-site affordable housing appears to represent the maximum reasonable amount that can be justified having regard to viability whilst meeting the requirements of policy associated with redevelopment of housing in London.
Standardised inputs	x.	Where possible the report applies standardised inputs and has regard where appropriate the specifics of the site and proposed development. Standardised evidence means it is resourced from primary, secondary, or tertiary data sources.
Total GDV	xi.	GE estimate the total GDV to be £1.97b.
Total Cost[1]	xii.	GE estimate the total development cost to be £2.02b. The build costs have been assessed independently by Veal & Sanders Quantity Surveyors (see Appendix 6).
Existing Use Value (EUV)	xiii.	GE have undertaken an independent existing use value assessment (see Appendix 9 and Section 8) which concludes an EUV for the site of £72.5m. This figure includes all land within the application red line, whereas the Advisor's EUV does not include third party land.
Premium	xiv.	GE have reached the conclusion, based upon an Alternative Use method – assuming refurbishment of the existing commercial and industrial properties that a premium of 19% appears reasonable to be added to the EUV. We are aware however that the GLA do not consider a premium should be applied to the scheme on the basis of an AUV as we have applied.
Benchmark Land Value (BLV)	xv.	GE conclude that a realistic Benchmark Land Value (BLV) for the site to be released for development equates to £85.9m based upon and EUV+ methodology. As the GLA do not consider a premium should be applied, it is worth noting that the BLV they are likely to adopt is £72.5m.
Return	xvi.	GE conclude that the risk profile associated with this scheme and the nature of the hybrid application would indicate a return of c.20% on private residential use would be appropriate. However, the scheme has also been tested on a lower return of 18.5% on private residential use to reflect the impact of reduced risk associated with crystallization of later phases at detail consent stage. This level is likely to be adopted by the GLA in considering the scheme. For longer term schemes, such as the proposed development, it is also sensible to look at the return under an IRR, which we would expect to be between 10-14% without growth and 14-16% with growth, which has been tested through a growth modelling assessment under section 12.
Residual Value	xvii.	Based upon our initial assessment GE consider that the residual value of the site is significantly below that of the BLV, indicating the maximum level of affordable housing which can reasonably justified by viability has been included within the scheme.

[1] Excluding land and profit

Outcome Variance	xviii.	This outcome appears to be significantly below that proposed by the Applicant and therefore we have had regard to the differences in assumptions and undertaken several sensitivity/ scenarios to review this difference to better understand the deliverability of the proposed scheme. Most notably we have considered the potential growth over the development period.
Sensitivity	xix.	GE have conducted sensitivity analysis on the build costs and scheme values which shows how sensitive the scheme is to becoming viable, and also scenario analysis to test a policy compliant affordable housing mix and provision of GLA grant funding, a lower profit return of 18.5% on private residential sales values and for the inclusion of additional revenue from ground rents on the private residential units. We have also conducted a growth model assessment to determine whether the scheme could become viable throughout the development lifetime.
Sensitivity testing outcomes	xx.	Our scenario and sensitivity analysis indicates that the level of variance in assumptions to achieve a viable outcome appear to be within a reasonable tolerance range and therefore the scheme appears capable of being viable and deliverable throughout its lifetime when growth is included and the scheme considered on an IRR basis as opposed to profit on GDV as is used on present-day appraisals. We consider, in this instance, the level of variance would be sufficient to enable a developer to be comfortable to progress with delivery of such a long-term development.
Deliverability	xxi.	GE understand that this site is available for redevelopment (subject to completion of purchase agreements) and consider that, having regard to reasonable input variance and growth modelling, it appears to have a realistic prospect of development being commenced in the next 5 years, subject to the agreed S106 package.
FVA	xxii.	This FVA review should not be considered a financial certainty – it is an assessment of the Scheme having regard to the best available evidence at the time of the review.
Commercial sensitivity	xxiii.	It is anticipated this report will be published and contains no confidential information which has not been reasonably identified and addressed (aggregated) to enable the report to be shared.
	xxiv.	GE consider that all inputs into our appraisal have been reasonably justified. GE have clearly set out supporting and reasonable justification for all inputs considered and have undertaken appropriate sensitivity to demonstrate the impact of variance.

SUMMARY OF INPUTS

Use	The Proposed Scheme					Source
	Units	GIA (sm)	GIA (sf)	NIA (sm)	NIA (sf)	
Private Residential	2,286	214,541	2,309,300	160,673*	1,729,466*	Advisor
Affordable Residential	1,232	113,697	1,223,824	86,474*	930,795*	Advisor
Residential Total		**328,238**	**3,533,124**			
Car Parking	470					Advisor
Retail		7,225	77,769	NKN	NKN	Advisor
Employment		13,413	144,376	NKN	NKN	Advisor
Community		4,251	45,757	NKN	NKN	Advisor
Leisure		11,595	124,808	NKN	NKN	Advisor
Auditorium		3,656	39,353	NKN	NKN	Advisor
Non Residential Total		**40,140**	**432,063**			

*We note that Phase 1 NIA excludes Winter Gardens however Phases 2-5 include them.

Assumption	Advisor				GE			
	£	**£/sf (£/sm)**			**£**	**£/sf (£/sm)**		
Private Residential	£1.6bn	P1 £803 (£8,643) – P5 £963 (£10,366)			Accepted	Accepted		
Affordable Residential	£311m				£256m			
Affordable Rent		£197 (£2,120)				Accepted		
Intermediate Rent		£442 (£4,758)				£302 (£3,251)		
Shared Ownership		£455 (£4,898)				Accepted		
Residential GDV	**£1.9bn**				**£1.8bn**			
	£	**Rent**	**Yield**	**RF**	**£**	**Rent**	**Yield**	**RF**
Car Parking	£14.1m	£30k/ space			Accepted	Accepted		
Retail	£36.1m	£30/sf (£323/sm)	6%	12m	Accepted	Accepted	Accepted	Accepted
Employment	£56.4m	£30/sf (£323/sm)	6%	12m	Accepted	Accepted	Accepted	Accepted
Community	£15.8m	£20/sf (£215/sm)	5.5%	12m	£14.4m	Accepted	6%	Accepted
Leisure	£18.7m	n/a	n/a	12m	£14.5m	£10/sf (£108/sm)	8%	Accepted
Auditorium	£10.7m	n/a	n/a	12m	£10.7m	n/a	n/a	Accepted
Existing Use Income	£17.3	Pre-con £1.8m P1 £6.3m P2 £4.4m P3 £3.5m P4 £1.3m			£17.8m	P1-3 Accepted P4 £1.8m		
Non-Residential GDV	**£169m**				**£164m**			
Total GDV	**£2.03bn**				**£1.97bn**			

Ratchets/ Growth to Scheme Values	**Advisor**	**GE**
Private Residential	2.5% per phase	Accepted
Affordable Residential	2.5% per phase	LAR & IR - 0% per phase LSO - 2.5% per phase
Commercial	0% per phase	Accepted

Cost	**Advisor**	**GE**
	Rate	**Rate**
Build cost	£1.3bn	Accepted
Contingency	5%	Accepted
Professional fees	8%	Accepted
Purchasers Costs	eff. 6.75% Stamp duty: eff. 4.99%	Accepted
Marketing	£2k per private unit	Accepted
Sales Agent Fee	Private & non res: 1.5% Affordable: 0.5%	1% Accepted
Sales Legal Fee	Private & non-resi: £600 per unit Affordable: £250k	Accepted 0.25%
Finance	6% debit 1% credit	Accepted 0%
S106	£12.3m	Accepted
CIL	£46.9m	Accepted

BLV and Return	**Advisor**	**GE**
	£	**£**
EUV	£72.6m	£72.5m
Premium	30%	19%
BLV	£94.4m	£85.9m
Return	Private Residential: 20% Commercial: 15% Affordable Residential: 6%	Accepted (scheme also tested with 18.5% on private residential, and on an IRR basis with growth modelling)

Base Appraisal Outcome	**Advisor**	**GE**
Residual Value	£77.7m	-£8.6m[2]
Deficit/ Surplus on BLV	**-£16.7m**	**-£94.5m**

[2] Assumes placemaking premium on LSO and private units only

Sensitivity/ Scenario Outcomes on RLV				
Affordable	**Ground rent**	**20% return on private residential sales**	**18.5% return on private residential sales**	**16% IRR (growth model)**
		No Growth	No Growth	Growth
35% (Advisor's mix)	Excluding ground rents	-£8.6m	£14.5m	£86.7m
	Including ground rents	£22.6m	£45.6m	
35% (Policy compliant mix & GLA Grant Funding)	Excluding ground rents	£30m	£53m	

1. INTRODUCTION

Economic climate and influencing factors	1.1.	This report has been prepared as of September 2021 in the context of the prevailing economic climate and reflects the market and proposed development now. Should these circumstances change, it may be necessary to revise and update the inputs to the financial appraisal, and therefore resulting outturns, prior to the application being determined by the council.
Instructions	1.2.	Gerald Eve LLP ('GE') has been instructed to undertake a Financial Viability Review ('FVR') of a Financial Viability Assessment ('FVA'), submitted on behalf of Renewal ('the Applicant') been prepared by Newsteer ('the Advisor'); to determine whether the appropriate level of planning obligations including Section 106 contributions and affordable housing have been proposed.
Site	1.3.	The site reflects circa 15.8 acres (6.4ha) of existing industrial and mixed-use land at Surrey Canal Road, Stockholm Road, Bolina Road and Rollins Street, London SE15 and SE16.
The Scheme	1.4.	The Applicant is seeking redevelopment of the Site for a scheme that would be delivered over five phases through a hybrid planning application consisting of a full planning application for Phase 1 and outline planning application for Phases 2-5. These applications are as follows: "*Full planning application for Phase 1 comprising the demolition of existing buildings at Orion Business Centre and construction of residential dwellings together with auditorium, meeting rooms, offices, and restaurant/café floorspace (Sui Generis and Class E) within a podium, with associated vehicular and cycle parking, public realm, amenity space, landscaping, and infrastructure.* And, *Outline planning application for demolition of existing buildings (with the exception of Guild House and part of Rollins House which are to be retained) and construction of up to 400,000sqm floorspace comprising residential floorspace (Class C3), business floorspace, leisure floorspace, retail, food and drink floorspace and non-residential institution floorspace (Class E), learning and non-residential institutions Class F1), pubs and takeaways (Sui Generis) together with associated basements, vehicular and cycle parking, public realm, amenity space, landscaping, highway works and infrastructure (scale, layout, landscaping, access and appearance reserved)."*
Confirmation of Terms of Engagement	1.5.	Our instruction is to undertake an objective, impartial review of the Applicant's FVA report, supported by Veale & Sanders, to determine if the Proposed Development can viably afford to deliver housing/ affordable housing and whether the offer presented represents the maximum reasonable amount, in line with policy requirements. The report therefore represents an FVA Review.
Relevant guidance and policy	1.6.	This review has been prepared having regard to the NPPF (2021); National Planning Guidance ("NPG"); the Mayor's Affordable Housing and Viability SPG (August 2017); Lewisham Core Strategy (June 2011); Surrey Canal Triangle Design Framework Supplementary Planning Document (February 2020); the London Plan (March 2021); the RICS Guidance Note: Financial Viability in Planning 2012 ("the RICS GN"), the RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 for England (July 2021), conduct and reporting Practice Statement 2019 ("the RICS PS"); and generally accepted principles of undertaking (site specific) FVAs.
Conflict of interest declaration	1.7.	We declare that to the best of our knowledge there is no conflict of interest (paragraph 1.1 of the Conflict-of-Interest Professional Statement of January 2018); and that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.
Transparency and confidentiality	1.8.	We confirm that this viability assessment has been prepared in the full knowledge that it may be made publicly available at some point in the future. Where we are of the view that there is information, which is commercially sensitive, that we have relied upon in arriving at our opinion,

		we have stated so in our report. We request that permission is sort by the instructing/applicant prior to being made public to ensure commercially sensitive or personal information does not infringe other statutory regulatory requirements.
Confirmation of relationship to area-wide assessment	1.9.	We confirm that we have not undertaken an area-wide viability assessment concerning existing and future policies against which the scheme will in due course be considered. We have confirmed with the instructing party that no conflict exists in undertaking the viability assessment. Should this position change, we will immediately notify the parties involved. We understand that if any of the parties identified in this report consider there to be a conflict that we would immediately stand down from the instruction.
Timeframe	1.10.	GE has had enough time to complete this instruction and where necessary, has exchanged with the Advisor in the process of reaching our conclusions.
The Financial Viability Assessment (FVA)	1.11.	The Advisor has provided an FVA dated April 2021 related to the Scheme. Subsequently they provided an update FVA dated May 2021. Further to this they have provided additional information on GE's request, set out within the table below.
Supporting information	1.12.	We note that the Applicant has instructed the following consultants to provide information applied within the FVA: • Newsteer (conducting the FVA). • Carney Sweeney Ltd (Planning Consultant). • Studio Egret West (Architects); and • RPS (Cost Consultant).
Information reliance	1.13.	We have not undertaken a measurement of the Applicant's planning application drawings and have relied upon the information contained in the FVA and associated planning documentation. Whilst we have relied on the information that has been provided, we have also had regard to our own market knowledge and research and experience. Furthermore, in completing this exercise GE and V&S engaged with the Advisor and sought clarification where necessary. These clarifications are set out in the table below.
		Table 1: Further Information Requested by GE
Clarifications	1.14.	

Clarification/Request	Received
• Residential Sales Timings • Live Argus appraisal • Residential Sales Values • Details of current rental terms for EUV	28/04/2021
• EUV premium • Detailed cost plan (Phase 1) • Area schedules for Phases 2-5	24/05/2021
• Information on the intended operation of leisure, auditorium, community, and employment uses • Existing use income	26/05/2021

		• Land assembly costs	
		• Ancillary GEA area for P2-5.	14/06/2021
		• Land assembly costs	01/07/2021
		• Evidence of demand for leisure use	30/11/2021
Information reliance	1.15.	We have included in Appendix 2 an overview of our opinion of the key relevant planning policies associated at national, regional, and local level. In Appendix 3 we have included an explanation of the applied methodology and approach in assessing viability having regard to viability guidance for planning purposes.	
Planning Policy	1.16.	The application is situated within the London Borough of Lewisham and therefore assessment of planning obligations must have regard to the Lewisham Core Strategy (June 2011), the Development Management Local Plan (November 2014) and the Planning Obligations SPD (February 2015); the London Plan (adopted 2021); and, the Mayor of London Development Viability Supplementary Planning Document (adopted 2nd October 2017). For further relevant details please see Appendix 2.	
Professional judgment	1.17.	As outlined in the RICS GN, in undertaking this exercise, GE is formulating an appropriate judgement based upon information provided by the Applicant as to the viability of the Scheme and the maximum reasonable level of Affordable Housing the Scheme can afford in terms of planning obligations.	
Viability Model	1.18.	A financial appraisal has been compiled using an industry standard licensed Argus development appraisal to assess the viability of the Scheme. Whilst this report does have regard to current day costs and values, sensitivities have been made for purposes of the financial modelling and resultant conclusions. These are explained further within the report and results are provided via a present-day appraisal.	
Sensitivity	1.19.	A risk analysis has been provided to test the sensitivity and robustness of the residual land value having regard to changes in the inputs. This is in accordance with RICS Guidance Viability in Planning (2021) and normal practice when undertaking financial viability assessments in respect of schemes of this nature about scale and programme.	

2. REQUIREMENT FOR THE FVA

NPPF paragraph 58

2.1. Paragraph 58 of the National Planning Policy Framework (2021) states:

Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable.

It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.

The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force.

All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance [NPG], including standardised inputs, and should be made publicly available.

Reasons for an FVA

2.2. Paragraph 007 of the NPG indicates:

Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.

Advisor's justification

2.3. We have reviewed the Advisor's report, and subsequent letter to the Council dated 5 January 2022, which appear to be in accordance with the RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019). This is a requirement of practice for RICS members and firms and is regulated by RICS.

We are therefore able to confirm that the report has had regard to the 14 mandatory requirements.

Identified specific reasons

2.4. The Applicant's proposal, however, constitutes a major development and Council validation requirements require a viability assessment to be submitted with an application proposing residential units. This is unless the application qualifies for the 'Fast Track' approach set out in the Mayor's Affordable Housing and Viability SPG (2017), where 50% affordable housing in proposed on industrial land.

As the Applicant has not proposed 50% affordable housing it does not qualify for the 'Fast Track' route, and a viability assessment is therefore required by the GLA. Furthermore, the council have a borough-wide strategic target of 50% of all new units being affordable housing which has not been proposed by the scheme, and the scheme does not accord with the Council's required tenure split of 70% social rent / 30% intermediate.

Reliance on Area Wide Assessment

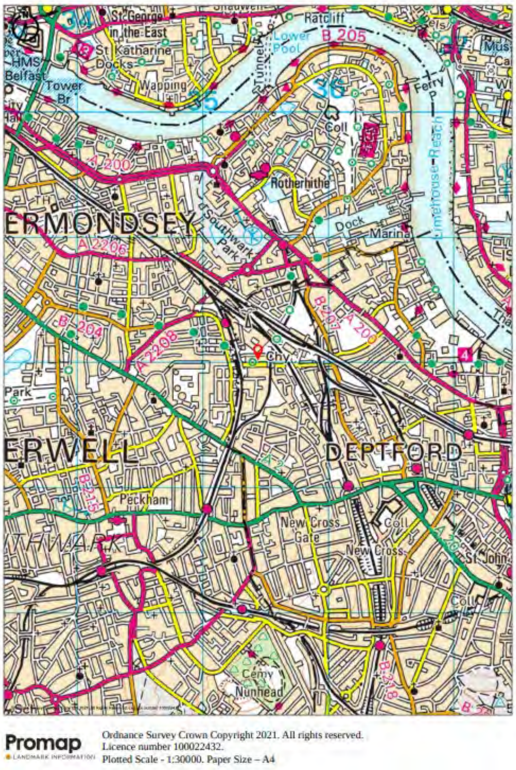
2.5. The Advisor has not made specific reference to assumptions or deviations in applied assumptions to that set out in the London Borough of Lewisham: Local Plan Viability Assessment (November 2019) ('LPVA') (2019). We make appropriate reference to this study throughout the report.

Area wide outcomes

2.6. We note that the LPVA (2019) indicates that private residential values would need to exceed £8,000 psm (£800 psf) for the scheme to viable at 0% affordable housing provision, and achieve £8,250 for the scheme to be viable at 5% affordable housing provision with a policy compliant mix of 70:30 affordable rent and intermediate rent. We note that this study shows that 35% affordable housing cannot be viably met.

	2.7.	When growth is introduced, raising the BLV, the scheme becomes viable at 0% affordable housing with private sales rates of £7,750 psm and at 5% at £8,000 psm.

3. SITE BACKGROUND – LOCATION



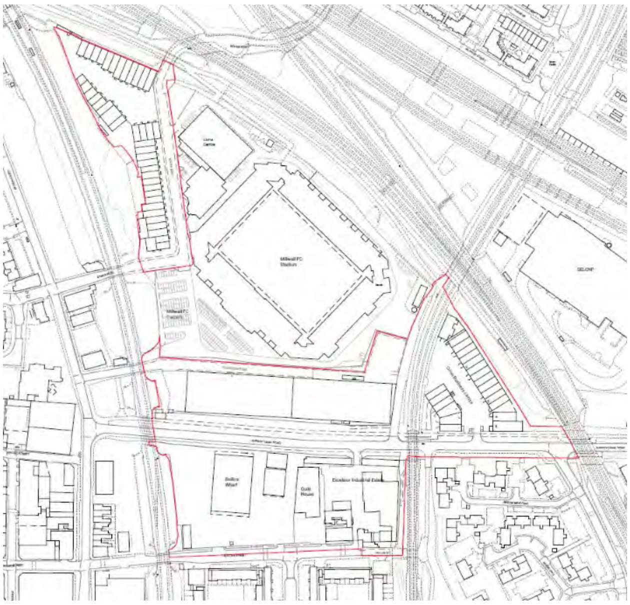


Figure 1: Location map (1:30,000). Not to scale.

Figure 2: Site Plan – Source: Newsteer. Not to scale.

Town /City	3.1.	The Site comprises approximately 15.8 acres (6.4 ha) and is made up of four separate parcels of land which surround the Millwall FC Stadium. These lie within the Surrey Canal Triangle area, in the north west of the London Borough of Lewisham.
Location	3.2.	The Site is also adjacent to the London Borough of Southwark to the north and west, with South Bermondsey Station located at the northwest corner of the Site, just north of the Bolina parcel. The four separate parcels of land are as follows:
	3.3.	Orion – The furthest east, located immediately north of Surrey Canal Road and bounded by two railway lines to the east and west. The new overground station is located directly south across Surrey Canal Road. Stockholm – Located west of Orion, separated by the East London Line. This site is again immediately north of Surrey Canal Road but bounded by the Millwall FC Stadium to the north. Timber Wharf & Excelsior Works – This site is located south of the Stockholm parcel across Surrey Canal Road. It is bounded to the south by Rollins Street.

		Bolina – The furthest north, located northwest of the Millwall FC Stadium and southwest of South Bermondsey Station. Bolina Road is to the south and east providing access to the parcel whilst the north and west boundaries are again railway lines.
Distance to	3.4.	The Site is accessible via the London Overground from nearby stations. South Bermondsey Station is immediately northwest of the Site and provides a regular rail service to London Bridge. The East London Line Extension is set to create a new station adjacent to the Site on Surrey Canal Road which will further enhance connectivity with connections to Canada Water and Shoredich High Street. Other stations also nearby include Surrey Quays (0.9 km), Queens Road Peckham (1.25 km) and New Cross Gate (1.28 km).
	3.5.	Should the proposed Bakerloo Line Extension go ahead this would further improve accessibility to the Site, with the nearest station being 'Old Kent Road Station 2' (0.5 km) to the southwest.
	3.6.	By car, the Site is approximately an hour from London Gatwick Airport and by train it is around 50 minutes. To London City Airport by train, it is circa 45 minutes and by car, this can be as quick as 20 minutes but usually around 30 minutes is expected.
Existing Use	3.7.	The Site is currently predominantly occupied with light industrial units along with a few residential units and other uses shown below: • Orion – Light industrial units known as Orion Business Centre • Stockholm – Light industrial units • Excelsior Works & Timber Wharf – Industrial units and warehouses, Guild House (businesses and studios), Rollins House (residential) and Timber Wharf (scaffolding yard) • Bolina – Light industrial units

4. VIABILITY GUIDANCE, PLANNING CONTEXT

Viability Guidance	4.1.	Viability in planning has its locus in the National Planning Policy Framework (NPPF) originally published in March 2012, revised in February 2019 and July 2021, which sets out the Government's planning policies for England and how these are expected to be applied. The NPPF recognises the place of viability testing, in both plan-making and decision-making.
	4.2.	Further guidance relating to interpreting the NPPF is set out in National Planning Guidance (NPG) which refers to viability both planning obligations (PPG 2016) and viability (NPG 2019 as amended) and indicates that planning viability assessments are recommended to reflect NPG, in determining appropriate planning obligations.
	4.3.	The NPG indicates that viability assessments are to be undertaken by suitably qualified practitioners. The Royal Institute of Chartered Surveyors (RICS) has published practitioner guidance in 2012 and 2021 regarding viability assessments in planning. The RICS also produced a Professional Statement (Sept 2019) which indicates mandatory guidance for qualified practitioners for when undertaking viability in planning. For further details see Appendix 3.
	4.4.	At the time of writing this FVA, the RICS Guidance Note Financial Viability in Planning, originally published in 2012 and updated in 2019 (the "RICS GN") is currently used by members as guidance for carrying out FVAs.
	4.5.	The NPPF states at paragraph 58 that 'the weight to be given to a viability assessment is a matter for the decision maker'.
The new RICS Guidance Note	4.6.	However, a new RICS guidance note was published (on 31 March 2021) titled Assessing Viability in Planning under the NPPF 2019 for England, (the "New RICS GN") which became effective on 1 July 2021. It has been updated to supersede the 2012 document and bring it in line with NPG. This FVR has had regard to the updated guidance note.
	4.7.	As such, we follow the principles within the New RICS GN within this FVA as this follows the core principles of the RICS GN (2012), but also provides up to date guidance on how FVAs should be undertaken and assessed at the decision-taking stage.
	4.8.	The RICS GN supplements and gives added guidance to RICS members and other stakeholders in the planning process on undertaking and understanding financial viability assessments (FVAs) in both a plan-making and decision-taking context. This guidance note is based on the NPPF and PPG as at the date of publication.
	4.9.	The New RICS GN introduces viability in the context of the NPPF and NPG. It sets out the purpose, requirement and process of an FVA at the plan-making and decision taking (Development management) stage.
	4.10.	It outlines what the evidence base for each stage is and how Benchmark Land Value should be considered.
	4.11.	The key message of the New RICS GN is that the viability principles of the NPG should be followed similarly to the RICS GN 2012. The New RICS GN is grounded in the statutory and regulatory planning regime that currently operates in the UK.
Planning Policy and Related Matters	4.12.	As noted, the application is situated within the London Borough of Lewisham and therefore assessment of planning obligations must have regard to the Council development plan which comprises Lewisham Core Strategy (June 2011), the London Plan (2021) and the Mayor of London Development Viability Supplementary Planning Document (adopted 2nd October 2017) and addendum 2019. For further relevant details please see Appendix 2.
Site Specific Planning	4.13.	The Site is within the Housing Zone designation as identified by the GLA's Housing Strategy. In addition, the land is allocated in the Council's Core Strategy Strategic Site Allocation Policy SSA3 for the Surrey Canal Triangle to comprise residential, leisure and retail facilities. The Surrey Canal Triangle Design Framework Supplementary Planning Document (February 2020) provides detailed guidance that supplements the Core Strategy's Strategic Site Allocation.

Planning History	4.14.	There are several historic planning decisions relating to the Site given its size. These relate to changes of use as well as alterations and extensions to various properties across the application site. A full breakdown of these applications is provided within the Planning Statement.
	4.15.	On 30 March 2012, outline planning permission (ref. DC/11/76357) was granted at the Surrey Canal Triangle for a phased mixed-use development of this site for up to 24,000 sqm of development. The description of development is as follows:
	4.16.	*"Comprehensive, phased, mixed use development of the site, for up to 240,000sqm (GEA) of development, as set out in the revised Development Specification dated 1 July 2011, and as amended 2 September 2011. The development comprises: Class A1/A2 (Shops and Financial and Professional Services) up to 3,000 sq m; Class A3/A4 (Cafes/Restaurants and Drinking Establishments) up to 3,000 sq m; Class A5 (Hot Food Takeaways) up to 300 sq m; Class B1 (Business) between 10,000 sq m – 15,000 sq m; Class C1 (Hotels) up to 10,000 sq m; Class C3 (Dwelling Houses) between 150,000 sq m – 190,000 sq m (up to 2,400 homes of different sizes and types); Class D1 (Non-Residential Institutions) between 400 sq m – 10,000sq m; Class D2 (Leisure and Assembly) between 4,260 sq m – 15,800 sq m (excluding the Stadium which remains but including a replacement ground person's store of 140 sq m). involving the demolition of all existing buildings on the site with the exception of the Millwall FC Stadium (which is to be retained and its facade upgraded and/ or reclad), Plot Excelsior 2 - Guild House (which is to be retained and extended), and Plot Excelsior 5 – Rollins House (which is to be retained, but not altered or extended as part of this planning application); the demolition and replacement of the existing Millwall FC ground person's store of approximately 140 sq m; redevelopment to provide a series of new buildings (including roof top and basement plant); re-profiling of site levels; alterations to Surrey Canal Road and the realignment of Bolina Road; new streets and other means of access and circulation, including pedestrian/cycle paths carriageways and servicing areas; areas for parking for emergency services vehicles and outside broadcast units; external areas of hard and soft landscaping and publicly accessible open space; car and coach parking areas and accesses to them; cycle storage; and, supporting infrastructure works and facilities including sub-stations, energy centre/s District Heating Network (DHN) connections to and between each plot, the proposed energy centre and the adjoining South East London Combined Heat and Power (SELCHP) plant (to the extent to which they lie within the Planning Application Boundary) and an ENVAC waste storage and handling system (including DHN and ENVAC connections to plots south of Surrey Canal Road under the carriageway of Surrey Canal Road, as altered)."*
	4.17.	On 18 December 2015, minor material amendments (Section 73) (ref. DC/13/085143) were granted for the reconfiguration of buildings at Plots known as Timber Wharf, Stockholm 1 & 2 and Senegal Way 1 & 2 and the redistribution of land uses between these Plots, within the overall approved development by floorspace area and land use. Amendments were also granted to the massing and heights of these buildings.
Summary	4.18.	The NPPF has a clear presumption in favour of sustainable development and local planning authorities should take account of this when determining planning applications.
	4.19.	It is important that the approach taken to affordable housing and scheme viability does not compromise the ability to deliver the development on the Site.

5. PROPOSED SCHEME

Scheme influence	5.1.	The application Site forms part of the Surrey Canal Triangle, which was allocated for development in the Council Core Strategy (2011). In February 2020, the Surrey Canal Triangle Supplementary Planning Document was published, which sets out guidance on the comprehensive redevelopment of the Triangle, including the expansion of the existing Millwall Football Stadium.
The Scheme	5.2.	The Applicant has submitted a hybrid planning application, the description of development of which is as follows: *FULL planning application for Phase 1 comprising the demolition of existing buildings at Orion Business Centre and construction of residential dwellings together with auditorium, meeting rooms, offices, and restaurant/ café floorspace (Sui generis and Class E) within a podium, with associated vehicular and cycle parking, public realm, amenity space, landscaping, and infrastructure; and* *OUTLINE planning application for demolition of existing buildings (with the exception of Guild House and part of Rollins House which are to be retained) and construction of up to 400,000sqm floorspace comprising residential floorspace (Class C3), business floorspace, leisure floorspace, retail, food and drink floorspace and non-residential institution floorspace (Class E), learning and non-residential institutions (F1), pubs and takeaways (sui generis) together with associated basements, vehicular and cycle parking, public realm, amenity space, landscaping, highway works and infrastructure (scale, layout, landscaping, access and appearance reserved).*
	5.3.	The proposed development consists of c.3,500 residential units including a 35% affordable housing provision, Class E business, leisure, retail, food and drink, and non-residential institution floorspace, Class F1 learning and non-residential institutions, and Sui Generis uses such as auditorium, pubs and takeaways alongside open space and public realm.
	5.4.	The proposals are to be delivered across five phases and are set out below as described within the Applicant's Planning Statement. Phase 1 (full planning permission): • Class C3: Dwellinghouses: 600 units. • Class E: Commercial, business, service: 530sqm. • Sui Generis: Auditorium with other floorspace: 3,785 sqm; and • Car Park, plant and storage at basement and podium: up to 7,353 sqm. Phases 2-5 (outline planning permission): • Class E: Commercial, business, service and indoor sport: up to 52,000 sqm. • Sui Generis: Public house, wine bar or drinking establishment/drinking establishments with expanded food provision/hot food takeaways: up to 5,000 sqm. • Class C3: Dwellinghouses: c. 2,900 units; and • Class F1: Learning and non-residential institutions: up to 5,000 sqm.
Accommodation Schedule	5.5.	A breakdown of the proposed residential accommodation is provided in the table as shown in Appendix 4. These areas are those proposed in the accommodation breakdown document submitted alongside the planning application and are the ones we have adopted in our appraisal.
Car parking	5.6.	Car parking is to be provided on site comprising 470 spaces equating to 13.5% as a percentage of total units.

Table 2a: Phase 1 Private Residential Unit Summary

Phase 1 Private Unt Mix	Size sf (sm)	Units (no)	Total Area sf (sm)
Studio	457 (42.5)	28	12,809 (1,190)
Studio	466 (43.3)	14	6,525 (606)
Studio	474 (44.0)	14	6,631 (616)
1 Bed Flat	544 (50.5)	60	32,615 (3,030)
1 Bed Flat	560 (52.0)	32	17,911 (1,664)
1 Bed Flat	564 (52.4)	30	16,921 (1,572)
2 Bed Flat (WC)	761 (70.7)	46	35,006 (3,252)
2 Bed Flat	753 (70.0)	32	24,111 (2,240)
2 Bed Flat	757 (70.3)	46	34,808 (3,234)
2 Bed Flat	760 (70.6)	30	22,798 (2,118)
3 Bed Flat (WC)	1,090 (101.3)	10	10,904 (1,013)
3 Bed Flat	931 (86.5)	14	13,035 (1,211)
3 Bed Flat	941 (87.4)	14	13,171 (1,224)
3 Bed Flat	1,089 (101.2)	10	10,893 (1,012)
3 Bed Flat	1,100 (102.2)	10	11,001 (1,022)
3 Bed Flat	1,112 (103.3)	10	11,119 (1,033)
	Total	**400**	**280,258 (26,037)**

Table 2b: Phase 1 Affordable Housing Unit Summary

Phase 1 Affordable Unit Mix	Size sf (sm)	Units (no)	Total Area sf (sm)
1 Bed Flat	544 (50.5)	44	23,917 (2,222)
1 Bed Flat	560 (52.0)	22	12,314 (1,144)
1 Bed Flat	564 (52.4)	23	12,973 (1,205)
2 Bed Flat (WC)	761 (70.7)	23	17,503 (1,626)
2 Bed Flat	753 (70.0)	22	16,576 (1,540)
2 Bed Flat	757 (70.3)	23	17,404 (1,617)
2 Bed Flat	760 (70.6)	23	17,478 (1,624)
3 Bed Flat (WC)	1,090 (101.3)	5	5,452 (507)
3 Bed Flat	1,089 (101.2)	5	5,447 (506)
3 Bed Flat	1,100 (102.2)	5	5,500 (511)
3 Bed Flat	1,112 (103.3)	5	5,560 (517)
	Total	**200**	**140,124 (13,018)**
Total Phase 1		**600**	**420,382 (39,055)**

Table 3: Phases 2-5 Units Summary

Outline Phases Unit Mix					
Phase 2	**Studio**	**1 Bed Flat**	**2 Bed Flat**	**3 Bed Flat**	**Total No. Units**
Private	**53**	111	173	27	364
Affordable	0	40	109	50	199
Phase 2 Sub-total	**53**	**151**	**282**	**77**	**563**
Phase 3					
Private	46	97	152	24	319
Affordable	0	35	96	44	175
Phase 3 Sub-total	**46**	**132**	**248**	**68**	**494**
Phase 4					
Private	79	167	259	41	546
Affordable	0	60	164	75	299
Phase 4 Sub-total	**79**	**227**	**423**	**116**	**854**
Phase 5					
Private	95	201	312	49	657
Affordable	0	72	197	90	359
Phase 5 Sub-total	**95**	**273**	**509**	**139**	**1,016**
P1-5 Total					
Private	273	576	896	141	1,886
Affordable	0	207	566	259	1,032
Total	**273**	**783**	**1,462**	**400**	**2,918**

6. GROSS DEVELOPMENT VALUE

Residential Market Value

6.1. As highlighted earlier, The Advisor's approach has been to value the residential units on a Build for Sale basis notwithstanding that the Applicant has stated they intend to deliver Phase 1 of the scheme for Build to Rent. From our discussions with the Council, we understand that the scheme has been valued in this way as it is not proposed that it will be pursuant to Policy H11 which would otherwise have allowed the Applicant's affordable housing offer to be entirely DMR. Recognising this position, we have agreed with the Advisor's approach of using the Built to Sale valuation methodology.

6.2. The Applicant has adopted a base private residential value of £762 psf which has been proposed having regard to achieved and asking prices for comparable new build schemes in the vicinity of the Site.

6.3. As part of the due diligence process, we have reviewed the comparable evidence set out in the Applicant's FVA report to ensure the values adopted provide an accurate estimation as to what we would expect the Scheme to achieve. The proposed capital value per unit type based on an average of £762 psf are as follows:

Table 4: Summary of Capital Values per Unit Size

Unit type	Average Price	Av. Size Sf (Sm)	£/sf (Sm)
Studio	£360k	457 (42.5)	£787 (£8,471)
Studio	£365k	466 (43.3)	£783 (£8,428)
Studio	£367.5k	474 (44.0)	£777 (£8,363)
1 Bed (2P)	£442.5k	544 (50.5)	£814 (£8,762)
1 Bed (2P)	£450k	560 (52.0)	£804 (£8,654)
1 Bed (2P)	£450k	564 (52.4)	£798 (£8,589)
2 Bed (3P) WC	£570k	761 (70.7)	£749 (£8,062)
2 Bed (4P)	£610k	753 (70.0)	£810 (£8,718)
2 Bed (4P)	£610k	757 (70.3)	£806 (£8,676)
2 Bed (4P)	£610k	760 (70.6)	£802 (£8,632)
3 Bed (4P) WC	£650k	1090 (101.3)	£596 (£6,415)
3 Bed (5P)	£660k	931 (86.5)	£709 (£7,632)
3 Bed (5P)	£660k	941 (87.4)	£702 (£7,556)
3 Bed (6P)	£725k	1089 (101.2)	£666 (£7,168)
3 Bed (6P)	£725k	1100 (102.2)	£659 (£7,093)
3 Bed (6P)	£725k	1112 (103.3)	£652 (£7,018)

Height premium

6.4. The £762 psf is a base figure which applies to the lower floor units. The proposed development will however include towers, some of which reach over 30 storeys and as such the Advisor has applied a staggered premium onto this base figure as shown in the table below.

Table 5: Residential Floor Percentage Change

Height	%
Floors 4-9	0%
Floors 10-14	2.5%
Floors 15 - 19	5.0%
Floors 20 - 24	7.5%
Floors 25 - 29	10.0%
Floors 30 +	12.5%

	6.5.	We are of the view that this is a reasonable approach to take in order to reflect the height premium attached to the proposed units. We note there is research for residential units in central London that shows height premium can be around 1.5% increase per successive floor, in buildings where the view of the skyline is exceptional (Żelazowski, 2015). We however consider the Applicant's approach to height premium to be reasonable given the location of the Scheme and its' set-back from the River Thames.
Placemaking premium	6.6.	The proposed development will be built out in five different phases and the Applicant has applied a premium to reflect the increase in sales value per phase generated from the 'sense of place' created by earlier phases. This increase is shown in the table below:

Table 6: Residential Phase Percentage Change

Phase	%	Av. £/Sf (£/sm)
Phase 1	0%	£803 (£8,643)
Phase 2	2.5%	£843 (£9,074)
Phase 3	5.0%	£883 (£9,505)
Phase 4	7.5%	£923 (£9,935)
Phase 5	10.0%	£963 (£10,366)

	6.7.	In our experience, we consider that schemes of the scale proposed could command a premium over existing local prices, and therefore a "regeneration" or "placemaking premium" is potentially warranted. For the proposed Scheme we note that it will provide a large amount of community uses and amenities in the area. It will also benefit from the new East London Line Extension due to be delivered during the proposed development's construction.
	6.8.	Savills Research Paper 'Spotlight: The Value of Placemaking' where in their hypothetical model, a 50% increase in infrastructure spending leads to a 20% increase in sales values and a 50% increase in sales rates per annum, in turn leading to a 25% increase in residual land values.
	6.9.	There is further research such as the RICS Guidance Note 'Placemaking and Value' (1st edition, February 2016) which analyses considers five case study examples and considers place-making premiums are between 5% and 50%.

	6.10.	While we have accepted the placemaking premiums on the private residential sales, we note the Advisor has also applied these to the affordable housing products. We would not apply these premiums to the intermediate or social rented products, as these relate to incomes and not market value; for this reason, we have accepted a placemaking premiums for the shared ownership units as these are a proportion of market value. We have however tested the sensitivity of including placemaking premiums to affordable housing products within Section 12 to determine the impact this has upon scheme viability.
Sales Analysis	6.11.	We have had regard to Appendix D 'Market Evidence of Gross Development Values' of the Applicant's FVA report which outlines a number of comparable schemes which have been used to determine the base sales value figure shown above. We have also conducted our own comparable transaction research to assess the validity of their assumptions and base figure.
	6.12.	We note that LPAWA indicated tests in private values of between £650-£850 psf (psm) which indicated that at the upper end of this range the allocation was potentially viable with circa 5% affordable housing.
	6.13.	Our full sales value analysis based on rate psf and rate per unit can be found in Appendix 5. We provide a summary and analysis of our key comparable below.

Table 7: Comparable schemes average values

Comparable Schemes	Av. £/sf (£/sm)
Deptford Landings	£696 (£6,960)
Deptford Foundry (Anthology)	£688 (£7,406)
Bond House, Goodwood Road	£663 (£7,136)
Hydro, Surrey Quays	£731 (£7,868)
Atar House, 179 Ilderton Road	£616 (£6,631)
Bermondsey Works, Rotherhithe	£580 (£6,243)
Average	**£662 (£7,126)**

Deptford Landings, (SE8 3QS)	6.14.	The Advisor considered the most comparable scheme to be Deptford Landings (Timberyard). GE also consider this to be the most comparable scheme currently based on location, scale, and scheme type.
	6.15.	Deptford Landings is a Lendlease development to the east of the subject Site, approximately 0.75 miles away. It is located between Lower Pepys Park and Deptford Park on a 4.5 ha site (11.6 acres) with the roads surrounding the site including Oxestalls Road, Grove Street, Dragoon Road and Evelyn Street.
	6.16.	It is somewhat similar in terms of location however it is significantly closer to the River Thames which will impact upon sales values, especially on the units with riverside aspect. The location is however further from a train station, the closest currently being Surrey Quays approximately 0.7 miles northwest, whereas the proposed development has South Bermondsey Station adjacent and the new London Overground East London Line Extension Station due to be built at the southeastern corner of the site.

6.17. The development consists of different phases totaling 1,132 new homes along with other mixed uses across the site. The comparable evidence presented by the Advisor only represents Plot 2 (part of the first phase) which consists of 203 units of which 143 are private. Once the first phase is complete it will consist of 580 units (461 private) in a range of one-, two-, three- & four-bedroom apartments and four-bedroom townhouses.

6.18. The scheme situation in Q1 2021 is as follows according to Molior:

- Cedarwood Square (Plot 2) containing the first 143 private units is sold out and compete.
- Plots 1 and 3 have 318 more private units permitted in detail under the original parent consent but have yet to start. Design amendments are expected.
- Phases 2 (Plot 4) and 3A (Plot 6), which have 440 units in total, including 406 privates, and each have their own reserved matters consents.
- Proposals for Plot 5 are currently out for consultation and include 400 units in three buildings, plus a 22 storey/380 room student block.

6.19. The scheme offers flexible studio space, a range of shops and cafés and an incubator hub that will give smaller, independent businesses the chance to prosper and grow.

6.20. Construction commenced in 2017 and completed in Q1 2020 for Plot 2, with the rest of the development yet to start construction. The scheme launched in February 2016 and the 143 private units are now fully sold out. Some of the transactions are considered too historic to be relied upon for the purpose of this review and therefore we have only included those that took place post Q1 2018 according to Land Insight.

6.21. Even though this scheme is still in the early stages of development with only one plot developed out of six, it provides a strong comparable to the subject Scheme. The quantum of the scheme although smaller than the proposed Scheme is sizeable, with a similarly phased approach to delivery. Further we understand this development ranges from 11-28 storeys which is very comparable to the Proposed Scheme albeit the plot for which we have obtained evidence is 11 storeys.

6.22. In terms of unit sizes, evidence from the comparable scheme brochure highlights that the proposed Scheme has smaller sized units with one-bedroom units on average circa 35 sq. ft smaller, two-bedroom apartments on average circa 50 sq. ft smaller and three-bedroom apartments on average circa 20 sq. ft smaller. We would therefore expect the proposed Scheme to achieve a higher rate psf on this basis given value premium typically generated by smaller units

6.23. Shown below are the average sales price psf for the private residential units in the comparable scheme, based off 93-unit transactions to date:

Table 8: Deptford Landings Average Sales Price

Average £/sf by Bedroom (£/sm)			Av. £psf (£psm)
1	2	3	
£736 (£7,922)	£694 (£7,470)	£605 (£6,512)	£696 (£7,492)

6.24. The base figure shown in the Applicant's FVA of £762 psf is therefore reasonable in our opinion when comparing to Deptford Landings and other comparable schemes, however we should note that this is towards the top end of what evidence would suggest.

	6.25.	Having regard to the above and the further comparable evidence analysed in Appendix 5, we are of the opinion that £762 average psf value is towards the top end of the comparable evidence range before the storey and phase adjustments. However, the majority of the comparable schemes assessed lack the scale and amenities that the proposed development will benefit from. We therefore consider the Advisors values to be reasonable in this context.
	6.26.	We would however raise that during our review of the sales rates applied to the residential floorspace, that there is a difference in approach between P1 detail and P2-5 outline phases. Our cost consultant, V&S, have raised that the NIA of P1 excludes Winter Gardens but P2-5 includes them. As the £ psf sales rates have been applied to the residential NIA across all phases, we therefore consider that this results in an inflated value for the outline units. It is noted that subsequent phases may provide external balconies as opposed to winter gardens. We have therefore relied upon the proposed areas provided by the Applicant for the purposes of valuation.
Sales Rates	6.27.	The Applicant has proposed an off-plan sales rate of 40%, with 6 units per month sold upon practical completion of each phase.
	6.28.	GE have reviewed the sales rates of the comparable schemes used in determining the sales values with further analysis included in Appendix 5. It would appear that schemes in this area are selling well, with a large proportion of units selling off-plan (Molior). Hydro, Surrey Quays was sold completely off-plan, whilst Bermondsey Works, Rotherhithe New Road were sold out just 6 months after completion and Deptford Landings had a high proportion sold before construction completed.
	6.29.	As a result of the high off-plan sales evidence it would suggest there is strong demand for new build residential units within the area and therefore we consequently consider the Applicant's proposed 40% off-plan rate and 6-unit sales per month to be reasonable.
Affordable Housing	6.30.	The assumed housing tenure mix comprises of 60% Social Rent (SR), 20% Discounted Market Rent (DMR) and 20% London Shared Ownership (LSO).
	6.31.	The proposed tenure mix is not in line with the Council policy of 70% Social Rent and 30% Intermediate. However, The Advisor confirmed that this tenure mix has previously been discussed with the Council and will be required, to ensure the viability and deliverability of the scheme.
	6.32.	We note however that the proposed tenure mix does meet the GLA requirements, as set out in the Affordable Housing and Viability SPG of: • 30% low-cost rent (social or affordable rent). • 30% intermediate products, with LLR or LSO being the default tenures assumed in this category. • 40% to be determined by the LPA taking account of the relevant Local Plan Policy.
	6.33.	The following assumptions have been made by the Advisor: • Social Rent to be delivered as London Affordable Rent (LAR). • DMR to be rented at a range of between £1,290 - £1,595 per month. • LSO to be delivered as the intermediate product. • Increases in value have been assumed by phase, in line with the placemaking premium applied to the private sales values.
	6.34.	Overall, The Advisor has applied a blended affordable housing rate of £299 psf for Phase 1 (based on current day). This comprises of £197psf for LAR, £442psf for DMR and £456psf for LSO.
	6.35.	Our view of each of the above value calculations is set out in the below sections.
London Affordable Rent	6.36.	In our view, LAR is an accepted affordable product to assume for the social affordable rented element of this scheme.

	6.37.	LAR represents the rental cap for social rent. The starting point for LAR is the benchmark rent levels set in 2021-22 which were set by the GLA. Once let, LAR will be subject to rent setting guidance issued by the Social Housing Regulator.
	6.38.	The rental levels assumed by the Advisor reflect the 2020-21 GLA benchmarks. These have therefore been updated to reflect the 2021-22 levels in our calculations.
	6.39.	The values that have been calculated have been done so on an investment method approach, whereby the net annual rental income has been capitalised by an appropriate yield. The assumptions that have been applied are set out as follows: • Weekly Rent levels have been set in line with the 2021-22 published London Affordable Rents (exclusive of Service Charges). • An annual net rent for each unit has been calculated, based on Management and Maintenance Costs of 22% being deducted from the Net rent. • Annual rent capitalised at 4.5% initial yield.
	6.40.	The value calculated equates to £197 psf which is in line with that assumed by the Advisor. This value has therefore been applied in the GE appraisal.
	6.41.	It should be noted however that the placemaking premium applied by the Advisor has been removed in the GE appraisal. The appraisal has been undertaken on a current day basis and the value of these units will be restricted in line with affordability requirements and government guidance on rent levels, throughout the duration of the development. This has resulted in a significant reduction in the GDV level of LAR.
Discounted Market/ Intermediate Rent	6.42.	The Advisor states that they have had regard to the London Plan 2021 guidance which requires a rent of no higher than 80% of market rent and for the rent to be affordable to households that earn less that £60,00 per annum. The rent chargeable per annum has been calculated using an income threshold analysis against the market rent for each unit type.
	6.43.	The DMRs range between £1,290 - £1,595 per month depending on the number of bedrooms and an equivalent yield of 4% has been applied to the capital value.
	6.44.	Firstly, as this scheme has been modelled as Build to Sale, we will refer to these units as Intermediate Rent (IR) rather than DMR, which is typically the rent classification under a Build to Rent scheme. We understand from our due diligence with the Council that LB Lewisham do not recognise DMR as an affordable product in the borough and therefore even though the scheme proposes BtR in the first phase, traditional affordable housing products have been accepted as opposed to DMR for the affordable housing provision. This negates the need for any covenants to be included in the S106 agreement in respect of DMR.
	6.45.	According to our calculations, whilst the rents charged at the lower end of range (£1,290 per month) meet the GLA requirement cap of £60k per annum, those above c. £1,400 per month and up to the higher end of the range (£1,595 per month) would exceed the affordability cap.
	6.46.	In the absence of further justification on the affordability of these units, we have modelled the rents based on London Living Rent levels (LLR), as set out in GLA SPG, paragraph 4.23.
	6.47.	We also note paragraph 4.25 of the SPG where the LPA and developer identify a specific local need, a wider mix of discounted market rent products may be provided. If not delivered as London Living Rent, then the LPA must ensure that the discounted market rent units fully meet the London Plan definition of intermediate housing and are affordable to those eligible for intermediate rented housing in London. In our view as a proportion of the units are being delivered at affordability levels above the £60k per annum cap, they are not meeting the requirements of the SPG.
	6.48.	As a result, we have modelled the intermediate rented element of the scheme as London Living Rent, as set out in the followings section.

London Living Rent	6.49.	LLR is an Intermediate product, which anticipates that tenants will use their sub-market rent level to save towards the purchase of this or another equivalent property on a shared ownership basis. Rent levels have been published for each ward in London, based on data for average local incomes, the principle being to charge a rent at the level of a third of average gross household income.
	6.50.	Our assessment assumes of a rental product, at LLR levels, into perpetuity. • Intermediate rents set using the GLA 2021-22 intermediate rent levels. • On cost deduction of 7%. • Management and maintenance deductions of 22% from the net rent. • Annual net rent capitalised at a rate of 4-4.5% net initial yield, to demonstrate a value range that reflects the potential risk with this product over a longer term, phased scheme.
	6.51.	Based on the above assumptions, a value range of c. £267-£302 psf has been calculated. The higher end of the range has been adopted in the GE appraisal in this instance.
	6.52.	It should be noted however that the placemaking premium applied by the Advisor has been removed from the GE appraisal the appraisal has been undertaken on a present-day basis and the value of these units will be restricted in line with affordability requirements and government guidance on rent levels, throughout the duration of the development. The adoption of LLRs, the removal of the placemaking premium and the phased increases in rents, has resulted in a significant reduction in the GDV level of LLR.
London Shared Ownership	6.53.	LSO is an intermediate home ownership product. It enables a home buyer to purchase a share of between 10 – 75% of the value of a property and pay a regulated rent on the remaining, unsold share. Initial rents on the unsold equity of the properties can be no more than 2.75% of the value of the unsold equity at the point of initial sale
	6.54.	LSO properties are available to households with a total annual gross income of up to £90,000, as per the GLA income affordability requirements. Some boroughs apply specific lower income thresholds or other income restrictions. RPs should only apply these restrictions for the first three months of marketing, after which the London plan maximum household income should apply. Generally, LSO is not appropriate where unrestricted market values of the home exceed £600,000.
	6.55.	The capital values that have been calculated on the sum of the market value of the initial sale (tranche), plus the value of the net rent charged on the unsold equity, assessed based on yield. • An average psf value of £883 assumed for the Intermediate units. A 10% deduction was applied to the average sales value to accommodate differences in the specification with the private units. • The affordability levels were calculated in line with GLA policy, assuming affordability for a range of incomes below the upper income limit, which is currently at £90,000 per annum. • The percentage rent on the unsold equity element has been varied for each unit type to keep in line with the affordability level. • It is assumed that the annual incomes spent on housing costs do not exceed 40% of net household income per annum. • The annual net rent for the unsold proportion of the property has been capitalised at a 4.5% initial yield.
	6.56.	Based on the above assumptions, a value of c.£455 psf was calculated. We therefore consider the value adopted by the Advisor to be reasonable and have adopted this in the GE appraisal.
	6.57.	As discussed above, a placemaking premium has been applied to the private sales values in line with the different phases throughout the duration of the development. We agree that these premiums will also apply to LSO units and have therefore adopted these in the GE appraisal.

Area wide affordable values	6.58.	Generally, it appears that the affordable and intermediate values that have been adopted by GE are broadly in line with the conclusions set out in the LPVA (2019). LAR was valued at £189 psf compared to the GE assessment of £197 psf based on current day rents. We consider this to be reasonable given LARs have increased on an annual basis by CPI plus 1% since 2019, therefore accounting for the differences. Similarly, a value of £225psf was attributed to LLR in the 2019 study, compared to a range of £267 - £302 psf adopted by GE at the current day. It should be noted however that the LLR rate calculated in the 2019 review was for a Ward at the lower end of the rental level range in comparison to the rest of the borough. In addition, the LLR levels in the ward that the scheme is located have also increased since 2019, by c. 6% contributing further to the higher values adopted by GE. Finally, the Shared Ownership values in the LPVA equated to c. £383 psf, compared to the £455psf adopted by GE. However, the original rate was based on a private sale value range of c. £583 - £765 psf, equating to 50-60% of market value. In comparison, the GE adopted rate is based on higher sales values overall equating to an average of £762 psf and c.60% market value. The Shared Ownership are largely linked to the private sales values, therefore accounting for the higher value compared to the 2019 study.
Car parking	6.59.	Within their appraisal the Advisor has included 470 car parking spaces across the 5 phases with a sale value of £30,000 applied to each of these spaces totaling c.£14m.
	6.60.	We are currently working on several large multi-phased residential-led developments in outer London and are aware of transactional evidence of comparable car parking spaces being sold for between £20,000-£30,000 each.
	6.61.	Confidentially one such example is a regeneration scheme in east London of a former industrial site where the Developer has informed us achieved car parking sales are ranging between £20,000 and £30,000 per space.
	6.62.	We consider the Advisors assumptions for this element of the Scheme to be reasonable and have maintained this value within our appraisal
Ground Rents	6.63.	The Advisor has not included any ground rent income within their appraisal and there is no mention of ground rent within the Advisor's report.
	6.64.	We presume the Advisor has excluded ground rent income on the basis of the governments proposed upcoming leasehold reform.
	6.65.	We note that The Minister for Housing, Communities and Local Government provided the following statement on 21st December 2017: *The Government will introduce legislation so that, in the future, ground rents on newly established leases of houses and flats are set at a peppercorn (zero financial value)".*
	6.66.	Further direction of travel was also provided in the Queen's Speech on 14th October 2019 with reference to a foreshadowed bill on Leasehold and Commonhold Reform and the Government's commitment to "restrict ground rents in newly established leases of houses and flats to a peppercorn value" (Section 4.8, Queens Speech October 2019). Also of note was the Government's commitment to legislate in this area "as soon as Parliamentary time allows" (Leasehold and Commonhold Reform Research Paper August 2019).
	6.67.	On January 7th, 2021, Housing Secretary Robert Jenrick announced what appear to be the biggest reforms to English property law for 40 years
	6.68.	Within this statement the Government has reiterated their commitment to restricting ground rents to zero for new leases. Further, they have stated: "Legislation will be brought forward in the upcoming session of Parliament, to set future ground rents to zero" [MHCLG 7th January 2021]."

	6.69.	The Government have now confirmed all new-build houses will be sold on a freehold basis and ground rents on new flats will be removed, this is in line with the Leasehold Reform (Ground Rent) Bill guidance as of 11 June 2021.
	6.70.	We consider the Advisor's assumption that no ground rent income will be derivable from Scheme is reasonable, given the Government's' position on amending ground round legislation on leasehold property so that rents may be set at a nominal level in the future.
	6.71.	Should material changes arise to ground rent legislation following the above announcement, we will need to revisit our appraisal assumptions with reference to the appropriateness of including ground rent income.
	6.72.	In the interest of prudence, we have considered a scenario in which ground rent income would be achievable. This is shown in Section 12 of this report.
Residential GDV Summary	6.73.	We set out a summary of the total Proposed Development Residential GDV below:

Table 9: Summary of Proposed Development Residential GDV

Type	Advisor Residential GDV	GE Residential GDV
Private Residential	£1.6bn	Accepted
Affordable Residential	£322.3m	£256.2m
Car Parking	£14.1m	Accepted
Ground Rent	n/a	(see sensitivity)
Total	**£1.861bn**	**£1.81bn**

Non-Residential Revenue	6.74.	The proposed non-residential floorspace and associated value for each stage, as proposed by the Advisor, is summarised within the table below (areas included at Appendix 4 of our report).

Table 10: Summary of Proposed Non-Residential Values

Phase 1	**GIA sf (sm)**	**Rent £/sf (£/sm) /Net Yield**	**Advisors Adopted Value**
Use Class E	5,344 (496)	£30 (£323)/6%	£137.7k
Auditorium	39,348 (3,656)	n/a	£10.7m
Phase 2			
Retail	6,329 (588)	£30 (£323)/ 6%	£189.9k
Employment	54,974 (5,107)	£30 (£323)/ 6%	£2.4m
Phase 3			
Retail	3,864 (359)	£30 (£323)/ 6%	£115.9k
Community	36,533 (3,394)	£20 (£215)/ 5.5%	£730.7k
Community	124,807 (11,595)	n/a	£18.7m
Phase 4			
Retail	61,645 (5,727)	£30 (£323)/ 6%	£1.8m
Community	9,225 (857)	£20 (£215)/ 5.5%	£184.5k
Phase 5			
Employment	64,518 (5,994)	£30 (£323)/ 6%	£1.9m
Total	**406,587 (37,773)**		**£37m**

Rent free	6.75.	A standard assumption for each of the non-residential uses has been applied which allows a rent-free period of 12 months.
NIA/GIA	6.76.	We note that for the non-residential uses in the outline phases (P2-5) the GIA has been adopted to apply rental values to whereas in the detailed Phase 1 the NIA is adopted. We consider that this approach could be inflating the value that could be attributed to these non-residential uses as, for certain uses , the NIA would be used to apply rental values to. We have therefore discussed this with the Council and Applicant and it has been agreed that this is to be resolved at detailed application stage, where the specific uses and associated valuation methodology have been confirmed.
Growth	6.77.	We notice that unlike the residential sales values which have been increased over the five phases, the commercial elements have not been subject to this same adjustment by the Advisor. We recognise the sense of place created by the latter phases which may lead to growth in non-residential values over time, but this is hard to quantify. Equally, due to supply and demand we also recognise that it may in fact have the opposite effect should demand be found not to be present resulting in an oversupply of non-residential floorspace as the scheme progresses, meaning the earlier phases would achieve the highest values under this circumstance.
Retail	6.78.	In respect of retail space, the Planning Statement states that the retail floorspace will be let/ occupied under the following parameters: • No more than 2,000 sqm of retail or service floor space across the Proposed Development will be used for the sale of comparison goods. • Retail units on the site, other than for the sale of convenience goods, will not exceed 250 sqm (GEA). • Retail units for the sale of convenience goods shall not exceed 1,000 sqm (GEA); and • The total amount of Class E (a, b, and c) floorspace and hot food takeaways, pubs, wine bars and drinking establishments and pubs with expanded food provision will not exceed 6,700 sqm.
	6.79.	We have considered the Advisor's retail rental transactions as set out within Appendix D of their FVA report and have conducted our own further comparable research. Within their evidence base we note a mix of ancillary and supermarket space with the adopted value representing a blended rate. Given that only the parameters of the occupation of the retail space are provided at this stage due to the latter phases not being detailed, and are instead in outline form, we consider a high-level blended approach reasonable.
	6.80.	We have conducted our own further retail comparable analysis and consider the Advisor's proposed rental values (£30 psf) to be higher than recent lettings in the local area. We do not consider this to be unreasonable however given the proposed retail space is likely to be of a better quality than what is currently available in the local market.
	6.81.	In respect of the investment yield, we would note that the Advisor has not provided evidence to support their adopted yield of 6%. We have therefore conducted our own research into investment yields which suggest yields for retail space achieve between 5.10% and 8.40%. Given the quality of the space which will form part of an established development, particularly by the latter phases where benefits of placemaking will potentially be realised, we consider the Advisor's blended yield of 6% for the retail units is reasonable, as for example a supermarket would command a yield of below 6% and ancillary space of above 6% (not factoring weightings for areas).
Workspace	6.82.	A significant amount of employment space is included within the proposed Scheme, specifically within Phase 2 and Phase 5.
	6.83.	The Advisor has clarified that the employment space will be a mix of office/ creative and light industrial use, with office/ creative space delivered in the earlier phase and light industrial space in latte phase.

	6.84.	The Advisor has adopted a rental value of £30 psf for these elements of the Scheme which is the same rental value adopted for the retail space.
	6.85.	We would highlight that South Bermondsey is not an established office location and therefore comparable lettings, particularly sizeable ones, are limited. We have therefore widened our scope for rental evidence to include surrounding areas such as Greenwich.
	6.86.	Based on these comparable lettings we consider £30 psf for office use in the proposed Scheme to be towards the higher end of the expected range, when factoring the quantum of space proposed.
	6.87.	This is however partly balanced by the industrial values achievable in the area. Having consulted with our Industrial Team we consider the potential light industrial values achievable here to be strong.
	6.88.	Therefore, when considered in totality we consider the blended employment rental value of £30 psf to be reasonable, albeit at the upper end of the expected range.
	6.89.	The Advisor has adopted a yield of 6% for the employment space which is the same assumption as the retail space. Again, the Advisor has not provided any comparable evidence for this.
	6.90.	We have therefore undertaken our own analysis into investment sales of office and light industrial space in the area. Investment evidence for office space is very limited. There is more available evidence for light industrial space with several transactions achieving a c.5% yield and under.
	6.91.	Based on this and our knowledge of the outer London office and light industrial markets, we consider a blended yield of 6% is reasonable.
Community	6.92.	The proposed community provision is to be delivered with Phases 3 and 4 of the proposed development
	6.93.	The Planning Statement states that the community space (Class F.1) is to include any use not including residential use for: • The provision of education. • The display of works of art (other than for sale or hire). • A museum. • A public library or reading room. • A public hall or exhibition hall • Public worship or religious instruction; or • As a law court.
	6.94.	The Design and Access Statement includes illustrative drawings of Phase 3 showing a youth centre which encompasses its own sports hall and creche.
	6.95.	The community provision within Phase 4 comprises a medical centre, despite the Planning Statement excluding this from the community provision. We therefore sought clarity from the Advisor as to whether medical and creche uses have been included within the community values as they do not fall under it in planning use class terms. The Advisor has confirmed that for the purposes of valuing these uses that they do fall within the community parameters.
	6.96.	As the community use encompasses a broad range of potential uses occupying the space, we have considered the value as a blended community use value.
	6.97.	We have had input from the GE Specialist Team in respect of the community values who have advised that nursery and medical uses are the main income producing community uses and that a rent of £25-30 could be achievable for these types of uses in new build developments. For other community uses they have advised that lower rents are expected, ranging from £10-15 psf in the area. Given that the community floorspace may also encompass other uses under Use Class F1, and

		that these specified uses are for illustration only at this stage, it is necessary to apply a blended rate. As this is the case, we have accepted the Advisor's applied rent level of £20 psf which sits between the two types of rent that we have been advised could be achieved for the proposed uses.
	6.98.	In respect of the yield, we have moved out the Advisor's yield of 5.5% to 6% as we would not expect this to be below the commercial elements of the scheme which have yields of 6%.
Auditorium	6.99.	The Advisor has assumed that the market value of the Auditorium is equivalent to its construction cost, totaling £10.73m. The auditorium is proposed to comprise 800 seats and measure some 40,000 sq ft. We understand from the Advisor that Hillsong Church were initially intending on occupying the space however we are advised that they have since moved elsewhere from their previous unit on Stockholm Road within the development site.
	6.100.	We have discussed the matter with our Specialist Leisure Team. They consider it unlikely that a facility of this type would be built speculatively without a pre-let in place to an anchor type tenant, meaning it would potentially be challenging post construction to find a tenant for this building. It is likely that the space would be non-profit making and possibly loss-making.
	6.101.	The £10.73m cost is an allocation of the podium space shell and core cost plan covering the area of the auditorium, café and sui generis rehearsal rooms. As stated in the V&S report, the Applicant's cost plan includes '…*auditorium construction including acoustic bearings, twin walls, transfer structures, steelwork etc*.' These are all related to the specific function. It does not, however, include for fitting out of operator specific fit-out requirements including the internal space, partitions, finishes, fixtures, fittings and services. Again, as per the V&S report 'The podium excludes operator-specific & fit-out requirements'. Generally, we would consider it reasonable for any future operator to cover their own costs of fit out.
	6.102.	Further to this, the BCIS benchmark data for theatres (along with concert halls and cinemas) shows a median of £3,747psm and upper quartile of £4,279psm which include operator fit-out. In comparison, the cost plan allowance for the auditorium equates to £2,443psm which is significantly lower than the BCIS benchmark. Separating out the shell, the cost plan allowance may look robust but we consider it reasonable for the proposed scope; operator fit out would likely add a further c.£10m.
	6.103.	We have sought further clarification on this matter from the Advisor and Council. As fit-out costs have not been included here, it was agreed that they are to be excluded from subsequent reviews in order to be consistent. The Council advised that should the Auditorium not be occupied and a change of use consequently sought by the Applicant, this could not be dealt with through an amendment to the current application and would require a new application.
	6.104.	Due to the lack of comparable evidence in the market upon which to base a value, we have agreed with the Advisor in this instance that any future occupier would pay to cover the construction costs of the Auditorium, and have therefore applied the same amount.
Leisure Centre	6.105.	The Advisor has based the leisure centre's market value on a significantly lower capital value to the associated construction cost at £18.7m compared to costs of £42.5m as they state most leisure centres operate at a loss.
	6.106.	We note that the Delivery Strategy states that the sports facilities in Phase 3 are to be made available to local people and local schools in Lewisham and Southwark at a subsidised rate.
	6.107.	The Planning Statement states the intention is that this phase will accommodate a sports facility (including but not limited to basketball facilities; indoor five-a-side pitches; a leisure centre with swimming pool and day spa; dance studios; gymnasium, facilities for table tennis, boxing, and weightlifting; and a climbing wall).
	6.108.	We have been provided with advice from the GE Specialist Leisure Team on the values which could be attributed to the proposed leisure facility. The have advised that it is possible that a management

		contract would be entered into by an operator as opposed to taking on the rental liability of such a large space.
	6.109.	Of the proposed uses listed above, the ones which occupy smaller floorspaces including dance studio, gym, boxing as opposed to larger spaces such as basketball court, leisure centre and five-a-side pitches, we would reference back to health/fitness style values where a rent of £12.50-15psf would be reasonable.
	6.110.	When looking at larger space arena or sports hall, we consider that the values that could be attributed to the space would be lower given the reduced utilisation of the space due to the fact there is a lower earning potential as less people will use the space at any one time. Furthermore, evidence available for health and fitness and other sports related uses is built up of space of no more than c.15,000 sq ft where applying the market rent to larger sites would inflate the value. For these reasons, we would expect that only 40-50% of the main space rate could be achieved for the larger space uses. On this basis, we would assume that a rent of £6-7.50 psf on these spaces would be reasonable.
	6.111.	To come to a blended rate for the leisure uses, we have assumed that 50% of the proposed leisure floorspace (GIA) would be occupied by these larger space uses (sports hall, basketball court etc as displayed within Figure 4 above) and have therefore applied a blended rent of £10psf across the leisure floorspace.
	6.112.	We have adopted a yield of 8% for the leisure use which produces a total value of £14.5m against the Advisor's value of c.£18.7m.
	6.113.	As we have reduced the value associated with the leisure provision, we recognise that this consequently creates a gap between the value and its build costs, however we would attribute this to leisure centres often being part of the social benefit it provides the wider development. Furthermore, the GE Leisure Team have advised that it is not uncommon for leisure centres to be built at a loss as they are community assets. We would note however that building the leisure centre at a loss reduces the level of income generating floorspace at the scheme, directly impacting viability and consequent level of affordable housing able to be supported by the development.
	6.114.	We would also advise that we consider the rates we have applied to be reasonable should an operator take the space, however we question how realistic it would be for one tenant to rent the entirety of the space and would advise the Council to consider this in discussions with the Advisor as with the auditorium
Existing Income	6.115.	As the scheme is coming forward in five phases, the income from the existing accommodation has been included as an income stream in the Advisor's development appraisal.
	6.116.	Our review of this approach shows that the Advisor has taken income the existing accommodation from Phases 2-5 in Phase 1, Phases 3-5 in Phase 2 and so on. This reflects each phase coming forward in turn and we therefore agree with this approach.
	6.117.	We have made an adjustment to the existing use income in Phase 4 which had been incorrectly calculated by the Advisor, where Phase 5's pre-commencement start date had been used as the end of income instead of its construction start date, as was the approach for the other phases. This meant a year's worth of income from Phase 5 had been omitted; we have recalculated the income which has increased from c.£1.3m to c.£1.8m.
	6.118.	In determining the level of income for each building, the market rent as adopted within the EUV has been applied with a proportion of this representing the expected income. For each phase, a difference of 5% is deducted from the percentage of market rent applied which we would agree with as further in the future the income becomes less certain, coupled with the fact that as the comes forward for development there are likely to be shorter leases with lower rents achieved.
	6.119.	The Advisor has provided further justification on the approach to the level of income stating that, based on experience, as redevelopment becomes more certain and occupation more short-term, tenants will not pay full rental value on a development lease. Therefore, to maintain a positive

		rental stream and remove the liability associated with empty rates a developer will accept a lower rental income to lease the space. Despite the demand for industrial accommodation concessionary rents are necessary to reflect the short-term availability of accommodation, particularly for larger units, which often require capital expenditure by a tenant.
	6.120.	We would agree with the Advisor's approach and recognise that market rents are unlikely to be achieved the closer the units are to being redeveloped and following the adjustment of the Phase 4 income as previously mentioned, we have adopted the Advisor's income values.
GDV Summary	6.121.	We set out a summary of the total Proposed Development GDV overleaf:

Table 11: Summary of Proposed Development Residential and Non-Residential GDV

Type	Advisor GDV	GE GDV
Private Residential	£1.6bn	Accepted
Affordable Residential	£311.4m	£256.2m
Car Parking	£14.1m	Accepted
Ground Rent	n/a	(see sensitivity)
Retail	£36.1m	Accepted
Employment	£56.4m	Accepted
Community	£15.8m	Accepted
Leisure/ Auditorium	£29.4m	Accepted
Existing Use Income	£17.3m	£17.8m
Total GDV	**£2.03bn**	**£1.97bn**

7. COSTS AND PROGRAME

Construction Costs	7.1.	The Advisor has provided a cost plan from RPS dated March 2021 prepared for the Applicant. The cost plan total amounts to £1.3bn (including a 5% contingency allowance).
	7.2.	GE are not cost consultants and have therefore requested the support of a qualified quantity surveyor – Veale and Sanders (V&S) - to assess the costs proposed by RPS.
	7.3.	V&S's report is attached at Appendix 6 and covers the following areas: • Reviewing overall scope / content / areas / mix etc. • Comparing overall pricing with benchmark data from BCIS and historic projects; and • Identification of abnormal costs/potential cost savings.
	7.4.	V&S have identified several anomalies in the details estimate for Phase 1 however the overall rate compares reasonably with similar schemes and therefore this has been accepted.
	7.5.	In respect of the latter, outline phases, V&S also consider this to be reasonable however they note a significant quantum of residential ancillary accommodation at podium level has been omitted. This matter has been discussed with the Council and Advisor and it has been agreed that any future review mechanism and detailed assessment at reserved matters stage will need to have regard to this, either through its exclusion (as has been the case here) or other. We understand that the GLA will require a full FVA review on further stages and therefore it is to be considered at a later date.
BCIS	7.6.	The applicant has not provided build costs based upon BCIS published data and has instead relied upon a detailed cost plan. This is considered more accurate and appropriate than relying on generic data in this instance, however, V&S have provided commentary in relation to BCIS.
Contingency	7.7.	A contingency of 5% of construction costs has been allowed for which V&S have accepted. This is included within the total construction costs and is therefore not included as a separate line within the Advisor's appraisal. We note that within the LPVA (2019) a 5% contingency has also been adopted as standard and therefore the applied contingency is consistent with the Council's assessment.
	7.8.	Although the scheme is of a large scale and timeframe, we note that there are minimal proposals which pose a risk to the level of contingency such as significant basements etc, and therefore we have accepted this contingency allowance.
	7.9.	We have adopted the figures proposed by V&S for the purposes of our appraisal.
Preliminaries	7.10.	In their cost report, RPS have made an allowance of 16% for preliminaries and 5.5% for overheads and profit.
	7.11.	V&S consider that the allowance for overheads and profits giving a compounded uplift of 21.5% to be like comparable schemes and therefore appropriate to be included as part of the costs.
Total Build Costs	7.12.	V&S conclude in their report a total build cost in line with the Advisor of c.£1.3b.
Professional Fees	7.13.	The Advisor has allowed for professional fees of 8% of the total construction cost to conform with standard viability assumptions.
	7.14.	GE note the Professional fees generally ranged between 8%-15% depending on the complexity of the project. Generally, 10% appears to be accepted as a standard assumption across London schemes viability tested and was applied in the LPVA (2019). However, GE consider that 8% is a reasonable assumption having regard to the specifics if this scheme. Although it sits towards the lower end of the expected range, for a scheme of this size we would expect beneficial economies

		of scale and the total expenditure amount must be considered along with the percentage allowance.
Marketing, Letting and disposal fees	7.15.	The Advisor states in the FVA that they have allowed for the following fees associated with the sale of the Scheme:

Table 12: Summary of Residential Marketing and Disposal Fees

Cost	Advisor	GE
Marketing	£2k per private unit (£4.6m)	1% (£15.5m)
Sales Agent	Private & non-residential: 1.5% (£25.4m) Affordable: 0.5% (£1.6m)	Private & non-residential: 1% (£16.8m) Affordable: Accepted (£1.3m)
Legals	Private & non-residential: £600 per unit (£1.4m) Affordable: £250k	Private & non-residential: Accepted (£1.4m) Affordable: 0.25% (£640.4k)

Marketing	7.16.	Generally, on marketing fees we would apply between 1-2% as a standard assumption. We note that the LPVA (2019) allows for 3% marketing fees (inclusive of agents fees). However, due to the scheme's size we consider that there will be benefits in terms of economies of scale and have therefore adopted the lower level of 1% in our appraisal.
Agents	7.17.	We note that the proposed fees have been applied on a mix of percentage rates on sales and set rates.
Legals	7.18.	For legal fees, we would normally allow for up to 0.5% on sales rates, however we recognise the economies of scale which will be benefitted from due to the number of units coming forward; we also recognise that were a rate applied to the sales values that this would increase during the development programme given the placemaking premiums applied to the units which would artificially inflate the legal fees. We have therefore accepted the Advisor's legal fee in this instance. For the affordable units however, we have applied a rate of 0.25% on sales values in line with industry standard.
Land Assembly costs	7.19.	The advisor has allowed for c.£15.7m in land assembly fees. We have been provided with advice from our internal CPO specialist team on the costs attributed by the Advisor in respect of land assembly. Although they broadly agree with the costs and payments associated with land assembly, they are of the view that no costs should be attributed to the values of each property as these have been included within the EUV and would therefore be duplicated. We have therefore spoken to the Advisor on this matter who have advised that they have not included third party land within their EUV, and that costs associated with the value of these properties are included under these land assembly costs instead. As we have included third party ownership within our EUV, we have therefore removed the market value associated with these properties from the land assembly costs without our appraisal.
	7.20.	In terms of other costs, £500,000 has been included which we assume is associated with making the order to gain CPO powers (and for a public inquiry if necessary). The costs also include an allowance of £300,000 for two Upper Tribunal Hearings, which is based upon the assumption that CPO powers will be gained and there will be a maximum of two disagreements on compensation matters which will consequently have to be dealt with by third party. The GE CPO team consider these figures to be reasonable for the scale of the scheme and we have therefore adopted them in the GE appraisal.
	7.21.	With regards to the compensation methodology, the GE CPO team have reviewed the detailed cost breakdown provider by the Advisor and have made the following observations. a) Re-investment costs (professional fees): we assume these relate to agent/legal fees associated with the letting of a relocation property, but in the circumstance where this is

		an investor, these relate to the acquisition costs of a new interest in an alternative property. b) Reinvestment costs (professional fees and stamp duty): these equate to c.6.2% of value which is considered reasonable. c) Double overheads: these costs relate to occupiers leasing a new premises before such date that you leave the current premises, resulting in double costs (eg rates, utilities, rent) which otherwise would not have been incurred. These allow for the recovery of once set of these costs. In this case, the Advisor has applied these to tenants only (not investors) which we would agree with. d) Partial/full extinguishment of goodwill: these types of costs would only be associated with relocation and the Advisor has not applied these to investors, which we would agree with. e) Personal time/project management: we would expect any costs associated with time to be dealt with through professional representation which is claimable on transparent rates. Where these costs are linked to the time of a business owner, they can be more subjective. We have therefore adopted these in the GE appraisal however would recommend the council ensure professional representation of parties to avoid costs exceeding this allowance.
	7.22.	Once discounting the market value (and associated stamp duty) from the land assembly costs, the total costs equate to £7,051,000, which we have adopted in the GE appraisal.
Land Acquisition fees	7.23.	Other acquisition costs applied by the Advisor in their appraisal include agent's fees at 1% and legal fees at 0.5%. We consider that both the agent and legal fees are reasonable, so have also adopted these in our appraisal.
	7.24.	We note that the Advisor has applied Stamp Duty to the purchase price at and effective rate of 5%, equating to £3,878,109. We have calculated stamp duty on our residual land value using the appropriate thresholds for commercial property in the UK (0% on £0-£150,000, 2% on £150,000-£250,000, and 5% on £250,000+) which provides a figure of c. £559,159, an effective rate of 4.89%.
	7.25.	We are of the view however that as the site is being redeveloped, there could be an opportunity for the Applicant to claim an element of Stamp Duty back, which would increase the viability of the scheme. We suggest that this is considered in the Section 106 negotiations with the Applicant, ensuring that the Council can access any additional funds should they become available, under a review mechanism.
Finance costs	7.26.	The Advisor has included a finance rate of 6.5% within their appraisal. GE considers this rate to be appropriate and in line with the market and other FVA reviews that have been undertaken in London. Further evidence on the approach and reasoning behind the 6.5% finance rate has been included within Appendix 7.
	7.27.	We recognise that the LPVA (2019) applied a finance rate of 6%. We consider this to be at the lower end of potential finance arrangements and not that the LPVA rate does not account for market movement since publication; such as those affected by Covid19 which have increased risk and conservative approaches to lending by financial providers.
	7.28.	The Advisor has also included a credit rate of 1% within the appraisal which we do not consider to be industry standard. We have therefore removed the credit rate from our appraisal.

Table 13: Summary of Finance Rates

Description	Advisor	GE
Debit rate	6.5%	Accepted
Credit Rate	1%	0%

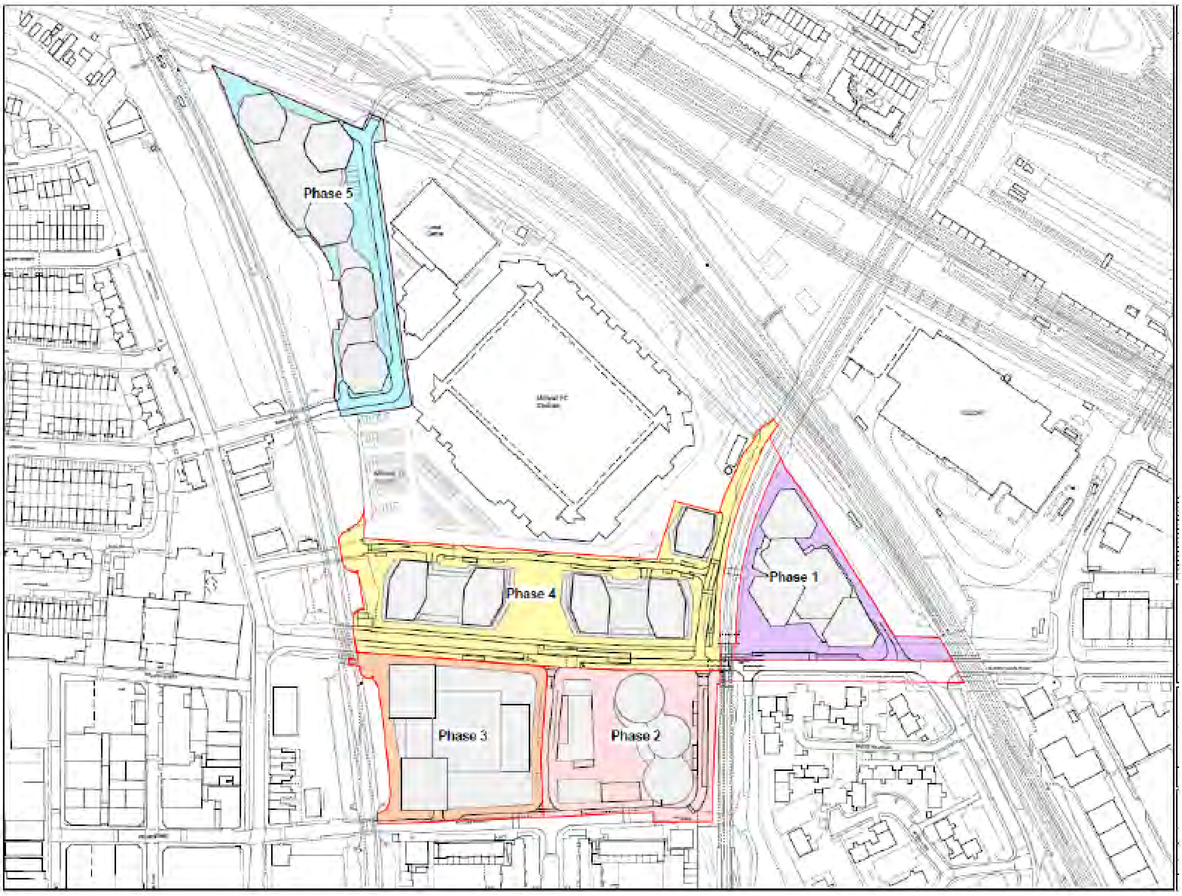
Planning obligations	7.29.	See section 8 – planning obligations - total anticipated cost equates to c. £59m.
Programme	7.30.	The Advisor has allowed for a total programme of 260 months (21.6 years) for the full Scheme including the five phases, which are outlined below.

Table 15: Development Programme

	Advisor				
Phase 1	**Start**	**Practical Completion**	**Months**	**Off plan**	**Units**
Pre-con	Dec 2021	Nov 2024	9		Private: 400 Aff: 200 Total: 600
Construction			36		
Sales			40	40%	
Sub Total			**87**		
Phase 2					
Pre-con	July 2024	June 2027	12		Private: 364 Aff: 199 Total: 563
Construction			36		
Sales			36	40%	
Sub Total			84		
Phase 3					
Pre-con	July 2026	June 2029	12		Private: 319 Aff: 175 Total: 494
Construction			36		
Sales			32	40%	
Sub Total			80		
Phase 4					
Pre-con	July 2029	June 2033	12		Private: 546 Aff: 299 Total: 845
Construction			48		
Sales			55	40%	
Sub Total			115		
Phase 5					
Pre-con	July 2032	June 2037	12		Private: 657 Aff: 359 Total: 1,016
Construction			54		
Sales			66	40%	
Sub Total			132		
Total			**260**		**2,918**

Programme	7.31.	For illustrative purposes, the phasing areas are shown within the figure below.

Figure 3: Illustrative Phasing Areas



Programme	7.32.	Based on other schemes that we have reviewed of a similar size and scale, we deem the timescales adopted by the Advisor to be reasonable, however, we note these are likely to vary over the duration of the development.
	7.33.	We have conducted a review of the cashflow of the Advisor's development appraisal to ensure that costs and revenue are timed correctly. While interrogating these timings we have found the following anomalies and have included the relevant adjustments: • Legal fees were a lump sum at the start of sales' periods which we have updated so that private fees to mirror GDV and affordable fees mirror affordable revenue, in line with respective sales. • Commercial profit added for Phase 5 which had not been included although there is employment space proposed; and • Private residential profit to include car parking.

Summary of costs	7.34.	We confirm that most inputs into the Advisor's appraisal have been reasonably justified. Where GE have disagreed with the costs, we have clearly set out the differences with supporting and reasonable justification. Where inputs are agreed, this has also been clearly stated.

Table 16: Summary of Scheme Cost Assumptions

Cost	Advisor	GE
Build cost	£1.3b	Accepted
Contingency	5%	Accepted
Professional fees	8%	Accepted
Purchasers' costs	6.75% Stamp duty eff. 5%	Accepted Stamp duty eff. 5%
Land assembly cost	£15.7m	£7.1m
Marketing	£2k per private unit	1%
Sales	Private & non-resi: 1.5% Affordable: 0.5%	1% Accepted
Legals	Private & non-resi: £600 per unit Affordable: £250k	Accepted 0.25%
Finance	Debit: 6.5% Credit: 1%	Accepted 0%
S106/CIL	£59m	Accepted
Programme (Total)	260 months	Accepted

8. BENCHMARK LAND VALUE (BLV)

Basis	8.1.	NPG expects that viability is determine regarding a Benchmark Land Value (BLV) which reflects the aggregate of the site's EUV (component 1) and a premium for incentivising the landowner to release the land for development (component 2), or an alternative use value ('**AUV'**), having regard to policy. Therefore, in accordance with NPG, this section looks to establish the BLV for this Site.
	8.2.	As set out below there are two primary elements to consider when considering Benchmark Land Value (BLV): • Existing Use Value (EUV) plus a premium; and or • Alternative Use Value (AUV).
Existing Use	8.3.	In this instance the Site was formally industrial albeit that the Site was allocated for redevelopment (leisure/retail/residential) in the Core Strategy (June 2011).
Area wide EUV/BLV	8.4.	The Council's LPVA (2019) justifies their proposed development delivery over the plan period, which indicated a BLV for the Surrey Canal Triangle, based upon MHCLG's 'Land Value Estimates for Policy Appraisal; May 2017 Values'. This study indicated that the value of industrial land for southeast London is circa £4 million per hectare in 2017. The LPVA (2019) applied a premium of 20% to industrial land value for the Site, which at a size of 6.4ha, suggests a BLV of circa £50.7m (2019 value).
	8.5.	The plan viability study did not appear to consider other uses within the site such as HMOs, Office and private residential which the subject Site includes; indicating for the study they applied a broad assumption of likely industrial land values across the site allocation as opposed to site specific assessments which GE have included as part of the EUV assessment.
	8.6.	We are not aware of any indices relating specifically to industrial land values however we would highlight the extremely strong growth in industrial property values over the last couple of years, which would translate into higher industrial land values. This growth is largely allied to structural changes in the retail market and changing consumer habits. London industrial capital growth data from MSCI shows an average monthly growth in industrial capital values of 1.1% between May 2017 and June 2021 which would suggest a significant uplift on MHCLG's 2017 figures is plausible. Furthermore, we note the LPVA has considered an increased BLV of £60.8m for the Surrey Canal Triangle, having regard to growth over the plan period.
Existing Use Value (EUV) (Component 1)	8.7.	NPG indicates that EUV is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value.
	8.8.	Buildings which are being retained have not been included within the Advisor's EUV, nor in the appraisal as they effectively have a net zero impact on viability.
	8.9.	The EUV comprises several uses across the Site's existing accommodation including industrial, residential and houses in multiple occupation ('HMO'). The Advisor's adopted values for these uses are summarised within the table below.

Table 17: Summary of Advisor's EUV

Scheme element	Existing Use	Market Rent £/sf (£/sm)/ Yield	Applied value
Orion Business Centre, Surrey Canal Road	Light industrial	£20 (£215) / 4.25%	£12m
Excelsior Works Industrial Estate, Surrey Canal Road	Industrial	£15-16.50 (£161-£178)/ 5.5%	£6.9m
Bridge House, Rollins Street	House in Multiple Occupation	£650-£953 (£6,997-£10,258)/ 8¦	£770k
61 Rollins Street	Office	£16.50 (£178)/ 5.5%	£240k
Guild House (retained)	Artist Studios / office	£30 (£323)/ 6.5%	Included within Excelsior Works
Rollins House (part retained)	Residential	£953-1,625 (£10,258 -£17,491)/ 7% & 6.17%	£3.2m
Ilderton Wharf, Rollins Street	Warehouse / office	£14-£16.50 (£151-£178)/ 5%	£9.7m
Units 1-3 Stockholm Road	Industrial	£14 (£151)/ 4.74%	£22m
Enterprise Industrial Estate, Bolina Road	Light industrial	£20 (£215)/ 4.25%	£11.5m
Bolina Industrial Estate, Bolina Road	Industrial	£20 (£215)/ 4.25%	£6.2m
Total			**£72.6m**

Applicant's EUV	8.10.	The Advisor has adopted an EUV of £72,620,000 which has been determined by capitalising the income generating capacity of the existing accommodation. GE note that the Advisor's EUV figure only includes properties within the Applicant's ownership, and does not include third party land.
GE review of EUV	8.11.	GE have undertaken an external site inspection however due to the ongoing global pandemic 'Covid-19' we have followed government guidelines and not inspected properties internally. We therefore also rely upon desktop information in respect of the existing condition of the Site, namely that provided within the Advisor's report.
	8.12.	We comment on each of the existing use values below, and please refer to our supporting Appendix 9 which sets out further EUV assessment.
Office	8.13.	Office accommodation is situated within 61 Rollins Street. Where we would agree with the proposed rates for the market rent, we have applied a void period to reflect the market which has slightly reduced the overall value from the Advisor's by c.8%.
Industrial	8.14.	We have had input from the GE Industrial valuation team to provide specialist knowledge on the industrial market in this area and to review the Advisor's adopted values.
	8.15.	They have not internally inspected the various buildings but would comment that the units are dated but in reasonable condition, commensurate with their use of industrial/ distribution/ manufacturing purposes. There is a relative lack of industrial space across Zones 1 and 2 due to development for alternative uses and, as a result, generally even poor-quality space leases at a premium.
Orion	8.16.	The Orion Business Centre comprises 21 small light industrial units built in the 1980's arranged as two terraces. They are of concrete frame construction with brick infill walls and profile steel clad roofing.

	8.17.	We have reviewed the valuation and agree with the Advisor's view on rent at £20.00 psf. They have adopted a yield of 4.25%. Given the age and unexpired term we consider a yield of 4.50% to be appropriate. We have also factored in a void period at each lease expiry to reflect a marketing period and letting incentives totalling 1.5 years. After the deduction of purchasers' costs, this results in a valuation of £11,010,000 against the Advisor's valuation of £11,990,000 which represent a reduction of approximately 8.00% against the Advisor. It should be noted that the valuation at £11,010,000 still represents a net initial yield of 2.88% and a reversionary yield of 4.77% (against 2.58% and 4.27% for the Advisors valuation). Given evidence in the wider London locality we consider this to be appropriate.
	8.18.	11 Orion Business Centre is owned by a third party and was therefore not valued by the Advisor. We have valued this unit in line with our assumptions for the rest of the Orion centre which has produced a value of £830,000. This provides a total value for Orion of £11,840,000.
Enterprise	8.19.	Enterprise Industrial Estate comprises seven small light industrial units and an office building built in the 1980's totalling 30,827 sq ft.
	8.20.	We have reviewed the valuation and agree with the Advisor's view on rent at £16.50 psf for the industrial units and £30.00 psf for the office building. They have adopted a yield of 5.50%. Given the age and unexpired term we consider a yield of 5.50% to be appropriate. We have also factored in a void period at each lease expiry to reflect a marketing period and letting incentives totaling one year. After the deduction of purchasers' costs, this results in a valuation of £6,230,000 against the Advisor's valuation of £6,920,000 which represent a reduction of approximately 10%.
Ilderton	8.21.	Ilderton Wharf comprises a large warehouse of steel frame construction with profile steel cladding. In addition, there is a large yard used for storage, with two smaller warehouse units known as the Saw Mill, and an Art Kiosk.
	8.22.	We have reviewed the valuation and agree with the Advisor's view on rent at £16.50 psf for the industrial accommodation and £4.50 psf for the open storage land. They have adopted a yield of 5.00%. Given the age and unexpired term, we consider a yield of 5.00% to be appropriate. We have also factored in a void period at each lease expiry to reflect a marketing period and letting incentives totaling 1.25 years. After the deduction of purchasers' costs, this results in a valuation of £9,255,000 against the Advisor's valuation of £9,690,000 which represents a reduction of approximately 4.50%.
	8.23.	It should be noted that the valuation at £9,255,000 still represents a net initial yield of 3.32% and a reversionary yield of 5.36% (against 3.19% and 5.05% for the Advisor's valuation). Given evidence in the wider London locality we consider this to be appropriate.
Stockholm	8.24.	The Stockholm Road comprises three units. Unit 1 is a Waste Transfer Station which is currently vacant.
	8.25.	We have reviewed the valuation and agree with the Advisor's view on rent at £14.00 psf for the industrial accommodation. They have adopted a yield of 4.75%. Given the age and unexpired term we consider a yield of 5.00% to be appropriate.
	8.26.	Unit 2 is currently in use as a sports unit with a passing rent of £156,234 to December 2035 where the Advisor has adopted a rent of £14psf with a yield of 4.75%. Given the unit is currently occupied, unlike Units 1 and 3, we have accepted this yield. We have also factored in a void period at each lease expiry to reflect a marketing period and letting incentives totaling 1.25 years.
	8.27.	Unit 3 was previously in use as a church however research into the planning permission for this use shows that the lawful use reverts to industrial following cessation of the previous church occupiers. We have therefore valued this unit in line with Unit 1 with £14.00psf rent and a yield of 5.00%.
	8.28.	We have also factored in a void period at each lease expiry to reflect a marketing period and letting incentives totaling 1.25 years. After the deduction of purchasers' costs, this results in a valuation of £20,470,000 against the Advisor's valuation of £22,040,000 which represent a reduction of approximately 7.10%.

	8.29.	It should be noted that the valuation at £20,470,000 still represents a yield of 5.64% (against 5.23% for the Advisor's valuation). Given evidence in the wider London locality we consider this to be appropriate.
Enterprise 2	8.30.	The remainder of the Enterprise Industrial Estate comprises 22 units (some have been combined) constructed in the 1980's.
	8.31.	We have reviewed the valuation and agree with the advisors view on rent at £20.00 psf for the industrial accommodation and £4.50 psf for the open storage land. They have adopted a yield of 4.50%. Given the age and unexpired term we consider a yield of 4.50% to be appropriate. We have also factored in a void period at each lease expiry to reflect a marketing period and letting incentives totaling 1.25 years. After the deduction of purchasers' costs, this results in a valuation of £10,250,000 against the advisor's valuation of £11,520,000 which represent a reduction of approximately 11.00% against the advisors.
	8.32.	It should be noted that the valuation at £10,250,000 still represents a net initial yield of 3.25% and a reversionary yield of 4.77% (against 2.90% and 4.26% for the Advisor's valuation). Given evidence in the wider London locality we consider this to be appropriate.
Excelsior	8.33.	The Excelsior Industrial Estate was not valued as part of the EUV by the Advisor. It comprises six industrial units which GE have valued at £1,930,000 on a capital value basis as opposed to using the investment method as our understanding is that these properties are owner occupied.
Bolina	8.34.	The Bolina Industrial Estate is adjacent the Enterprise Industrial Estate. It comprises 14 units (one combined) on a gated industrial estate.
	8.35.	We have reviewed the valuation and agree with the Advisor's view on rent at £20.00 psf for the industrial. They have adopted a yield of 4.50%. Given the age and unexpired term we consider a yield of 4.50% to be appropriate. We have also factored in a void period at each lease expiry to reflect a marketing period and letting incentives totaling 1.25 years. After the deduction of purchasers' costs, this results in a valuation of £5,555,000 against the Advisor's valuation of £6,240,000 which represents a reduction of approximately 11.00% against the Advisor's.
	8.36.	It should be noted that the valuation at £5,555,000 still represents a net initial yield of 2.95% and a reversionary yield of 4.77% (against 2.64% and 4.27% for the Advisor's valuation). Given evidence in the wider London locality we consider this to be appropriate.
	8.37.	Bolina Road comprises seven industrial units which the Advisor did not include in their EUV assessment as it is third party land. We have valued it in line with the assumptions used for the remainder of the Bolina Estate which produces a value of £3,715,000. This results in a total value for Bolina of £8,635,000.
Residential	8.38.	The residential units within the application Site are contained within Rollins House and Bridge House and comprise dwelling houses within Rollins House, and HMOs within Bridge House.
Bridge House	8.39.	The Advisor has based their assumptions on HMO transactional evidence. A summary of their comparable evidence is included below.

Table 18: Summary of Advisor's HMO Evidence

Address	Sale Date	Price	Yield	Rent	Location
178 Whippendall Rd	Sept 18	£400,000	8%	£445	0.7 miles from Watford Underground Station ('US')
The Ridgeway, Acton	Oct 2018	£600,000	8%	£800	0.2 miles from Acton Town US

49 Cobbold Road, Willesden	Feb 2019	£406,500	8.27%	£466	0.5 miles from Dollis Hill US
20 Clarendon Rise, Lewisham	Nov 2019	£568,000	7.39%	£583	Lewisham
49 Kingsgate Road, Kilburn	Dec 2020	£928,000	8.04%	£885	0.4 miles from Kilburn High Road Station

8.40. 178 Whippendall Road is a six-bedroom HMO with an average monthly rent per room of £445 which was sold in auction in September 2018, and we therefore consider this to be a dated transaction and have applied less weighting to this comparable.

8.41. The Ridgeway is a five-bedroom HMO with an average monthly rent per room of £800. We consider this to be in a superior location to the subject Site which, together with its dated transaction date, means we have applied limited weighting to.

8.42. 49 Cobbold Road is a six-bedroom HMO yielding a monthly rent per person of £466. We consider this to be a highly comparable transaction.

8.43. 20 Clarendon Rise comprises six self-contained apartments and therefore suggests the rental value achieved for studio bedsits as opposed to the HMO rooms with shared facilities. However, the site was sold with the benefit of planning permission for its conversion into three flats and we therefore consider the site would have sold with considerable hope value for development. We have consequently discounted this from being a comparable transaction.

8.44. 49 Kingsgate Road is a seven bed HMO comprising six bedsits with shared facilities and one studio bedsit. We therefore consider the recorded rental value of £885 may be skewed given the fact that no breakdown of the monthly rental value between the studio and bedsits is provided.

8.45. From the Advisor's comparable evidence assessed above, they have applied the following values:

Table 19: HMO Proposed Values

HMO Type	Rent	Yield
Bedsit	£650	8%
Studio	£953	8%

Further evidence

8.46. We note the lack of HMO transactional evidence within the vicinity of the Site and therefore would agree with the Advisor's approach to expand their search area to other areas in London. We have found further evidence which is summarised within the table below.

Table 20: Further HMO Evidence

Address	Sale Date	Price	Rent	Yield	Location
56 Cranbrook park, Wood Green	May 18	£705,000	£922	8.85%	0.2 miles from Wood Green station
36 Frederick Place, Plumstead	June 20	£525,000	£684	9.39%	0.5 miles from Woolwich Arsenal station

79 Fairlop Road, Leytonstone	Feb 20	£1,035,000	£713	8.26%	0.2 miles from Leytonstone station

8.47. 56 Cranbrook Park is an HMO which comprises five studio bedsits. Although we recognise that this is a more dated transaction from 2018, we would also note that it gives a better indication of the value difference between studio bedsits, and bedsits with shared facilities, as the property solely contains studio bedsits. In comparison with the other transactions, it is evident that there is a premium associated with studio bedsits as this is the highest rental value reported within the comparable transactional evidence.

8.48. 36 Frederick Place is a six-bedroom HMO yielding an average monthly rent per room of £684

8.49. 79 Fairlop Road is a ten-bedroom HMO with an average monthly rent of £713 per room.

8.50. We consider that the further comparable evidence suggests that the Advisor's applied yield of 8% could be pushed out to 8.25%, however in this instance we have accepted the Advisor's yield.

8.51. In terms of the rental values, for the studio bedsits the most comparable transaction is at 56 Cranbrook Road which comprises all studio bedsits and therefore enables us to understand the difference in value between bedsits and studios, where other transactions do not. This represented a monthly value per room of £922 which is slightly lower than the Advisor's proposed rate of £953, however given the dated nature of the comparable we have accepted the rate in this instance

8.52. The proposed rental values for the bedsits with shared facilities are broadly in line with the Advisor's and our comparable evidence and we have therefore agreed with their rental assumptions.

Rollins House

8.53. Rollins House comprises two blocks of residential: Flats 1-12 and Units C&D. The Advisor notes a difference in quality between the two blocks which has been reflected in the associated values they have applied. We have been unable to inspect units internally and have therefore relied upon the Advisor's judgment on this matter.

8.54. The Advisor's valuation approach for the residential units has been to capitalise rental values and compare the capital value with nearby comparable transactions.

8.55. With reference to the Advisor's comparable evidence relied upon (Appendix C1 of the Advisor's FVA report) we would agree with the evidence provided and in respect of the different conditions between the two blocks would support the range of conditions presented.

8.56. The evidence presents one-bedroom flats within the vicinity to be between £220,000 - £355,000, and two bedroom flats to be between £275,000 - £316,000.

8.57. From this evidence the Advisor has adopted the following values for Rollins House:

Table 21: Advisor's Proposed Rollins House Values

Rollins House	Type	Rent	Yield	Value
Flats 1-12				
	Studio	£953	7%	£175,000
	2 Bed	£1,430	7%	£280,000
	3 Bed	£1,625	7%	£310,000

Unit C				
	1 Bed	£1,170	6.17%	£240,000
	3 Bed	£1,820	6.17%	£335,000
Unit D				
	2 Bed	£1,430	6.17%	£285,000

Further evidence	8.58.	Although we would agree with the Advisor's comparable evidence provided, we would note that no evidence has been submitted for either studio or three-bedroom units despite there being units onsite of this size.
	8.59.	We have therefore conducted further comparable research to determine whether the rates applied to the studio and three bed units are in line with market evidence.
	8.60.	Please refer to Appendix 9 for a full breakdown of our further comparable evidence. In summary, the evidence suggests studio apartments to yield between £195,000 - £220,000, and that three bedroom units between £340,000 - £443,000.
	8.61.	We note the difference between Flats 1-12 and Units C&D with the latter being applied higher values by the Advisor, and the former having values at the lower end of the comparable evidence. Relying on the Advisor's judgement of the difference in quality of the two blocks this justifies the differences in values applied.
	8.62.	We would agree that the proposed values are broadly in line with comparable evidence and have therefore accepted the proposed values for Rollins House.
GE EUV Summary	8.63.	Based upon GE's assessment of the adjusted existing use comparables above, we are of the opinion that the **EUV of the Site is £72.5m**. This provides a similar figure to that of the Advisor, however it should be noted that 11 Orion, Excelsior and Bolina Road are additions included within GE's EUV which are not included within the Advisor's as they are third party land. The main driver in value change has been the addition of void periods within all valuations which is standard market practice to include at the end of the term certain to reflect a marketing period and letting incentives (such as rent-free periods). We set out the summary of changes in the table below.

Table 22: Summary of EUV Review

Existing Accommodation	Advisor's Value	GE Value	Difference £	Difference %
Orion	£12m	£11.8m	-£980k	-1.25%
Enterprise	£6.9m	£6.2m	-£690k	-9.97%
Ilderton	£9.7m	£9.3m	-£435k	-4.49%
Stockholm	£22m	£20.5m	-£1.6m	-7.12%
Enterprise 2	£11.5m	£10.3m	-£1.3m	-11.02%
Excelsior	£0	£1.7m	£1.7m	n/a
Bolina	£6.2m	£8.6m	£2.4m	38.38%
Bridge House	£770k	£770k	£0	0.00%
61 Rollins Street	£240k	£220k	-£20k	-8.33%

Rollins House (Flats 1-12)	£2.4m	£2.4m	£0	0.00%
Rollins House (Units C&D)	£860k	£860k	£0	0.00%
Total	**£72.6m**	**£72.6m**	**£5,000**	**-0.01%**

	8.64.	Our valuation represents the aggregate of the values of the individual units/ buildings and does not reflect any premium value based upon the assumption that a number of these could be sold together in prudent lots. In this case we would expect the reported EUV to decrease.
AUV	8.65.	For viability assessments, Alternative Use Value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. When applying alternative uses to establishing benchmark land value such AUVs should be limited to those uses which would fully comply with up-to-date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use can refurbished or redeveloped this will also be considered as an AUV when establishing BLV.
	8.66.	The Advisor has not provided an AUV for the Site, primarily given the nature of the allocation of the site for the proposed development in the Core Strategy (June 2011). However, GE has sought specialist advice from our Industrial valuation team who have confirmed that a 'light touch' refurbishment of the industrial units would be a reasonable option for the landowner in having regard to the value of the Site. Furthermore, the Council have confirmed that a light-touch refurbishment of the industrial units would not trigger the need for planning permission and as such meet planning policy requirements.
	8.67.	Assuming a light touch refurbishment of the industrial units at a capex of £20psf (we have confirmed with the council that light touch refurbishment, excluding any changes to cladding or roofing can be achieved under the restraints of existing planning consents, thereby not requiring further planning permission to facilitate), the AUV creates an additional c.£13m value to the EUV (inclusive of capex).
	8.68.	This additional AUV value is created by an uplift on the EUV ERV's of between £3.50 psf and £5 psf and a reduction in yield of 25 bps. An additional void period of 6 months was included when compared against the EUV to account for the time to complete the refurbishment works.
	8.69.	For the remaining elements of the EUV, including the residential, HMO and office space we have not attributed any increase in value as we are not aware of their current condition and therefore cannot make assumptions on refurbishment costs and any associated value uplifts.
AUV Summary	8.70.	GE estimate that an AUV of the Site would be in the order of **£85.87m.**
Premium	8.71.	NPG indicates that 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. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).
	8.72.	The NPG at paragraph 16 states that establishing a reasonable premium will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration.
	8.73.	The Advisor has applied a premium of 30% on their EUV within their report. However, for a premium to be applied, it must be demonstrated that a reasonable landowner would expect a premium having regard to planning policy and the advisors did not appear to have provide evidence to support their conclusions in the FVA.

Advisor's Premium	8.74.	GE therefore requested for evidence to be submitted to support the proposed 30% premium, and the Advisor has provided evidence in the form of the following two recent transactions:
Unit A 34/36 Verney Road	8.75.	A property measuring 9,806 sq. ft on a site of 0.372 acres sold for £4,600,000 in May 2020. The purchase price equates to £469psf / £12.36m per acre / 3.25% NIY. The property does not have planning permission for an alternative use but sits within an area promoted for mixed-use development. The property is comparable to the Stockholm Road accommodation which has been valued at £252psf on an EUV basis. The sale price at £469psf reflects an 86% premium on EUV.
36/40 Verney Road	8.76.	A property measuring 9,696 sq. ft on a site of 0.396 acres sold for £4,750,000 in March 2021. The purchase price equates to £490psf / £12m per acre / 1.5% NIY. The property does not have planning permission for an alternative use but sits within an area promoted for mixed-use development The property is comparable to the Stockholm Road accommodation which has been valued at £252psf on an EUV basis. The sale price at £490psf reflects an 94% premium on EUV.
Advisor's Premium	8.77.	We consider that as both sites are significantly smaller scale than the application Site of 16 acres that these premiums would be skewed if applied to the Site unadjusted. Therefore, we do not consider proposed 30% premium over the proposed EUV is supported by the Advisor's submitted evidence.
GE Premium	8.78.	In assessing the EUV and AUV of the Site, GE have concluded that an AUV exceeds the estimated EUV and therefore reflects the minimum value a landowner will seek for the sale of their land for redevelopment. Paragraph 17 of the NPG indicates if evidence of AUV is being considered the premium to the landowner must not be double counted. To this effect a premium should not be added to the AUV as this demonstrates an alternative expected value for the site. However, as the AUV is greater than EUV, the difference can be calculated, and this represents the reasonable premium over EUV.
Premium Summary	8.79.	Based upon GE's assessment of AUV of the industrial and office elements, when applied to the Site as a whole, it estimates that the premium over EUV would be in the order of 19%. We note that LPVA indicates a premium of 20% of existing use.
Residual	8.80.	The proposed Scheme represents the site allocation uses for the proposed site in the Core Strategy (June 2011). Furthermore, whilst the proposed scheme is under review, establishing BLV based upon the allocation will create circularity in assumptions. The Applicant proposes that the scheme is unable to support plan policy compliant contributions and has adopted an EUV+ approach to establishing BLV. Under these circumstances there is no apparent benefit to undertaking the exercise of establishing a plan policy compliant residual appraisal to support the determination of BLV.
Cross Check	8.81.	GE have considered BLV having regard to the Local Plan Area wide assessment at £3m per acre. GE has undertaken a detailed valuation of the Existing Use Value of the Site and had regard to any additional value which could be ascertained through refurbishment of elements of the site. Establishment of EUV+ indicates a value per acres of circa £5.4m. Industrial land values across London range from £3m to £6m per acre, without the consideration of re-development for alternative uses. Therefore, a value of £5.4m per acre appears reasonably within this range when having regard to site specific factors.
BLV abnormals	8.82.	NPG indicates that BLV should reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees. In establishing BLV, GE have had regard to the Existing Use of the property which has regard to the current state of the Site and AUV in the form of a light touch refurbishment to the industrial units. Under these circumstances there is no need for adjustment for abnormal costs which will be required for re-development as the Existing Use Value and AUV would remain unaffected.
BLV Summary	8.83.	In arriving at the BLV, we have had regard to the methodology and approach in determining BLV set out in this Section. We have also had regard to the NPPF, NPG, Affordable Housing and Viability SPG,

the RICS GN and mandatory requirements of the RICS Practice Statement in respect of reporting and conduct. We summarise our establishment of the Site's BLV below.

Table 23: BLV Bases Results Summary

Basis	Advisor's Value	Advisor's Value Per acre	GE Value	GE Value Per Acre
EUV	£72.62m	£4.6m	£72.62m	£4.1m
AUV	-		£85.76m	£5.1m
Premium	£20m (30%)	£1.25m	£13.26m (19%)	£0.9m
BLV	£92.62m	£5.85	£85.9m	£5.1m

8.84. We have arrived at an opinion of BLV at which a reasonable landowner would be willing to sell for development by:

- Applying a reasonable valuation judgement.
- Informed by the relevant available facts.
- Regard to the obligations and considerations related to the Site.
- With a realistic understanding of the local area and the operation of the market.
- Reflect all policy requirements.
- Delivering a reasonable return to the landowner.
- Having regard to the specifics of the site and use.

Our opinion assumes the Site is free of any encumbrances, or restrictions on title which would adversely affect the value.

Applied BLV

8.85. Taking all the above into account, we have adopted a BLV for viability testing in planning of:

£85,880,000

(Eighty Five Million Eight Hundred and Eighty Thousand Pounds)

8.86. It is reasonable to conclude that the landowner will not be willing to sell their land for a deficit in comparison with other options, including mothballing or change of use. Therefore, we maintain that the site may transact at a value more than our determined BLV.

GLA

8.87. It is worth noting that from our discussions with the GLA, we understand that they do not consider the Site would benefit from a premium based upon an alternative use value of refurbished industrial use as the site holds an allocation for development. Therefore, we understand that the BLV the GLA are likely to use when assessing the scheme is the EUV (+ nil premium), equating to £72.6m. On this basis, we have considered sensitivities which exclude the premium from the BLV.

9. RETURN TO THE DEVELOPER

Return	9.1.	A significant factor in undertaking viability assessments for development purposes is the level of return which a developer might reasonably require from undertaking the development and in turn on what basis the Scheme could be funded and financed. This will depend on several factors including the size of the development, the perceived risks involved, the degree of competition between funding and finance institutions for the Scheme, the state of the market in terms of demand for and lot size of the completed development and the anticipated timescales for development and for receiving a return.
	9.2.	Development profit is usually necessary to attain investment to implement and deliver any given project. The level of profit is essentially the reward to the developer for the time, expertise and risk involved in carrying out the process of development.
	9.3.	The NPG (paragraph 018 (Ref 10-018-20120724)) indicates that for the purpose of plan making an assumption of 15-20% of Gross Development Value (GDV) may be considered a suitable return to developers in order to establish the viability of plan polices. This is not a direct guidance for Scheme specific applications and that specific development returns need to account for type, scale, and risk profile of the planned development. Furthermore, it is recognised that lower returns are considered more appropriate for affordable housing where risk to receipt of income are lower and alternative figures may also be appropriate for other types of development.
	9.4.	In the case of public sector investment, it is usually accepted that a lower development return can be anticipated so long as appropriate risk contingency allowances are made which can be reflected in a return.
	9.5.	In terms of being satisfied of Scheme viability, it is usual for any project proposal to be accompanied by a cashflow model – a residual appraisal or a Discounted Cash Flow (DCF) appraisal that shows both the expenditure and receipts and the time frame across which these will take place. In development the appraisals will inform investors with a projected viability, Internal Rate of Return (IRR) or Net Present Value (NPV). The rate of return (the target profit or Discount Rate) that the investor will apply to their investment in the project, and thereby informing the Scheme's viability, will depend to a great extent on the way in which the landowner agrees with the assumptions within the appraisal.
	9.6.	It is, however, more common for standard development opportunities to be considered on a return on gross revenue (GDV) basis as indicated in both the NPG (2018) and the GLA SPG. GE note the GLA SPG indicates both targets can be considered and/or cross referenced. NPG (2018) indicates that potential risk to development is accounted for in the assumed return for developers and it is regarded as the role the developers, not plan makers or decision makers, to mitigate these risks, not for obligations to maintain them.
	9.7.	Determination of an appropriate target rate of return can depend on several factors, but it is predicated on the risk associated with developing out the proposed Site. The more risk involved, the higher return the developer will require.
Advisor's return on GDV	9.8.	The Advisor has allowed for a profit of 20% on the private residential sales, 15% on the commercial sales and 6% on the affordable sales.

Table 24: Target Rate of Return

Return	Return on GDV
Private Residential	20%
Affordable Residential	6%
Commercial	15%

Advisor's return	9.9.	The Advisor states that the proposed level of return has been influence by: • The large quantum of development proposed, where the full developer's profit is not realised until the end of the project. • The long-term nature of the project increases the risk of changes in sales values as the scheme is to be delivered across property cycles. • The project only delivers an acceptable level of return if escalated price estimates on later phases of development are achieved, reflecting enhanced value as placemaking benefits increase.
GE return	9.10.	GE accepts that the reasons set out above relating specifically to this project and given the length and scale of this development together with the complexity of proposed uses; along with the allowances of value premium included in the appraisal indicate that a profit level of 20% on private residential sales would not be unreasonable for the purposes of testing the assessment of this scheme at the hybrid application stage. This level of return on the private element remains within NPG guidance, having regard to associated risks at the plan stage.
	9.11.	The application remains consistent with the risk profile anticipated at the plan stage assessment, given its scale and time horizon, however it is recognised that there has been a general settling on risk returns for standard schemes across London at circa 17-20% on GDV for the private residential elements as indicated in the LPVA. For the reasons set out above, we have accepted 20% as an appropriate return on private residential sales for a development in this location.
Return sensitivity	9.12.	We consider the risk profile of this scheme warrants a risk profile above generally applied returns to development assessed across London. In the interest of prudence however, we have also run scenarios in which an 18.5% profit on private residential sales is adopted for the private element of the Scheme. This is shown in Section 12.
	9.13.	Given the scale and timeframe of the proposed scheme we have also identified the Internal Rate of Return (IRR) for the scheme which we anticipate should be between 10-14% without growth, and 14-16% with growth allowance. For a scheme of this scale, length and location. This growth modelling is set out within our scenario analysis in Section 12, and suggests that where growth is applied, the scheme is capable of becoming viable over its lifetime.

10. PLANNING OBLIGATIONS (NOTIONAL)

Community Infrastructure Levy	10.1.	The Government has introduced a Community Infrastructure Levy "CIL" to be paid by developers to help fund infrastructure required to support the development of its area. CIL is a charge that can be applied by planning authorities on new development to fund required infrastructure within their area. Statutory provision for CIL was introduced in the Planning Act 2008. The ability to charge CIL came into force 6 April 2010 through the Community Infrastructure Levy Regulations 2010.
	10.2.	The CIL charge have been calculated according to the amount of net additional floorspace a new development would create. The amount to be paid would be calculated when planning permission is granted and is paid when development starts unless the charging authority adopts a payment policy.
	10.3.	Mayoral CIL2 and Borough CIL have been calculated, with allowances made for retained and currently occupied floorspace, as well as social housing relief. The CIL liability has been broken down by the Advisor into the five phases as follows: • Phase 1 - £7.1m • Phase 2 - £6.0m • Phase 3 - £8.0m • Phase 4 - £12.1m • Phase 5 - £13.7m **Total - £47m**
	10.4.	The Council have confirmed that the cited figures within the FVA are broadly correct when applied to the Council's CIL Rate Summary 2021 and we have therefore applied these within the GE appraisal.
S106	10.5.	A total Section 106 contribution of £12,313,000 has been assumed in the Applicant's appraisal, which is based on an allowance of £3,500 per unit. As mentioned within the Build Costs chapter, the council have advised that they are unable to confirm the exact amount of S106 contributions which would be required until the consultees have provided responses which at the time of writing this report have not been received. We have therefore adopted the Advisor's level of contribution, which the Council has agreed to, and would advise that under the review mechanism that the confirmed level is updated within the appraisal to ensure any impact on scheme viability is captured.
Affordable housing	10.6.	The London Plan states that Boroughs should seek the maximum reasonable amount of affordable housing when negotiating residential Schemes. In achieving this, Boroughs should consider economic viability together with the individual circumstances of the Site and Scheme. It follows it is necessary for a developer to seek to obtain a planning permission capable of implementation that provides a return reflecting the risks associated with the overall investment. This will determine what is reasonable in respect of affordable housing levels as well as potential planning obligation payments.
	10.7.	The proposed development includes an onsite provision of 35% affordable housing on a unit basis, and 39% on a habitable room basis. The current offer does not reflect a policy compliant level of affordable housing, in line with the council's planning policy requirements.
Package	10.8.	The council have reviewed the proposed planning obligations and confirmed their acceptance of these figures to us for the purpose of this FVA Review. The financial obligations proposed by the Applicant are summarised in the table below.

Table 25: Scheme – Planning Obligations Summary

Contribution	Return on GDV
CIL	£46.9m
S106	£12.3m
Affordable Housing	35%

Package	10.9.	On the basis the council have reviewed the proposed planning obligations, and amended where necessary, these figures have been included within the FVA Review appraisal.

11. FINANCIAL APPRAISAL REVIEW

Package	11.1.	GE has been provided with the Advisor's financial appraisal and have made the appropriate adjustments considered within the previous sections to determine the financial appraisal output. This same exercise has been undertaken on the scenarios we have been asked to assess. GE applied the inputs as set out within the previous sections to determine the financial appraisal output. (See **Appendix 15).**
	11.2.	GE sets out in the following table a summary of the Advisor's position and GE's position to compare on a like for like basis.

Table 26: Scheme – Appraisal Summary

Appraisal Output	Advisor	GE
Private Residential GDV	£1.6bn	Accepted
Affordable Residential GDV	£311.4m	£256.2m
Non Residential GDV	£169m	£164m
Total GDV	**£2.03bn**	**£1,97bn**
Build Cost	£1.3bn	Accepted
Total Development Cost	£2.02bn	£1.96bn
Return	Private Residential: 20% Commercial: 15% Affordable Residential: 6%	Accepted
Residual	£77.7m	-£8.6m
BLV	£94.4m	£85.9m
Surplus/Deficit	**-£16.7m**	**-£94.5m**

Initial Viability Conclusion	11.3.	The output of our viability assessment indicates that the proposed scheme generates a residual value which is below that of the BLV and therefore the maximum level of affordable housing that can be viably justified appears to be included within the Scheme at the point of the review.
	11.4.	Whilst the proposed scheme currently achieves a residual value below the BLV, it is also recognised that the primary objective of this application is to regenerate the area and maximise the level of affordable housing. Indeed, the LPVA (2019) indicates that the site is not capable of supporting policy compliant affordable housing and we therefore consider this to have contributed to the scheme's proposal below the policy level and a variation on the policy compliant mix. We understand that the Applicant is willing to progress on the basis that the length of the project gives the opportunity for the scheme to achieve the BLV over the lifetime of the development. To have regard to this assumption we have reviewed the impact of potential growth over the lifetime of the scheme in addition to several other scenario and sensitivity tests.
	11.5.	It can be seen in the table above that the most significant difference between the Advisor's appraisal and GE's, is the affordable residential value, with a difference of c. £55m; this has impacted the residual value of the scheme, and indeed is the main driver in this decrease. As previously discussed, this is predominantly due to the removal of the placemaking premiums the Advisor had applied to the intermediate and social rented units, and the reduction in value to the IR units. These differences are looked at in further detail within Section 12, and show that when

		growth is allowed for, the viability of the scheme significantly improves throughout the course of the development.
	11.6.	In the next section GE have undertaken several sensitivity tests and scenarios to assess this overall conclusion and the robustness of applied assumptions.

12. SENSITIVITY AND SCENARIO ANALYSIS

RICS	12.1.	The RICS requires that all FVAs and subsequent reviews must provide a sensitivity analysis of the results and an accompanying explanation and interpretation of respective calculations on viability, having regard to risks and an appropriate return(s). This is to: • Allow the applicant, decision- and plan-maker to consider how changes in inputs to a financial appraisal affect viability, and; • Understand the extent of these results to arrive at an appropriate conclusion on the viability of the application scheme (or of an area-wide assessment). This also forms part of an exercise to 'stand back' and apply a viability judgement to the outcome of a report.
Sensitivity – present day	12.2.	A sensitivity analysis is a simplistic (but widely used) approach for testing viability and the robustness of the Scheme. Uncertainties can be identified in respect of the inputs and their effects can then be looked at in terms of the development return and then the level of planning payment. In short, this is a straightforward deterministic approach from which a judgement needs to be made as to the appropriateness of the outcome. Benchmarks can be used as performance measures. A prudent developer will also consider the sensitivities of a development and assess the risks of the project.
Advisor's sensitivity analysis	12.3.	We note the Advisor has not provided any sensitivity analysis as part of the FVA report.
GE sensitivity testing	12.4.	To assess the robustness of the viability of the proposals, it is necessary to consider the pricing and cost inputs to the financial model. GE have undertaken this, having regard to a return of both 20% and 18.5% on GDV of private residential value. GE also consider the impact of including an allowance for Ground Rents and growth modelling for the lifetime of the development. GE also consider the LBL Housing Team affordable housing assumptions following a meeting with them, including GLA grant funding programme, impact of a plan policy compliant affordable housing mix and placemaking premiums
Value/cost variance	12.5.	GE has looked at a variation of ±2.5% to ±5% to both the private residential sales values and commercial rental values, together with construction costs while keeping the BLV the same. The impact on the residual value for each profit level (18.5% and 20%) are presented in the following tables. Where the residual meets or exceeds the BLV, these are shaded in green, and where they do not are shaded in red.

Table 27: Scheme – Impact of variance in Sales Values and Costs upon Residual Land Value at 18.5% Profit

18.5% Return on Private Residential		Sales Rate/ ft2				
		-5%	-2.5%	0%	+2.5%	+5%
Construction Rate/ ft2	-5%	£36.8m	£82m	£126.2m	£167.8m	£206.8m
	-2.5%	-£20.7m	£25.6m	£70.8m	£115.9m	£158.4m
	0%	-£80.9m	-£32.4m	£14.5m	£59.7m	£104.9m
	+2.5%	-£145.3m	-£93.2m	-£44.2m	£3.3m	£48.6m
	+5%	-£215.6m	-£158.6m	-£105.7m	-£56.1m	-£8.3m

Table 28: Scheme – Impact of variance in Sales Values and Costs upon Residual Land Value at 20% Profit

20% Return on Private Residential		Sales Rate/ ft2				
		-5%	-2.5%	0%	+2.5%	+5%
Construction Rate/ ft2	-5%	£14.9m	£59.7m	£103.5m	£144.5m	£183m
	-2.5%	-£43.4m	£3.3m	£48.1m	£92.7m	£134.6m
	0%	-£103.6m	-£55.6m	-£8.6m	£36.5m	£81.3m
	+2.5%	-£168m	-£116.4m	-£67.8m	-£20.7m	£25m
	+5%	-£238.3m	-£181.2m	-£129.3m	-£80.2m	-£32.8m

12.6. This sensitivity analysis on costs and scheme values at a profit return of 20% on private residential sales, shows that small movements have a significant impact on the outcome of the residual land value and consequent deficit/ surplus against the BLV. This is particularly seen with construction costs where a 2.5% movement in values is c.£45m whereas a 2.5% movement in costs is c.£59m, demonstrating that the scheme is more sensitive to changes in cost than it is in values. Were costs reduced by 5% the scheme would be viable, or costs reducing by 2.5% and values increasing by just over 2.5% the scheme would become viable. As such, the level of variance is within a realistic scale, particularly given the long-term nature of the scheme, which could result in a viable scheme over the time of the development.

12.7. It also shows that there is significant risk in the scheme, with a 5% increase in costs potentially adding c.£121m in cost to scheme, implying that it would not be unreasonable to reflect the higher profit return to reflect this risk.

12.8. At a lower profit return (18.5% on private residential sales) the sensitivity analysis would not immediately indicate that the scheme could deliver more affordable housing. It does show however that a decrease in costs of between 2.5% and 5% could make the scheme viable, with sales values held. However, as GE have previously discussed with the council, as risk is reduced whilst the scheme gets underway and costs/ values are established, it may be reasonable to reflect a lower return at later stages of viability assessment – but not at this stage.

12.9. Under the GLA benchmark of c.£72.5m, a lower level to the GE benchmark as it does not include a premium, the scheme is still unviable at both profit levels, with an RLV of -£8.6m at 20% return on private sales and £14.5m at 18.5% return. This still results in significant deficits of £81.1m and £58m respectively below the GLA BLV.

Ground Rents

12.10. Although the Government have confirmed all new-build houses will be sold on a freehold basis and ground rents on new flats will be removed, we have conducted a scenario analysis to the GE base appraisals. This is in order to understand the impact the inclusion of ground rents would have on the residual land value, and consequent viability of the scheme, should the Government decide to reverse this decision by the time the proposed scheme's units are sold.

12.9 For the purposes of this test, ground rents have been included for the private residential units at a rate of £450 per unit, capitalised at a yield of 4.5%. This equates to a ground rent income of £10,000 per residential unit. The results are detailed in the table below:

Table 29: Impact of Ground Rent on RLV

Return on Private Residential	Residual Land Value		Surplus/ Deficit to BLV (incl. ground rent)
	Excluding Ground Rent	Including Ground Rent	
20% Profit level (12.5% IRR)	-£8.6m	£22.6m	-£63.3m
18.5% Profit level (9.2% IRR)	£14.5m	£45.6m	-£40.3m

	12.10	The two scenarios show that were ground rents to be included within the appraisal, the RLV increases at both profit levels. At 18.5% profit level the RLV is c.£40m below the BLV, and significantly below at 20% profit.
Growth Model	12.11	Given the large deficits generated against the BLV in the scenarios we have tested, we consider it appropriate to model a growth scenario, on the GE base appraisal.
	12.12	The scheme is long-term and delivered over multiple phases meaning there is likely to be growth in value during the scheme's lifecycle. This growth is market driven and independent of the placemaking premium adopted by the Advisor.
	12.13	Our approach has been to apply the Bank of England standard inflation rate of 2%, which is broadly supported by forecasted inflation on building costs produced by the BCIS. We have applied growth to the private residential values (and car parking) only, as we consider this element of the scheme to be the most likely to experience positive market driven growth. We have adopted a growth rate of 5% per annum and consider this a reasonable assumption for the purpose of this test, given that the annual price change in England over the past 5 years has ranged between 0-12.5% (ONS data). The residential market has seen an 8% growth over the previous year (ONS data).
	12.14	The IRR for a scheme of this scale in London is likely to be in the region of 10-12%. Although we acknowledge there is not a direct correlation between this and profit return, this reflects a c.16-17.5% on GDV. However, the IRR has a much more important role in assessing an appropriate return to developers on longer term schemes such as this, and where growth is accounted for; we therefore consider it appropriate to run IRR scenarios to understand the impact upon scheme viability. Where growth is included, we would expect a scheme of this scale in London to have an IRR in the region of 14-16%.
	12.15	The table below shows that with growth in private sales values, the scheme's RLV exceeds the BLV when compared against the base appraisal (shown below with IRR of 12.5%). This level of variance in both growth and inflation appears to be within reasonable tolerance and therefore the scheme appears capable of being viable and deliverable in its lifetime. This level of variance would be sufficient to enable a developer to be comfortable to progress with delivery of such a long-term development.

Table 30: Impact of growth on Private Sales value and Cost to Residual Land Value

Return (IRR)	Growth Rate (Private Sale & Car Parking)	Inflation (Build Cost)	Residual Land Value	Surplus/ Deficit to BLV
12.5%	0%	0%	-£8.6m	**-£94.5m**
16%	5%	2%	£86.7m	£0.8m

	12.16	The table shows that where 5% growth is included, the RLV exceeds the BLV by c.£1m, and therefore although the scheme is unviable on a present day basis, over the scheme's lifetime, it has the potential to become viable, having regard to this growth modelling assessment.
	12.17	This modelling shows that although there is not currently opportunity for any further affordable housing provision, growth of over c.4.8% per annum could result in a surplus to the BLV and therefore indicate opportunity for increased provision. A review mechanism would address the potential for any uplift in values over the lifetime of the development to support further affordable housing provision.
LBL Housing Team Assumptions	12.18	Following discussions with the Council's Housing Team, we have also run scenarios in line with their suggested assumptions for the scheme, which include: - Applying the Advisor's proposed placemaking premiums to the IR units; - Policy compliant mix (70:30 London Affordable Rent and London Shared Ownership); and - Applying GLA Grant Funding to affordable units started under the current programme (ending in 2023).
	12.19	The housing team consider it reasonable to use the placemaking premium for the Shared Ownership and IR, as in their view these products' values relate to market and rental values that will be uprated over the life of the scheme. On LAR, this would however run counter to our and the GLA's desire to not inflate rents in line with market increases. GE had included the placemaking premium to the LSO units but not the LAR or IR and therefore in this scenario we have included the premium for the IR units.
	12.20	The proposed development offers an affordable housing mix of 60% LAR, 20% IR and 20% LSO. However, the council policy compliant affordable housing mix comprises a 70:30 LAR and LSO mix, and therefore the proposed mix is not compliant with planning policy. We have therefore included a policy compliant mix in this scenario to test the impact this would have upon scheme viability.
	12.21	The scenario also includes receipt of funding from the GLA's Grant Programme (2016-2021, extended to 2023). This has enabled us to understand the impact that grant funding could have on the scheme's deliverability and potential level of affordable housing, and whether this could be increased above the Applicant's 35% offer.
	12.22	On the advice of the Council, we have applied £100k per unit on LAR units and £28k on LSO units which is available under the current programme. It should be noted that the current programme only offers provision of funding until 2023 and therefore this grant has only been applied to units within Phase 1 of the scheme, as the second phase does not commence until November 2024. It is difficult to model grant for the latter stages at this time as the funding priorities under the 2021-26 currently are not relevant for this scheme.

Table 31: Impact of LBL Housing Team Assumptions on RLV

Return on Private Residential	Residual Land Value		
	Base Appraisal	Housing Team Assumptions	Surplus/ Deficit to BLV
20% Profit level (12.5% IRR)	-£8.6m	£30m	-£55.9m
18.5% Profit level (9.2% IRR)	£14.5m	£53m	-£32.9m

12.23 The analysis shows that under both scenarios, proposed and policy complaint mixes, the two profit levels remain at a deficit against the BLV; however, the policy compliant mix is less impactful on viability, with an RLV c.£38.6m above the proposed mix's RLV. This would indicate that further discussions should be had regarding affordable tenure mix.

12.24 The policy compliant tenure mix creates a more favourable viability position here due to the differences in tenure and affordable housing products assumed in each scenario. The policy compliant split is more valuable in Phase 1 and the latter phases due to the composition of the different intermediate products within the proposed tenures and the longer-term impacts of the place making premium on the IR and LSO units.

12.25 Overall, the policy compliant tenure mix of 70% social rent (as LAR) and 30% Intermediate (as LSO), including GLA grant funding on Phase 1, equates to a slightly higher blended value of £299 psf, compared to £274 psf on the basis of the Applicant's proposed mix of 60% social rent (as LAR), 20% IR (at the GE lower adopted rent levels) and 20% LSO. We have also included a place making premium on the private sales values that inform the IR and LSO in this scenario. As the policy compliant approach has a higher proportion of LSO units (30%) with an assumed placemaking premium, additional revenue is created overall.

12.26 It is noted that a plan policy compliant affordable percentage and mix, together with the addition of placemaking premiums to the IR, has a significant impact on the viability of the scheme. We have also run a sensitivity to our base appraisal, making changes only the inclusion of the placemaking premium to the IR units and addition of GLA grant funding to Phase 1, to understand the impact this alone has on scheme viability. At 20% profit level, this provides an RLV of c.£25m, an increase of c.£33.6m to the base appraisal; and, at 18.5% profit level, this provides an RLV of c.£49.7m, an increase of c.£35.2m compared to the base appraisal.

13. CONCLUDING STATEMENT – OUTSTANDING INFORMATION AND NEXT STEPS

	13.1	Gerald Eve LLP ('GE') has been instructed by the Council to undertake a Financial Viability Assessment Review ('FVAR') with associated information in connection with the proposed redevelopment the Site in New Bermondsey, forming part of the Surrey Canal Road Triangle. The FVA has been produced by Newsteer on behalf of Renewal, the Applicant.
	13.2	GE's instructions are to undertake an assessment of the FVA in accordance with the RICS Financial Viability in Planning mandatory guidance (2019) to verify whether the Scheme reflects the maximum reasonable level of affordable housing contribution, to assist in determination of the planning application against adopted planning policies and guidance. Under paragraph 58 of the NPPF, the weight of this report in considering the proposed development is to be determined by the decision maker.
	13.3	In accordance with NPG (2019), in arriving at an opinion of a reasonable BLV, GE has applied a valuation judgement; informed by the relevant available facts, a realistic understanding of the local area and of the operation of the market. GE have made appropriate adjustments to the Advisor's BLV to reflect the market and have applied an adjusted BLV of c.£85.9m for the purposes of assessing viability in planning.
	13.4	The outcome of this assessment would appear to indicate the maximum level of affordable housing in the 'Proposed Scheme' on a present-day basis has been included, having regard to viability due sensitivity indicating required variance in assumptions to reach a positive outcome.
	13.5	Following conversations with the GLA, we have also considered the scheme against an EUV with nil premium. Whilst this results in a lower benchmark, it does not change our conclusion that the Applicant is proposing the maximum level of affordable housing provision the scheme can offer.
	13.6	The construction costs have been provided by RPS on behalf of the Applicant as part of the FVA. Veale and Sanders ('V&S') have undertaken an independent review as part of this report. V&S consider the costs stated within the cost plan for the Scheme of £1.29bn to be reasonable, and which we have therefore adopted within our appraisal. However, it is raised by V&S that there are significant residential ancillary areas in P2 which have not been included within the cost plan. We have asked the Advisor to remedy this however they have advised that the ancillary space is not needed at podium level and that it will therefore be designed out. However, we consider that we should appraise the scheme as proposed and therefore consider that the c.25,000sqm (which would equate to c.£90m in build costs) should be addressed. Having discussed this with the Applicant and Council, a proposed and agreed resolution is to consider this area under future review mechanisms or detailed stage, to ensure any costs associated with it are captured.
	13.7	In respect of the proposed leisure centre floorspace, we have previously queried the intended operation with the Advisor however they advised that no operator has been confirmed. We are highlighting the risk for building a leisure centre of this scale as the market for this size of product is limited, with the only comparable being the Copper Box which benefits from its Olympic legacy. We understand following discussions with the council that they would not take on this centre and they recognised long term maintenance costs. We therefore consider that finding an operator to take this level of space, and consequently provide revenue, would be challenging.
	13.8	Furthermore, we consider the leisure centre could be a burden to Phase 3 as it is built at loss and creates a barrier to the opportunity for additional affordable housing; the Advisor has adopted a value of £18.7m and allowed £42.5m in costs to build, meaning a loss of £23.8m which could otherwise have contributed towards affordable housing. Alternatively, a revenue generating use could have been located in all or part of this space, thereby increasing the viability of the scheme.

	13.9	Finally, this report shows that the proposed development is unviable on a present-day basis, with one of the main drivers of the difference in land values between the Advisor and GE being the reduction in affordable housing values (of c.£55m). However, scenario testing of various factors including growth, demonstrates the scheme has the potential of becoming viable during the lifetime of the development. The level of variance in assumptions to achieve a viable outcome appear to be within a reasonable tolerance range and therefore the scheme appears capable of being viable and deliverable throughout its lifetime when growth is included and the scheme considered on an IRR basis as opposed to profit on GDV as is used on present-day appraisals. We consider, in this instance, the level of variance would be sufficient to enable a developer to be comfortable to progress with delivery of such a long-term development.
	13.10	In order to capture any uplift in value, thereby providing opportunity for an increase affordable housing officer, we would recommend an upwards-only review mechanism is included in the S106 Agreement associated with the granting of any permission for the proposed development. This will provide the greatest opportunity to resolve any differences between proposals on a current day basis and any value additionality experienced throughout the scheme's development.

Appendices

Appendix 1 - RICS Professional Statement - Financial Viability in Planning: Conducting and Reporting, May 2019 1st Ed

RICS professional statement

RICS professional standards and guidance, England

Financial viability in planning: conduct and reporting

1st edition, May 2019

rics.org/guidance

Financial viability in planning: conduct and reporting

RICS professional statement

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RICS professional standards and guidance

RICS professional statement

Definition and scope

RICS professional statements set out the requirements of practice for RICS members and for firms that are regulated by RICS. A professional statement is a professional or personal standard for the purposes of *RICS Rules of Conduct*.

Mandatory vs good practice provisions

Sections within professional statements that use the word ‘must’ set mandatory professional, behavioural, competence and/or technical requirements, from which members must not depart.

Sections within professional statements that use the word ‘should’ constitute areas of good practice. RICS recognises that there may be exceptional circumstances in which it is appropriate for a member to depart from these provisions – in such situations RICS may require the member to justify their decisions and actions.

Application of these provisions in legal or disciplinary proceedings

In regulatory or disciplinary proceedings, RICS will take into account relevant professional statements in deciding whether a member acted professionally, appropriately and with reasonable competence. It is also likely that during any legal proceedings a judge, adjudicator or equivalent will take RICS professional requirements into account.

RICS recognises that there may be legislative requirements or regional, national or international standards that have precedence over an RICS professional statement.

Document status defined

The following table shows the categories of RICS professional content and their definitions.

Publications status

Type of document	Definition
RICS Rules of Conduct for Members and *RICS Rules of Conduct for Firms*	These Rules set out the standards of professional conduct and practice expected of members and firms registered for regulation by RICS.
International standard	High-level standard developed in collaboration with other relevant bodies.
RICS professional statement (PS)	Mandatory requirements for RICS members and RICS-regulated firms.
RICS guidance note (GN)	A document that provides users with recommendations or an approach for accepted good practice as followed by competent and conscientious practitioners.
RICS code of practice (CoP)	A document developed in collaboration with other professional bodies and stakeholders that will have the status of a professional statement or guidance note.
RICS jurisdiction guide (JG)	This provides relevant local market information associated with an RICS international standard or RICS professional statement. This will include local legislation, associations and professional bodies as well as any other useful information that will help a user understand the local requirements connected with the standard or statement. This is not guidance or best practice material, but rather information to support adoption and implementation of the standard or statement locally.

Chair's statement

In 2012 RICS published its guidance note *Financial viability in planning* (1st edition), which provided advice on applying the government's planning policy on viability, introduced through the National Planning Policy Framework (NPPF) 2012.

The 2012 guidance note has been widely referred to in financial viability assessment (FVA) submissions, section 106 agreements, supplementary planning guidance (SPG), planning appeals and High Court decisions as a document that sets out accepted good practice for RICS members.

The emergence in 2014 of the national Planning Practice Guidance provided more detail about the application of the NPPF. In July 2018 a revised NPPF and Planning Practice Guidance (PPG) were issued. The NPPF was further updated in February 2019 and the PPG updated in May 2019. This followed the earlier decision in *Parkhurst Road Ltd v Secretary of State for Communities and Local Government & Anor* [2018] EWHC 991.

This professional statement has therefore been informed by the NPPF, PPG and a High Court decision, as well as practitioner experience. It aims to:

- provide consistency regarding the application of policy and guidance and
- assist the practitioner in individual cases.

Where planning obligations and other costs are introduced during the planning process, ascertaining the viability of a development involves a number of valuation judgements in both the inputs and outcomes of an appraisal of a scheme. In arriving at these judgements, it is a question of whether they are rational, realistic and reasonable in the circumstances. Parties may of course reasonably disagree. The 2012 guidance note encouraged practitioners to seek to resolve these differences of opinion, where possible, in the context of viability being a matter of evidence, valuation and exercising judgement.

The PPG 2019 also emphasises the need for:

- evidence-based judgement
- collaboration
- transparency and
- a consistent, standardised approach.

All these themes were central to preparing this professional statement, which sets out mandatory requirements that inform the practitioner on what must be included within reports and how the process must be conducted. This is to demonstrate how a reasonable, objective and impartial outcome, without interference, should be arrived at, and so support the statutory planning decision process.

Given that planning applications involve a statutory process that is subject to public scrutiny, the requirements in this professional statement are important in providing public confidence in a process that is inevitably complex, but nevertheless must inform the planning decision-maker.

Since the publication of the NPPF 2018 and PPG 2018 (as updated in 2019) RICS has also been reviewing its 2012 guidance note to align it with the changed emphasis in current government policy; a second edition is forthcoming.

I would like to thank all those who contributed to this professional statement with their comments and suggestions and, in particular, my fellow members of the working group.

Simon Radford

Chair, RICS working group

Glossary

Benchmark land value (BLV)	A term defined in the Planning Practice Guidance (PPG) and undertaken by a suitably qualified practitioner (see PPG paragraphs 013 (reference ID: 10-013-20190509); 014 (reference ID: 10-014-20190509); 015 (reference ID: 10-015-20190509); 016 (reference ID: 10-016-20190509); and 017 (reference ID: 10-017-20190509)). See also *Suitably qualified practitioner*.
Decision-maker	The local/regional (where applicable) planning authority, or an inspector(s) as appointed by the secretary of state.
Existing use value (EUV)	The *RICS Valuation – Global Standards 2017* (the 'Red Book') UK national supplement (2018) UK VPGA 6.1 states that: 'Existing use value (EUV) is to be used only for valuing property that is owner-occupied by an entity for inclusion in financial statements.' Using EUV in other circumstances is technically a departure from the Red Book (albeit an acceptable one in the context of the PPG). Where reference to EUV falls within 'authoritative requirements', for the purposes of the Red Book PS 1 section 4.2 and PS 1 section 6.3, it is not to be regarded as legislative or even regulatory in character, but nevertheless is a clear government policy requirement/convention (with accompanying guidance). Therefore, it would not need to be formally declared as a departure provided the valuation purpose (financial viability in planning) is made clear, as other parts of PS 1 require.
Financial viability assessment (FVA)	See *Viability assessment*.
Local planning authority (LPA)	This includes both local and regional (where applicable) planning authorities, including metropolitan cities where a mayor presides in determining, or informing decisions on, planning applications.
National Planning Policy Framework (NPPF)	Published by the government in July 2018 and updated in February 2019. It supersedes the policies in the previous version of the framework published in 2012.

Planning Practice Guidance (PPG)*	The PPG was introduced in paragraph 57 of the NPPF, which states that all viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in PPG as from July 2018. The PPG was updated in May 2019 and can be accessed at **www.gov.uk/guidance/viability**. The PPG supersedes the previous viability guidance (also known as Planning Practice Guidance), which was operative from 2014 to July 2018 (see **www.gov.uk/government/collections/planning-practice-guidance**). * Planning Practice Guidance is also referred to as National Planning Guidance elsewhere.
RICS member(s)	A member of RICS (see also *Suitably qualified practitioner*).
Section 106 agreement	An agreement (based on section 106 of the *Town and Country Planning Act* 1990) made between a local authority and an owner/developer, which can be attached to a planning permission concerning planning obligations that make a development acceptable. The section 106 agreement runs with the land to which the planning permission has been granted.
Stand back	Following a detailed component review of the inputs into an FVA and running the appraisal, to stand back is to consider the output(s) objectively, and with the benefit of experience, given the complexity of the proposed scheme. This may often be assisted by reviewing the sensitivity analysis.
Subpractitioners	All parties who may contribute to the carrying out or reviewing of the financial viability of a scheme.

Suitably qualified practitioner	A term identified in the PPG, paragraph 020 (reference ID: 10-020-20180724): 'In order to improve clarity and accountability it is an expectation that any viability assessment is prepared with professional integrity by a suitably qualified practitioner and presented in accordance with this National Planning Guidance. Practitioners should ensure that the findings of a viability assessment are presented clearly.' An RICS member would be considered a 'suitably qualified practitioner' to give an objective, impartial and reasonable viability judgement if they: • are experienced in undertaking valuations of development land and/or advising on financial viability of development • understand the application of inputs into the residual appraisal model from other professional disciplines and • have appropriate and up-to-date knowledge of the planning system.
Viability assessment	This means: • an assessment originated on behalf of an applicant • an assessment produced by a reviewer (either on behalf of an LPA or by themselves) • an area-wide viability assessment (and representations made in respect of an area-wide viability evidence base before and during an examination in public) and • an assessment that is part of a proof of evidence/ expert's report before and during an appeal or High Court case.
Viability judgement	Similar to *stand back* in that an objective, rational and experienced opinion is formed, having regard to the complexities of the circumstances. A viability judgement may equally apply to individual elements of the appraisal, including the benchmark land value as well as the viability output, including interpretation of the resultant sensitivity analysis.

1 Introduction

1.1 Updating

In addition to this professional statement, RICS is producing a second edition of the guidance note *Financial viability in planning* (1st edition published in 2012), to reflect the changes in the NPPF 2018, as updated in February 2019, and PPG 2018, as updated in May 2019.

1.2 Overview

This professional statement sets out mandatory requirements on conduct and reporting in relation to FVAs for planning in England, whether for area-wide or scheme-specific purposes. It recognises the importance of impartiality, objectivity and transparency when reporting on such matters. It also aims to support and complement the government's reforms to the planning process announced in July 2018 and subsequent updates, which include an overhaul of the NPPF and PPG on viability and related matters.

The new policy and practice advice prioritises the assessment of viability at the plan-making stage and identifies EUV as the starting point for assessing the uplift in value required to incentivise the release of land.

This professional statement does not reference individual appeal cases. This is because the issues relating to them are often specific to each case, which makes an objective analysis difficult and subject to caveats. Neither does this professional statement deal with specific local planning policy (see section 3). The assessment of viability **must** be carried out having proper regard to all material facts and circumstances, whether for area-wide or scheme-specific assessments.

The RICS member carrying out the FVA **must** be a suitably qualified practitioner. A list of defined terms can be found in the *Glossary*.

1.3 Background

This professional statement has been written against the background of the High Court decision in *Parkhurst Road Ltd v Secretary of State for Communities and Local Government & Anor* [2018] EWHC 991, which highlighted the need to deal with problems encountered in practice.

While this professional statement focuses on reporting and process requirements, more explicit detail on development viability in planning and providing greater clarity on reporting will be dealt with in the forthcoming second edition of the RICS guidance note *Financial viability in planning*.

1.4 Application

The primary policy and guidance on assessing viability in a planning context is provided in the NPPF 2019 and the PPG 2019. These have sought to change the emphasis on how viability should be approached in the planning system and the weight that should be given to viability assessments at the plan-making and development management stages.

2 Reporting and process requirements

The requirements in sections 2.1 to 2.14 set out what **must** be included in all FVAs (scheme-specific and area-wide) and how they **must** be carried out. This concerns all FVAs, whether they are:

- on behalf of, or by, the applicant
- in respect of a review or otherwise of a submitted FVA or
- on behalf of, or by, the decision- or plan-maker.

The following requirements are mandatory in all cases.

2.1 Objectivity, impartiality and reasonableness statement

A collaborative approach involving the LPA, business community, developers, landowners and other interested parties will improve understanding of the viability and deliverability for everyone involved in the process. The report **must** include a statement that, when carrying out FVAs and reviews, RICS members have acted:

- with objectivity
- impartially
- without interference and
- with reference to all appropriate available sources of information.

This applies both to those acting on behalf of applicants as well as those acting on behalf of the decision-makers.

A similar statement **must** appear in area-wide studies and submissions. RICS members **must** also comply with the requirements of PS 2 *Ethics, competency, objectivity and disclosures* in the Red Book in connection with valuation reports.

2.2 Confirmation of instructions and absence of conflicts of interest

Terms of engagement **must** be set out clearly and should be included in all reports. The RICS professional statement *Conflicts of interest* (1st edition, 2017) applies, but with the additional requirement that RICS members acting on behalf of all those involved **must** confirm that no conflict or risk of conflict of interest exists (see *Conflicts of interest* paragraph 1.1). The professional statement allows ‘informed consent’ management, which, subject to the circumstances, can be both pragmatic and appropriate. This should take the form of a declaration statement.

Where either applicants or decision-makers specify requests of RICS members, either at the start or during the viability process, these **must** be explicitly set out in respective reports. This includes additional requests for testing the viability of the proposed scheme or counterfactual scenarios. RICS members **must**, at all times, satisfy themselves that these requests do not contradict the mandatory requirements of this professional statement.

2.3 A no contingent fee statement

A statement **must** be provided confirming that, in preparing a report, no performance-related or contingent fees have been agreed.

2.4 Transparency of information

Transparency and fairness are key to the effective operation of the planning process. The PPG (paragraph 021, reference ID 10-021-20190509) states that:

'Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.'

Although certain information may need to remain confidential, FVAs should in general be based around market- rather than client-specific information.

Where information may compromise delivery of the proposed application scheme or infringe other statutory and regulatory requirements, these exceptions **must** be discussed and agreed with the LPA and documented early in the process. Commercially sensitive information can be presented in aggregate form following these discussions. Any sensitive personal information should not be made public.

2.5 Confirmation where the RICS member is acting on area-wide and scheme-specific FVAs

Before accepting instructions, if RICS members are advising either the applicant or the LPA on a planning application and have previously provided advice, or where they are providing ongoing advice in area-wide FVAs to help formulate policy, this **must** be declared.

In these circumstances respective parties **must** also ensure that no conflicts of interest arise, particularly where advice in connection with policy is concurrent with carrying out or reviewing the financial viability of a specific scheme. When reporting, RICS members **must** declare whether they have advised an LPA that is considering the planning application that is subject to an FVA. This applies to individuals as well as the firm/company advising either the applicant or LPA, and includes subpractitioners. It applies both before accepting instructions and subsequently when reporting. Refer to the RICS professional statement *Conflicts of interest* to ensure that you follow the correct process in all cases.

2.6 Justification of evidence and differences of opinion

All inputs into an appraisal **must** be reasonably justified. Where a reviewer disagrees with a submitted report and/or with elements in it, differences **must** be clearly set out with supporting and reasonable justification. Where inputs are agreed, this **must** also be clearly stated. Where possible, practitioners should always try to resolve differences of opinion.

2.7 Benchmark land value and supporting evidence

Stakeholders are often presented with a variety of valuation figures that are not always easy to understand. In particular they will wish to reconcile figures included in FVAs with figures reported in the market. In the interest of transparency, when providing benchmark land value in accordance with the PPG for an FVA, RICS members **must** report the:

- **current use value** – CUV, referred to as EUV or first component in the PPG (see paragraph 015 reference ID: 10-015-20190509). This equivalent use of terms – i.e. that CUV and EUV are often interchangeable – is dealt with in paragraph 150.1 of IVS 104 *Bases of Value* (2017)
- **premium** – second component as set out in the PPG (see paragraph 016 reference ID: 10-016-20190509)
- **market evidence** as adjusted in accordance with the PPG (see PPG paragraph 016 reference ID: 10-016-20190509)
- **all supporting considerations, assumptions and justifications adopted** including valuation reports, where available (see PPG paragraphs 014 reference ID: 10-014-20190509; 015 reference ID: 10-015-20190509; and 016 reference ID: 10-016-20190509)
- **alternative use value** as appropriate (market value on the special assumption of a specified alternative use; see PPG paragraph 017 reference ID: 10-017-20190509). It will not be appropriate to report an alternative use value where it does not exist.

A statement **must** be included in the FVA or review of the applicant's FVA or area-wide FVA that explains how market evidence and other supporting information has been analysed and, as appropriate, adjusted to reflect existing or emerging planning policy and other relevant considerations. If a market value report has recently been prepared, this should be stated with the:

- reason for the report
- assumptions adopted and
- reported valuation.

The onus is on RICS members to enquire about all of the above.

In addition, the price paid for the land (or the price expected to be paid through an option or conditional agreement), should be reported as appropriate (see PPG paragraph 016 reference ID: 10-016-20190509) to improve transparency. Price paid is not allowable evidence for the assessment of BLV and cannot be used to justify failing to comply with policy.

2.8 FVA origination, reviews and negotiations

During the viability process there **must** be a clear distinction between preparing and reviewing a viability report and subsequent negotiations. The negotiations, which take place later and separately, commonly relate to section 106 agreements. This distinction is to retain the objectivity and impartiality of the origination and review of an FVA and to clarify where respective parties, or their practitioners, are seeking to resolve differences of opinion by comparison with subsequent negotiations.

2.9 Sensitivity analysis (all reports)

All FVAs and subsequent reviews **must** provide a sensitivity analysis of the results and an accompanying explanation and interpretation of respective calculations on viability, having regard to risks and an appropriate return(s). This is to:

- allow the applicant, decision- and plan-maker to consider how changes in inputs to a financial appraisal affect viability and
- understand the extent of these results to arrive at an appropriate conclusion on the viability of the application scheme (or of an area-wide assessment).

This also forms part of an exercise to 'stand back' and apply a viability judgement to the outcome of a report.

2.10 Engagement

At all stages of the viability process, RICS members **must** advocate reasonable, transparent and appropriate engagement between the parties, having regard to the circumstances of each case. This **must** be agreed and documented between the parties.

2.11 Non-technical summaries (all reports)

For applicants, subsequent reviews and plan-making, FVAs **must** be accompanied by non-technical summaries of the report so that non-specialists can better understand them. The summary **must** include key figures and issues that support the conclusions drawn from the assessment and also be consistent with the PPG (see paragraph 021 reference ID: 10-021-20190509).

2.12 Author(s) sign-off (all reports)

Reports on behalf of both applicants and the authority **must** be formally signed off and dated by the individuals who have carried out the exercises. Their respective qualifications should also be included.

The authors of FVAs and subsequent reviews **must** come to a reasonable judgement on viability on the basis of objectivity, impartiality and without interference, taking into account all inputs, including those supplied by other contributors. For more on inputs by other specialists in relation to valuation work, see PS 2 of the Red Book.

2.13 Inputs to reports supplied by other contributors

All contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, **must** comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm.

2.14 Timeframes for carrying out assessments

RICS members **must** ensure that they have allowed adequate time to produce (and review) FVAs proportionate to the scale of the project, area-wide assessment and specific instruction. They **must** set out clear timeframes for completing work. If the timeframes need to be extended, the reasons **must** be clearly stated, both at the time and in the subsequent report.

Where RICS members believe that the timeframes have not been reasonable, they **must** state this and give a brief outline of the issues and consequential impacts.

3 Legislation, the development plan and professional guidance

3.1 Legislation

The *Town and Country Planning Act* 1990 and the *Planning and Compulsory Purchase Act* 2004 are the governing pieces of legislation that regulate development and set out the planning application process in England and Wales.

Policy principles relating to viability assessments are set out in the NPPF and are informed by the PPG. These two documents are the primary sources of guidance when carrying out FVAs. It is the RICS member's responsibility to have regard to all further relevant legislation, government policy and government guidance issued after the publication of this professional statement.

In England the plan-led system operates under the principle that the decisions on planning applications should be made in accordance with the adopted development plan, unless there are other material considerations that may indicate otherwise.
In adopting and implementing the plan, national planning policies are a material consideration. Additionally, the government may produce national planning guidance on how the national policy is to be applied. It also is a material consideration in plan-making and decision-making.

In certain circumstances government policies and guidance may need further elaboration to enable practitioners to consistently apply local planning policy in compliance with national planning policy and associated guidance. RICS professional standards and guidance fall into this category. They expand on how government policy and practice advice may be consistently implemented in the context to which it applies (see Figure 1). This PS should be applied reflecting changes to government policies and guidance.

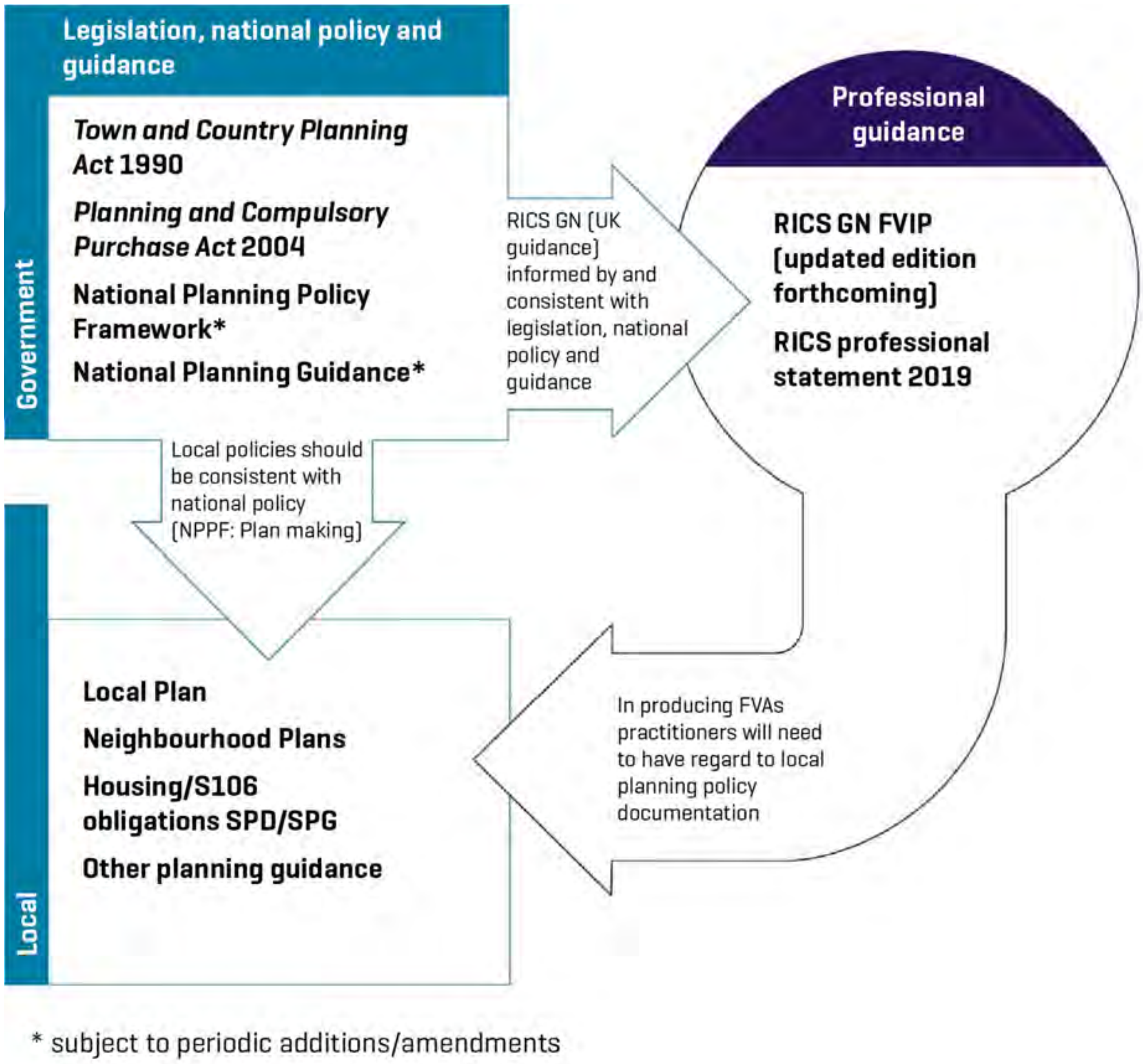

Figure 1: Legislation, policy and guidance

3.2 RICS professional guidance and information

The forthcoming second edition of the RICS guidance note *Financial viability in planning* (1st edition published 2012) will reflect the 2019 PPG and other related government guidance. Until this second edition is available, refer to section 1.4 of this professional statement.

3.3 Additional guidance

In addition to points of general relevance in judgments from the courts, consideration may also be given to outcomes expressed in decisions from the secretary of state and planning appeals. In considering these cases, it is important to ensure an understanding of the relevance and suitability of the assumptions adopted when applying them to an FVA. Where the adopted principles and assumptions are considered to have wider application, practitioners should ensure they understand the context of the original decision.

Inputs into the viability appraisal should be objective and reasonable, having regard to the specific scheme being tested at the time of the assessment as well as comparable evidence. As a project progresses, inputs inevitably change. For example, when pricing residential units, the asking price at the time of marketing may differ, sometimes significantly, from those in the original FVA. This is because:

- time has passed since the original assessment
- agents will always seek to get the best price when marketing and
- costs may change through inflation or other causes.

When developers take on a development, they understand there are risks they have to bear in mind following the grant of planning permission.

4 Duty of care and due diligence

When carrying out or reviewing FVAs, members **must** be:

- reasonable
- transparent and
- fair and objective.

Objective means not being influenced by personal feelings, sentiment or by others in considering and representing facts (see section 2.1).

RICS members **must** act impartially. They should not be influenced by whether their role is to originate or to review the FVA. Neither should they bow to commercial or political pressures.

RICS members **must** comply with the principles of professional and ethical standards. These include:

- a duty of care that is particularly pertinent given the public interest and reliance that third parties may have on the content of the information provided and
- disclosure of any circumstances where the RICS member or the RICS-regulated firm will gain from the appointment beyond a normal fee or commission.

All RICS members acting on behalf of parties **must** confirm that no conflicts of interest exist. Figure 2 shows the relevant potential conflicts of interest.

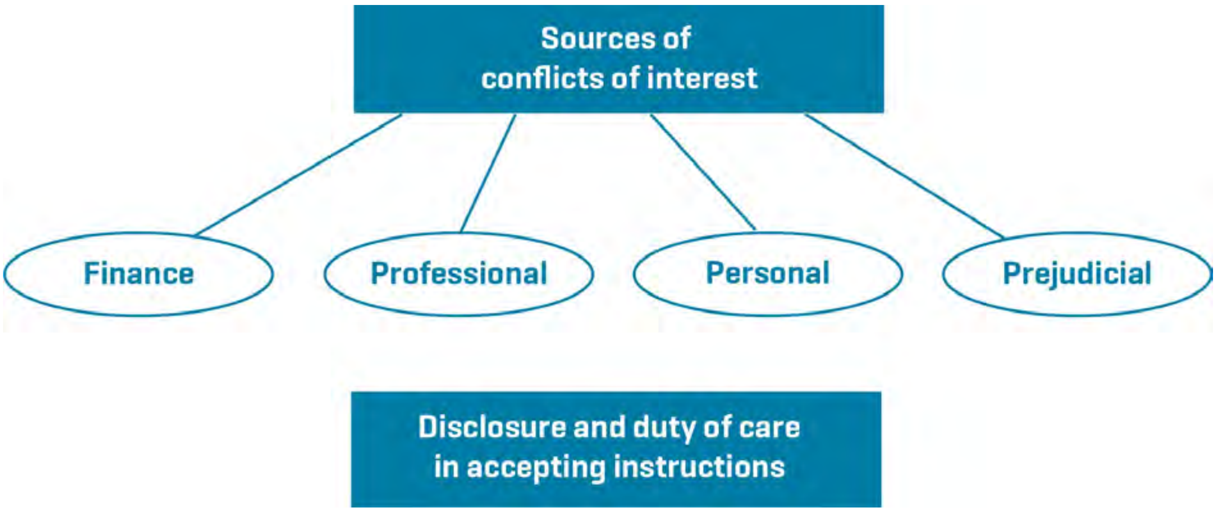

Figure 2: Conflicts of interest and duty of care

Establishing that there are no conflicts of interest includes providing statements from practitioners stating what other advice has been provided to the parties as appropriate and relevant in the circumstances. This may take the form of a declaration statement. Always refer to the RICS professional statement *Conflicts of interest* for the mandatory requirements and accompanying guidance. This relates both to identifying and managing conflicts of interest and to maintaining confidentiality of information.

Acting with a reasonable standard of care contributes significantly to informed decision-making. RICS members should provide as much good-quality information as they can, whether submitting this on behalf of an applicant or responding on behalf of an LPA. This ensures that information is used to agree or to resolve any differences of opinion.

RICS members, whether on behalf of the applicant or LPA, **must** act as objective and impartial specialists to a professional standard when advising and providing information that can be relied on. In addition, they may be required to rely on highly specialist or technical inputs. This may include planning, legal and financial advice as well as technical development advice, such as build-cost estimates, ground condition surveys, engineering advice, etc. This information can help all parties involved to reach well-informed decisions quickly and without duplicating effort.

The onus is on the RICS members primarily responsible for the FVA, due diligence review or area-wide assessment to ensure that the information provided is balanced, reasonable and reflects an appropriate level of judgement in the circumstances. In practice, this requires all those inputting into the FVA to confirm that they have met those requirements in much the same way as if they were providing expert evidence. Where the originator of the FVA and the reviewer have different views, this should be supported; both should supply appropriate evidence or explanations of why they interpreted the evidence differently and reached an alternative opinion.

RICS members **must** also consider whether the advice they are giving represents the most effective and efficient way to deliver a reasonable development performance proportionate to the scheme being tested. This is sometimes referred to as ‘value engineering’ and involves quantity surveyors, agents and other professionals. LPAs and their advisers need to be confident that the FVA fully reflects the way the development would actually be carried out. If this is not the case, it should be stated and explained.

RICS members **must** include a statement that these matters have been given full consideration in the FVA. Corresponding statements **must**, where appropriate, be included in other professional and specialist inputs to the FVA.

When carrying out a due diligence review of an FVA on behalf of the LPA, RICS members **must** provide an assurance that the review has been carried out in accordance with this section.

Dependent on the terms of instruction from the LPA, which should be explicitly set out in any review or area-wide assessment, RICS members may be asked to provide additional advice on a range of aspects of viability assessment, such as counterfactual testing and alternative options for delivering the development proposed in the application. While this advice may not be intended for discussion with the applicant, the RICS member’s role should be the same as if it were. The principles of due diligence set out in this section **must** be applied.

Case law has recognised that values and costs are not precise figures but may fall within a tolerance. Valuation and costing inputs would therefore not normally be at a level at either end of a possible range but **must** reflect a practitioner’s professional viability judgement, having regard to such matters as the risks of development. The same consideration should be applied to resultant outputs to reach a rational, reasonable and realistic conclusion.

Sensitivity analyses (see section 2.9) help set such conclusions in their proper context and allow for adjustments to inputs within a possible range.

5 Transparency of information

The NPPF states that LPAs should publish a list of their information requirements for applications. These should be proportionate to the nature and scale of development proposals and should only request supporting information that is relevant and necessary to the application in question.

There is further guidance in the PPG. This identifies one of the key principles of FVAs as being a collaborative approach to improve understanding of viability and deliverability. Where possible there should be a presumption in favour of transparency of evidence. This is particularly important to reassure the wider community that viability testing has been fully assessed and all known facts have been considered.

An FVA should have enough detailed information to meet NPPF and PPG requirements. Sections 5.1 and 5.2 give further advice about providing confidential information.

5.1 Confidential information

An FVA is based on market information and is not specific to an applicant's circumstances. The PPG at paragraph 021 (reference ID: 10-021-20190509) states that FVAs will be made publicly available other than in exceptional circumstances. However, inputs may include commercially sensitive information, the public disclosure of which could have commercial consequences for the delivery of the application site.

Inputs that could be commercially sensitive typically relate to:

- current or future negotiations on land assembly (including obtaining vacant possession), option arrangements, third-party rights (e.g. rights of way, visibility, ransom, light, oversailing, etc.), disturbance, relocation, compulsory purchase and land compensation, etc.
- specific business information, such as funding details and marketing agreements and
- intellectual copyright, such as development toolkit and build-cost modelling. This can be kept confidential, but consideration should be given to presenting in a standard industry model.

Commercially sensitive information may need to be treated as confidential in pre-application discussions between the applicant and the LPA. This may relate to either market- and/or scheme-specific information. It may follow that such information could be exempt from disclosure to third parties under the provisions of the *Freedom of Information Act* 2000 or the *Environmental Information Regulations* 2004 (EIR).

5.2 Exceptions

The EIR set out exceptions that allow the LPA to refuse to provide requested information. Some exceptions relate to categories of information; for example, unfinished documents and internal communications. Others are based on the harm that would arise from disclosure; for example, if releasing the information would adversely affect intellectual property rights. There is also an exception for personal data if it would be contrary to the *Data Protection Act* 2018.

Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

Americas

Latin America
ricsamericalatina@rics.org

North America
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Asia Pacific

Australasia
australasia@rics.org

Greater China (Hong Kong)
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South Asia
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Southeast Asia
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EMEA

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MAY2019/RICS/ENGLAND

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Appendix 2 – Key Relevant Planning Policies

GERALDEVE

Planning Policy and related matters

Introduction

1.1 This Appendix contains a brief overview of relevant planning background to the Scheme and Site. A more detailed assessment is contained within the Applicant's Planning Statement, accompanying their planning application.

1.2 Whilst this section provides some of the policy context for the application it focuses on particular policies which set the background and need for viability assessments in order to justify the level of planning obligation contributions including affordable housing.

1.3 In plan-making and decision-making, viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.

National Planning Policy Framework ('NPPF')

1.4 The latest NPPF was published in July 2021 and sets out the Government's economic, environmental and social planning policies for England. It summarises in a single document all previous national planning policy advice. Taken together, these policies articulate the Government's latest vision of sustainable development, which should be interpreted and applied locally to meet local aspirations.

1.5 The objective of the NPPF is to support the Government's objective of significantly boosting the supply of homes, recognising it is important that a sufficient amount and variety of land can come forward where it is needed, that the needs of groups with specific housing requirements are addressed and that land with permission is developed without unnecessary delay.

1.6 In respect of affordable housing, paragraph 34 of the NPPF aims to ensure Local Plans set out the contributions expected from a development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure. The NPPF makes it clear policies should not undermine the deliverability of the plan.

1.7 The NPPF also recognises that development should not be subject to such a scale of obligation and policy burdens that its viability is threatened. This reinforces the need for viability testing in order to allow willing landowners and developers to receive competitive returns which in turn enable the delivery of development.

1.8 Paragraph 41 of the plan looks to guide Authorities to address and resolve planning issues, including the including the need to deliver improvements in infrastructure and affordable housing at the pre-application stage.

1.9 The NPPF at paragraph 63 indicates that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:

a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and

b) the agreed approach contributes to the objective of creating mixed and balanced communities.

1.10 The NPPF indicated that provision of affordable housing should not be sought for residential developments that are not 'major developments', other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). Paragraph 64 also highlights that to support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.

1.11 Paragraph 65 indicates that where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.

1.12 Exemptions to this 10% requirement should also be made where the site or proposed development:

- provides solely for Build to Rent homes;
- provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);

- is proposed to be developed by people who wish to build or commission their own homes; or
- is exclusively for affordable housing, an entry-level exception site or a rural exception site.

1.13 Paragraph 58 of the NPPF states:

'*Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage*.' – our emphasis.

1.14 Paragraph 58 goes on to indicate that:

'the weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force.' – our emphasis.

1.15 Finally, Paragraph 58 states:

'All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available'. – our emphasis.

Planning Practice Guidance (PPG)

1.16 The PPG provides guidance to support the NPPF and to make it more accessible. The statements below are from the PPG Viability Guidance found on the Governments online planning portal: https://www.gov.uk/guidance/viability .

1.17 The PPG addresses the question of when and how viability should be assessed by the Council in respect of planning applications. The PPG indicates that viability should be tested at the plan stage and therefore it is not anticipated viability assessments will be generally be necessary and it is up to the applicant to justify as to why viability is necessary in a particular instance.

Such circumstances could include, for example:

- where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan;
- where further information on infrastructure or site costs is required;
- where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people);
- where a recession or similar significant economic changes have occurred since the plan was brought into force.

Paragraph: 007 Reference ID: 10-007-20180724

1.18 Where a viability assessment is submitted to accompany a planning application the FVA should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.

1.19 Any viability assessment should reflect the government's recommended approach to defining key inputs as set out in National Planning Guidance.

1.20 It is understood that the weight to be given to a viability assessment will be a matter for the decision maker, having regard to all the circumstances in the case, including:

- whether the plan and viability evidence underpinning the plan is up to date,
- any change in site circumstances since the plan was brought into force; and
- the transparency of assumptions behind evidence submitted as part of the viability assessment.

1.21 PPG considers a viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements defined as the gross development value, costs, land value, landowner premium, and developer return.

1.22 PPG indicates that any viability assessment should:

- be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers.
- follow the government's recommended approach to assessing viability as set out in this National Planning Guidance; and
- be proportionate, simple, transparent.

1.23 The requirements of the key elements are defined in the body of the financial viability report.

The Greater London Authority Affordable Housing and Viability SPG

1.24 The Affordable Housing and Viability SPG ("the AH&V SPG") was adopted in August 2017 and focuses on affordable housing and viability including detailed guidance on viability assessments. The guidance seeks amongst other things to clarify viability appraisals and appropriate land values.

1.25 The AH&V SPG focuses on affordable housing and viability. It includes four distinct parts: background and approach; a background to what the Mayor terms "the threshold approach" to viability assessments; detailed guidance on viability assessments; and a specific approach to Build to Rent schemes.

1.26 Paragraph 1.3 of Part One of the AH&V SPG states:

"…the SPG provides guidance to ensure that existing policy is as effective as possible. It does not and cannot introduce new policy."

1.27 Paragraph 1.13 of Part One of the AH&V SPG states:

"The London Plan is clear that boroughs should take account of supplementary planning guidance when implementing Policies 3.9 (Mixed and balanced communities), 3.11 (Affordable housing targets), and 3.12 (Negotiating affordable housing on individual private residential and mixed use schemes)."

1.28 Paragraph 1.13 of Part One of the AH&V SPG states:

"The London Plan is clear that boroughs should take account of supplementary planning guidance when implementing Policies 3.9 (Mixed and balanced communities), 3.11 (Affordable housing targets), and 3.12 (Negotiating affordable housing on individual private residential and mixed use schemes)."

1.29 Paragraph 2.1 of Part Two of the AH&V SPG states:

"This SPG does not and cannot set a fixed affordable housing requirement."

1.30 Paragraph 2.5, however, states:

"Where the level of affordable housing offered meets the threshold, this should normally be considered the maximum reasonable amount of affordable housing which can be delivered through the planning system (subject to an early review mechanism to help ensure delivery). However, this will only apply where the affordable housing threshold, relevant tenure split and other requirements are met without public subsidy."

1.31 The definition of 'threshold', which is 'at least 35%', is what the Mayor therefore 'normally' considers to be the maximum reasonable amount of affordable housing across all schemes that require a viability assessment. Schemes that meet the 'threshold', (defined in detail by the Mayor) will head down the "Fast Track Route", and those schemes not meeting the Mayor's definition of 'threshold' will head down the "Viability Tested Route".

1.32 Paragraph 2.18 then goes on to state:

"…. it (35%) is not a fixed level of affordable housing, but a threshold at which the approach to viability information changes. This means schemes which cannot deliver the threshold can still gain permission where the lower level of affordable housing is fully justified through site-specific viability assessments."

1.33 Part Three of the AH&V SPG deals with guidance on submitting a viability assessment, and what should be contained including justification on: programme; scheme values and costs using market evidence; and developer's profit.

1.34 At paragraph 3.43 the AH&V SPG states:

"The 'Existing Use Value plus' (EUV+) approach to determining the benchmark land value is based on the existing use value of a site plus an appropriate site premium…….. A premium is usually added to provide the landowner with an additional incentive to release the site, having regard to site circumstances."

1.35 In relation to what the Mayor terms "market value approach", paragraph 3.49 states:

".....Market land transactions used must be fully evidenced and justified as being genuinely comparable and consistent with the methodology applied in the viability assessment….".

1.36 Paragraphs 3.53 to 3.66 (and Annex A) of the AH&V SPG provide a detailed and prescriptive approach to review mechanisms within S106 Agreements. If a review mechanism is not included then a scheme will not meet the Mayor's definition of 'threshold approach'.

1.37 The SPG shows a preference to an EUV plus method with the plus varying to reflect the specifics of the scheme. The SPG notes that the Market Value and Alternative Use Value should reflect planning policy and in the case of the alternative use, to be deliverable it should fully comply with development plan policies. The SPG also promotes review mechanisms on all schemes, disregarding phasing or length of development programme.

Local Planning Policy

1.38 At the local level, the London Borough of Lewisham's (LBL) Core Strategy (June 2011) forms part of the development plan for the borough, together with the Site Allocations Local Plan, Lewisham Town Centre Local Plan and the Development Management Local Plan. Together, these set out the Council's vision, objectives and detailed spatial strategy for future development in the borough, along with specific strategic policies and targets, development management policies and site allocations.

Affordable Housing

1.39 Policy CS 1 states that the council will seek the maximum provision of affordable housing, with a strategic target for 50% affordable housing from all sources.

1.40 The council will seek that affordable housing tenures are provided such that they work towards a borough target of 70% social rented and 30% intermediate.

1.41 The council aims to provide affordable housing equating to approximately 9,082 net new dwellings between 2010/11 and 2025/2026.

Summary

1.42 The NPPF has a clear presumption in favour of sustainable development and local planning authorities should take account of this when determining planning applications.

1.43 The NPPF recognises that development should not be subject to such a scale of obligation and policy burdens that its viability is threatened; and in addition, obligations should be flexible to market changes in order to ensure planned development are not stalled. This reinforces the need for viability testing in order to allow willing landowners and developers to receive competitive returns which in turn enable the delivery of development.

1.44 Where local planning authorities have identified that affordable housing is needed, they should set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified.

1.45 PPG recognises that the individual circumstances of any scheme should be taken into consideration when assessing viability. Councils are therefore encouraged to be flexible with regards to planning obligations if the applicant is able to demonstrate that such obligations would make a scheme unviable.

1.46 In assessing the level of planning obligations, including affordable housing provision, in accordance with the LP, regard must be had to the economics of development and financial viability considerations associated with the scheme proposals and other planning objectives and requirements.

1.47 In respect of affordable housing, a key document is the London Plan (2021) where Policy H5 states that the borough, and where relevant the Mayor, should scrutinise the viability information to ascertain the maximum level of affordable housing using the methodology and assumptions set out in the London Plan and the Affordable Housing and Viability SPG.

1.48 The AH&V SPG seeks to clarify viability appraisals and appropriate land values. The SPG provides guidance to ensure that existing policy is as effective as possible but it does not and cannot introduce new policy. The London Plan is clear that boroughs should take account of supplementary planning guidance when negotiating affordable housing on individual private residential and mixed-use schemes. The SPG does not and cannot set a fixed affordable housing requirement.

1.49 It is important that the approach taken to affordable housing and scheme viability does not compromise the ability to deliver residential development on the Site.

Appendix 3 – Professional Guidance

Professional Guidance (RICS)

Introduction

1.1 This section summarises the extracts of the RICS Guidance Note: Financial Viability in Planning ("the RICS GN") and the RICS Professional Statement: Financial Viability in Planning – Conduct and Reporting ("the RICS PS") relevant to undertaking a viability assessment.

The RICS Guidance Note: Financial Viability in Planning

1.2 The RICS GN was published in August 2012. The purpose of the guidance note is to enable all participants in the planning process to have a more objective and transparent basis for understanding and evaluating financial viability in a planning context. It provides practitioners with advice in undertaking and assessing viability appraisals for planning purposes.

1.3 The RICS GN defines financial viability for planning purposes; separates the key functions of development, being land delivery and viable development (in accordance, and consistent, with the NPPF); highlights the residual appraisal methodology; defines site value for both scheme specific and area-wide testing in a market rather than hypothetical context; what to include in viability assessments; terminology and suggested protocols; and the uses of financial viability assessments in planning.

1.4 The guidance note provides all those involved in financial viability in planning and related matters with an objective methodology framework and set of principles that can be applied for both plan making and development management.

1.5 The guidance note is grounded in the statutory and regulatory planning regime that currently operates in the UK. It is consistent with the Localism Act 2011, the NPPF (2019), and the CIL Regulations 2010.

1.6 Financial viability for planning purposes is defined as follows: -

"An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for

the landowner and a market risk adjusted return to the developer in delivering that project."

1.7 This FVA and accompanying analysis have been prepared fully in accordance with the provisions of the RICS GN.

1.8 We understand that a second edition of the RICS GN is in the course of preparation in response to recent case law and following the publication of the revised NPPF and PPG. We believe the principles set out in the 2012 RICS GN are still relevant to current viability assessments notwithstanding the revisions to the NPPF and PPG. In applying these principles, we do however take into account these revisions in undertaking our assessment.

The RICS Professional Statement: Financial Viability in Planning – Conduct and Reporting

1.9 In July 2018 a revised NPPF and National Planning Practice Guidance (NPG) were issued. The NPPF was further updated in February 2019 and the NPG updated in May 2019. This followed the earlier decision in Parkhurst Road Ltd v Secretary of State for Communities and Local Government & Anor [2018] EWHC 991. The RICS Professional Statement (May 2019) has therefore been informed by the NPPF, NPG and the High Court decision, as well as practitioner experience.

1.10 The Professional Statement sets out mandatory requirements that inform the practitioner on what must be included within financial viability assessments and how the process must be conducted. The rationale for the practice statement reflects that planning applications involve a statutory process that is subject to public scrutiny where often viability assessments are important and need to provide public confidence in a process that is inevitably complex, but nevertheless must inform the planning decision-maker.

1.11 The Professional Statement was effective from 1 September 2019 and applies to all Chartered Surveyors and regulated firms of Chartered Surveyors. It applies to both area wide (policy making) and scheme specific assessments (decision making). The Practice Statement is mandatory to originators of viability assessments as well as reviewers and in area with viability assessments.

1.12 The purpose of the Practice Statement is to demonstrate how a reasonable, objective and impartial outcome, without interference, should be arrived at, and so support the statutory planning decision process. It also aims to support and complement the government's reforms to the planning process announced in July 2018 and subsequent updates, which include an overhaul of the NPPF and NPG on viability and related matters. The new policy and practice advice prioritise the assessment of viability at the plan-making stage and identifies existing use value as the starting point for assessing the uplift in value required to incentivise the release of land.

1.13 It should be noted that the practice statement was in effect approved by both the MHCLG and GLA (it was also reviewed by the Law Society, RTPI, Planning Officers Society and other sector representatives).

1.14 The practice statement sets out 14 mandatory requirements for all RICS practitioners when undertaking viability assessments:

2.1 Objectivity, impartiality and reasonableness statement

2.2 Confirmation of instructions and absence of conflicts of interest

2.3 A no contingent fee statement

2.4 Transparency of information

2.5 Confirmation where the RICS member is acting on area-wide and scheme-specific FVAs

2.6 Justification of evidence and differences of opinion

2.7 Benchmark land value and supporting evidence

2.8 FVA origination, reviews and negotiation

2.9 Sensitivity analysis (all reports)

2.10 Engagement

2.11 Non-technical summaries (all reports)

2.12 Author(s) sign-off (all reports

2.13 Inputs to reports supplied by other contributors

2.14 Timeframes for carrying out assessments

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Appendix 4 – Area Schedules

Phase 1 - New Bermondsey

Project Number: 0334

DRAFT

Client: RENEWAL
Author: SEW
Rev: 08 | Date: 14/12/20 | Notes: DR - FOR PLANNING
Cover Sheet

Studio Egret West
3 Brewhouse Yard
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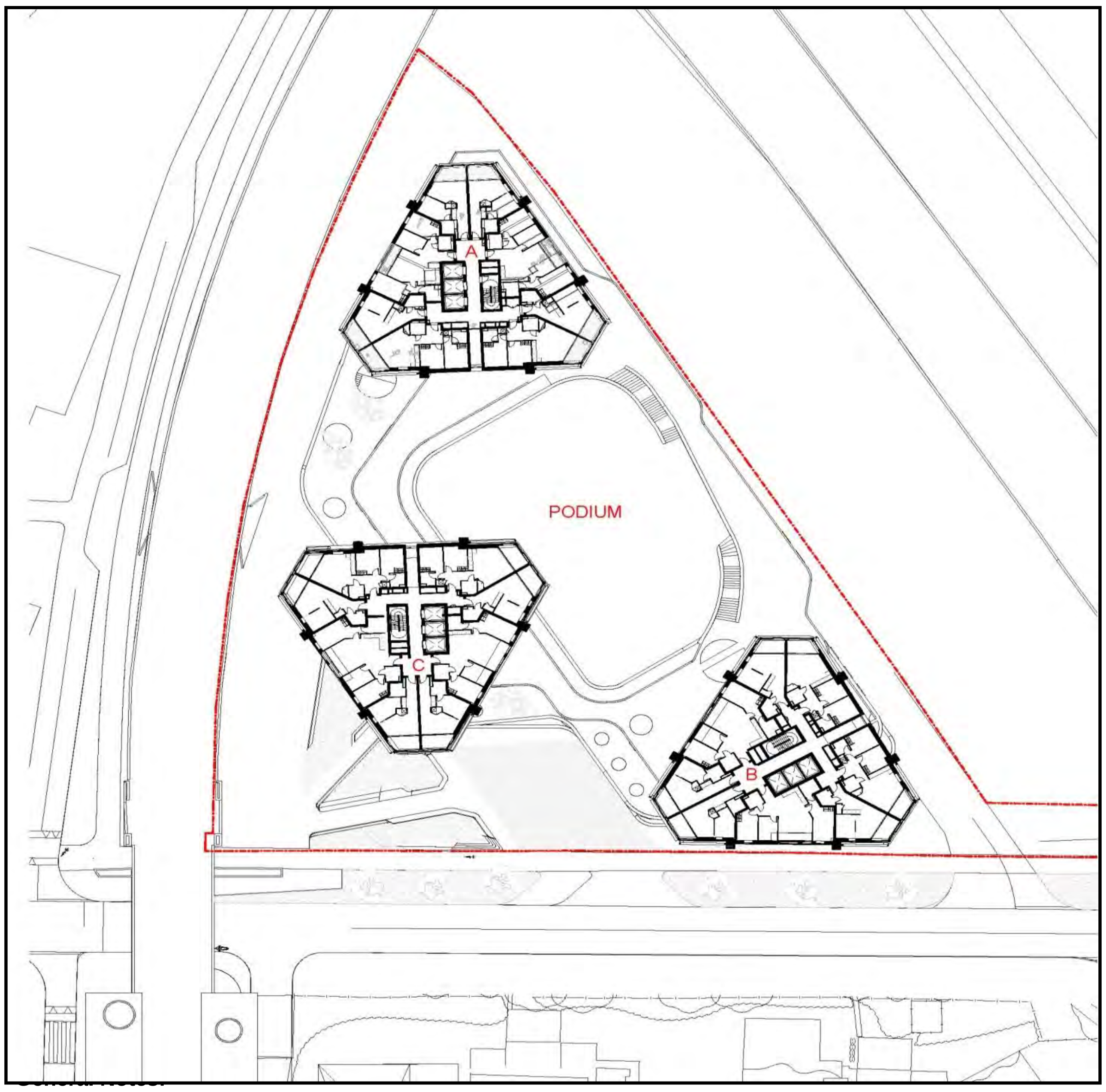

General Notes

GEA = Gross External Area.
Gross External Area is the area of a building measured externally at each floor level.
GIA = Gross Internal Area.
Gross Internal Area is the area of a building measured to the internal face of the perimeter walls at each floor level.
NIA = Net Internal Area.
Net Internal Area is the usable area within a building measured to the internal face of the perimeter walls at each floor level. Does not include internal private amenity (winter gardens).
WG NIA = Winter Garden Net Internal Area.
Winter Garden Net Internal Area does not include external balcony areas.

- Areas are measured and calculated generally in accordance with the RICS Property Measurement (1st Edition), comprising of IPMS for Office use and RICS Code of Measuring Practice (6th Ed.) for all uses except offices.

- Survey irregularities, design development, construction tolerances, workmanship and design by others may affect the stated areas.

- An allowance of at least +/-5% should be allowed

- All areas have been calculated in metric units, unless otherwise specified.

- Areas in imperial units (if provided) have been calculated using a factor of 10.7639

- GEA are based on 500mm thick external walls where applicable

- All these factors should be considered before making any decisions on the basis of these predictions whether as to project viability, pre-letting, lease agreements or otherwise, and should include due allowance for increases and decreases inherent in the design development and construction processes.

Phase 1 - New Bermondsey

DRAFT

Project Number: 0334

Client: RENEWAL
Author: SEW
Rev: 08 Date: 14/12/20 DR - FOR PLANNING
Area Summary

Studio Egret West
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+44 (0) 20 7549 1730

General Notes: Please refer to cover sheet

Additional Notes
* Sui Generis Ancillary Uses include studios, offices, circulation, stores, etc.
** Phase 1 Total NIA column includes WG NIA

Building Component	RESIDENTIAL USE CLASS C3								USE CLASS E			USE CLASS Sui Generis			USE CLASS Sui Generis		
	PRIVATE RENTAL SECTOR				AFFORDABLE				CAFÉ			AUDITORIUM			ANCILLARY USES*		
	GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)
Basement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Podium	1951.5	1861.2	1500.9	-	594.4	568.1	455.1	-	529.7	550.6	426.4	2912.3	2816.0	2639.3	872.3	839.6	742.8
Building A	19229.0	18096.0	13018.0	1172.0	-	-	-		-	-	-	-	-	-	-	-	-
Building B	-	-	-		19230.0	18097.0	13017.0	1192.0	-	-	-	-	-	-	-	-	-
Subtotal	19229.0	18096.0	13018.0	1172.0	-	-	-		-	-	-	-	-	-	-	-	-
Totals	40409.5	38053.2	27536.9	2344.0	19824.4	18665.1	13472.1	1192.0	529.7	550.6	426.4	2912.3	2816.0	2639.3	872.3	839.6	742.8

Building Component	CAR PARK, PLANT AND STORAGE			CAR PARK, PLANT AND STORAGE			CAR PARK, PLANT AND STORAGE			CAR PARK, PLANT AND STORAGE			CAR PARK, PLANT AND STORAGE				PHASE 1 TOTAL		
	BASEMENT			PLANT FOR RESIDENTIAL			PLANT FOR PODIUM AND BOH			SHARED PLANT			ENVAC						
	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA** (sqm)
Basement	5135	4879	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5135	4879	0
Podium	-	-	-	58.1	51.1	0.0	1205.5	1112.5	0.0	308.9	283.8	0.0	638.1	607.2	0.0	0.0	9070.8	8690.1	5764.5
Building A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	194.4	19229.0	18096.0	14384.4
Building B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	193.0	19230.0	18097.0	14402.0
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	193.1	19229.0	18096.0	14383.1
Totals	5135.0	4879.0	0.0	58.1	51.1	0.0	1205.5	1112.5	0.0	308.9	283.8	0.0	638.1	607.2	0.0	580.5	71893.8	67858.1	48934.0

Phase 1 - New Bermondsey

DRAFT

Project Number: 0334
Client: RENEWAL
Author: SEW
Rev: 08 Date: 14/12/20 Notes: DR - FOR PLANNING
Residential Accommodation Summary

Studio Egret West
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London
EC1V 4JQ

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+ 44 (0) 20 7549 1730

General Notes: Please refer to cover sheet

Phase 1 - Residential Accommodation Summary

	PRIVATE RENTAL SECTOR										AFFORDABLE										
	1B1P	1B2P	1B2P M4(3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total Units	1B1P	1B2P	1B2P M4(3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total Units	Total Units
Building A	28	61	0	0	15	62	14	5	15	**200**	0	0	0	0	0	0	0	0	0	**0**	**200**
Building B	0	0	0	0	0	0	0	0	0	**0**	0	89	0	0	15	76	0	5	15	**200**	**200**
Buiding C	28	61	0	0	15	62	14	5	15	**200**	0	0	0	0	0	0	0	0	0	**0**	**200**
Total Units	**56**	**122**	**0**	**0**	**30**	**124**	**28**	**10**	**30**	**400**	**0**	**89**	**0**	**0**	**15**	**76**	**0**	**5**	**15**	**200**	**600**
Flat type %age	14%	31%	0%	0%	8%	31%	7%	3%	8%	100%	0%	45%	0%	0%	8%	38%	0%	3%	8%	100%	
Total Units	56	122		154			68			400	0	89		91			20			200	
Subtotal	**14%**	**31%**		**39%**			**17%**			**100%**	**0%**	**45%**		**46%**			**10%**			**100%**	

Phase 1 - Habitable Rooms Summary

	1B1P	1B2P	1B2P M4(3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total Units	1B1P	1B2P	1B2P M4(3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total Units	Total Units
Building A	28	122	0	0	45	186	56	20	60	**517**	0	0	0	0	0	0	0	0	0	**0**	**517**
Building B	0	0	0	0	0	0	0	0	0	**0**	0	178	0	0	45	228	0	20	60	**531**	**531**
Buiding C	28	122	0	0	45	186	56	20	60	**517**	0	0	0	0	0	0	0	0	0	**0**	**517**
Total Units	**56**	**244**	**0**	**0**	**90**	**372**	**112**	**40**	**120**	**1,034**	**0**	**178**	**0**	**0**	**45**	**228**	**0**	**20**	**60**	**531**	**1,565**

Housing Tenure Split by Units

Tenure	Homes	%age
Private Rental Sector	400	**66.67%**
Affordable	200	**33.33%**
Total	**600**	**100%**

Housing Tenure Split by Habitable Rooms

Tenure	Hab. Rms.	%age
Private Rental Sector	1,034	**66.07%**
Affordable	531	**33.93%**
Total	**1,565**	**100%**

Phase 1 - New Bermondsey

Project Number: 0334

DRAFT

Client: RENEWAL
Author: SEW
Rev: 08 Date: 14/12/20 DR - FOR PLANNING
Residential Accommodation Breakdown

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General Notes: Please refer to cover sheet

Building A

	RESIDENTIAL AREA							
	PRIVATE RENTAL SECTOR				AFFORDABLE			
LEVEL	GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)
Level 04	729	686	487	50				
Level 05	729	686	487	50				
Level 06	729	686	487	53				
Level 07	729	686	487	53				
Level 08	553	532	408	-				
Level 09	729	686	487	50				
Level 10	729	686	487	50				
Level 11	729	686	487	53				
Level 12	729	686	487	53				
Level 13	553	532	408	-				
Level 14	729	686	487	50				
Level 15	729	686	487	50				
Level 16	729	686	487	53				
Level 17	729	686	487	53				
Level 18	553	532	408	-				
Level 19	729	686	487	53				
Level 20	729	686	487	53				
Level 21	729	686	487	53				
Level 22	724	678	487	53				
Level 23	553	532	408	-				
Level 24	724	678	487	53				
Level 25	724	678	487	53				
Level 26	724	678	487	53				
Level 27	724	678	487	53				
Level 28	553	532	408	-				
Level 29	724	677	487	50				
Level 30	666	613	437	46				
Level 31	519	466	314	34				
Subtotals	19229	18096	13018	1172	0	0	0	0

	UNIT BREAKDOWN																			
	PRIVATE RENTAL SECTOR										AFFORDABLE									
LEVEL	1B1P	1B2P	1B2P M4 (3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total	1B1P	1B2P	1B2P M4 (3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total
Level 04	4				1	1	2			8										
Level 05	4				1	1	2			8										
Level 06		4			1	3				8										
Level 07		4			1	3				8										
Level 08								1	3	4										
Level 09	4				1	1	2			8										
Level 10	4				1	1	2			8										
Level 11		4			1	3				8										
Level 12		4			1	3				8										
Level 13								1	3	4										
Level 14	4				1	1	2			8										
Level 15	4				1	1	2			8										
Level 16		4			1	3				8										
Level 17		4			1	3				8										
Level 18								1	3	4										
Level 19		4			1	3				8										
Level 20		4			1	3				8										
Level 21		4			1	3				8										
Level 22		4				4				8										
Level 23								1	3	4										
Level 24		4				4				8										
Level 25		4				4				8										
Level 26		4				4				8										
Level 27		4				4				8										
Level 28								1	3	4										
Level 29	4					2	2			8										
Level 30		3				4				7										
Level 31		2				3				5										
Subtotals	28	61	0	0	15	62	14	5	15	200	0	0	0	0	0	0	0	0	0	0
	14%	31%	0%	0%	8%	31%	7%	3%	8%	100%										
	14%	31%		39%			17%			100%										

Building B

	RESIDENTIAL AREA							
	PRIVATE RENTAL SECTOR				AFFORDABLE			
LEVEL	GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)
Level 04					729	686	487	53
Level 05					729	686	487	53
Level 06					729	686	487	53
Level 07					729	686	487	53
Level 08					553	532	408	-
Level 09					729	686	487	53
Level 10					729	686	487	53
Level 11					729	686	487	53
Level 12					729	686	487	53
Level 13					553	532	408	-
Level 14					724	678	487	53
Level 15					724	678	487	53
Level 16					724	678	487	53
Level 17					724	678	487	53
Level 18					553	532	408	-
Level 19					724	678	487	53
Level 20					729	686	487	53
Level 21					729	686	487	53
Level 22					729	686	487	53
Level 23					553	532	408	-
Level 24					729	686	487	53
Level 25					729	686	487	53
Level 26					729	686	487	53
Level 27					729	686	487	53
Level 28					553	532	408	-
Level 29					724	678	487	53
Level 30					666	613	436	46
Level 31					520	466	314	33
Subtotals	0	0	0	0	19230	18097	13017	1192

	UNIT BREAKDOWN																			
	PRIVATE RENTAL SECTOR										AFFORDABLE									
LEVEL	1B1P	1B2P	1B2P M4 (3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total	1B1P	1B2P	1B2P M4 (3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total
Level 04												4			1	3				8
Level 05												4			1	3				8
Level 06												4			1	3				8
Level 07												4			1	3				8
Level 08																		1	3	4
Level 09												4			1	3				8
Level 10												4			1	3				8
Level 11												4			1	3				8
Level 12												4			1	3				8
Level 13																		1	3	4
Level 14												4				4				8
Level 15												4				4				8
Level 16												4				4				8
Level 17												4				4				8
Level 18																		1	3	4
Level 19												4				4				8
Level 20												4			1	3				8
Level 21												4			1	3				8
Level 22												4			1	3				8
Level 23																		1	3	4
Level 24												4			1	3				8
Level 25												4			1	3				8
Level 26												4			1	3				8
Level 27												4			1	3				8
Level 28																		1	3	4
Level 29												4				4				8
Level 30												3				4				7
Level 31												2				3				5
Subtotals	0	0	0	0	0	0	0	0	0	0	0	89	0	0	15	76	0	5	15	200
											0%	45%	0%	0%	8%	38%	0%	3%	8%	100%
											0%	45%		46%			10%			100%

Building C

LEVEL	RESIDENTIAL AREA: PRIVATE RENTAL SECTOR GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)	AFFORDABLE GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)
Level 04	729	686	487	50				
Level 05	729	686	487	50				
Level 06	729	686	487	53				
Level 07	729	686	487	53				
Level 08	553	532	408	-				
Level 09	729	686	487	50				
Level 10	729	686	487	50				
Level 11	729	686	487	53				
Level 12	729	686	487	53				
Level 13	553	532	408	-				
Level 14	729	686	487	50				
Level 15	729	686	487	50				
Level 16	729	686	487	53				
Level 17	729	686	487	53				
Level 18	553	532	408	-				
Level 19	729	686	487	53				
Level 20	729	686	487	53				
Level 21	729	686	487	53				
Level 22	724	678	487	53				
Level 23	553	532	408	-				
Level 24	724	678	487	53				
Level 25	724	678	487	53				
Level 26	724	678	487	53				
Level 27	724	678	487	53				
Level 28	553	532	408	-				
Level 29	724	677	487	50				
Level 30	666	613	437	46				
Level 31	519	466	314	34				
Subtotals	19229	18096	13018	1172	0	0	0	0

LEVEL	UNIT BREAKDOWN: PRIVATE RENTAL SECTOR 1B1P	1B2P	1B2P M4 (3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total	AFFORDABLE 1B1P	1B2P	1B2P M4 (3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total
Level 04	4				1	1	2			8										
Level 05	4				1	1	2			8										
Level 06		4			1	3				8										
Level 07		4			1	3				8										
Level 08								1	3	4										
Level 09	4				1	1	2			8										
Level 10	4				1	1	2			8										
Level 11		4			1	3				8										
Level 12		4			1	3				8										
Level 13								1	3	4										
Level 14	4				1	1	2			8										
Level 15	4				1	1	2			8										
Level 16		4			1	3				8										
Level 17		4			1	3				8										
Level 18								1	3	4										
Level 19		4			1	3				8										
Level 20		4			1	3				8										
Level 21		4			1	3				8										
Level 22		4				4				8										
Level 23								1	3	4										
Level 24		4				4				8										
Level 25		4				4				8										
Level 26		4				4				8										
Level 27		4				4				8										
Level 28								1	3	4										
Level 29	4					2	2			8										
Level 30		3				4				7										
Level 31		2				3				5										
Subtotals	28	61	0	0	15	62	14	5	15	200	0	0	0	0	0	0	0	0	0	
	14%	31%	0%	0%	8%	31%	7%	3%	8%	100%										
	14%	31%		39%			17%			100%										

Buildings A, B and C

	RESIDENTIAL AREA: PRIVATE RENTAL SECTOR GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)	AFFORDABLE GEA (sqm)	GIA (sqm)	NIA (sqm)	WG NIA (sqm)
Totals	38458	36192	26036	2344	19230	18097	13017	1192

	UNIT BREAKDOWN: PRIVATE RENTAL SECTOR 1B1P	1B2P	1B2P M4 (3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total	AFFORDABLE 1B1P	1B2P	1B2P M4 (3)	2B3P	2B3P M4(3)	2B4P	3B5P	3B4P M4(3)	3B6P	Total
Totals	56	122	0	0	30	124	28	10	30	400	0	89	0	0	15	76	0	5	15	200
	14%	31%	0%	0%	8%	31%	7%	3%	8%	100%	0%	45%	0%	0%	8%	38%	0%	3%	8%	100%
	14%	31%		39%			17%			100%	0%	45%		46%			10%			100%

Phase 1 - New Bermondsey

Project Number: 0334

DRAFT

Client: RENEWAL
Author: SEW
Rev: 08 Date: 14/12/20 DR - FOR PLANNING

Podium and Basement Area Breakdown

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General Notes: Please refer to cover sheet

Additional Notes
* Podium residential areas account for lobbies, concierge, etc.

Podium & Basement

Podium & Basement	RESIDENTIAL AREA*						USE CLASS E			USE CLASS Sui Generis			USE CLASS Sui Generis		
	PRIVATE RENTAL SECTOR			AFFORDABLE			CAFÉ			AUDITORIUM			ANCILLARY USES		
LEVEL	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)
Basement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Level 00	773.4	726.4	527.1	210.2	200.3	144.9	441.0	473.7	359.1	1693.2	1648.3	1505.4	14.4	14.4	11.5
Level 01	209.9	199.2	154.4	54.4	54.4	38.8	88.7	76.9	67.3	374.1	368.2	334.4	701.8	680.7	609.9
Level 02	212.2	195.0	150.7	54.4	54.4	38.8	-	-	-	845.0	799.5	799.5	156.1	144.5	121.4
Level 03	756.0	740.6	668.7	275.4	259.0	232.6	-	-	-	-	-	-	-	-	-
Subtotal	**1951.5**	**1861.2**	**1500.9**	**594.4**	**568.1**	**455.1**	**529.7**	**550.6**	**426.4**	**2912.3**	**2816.0**	**2639.3**	**872.3**	**839.6**	**742.8**

Podium & Basement	CAR PARK, PLANT AND STORAGE			CAR PARK, PLANT AND STORAGE			CAR PARK, PLANT AND STORAGE			CAR PARK, PLANT AND STORAGE			CAR PARK, PLANT AND STORAGE			TOTAL		
	BASEMENT			PLANT FOR RESIDENTIAL			PLANT FOR PODIUM AND BOH			SHARED PLANT			ENVAC					
LEVEL	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)
Basement	5135.0	4879.0	-													**5135.0**	**4879.0**	**0.0**
Level 00	-	-	-	58.1	51.1	-	22.4	19.4	-	111.9	100.0	-	214.0	200.2	-	**3538.6**	**3433.8**	**2548.0**
Level 01	-	-	-	-	-	-	50.8	44.8	-	197.0	183.8	-	210.8	203.5	-	**1887.5**	**1811.5**	**1204.8**
Level 02	-	-	-	-	-	-	1132.3	1048.3	-	-	-	-	213.3	203.5	-	**2613.3**	**2445.2**	**1110.4**
Level 03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1031.4**	**999.6**	**901.3**
Subtotal	**5135.0**	**4879.0**	**0.0**	**58.1**	**51.1**	**0.0**	**1205.5**	**1112.5**	**0.0**	**308.9**	**283.8**	**0.0**	**638.1**	**607.2**	**0.0**	**14205.8**	**13569.1**	**5764.5**

Project Name: New Bermondsey

Project Number: 0340

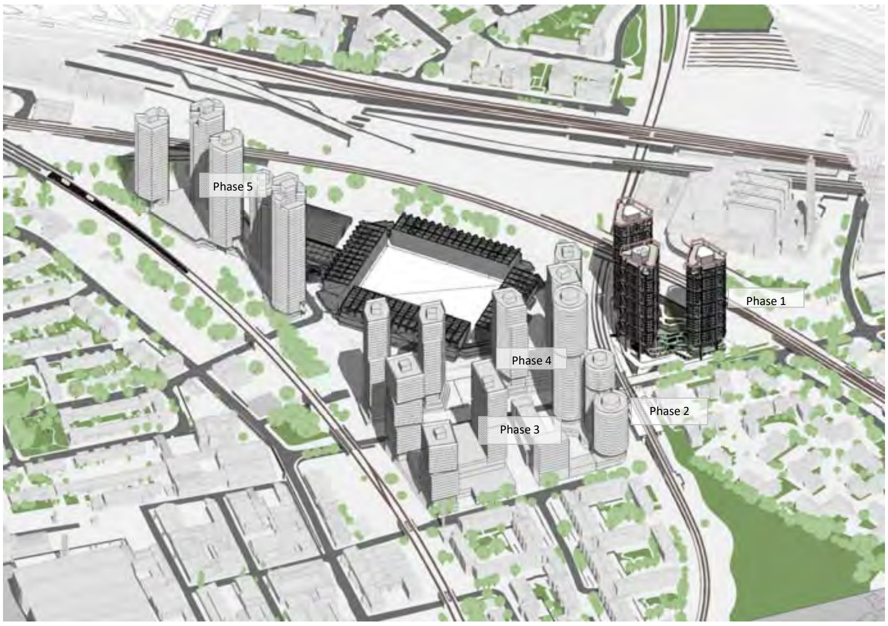
Document Title: Illustrative Masterplan Area Schedule (Exc. Phase 1)

Date: 23.11.20

Revision	Issued By	Checked By	Reason for Issue	Date
00	SEW	SEW	Scheme Freeze 1	29.10.19
01	SEW	SEW	Avg Unit Area increased to accommodate M4(3)	
02	SEW	SEW	Updated Massing	29.11.19
03	SEW	SEW	Phasing updated. Massing Updated.	06.12.19
04	SEW	SEW	Scheme Freeze 2	20.12.19
05	SEW	SEW	Non-Residential GIA added	22.01.20
06	SEW	SEW	Flat Mix included	27.01.20
07	SEW	SEW	SEW notes revised	12.02.20
08	SEW	SEW	Affordable percentage updated to 35% by hab rooms;	04.08.20
09	SEW	SEW	Use Class Updated	13.10.20
10	SEW	SEW	Building ref. updated	16.10.20
11	SEW	SEW	Residential unit totals amended to rounded numbers	23.11.20

All schedules to be read in conjunction with SEW 'General Notes' below

KEYPLAN



General Notes:

- This schedule corresponds to the **illustrative scheme** of the masterplan. The figures are indicative only and reflect a different area to the maximum extents parameter scheme. All figures provided are subject to change as per design development and coordination.
- Areas are measured and calculated generally in accordance with the RICS Code of Measuring Practice (6th Ed).
- Survey irregularities, design development, construction tolerances, workmanship and design by others may affect the stated areas.
- An allowance of at least +/-5% should be allowed.
- All areas have been calculated in metric units, unless otherwise specified.
- Parking/Plant and other BOH areas will be developed further at later design stages.
- Detailed basement design will be developed further at later design stages.
- At this stage, allowance for wheelchair accommodation has notbeen considered. This will be developed at a later stage.
- Phase 2 areas **exclude** the retained building Rollins House.
- Phase 2 areas include the retained building Guild House.
- Leisure and sport use at Phase 3 include c.2000sqm GEA in the basement for the swimming pool.
- Ancillary residential spaces have been accounted within the residential GEA. Ancillary residential spaces include lobbies, core, amenity, secure cycle parking at ground level etc. This is subject to changes as per detailed design development.
- All the factors listed above should be considered before making any decisions on the basis of these predictions whether as to project viability, pre-letting, lease agreements or otherwise, and should include due allowance for increases and decreases inherent in the design development and construction processes.

- GEA = Gross External Area
- GIA = Gross Internal Area (Derived by formula and approximate only)
- NIA = Net Internal Area (Derived by formula and approximate only)
- Residential GIA & NIA are approximate and calculated based on a percentage reduction of residential GEA.
- Residential GEA include ancillary residential spaces within the podiums.
- Approximate GIA is calculated as 90% of GEA.
- Approximate NIA is calculated as 77.5% of GIA. For residential , this excludes residential ancillary space areas.
- Minimum residential unit areas are based on the Technical Housing Design Guide (updated May 2016).

0340 New Bermondsey
Residential Brief - Tenure and mix assumptions
Date: 23.11.20

Note: This is a summary of the residential brief. Refer to Accommodation Schedule for exact numbers and breakdown of the Illustrative Scheme.

MIN. AREAS

Unit	Min. Area
Studio	44.5
1B2P	55.8
2B4P	78.2
3B5P	95.5

RESIDENTIAL BRIEF

Tenure Mix	%age by Unit		
Type	%	Sub-Type	% within Type
Affordable	**35.3%**	Intermediate	**40%**
		Social Rented	**60%**
Private	**64.7%**	Market	**50%**
		PRS	**50%**

AVERAGE UNIT AREA

Average Unit Size	
Affordable	78.08
Private	67.78
Overall	71.42

Affordable Unit Mix			
Type	Unit Type	%	Area
Intermediate	1B2P	50%	27.9
	2B4P	50%	39.1
	3B5P	0%	0.0
	Area	**100%**	**67.0**
Social Rented	1B	0%	0.0
	2B	58%	45.4
	3B	42%	40.1
	Area	**100%**	**85.5**

Private Unit Mix			
Type	Unit	%	Area
Market	Studio	10%	4.5
	1B2P	20%	11.2
	2B4P	55%	43.0
	3B5P	15%	14.3
	Avg	**100%**	**72.9**
PRS	Studio	19%	8.5
	1B2P	41%	22.9
	2B4P	40%	31.3
	3B5P	0%	0.0
	Avg	**100%**	**62.6**

Min.areas are as per the Technical Housing Design Guide– Nationally described space standards.

The private amenity area is 5 Sq.m for 1-2 person dwellings with an additional 1 Sq.m for each additional occupant, as per Draft London Plan 2019.

The amenity internal walls area is between 0.5 Sq.m to 1.5 Sqm, depending on the size of the unit.

Studio:	39+5+0.5 = 44.5
1B2P:	50+5+0.8 = 55.8
2B4P:	70+7+1.2 = 78.2
3B5P:	86+8+1.5 = 95.5

- Refer to cover page for general notes

0340 New Bermondsey

Illustrative Masterplan Accommodation Schedule

Date: 23.11.20

		C3						Class E										Total Non-Res.		Basement	Total across Development (incl. basement)
		Total	Ancillary	Residential				Retail		Employment		Community		Leisure / Sport		Total					
Phase	Building Reference	GEA (sqm)	GEA (sqm)	GEA (sqm)	GIA (sqm)	NIA (sqm)	Units (No.)	GEA (sqm)	GIA (sqm)	GEA (sqm)	GIA (sqm)	GEA (sqm)	GIA (sqm)	GEA (sqm)	GIA (sqm)	GEA (sqm)	GIA (sqm)	GEA (sqm)	GIA (sqm)	GEA (sqm)	GEA (sqm)
Phase 1 (Detailed Application)	P1-A	Refer to Phase 1 detailed schedule. To be issued separately.																			
	P1-B																				
	P1-C																				
	P1-P																				
Phase 2	P2-P	2,661	2,661		-			654	588	2,417	2,175					3,070	2,763	3,070	5,527		
	P2-A	29,576		29,576	26,619	20,629	289											-	-		
	P2-B	12,529		12,529	11,276	8,739	122											-	-		
	P2-C	10,959		10,959	9,864	7,644	107											-	-		
	P2-D	4,512		4,512	4,060	3,147	44											-	-		
	P2-GH(Guild House)	-		-	-	-	-			5,827	5,244					5,827	5,244	5,827	10,488		
TOTAL		60,237	2,661	57,576	51,819	40,159	562	654	588	8,244	7,419					8,897	8,007	8,897	8,007	8,456	77,590
Phase 3	P3-A	18,727		18,727	16,854	13,062	183											-	-		
	P3-B	18,040		18,040	16,236	12,583	176											-	-		
	P3-C	13,696		13,696	12,326	9,553	134											-	-		
	P3-P	4,188	4,188		-			399	359			3,771	3,394	12,884	11,595	17,054	15,349	17,054	15,349		
TOTAL		54,651	4,188	50,463	45,417	35,198	493	399	359			3,771	3,394	12,884	11,595	17,054	15,349	17,054	15,349	13,108	84,813
Phase 4	P4-A	20,352		20,352	18,316	14,195	199											-	-		
	P4-B	17,131		17,131	15,418	11,949	167											-	-		
	P4-C	17,172		17,172	15,455	11,978	168											-	-		
	P4-D	21,057		21,057	18,951	14,687	206											-	-		
	P4-P1	5,169	5,169		-			3,127	2,814							3,127	2,814	3,127	2,814		
	P4-P2	4,667	4,667		-			3,236	2,912							3,236	2,912	3,236	2,912		
	P4-E	10,594		10,594	9,535	7,389	103											-	-		
	P4-P3	889	889		-							952	857			952	857	952	857		
TOTAL		97,032	10,726	86,306	77,675	60,198	843	6,363	5,727			952	857			7,315	6,583	7,315	6,583	16,398	120,744
Phase 5	P5-A	19,041	1,026	18,015	16,214	12,566	176											-	-		
	P5-B	22,306	1,139	21,167	19,050	14,764	207											-	-		
	P5-C	24,265	1,351	22,915	20,623	15,983	224											-	-		
	P5-D	15,105	622	14,483	13,034	10,102	141											-	-		
	P5-E	28,443	1,026	27,417	24,676	19,124	268											-	-		
	P5-P	6,692	3,346	3,346	3,011		-			6,660	5,994					6,660	5,994	6,660	5,994		
TOTAL		115,852	8,509	107,343	96,609	72,538	1,016			6,660	5,994					6,660	5,994	6,660	5,994	12,796	135,308
Total across outline masterplan		327,772	26,083	301,688	271,520	208,094	2,914	7,415	6,674	14,903	13,413	4,723	4,251	12,884	11,595	39,926	35,933	39,926	35,933	50,758	418,456

- Refer to cover page for general notes

0340 New Bermondsey
Outline Masterplan Accommodation Schedule
Date: 23.11.20

Tenure/Flat Types Mix Schedule

Phase		Studio	1B	2B	3B	Total Units
Phase 1						
		Refer to separate schedule				
Phase 2						
	Private	53	111	173	27	364
	Affordable	0	40	109	50	199
	Subtotal	**53**	**151**	**282**	**77**	**563**
Phase 3						
	Private	46	97	152	24	319
	Affordable	-	35	96	44	175
	Subtotal	**46**	**132**	**248**	**68**	**494**
Phase 4						
	Private	79	167	259	41	546
	Affordable	0	60	164	75	299
	Subtotal	**79**	**227**	**423**	**116**	**845**
Phase 5						
	Private	95	201	312	49	657
	Affordable	0	72	197	90	359
	Subtotal	**95**	**273**	**509**	**139**	**1,016**
MASTERPLAN TOTAL (exc. Phase 1)						
	Private	273	576	896	141	1886
	Affordable	0	207	566	259	1032
	Total homes	**273**	**783**	**1462**	**400**	**2918**
	%age by Flat Type	**9.36%**	**26.83%**	**50.10%**	**13.71%**	**100.00%**

Summary

Private / Affordable Split by Unit

Private	Affordable	Masterplan (Excluding Phase 1)
1,886	1032	2,918
64.6%	**35.4%**	**100.0%**

Private / Affordable Split by Habitable Rooms

Private	Affordable	Masterplan (Excluding Phase 1)
4,677	3148	7,825
59.8%	**40.2%**	**100.0%**

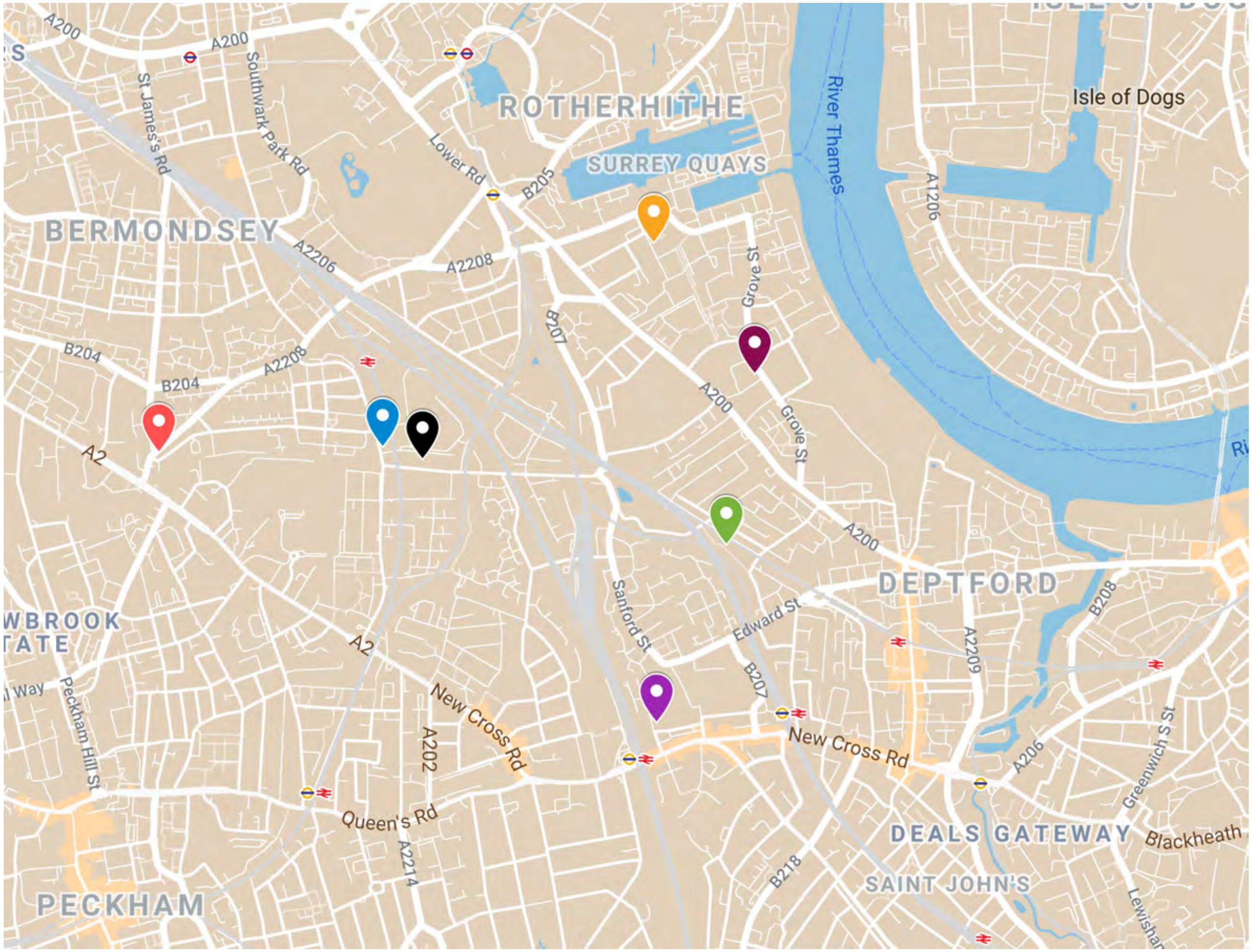
- Refer to cover page for general notes

Appendix 5 – GDV Comparable Evidence

New Bermondsey - Residential sale comparables

Comparable schemes

- Deptford Landings
- Proposed development
- Deptford Foundry
- Bond House
- Hydro
- Atar House
- Bermondsey Works



Sales Values Comparable Research

Review of the Applicants Methodology

1.1 GE has reviewed the comparable evidence provided in the Applicant's report.

1.2 The Scheme proposes residential land use. The Applicant has adopted a base value of £762 per sq. ft which has been proposed having regard to achieved and asking prices for comparable new build schemes in the vicinity of the Site.

1.3 As part of the due diligence process, we have reviewed the comparable evidence set out in the Applicant's FVA report to ensure the values adopted provide an accurate estimation as to what we would expect the Scheme to achieve. They have proposed sales value per unit type based on an average of £762 per sq. ft. These equate to the following capital values:

Table 1: Summary of Capital Values per Unit Size

Unit type	Average Area (ft2)	Average Price psf	Average Capital Value
Studio	457	£787	£360,000
Studio	466	£783	£365,000
Studio	474	£777	£367,500
1 Bed (2P)	544	£814	£442,500
1 Bed (2P)	560	£804	£450,000
1 Bed (2P)	564	£798	£450,000
2 Bed (3P) WC	761	£749	£570,000
2 Bed (4P)	753	£810	£610,000
2 Bed (4P)	757	£806	£610,000
2 Bed (4P)	760	£802	£610,000
3 Bed (4P) WC	1090	£596	£650,000
3 Bed (5P)	931	£709	£660.000
3 Bed (5P)	941	£702	£660,000
3 Bed (6P)	1089	£666	£725,000
3 Bed (6P)	1100	£659	£725,000
3 Bed (6P)	1112	£652	£725,000

1.4

1.5 *Source: Renewal Group Ltd FVA*

1.6 The proposed sales values have been determined by the Applicant through the use of comparable evidence, which is set out within the Applicants FVA report. We have commented on the suitability of each comparable relied upon by the Applicant below.

Deptford Landings, Deptford, London, SE8 3QS

1.7 Deptford Landings is a Lendlease development to the east of the subject Site, approximately 0.75 miles east. It is located between Lower Pepys Park and Deptford Park on a 4.5 ha site (11.6 acres) with the roads surrounding the site including Oxestalls Road, Grove Street, Dragoon Road and Evelyn Street. It is somewhat similar in terms of location however it is significantly closer to the River Thames which would have some impact on sales values, especially on the units with riverside views. The location is however further from a train station, the closest currently being Surrey Quays approximately 0.7 miles northwest, whereas the proposed development has South Bermondsey Station adjacent and the new London Overground East London Line Extension Station is due to be built at the south eastern corner of the site.

1.8 The development will consist of different phases totalling 1,132 new homes along with other mixed uses across the site. The comparable evidence presented only represents Plot 2 (part of the first phase) which consists of 203 units of which 143 are private. Once the first phase is complete it will consist of 580 units (461 private) in a range of one-, two-, three- & four-bedroom apartments and four-bedroom townhouses.

1.9 The scheme situation in March 2021 is as follows according to Molior:

- Cedarwood Square (Plot 2) containing the first 143 private units is sold out and compete.
- Plots 1 and 3 have 318 more private units permitted in detail under the original parent consent but have yet to start. Design amendments are expected.
- Phases 2 (Plot 4) and 3A (Plot 6), which have 440 units in total, including 406 private, and each have their own reserved matters consents.
- Proposals for Plot 5 are currently out for consultation and include 400 units in three buildings, plus a 22 storey/380 room student block.

1.10 The scheme offers flexible studio space, a range of shops and cafés and an incubator hub that will give smaller, independent businesses the chance to prosper and grow.

1.11 Construction commenced in 2017 and completed in Q1 2020 for Plot 2, the rest of the development is yet to start construction. The scheme launched in February 2016 and the 143 private units are now fully sold out. Some of the transactions are considered too historic to be relied upon for the purpose of this review and therefore we have only included those that took place post Q1 2018 according to LandInsight.

1.12 Even though this scheme is still in the early stages of development with only one plot developed out of six, it provides a strong comparable to the subject scheme. The quantum of the scheme may have been accounted for in the residential sales value of the first phase, with the same sense of place making hoped to be achieved in future phases. The height of the buildings vary, with the first plot rising to a maximum of 11 storeys and as a result, some height premium will have been accounted for.

1.13 In terms of unit sizes, evidence from the brochure highlights that the proposed development has smaller sized units with one-bedroom units on average circa 35 sq. ft smaller, two-bedroom apartments on average circa 50 sq. ft smaller and three-bedroom apartments on average circa 20 sq. ft smaller.

1.14 Shown below are the average sales price per sq. ft for the private residential units in the development, based off 93 unit transactions:

Table 2: Deptford Landings Average Achieved Prices

Average Sales Price per sq. ft			
Bedrooms			Blended
1	2	3	
£736	£694	£605	£696

1.16 It is important to note that these figures include some evidence from 2018 and therefore we would expect the subject development to achieve a slightly higher figure. The base figure shown in the Applicant's FVA of £762 per sq. ft is therefore reasonable in our opinion, however we should note that this is towards the top end of what this comparable would suggest for the subject development.

<u>Deptford Foundry (Anthology), Deptford, London, SE14 6BH</u>

1.17 Deptford Foundry is a recent development by Anthology on an old metal foundry site. It comprises 276 private units across eight buildings and one 22-storey tower. These units are made up of a range of one-, two- and three-bedroom apartments. The development also includes 2,794 sq. m of commercial space which Second Floor Studios & Arts rent out affordable studios to emerging artists.

1.18 Locationally, this development is slightly closer to Deptford and the River Thames. It is located 0.75 miles to the southeast of the subject development between the convergence of the Overground and southeastern railway lines running through New Cross Station and the Thameslink and southeastern railway lines running through Deptford Station. This is an inferior location to the subject development for transport links with both New Cross Station and Deptford Station circa 0.4 miles away.

1.19 The development was built out in broadly one phase according to Molior with construction started in Q1 2017 and completed in Q1 2020. By Q3 2020, 215 units had sold which is believed to be assisted by Help to Buy and the stamp duty holiday. At the end of Q1 2021, only 38 units remain unsold. An off-plan sales rate of 70% was achieved by the development according to Molior.

1.20 The unit size is again comparatively slightly larger than those in the proposed development with the remaining one-bedroom apartments at 545 sq. ft, the two-bedroom apartments ranging from 728 sq. ft to 863 sq. ft and the three-bed apartments ranging from 1,022 to 1,145 sq. ft.

1.21 Shown below are the average sales price per sq. ft for the private residential units in the development, based off 100 unit transactions:

Table 3: Deptford Foundry (Anthology) Average Achieved Prices

Average Sales Price per sq. ft			
Bedrooms			Blended
1	2	3	
£715	£679	£632	£688

1.22 The overall scheme is significantly smaller than the subject proposed development however it still represents a good comparable. The scheme is similarly mixed-use and creates a sense of place and therefore this premium will be reflected in the value above, albeit on a smaller scale. Height premium will have been factored into the cobalt tower units which range up to 22-storeys. We would expect this comparable to achieve lower values to those expected in the proposed development.

Bond House, Goodwood Road, London, SE14 6FE

1.23 Bond House is a Crest Nicholson mixed-use development near to New Cross Gate Station. The scheme includes 77 residential apartments, a double height gallery space and artist studios all situated around a landscaped garden. The scheme is split into the Arthouse which rises up to eight-storeys in the tower and the Haberdashery which rises up to five-storeys, all part of the same block.

1.24 The location is similar in terms of proximity to transport links and distance from the river. Bond House is 0.85 miles south of the proposed development, situated almost adjacent to New Cross Gate station (Overground and Southern) and 0.3 miles from New Cross Station (Overground and southeastern). These are both currently established stations which is relevant when comparing to the proposed development where currently South Bermondsey (Southern) is the only station close to the site. The Bond House units do not benefit from views of the River Thames whereas the proposed development should at the higher levels.

1.25 According to Molior, the scheme commenced construction in Q3 2017 and completed in Q3 2019. It was launched in September 2018 with a pricelist of one-bedroom at £469,950, two-bedrooms at £524,995 and three-bedrooms at £714,950 giving an average of £690 per sq. ft. By the time the scheme completed it had sold 33 units and by the end of Q3 2020 the scheme had fully sold out. It appears that a significant number of sales were through Help to Buy.

1.26 The unit sizes are slightly bigger than the proposed development with one-bedroom units an average of circa 75 sq. ft larger, two-bedroom units circa 30 sq. ft larger and three-bedroom units circa 120 sq. ft larger. The larger unit sizes may appeal to a wider audience as the capital value of the units are still fairly typical of what we would expect in this area.

1.27 Shown below are the average sales price per sq. ft for the private residential units in the development, based off 69 unit transactions:

Table 4: Bond House Average Achieved Prices

Average Sales Price per sq. ft			
Bedrooms			Blended
1	2	3	
£678	£668	£521	£663

1.28 The scheme is again significantly smaller than the proposed development however it includes the mixed-use element and aimed to promote a creative community through the provision of studios and gallery space. There was a small drop from the average initial asking price of £690 per sq. ft to the £663 per sq. ft achieved across the 69 units. The small size of the drop in price highlights that there was good demand for the scheme, selling out after 12 months of completion.

1.29 We note that although the location is similar in terms of proximity to transport links and the River Thames it is a different residential market being significantly closer to Deptford.

Hydro, Surrey Quays, London, SE8 5DT

1.30 Hydro is a Fairview New Homes scheme with 72 residential units and circa 4,000 sq. ft of commercial space. The development rises 8-storeys but does not really benefit from views of Surrey Quays or the River Thames.

1.31 The scheme is located very close to Surrey Quays, just 0.15 miles south on Yeoman Street. This is just under 0.4 miles from Surrey Quays Station which is the closest railway station to the site. There is however the alternative method of the Thames Clipper from Greenland Surrey Quays Pier 0.35 miles east of Hydro.

1.32 The scheme originally launched in Q1 2019 according to Molior with prices averaging £750 per sq. ft. Construction started in Q4 2017 and completed in Q4 2019, at which point the scheme sold out as well highlighting the strong demand for new build residential units in this area.

1.33 The unit sizes are broadly similar with one-bedroom units at 551 sq. ft, two-bedroom units at 779 sq. ft and three-bedroom units at 934 sq. ft. The three-bedroom units are however over 100 sq. ft smaller on average than the proposed development which is relevant when comparing on a per sq. ft basis. We would expect this scheme to therefore produce a slightly higher rate than the proposed development when assessing unit size alone.

1.34 Shown below are the average sales price per sq. ft for the private residential units in the development, based off 60 unit transactions:

Table 5: Hydro Average Achieved Prices

Average Sales Price per sq. ft			
Bedrooms			Blended
1	2	3	
£820	£709	£597	£731

1.35 The scheme is located in a different market to the proposed development and we therefore have given this comparable less weighting when coming to our conclusions. The Surrey Quay market is closer to the river and the scheme will benefit from the premium of this area. The scheme however does again highlight the strong demand for new residential units in the area with it selling out upon completion with only a small price drop from the initial £750 per sq. ft asking price.

Peckham Place, Peckham, London, SE15 2EP

1.36 We have chosen not to have rely on comparable evidence from this Notting Hill Genesis scheme which the Applicant's FVA Report refers to, as we feel its location within Peckham means it is not directly comparable to the location of the proposed development.

The Pomeroy, New Cross, London, SE14 5BL

1.37 We have again chosen not to have reference to this Peabody scheme which the Applicant's FVA Report refers to as we feel as we feel its location within Peckham/New Cross means it is not directly comparable to the location of the proposed development

1.38 **Additional Comparable Research**

1.39 We have conducted additional research into market comparables and have found two further comparable developments we would like to have reference to in our assessment.

Atar House, 179 Ilderton Road, London, SE16 3LA

1.40 This development consists of 10 residential flats and a circa 1,000 sq. ft office unit in a single lower ground and five-storey building. The residential flats are comprised of one- and two-bedroom apartments. This is located adjacent to the proposed development on the corner of Ilderton Road and Stockholm Road (which runs into the proposed development).

1.41 This scheme was not included in the Applicant's report and it is considerably smaller than the proposed development however locationally it is the best comparable and therefore we have included it in our assessment of sales value.

1.42 It appears that the initial development completed in 2017 and launched in April 2017, however an extra storey has been added since. Seven units have sold since June 2018 with four units selling in April 2019 according to LandInsight.

1.43 The unit sizes are broadly similar to the proposed development with one-bedroom apartments averaging 538 sq. ft and two-bedroom apartments averaging 770 sq. ft.

1.44 Shown below are the average sales price per sq. ft for the private residential units in the development, based off 7 unit transactions:

Table 6: Atar House Average Achieved Prices

Average Sales Price per sq. ft		
Bedrooms		Blended
1	2	
£643	£518	£616

1.45 The size of this scheme limits it's comparability with the proposed development however it does provide evidence of sales values in the location. We note that no premium will have been added to these figures for place making or height. The location is adjacent to the proposed development however it is at the furthest point from a station (once the London Overground East London Line Extension Station is built) and therefore this will make a marginal difference in value.

<u>Bermondsey Works, Rotherhithe New Road, London, SE16 3FP</u>

1.46 The Bermondsey Works development comprises 148 residential units and includes a number of amenities such as an in-house private gym, 130m roof garden and 24 hour concierge. The units include two- and three-bedroom dwellings along with penthouses and duplexes. The tallest building in the development reaches 18-storeys.

1.47 The scheme is located just off Old Kent Road (A2) and is 0.5 miles west of the proposed development. The closest railway station to the site is South Bermondsey Station which is again 0.5 miles to the east. This is therefore inferior to the proposed development in this regard however the proximity of the A2 does provide superior road transport connections.

1.48 According to Molior, the development started construction and launched in Q2 2015. This finished in Q3 2017 and by the end of Q1 2018 the scheme had sold out. Again this highlights the strong demand for new build residential units in the area. We note that only the comparables sold in 2018 are included in the assessment however they are still old comparables and we have factored this in when comparing the schemes.

1.49 Shown below are the average sales price per sq. ft for the private residential units in the development, based off 17 unit transactions:

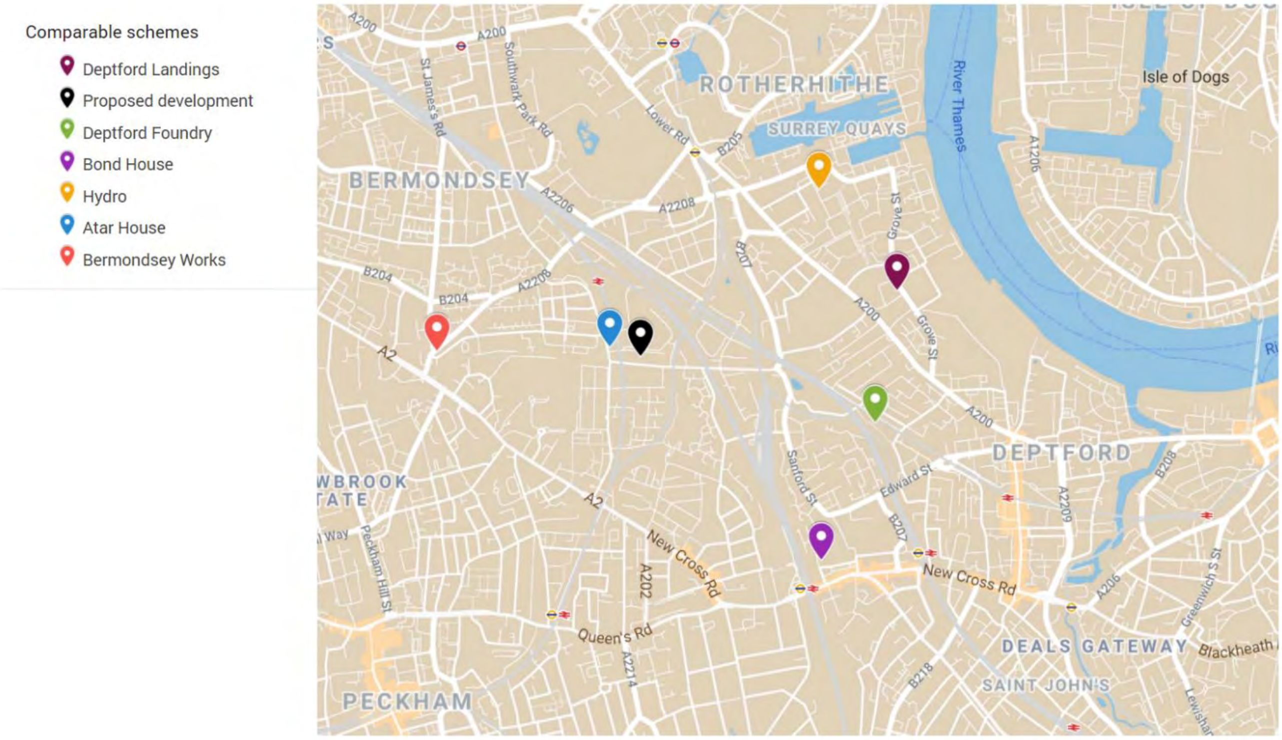
Table 7: Bermondsey Works Average Achieved Prices

Average Sales Price per sq. ft		
Bedrooms		Blended
2	3	
£720	£574	£580

1.50 Bermondsey Works is again a smaller scheme than the proposed development. There will however be some height premium accounted for in the values above. The units are on average larger than the proposed development as there are no one-bedroom units and so we would already expect the average sales price per sq. ft to be lower. This is combined with the evidence being from 2018 and so we would expect values to have risen. Although the blended average is significantly lower than the proposed development's blended average, we believe this is justified.

Comparable map

New Bermondsey - Residential sale comparables



Summary

1.51 As discussed, we have placed more weighting on recent sales values as opposed to historic or asking prices and consider the recent transactions at Deptford Landings to be the most useful comparable given the size, location and similar specification of the development.

1.52 We do however recognise that this is only the first phase of the Deptford Landings development and this will be important to monitor going forward. The first plot has fully sold out and the majority of the other comparable schemes have also emphasised the strong demand for new build residential units within the market.

1.53 The Applicant's sales value schedule shows that they have had reference to sold prices, asking prices and scheme characteristics when comparing the values. This is used to determine their base sales value of the proposed development. Beyond this, the Applicant then applied premiums for both height of unit and phasing which GE agree is a sensible approach when assessing comparables for which the majority do not reflect these premiums.

1.54 The Applicant's base sales value of £762 per sq. ft is higher than the comparable evidence assessed however we agree that the proposed development is unique in terms of size, location and height therefore we believe this sales rate appears reasonable. We note that this is still an optimistic view of what the proposed development could achieve.

Retail Rental Transactions Comparable Evidence

	Sign Date	Address	Floor	Total SF Leased	Rent PA	Rent psf	Rent Type	Expiry Date	Rent Free
	21/12/2020	Borthwick St, Greenwich	GRND	2,000	21,600.00	10.80	Achieved	21/12/2021	
	06/12/2020	1 Varcoe Rd, South Bermondsey	GRND	2,850	50,000.00	17.54	Achieved	06/12/2040	
	22/07/2020	234 Trafalgar Rd, East Greenwich	GRND	1,955	36,884.08	18.87	Effective	21/07/2030	2

	Sign Date	Address	Floor	Total SF Leased	Rent PA	Rent psf	Rent Type	Expiry Date	Rent Free
	19/06/2020	243-247 Greenwich High Rd, Greenwich	GRND,1	8,557	79,999.01	9.35	Effective	08/11/2027	0
	05/12/2019	196 Southwark Park Rd, Southwark	BSMT,GRND	778	18,040.91	23.19	Effective	04/12/2034	3
	09/05/2019	Yeoman St, Surrey Quays	GRND	4,748	72,065.12	15.18	Effective	07/06/2034	6

	Sign Date	Address	Floor	Total SF Leased	Rent PA	Rent psf	Rent Type	Expiry Date	Rent Free
	01/11/2018	5-21 Blackwall Ln, East Greenwich	GRND	4,853	85,770.40	17.67	Effective	31/10/2033	12
	19/07/2019	194-204 Bermondsey St, Bermondsey	BSMT,GRND	1,150	65,600.23	57.04	Effective	18/07/2034	6

Retail Investment Transactions Comparable Evidence

	Property Address	Building SF	Sale Price	Price Per SF	Sale Date	Sale Status	Net Initial Yield	Reversionary Yield
	Loampit Vale, Lewisham	4,892	£1,750,000	357.73	12/06/2020	Sold	5.10	
	191-199 Southampton Way, Southwark	11,408	£1,050,000	92.04	01/10/2019	Sold	2.73	9.90
	590-600 Commercial Rd, Limehouse	16,092	£4,333,000	269.26	01/08/2018	Sold	5.75	

	Property Address	Building SF	Sale Price	Price Per SF	Sale Date	Sale Status	Net Initial Yield	Reversionary Yield
	25-30 Landmark Sq, Canary Wharf	4,310	£1,775,000	411.83	24/05/2018	Sold	4.88	4.90
	133-137 Creek Rd, Greenwich	19,524	£1,300,000	66.58	24/05/2018	Sold	8.40	

Appendix 6 – Veale & Sanders QS Report

New Bermondsey
Lewisham
London SE

Report to Gerald Eve - DRAFT

26th May 2021

INTRODUCTION

Veale & Sanders (V&S) is a firm of Chartered Quantity Surveyors based in Purley, South London and have provided construction cost advice related to financial viability assessments in central London on a number of high profile development proposals.

In November 2020, V&S were approached by Gerald Eve concerning the proposed redevelopment of the New Bermondsey site in the London Borough of Lewisham. The brief was to undertake a review of the scope and pricing of the construction cost plan submitted in support of the development appraisal associated with a hybrid planning application for a residential led mixed use development over multiple phases.

The review would include:

- Reviewing overall scope / content / areas / mix etc
- Comparing overall pricing with benchmark data from BCIS and historic projects
- Identification of abnormal costs/potential cost savings

Following appointment, V&S were provided with copies of the full application documentation including Financial Viability Assessment dated 14 April 2021 prepared by Renewal. Appendix I of this document contained RPS Initial 'Order of Cost' Estimate Nr. 1 Rev A dated Mar-21. V&S were subsequently provided with a more detailed 'Order of Cost' Estimate Nr 4a (18.12.20) for Phase 1.

The proposal is new build construction and no site visit has been undertaken.

An initial briefing meeting was held with representatives of Renewal, Carney Sweeney, Newsteer, Lewisham council and Gerald Eve on 6th May.

Following an initial review of the documents, a number of concerns were identified and raised with Newsteer. As a result of this, an amended Financial Viability Assessment was issued dated 18 May 2021 including revised RPS Initial 'Order of Cost' Estimate Nr. 1 Rev B dated May-21. The more detailed 'Order of Cost' Estimate Nr 4a was also updated to revision b dated May 2021.

This report relates to the later documentation but reference has been included to original documentation where appropriate.

REVIEW OF OVERALL SCOPE/CONTENT/AREAS

General

The application covers land north and south of Surrey Canal Road Lewisham adjacent to Millwall FC stadium. The overall site extends to approximately 6.51 hectares and is bound by railway viaducts to the north, east and west, and Rollins Street to the south. Existing uses are mainly industrial in nature and include a number of estates.

The proposed development will be sought through the submission of a Hybrid planning application comprising:

• FULL planning application for Phase 1 comprising the demolition of existing buildings at Orion Business Centre and construction of residential dwellings together with auditorium, meeting rooms, offices, and restaurant/café floorspace (Sui generis and Class E) within a podium, with associated vehicular and cycle parking, public realm, amenity space, landscaping and infrastructure; and

• OUTLINE planning application for demolition of existing buildings (with the exception of Guild House and part of Rollins House which are to be retained) and construction of up to 400,000sqm floorspace comprising residential floorspace (Class C3), business floorspace, leisure floorspace, retail, food and drink floorspace and non-residential institution floorspace (Class E), learning and non-residential institutions (F1), pubs and takeaways (sui generis) together with associated basements, vehicular and cycle parking, public realm, amenity space, landscaping, highway works and infrastructure (scale, layout, landscaping, access and appearance reserved).The proposed mixed use redevelopment includes demolition of redundant facilities, alterations and refurbishment of the existing retail units and commercial space, the construction of 6 new residential blocks, amenity spaces, basement parking, plant and ancillary areas along with associated external landscaping etc.

Phase 1

The overall cost plan notes that Phase 1 is based on 'SAH14022021 – Information Pack' which is understood to be the full application documentation. From the architect's (SEW) schedule, the gross internal area totals 67,858.1 m2 and comprises a single level basement (4,879 m2), a four storey podium (8,690.1 m2) and 3 nr twenty eight storey residential towers (totalling 54,289 m2). The RPS estimate Executive Summary states they have used a GIA of 730,424 sq ft which concurs at 67,858 m2. The total is therefore considered accurate for the purposes of estimating and benchmarking.

The more detailed estimate Nr. 4b lists architectural drawings in detail although the revisions are different. The areas, however, are the same and so any differences are assumed to be minor.

Estimate Nr. 4b includes a number of assumptions on scope and specification which appear to be generally reasonable. Particular attention is drawn to the following:

- Allowance for the removal of contamination; b/out obstructions etc. – allowance only
- Energy connection and Substation strategy – allowance included (scope TBC)
- The podium Excludes Operator specific & fit-out requirements

- Sprinklers to all residential units

There is also a detailed lists of exclusions, again most of which are standard and non-controversial such as professional fees and VAT. Attention is, however, drawn to the following:

- Inflation beyond current day (4Q20)
- No allowance for major service infrastructure upgrade
- Highway works – offsite improvements
- Incoming services abnormals over and above normal tolerances
- Comfort cooling

Further comments on specific assumptions and exclusions are included as appropriate in the detailed analysis of construction costs.

The RPS estimate includes 5% contingency (Contractor 2.5% and Client held 2.5%). No further allowance is included in the appraisal.

Phase 2-5

Phase 2 – 5 is noted as based on SEW 'Illustrative Masterplan Area Schedule (Exc. Phase 1), Residential Brief – Tenure and mix assumptions, and Illustrative Masterplan Accommodation Schedule' all dated 23/11/2020. This is the same as included in the application documentation. Whilst the SEW area schedule includes GIAs by function for above ground structures (podium and towers) it does not provide the GIA for C3 ancillary areas or for the basement level.

SEW general notes do, however, state that the 'Approximate GIA is calculated as 90% of the GEA.' This would mean overall areas per phase as follows:

- Phase 2 69,831 m2
- Phase 3 76,332 m2
- Phase 4 108,670 m2
- Phase 5 121,777 m2

RPS Executive Summary states that the following GIAs have been used for the estimate:

- Phase 2 706,950 sq ft 65,677 m2
- Phase 3 733,241 sq ft 68,120 m2
- Phase 4 1,067,021 sq ft 99,129 m2
- Phase 5 1,252,783 sq ft 116,386 m2

The difference in areas amounts to a total of 27,298 m2 which is more than 7% and is clearly a cause for concern. RPS revision b estimate clarifies that these areas are above ground ie excluding basements (note that this is not the case for phase 1). According to the SEW schedule, basements for phase 2-5 have a total GEA of 50,878 m2 which at 90% would mean a GIA of 45,970 m2.

From additional analysis by V&S, the root cause of the discrepancy appears to be the Guild House areas in Phase 2 and the Ancillary C3 accommodation at podium level. The matter has been raised with Newsteer and a response is awaited.

ANALYSIS OF ANTICIPATED CONSTRUCTION COSTS

General

The RPS Initial ‘Order of Cost’ Estimate Nr 1 rev B’ totals £1,289,900,000 which is a minor reduction of £2,200,000 from rev A. It breaks down into phases as follows:

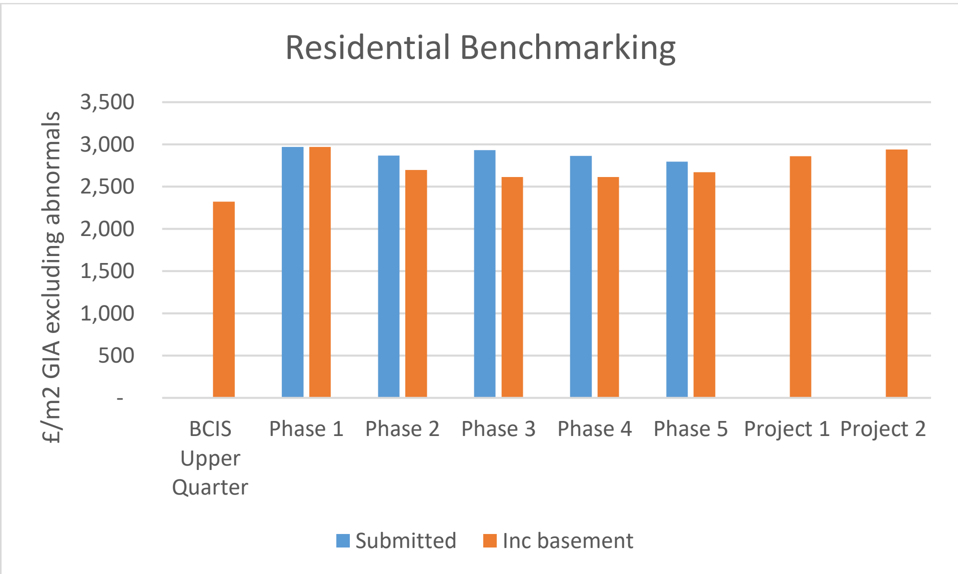
- Phase 1 £214,200,000 £293/ft^2 (-£,3,700,000)
- Phase 2 £203,400,000 £288/ft^2 (+£7,700,000)
- Phase 3 £228,900,000 £312/ft^2 (-£2,600,000)
- Phase 4 £300,500,000 £282/ft^2 (-£2,100,000)
- Phase 5 £342,900,000 £274/ft^2 (-£1,500,000)

Note that other than phase 1, the average rates per square foot are incorrect due to exclusion of basements, Guild House and the residential ancillary areas at podium level. The above costs also include abnormals (site clearance/demolitions etc) and external works which need to be excluded for benchmarking purposes. Omitting these, along with uplifts for preliminaries, OH&P and contingency, and dividing by the assessed GIA (SEW GEA at 90%) the average rates reduce as follows:

- Phase 1 £2,969/m2
- Phase 2 £2,698/m2
- Phase 3 £2,616/m2
- Phase 4 £2,614/m2
- Phase 5 £2,672/m2

The current BCIS published average price (upper quartile) for new residential developments adjusted for the Lewisham location is £2,324/m2 for a 6+ storey block. The RPS rates are therefore rather higher than might be expected. However, there are particular factors, particularly pertaining to the ‘tall’ buildings which could largely account for this by increasing costs of structures, facades and services along with site logistics (preliminaries) pertaining to the nature and location of the site and proximity of railway infrastructure.

The following chart benchmarks the adjusted RPS rates against BCIS and other V&S historic cost data for similar projects.



Commentary on the main cost drivers identified is included in the following analysis of the principal components

Phase 1

The phase 1 total cost of £214,200,000 (rounded) is made up of the following main components:

- Basement £11,875,000
- Podium £8,916,000
- Residential - shell £83,423,000
- Residential – fit out £52,543,000
- Abnormals £5,900,000
- External works £4,000,000
- Preliminaries £26,672,000
- OH&P £10,637,000
- Contingencies £10,200,000

The detailed estimate Nr. 4b provides further build-up to the totals and was subject to further examination.

The **basement** total equates to an all-in rate of £2,434/m2 of the 4,879 m2 GIA which is broadly in line with expectations. There are, however, a number of apparent anomalies in the build-up:

- The estimate includes both sheet piling and secant walls to the perimeter but there is no reinforced concrete lining wall
- The basement slab allowance is for only 2,650 m2
- There is very little allowance for structural frame and no allowance for the cover slab at ground level
- The fit out rate is £850/m2 which is very high for space largely providing car parking, bicycle storage and plant rooms

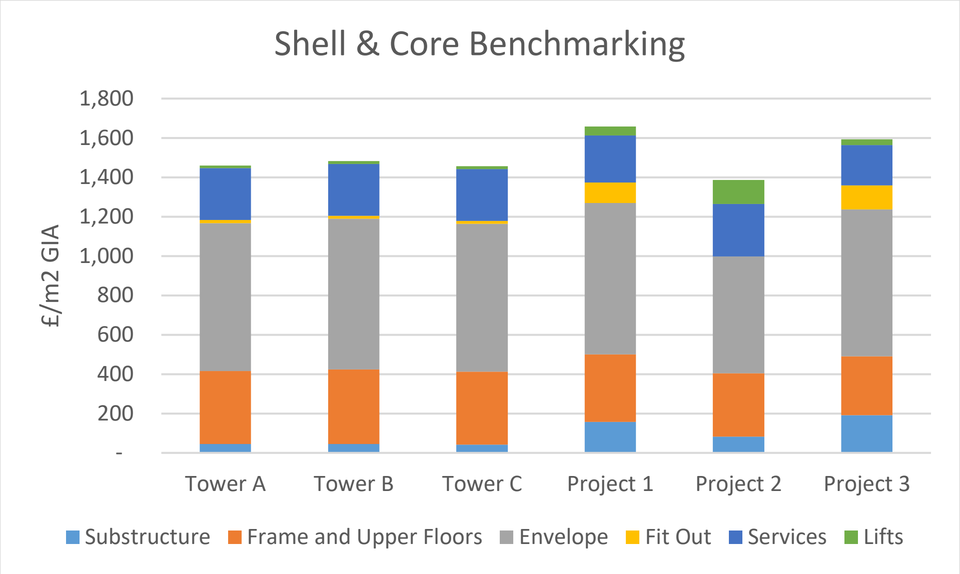
The **podium** total equates to £1,436/m2 of the 6,210 m2 GIA and is for shell and core only. The area excludes the residential cores and facilities from ground to level 03. For some reason it is slightly lower than the SEW schedule of 6,261 m2 but the difference is minor and not a concern. The rate is higher than would normally be expected for shell accommodation under residential towers but there are a number of reasons for this:

- It includes an allocation of the substructure costs
- It includes auditorium construction including acoustic bearings, twin walls, transfer structures, steelwork etc

By contrast, there is no allowance for the podium roof (included elsewhere, the façade allowance is fairly modest at £750/m2 as is capped off services at £35/m2.

The total podium estimate rev b has reduced by £2,891,000 due to the correction of an arithmetical error in the previous allowance for builder's work in connection with services.

The **residential shell** total equates to £1,469/m2 of GIA which is not unreasonable. The RPS area is slightly greater than SEW which compensates for the podium. The elemental build up is also generally reasonable, the key component is the façade which is included at an all-in rate of £1,200/m2 which may be tight given the external structural features and articulation. The following chart compares the costs of the 3 towers with V&S historic data on an elemental basis. Whilst the substructure and fit-out costs are low (due to allocation elsewhere) the lift allowances are extremely low as they are priced at only £110,000 each.



The **residential fit out** costs are mainly to the apartments which equate to £1,100/m2 of NIA including wintergardens. This is perhaps on the high side in comparison with schemes of a similar target sales value. The total also includes landlord areas at £750/m2 and plant at £1,800/m2 which are also rather higher than might be expected although the areas they have been applied to appear to be around 50% of what is required including the podium levels.

The **abnormals** allowances include a number of lump sums:

- Site clearance allowance £750,000 generally based upon the overall plot area for the phase at a rate of £50/m2. This is on the robust side for breaking out hardstandings etc but there is no separate allowance for demolishing existing buildings.
- Contamination/breaking out obstructions is included at £1.5m. RPS note that the total allowance equates to around 2% of the total construction cost. It is clearly a significantly higher % of the basement and substructure costs and appears on the conservative side.
- Dewatering is £500,000 which is around £100/m2 of the basement area. Ground water level is understood to be around 4 – 5 m below existing ground level and with basements up to around 10m deep water management will definitely be a requirement.
- Attenuation allowance of £50,000 is considered modest for a development of this size.
- Substations are included at £150,000 each which is not unreasonable.
- £500,000 is included for connections to the energy centre and whilst the strategy is not fully known this is not considered an unreasonable provision for 600 units plus commercial etc.
- Envac waste disposal allowance of £2,000,000 equates to an average of around £3,333 per apartment which is not unreasonable.

The **External works** total allowance of £400,000 (rounded) includes the following:

• Structure to basement and podium roofs	£1,620,000
• Hard pavings - Ground Floor	£963,225 (£285/m2)
• Hard pavings – Podium	£190,600 (£156/m2)
• Planting	£187,146 (104/m2)
• Furniture/Play Features	£462,850
• Fencing	£30,000

- Lighting £400,000
- Drainage £78,500

The general rates and overall allowances are not considered unreasonable for a development of this nature.

RPS have included **preliminaries** at 16% and overheads and profit at 5.5%. The combined and compounded uplift is around 22% which is not considered excessive for projects of this nature with difficult access and logistical issues to contend with including the proximity of road and rail infrastructure.

Contingencies are included at 5% which is not unreasonable.

Phase 2 - 5

The estimates for future phases are set out in a similar manner to phase 1 masterplan summary. Other than phase 2 which RPS have adjusted to include Guild House, the adjustments from the rev A estimate relate to a reduction in the rate for the basements and minor adjustment of areas. These now generally accord with the SEW schedule other than for podium level residential ancillary space as noted above.

Basements are based on the GEAs provided by SEW at a rate of £2,000/m2 (reduced from £2,100/m2 in rev A). This is lower than the £2,313/m2 which can be derived from the total cost and GEA for phase 1. This is counter-intuitive as these basements have a second level. There is a further relatively small allowance for piling to tower cores but the cost is not of great significance.

The shell and core of the **podium** is again based on the Class E GEA from the SEW schedule and is included at £1,500/m2 which is similar to phase 1 and not unreasonable. There appears to be no allowance for C3 ancillary accommodation at podium level which amounts to 26,083 m2. Whilst this is potentially a significant 'missing' element, the quantity for phases 3, 4 and 5 appears particularly high at &% - 11% of the total C3 space. Phase 1 is only 4%.

As noted above, the estimate rev B costs for phase 2 have increased to include **Guild House**. RPS have allowed refurbishment of existing space at £550/m2 GEA and new Cat A space at £1,650/m2 GEA. These are not considered unreasonable net of preliminaries, OH&P and contingency.

The **residential above ground** is based on target rates of £1,350/m2 of the GIA for shell and £1,200/m2 NIA for fit out. These are both lower than phase 1 at £1,469/m2 and 1,234/m2 respectively. It should be noted that whilst winter gardens are shown separately in the SEW area schedule for phase 1 they are included in the overall NIA for phase 2-5.

Abnormals allowances are generally based on the same principles as phase 1.

Phase 2 includes additional allowances of £500,000 for working within the proximity of the existing building and £1,000,000 for forming curved buildings. These equate to around £29/m2 of the residential tower GIA which is not considered unreasonable.

Phase 3 includes £12,000,000 for fitting out 'swimming pool/changing rooms etc. It equates to around £1,000/m2 of the leisure facility which is not unreasonable.

The RPS **external works** allowance is based on £59/m2 of the GIA which is the same as phase 1. Whilst the scope of works varies considerably between phases, this is not considered a wholly unreasonable assumption at this stage

POTENTIAL COST ADJUSTMENTS

Whilst the review has identified a number of anomalies in the detailed estimate for phase 1 the overall rate compares reasonably with other projects and the highs and lows are considered to balance as 'swings and roundabouts'.

The approach to the later phase costs is also considered generally reasonable but the apparent omission of a significant quantity of C3 ancillary accommodation at podium level is a potential cause for concern. The cost may be mitigated by rationalisation of the quantum or alternatively by reductions to generous allowances for abnormal costs for contamination and breaking out obstructions.

CONCLUSION

RPS Rev B Estimated Construction Cost Total (4Q2020) is £1,289,900,000.

Based on the above analysis we consider that the total is not unreasonable for financial viability purposes and would not propose any adjustment at this stage.

It should be noted that whilst some issues have been raise with Newsteer, no contact has been made with RPS, they have not had sight of this report not the opportunity to respond.

In accordance with RICS professional standards and guidance 'Financial viability in planning: conduct and reporting' 1st edition, May 2019, this report has been prepared and the author has acted with objectivity, impartially, without interference and with references to all appropriate available sources of information.

Roger Flexman BSc (Hons) MRICS

Veale & Sanders

Chartered Quantity Surveyors

26/05/21
G120/83 - RJF

Appendix 7 – Development Finance Costs

GERALDEVE

Development Finance Rates

April 2021

Finance Costs

1.1 The finance rate applied in the appraisals represents a total cost of capital in financing the Scheme. The rate that has been adopted represents the combined cost of both debt and equity financing. When broken down, the debt element of the cost of finance includes a margin and risk premium above a 5-year swap rate. The equity element should in theory reflect an equity return which when combined with the debt element sums to the weighted average cost of capital (WACC). The equity element of the finance cost is also considered in view of the development return, which is the amount of profit a scheme is producing. It follows that to avoid double-counting, the finance cost should broadly consist of debt finance plus a margin to reflect the more costly equity whilst the developer return is reflected in the development profit.

1.2 Business School (formerly Cass) Commercial Real Estate (CRE) Lending Report Mid-Year 2020 (formerly conducted by De Montfort) collates a sample of the conditions under which lenders offer development finance.

1.3 The survey which has been running for twenty years comments on the changes in the commercial real estate lending cycle over the period since 1999 as follows:

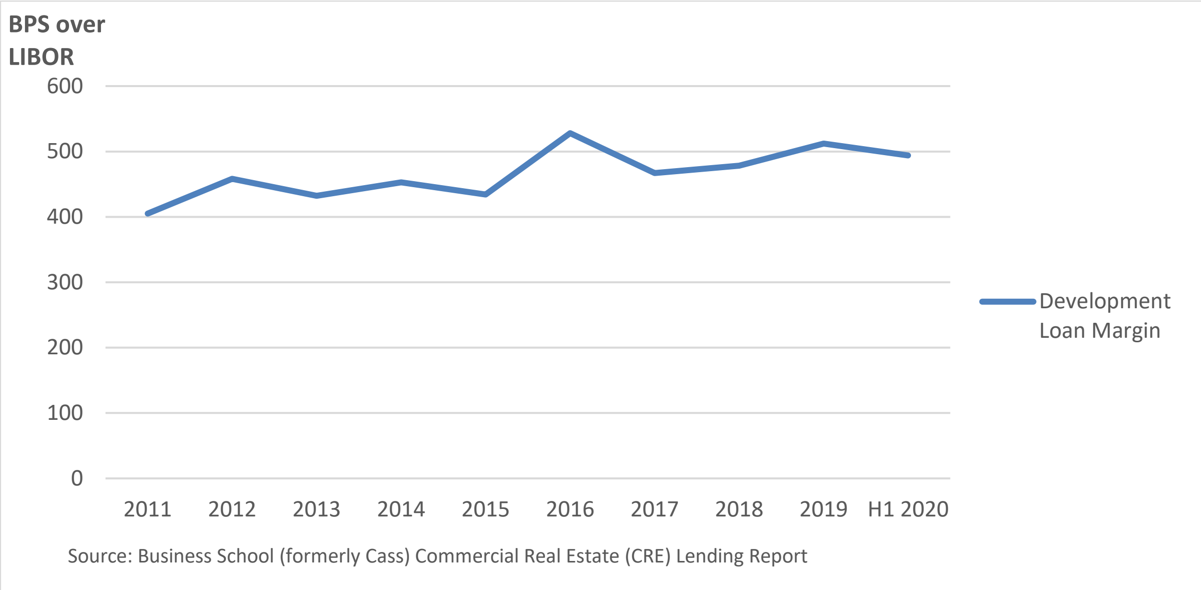
- Throughout the 20 years that the survey has been operating there has been a strong correlation of 2:1 between real estate transactions and loan origination. In other words, for every £1 in real estate transactions 50p is generated in loan origination.
- The survey notes that there appears to be no enduring connection between transaction volumes and the “health” of the market, measured in terms of movements in capital values.
- The exception to this norm is seen in the years leading up to and even through the start of the market crisis during which loan origination significantly exceeded the level that could be expected from market activity and continued even whilst capital values fell.
- The result of the extreme lending market was a wave of loan defaults which peaked in 2012 and only returned to normal levels by 2016 approximately ten years after capital values reached their highest levels.
- The Mid-Year 2020 survey reports a 34% YoY fall in property transactions and loan originations in H1 2020. This was a second consecutive year of declining investment and debt transactions.

1.4 A minority of the lenders surveyed are actively targeting development lending with fewer lenders yet targeting speculative schemes and residential development. Development lending margins have been increasing since 2015 which was the lowest point since before 2008. Margins are now considered high when compared to both pre-2008 levels and the period from 2010 to 2015. The survey speculates that the sentiment surrounding Brexit could be the cause for the further increase in lending margins during 2019. Even residential developments have been subject to an increase in lending margins which have increased by 34 bps during 2019. The exception to the increase is fully pre-let schemes.

Banks				
	LTC %	**Margin bps**	**Upfront fee bps**	**Exit fee bps**
Commercial Pre-let	40-85	250-450	100-230	100-150
Commercial partial pre-let	40-80	275-500	100-150	150-200
Commercial speculative	45-60	300-375	100-125	125-300
Residential development	40-85	275-750	100-150	100-200
Debt Funds				
	LTC %	**Margin bps**	**Upfront fee bps**	**Exit fee bps**
Commercial Pre-let	50-90	325-1200	100-155	100-200
Commercial partial pre-let	50-90	400-1200	100-150	150-200
Commercial speculative	55-80	450-1300	100-150	150-200
Residential development	50-90	300-1300	100-150	100-200

Source: Business School (formerly Cass) Commercial Real Estate (CRE) Lending Report MY2020

Chart 1: All Lenders Residential Development Lending Margin



1.5 According to Business School, pre-let development margins can start from 250 bps for LTC levels of 40 – 85% and from 300 bps for speculative schemes. For residential schemes margins can start from 275 bps.

1.6 The UK CRE lending market has seen a rising number and range of lenders. These include new small debt funds launched by asset management firms and less conventional lending channels such as peer-to-peer lending by pension funds and to a limited extent crowdfunding platform for both investment and development loans.

1.7 Given that senior debt is generally offered at 50% to 90% of cost of development projects, the remainder of project financing will, in most cases, be comprised of equity and in some cases varying levels of junior debt, mezzanine debt.

1.8 Junior debt and particularly mezzanine debt are typically provided by specialist platforms, and a lack of available research exists as to average lending criteria. The IPF, for example, states that “mezzanine finance is not a product that many banks provide” and “this type of finance is typically associated with projects funded on a profit share basis”.

1.9 Given the lack of available research and idiosyncratic nature of subordinate debt arrangements for real estate development funding, we have omitted this from our assessment of the market rate for development finance. The remaining project cost not provided by senior debt is therefore assumed to be equity financed.

1.10 The Bank of England raised interest rates in 2017 and 2018 from the historic low of 0.25% to the 0.75%. In response to the COVID-19 pandemic, the Bank of England cut interest rates to a new and unprecedented low of 0.1%.

1.11 The impact of COVID-19 on the future availability and cost of finance remains subject to material uncertainty. The Business School survey reports that "following five years of stability, political changes and the economic effect of COVID have started a new downward cycle."

1.12 The Mid-Year 2020 survey reports low default levels but warns that experience from the 2008 recession indicates that the impact of the pandemic will only become clear after a further 6-12 months. Following the GFC defaults only peaked in 2010/11.

1.13 Considering the market uncertainty, we have adopted a total cost of capital for financing the Scheme of 6.50%. The total cost also takes into account arrangement, monitoring and related fees.

1.14 This finance rate is subject to a higher degree of uncertainty than usual and therefore we recommend that this is kept under review. We also reserve the right to revise this figure should more evidence come to light.

Table 2: Finance rate adopted

Description	Allowance
Finance Rate	6.50%

Source: Gerald Eve

Appendix 8 – Benchmark Land Value

Benchmark Land Value (BLV)

Introduction

1.1 This section sets out the underlying basis of the adopted Benchmark Land Value (BLV). Our views are formed having regard to the NPPF, the NPG, AH&V SPG, RICS Guidance Note 'Financial Viability in Planning' published August 2012 (RICS GN) and the RICS Professional Statement 'Financial Viability in Planning: conduct and reporting' published in May 2019 (effective September 2019).

Viability Guidance

1.2 In relation to Viability Guidance as set out in Section 5 of this report and the mandatory requirements of the RICS Professional Statement, we looked to establish the following values:

i **Current use value –** CUV, referred to as EUV or first component in the NPG (see paragraph 015 reference ID: 10-015-20190509).

ii **Premium** – second component as set out in the NPG (see paragraph 016 reference ID: 10-016-20190509)

iii **Market evidence** as adjusted in accordance with the NPG (see PPG paragraph 016 reference ID: 10-016-20190509)

iv **All supporting considerations, assumptions and justifications adopted** including valuation reports, where available (see NPG paragraphs 014 reference ID: 10-014-20190509; 015 reference ID: 10-015-20190509; and 016 reference ID: 10016-20190509)

v **Alternative use value as** appropriate (market value on the special assumption of a specified alternative use; see NPG paragraph 017 reference ID: 10-017-20190509).

1.3 The BLV in accordance with the NPG, therefore comprises the EUV of the site (component 1) and an appropriate premium to the landowner to reflect the return a reasonable land owner would be willing to sell their land, whilst allowing for a sufficient contribution to comply with policy requirements (component 2). In accordance with NPG the Benchmark Land Value (BLV) or Site Value should reflect a combination of these two elements.

1.4 **Existing Use Value (EUV) (Component 1)**

1.5 NPG at paragraph 015 indicates that EUV can reflect the land in its existing use. In this instance the Site has multiple planning uses across the site including industrial, residential and commercial and the Site would require planning consent for any alternative uses at each building if not used under its associated lawful use.

1.6 **Premium to the Landowner (Component 2)**

1.7 NPG at paragraph 016 indicates that establishing a reasonable premium to the landowner is an iterative process informed by professional judgement and must be based upon the best available adjusted market evidence.

1.8 Furthermore, the RICS GN outlines that it is essential to have regard to sales prices of comparable development sites, para 3.16 states:

"The importance…of comparable evidence cannot be over-emphasised, even if the supporting evidence is very limited, as evidenced in Court and Land Tribunal decisions."

Alternative Use Value

1.9 NPG at paragraph 017 provides guidance for undertaking an alternative use value (AUV) on the basis that there is a planning permission or reasonable prospect of planning permission being granted, and a demand for such a scheme can be demonstrated.

Affordable Housing and Viability SPG

1.10 The AH&V SPG indicates a preference to an EUV plus method with the plus varying to reflect the specifics of the scheme. The SPG notes that the Market Value and Alternative Use Value should reflect planning policy and in the case of the alternative use, to be deliverable it should fully comply with development plan policies.

1.11 At paragraph 3.43 the AH&V SPG states:

"The 'Existing Use Value plus' (EUV+) approach to determining the benchmark land value is based on the current use value of a site plus an appropriate site premium……. A premium is usually added to provide the landowner with an additional incentive to release the site, having regard to site circumstances."

1.12 For the alternative use value, paragraph 3.51 states:

"*alternative use value' (AUV) approach it must fully reflect policy requirements. Generally, only accept the use of AUV where there is an existing implementable permission for that use. Where there is no existing implementable permission, the approach should only be used if the alternative use would fully comply with development plan polices, and if it can be demonstrated that the alternative use could be implemented on the site in question and there is market demand for that use."*

1.13 In relation to what the Mayor terms 'market value approach', paragraph 3.49 states:

".... Market land transactions used must be fully evidenced and justified as being genuinely comparable and consistent with the methodology applied in the viability assessment…."

Site Value Approach

1.14 By using a number of methods to assess Site Value, a range can be generated, and consideration can then be made to what a reasonable landowner would be willing to sell their land.

1.15 We have assumed the Site is free of any encumbrances, or restrictions on title which would adversely affect the value.

Appendix 9 – Existing Use Value – Residential Uses

EUV – Residential Element

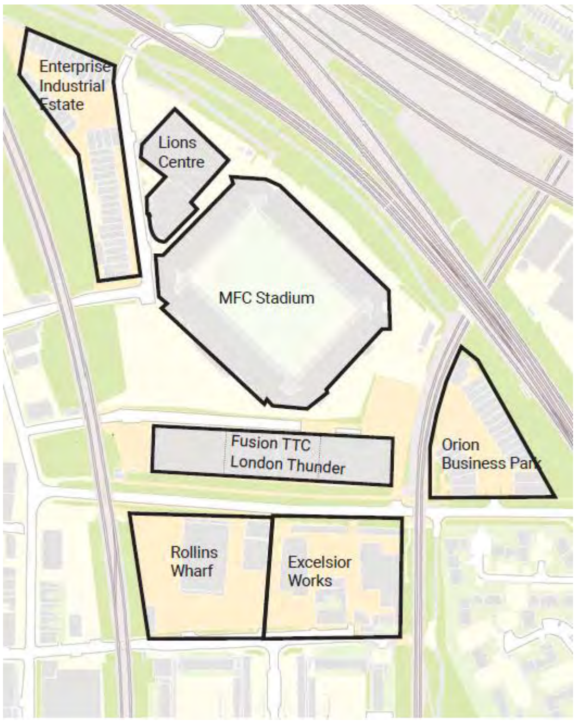
1. It is our understanding that the residential proportion of the Applicant's EUV is 5.48% (a value of £3.98m of the total EUV of £72.62m).
2. The residential units within the application site are contained within Rollins House and Bridge House and comprise dwellinghouses within Rollins House, and houses in multiple occupation (HMOs) within Bridge House.
3. The existing residential accommodation onsite is as follows:

   Bridge House

   - Two storey house divided into seven bedsits (two with private kitchen/bathroom and five sharing communal facilities)

   Rollins House

   - Unit B - 1st floor accommodation used as live/work space (to be retained)
   - 13-20 - Ground floor with eight one bed flats (to be retained)
   - 1-12 - Modern block to the rear with 12 flats (to be demolished)
   - Unit C - Modern block to the east used as live/work accommodation with one bed unit on ground floor, and three bed maisonette on 1st-2nd floors (to be demolished)
   - Unit D – A two bed house set over 3 floors (to be demolished)
4. The map below displays the existing site layout; Rollins House is the block shown in the central southern part of the Excelsior Works, and Bridge House is situated to the south east of the Excelsior Works.



Source: Studio Egret West

5. The Advisor's valuation approach for the residential units was to capitalise the units' rental values using comparable evidence, with reference also made to values achieved on existing flats in the local area such as Bridge Meadows Estate.
6. Nos 13-20 and Unit B of Rollins House have not been included in the EUV which we understand is due to the fact that they are to be retained within the proposed development. We agree with this approach, whereby value is not placed on these units for either the EUV or Residual values.
7. We discuss the Advisor's adopted values together with our review in turn below.

Bridge House, Rollins Street

8. Bridge House is situated 0.5 miles from South Bermondsey railway station. The property comprises five bedsits (HMO) with shared kitchen and bathroom facilities, and two self-contained studio flats which have their own kitchen and shower rooms.
9. The Advisor has applied different values to each type of unit within the building, which are as follows:

Type	Advisor's Adopted Monthly Rental Value	Advisor's Adopted Gross Yield
Bedsit	£650	8%
Studio Bedsit	£953	

10. The Advisor has based their assumptions on HMO transactional evidence. A summary of their comparable evidence is included below.

Address	Sale Date	Sale Price	Gross Yield	Monthly Rental Value (per room)	Location	GE Comments
178 Whippendall Road, Watford	Sept 2018	£400,000	8%	£445	0.7 miles from Watford Underground Station ('US')	6 bed HMO, dated transaction.
The Ridgeway, Acton	Oct 2018	£600,000	8%	£800	0.2 miles from Acton Town US	5 bed HMO, superior location and dated transaction.
49 Cobbold Road, Willesden	Feb 2019	£406,500	8.27%	£466	0.5 miles from Dollis Hill US	6 bed HMO.
20 Clarendon Rise, Lewisham	Nov 2019	£568,000	7.39%	£583	Lewisham	6 self-contained apartments. Discount as sold with planning permission for conversion into 3 flats.
49 Kingsgate Road, Kilburn	Dec 2020	£928,000	8.04%	£885	0.4 miles from Kilburn High Road Station	7 bed HMO (incl. 1 studio bedsit). Rental value may be skewed as no differentiation given for studio.

11. As set out within the table above, we consider that 20 Clarendon Rise should be discounted from the comparable evidence as it was sold with planning permission which will have inflated the value given the development potential. This is reflected in the lower yield in comparison with the other HMO transactions.
12. We consider that less weighting should be placed on The Ridgeway given its superior location to Bridge House, as it is in close proximity to an underground station.
13. We have conducted some further research and have found the following additional HMO comparable evidence:

Address	Sale Date	Sale Price	Gross Yield	Monthly Rental Value (per room)	Location	GE Comments
56 Cranbrook Park, Wood Green	May 2018	£705,000	8.85%	£922	0.2 miles from Wood Green US	5 studio flat HMOs.
36 Frederick Place, Plumstead	June 2020	£525,000	9.39%	£684	0.5 miles from Woolwich Arsenal Station	6 bed HMO.
79 Fairlop Road, Leytonstone	Feb 2020	£1,035,000	8.26%	£713	0.2 miles from Leytonstone US	10 bed HMO.

14. 56 Cranbook Road is slightly dated but gives a better indication of the value difference between studio bedsits, and bedsits with shared facilities, as the property solely contains studio bedsits. This supports the Advisor's adopted value for studio bedsits which had not been supported in their evidence base and which yield higher rates than the bedsits with shared facilities.
15. We have not been able to inspect the property internally and have therefore assumed the units to be in a reasonable condition.
16. Given Bridge House's location in terms of connectivity to transport connections, those properties of similar distance (circa 0.5 miles) from transport nodes are considered most comparable, where a yield of 8% is supported.
17. In terms of the studio bedsits, the most comparable transaction is at 56 Cranbrook Road which comprises all studio bedsits and therefore enables us to understand the difference in value between bedsits and studios, where other transactions do not. This represented a monthly value per room of £922 which is slightly lower than the Advisor's proposed rate of £953, however given the dated nature of the comparable we have accepted the rate in this instance.
18. Given our review of the Advisor's comparable evidence, and having conducted further research ourselves, we would agree with the Advisor's assumptions for the HMO rental levels and yield.

Rollins House, Rollins Street

19. Rollins House is situated next door to Bridge House, and is 0.6 miles from South Bermondsey railway station. The parts of Rollins House to be demolished, and therefore included within the EUV, comprise a modern block with 12 flats (Flats 1-12), two units of live-work accommodation within Unit C and a two-bed house within Unit D.
20. The Advisor has adopted different values for each unit type, as summarised within the table below. The Advisor has valued the units by capitalising the rental value, and where we have reviewed the capital value this provides, we have sense checked this figure with other recent transactions of the same unit type.

Type	Advisor's Adopted Monthly Rental Value	Advisor's Adopted Gross Yield	Advisor's Adopted Market Value
Flats 1-12 Rollins House			
Studio	£953	7%	£175,000
2 Bed	£1,430		£280,000
3 Bed	£1,625		£310,000
Unit C Rollins House			
1 Bed	£1,170	6.17%	£240,000
3 Bed	£1,820		£335,000
Unit D Rollins House			
2 Bed	£1,430	6.17%	£285,000

Flats 1-12 Rollins House

21. This part of Rollins House comprises eight studio flats, two two-bed flats and three three-bed flats and forms the northern block of Rollins House.
22. The independent market value of each type of unit has been reported in the table above, although the total capital value for the building adopted represents a 10% discount of the cumulative market value of the units to allow for the bulk investment purchase of 12 units. We would agree with this approach.
23. The comparable evidence used by the Advisor is of units within apartment blocks dated circa 15-30 years old. We have relied upon the photographs provided by the Advisor for this block which show that the property is of a similar age and therefore, in most cases we would agree with the comparable evidence provided by the Advisor.
24. However, despite there being eight studio flats and three three-bed flats, no comparable evidence to support the adopted values for either of these unit types has been submitted by

the Advisor. Furthermore, evidence has only been provided, and values based on, the adjacent Bridge Meadows Estate which we consider to be too small a sample.

25. We have therefore conducted further comparable evidence to inform our review of the adopted values for each unit type, as summarised within the table below.

Address	Sale Date	Sale Price	£ per sqft	Location
Studio				
Flat 17, Thompson House, John Williams Close, New Cross	July 2019	£212,500	£638	0.7 miles from South Bermondsey and New Cross Gate stations.
Flat 1, Redrup House, John Williams Close, New Cross	June 2019	£220,000	NKN	0.7 miles from South Bermondsey and New Cross Gate stations.
100 Water Lane, New Cross	June 2020	£195,000	£587	0.8 miles from New Cross Gate and Queens Road Peckham stations.
Flat 1, Dalton House, John Williams Close, New Cross	June 2020	£220,000	£694	0.7 miles from New Cross Gate station.
Flat 21, Barnes House, John Williams Close, New Cross	Dec 2019	£195,000	NKN	0.7 miles from New Cross Gate station.
2 Bed				
96 Sterling Gardens, New Cross	June 2019	£332,500	£534	0.5 miles from New Cross Gate station.
Flat 66, Juniper House, Pomeroy Street, Peckham	Dec 2020	£340,000	£546	0.4 miles from Queens Road Peckham station.
Flat 12, Smikle Court, Hatcham Park Mews, New Cross	Sept 2020	£360,000	£536	0.4 miles from New Cross Gate station.
Flat 9, Smikle Court, Hatcham Park Mews, New Cross	April 2020	£335,000	£496	0.4 miles from New Cross Gate station.
Flat 14, Glastonbury Court, Farrow Lane, New Cross	Sept 2019	£408,000	£643	0.7 miles from Queens Rod Peckham and New Cross Gate stations.
Flat 47, Barry House, Rennie Estate, South Bermondsey	Dec 2020	£317,000	£337	0.3 miles from South Bermondsey station.
15 Holywell Close, South Bermondsey	Oct 2020	£345,000	£408	0.3 miles from South Bermondsey station.
3 Bed				
Flat 3, Juniper House, Pomeroy Street, New Cross	Feb 2020	£355,000	£484	0.4 miles from Queens Road Peckham station.
1 Lubbock Street, New Cross	Oct 2020	£340,000	£381	0.5 miles from New Cross Gate station.
Flat 4, Tralee Court, Masters Drive, South Bermondsey	May 2020	£443,000	£449	0.4 miles from South Bermondsey station.

26. The Advisor’s adopted figures are lower than that presented by the comparable evidence, however given that they are broadly in a less accessible location, and given the low quality

condition of the units as stated by the Advisor, we would agree with the values placed on each unit type for this part of Rollins House.

Units C & D Rollins House

27. Unit C comprises two residential units in total: a one-bed and a three-bed flat. The Advisor states that the units are of superior quality compared with Flats 1-12 Rollins House, which explains the higher values adopted by the Advisor. We cannot comment on the differences between these two parts of Rollins House as we have not been provided with evidence of the condition for each, so have relied upon the Advisor's statement on this.
28. The Advisor has provided comparable evidence for two-bed flats, however we note that Unit D is a self-contained house, comprising accommodation over three floors with reception room and open plan kitchen, two double bedrooms and two shower rooms.
29. We therefore have sense checked the adopted values for Unit D against 2-bed maisonettes and houses as well as the 2-bed flat comparable evidence provided by the Advisor.
30. In addition to our further comparables set out in the above table for the two and three bed units, we have included that for one bed units below.

Address	Sale Date	Sale Price	£ per sqft	Location
1 Bed				
Flat 6, Barkwith House, Cold Blow Lane, New Cross	Aug 2019	£235,000	£552	0.6 miles from New Cross Gate station.
6 Bridge Meadows, South Bermondsey	June 2019	£250,000	£595	0.5 miles from South Bermondsey station.
36 Sterling Gardens, New Cross	April 2019	£246,500	£572	0.6 miles from New Cross Gate station.
Flat 23, Filton Court, Farrow Lane, New Cross	Nov 2020	£250,000	£511	0.7 miles from Queens Road Peckham station.
37 Water Lane, New Cross	Sept 2020	£280,000	£558	0.8 miles from New Cross Gate and Queens Road Peckham stations.
Flat 2, Filton Court, Farrow Lane, New Cross	June 2020	£255,000	£538	0.7 miles from Queens Road Peckham station.
72 Sterling Gardens, New Cross	May 2020	£275,000	£681	0.6 miles from New Cross Gate station.

31. We would note that for all unit types the Advisor's proposed values are closer to those presented within our comparable research than for Flats 1-12 Rollins House, which we would attribute to the units being in better condition, as stated by the Advisor.
32. We therefore agree with the proposed values within Units C and D Rollins House which are broadly in line with comparable evidence.

Appendix 10 – Argus Appraisal Summary

New Bermondsey
Financial Viability Assessment

Development Appraisal
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14 September 2021

New Bermondsey
Financial Viability Assessment

Appraisal Summary for Merged Phases 1 2 3 4 5

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
P1 - Private Residential	1	280,257	802.53	224,914,650	224,914,650
P1 - Affordable Residential	1	140,113	269.80	37,802,487	37,802,487
P1 - Auditorium	1	36,404	294.61	10,725,000	10,725,000
P1- Car Parking	24	0	0.00	30,000	720,000
P1 - Existing Use Rental Income	1	0	0.00	6,287,541	6,287,541
P1 - Existing Use Rental Income (pre-construction)	1	0	0.00	1,834,837	1,834,837
P2 - Private Residential	1	279,677	842.66	235,672,621	235,672,621
P2 - Affordable Residential	1	152,590	272.08	41,516,687	41,516,687
P2 - Car Parking	84	0	0.00	30,000	2,520,000
P2 - Existing Use Rental Income	1	0	0.00	4,364,391	4,364,391
P3 - Private Residential	1	245,127	882.78	216,393,213	216,393,213
P3 - Affordable Residential	1	133,740	274.36	36,692,906	36,692,906
P3 - Car Parking	77	0	0.00	30,000	2,310,000
P3 - Existing Use Rental Income	1	0	0.00	3,526,147	3,526,147
P4 - Private Residential	1	419,233	922.91	386,914,328	386,914,328
P4 - Affordable Residential	1	228,732	276.64	63,276,420	63,276,420
P4 - Car Parking	155	0	0.00	30,000	4,650,000
P4 - Existing Use Rental Income	1	0	0.00	1,795,517	1,795,517
P5 - Private Residential	1	505,172	963.04	486,500,843	486,500,843
P5 - Affordable Residential	1	275,620	278.92	76,875,930	76,875,930
P5 - Car Parking	130	0	0.00	30,000	3,900,000
Totals	**486**	**2,696,665**			**1,849,193,520**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
P1 - Retail (E)	1	5,344	30.00	160,320	160,320	160,320
P2 - Retail (E)	1	6,329	30.00	189,870	189,870	189,870
P2 - Employment	1	54,974	30.00	1,649,220	1,649,220	1,649,220
P3 - Retail (E)	1	3,864	30.00	115,920	115,920	115,920
P3 - Community	1	36,533	20.00	730,660	730,660	730,660
P3 - Leisure Centre	1	124,807	10.00	1,248,070	1,248,070	1,248,070
P4 - Retail (E)	1	61,645	30.00	1,849,350	1,849,350	1,849,350
P4 - Community	1	9,224	20.00	184,480	184,480	184,480
P5 - Employment	1	64,518	30.00	1,935,540	1,935,540	1,935,540
Totals	**9**	**367,238**			**8,063,430**	**8,063,430**

Investment Valuation

P1 - Retail (E)					
Market Rent	160,320	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,520,755
P2 - Retail (E)					
Market Rent	189,870	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,985,377
P2 - Employment					
Market Rent	1,649,220	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	25,931,132
P3 - Retail (E)					
Market Rent	115,920	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,822,642
P3 - Community					
Market Rent	730,660	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	11,488,365
P3 - Leisure Centre					
Market Rent	1,248,070	YP @	8.0000%	12.5000	
(11mths Unexpired Rent Free)		PV 11mths @	8.0000%	0.9319	14,538,196
P4 - Retail (E)					
Market Rent	1,849,350	YP @	6.0000%	16.6667	

New Bermondsey
Financial Viability Assessment

(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	29,077,830
P4 - Community					
Market Rent	184,480	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,900,629
P5 - Employment					
Market Rent	1,935,540	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	30,433,019
Total Investment Valuation					**121,697,944**
GROSS DEVELOPMENT VALUE				**1,970,891,464**	
Purchaser's Costs			(7,231,234)		
Effective Purchaser's Costs Rate		5.94%			
				(7,231,234)	
NET DEVELOPMENT VALUE				**1,963,660,230**	
NET REALISATION				**1,963,660,230**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (Negative land)			(8,576,469)		
				(8,576,469)	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
P1 - Private Residential	389,567	549.84	214,200,000		
P2 - Private Residential	360,880	563.62	203,400,000		
P3 - Private Residential	316,295	723.69	228,900,000		
P4 - Private Residential	540,948	555.51	300,500,000		
P5 - Private Residential	672,809	509.65	342,900,000		
Totals	**3,913,562 ft²**		**1,289,900,000**	**1,289,900,000**	
Land Assembly			7,051,000		
S106 (£3,500 per unit)			12,313,000		
CIL			46,921,342		
				66,285,342	
PROFESSIONAL FEES					
Professional Fees		8.00%	103,192,000		
				103,192,000	
MARKETING & LETTING					
Marketing		1.00%	15,503,957		
				15,503,957	
DISPOSAL FEES					
Sales Agent Fee - Private & Non Res		1.00%	16,751,492		
Sales Agent Fee - Affordable		0.50%	1,290,709		
Sales Legal Fee - non resi & privat			1,371,600		
Sales Legal Fee - Affordable		0.25%	640,411		
				20,054,211	
FINANCE					
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)					
Total Finance Cost				126,088,330	
TOTAL COSTS				**1,612,447,371**	
PROFIT					
				351,212,859	
Performance Measures					
Profit on Cost%		21.78%			
Profit on GDV%		17.82%			
Profit on NDV%		17.89%			
Development Yield% (on Rent)		0.50%			
Equivalent Yield% (Nominal)		6.24%			
Equivalent Yield% (True)		6.49%			

New Bermondsey
Financial Viability Assessment

IRR% (without Interest)	12.52%
Rent Cover	43 yrs 7 mths
Profit Erosion (finance rate 6.500)	3 yrs 1 mth

New Bermondsey
Financial Viability Assessment
Growth Rate Scenario w/ IRR

Development Appraisal
Licensed Copy
16 September 2021

APPRAISAL SUMMARY — LICENSED COPY

New Bermondsey
Financial Viability Assessment
Growth Rate Scenario w/ IRR

Appraisal Summary for Merged Phases 1 2 3 4 5

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
‡ P1 - Private Residential	1	280,257	802.53	224,914,650	224,914,650
P1 - Affordable Residential	1	140,113	269.80	37,802,487	37,802,487
P1 - Auditorium	1	36,404	294.61	10,725,000	10,725,000
‡ P1- Car Parking	24	0	0.00	30,000	720,000
P1 - Existing Use Rental Income	1	0	0.00	6,287,541	6,287,541
P1 - Existing Use Rental Income (pre-construction	1	0	0.00	1,834,837	1,834,837
‡ P2 - Private Residential	1	279,677	842.66	235,672,621	235,672,621
P2 - Affordable Residential	1	152,590	272.08	41,516,687	41,516,687
‡ P2 - Car Parking	84	0	0.00	30,000	2,520,000
P2 - Existing Use Rental Income	1	0	0.00	4,364,391	4,364,391
‡ P3 - Private Residential	1	245,127	882.78	216,393,213	216,393,213
P3 - Affordable Residential	1	133,740	274.36	36,692,906	36,692,906
‡ P3 - Car Parking	77	0	0.00	30,000	2,310,000
P3 - Existing Use Rental Income	1	0	0.00	3,526,147	3,526,147
‡ P4 - Private Residential	1	419,233	922.91	386,914,328	386,914,328
P4 - Affordable Residential	1	228,732	276.64	63,276,420	63,276,420
‡ P4 - Car Parking	155	0	0.00	30,000	4,650,000
P4 - Existing Use Rental Income	1	0	0.00	1,795,517	1,795,517
‡ P5 - Private Residential	1	505,172	963.04	486,500,843	486,500,843
P5 - Affordable Residential	1	275,620	278.92	76,875,930	76,875,930
‡ P5 - Car Parking	130	0	0.00	30,000	3,900,000
Totals	**486**	**2,696,665**			**1,849,193,520**

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale
P1 - Retail (E)	1	5,344	30.00	160,320	160,320
P2 - Retail (E)	1	6,329	30.00	189,870	189,870
P2 - Employment	1	54,974	30.00	1,649,220	1,649,220
P3 - Retail (E)	1	3,864	30.00	115,920	115,920
P3 - Community	1	36,533	20.00	730,660	730,660
P3 - Leisure Centre	1	124,807	10.00	1,248,070	1,248,070
P4 - Retail (E)	1	61,645	30.00	1,849,350	1,849,350
P4 - Community	1	9,224	20.00	184,480	184,480
P5 - Employment	1	64,518	30.00	1,935,540	1,935,540
Totals	**9**	**367,238**			**8,063,430**

Investment Valuation

P1 - Retail (E)					
Market Rent	160,320	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,520,755
P2 - Retail (E)					
Market Rent	189,870	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,985,377
P2 - Employment					
Market Rent	1,649,220	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	25,931,132
P3 - Retail (E)					
Market Rent	115,920	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,822,642
P3 - Community					
Market Rent	730,660	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	11,488,365
P3 - Leisure Centre					
Market Rent	1,248,070	YP @	8.0000%	12.5000	
(11mths Unexpired Rent Free)		PV 11mths @	8.0000%	0.9319	14,538,196

P4 - Retail (E)

New Bermondsey
Financial Viability Assessment
Growth Rate Scenario w/ IRR

Market Rent	1,849,350	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	29,077,830
P4 - Community					
Market Rent	184,480	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,900,629
P5 - Employment					
Market Rent	1,935,540	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	30,433,019
Total Investment Valuation					**121,697,944**
GROSS DEVELOPMENT VALUE				**3,306,195,579**	
Purchaser's Costs			(7,231,234)		
Effective Purchaser's Costs Rate		5.94%			
				(7,231,234)	
NET DEVELOPMENT VALUE				**3,298,964,345**	
NET REALISATION				**3,298,964,345**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			86,655,561		
				86,655,561	
Agent Fee		1.00%	866,556		
Legal Fee		0.50%	433,278		
				1,299,833	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
‡ P1 - Private Residential	389,567	549.84	224,129,626		
‡ P2 - Private Residential	360,880	563.62	223,999,918		
‡ P3 - Private Residential	316,295	723.69	264,439,576		
‡ P4 - Private Residential	540,948	555.51	369,224,969		
‡ P5 - Private Residential	672,809	509.65	453,185,471		
Totals	**3,913,562 ft²**		**1,534,979,559**		
Land Assembly			7,051,000		
S106 (£3,500 per unit)			12,313,000		
CIL			46,921,342		
				1,601,264,901	
PROFESSIONAL FEES					
Professional Fees		8.00%	122,798,365		
				122,798,365	
MARKETING & LETTING					
Marketing		1.00%	28,733,148		
				28,733,148	
DISPOSAL FEES					
Sales Agent Fee - Private & Non Res		1.00%	30,104,533		
Sales Agent Fee - Affordable		0.50%	1,290,709		
Sales Legal Fee - non resi & privat			1,371,600		
Sales Legal Fee - Affordable		0.25%	640,411		
				33,407,253	
FINANCE					
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)					
Total Finance Cost				59,516,046	
TOTAL COSTS				**1,933,675,106**	
PROFIT					
				1,365,289,239	
Performance Measures					
Profit on Cost%		70.61%			
Profit on GDV%		41.29%			
Profit on NDV%		41.39%			

New Bermondsey
Financial Viability Assessment
Growth Rate Scenario w/ IRR

Development Yield% (on Rent)	0.42%
Equivalent Yield% (Nominal)	6.24%
Equivalent Yield% (True)	6.49%
IRR% (without Interest)	16.00%
Rent Cover	169 yrs 4 mths
Profit Erosion (finance rate 6.500)	8 yrs 3 mths

‡ Inflation/Growth applied

Growth on Sales		Ungrown	Growth	Total
P1 - Private Residential	Growth Set 1 at 5.000%	224,914,650	56,767,700	281,682,350
P1- Car Parking	Growth Set 1 at 5.000%	720,000	181,726	901,726
P2 - Private Residential	Growth Set 1 at 5.000%	235,672,621	97,408,971	333,081,592
P2 - Car Parking	Growth Set 1 at 5.000%	2,520,000	1,041,575	3,561,575
P3 - Private Residential	Growth Set 1 at 5.000%	216,393,213	125,953,536	342,346,749
P3 - Car Parking	Growth Set 1 at 5.000%	2,310,000	1,344,555	3,654,555
P4 - Private Residential	Growth Set 1 at 5.000%	386,914,328	364,268,956	751,183,284
P4 - Car Parking	Growth Set 1 at 5.000%	4,650,000	4,377,844	9,027,844
P5 - Private Residential	Growth Set 1 at 5.000%	486,500,843	678,519,944	1,165,020,787
P5 - Car Parking	Growth Set 1 at 5.000%	3,900,000	5,439,308	9,339,308

Inflation on Construction Costs		Uninflated	Inflation	Total
P1 - Private Residential	Inflation Set 1 at 2.000%	214,200,000	9,929,626	224,129,626
P2 - Private Residential	Inflation Set 1 at 2.000%	203,400,000	20,599,918	223,999,918
P3 - Private Residential	Inflation Set 1 at 2.000%	228,900,000	35,539,576	264,439,576
P4 - Private Residential	Inflation Set 1 at 2.000%	300,500,000	68,724,969	369,224,969
P5 - Private Residential	Inflation Set 1 at 2.000%	342,900,000	110,285,471	453,185,471

New Bermondsey
Financial Viability Assessment
Growth Rate Scenario w/ IRR

Adjustment	Net Sales
56,767,700	281,682,350
0	37,802,487
0	10,725,000
181,726	901,726
0	6,287,541
0	1,834,837
97,408,971	333,081,592
0	41,516,687
1,041,575	3,561,575
0	4,364,391
125,953,536	342,346,749
0	36,692,906
1,344,555	3,654,555
0	3,526,147
364,268,956	751,183,284
0	63,276,420
4,377,844	9,027,844
0	1,795,517
678,519,944	1,165,020,787
0	76,875,930
5,439,308	9,339,308
1,335,304,115	**3,184,497,634**

Initial MRV
160,320
189,870
1,649,220
115,920
730,660
1,248,070
1,849,350
184,480
1,935,540
8,063,430

New Bermondsey
Financial Viability Assessment
Growth Rate Scenario w/ IRR

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