Vauxhall, Nine Elms and Battersea Project Feasibility and Delivery Strategy

PRIVATE & CONFIDENTIAL

Draft Final Report

Date of Report: August 2010
Prepared on behalf of
London Borough of Wandsworth

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Executive Summary

This report was prepared for London Borough of Wandsworth (WBC) by Knight Frank and Gardiner & Theobald. Its main purpose is to examine the potential of development within the Vauxhall Nine Elms Battersea area to fund infrastructure through payment of S106 tariffs and other forms of contribution. It also briefly examines the impact of development on current business premises in the area and the scope for the Council to assist businesses and retain them in the area.

A more detailed study has been commissioned by a client team led by the GLA and including WBC (known as the Development Infrastructure Funding Study (DIFS) study). Our understanding is that this will estimate the cost of required infrastructure as well as setting out proposals for a tariff scheme to be adopted in the Opportunity Area Planning Framework (OAPF) using the proposed Scenario 5a. That study is to be completed after this report. Accordingly we have focussed on the impact of various levels of tariff and affordable housing provision on the viability of likely schemes within the area as well as the cashflow that could be generated from the tariffs over the plan period.

The financial model does not apply bespoke assumptions on a scheme-by-scheme basis. It has used blended average assumptions across the area in respect of values and costs, and largely has drawn floor areas from the **Strategic Housing Land Availability Assessment**: (SHLAA). So whilst the viability of individual schemes will vary depending on a number of factors (including land value, site specific costs, scale of development, etc.), overall we conclude at this stage that the 'tipping point' for viable schemes is in the region of £35-40 per sq ft tariff with a requirement of 20% affordable housing.

From the financial model, we have calculated that the cumulative planning tariff monies from the VNEB area over a fifteen year period could deliver in the region of £439m at a £20 psf rate, rising to £860m at a £40 psf rate. However, based on the figures gleaned from a report prepared on behalf of Transport for London (TfL) , it is unlikely that the Northern Line extension (NLE) can be funded through s106 contributions alone. Until the funding mechanism for this has been established, it is not possible to provide detailed comment on how monies can be applied to other infrastructure items proposed in the OAPF. (The report suggests a total cost for the NLE in excess of £2.5bn over a 33 year period including various on-going running costs, as well as finance costs).

It must therefore be a key priority to develop the initial report prepared for TfL (described as a high level initial report) in more detail in order to establish an agreed and deliverable structure and funding mechanism. The NLE is clearly the key infrastructure item for the area, particularly if the proposed mix of office and residential development is to be delivered. Until a deliverable option has been identified, it will be impossible to arrive at clear conclusions on the overall infrastructure package.

Executive Summary cont.

In the meantime, there are a number of active planning applications, or applications anticipated shortly. The Council will need to seek to maximise contributions from these as far as is possible under the current policy position. It should also seek where possible to secure major infrastructure items directly through individual developments, a good example of this being the proposed linear park.

The Council lacks the land ownership position within the area to enable it to directly influence development proposal contractually. However, its role as local planning authority is clearly of paramount importance and it will need to use this to influence the quality and mix of development coming forward and to secure appropriate planning contributions.

It also needs to play an essential role in using its influence on the overall process. At this stage we see it as key that public and private sector parties come together to progress the work on the NLE delivery – the current high level report provides a useful opening position but there is much work to be done on this before clear conclusions can be drawn. This will be the most influential factor on the ability of developments to deliver the remainder of the infrastructure and other facilities required to support the high density and mixed use development of the VNEB area.

The key actions for the Council in the short term are:

- To push for rapid progress on the delivery strategy for the NLE;
- To facilitate discussions between Treasury Holdings and TfL if it is apparent that this is the most likely option for delivery;
- Work closely with the GLA to ensure that policy is quickly finalised with transparent tariffs set at a level which can maximise contributions to the required infrastructure but does not disincentivise development;
- In the meantime, to maximise s106 receipts from early applications based on a sensible negotiating position around assessment of viability building on the financial modelling in this report as an evolution of the rates identified in the OAPF and pending the results of the DIFS;
- To continue to pro-actively bring forward pre-application discussions with major landowners and developers to explore the direct delivery of infrastructure items through individual schemes.
- To undertake a more detailed business relocation strategy, to put in place measures it is able to take to assist businesses to stay in the area and to fully publicise this.

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1 Introduction

London Borough of Wandsworth has appointed a team led by Knight Frank and also including Gardiner & Theobald to carry out an independent review of a number of aspects of the emerging Opportunity Area Planning Framework (OAPF) for the Vauxhall Nine Elms and Battersea (VNEB) area.

The brief for this instruction identified a number of key areas for us to focus on:

- Feasibility and deliverability – we have prepared a high level but comprehensive financial model to examine viability issues in the context of suggested infrastructure items;

- Pipeline Schemes – we have had the benefit of briefings from developers associated with a number of the key schemes in the area and these are reflected in our report and financial model;

- Value and Income Enhancement – the report examines the scope to drive enhanced quality within the OAPF area;

- Community Infrastructure – this area of the brief looks to concentrate on waste disposal and sustainable energy sources;

- VNEB Business Relocation Strategy – this is not a comprehensive strategy (which is to be commissioned separately) but we have undertaken a sample survey of businesses and provide a strategic overview; and,

- Delivery Strategy – we seek to draw some conclusions on the overall proposition from the area, further steps which need to be taken and the role which London Borough of Wandsworth (LBW) can play in successful delivery.

This project encompasses an area of 192 hectares with numerous development sites anticipated to be delivered over a period of 20-30 years. As such the level of detail which can be analysed is necessarily high level and this report must be considered as a strategic overview to assist LBW in its longer term role as a leading stakeholder, strategic partner and local planning authority.

We have had the benefit of a limited amount of work undertaken by other parties and have utilised information from these where appropriate. We have also provided a critique of key findings as they impact on the analysis provided in this report.

Some anticipated studies, particularly the Development Infrastructure Funding Study (DIFS) were not available to us and this does impact on the detail of the financial analysis, particularly in respect of the costing of key infrastructure items. We have provided explicit assumptions within our modelling which will enable the Council to review these as and when more information is available.

Finally, there is a significant concentration in this report on the Northern Line Extension (NLE) and Battersea Power Station. It is clear to us from our inception meetings with the Council and discussions with major developers that the former is the key item to fully realise the full potential of the VNEB area. It is also very significantly the most costly.

By the same token, Battersea Power Station is the largest single development, and its successful delivery, along with the planning and other contributions it will make its implementation probably the key determinant to the realisation of the ambitions of the VNEB Opportunity Area.

2 Feasibility and Deliverability – Principles

The Greater London Authority (GLA) has proposed to pursue a high density approach to the VNEB area, identified in the draft OAPF as a Revised Option 5. This option suggests outputs over the plan period as follows:

- 16,000 new homes – 1,120,000 sq m residential floorspace
- 20 – 25,000 jobs – 200,000 sq m mixed use employment, plus Battersea Power Station providing 60,000 sq m retail, 160,000 sq m office and 80,000 sq m mixed use employment.

Clearly a significant level of supporting infrastructure will be required for this level of development and we analyse this in some detail. The key item of infrastructure is the proposed extension of the Northern Line. We understand that TfL does not have the ability to fund this and accordingly the cost will need to be met through revenues generated as a result of the new development together with developer contributions.

Whilst LBW is clearly a key stakeholder in the VNEB area and will have an important governance role, as well as that of planning authority, we understand that it is not proposing to play an interventionist role. So, for example, it is not looking to utilise compulsory purchase powers to assemble sites or to take a contractual control over specific developments.

Accordingly the basis of our analysis is very much a market response to the available land and the emerging planning policy. It is underpinned by an extensive financial model which we describe further below.

As we indicated in the introduction, the GLA's DIFS study has not yet been completed. Our last indication of programme for this is that the team, led by Roger Tym & Partners, will be providing a draft final report on 9 August 2010. This does have an impact on this report, particularly in respect of specific infrastructure costing which has not been available to us as expected.

Accordingly our review of infrastructure cost has been taken from the preliminary costings in the draft OAPF. There is a limited amount of information on specification at this stage and in some cases no costs have been provided. In some cases we have been able to benchmark costs against similar infrastructure costs elsewhere, but for more specialist items we have relied on the costing currently available.

This does not impact on the outputs of the model per se. Within the model we have sought to analyse the impact of various levels of s106 contribution on scheme viability, carrying out sensitivity analysis on a number of assumptions but particularly on phasing and value growth. This illustrates the affordability of s106 tariffs at various levels and the amounts they will generate. We can then examine these figures against the menu of required infrastructure items. (More on this below).

We have reviewed the report prepared by Price Waterhouse Cooper (PwC) for TfL on the funding of the NLE and examine this alongside our conclusions from the financial analysis. This is clearly of fundamental importance and whilst that report is carefully caveated and considered to be a preliminary high level analysis, it does draw out some helpful conclusions as well as raising some fundamental questions which we examine further below.

2.1 The Financial Model

Probably the key question which the Council is seeking to examine is whether the area can 'afford' the level of infrastructure required by the OAPF. In simple terms, will a s106 tariff set at a level to secure the necessary funds result in individual schemes no longer being viable?

Clearly a tariff set out in policy can be considered as just a starting point in negotiating individual s106 contributions. Developers will justifiably bring viability into such negotiations and this may ultimately result in reduced contributions (or reduced affordable housing content) but this will always need to be considered in the context of necessary infrastructure deliverability.

The financial model itself is complex and in this report we have concentrated on providing summaries of the most pertinent analysis and conclusions.

2.2 Overview

The model links together individual appraisals of specific sites, the content of which is largely drawn from the **Strategic Housing Land Availability Assessment**: (SHLAA). This approach has been taken to provide consistency as opposed to utilising latest information on individual developers' proposals which may well just represent work in progress. (There are some exceptions which are referred to below.

A universal assumptions schedule feeds through to various appraisals so a uniform approach can be taken to rents, sales values, build costs etc and appropriate growth assumptions over time can be taken.

However, some of the major schemes have then been modified to take into account the more detailed information which we have been provided with. For example, Battersea Power Station is clearly a unique proposition and a standardised approach to build costs, for example, would inevitably be extremely inaccurate. In the context of this exercise, we consider that use of the build cost figures provided by Treasury Holdings represents the most appropriate/accurate approach.

It should be noted that a model of sufficient sophistication to accurately model the Battersea Power Station development is considerably beyond the scope of this study and so whilst it is included within our model we have had close regard to the analysis submitted with Treasury Holdings' planning application in drawing our conclusions.

It is understood that LBW and the GLA have commissioned BNP Paribas to undertake an economic viability assessment of the Power Station proposals and the study's findings would need to be considered when reviewing the findings of this report.

We considered a number of options for dealing with the planning tariff element of the analysis and its application to the specific items which it is looking to pay for. Ultimately, we have taken an approach whereby a fixed tariff per sq ft Gross Internal Area (GIA) is applied to each and every individual development. This enables us to output a cashflow of planning contributions over the plan period which can then be examined alongside the menu of infrastructure items. It also enables us to draw some broad conclusions as to the impact of various tariff levels of the viability of individual schemes.

Such a tariff can of course subsequently be converted into a 'per unit' figure for residential schemes if that is considered more appropriate. There is also an argument that a flat tariff across the area is wrong in that some schemes will be benefit more than others.

We do not find that argument entirely compelling. Aside from the exemption from a Crossrail levy which the VNEB area benefits from, the whole area will be uplifted by the delivery of key schemes. So, for example, while an individual residential scheme may claim no direct benefit from the NLE, actually the indirect benefit of its delivery enabling Battersea Power Station to go ahead will raise the profile, attractiveness, and ultimately value of the whole area.

2.3 Assumptions

At Appendix 1 we have included the master assumptions sheet which drives the individual appraisals. This should be self explanatory, setting out as it does our assumption for pricing of various types of residential unit, rents for office, retail space etc. and build costs for 'standard' developments.

In the case of the latter, whilst the appraisals are bespoke for a number of the larger schemes, across the majority of the remainder of the sites we have adopted a more generic approach based on the floor areas provided within the SHLAA. We have also applied standardised costs for individual schemes to encompass items such as parking and access, internal (i.e. within the site) landscaping, etc.

Whilst absolute financial outputs from planning tariffs are a key consideration here, so is the timing of their availability. Parties will not make payments in advance of implementation of schemes (or of phases within schemes) and so the availability of funds will not be immediate.

There are some schemes which already benefit from planning permission e.g. the US Embassy and a number of the Lambeth sites and others which appear to be well advanced. There is a danger that a number of these will all come forward at the same sort of time.

There is scope for flooding the market, particularly with residential units, if this approach is pursued. This could have a major impact on sales rates and achievable values, although it would have the benefit of earlier delivery of s106 monies. Our phasing seeks to reach a sensible compromise between 'proposed' start dates/programmes and sensible rates of delivery.

Finally, our analysis examines a range of levels of affordable housing content. We have made overall assumptions on the values to be achieved from social rented and from intermediate housing which is based on zero housing grant from the National Affordable Housing Programme and using a recognised affordable housing toolkit model. We understand that WBC are in preliminary discussions with the Housing and Communities Agency (HCA) regarding potential affordable housing investment reflecting the priority of VNEB for the Borough and London agencies. In the absence of firm proposals– and the uncertainty in respect to future public funding – we have decided to assume zero grant at this stage. Sensitivity has been applied to look at the impact of varying levels against an initial assumption of 15% affordable housing.

Whilst this is of course less than both LBW and the GLA target levels, we consider it presentationally more straightforward to examine the impact of incrementally increased tariffs and affordable housing levels starting at a lower base figure. The need to examine lower than target levels of affordable housing arises from the other significant infrastructure costs associated with the development scenario.

Affordable housing is of course an extremely important output for the opportunity area. However, it does also provide some ‘flexibility’ when it comes to viability. For example, as we increase the planning tariff assumption, some schemes will fall below the viability threshold. If the Council’s priority is infrastructure delivery (and particularly the NLE) it may be possible to bring these schemes back into viability by reducing the affordable housing content without impacting on the tariff contribution.

The judgement regarding the trade off between s106 and affordable housing requires a settled assessment of infrastructure costs and housing need (which goes beyond the scope of this study). Any final determination of the affordable housing delivered will also be dependent on the agreement that LBW reaches with the GLA and HCA in respect to their investment and other variables such as the balance of family units against smaller sized units and the balance of social rented housing to intermediate housing.

3 Feasibility and Deliverability – The Infrastructure Menu

The draft OAPF sets out a number of key infrastructure items. The most critical of these, and of course the highest cost, is the proposed extension to the Northern Line. However, there are a range of other requirements including other public transport, highways, schools, strategic open space, public realm, support for people to secure employment, and a new bridge across the Thames.

We understand that the DIFS study will be undertaking more detailed cost analysis on these items alongside its analysis of the required planning contributions to fund delivery. However, at this stage there is little information available on the detail of a number of the items.

Accordingly we have set out a commentary below on the individual items, their impact and importance for the area and where possible some comment on costs benchmarked against similar schemes elsewhere.

However, the first item that we examine is the Northern Line Extension (NLE).

3.1 Northern Line Extension

The GLA (Supported by LBW) have identified the NLE as critical in terms of infrastructure to be delivered in the OAPF. This is clearly a view that is shared by Treasury Holdings. The latter are looking to incorporate a large amount of new office/employment space within their scheme and consider that the NLE is fundamental to achieving the rents which will render the scheme viable.

Independently of both this exercise and the DIFS, TfL commissioned a team led by PwC working with Colliers CRE (CCRE) to investigate funding mechanisms for the NLE. The Council will have seen that report, but it is extremely pertinent to our analysis so we do set out here some key findings along with our views on them from a market perspective.

The report looks at raising the necessary finance from a range of sources. Whilst an element of this comes from traditional s106 contributions, they conclude that this will only contribute a relatively small proportion with the balance potentially coming from incremental business rates and Stamp Duty Land Tax (SDLT).

It should be noted that our report is concentrating on viability of individual schemes and ability to pay planning tariffs. The incremental business rate and SDLT elements of the PwC analysis do not impact on the viability of individual schemes per se given that these are amounts which would have been paid anyway and could be diverted from the HM Treasury into the NLE's funding structure. Accordingly, this is not an area of analysis which we have undertaken as part of this commission.

The base cost of construction of the NLE has been identified in the Sinclair Knight Merz (SKM) report which preceded the OAPF as amounting to approximately £500m (though allowing for normal contingency and optimisation bias it could be considerably more costly than this). However, it is clear from the PwC report that this is only a small part of the overall financing cost. The table below sets out the construction costs which PwC consider the available funds could support alongside a number of other required costs which the NLE delivery will attract over a 33 year period.

- Construction costs £462 - £575m
- Insurance costs - £45m
- Maintenance Costs - £198m
- Development Costs - £18-23m
- Running costs - £131-135m
- Tax - £172-177m
- Senior Debt – Interest and Fees - £601-623m
- Subordinated Debt – Interest and Fees - £176-182m
- Equity Returns – Dividends - £441-456m

TOTAL - £2,243 - £2,413m

The report does identify potential revenue sources to meet this level of cost. We understand that this is extracted from what must be considered a very high level preliminary analysis and the report clearly states that more detailed work will need to be undertaken to underpin the final analysis.

Of the overall revenue sources, the report suggests that majority (>95%) comes from incremental business rates i.e. for a period of 25 years, receipts from business rates, which are considered to be sums which would not have been generated other than through delivery of the NLE, are diverted to funding the required costs.

Clearly there is much detail in the report on how this would be structured, detailed accounting analysis, etc. We do not include that here. However, there are a number of key points which we consider need to be examined carefully and where key risks should be drawn out.

3.2 Comments on PWC Report

In terms of finance, as we have indicated above the report anticipates that the vast majority of the finance would come from incremental business rates. However, there may well be potential to secure greater s106 contributions than CCRE have modelled. (They have assumed a flat contribution of £20 per sq ft applied to a limited number of schemes). If these contributions were to be increased, and particularly if they could be secured earlier, this would defray some of the finance costs across the term of the project.

PwC anticipate that the NLE contract will be procured in a similar way to a typical PFI/PPP contract. The necessary finance would be raised by the successful tenderer (NLECo) with a combination of equity and debt, and NLECo would enter into the required contractual arrangements with TfL, London Underground Limited (LUL), etc. NLECo would then be responsible for funding, construction, running and maintenance costs.

To secure the necessary finance, NLECo would need to benefit from Revenue Direction Agreements with government and local authorities to ensure the capture of relevant s106 monies, and of incremental business rates and SDLT.

However, in addition, it is anticipated that NLECo would enter into Development Agreements with the key developers in the OAPF which would oblige them to build agreed quanta of floorspace to an agreed timetable. The logic behind this requirement is clear – if new development does not get built, not only are the s106 payments not made but also the incremental business rates are not secured. The latter has an exponential effect given that they are annual rather than one-off payments. So the party providing the finance needs reasonable certainty that its revenue streams are secure and this is to be provided in part by delivery enforceable through development agreements.

In practical terms, there is perhaps some question here as to the extent to which developers will be prepared to enter into such development agreements which will potentially commit them to rigid build programmes over an extended period. For example, a residential developer will be reluctant to commit to the timing of a later phase of a large scheme when they may at the required start date be sitting on a large number of empty units.

The other element to the funding structure which merits further comment here is the requirement for an overarching guarantor that would guarantee the revenues expected to be generated under the Revenue Direction Agreements. PWC state that 'although this Revenue Guarantor role could be used to transfer the adequacy risk back on to the public sector, the aspiration would be to attract a private sector entity into providing the structure with this support for a commensurate return on any contingent capital provided'.

PWC are somewhat non-committal about whether they consider such a private sector guarantee to be deliverable but certainly flag up the possibility that this will need to be covered by the public sector. This clearly presents considerable risk to whichever party (public or private) provides the guarantee. It will also be impacted on by the extent to which robust development agreements can be put in place as per our comments above.

This report is described by PwC as an 'initial high-level review'. It does go into some detail on quantum of finance, backed up by some modelling by Colliers CRE, and sets out what theoretically appears to be a workable structure. However, clearly it does not go into 'deliverability' and as will be clear from the section above we do have some concerns in this respect. There is no indication as to whether a more detailed piece of work is being commissioned by TfL to look at deliverability but this will of course be of particular interest to the Council.

3.3 Questions Arising

As an initial piece of work we consider the PwC report reaches some logical conclusions from its analysis but also it does raise a number of questions which we consider need further consideration in future workstreams.

- Assessment of capital costs – this report works backwards in looking at the capital cost of the NLE i.e. what level of expenditure can be afforded. However, it does not examine the actual capital cost and nor does it look at whether that cost is variable depending on procurement route i.e. does the PFI/PPP style procurement lead to a different order of costs than, say, a single contractor/developer delivering the works for immediate handover to TfL?

- Revenue costs – whilst it is not unexpected that a report setting out an initial position would expect to put the full cost of maintenance and running on NLECo (c. £330m over 25 years), is there any scope for some or all of these costs to be borne by TfL/LUL?

- Incremental Approach – does a full specification NLE need to be provided at day 1? Or, for example are there elements to it (e.g. doors on platforms, new rolling stock) which could be added on later? Clearly an approach which relies less on debt and delivers in response to receipts will provide significant savings in terms of finance costs as well as de-risking the overall project?

- Can the balance of funding be weighted more towards s106 monies, perhaps with commencement being triggered by specific planning consents? Our analysis suggests there is certainly more scope in investigating this option

- If a greater proportion of s106 monies are being diverted to NLE, is there scope to also divert some of the potential revenue stream from the TIF towards other infrastructure items in the OAPF which are less urgently required?

- Are there cheaper sources of finance available than is suggested by the PwC report?

We understand that there is already a dialogue between Treasury Holdings and TfL exploring some of the issues outlined above. Interestingly, the financial appraisal document supporting the Battersea Power Station application suggests a total contribution of £175m towards the NLE (as well as £14,125 per unit for general s106 topping up the total contribution to c. £226m). Draft OAPF (Nov 2009) posits a total financial contribution from s106 of £405m.

These figures compare with PwC's suggested total s106 over 2010-2045 of £95 - £152m, dependent on whether 50% or 90% of s106 receipts are applied to the NLE.

Whilst we certainly do not seek to criticise the PwC document which provides an extremely helpful analysis of the situation and was prepared over a short period with limited information available, the disparity in these assessments of s106 contribution combined with the questions above does suggest that the next stage of the TfL work should investigate a wider range of funding scenarios and mechanisms which can give rise to a wider range of policy options.

The role of Treasury Holdings in this will be of paramount importance. The weighting of their development towards commercial uses which will be highly dependent on the NLE providing them with a strong incentive to take a pro-active role here, be it through early commitment of monies (even if conditioned to some degree on pre-letting success) or even a more direct role in delivery, procurement regulations allowing.

We should make clear that the analysis above is based on our review of the PwC report combined with the Treasury Holdings planning statement. We go on to review the level of s106 which might actually be achievable/justifiable in Chapter 6 and the delivery of the NLE in the light of this analysis is re-examined in Chapter 7.

Finally, the Treasury's new 'Infrastructure UK' is looking at refreshing the new government's approach to infrastructure and we understand that it will be publishing a National Infrastructure Plan in the autumn. This should certainly be examined closely in the context of the NLE as we would hope that it will be looking at identifying measures to reduce the cost of infrastructure delivery as well as new funding mechanisms.

In the remainder of this chapter we have commented on the various other items of infrastructure itemised in the OAPF, their costings and implications for the masterplan area.

3.4 River Related Items

There are a number of items identified including river walls/wharf treatment etc (£50m), flood alleviation (£5m), river boat services/jetties etc (£5m) and riverside path (£5m).

River walls/wharf treatment, including protection of the safeguarded wharves

There is no information available for us to be able to assess the figure of £50 million included against this item. Experience of other river frontages provides that the frontage will be made up of many different forms of construction e.g. sheet piling, concrete walls and stone walls and these may be broken up with slipways, inlets and wharves. The river frontage will have evolved over a period of years and the condition of the different parts of the wall will vary along its length depending on its age, material and the regularity of any maintenance carried out.

An understanding of these variables is necessary before costs can be estimated.

In addition the wording of the title suggests that some of the wharves are protected. This may also have an effect on cost as there may be restrictions on the way that repairs can be carried out.

Flood alleviation

We are not aware that any work has been carried out to enable an estimate of cost to be carried out. The extent of the flood alleviation work will need to be agreed with the Environment Agency in relation to the flood data and risk assessment which it carries out e.g. does the defence have to be designed for a one in a hundred years flood or a one in a thousand years flood?

We have worked on the master planning of a riverside town centre before and the levels allowed a continuous 'bench' to be formed along the length of the frontage. This type of feature would be achievable for the allowance of £5 million.

River boat services/jetties etc

This type of allowance is likely to be in the form of a contribution to a service which already exists and can be extended to serve the development area or to a new service. More information needs to be provided to be able to assess the allowance.

Riverside path

The Battersea Power Station site riverside walk falls within the costs for the redevelopment of the power station site. The riverside walk in front of the new development on St George's Wharf has been completed already. The remainder of the riverside walk has been included within the design proposals provided by Burns + Nice and Colin Buchanan.

3.5 Public Realm Strategy

There is a total of £100m costed in for public realm items. The largest figure here is £50m for "Open space to meet the London Plan requirements", followed by £27.5m for a new linear park.

The main question mark around these items is the extent to which they are able to be provided directly through individual development sites rather than through a centralised delivery mechanism and collection of s106 requirements. For example, the Battersea Power Station proposals provide a significant 6 acre swathe of public open space, particularly at the waterside. This public park has the capability of off-setting public open space requirements for a number of smaller schemes within the VNEB OAPF area.

Our financial modelling has assumed that individual schemes will fulfil the required level of open space, at least to the extent that we have allocated appropriate levels of cost for such provision. (See next chapter).

Clearly the linear park is a complex requirement running as it does over multiple land ownerships. This requirement would certainly be simplified should there be the ability to provide it through the co-ordinated design of individual schemes.

To some degree this does appear to be coming together. Our understanding of the proposals of Ballymore and Royal Mail, as articulated at a workshop on 14 May 2010, is that at the boundary between their sites, they are proposing a set-back to the extent that they will be able to provide the relevant element linear park within their own schemes.

This is certainly the best way of providing the necessary strategic open space and so we have largely costed for this within the appraisals of the individual schemes in the model.

There will be detailed questions arising from this which will play through in s106 discussions. Can this be considered an element of their overall s106 contribution (i.e. do they get a discount to the tariff set) and also to what extent do they need to provide additional open space in their schemes in line with the London Plan requirements (i.e. is the linear park required to be 100% over and above these requirements or is there a compromise).

At this stage we do not have sufficient information on the proposed schemes to comment on what line the parties are likely to take but this is something which Wandsworth as planning authority will need to give some consideration too.

Assuming that the majority of the open space and linear park can be provided on a scheme-by-scheme basis this does provide a significant saving in respect of the overall s106 requirement, albeit that parties providing such space on their development sites may well seek to argue that this should be in lieu of a proportion of their overall infrastructure contribution.

Other items within this section include:

- An improved river walk – Lambeth Bridge to Chelsea Bridge - £2.5m
- Road environment improvements – Nine Elms Lane and Albert Embankment - £5m
- Strategic river links – increase connectivity at new and existing locations - £10m
- On going maintenance of public realm and open space - £5m

We are unable to comment on the costs set out here in the absence of a specification document exists providing types and quality standards for all road, kerb and paving materials, lighting, street furniture and planting and widths for pavements, verges and the like.

It is noted that there is an allowance in this sum for utilities works but not for diversion of major services e.g. fibre-optic cables.

We are also aware that consideration is being given to the delivery of a new pedestrian bridge over the River Thames. We detected general support for the concept at the developer's DIFS workshop but at this stage we have no further information on cost or touchdown points. The latter will of course have impact on cost due to the need for land assembly.

3.6 Civic Provisions

The items included under this section are:

- 4 Form Entry Primary School - £3.5m
- Community facilities - £5m
- Training/employment scheme contributions - £6m

- Libraries - £10m
- Places of Worship - £10m

The original OAPF referred to provision of four schools but we understand that current thinking is more towards a single primary school. The allowance for a 4-form intake primary and middle school, i.e. reception plus years one to six, in accordance with the space allowances set out in Building Bulletin B99, would be in the order of £3.5 million excluding professional fees and VAT.

In the absence of any detail in respect of the other items we are not in a position to comment on cost. However we consider that a 'main town library' will generally cost in the order of £15m so the budget included would suggest smaller local facilities.

3.7 Energy/Waste Services

Individual proposals are likely to deliver on-site renewable energy facilities. Most notably, Treasury Holdings is to deliver a Combined Cooling and Heating Power (CCHP) plant to power the entire Battersea Power Station site. There is also the capacity within the Battersea Power Station to help to deliver a District Heating System. In addition, the OAPF identified New Covent Garden Market (NCGM) as a potential location for an Anaerobic Digestion facility.

The key piece of energy infrastructure that may be required beyond the individual scheme requirements is a new electricity sub-station, which is identified by EDF Energy within the GLA's VNEB OAPF. The cost for this is estimated to be circa £15-20m and the planning tariff could be set up to include this cost.

It is thought that each site will need to provide contribution to utilities costs and an allowance for connections has been included in the generic site model.

The utilities companies will most likely need to increase the capacity of all the services in the area to cope with the proposed additional floor space.

In addition, there is a high probability that cables, pipes and sewers will need to be re-routed e.g. where access to highways need to be formed.

The information available on the routes of existing utilities tends to be difficult to get hold of but can provide assistance to estimating once received. Utilities companies can give an indication of the likely need for increased capacity of services once an understanding of the area of each type of building can be provided. However, this information will usually attract a fee from each of the companies because it will involve them in some design work and calculations.

In terms of waste, discussions with Western Riverside Waste Authority has identified spare capacity at the two waste transfer stations within Wandsworth to service the domestic waste arising from the development of up to 16,000 new homes. A financial contribution to waste management in the area is therefore not envisaged at this stage.

3.8 Business

An allowance of £50m is made here for the following:

- Local Employment Agreement
- Incubator Units
- Business relocation study
- Relocation/disturbance etc payments, site finding etc.
- Business to Business / Meet the buyers.

This is a difficult section to analyse as there is little detail provided behind the headings.

Similarly, our understanding of Wandsworth's position is that they are not looking to directly intervene to acquire land, either through negotiation or CPO, to promote schemes or to impose direct contractual control on the delivery of new accommodation for relocation or for delivery of incubator units. The latter are expected to be provided in one or more of the developments and funded largely by the private sector.

WBC requested an initial investigation of Business Relocation issues. A sample exercise is summarised in Chapter 9 as well as analysis and comments on how Wandsworth may be able to assist on business retention within the area.

We assume that the Local Employment Agreement refers to putting in place legal agreements (and seeking advice on Competition Law etc) in respect of maximising local job opportunities through the delivery of the overall OAPF. A cost of £6m over the life of the programme is anticipated.

In light of all this we have treated this particular item as of lower priority when modelling achievable outputs from s106 although it is captured in sensitivity analysis.

3.9 Transport Infrastructure

A range of transport items are identified in the OAPF. Some of these have already been picked up above e.g. NLE, riverside walk, etc. Others appear to have been considered and discarded e.g. tram from Battersea Park Station to Waterloo, 'air walk' from Battersea Power Station to Battersea Park Station.

Leaving these aside, the remaining items fall into a number of categories. There are specific improvements proposed to Battersea Park Station and Queenstown Road Station with suggested costs of £6-13m.

Previous proposals for Battersea Park station included provision for upgrades to platforms, provision of additional floorspace and improvements to access and the like. The costs involved with this type of work carried out on a main network line would have to include the extraordinary costs of working during 'possessions'. Working within possession time is highly restrictive and inefficient and the costs for working on the station will be high.

The allowance in the OAPF for re-building the station appears to be in line with a previously proposed scheme. It is not clear whether there work would be required to network rail signalling installations (associated with platform work) but these costs can be high and would most likely not be covered by the stated allowance.

Queenstown Road station is on the listed buildings register and any proposed refurbishment will have to receive listed building consent before it can be carried out.

The description of work on the OAPF schedule includes improved entrance and ticketing facilities, access to platforms and platform upgrade with a potential opening up of platform 3. The allowance of £1 – 3 million appears suitable for the work away from the trains but may need to be increased when considering work to the platforms. As referred to in the comments above any work on the platforms will need to be carried out during 'possessions.'

We should question here whether there is scope for some of these costs to be borne by Network Rail or the relevant operating company. Increase occupation in the area will lead to enhanced revenues, and Network Rail also have the opportunity to benefit from any uplift in land values through their ownership at Patcham Terrace.

There are also a range of more general items including improved bus services and facilities, pedestrian and cyclist permeability and highway capacity, a riverbus service and increase river freight.

We are aware that an options paper was produced early in 2010 by TfL but understand that this has not progressed into preferred options and no cost information has been provided. Given some of the items contemplated, this could come at a considerable cost and as such any analysis of overall s106 cost requirements (or by the same token any analysis of the affordability of necessary costs) is inevitably flawed.

3.10 Summary

A brief summary of the items examined above is set out in the table below:

Table 1:

	Key Items	Estimated Cost	Comments
Northern Line Extension		£500m - £2.5b	Cost will depend on extent to which running costs need to be met and level of debt finance
River Related Items	River walls/wharf treatment Flood allevation River boat services Riverside Path	£65m	Some items should fall within specific scheme proposals
Public Realm	Open Space Linear Park River Walk Road environment	£100m	Unclear how much of this can be provided within individual schemes rather than planning contributions

	improvements Strategic river links On-going maintenance		Clear strategy required for linear park, again ideally delivered by developers
Civic Provisions	Schools Community facilities Training contributions Libraries Places of Worship	£33.5m	No clear specification to provide comment on cost allowances
Energy/Waste	Renewable energy facilities New electricity substation	£15-20m for substation	Battersea Power Station proposals include CCHP plant which could be expanded and connected to other schemes
Business	Local Employment Agreement Incubator Units Business Relocation Study Relocation/disturbance payments, site finding etc	£50m	Breakdown of items suggests significant public sector intervention, but requires further detailed costings
Transport	Station improvements Highways improvements Improved bus services and facilities Improved pedestrian and cyclist permeability	£7-16m specified for improvements to Battersea Park and Queenstown Road stations	No specifications provided. In particularly we understand that options have not bee finalised for highways upgrade and so not possible to reach conclusions on cost.

Source: Estimated Costs taken from OAPF Appendix

4 The Schemes

The information used in the financial model has been taken from a number of sources. In many cases, particularly in respect of some of the smaller sites, we have utilised the figures within the SHLAA and made generic assumptions around mix, cost etc. However, there are a number of schemes which are much more advanced, and we have provided summaries of these below. (Sites are in Wandsworth, unless otherwise identified).

4.1 Battersea Power Station

A 16 hectare site owned by Treasury Holdings, Battersea Power Station is one of the most iconic landmarks in London, and on its own represents one of the largest regeneration projects in the UK. The outline application for the site was submitted in October 2009 and comprises circa 3,700 residential units, 160,000m2 of B1 offices, 67,000m2 of retail uses (A1-A5), 34,000m2 of leisure/entertainment, 50,000m2 of hotel/serviced apartments, plus other ancillary space.

The site includes a 6 acre park, plus a CCHP facility to power the whole site.

The scheme will be developed in 7 phases, with Phase 1 of circa 800 dwellings, hotel, student accommodation and buy-to-let units not predicated on the Northern Line Extension. Phase 2 involves the restoration of the Power Station Building, at considerable cost, and is predicated on the construction of the NLE in order to create the demand and drive the values for the commercial aspects of the scheme.

Later phases of the development are residential-led and will benefit from the greater accessibility provided by the NLE.

It is envisaged that the power station will become a key destination for the south bank area of London providing a new retail heart for Wandsworth, as well as a cultural hub for visitors and business activity.

Treasury Holdings also own 88 Warehouse, Kirtling Street, a 0.5 hectare site, with plans to develop a further 200 residential units.

4.2 US Embassy

A 2 hectare site at Nine Elms Lane, currently comprising a collection of industrial buildings aligning Ponton Road. An outline application was granted subject to a s.106 agreement in September 2009 for the development of a new Embassy building of between 40,000-50,000m2 GIA. The s.106 agreement is in the process of being negotiated.

The scheme includes the re-alignment of Ponton Road and the relocation of the existing businesses within this area.

It is hoped that the development of the US Embassy, which is due to be completed and opened by 2016 will provide a catalyst to develop a more substantial office market in this area of the south bank that can rival other regeneration areas such as Paddington and Kings Cross.

4.3 New Covent Garden Market

The New Covent Garden Market comprises three core sites of 23 hectares owned by the Covent Garden Market Authority (CGMA). CGMA is the statutory corporation responsible to Department for Environment, Food and Rural Affairs (DEFRA) for the running of New Covent Garden Market. The CGMA was established by Act of Parliament in 1961 and its function is to provide facilities for a wholesale market at Nine Elms while ensuring that its revenues are sufficient at least to break even taking one year with another.

In addition to providing warehouse and office premises, market halls, roads and parking, the Authority supplies necessary services to the Market community including cleaning and waste disposal, energy supplies, site security, traffic control and the maintenance of buildings, plant and equipment.

The CGMA has commenced a procurement exercise to select a developer for its three sites – the Flower Market, the Fruit & Veg Market sites and the Entrance Site. Of these it is anticipated that the bulk of the value generated will arise from the Flower Market site and the main purpose of the exercise from CGMA’s perspective is to fund a new market facility with in excess of 500,000 sq ft of market accommodation.

In parallel with the procurement process, CGMA is also proposing to pursue an outline planning application. Our discussions with their agents, Drivers Jonas Deloitte (DJD) suggest that the content of the scheme which will make up the outline application is far from finalised. However, figures have been provided on their latest thinking as follows:

- Main Market/Thessaly/College Site = 48,000m2 of market space and 230 residential units, plus potential incubator space, food market, GP surgery and new offices for CGMA and tenants;

- Flower Market = 1,740 residential units and 32,000m2 of retail, hotel, serviced apartments and cinema;

- Entrance Site = 365 residential units.

The proposals for the site include a number of innovative ideas, such as a new food market adjacent to the main market, to act as a visitor attraction, in a similar vein to Borough Market, business incubator space to develop new food related businesses, and a new retail centre for Vauxhall at the redeveloped Flower Market.

4.4 Ballymore

Developers Ballymore own several sites within the opportunity area, including sites around the US Embassy at Ponton Road/Nine Elms Lane, such as the Stationery Office and DHL, as well as sites adjacent to Battersea Power Station, such as the former Securicor and Cable and Wireless sites.

On the main site adjacent to the US Embassy, which is circa 6 hectares Ballymore are seeking to deliver 800 dwellings in the first phase on the Stationery Office site, together with a hotel and ancillary retail, including a foodstore. The ancillary retail uses could be in the region of 10,000m2.

Phase 2, to be developed on the DHL site, has a greater degree of flexibility and the final form of development will be predicated on how the office market performs after the opening of the US Embassy. Ballymore is confident that a minimum of 18,580m2 of offices can be delivered, although this could rise to 92,900m2 where the office market takes off. The number of dwellings that are proposed within this mix is between 1,600-2,200 units, with the higher number to be delivered where the office market does not materialise.

Ballymore's other two sites which combined are just under 1 hectare in size, have capacity to deliver in the region of 300 residential units.

Ballymore is working with other developers/landowners, such as Royal Mail, to deliver the Linear Park that is proposed in the GLA's VNEB OAPF, by setting building lines back by 25-30 metres.

4.5 Tideway Industrial Estate

This 2 hectare industrial estate located adjacent to the River Thames is owned by St James Homes, which is a subsidiary of the Berkeley Group. St James has plans to develop 800 residential units together with commercial uses amounting to 9,290m2 and could include a hotel, crèche, restaurant/bars, convenience retail and a GP surgery.

St James will gain vacant possession of the site when the existing business leases on the site expire.

4.6 Royal Mail

Royal Mail has plans to redevelop its 5.5 hectare site, which currently includes a 23,200m2 mail centre and 3,700m2 delivery centre. The scheme comprises 2,000 dwellings plus the retention of the delivery centre plus ancillary retail and community uses.

As part of the plans, the site would create part of the Linear Park.

4.7 National Grid

Located on the western side of the opportunity area between two sets of railway line, this gas holder site owned by National Grid extends to 2 hectares in size. Having spoken with the planning agent for National Grid, Drivers Jonas Deloitte, the emerging plans for the site is to develop 700 residential units plus 18,580m2 of commercial floorspace, which is likely to be predominantly offices.

The site is due to be decommissioned by 2013/14 when the gas holders are taken down and the site is remediated, with development taking place probably between

2014-16.

4.8 Market Towers

Pre-application discussions have taken place with the owners of Market Towers, which is a 0.8 hectare site, adjacent to the Flower Market. A scheme for 770 residential units is proposed together with 31,000m2 of commercial floorspace, including offices and ancillary retail.

4.9 Patcham Terrace

Pre-application discussions have taken place with Network Rail, the owners of Patcham Terrace, to develop this 1 hectare site for a mixed use scheme including 200 residential units.

4.10 Marco Polo House

Pre-application discussions have taken place with the owners of Marco Polo House, which is located on the western edge of the opportunity area adjacent to Chelsea Bridge Wharf. A mixed use development proposed for this site would include 500 residential units.

4.11 Vauxhall Gardens (Lambeth)

Frasers Property has secured planning permission for a 178 unit scheme with 35% affordable housing, plus 8975m2 of office floorspace, and 229m2 of ancillary retail and community uses. It is assumed that a s.106 agreement has already been agreed and signed, although we have not seen a copy of this.

4.12 Hampton House, 20 Albert Embankment (Lambeth)

Developer Newlands Enterprises Ltd has secured planning permission for 242 units and 167 apartment/hotel with commercial uses at ground floor, including retail, offices and community uses. It is assumed that a s.106 agreement has already been agreed and signed, although we have not seen a copy of this.

4.13 St George Tower (Lambeth)

Part of the St George's development at St George Wharf with planning permission for circa 200 units within a 50 storey tower block. It is assumed that a s.106 agreement has already been agreed and signed, although we have not seen a copy of this.

4.14 Parliament House, 81 Black Prince Road (Lambeth)

Developer Ristoia Ltd secured planning permission for the redevelopment of the site involving the demolition of the existing building and the erection of a 23 storey building to provide 101 flats and 1,770m2 of office floorspace. It is assumed that a s.106 agreement has already been agreed and signed, although we have not seen a copy of this.

4.15 Sainsbury's (Lambeth)

The GLA SHLAA covering Lambeth identifies potential for circa 580 units on this site, which is also likely to include a re-provision of the existing foodstore on the site, together with potentially other commercial uses. This development is likely to be delivered in the longer term, and provides an opportunity to extract a significant s.106/tarrif payment, as this site represents one of the largest within the Lambeth part of the VNEB OAPF area.

4.16 Other Sites

There are other sites within the VNEB OAPF area that are identified within the GLA SHLAA documents produced for Wandsworth and Lambeth boroughs that have the potential to deliver additional residential-led mixed use schemes over the next 20-30 years.

These sites have been included within our financial modelling exercise and include sites such as Christie's, Government Despatch Agency, Metropolitan Police, Booker Cash & Carry, Sleaford Industrial Estate, and 18-22 Parry Street/ 72 Bondway/ 96 Wandsworth Road.

5 Market Analysis

To set a context for our financial assumptions, we have provided an overview of the key sectoral markets as they relate to the VNEB area. We have particularly concentrated on residential and offices as they will make up the bulk of the new accommodation to be provided.

5.1 Residential

A full and detailed analysis of the residential market is provided at Appendix 4. The following section provides an overview along with more detail on the areas of particular relevance to the study.

5.1.1 Residential Macro Market

Housing market update

The election took place against the background of a cooling housing market. This slowdown has been apparent since early March, with the flow of actual mortgage lending for house purchases (latest three months on the previous three months) declining by 21.3% in March 2010, and mortgage approvals for house purchase declining by 16.3% in April on the same basis.

Although house prices have been relatively resilient - according to the Nationwide prices rose 1% per month in March and April, reversing a 1% fall in February – the market appears to be in a new phase with prices becoming more volatile on a month-on-month basis.

For the new government, the economy, and critically the need for a bold deficit reduction plan, appears to be at the top of the agenda. As David Cameron has been able to create a sustainable coalition, he seems likely to be more radical in his attempt to cut the deficit than he alluded to during the campaign. The aim is likely to be to try to reduce the deficit to below 4% of GDP within five years, and potentially even below 3%.

It seems likely that spending cuts would be favoured over tax rises, and these cuts would need to be large. The result of this scenario – if it could be carried off effectively – would be to underpin the value of the pound and even help to contain bond yields.

There is no doubt that rising unemployment from lost public sector jobs, and lower wages from pay freezes and even cuts, would put some downward pressure on the housing market. However this should be offset by lower interest rates and mortgage rates.

This scenario would still mean that while we expect house prices in the UK to end the year down slightly, these falls ought to be modest. We would also expect to see growth, albeit slow, in sales volumes over the year, reversing the pre-election slowdown.

In London Borough of Wandsworth, average house prices stood at £378,000 for June 2010, which are above the comparable neighbouring boroughs of Lambeth (£338,500), Merton (£325,000) and Southwark (£365,000).

Affordable housing market update

Provision of Affordable Housing

The provision of a significant proportion of affordable housing is reliant on market housing through Section 106 agreements, any grant allocation or investment agreement reached with the GLA/HCA. The S106 contribution has been heavily reduced as house building has slowed as a result of the market downturn and development risks have increased. It is also likely that grant or investment allocations will be constrained at least in the short to medium term.

Housing Corporation/Homes and Communities grants have fallen over the past ten years, by up to half, and housing associations have adopted a mixed tenure model that relies on sales and cross subsidy from intermediate units to supplement the falling grant income. Housing associations also are increasingly reliant on the provision of s106 affordable housing.

Currently, housing associations get roughly 50% of the capital cost as grant for social rented housing and 25% for intermediate housing, with the remaining cost made up from cross subsidy and borrowing from the market, supported by rental income.

The market for low-cost homes has continued to improve with many associations reporting increased interest in both first tranche sales and staircasing. However, although demand is stronger and sales are taking place, the availability and cost of mortgage finance remains a difficulty for purchasers. Survey respondents commented on prudent valuations of properties, low loan-to value ratios and a requirement for high deposits as constraints in the market.

Access to private finance remains good for the sector, with many Finance Directors reporting positive discussions with funders. The sector currently has committed loan facilities of £58 billion and new facilities of £1.2 billion were agreed in the first half of 2009-10. Whilst this indicates a continued willingness to lend to the sector, it also confirms anecdotal evidence that demand for new facilities has been significantly lower than in the previous financial year (£7.1 billion).

Housing Market Summary

If the above comments are unavoidably hedged with uncertainty, we can at least say with more confidence that the current trend towards a two tier private residential market, split between an active mid and upper end and a more depressed lower end, will continue. Affordable housing is highly influenced by government policy and it is too early to be definitive about the likely changes to the affordable housing sector during the term of the new coalition government.

Mortgage availability will remain tight over the next two years, especially as the banks begin to repay government loans extended through the Special Liquidity Scheme at the height of the credit crunch. The banks will also continue to ration mortgages using sharply differentiated lending rates depending on deposit levels.

Despite the uncertainty after the election, Knight Frank stands by their current forecast that house prices in the UK will end the year 3% lower when compared with the start of the year, and that prices in the central London prime market will rise by 3%.

5.1.2 Residential Micro Market (Battersea / Nine Elms)

Housing Market Commentary

We have spoken to local agents active in the Battersea / Nine Elms area who have advised us that market activity has notably improved over the past 6 months in terms of general enquiries, viewings taking place and subsequent offers coming forward.

The general consensus is that prices have risen by approximately 10-12% over the past 12 months, due to increased demand from buyers and limited stock. We understand that this improvement to market conditions has been due to a modest improvement to the mortgage lending market and improved market sentiment.

We understand that properties have been selling close to their asking prices. Those units in the greatest demand are typically 1 and 2 bed flats in popular blocks close to tube stations (Vauxhall, Elephant & Castle and Kennington). Properties which are in poor condition (refurbishment opportunities) are in reasonable demand albeit buyers in the current market prefer units which require little modernisation.

The stock in the Battersea / Nine Elms area comprises predominantly flats as opposed to houses. We are advised by agents that there is a general lack of stock across the board, with a number of agents commenting that 2 and 3 bedroom flats coming to the market are becoming more of a rarity. There have been few new instructions of family houses in the area. Agents inform us that investor demand has markedly improved over the last few months, with investors looking to achieve a circa 5-6% yield on their purchase.

Included at Appendix 4 are details of some of the principal new developments around the Battersea / Nine Elms opportunity area that can be used to ascertain potential sales values. These include:

- Chelsea Bridge Wharf, Queens Town Road, SW8
- St George's Wharf, Wandsworth Road, SW8
- Grosvenor Waterside, Gatliff Road, SW1
- Imperial Wharf, Townmead Road, SW6
- Viridian, Battersea Park Road, SW8
- This Space, Wandsworth Road, SW8
- Strata, Walworth Road, SE1

Conclusions on potential private residential values at Battersea/ Nine Elms

- We believe that the most relevant evidence is from Chelsea Bridge Wharf and St George's Wharf. Even within theses schemes themselves, there are significantly differing sales rates achieved, usually determined by height within the building and whether there are river views. At Chelsea Bridge Wharf, values range between £750-£1,250psf and at St George's Wharf, values range from £550-£1,000psf. Schemes across the Battersea/ Nine Elms Opportunity Area are likely to have variances in unit values that are more extreme than this due to the greater diversity of locations and outlooks.
- Whilst Chelsea Bridge Wharf benefits from its riverside location, currently there are very few amenities in the local area and there is no access to the London Underground network. We believe that potential values at the Battersea / Nine Elms Opportunity Area may exceed those at Chelsea Bridge Wharf provided the units are located close to the new stations proposed (as part of the Northern Line Extension) and benefit from elevated/river outlooks.
- Having looked at the evidence that is available, we believe that the following values (on a £psf basis) would be achievable at the Opportunity Area, provided transport infrastructure is improved and on the assumption that the Northern Line Extension is implemented. We provide our opinions of value based upon the generic location within the overall site:

Generic locations within the Opportunity Area	Value £psf
Compromised locations	£650psf
Street / urban locations	£750psf
Average locations	£800psf
Elevated and best locations excluding waterfront	£950psf
Waterfront	£1,200psf

- We would comment that the above figures are average rates applied to units on all floors. In practice, there will be significant differences between units to represent position, configuration and the view. In particular, we would expect premiums being achieve for units on higher floors, with an additional premium for penthouses.

5.1.3 Residential Development (Land) Market

Central London New-build Sales Market

London’s new-build sales market has been at the forefront of the wider residential recovery over the past year, at least in terms of sales growth if not price rises. While welcoming improved market conditions, developers are having to adapt to changing buyer requirements.

The revival in the London sales market in 2009 was felt across the market, but nowhere more dramatically than the new-build sector. Sales of new houses and flats in the final quarter of last year were a remarkable 214% higher than the same period in 2008, compared with growth of 68% in the whole London market.

From the market’s nadir in March 2009, when prices in prime central London had fallen by 24% from their peak, London property has seen a strong upturn in pricing. In the eleven months to the end of February 2010, prices in central London rose by 19%. In greater London as a whole, prices rose by an impressive 14% over a similar period.

This recovery in prices was not unfortunately experienced to anything like the same degree in the new-build sector. There was evidence of price growth on some schemes over the year, in particular some prime market schemes like Embassy Court in St John’s Wood, but these examples were offset by an almost equal number of price reductions, particularly on schemes where developers were exercised by the need to secure cash flow. For developers, the improvement in pricing has been felt more by the evaporation of discounting rather than by headline price growth.

The turnaround in the market has been led by the significant boost prompted by ultra-low interest rates, the weak pound which stimulated international interest – but also government support schemes that targeted the new-build market and the first time buyer in particular.

The Impact of Changing Buyer Requirements

One of the most notable changes in the market over the past two years in central London has been the rebalancing of purchaser interest, away from an over-reliance on investors and towards more owner-occupiers.

In 2007 investors bought almost 70% of all central London new-build properties, with owner-occupiers accounting for the remainder. In 2008 the ratio began to shift and by 2009 there had been a dramatic reversal with owner-occupiers accounting for 71% of all purchases. While the early evidence from 2010 is that there has been a slight moderation to this reversal, the impact of weak buy to-let funding and the 15%

decline in rents from their 2008 peak are both acting to limit the expansion of the investment market.

This change in demand is slowly beginning to influence the nature of new developments. Buyers looking for their own accommodation, tend to be more interested in property layout and specification than investors.

The successful schemes, especially in central London, in the next few years will be those that attract occupiers by creating an environment where people want to live. Although land values have fallen, development economics still require the delivery of high-density schemes, precisely the type that have suffered from a lack of available skills to create high-quality places. It is to be hoped that lessons from the more successful ones, such as Imperial Wharf, will be adopted by more new developments in the future.

While owner-occupiers have become dominant in recent quarters, the investor has not disappeared altogether. In central London they still account for almost a third of buyers. If we consider off-plan sales, which tend to be dominated by investors, the signs are that investment motivated purchases are still running at around 40% across London as a whole.

The opportunity offered for overseas investors by the weak pound can not be understated. It has brought a significant new sector into the market that until early 2009 had been absent for nearly 18 months. Far Eastern buyers, especially those from Hong Kong, Singapore and Malaysia, led the revival of the London market in the mid 1990s, and they have been back in force in London over the past 12 months.

It seems even a future investment revival will not easily permit developers to cut back on scheme quality. Hopefully future competition between central London developers will be fought out over quality not simply price.

Future Supply Trends

There is a significant piece of good news for developers considering the London market in 2010, the legacy of the downturn has not led to the creation of an overhang of stock units in the capital.

The market changed greatly over the 18 months to the end of 2009. The numbers of built-complete units for sale rose from just under 1,800 in Q3 2008 and then peaked at a little under 2,200 in the final quarter of the year, before rapidly falling back as the sales market recovered in 2009 to hit a low of 975 in Q3 last year.

At the same time there has been a steady growth in the number of ‘under-construction’ units for sale. Rising from 982 in Q3 2008, at a time when the construction sector was still reeling from the lack of finance for projects and seemingly continual price reductions, to 1,752 in the final quarter of 2009, as developers and house builders looked to capitalise on the opportunities offered by the newly rejuvenated market.

The rapid sell-off of built-complete units meant that the 78% rise in under-construction units only led to a 2% rise in available units to buy between Q3 2009 and Q4 2009.

The 994 schemes across Greater London currently under construction will have delivered a total of nearly 76,000 units by the time they have been completed, although, on the larger schemes, final delivery will be provided in stages over the next 10 years or more.

With population and household growth forecast to easily outpace supply again over the next decade, the pressures on house prices in areas away from future supply hubs, which include most of north, west and south London, will be considerable.

While the numbers for the future development pipeline look impressive, the ability of developers to actually bring these sites into the market will be constrained by the lack of development finance for new projects.

The new-build sales market benefited from direct support from government intervention – schemes like My Choice Home Buy and the First Time Buyer Initiative have played a not inconsiderable part in London’s recovery to date. The post-election world with its promised ‘new austerity’ suggests the housing sector will need to prepare for less of this type of support in the future. The evidence thus far is that even a slower sales market should not lead to an over-supply of stock in London.

London’s Development Land Market

In line with the sales market, the fortunes of London’s development land market have seen a dramatic turnaround over the past 12 months. However, despite strengthening demand and prices, persuading landowners to sell is still an uphill battle.

London's developers are back in the market for land. Demand for their products is increasing and there has been some reversal to the crushing price falls seen in 2008. After sharp falls in the preceding 12 months, land values subsequently rose by 9% on average across London in the second half of 2009 as competition for development sites increased.

While the revival in prices points to a strong recovery, there is an important caveat. Very few sites came to the market in 2009 and the market has yet to be tested by even a modest volume of available sites, making it hard to assemble a truly accurate picture of the resilience of pricing.

Low interest rates have meant minimal holding costs, which has given banks little incentive to put distressed sites on the market. However we are aware that several of the main banks are gearing themselves up to start releasing sites during 2010. There is a risk that an initial trickle of new land offerings turns into a flood if competition between the banks develops as to who can get land into the market first. An additional concern regarding the speed of disposals, comes from the need for banks to raise money from assets as government financial sector support begins to be withdrawn this year.

One source of new supply this year will be from the public sector, following the government's stated goal to use property disposals to reduce the fiscal deficit. Local authorities, faced with the prospect of budget cuts of up to 20%, have few options but to look at asset disposals over the next year or so. Camden Town Hall is a prime example. Given, however, that public bodies will want to maximise their returns by piloting sites through the planning process first, this source of disposals is unlikely to provide much immediate relief to the market.

Developers' strategies for acquisition have had to evolve markedly. The lack of credit for development funding has meant that cash-rich buyers have been the most prominent players.

While there has been a slight thaw in the capital markets, with some banks indicating they will expand their lending, even this improvement in bank funding is being offered with strings attached. The proportion of site value being offered rarely rises above 50%, and even these terms are only being offered to developers with a proven track record.

With only a slowly widening supply pipeline, 2010 will be a testing year for London's developers. For many the ability to unlock sites will see developers having to surrender a share of future profits in the form of joint ventures or overage deals. Creative deal making will be critical this year.

This shortage of new land availability means that developers are having to work their existing land banks as hard as possible to pull sites forward. With development viability still under considerable pressure, despite the market's improvement, renegotiating planning terms, especially when it comes to affordable housing quotas, is the order of the day.

Some councils are adopting a pragmatic approach to this issue. The Homes and Communities Agency has recently published useful guidance for local authorities on the topic. In addition new regulations for the Community Infrastructure Levy show an element of recognition for current commercial reality.

In our view councils need to extend this flexible approach to other areas of planning policy and practice. This would be a good juncture to revisit the assumption that affordable housing has to be delivered within the footplate of developments, rather than allowing greater off-site provision. As both private developers and registered social landlords prefer to manage their own properties, separate entrances and service cores are required. This has a significant impact on scheme viability.

In previous reports we have noted that many regulations and costs placed on the development process date from the market boom. An election year provides an ideal opportunity for a reassessment of the regulations surrounding the development process, and to create a sustainable basis for the delivery of both private and affordable housing – which takes account of normal rather than boom market condition.

5.2 Offices

Central London Office Market Overview

There has been a period of particular uncertainty in the UK economy since 2006. Prior to this, the Central London office market had shown signs of growth over a number of years with upwards pressure on rents being driven by pockets of short supply of Grade A offices combined with sufficient demand from tenants to relocate. However, during the period of uncertainty following the Lehman Brothers collapse in September 2008, the market saw increased incentives and landlords accepting the need to grant early breaks or increased flexibility.

The Central London occupational market saw a steady recovery in take-up levels over the course of 2009, reflecting the rally in the financial markets and the movement out of recession for the global economy. Having hit a low point of just 1.3m sq ft take up in the first quarter of 2009, take up rose quarter-on-quarter through the year, reaching 3.7m sq ft in the final quarter of 2009 – 10% higher than the long term average. Prime rental levels are expected to show strong positive growth through 2010 as occupier demand continues to grow, and with current headline rents offering good value, many occupiers are looking to capitalise on the current situation. However, despite the positive indicators, the office market is still in the early stages of a recovery, although the capital's internationally facing economy places London in a strong position to benefit from the improving situation in the global economy.

Availability levels fell across all main Central London markets as the increased take up began to erode the supply of up-and-ready newly developed stock. Also, there is anecdotal evidence that some tenants began to re-occupy previously marketed space. Availability appears to have peaked in all Central London markets, having fallen around 5% over the last 6 months and now totals 23.0m sq ft, a vacancy level of 10.2%.

In the first quarter of 2010, the lack of available development funding has continued to put pressure on the speculative development pipeline. There is now 3.4 million sq ft under construction speculatively, 45% lower than the same point 12 months ago. The majority of space under construction is due for delivery in the next 12 months, suggesting that 2011 may see tenants competing for the limited available schemes. There was further yield compression as investor appetite for Central London offices continued to strengthen. Turnover totalled £1.7 billion which is expected to rise during 2010 as confidence in the potential for rental growth during this cycle increases.

Key Statistics

						% Change	
	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	3 months	12 months
AVAILABILITY (million sq ft)							

West End	8.29	8.62	9.22	8.64	7.88	-8.8%	-4.9%
City	12.65	13.42	12.90	12.18	10.59	-13.0%	-16.3%
Docklands	1.38	2.28	2.44	2.19	1.94	-11.2%	40.9%
Central London	22.32	24.32	24.55	23.01	20.42	-11.3%	-8.5%
VACANCY RATE (%)							
West End	9.2	9.5	10.2	9.5	8.7	n/a	n/a
City	10.8	11.4	11.0	10.4	9.0	n/a	n/a
Docklands	6.4	10.6	11.4	10.2	9.1	n/a	n/a
Central London	9.9	10.8	10.9	10.2	9.0	n/a	n/a
TAKE-UP (million sq ft)							
West End	0.54	0.57	0.83	1.30	1.34	2.9%	146.8%
City	0.73	1.01	1.90	2.17	2.20	1.5%	200.6%
Docklands	0.02	0.08	0.05	0.18	0.61	244.3%	3139.1%
Central London	1.29	1.66	2.78	3.65	4.15	13.7%	220.6%
ACTIVE DEMAND (million sq ft)							
West End	0.82	1.49	2.07	1.79	1.88	5.1%	129.9%
City	3.56	4.12	3.64	4.67	3.73	-20.1%	4.6%
Docklands	0.07	0.35	0.33	0.50	0.48	-4.0%	583.5%
Unspecified Central London	1.76	1.63	2.30	1.24	0.88	-29.3%	-50.3%
TOTAL Central London	6.22	7.59	8.34	8.20	6.86	-16.3%	10.4%
UNDER CONSTRUCTION (million sq ft)							
West End	2.57	2.57	2.17	1.70	1.44	-15.4%	-44.0%
City	6.17	5.26	4.48	4.73	3.83	-19.2%	-38.0%
Docklands	0.72	0.98	0.00	0.00	0.00	n/a	-100.0%
Central London	9.46	8.81	6.66	6.43	5.26	-18.2%	-44.3%
Investment							
West End	262.5	776.5	877.6	794.2	944.9	19.0%	260.0%
City	363.7	712.0	596.5	572.0	689.8	20.6%	89.7%
Docklands	0.0	0.0	0.0	1135.5	20.0	-98.2%	n/a
Central London	626.2	1488.5	1474.1	2501.7	1654.7	-33.9%	164.2%

West End

- Take-up rises for a fourth consecutive quarter to 1.3 m sq ft, up 3% on Q4 2009.
- Availability falls further to 7.9 m sq ft, reflecting a vacancy rate of 8.7%.
- Prime headline rents rose for the first time in two years to £72.50 per sq ft.
- Investment turnover increased by 19% reaching £945 m.

City

- Fourth consecutive quarter of rising take-up.
- Availability fell sharply, down by 1.6 m sq ft to 10.6 m sq ft.
- City prime normal rent increased to £46.50 per sq ft.
- Prime investment yields hardened by a further fifty basis points to 5.50%.

Docklands

- Take-up rebounds on financial and public sector deals.
- Availability fell for a second quarter in a row.
- Prime rents at Canary Wharf start to rise with prime to £35.00 per sq ft
- More investment stock comes to the market.

Local Market

The Vauxhall/Battersea/Nine Elms market has been dominated by institutional and Government occupiers for many years, with some light industrial occupiers and small independent business that need to be located near to Central London. The market does not have a ready supply of good quality office accommodation but the infrastructure improvements that have been carried out means it should only be a matter of time before this happens. The choice of accommodation is therefore limited for occupiers looking to locate in this area.

Although Vauxhall is on the fringe of the West-end, we consider that the forecasted increase in core West End rents in 2010 will feed through to some degree into the fringe markets. The market appears to have gone through a full cycle where we are probably at similar rental levels, maybe slightly below those in 2006.

With significant progress now apparent on both the Battersea Power Station plans and the U.S. Embassy, there is growing confidence evident in this sub-market location. It is anticipated that development will particularly appeal to sectors such as media, creative and cultural, management consultants, accountants, corporates, public sector, educational (especially higher education), (private) health and energy. In order to help predict what effect development and regeneration projects may have on the local office rents, it is helpful to look at other comparative schemes in London.

Many of these sectors have the potential to attract inward investment to London and the UK (e.g. health, HE, media, institutions). This is more likely if the area is linked to the underground network by NLE. Without the NLE, demand for space is likely to reduced.

Paddington

Paddington Waterside is one of the largest regeneration schemes in Europe forming 80 acres of mixed-use development. The Waterside development area and the area immediately surrounding the railway station is the focus of new development and properties located within this zone have attracted large corporate occupiers, keen to take advantage of the infrastructure and connectivity being offered. Outside the immediate vicinity of the railway station, units are significantly smaller and new development has, so far, been scarce. Recent development activity has had significant implications for the occupier base of the area, and has arguably created a division between prime and secondary locations within the Paddington submarket

Take-up volume in Paddington has been largely dependent upon the availability of either newly built space or schemes available to pre-let. In 2001, Paddington Basin (now known as Merchant Square) hosted two of the largest off-plan pre-lets ever seen in the West End when Marks & Spencer and Orange signed on more than 460,000 sq ft for their new European headquarters. While the area's other major scheme at the time, PaddingtonCentral (now known as Sheldon Square) was built speculatively, all of the space was let prior to completion to tenants including Visa, Prudential and Chiltern Group.

Euston

Regent's Place is a 13-acre estate developed by British Land, offering around 1.0 m sq ft of office accommodation with accompanying retail and leisure offerings. Originally known as the Euston Centre, focussed around Euston Tower, construction commenced on the Triton Square section of the estate in 1996. Principal tenants include Abbey (Santander), JP Morgan, WS Atkins, Grant Thornton and the General Medical Council. The most recent phase of construction offering around 370,000 sq ft of brand new speculative office space in two buildings has just completed and has already attracted considerable interest from a number of tenants. Aegis Media has signed on 117,000 sq ft in 10 Triton Street, which accounts for the whole building, and will be consolidating a number of West End-based operations here. Gazprom has also taken 89,000 sq ft at 20 Triton Street over floors 6-9, leaving 160,000 sq ft to lease in the lower portion of the building.

The next phase of Regent's Place will comprise Regent's Place 3 and 4, which will total 340,000 sq ft and 20,000 sq ft respectively.

Kings Cross

Kings Cross Central is a 65-acre site of former railway land surrounding Kings Cross mainline station which, when completed, will offer approximately 5.0 million sq ft of office space. Planning permission was granted in March 2006 and first of ten phases of speculative offices is expected to be delivered at the end of 2013. Sainsbury's is under offer on around 250,000 sq ft at Kings Cross pending a proposed move from its current headquarters at 33 Holborn Circus. Kings Cross station is served by 6 underground lines, mainline train services and the Eurostar making it the most accessible transport interchange in London.

Average Values for Grade A office space:	New	2nd Hand
Paddington	£50 psf	£45 psf
King's Cross	£40-45 psf	£35 psf
Euston: Regent's Place	£52 psf	£47.50psf

The current economic climate has meant that land, construction and finance costs have a significant impact on office development and it is hard to justify development in Central London without certainty that a headline rent of at least £45 per sq ft will be achieved. However, over the last 10 years we have seen transactions at much less than this as a result of the investor taking a view that such a deal can be defined as a 'loss leader' to get a scheme up and running. An example of this is Sainsbury's agreed transaction at King's Cross, referred to above, which is understood to be a rent of circa £35 per sq ft headline. For the right anchor tenant, on the right lease, we might recommend transacting at this level as the rent is only one part of the equation and we would look to agree other terms, such as a minimum uplift at review, to enhance value. For a 15 year term certain you should expect to grant a rent free period in the region of three years.

We believe that attracting significant pre-let interest will be important for the success of development in the Battersea/Vauxhall/Nine Elms area. Equally important however is to be able to provide smaller units of accommodation so that a diverse tenant base in terms of size and sector can be created.

In terms of what rental values we would consider to be achievable for Grade A space within the regeneration area, we propose the following based on the analysis outlined above:

1. Existing Built Accommodation

   The current achieved rental levels for best specification office space in the Vauxhall/Battersea/Nine Elms area is £20-25 per sq ft. This is mainly evident from 2nd hand space as there is no recent new development evidence comparable in this location.

2. Regenerated Built Accommodation

   We feel that the effect of being located in a redeveloped area with new transport, service and retail infrastructure will have a significant effect on achievable rental levels. We would put this future level at £40-45 per sq ft which is in-line with comparable regeneration areas in London such as King's Cross. These headline rents are predicated on the development of the Northern Line Extension. Without the NLE, the take-up of office space and rental values achieved will be significantly lower. We believe that the Battersea Power Station development will create the necessary environment, both in terms of architectural quality, accessibility and proximity to shops and services to attract key anchor office tenants. Media could be a key market for Battersea Power Station, especially where a corporate anchor can be attracted. This could then create a clustering effect with smaller media companies attracted to the locality, as well as other support services. The impact of the new US Embassy, is more difficult to estimate, with its position dislocated from Battersea Power Station, but close to Vauxhall where other employment space is expected to be provided.

5.3 Retail

A broad, market-based analysis of retail is perhaps less relevant to this report than is the case with the residential and office markets that we have summarised above. Whilst there are national and regional trends which can be drawn from the retail market it is above extremely location sensitive.

The proposals for the Battersea Power Station do include a sizeable retail content. It is acknowledged in the OAPF that no retail assessment has been undertaken to support development on this scale and impact on local centres is untested. However, it is clear that there is currently considerable leakage from the main retail centres in the area.

If Treasury Holdings are to secure occupational interest on the proposed scale, they will certainly need to create a destination retail centre. The iconic nature of the scheme and its accessibility (assuming delivery of the NLE) will certainly create interest but ultimate it will be dependent on exciting the interest of key anchor tenants, perhaps including a department store, to deliver the critical mass necessary for a scheme of this nature.

Across the remainder of the area, there are relatively small quantities of retail development proposed either in the SHLA or within the individual scheme proposals that we are aware of.

The New Covent Garden Market scheme will be looking to capitalise on the success of a new retail market, and we would expect this to be quite specialist and branded around the market experience. This could prove an important attraction/place maker to many visitors to the area and create footfall.

Elsewhere we would expect some demand from foodstore operators who are still very acquisitive, and over and above that we would expect a more ‘neighbourhood centre’ feel, drawing trade from the new residential developments in the area. We would expect there to be relatively little comparison retailing outside the Battersea Power Station scheme.

5.4 Hotels

Development Trends

Historically hotels have rarely been able to compete on value with alternative uses such as office space or residential on new build developments.

On new build and mixed use sites alternative use will generally, not always, offer better value per square metre to the developer, but an employment generating hotel use can help to support or provide an amenity service to office and residential occupiers. In addition, hotels can often “set the tone” for the quality of the overall development, acting as a marketing tool to sell residential units in particular.

In a viable location a hotel operator can offer a pre-let agreement to the developer with an institutional lease in place, with fixed uplifts and excellent covenant strength, or a management contract. A ready investment market exists for both leases and management contracts, often on the basis of a forward commitment, enabling the developer to guarantee an exit if required.

So, although rents payable per square metre may not be competitive with alternative uses, in the current market a pre-let or a management contract to a hotel operator on part on part or all of a scheme will be attractive to a developer, particularly when an investor can be lined up to purchase the hotel on completion of construction or even before.

In recent years, shareholders and the hotel groups themselves have identified that they should concentrate on being hoteliers and not holders of large amounts of property which has led to a large scale split of “bricks and brains” by many operators. By divesting themselves of the holding costs of bricks and mortar by way of sale and lease or manage back arrangements and taking on new leases or management contracts, it has allowed them to develop more bedrooms and push out brands by releasing equity in the property itself.

Management contracts are now more acceptable to investors and many of the recent transactions have been on the basis of a sale and manage back. Lease income and the yields applicable have historically been preferred by investors, but with yield compression on management contracts and a better understanding of how they work, they are now an established and sought after investment vehicle.

Some hotel groups, such as Hilton, Intercontinental, Accor, and most recently Marriott have identified the benefit of sale and lease or manage backs with several large scale transactions to hungry investors eager for prime property with strong covenant operators.

Very few of the mainstream full service operators will now take leases. The long term rental obligation on the balance sheet is considered as unattractive by most hotel groups. Management contracts are now becoming more acceptable.

Most budget and limited service operators will take leases, as their largely room only driven income is less volatile than full service hotel income and easier to predict.

The London hotels market continues to be a fairly robust market, with hotels trading well and demand from hotel operators holding up.

Hotel Potential within the VNEB Opportunity Area

The London hotels market continues to be a fairly robust market, with hotels trading well and demand from hotel operators holding up.

Knight Frank’s hotels team believe that the VNEB area has the potential to deliver hotel development in the short, medium and longer term. The 4-star Pestana Hotel has recently opened at Chelsea Bridge Wharf, which shows the potential of the area, although this hotel is located adjacent to Chelsea Bridge, with a direct transport link to the north-side of the River Thames.

In the short term, without the presence of the Northern Line Extension, there should be some hotel demand from budget operators, especially at destinations, such as Battersea Power Station. The budget hotels would be competing for trade in the outer central London market for customers not prepared to pay the higher prices found in the central London core.

However, without the NLE the number of budget hotels (e.g. Premier Inn, Travelodge, Express by Holiday Inn) that could be attracted to the VNEB area is likely to be limited, especially in the central Nine Elms Lane part of the regeneration area, which lacks public transport links. The impact of the US Embassy is difficult to predict, as it will create an International focus in this part of the Southbank area, but without the transport links, the market opportunities will be relatively limited.

When the NLE is delivered, the prospects for additional hotels is stronger. A mid-market hotel operator (e.g. Ramada, Accor etc.) could potentially be attracted with the NLE, but again this is likely to be as part of further phases of Battersea Power Station, the key destination for the VNEB area.

A full service hotel (e.g. Crown Plaza, Hilton, Marriott) may be difficult to entice to the area, especially in the short to medium term, given the location of the VNEB at the fringe of the central London core, and with the presence of a large number of restaurants and other services that will be available, especially within the Power Station development.

The table below provides an indication of the costs and values that may be appropriate for the VNEB area, although it should be noted that no detailed work has been undertaken into this market.

Budget Hotels **(2/3 Star Rating)**	**Mid-market Hotels** **(3/4 Star Rating**	**Full service Hotel** **(5/6 Star Rating)**
GIA per room = 28m2	GIA per room = 45m2	GIA per room = 60-80m2
Build cost per room =	Build cost per room =	Build cost per room =

£45,000-55,000	£80,000-110,000	£200,000+
Rental Value per room = £5,000-8,000	Capital Value per room = £150,000-250,000	Capital Value per room = £375,000+
Investment Yield = 5.50%-7.00%		

5.5 Industrial

The emphasis of the VNEB OAPF area is to regenerate low density industrial areas for higher density, higher value uses that better reflect the locational attributes and political aspirations for the area.

At the current time there are a number of significant logistics, small manufacturing and wholesale operations within the VNEB area that collectively provide a significant number of jobs. The largest operations within the opportunity area include New Covent Garden Market, Royal Mail, DHL, Government Despatch Agency, and Christie's.

The industrial areas of Ponton Road/Southbank Business Centre, Tideway Industrial Estate, and Sleaford Industrial Estate are all identified for redevelopment, which is likely to lead to the relocation of tenanted businesses. Stewarts Road Industrial area is protected from comprehensive redevelopment with its designation as a Strategic Industrial Location (SIL).

Even though there has been some business relocations from the Nine Elms Lane area to Stewarts Road recently, such as Securicor, it is evident from the Stewarts Road Study undertaken by URS, 5th Studio and Knight Frank that there is a lack of available land within the SIL to enable the relocation of many of the major occupiers from the Nine Elms Lane area.

We understand from discussions with CGMA that the Fruit & Veg and Flower markets will be combined together and re-provided on the main market site within a redeveloped facility. From discussions with landowners and developers, we also understand that Royal Mail's facility will be significantly contracted and the site redeveloped, and DHL will be forced to relocated due to the expiry of its lease in 2017 to facilitate a later phase of the Ballymore US Embassy Quarter development.

Stewarts Road will have some capacity to deliver new industrial uses, with the URS Study identifying small scale enterprise units along Silverthorne Road to provide a "SME Belt" and construction consolidation unit potentially as part of the London Buses facility, plus a waste hub at Pensbury Place.

Additional opportunities may come forward within the Stewarts Road area, although these will be subject to agreement with Spacia (Network Rail's Property arm), which is the key freehold owner in the area, and occupiers with long leaseholds to Spacia, such as Tarmac and London Concrete, who occupy large open storage sites.

6 Financial Model Outputs – Viability

6.1 Introduction

As we have set out in chapter 3, the basis of our financial modelling has been to appraise individual schemes utilising information where it is available or standardised generic assumptions where not to assess viability against various levels of s106 tariff and affordable housing requirement.

Clearly there are a very wide range of alternative assumptions which can be applied and so an extremely wide range of sensitivity analysis that can be undertaken as a result. Accordingly our approach has been as follows.

We have initially undertaken the modelling on what we consider to be the most realistic assumptions for values, value growth and sales rates based on the market analysis in the previous section. We then apply assumptions for s.106 and affordable housing percentage starting at:

S106 tariff - £20 per sq ft GIA

Affordable housing – 15%

£20 per sq ft is a figure which has been used in a number of exercises (though less than the £250 per sq m in the draft OAPF, which is broadly comparable £17,500 per unit to residential). 15% is probably at the lower end of acceptable for affordable housing but we start with this as presenting the most viable combination that we examine.

For ease of presentation we have utilised a s106 tariff based on floor areas across the board. This could of course be converted to a rate per unit for residential if considered more appropriate but in this form it does provide the required illustration of the impact of quantum of s106 revenues on viability.

We have then undertaken sensitivity analysis looking at upward increments applied to the s106 contributions and to the proportion of affordable housing percentage.

These are tabulated using the following coding:

Green – most schemes are viable

Amber – largely marginal or significant mix of viable and non-viable

Red – significantly non-viable

This is a broad ranking and we have also provided commentary in each case, concentrating on the impact of varying levels of s.106 and affordable housing on the key schemes which can be expected to provide a large proportion of the infrastructure contributions. However, it is important to bear in mind that we have made certain blended average assumptions across the OAPF area (e.g. on sales value for specific types of residential unit) and so in some cases the site-by-site analysis will be misleading. Indeed the site-by-site phasing after the first few years is based on unit numbers and sensible sales rates rather than any scheme-specific analysis and so these schemes can be considered interchangeable.

Finally we have repeated this exercise in total looking at changes to the value growth and sales rates, the analysis being presented in a similar form.

This chapter concentrates entirely on the impact on viability of these assumptions. It is in the following chapter that we examine the funds generated at the various tariff levels.

6.2 Base Model

In addition to the s106 and affordable housing assumptions outlined above, there are many financial assumptions which have been made for the model. A full schedule of these is set out at Appendix 1 but we have summarised key assumptions below.

Residential Sales Value – our private market values range from £700 psf - £850 psf dependent on accommodation type. This represents a blended average across the area as there will variations based on location (e.g. river frontage) and proximity to less attractive features (e.g. railway lines). We have assumed 7% growth per annum through the period of the model which we consider represents a reasonable estimate of historic long term value growth in London.

Residential mix – we have two ‘standard’ mixes applied to the unit numbers proposed for each site, which are set out at Appendix 1. The first sets out what we consider an ideal mix including flats and family houses. However, it is acknowledged that some smaller sites are only suitable for flatted development and we have an alternative mix that reflects that. This has been applied to all sites below 2 ha as well as some others that we are aware will be brought forward for flats alone (e.g. Battersea Power Station, National Grid, etc.).

Offices – we have assumed a level of value which is based on certainty of delivery of the NLE – this is likely to be critical to securing significant office development. Accordingly rents are set at £40 psf, with investment yields at 6% and incentive packages of 24 months.

Retail – bespoke values have been applied to individual schemes dependent on accommodation type (foodstore, convenience, A3, etc.). The Power Station scheme is difficult to value based on limited information but we have applied a rent of £65 psf across the whole content with a yield of 6%.

Generic **build costs** have been utilised throughout the model with the exception of sites where there are some very specific costs items to be accounted for (good examples being the new market accommodation at New Covent Garden, Battersea Power Station, etc.). We have assumed Code Level 4 for all residential accommodation and applied 4% per annum growth. (Whilst Code Level 6 is likely to be required by 2016, the disparity in cost continues to fall as technology improves and it would be difficult to model the precise effect of this requirement).

We have applied standard 'per acre' allowances on the generic schemes for items such as demolition, servicing, external open space, access etc.

The Battersea Power Station scheme does include some exceptional abnormal costs which it would not be practical to assess at arms length in an exercise of this nature. Accordingly, as discussed at our inception meeting we have utilised the figures provided within the financial statement accompanying Treasury Holdings' planning application.

The level of developers' **profit** which should be applied to these schemes is not a 'fixed' item in the sense that it represents an articulation of risk and the level which is acceptable will vary across different parties and scheme types. However, for the purposes of the model an assumption has to be made and we consider that an overall figure of 25% on cost as a blended average is appropriate given the general scale and complexity of the schemes which are under examination. (We have applied 30% on Battersea Power Station given the scale of the scheme and hence the increased risk profile).

The other elements of the appraisals which can be considered variable are the base land value and phasing. The former is an important but subtle issue which we think is worthy of detailed examination and we have also discussed our phasing methodology in the following section.

Base Land Value

There are two 'extreme' views which must be considered. At one end of the spectrum it could be argued that it is appropriate to apply existing use values (in most cases industrial value) plus an element of hope value. It is the OAPF's high density policy that is generating the uplift in value, this is predicated on a wide package of infrastructure and it is reasonable for the LPA to extract sufficient s106 monies to pay for this to the extent that the developer/owner is not taking a significant land value benefit.

At the other extreme, it is considered that there is a 'fair' value for a high density residential scheme in this area, land transactions will have been undertaken on this assumption and developers should not then expect to see this value significantly eroded through planning contributions.

On balance we lean towards the second argument for reasons of incentivisation. Whilst land value is perhaps less relevant to a developer who is largely looking at profit levels, individual landowners will be looking at land value and if it is deflated too greatly then they may just mothball schemes until more favourable planning conditions apply, perhaps seeking to piggy-back on the benefits of earlier schemes. (A good example is National Grid where the cost of removing the gas holders will be extensive and, not being a developer, their only incentive to do so is the prospect of a healthy land receipt.

For this reason we have applied a figure of £10m per acre across the OAPF as our base land value. We consider that this represents a realistic level that should reflect the prices paid for sites in recent years by developers. We also recognise that developers will be seeking to recover these land costs, together with any holding costs incurred from the point of purchase (for example Battersea Power Station's financial statement attached to their planning application assumes a land value of £447m based on historic purchase costs).

When negotiating individual s106 packages, LBW may take the view that their starting point should be a lot nearer existing land value (in most cases industrial values) than the fuller figure which we have applied. This will be very much a case of tailoring negotiating positions around specific individual cases, as well as the level of tariff and affordable housing requirement set out in the final OAPF.

Phasing

Phasing of the various schemes is important for a number of reasons. Firstly, from the perspective of the s106 receipts, these will be payable on implementation of planning consents. So when looking at the delivery of infrastructure items, we must assess the timing that s106 contributions will come through. (Clearly there will be a high degree of uncertainty around this as developer will not be committing to very specific start dates).

Secondly, whilst there are a number of parties that appear to be making good progress with their schemes and give every indication that they will press ahead quickly, there is a danger of the market being flooded with product which will depress values and result in low take-up rates scheme-by-scheme. A realistic appraisal of sale rates should inform area-wide phasing, although is of course difficult to impose as a planning authority.

Finally, given that we are assuming value growth over time, schemes coming later should benefit from inherent value growth as well as that generated by the general enhancement of the area. Theoretically schemes coming later should be ‘more viable’ all things being equal.

With the sheer number of schemes being examined, our phasing assumptions must certainly be considered to be just one indicative option. We consider that they are based on a reasonable sales rate site-by-site whilst acknowledging that there are a number of parties looking to proceed relatively quickly.

As far as the model is concerned, we have split Battersea Power Station into four separate ‘schemes’. However other schemes are treated as a single entity with fixed internal phasing although our sensitivity does look at alternative phasing through start dates.

A number of the Lambeth sites already have planning permission and we have assumed that they will commence shortly, again phased by reference to unit numbers and sales rates. (We have not looked at viability of these schemes against affordability of tariff given that s106 agreements have already been signed).

Build Costs

Construction costs for the development sites have been established from historic cost data and included at a level which is considered suitable for Nine Elms which falls within the Greater London area.

For the purposes of addressing the likely construction costs for the sites in the area which have no current proposals, we have produced an estimate of the likely site costs: demolition and site clearance, external works including access road, hard and soft landscaping and services costs including utilities connections and an allowance for renewable energy. The generic model has been created based on the information available for Site 14: Tideway Industrial Estate, Kirtling Street using the numbers of units and site area as set out in the Financial model.

The total of these allowances has then been divided by the relevant site area to give a cost per hectare to be applied to other sites in the model.

Costs associated with the preparation of sites for redevelopment have been estimated from a desk-top exercise as information relating to the existing buildings, outbuildings, hardstanding and services routes for each site has not been made available to the team.

The desk-top exercise has assumed that the majority of sites are occupied by industrial buildings and that large office type developments occupy only a small number of sites. For the industrial model we have assumed the following:-

- Site area covered 50% by light industrial buildings
- Remaining 50% of site covered by hardstanding with capacity to take heavy goods vehicles
- Raft foundations, or simple strip with reinforced concrete ground bearing slab to be broken out and removed from site
- 60% of the volume of material removed from site has been taken as hazardous waste attracting landfill tax of £40.00 per tonne
- the remaining 40% of material removed from site has been taken as inert waste attracting £2.50 per tonne
- an allowance has been included for the removal of hotspot contamination: smaller volumes (generally) of hazardous waste which may be discovered when excavating for basements and the like the cost of which is not included in the cost per square metre building cost data.

An alternative model has been built up for the demolition and site clearance of an office building, similar to Market Towers. It has been assumed that the site will consist of parking and paving areas around the office building with little soft landscaping.

An allowance has been made for the construction of an access road: single lane carriageway in each direction with 1.5m wide pavement each side, main surface water and foul water drain runs with gulleys and manholes; a junction leading out onto the adjacent road; hard and soft landscaping to the balance of the site after deduction of the building footprint and road area (on a ratio of 45%:55%).

An estimate of on-site utilities has been included on the basis of connections and meters for the residential units and capped incoming services to the leisure and retail shells. A small allowance has been included for diverting existing services which may cross a development site (excluding fibre-optic cables).

An allowance has been included for renewable energy which will be a requirement of planning and which is not included in the historic data used for the cost per square metre rates in the Financial model assumptions.

Base Case Conclusions

We conclude from this base position that of 15% affordable housing and a tariff of £20 psf GIA on all floorspace, the majority of sites within the VNEB OAPF area are viable.

The only site which our model indicates is not viable at this level is Battersea Power Station. It is acknowledged that the scope for disparity between our figures here and the Treasury Holdings appraisal attached to their planning application (which indicates that it has used optimistic figures) is extremely large. This is a hugely complex site and so almost impossible to accurately appraise at a model of this level of detail. However, we have examined potential for enhancement of the Power Station contribution in the next chapter.

The results of the appraisals on a site-by-site basis are presented at Appendix 2.

To explore the implications of a higher proportion of affordable and/or a higher planning tariff on the viability of sites within the VNEB area, we have undertaken a series of sensitivity tests. The table below shows the parameters of these tests and the results.

The table shows that most of the sites remain viable where affordable housing is at 15% and the planning tariff is increased to £40 psf. The tipping point for the viability of schemes appears to be when there is a requirement for 20% affordable housing combined with a tariff of £35 psf or higher. (The exception is New Covent Garden Market which is carrying a significant cost in the delivery of the new market. Viability testing on this shows that it is not viable at a combination of £30 per sq ft/15% affordable, and this may underestimate the level of cost associated with a site of this nature).

Base Case – Sensitivity Testing

		Planning Tariff				
		£20 psf	£25 psf	£30 psf	£35 psf	£40 psf
Affordable Housing	15%	V	V	V	V	V
	20%	V	V	V	M	M
	25%	M	M	M	M	M
	30%	M	M	M	M	M
	35%	M	U	U	U	U

V = Most sites are viable

M = largely marginal or significant mix of viable and non-viable

U = The majority of sites are significantly non-viable

6.3 Scenario 3 – Pessimistic Value Growth

It is also important to test a scenario where the market remains subdued and rental and capital growth per annum is at a lower rate than our base case of 7%. In this more pessimistic scenario, we have reduced the value growth per annum from 7% to 4%. Please note that this growth is applied to Gross Development Value, which includes both residential and commercial uses. Build cost inflation is maintained at 4% per annum.

The table below is based on the same parameters used to test the base case appraisal. The results of this scenario, shows that the tipping point is lower than the base case at 20% affordable housing combined with a tariff of £30 psf. Again, as with the base case position, it should therefore be possible to charge a planning tariff of £40 psf and still deliver 15% affordable housing.

Pessimistic Value Growth – Sensitivity Testing

		Planning Tariff				
Affordable Housing		£20 psf	£25 psf	£30 psf	£35 psf	£40 psf
	15%	V	V	V	V	V
	20%	V	V	M	M	M
	25%	M	M	M	M	M
	30%	M	M	U	U	U
	35%	U	U	U	U	U

V = Most sites are viable

M = largely marginal or significant mix of viable and non-viable

U = The majority of sites are significantly non-viable

6.4 Scenario 2 – Optimistic Value Growth

Obviously, our base case appraisals have discrete assumptions regarding value and build cost growth over time. We have therefore undertaken an additional set of sensitive tests based on a more optimistic value growth assumption, which is adjusted from 7% per annum to 12% per annum. Please note that this growth is applied to Gross Development Value, which includes both residential and commercial uses. Build cost inflation is maintained at 4% per annum.

The table below is based on the same parameters used to test the base case appraisal. The results of this scenario, shows that the tipping point is higher than the base case at 25% affordable housing combined with a tariff of £30 psf. It should therefore be possible to charge a planning tariff of £40 psf and still deliver 20% affordable housing.

Optimistic Value Growth – Sensitivity Testing

		Planning Tariff				
		£20 psf	£25 psf	£30 psf	£35 psf	£40 psf
Affordable Housing	15%	V	V	V	V	V
	20%	V	V	V	V	V
	25%	V	V	M	M	M
	30%	M	M	M	M	M
	35%	M	M	M	M	M

V = Most sites are viable

M = largely marginal or significant mix of viable and non-viable

U = The majority of sites are significantly non-viable

Summary

Whilst there are some difficulties in financially modelling all of the development schemes through our bespoke model, especially Battersea Power Station, the results of our analysis indicate that in all three scenarios (Base case, Optimistic, and Pessimistic) the Council should be able to maximise the planning tariff at £40 psf on all floorspace, and still be able to deliver a moderate level of affordable housing at 15%.

Having modelled the level of s106 that can be garnered from the anticipated level of development within the OAPF area, we are able to consider this in more detail from a cashflow perspective and examine the extent to which it is able to fund the necessary infrastructure.

7 Financial Model Outputs – Infrastructure Provision

The first conclusion that can be drawn from the previous section is very much self evident – in negotiating planning consents on individual schemes there is a clear trade-off between affordable housing and planning contributions. The former, whilst providing an alternative product, from a financial perspective represents a cost on the scheme (or opportunity cost arising from diminished value) in exactly the same way as does a planning contribution.

That being the case, there must be some deliberation by the Council on the relative importance it attaches to affordable housing against the delivery of infrastructure. It would perhaps be easy to say that without the necessary infrastructure, the potential to provide development on this scale will be significantly diminished and hence it must be prioritised, but it is of course acknowledged that the need for new affordable housing must be fully considered.

In light of the above, we consider it sensible to look at the revenue generated through setting the tariff at various levels to illustrate how these might feed into the infrastructure requirements for the area.

We therefore set out in the table below the potential phasing of planning tariff payments over the period 2010-2025, based on our knowledge of the schemes, and when payments are likely to be paid. For the smaller schemes, the tariff is paid on commencement of the construction phase, whereas for the large schemes, the tariff is phased over time in up to 3 block payments, to reflect multiple phases.

Planning Tariff Cashflow

	£20 per sq ft	£30 per sq ft	£40 per sq ft
2010	-	-	-
2011	-	-	-
2012	£26,900,000	£40,500,000	£53,900,000
2013	-	-	-
2014	£4,800,000	£7,200,000	£9,600,000
2015	£135,700,000	£203,600,000	£271,500,000
2016	£17,300,000	£25,900,000	£34,600,000
2017	£7,400,000	£11,100,000	£14,800,000
2018	£24,400,000	£36,600,000	£48,700,000
2019	£28,200,000	£42,300,000	£56,400,000
2020	-	-	-
2021	£112,700,000	£169,100,000	£225,500,000
2022	£5,600,000	£8,400,000	£11,300,000
2023	£48,500,000	£72,800,000	£97,100,000
2024	£3,400,000	£5,100,000	£6,800,000
2025	£5,300,000	£7,900,000	£10,600,000
Total 2010-2025	**£420,300,000**	**£630,500,000**	**£840,700,000**

The figures in the above table are largely drawn from the outputs of financial model. However the figures do not include the s106 contribution for the US Embassy, which is circa £6,300,000, and is likely to be paid in 2014/15.

In addition, we have not included the schemes located in Lambeth, which already have planning permission and signed s.106 agreements. In the absence of available information we have assumed that these were agreed at the £17,500 per residential unit suggested in the draft OAPF. This could yield an additional £12,600,000 for the 721 consented units between say 2011-2014.

Therefore, the planning tariff could deliver in the region of £439m at a £20 psf rate, rising to £860m at a £40 psf rate.

The phasing of these payments must be considered extremely indicative. The larger sums collected relatively early in the plan period reflect the fact that a number of major schemes are well advanced and likely to be looking to proceed as early as possible. However, the sheer number of units that this would release on to the market at one time may result in some parties delaying their plans which would of course push out the cashflow of receipts.

Battersea Power Station

The question of Battersea Power Station was also raised in the previous chapter – this is the one scheme that our modelling suggested would not be viable at the base case with a contribution of £20 per sq ft. (The difference between £20 and £40 per sq ft on this scheme is in excess of £150m on total contribution).

Treasury Holdings have suggested a figure of £21 per sq ft on all accommodation specifically for the Northern Line, as well as a further contribution of £81m 'normal' residential contributions (s106/278). This total figure is still well short of the £300m plus which would come out of a flat tariff at £40 per sq ft.

Treasury acknowledge that they have taken some 'optimistic' assumptions on their appraisal which will be part of the reason why our figures differ. However, having offered the amount in their application, they are still providing an appraisal based on a base land value of £500m.

It is understood that negotiations are on-going to agree an acceptable affordable housing contribution and tariff contribution. An independent economic viability assessment is being undertaken on behalf of the GLA and LBW.

As we outlined in our previous section, it is extremely arguable whether they should base a viability test on historic purchase costs at a time when land values are greatly reduced from their acquisition date. This may provide some scope for the Council to negotiate an enhanced contribution.

Conclusions

Even at £40 per sq ft, based on our phasing assumptions there are insufficient receipts generated in the early years of the plan period to meet the capital costs of the NLE - £490m over the period to 2020.

Clearly the further into the future we look, the more uncertain becomes the timing of payment, based as it is on the starting on-site of currently unspecified schemes. This will have a great impact on the ability of party(s) to fund the NLE costs.

That being the case, unless a significantly reduced specification NLE can be agreed with TfL, it appears inevitable that some combination of s106 and tax increment funding or equivalent will be required.

As we indicated in chapter 3, the work undertaken by PwC to date is a useful starting point in looking at funding structures. Given that it is based on a tariff of £20 per sq ft applied to a limited number of schemes, there is clearly scope for an improved contribution from s106. The work which we have undertaken points in the direction of a figure of £40 per sq ft + and the more detailed work that the DIFS study is undertaken should provide a more robust assessment of an affordable figure.

It is clear that, armed with this more detailed information, there is scope for the next stage of TfL's analysis to provide outputs which more accurately model a deliverable funding structure. We consider it essential that LBW/GLA/TfL work together on that to ensure that the s106 affordability work is fully reflected in its findings.

Looking at the wider set of s106 requirements, without a clear indication of how much s106 is required specifically for the NLE, there are few conclusions that can be drawn.

It would of course be quite possible for the vast majority of planning contributions to be taken in funding the NLE, but this is unlikely to be an acceptable solution given the need for other infrastructure in the area. (Particularly given that the figures in chapter 3 do not include costs for upgrade of the road network.)

Whilst deliberations on the NLE go on, it seems to be sensible to seek to put as much direct responsibility on individual schemes for infrastructure items as possible. (Good examples of this include the linear park and the CCHP facility.)

But it will only be once the question of the NLE is resolved that any genuine analysis of the funding of the complete infrastructure menu can be undertaken with any certainty.

8 Community Infrastructure

The level of development envisaged for the VNEB Opportunity Area will generate a significant requirement for community infrastructure over a period of 20-30 years.

In this section of the report, the issues governing the need for 'normal' community infrastructure items, and the wider implications for waste and energy provision will be explored.

8.1 'Normal' Civic Items

The GLA's VNEB OAPF sets out some of these requirements, most notably primary schools (3 new build facilities) and secondary schools (2 new build facilities), although we understand that the education provision for the opportunity area is being revised through the GLA's DIFS Study. The DIFS Study will seek to calculate more accurately the child yield arising from developments, and the potential capacity of existing schools, in terms of availability of places and potential for extensions to these sites.

Our current understanding from Wandsworth Council's initial work on education provision is that there is likely to be need for 1 four-form primary school only, with zero requirements for new build secondary schools.

The DIFS Study will also establish the need for other 'normal' community infrastructure items, such as places of worship, nurseries, job placement, leisure and recreation facilities, museums, galleries, care homes, community centres etc.

For the purposes of the financial modelling we have included a s106 contribution for some of these community infrastructure items. Please refer to Section 3.6.

8.2 Energy and Waste Provision

From initial discussions with developers, it is evident that each development will have its own strategy for dealing with energy and waste, based on sustainability policies at the national, regional and local level.

In terms of energy, we understand that Treasury Holdings is proposing a bio fuelled Combined Cooling Heating and Power (CCHP) system providing 30 megawatts of power for the entire Battersea Power Station site. The CCHP will be located underneath the proposed park adjacent to the river, with deliveries of materials to fuel the CCHP coming by river.

To date, there have been no discussions with other developers to physically link into the proposed CCHP, or utilise existing infrastructure underneath the River Thames, which link to sites in Pimlico.

However, Treasury Holdings could provide space within their energy centre underneath the park for a wider VNEB District Heating System providing circa 2 megawatts of power.

Treasury Holdings is actively seeking en energy partner to form a Multi-utility Services Company (MUSCo) or Energy Services Company (ESCo), which will have the potential to operate as a long term investment vehicle, selling power to residents and businesses on site, as well as selling power back to the National Grid.

The indicative cost produced for the CCHP by Davis Langdon is £97m (Davis Langdon Strategic Target Masterplan Cost Plan – October 2009). At this stage, it is difficult to come to any conclusions on whether a MUSCo/ESCo would deliver a return on investment over time, given this high initial cost.

The CGMA is currently exploring the potential for a 20,000-25,000 tonne Anaerobic Digestion (AD) facility for processing organic waste from the new combined fruit and veg and flower market producing power from methane gas. CGMA's consultants have confirmed that to make the facility viable, it requires additional organic waste above and beyond that produced by the combined market. Therefore, there appears to be some opportunities for Wandsworth Council and other waste service providers to explore domestic food waste collections and processes. There may be some challenges with creating a central facility for organic waste, which could be processing organic/food waste from a large catchment, most notably access arrangements and changing existing waste contractual arrangements with operators.

To support the cumulative impact of all the developments in the regeneration area, we acknowledge from the VNEB OAPF, EDF Energy's requirement for a new primary sub-station in the area to serve new developments at a cost of £15-20m. This could be funded by EDF Energy early in the process, with the investment re-paid from a tariff on individual schemes.

Considering waste management in general, Knight Frank met with Western Riverside Waste Authority (WRWA) on 24th May 2010 to discuss the potential impact from the regeneration of the VNEB opportunity area. WRWA is a separate statutory body comprising a Board of members from four London Boroughs – Wandsworth, Lambeth, Hammersmith & Fulham, and Kensington & Chelsea.

Cory Environmental has a contract with WRWA to manage the waste of the four Boroughs to 2032. The two prime waste transfer stations in Wandsworth owned by WRWA are Cringle Dock and Smugglers Way. Currently, Wandsworth's waste is taken to Smugglers Way at the moment, with Lambeth's waste taken to Cringle Dock. These two sites have a combined capacity to handle 600,000 tonnes of commercial and domestic waste per annum and operate 24 hours, 7 days a week. The split of capacity between the two sites is roughly 50%:50%.

At the moment, Cory handles circa 500,000 tonnes a year combined through Cringle Dock and Smugglers Way,

Cory are currently building a new Energy from Waste facility at Belvedere, which will take commercial and domestic waste from Wandsworth. The new EfW facility will be commissioned in 2011, although it may start burning waste by the end of the year.

Treasury Holdings are in talks with Cory to fund the building of a new waste transfer station at Kirtling Street, next door to the existing Cringle Dock facility. The land area would be the same as the existing facility, although the station could be on two levels, operating in a similar way to Smugglers Way station. The existing aggregate yard would remain in-situ, but the existing station would be redeveloped. The jetty would be retained to transport the waste to Belvedere. There is the potential for all of the commercial and residential waste from the Battersea Power Station development to be delivered directly to the waste transfer station.

The demand arising from the VNEB with 12,000-16,000 new dwellings is likely to generate in the region of 15,000-20,000 tonnes per annum.

WRWA do not envisage any issues with meeting this demand, and there is unlikely to be a requirement for additional waste transfer stations as a result.

9 Business Relocation

9.1 Introduction

The Council has identified almost 1,400 business premises in the OAPF area. These will of course be impacted to varying degrees by the delivery of the anticipated development.

At this stage our understanding is that the Council is not proposing to utilise CPO powers to assist developers in assembling developable sites, nor indeed to assemble land to directly promote for new development.

In light of this, developers will be responsible for securing vacant possession of sites for development as required where that is not already the case. In some cases this may arise from lease expiries and service of the necessary s25 notices. In such cases whilst compensation is payable the landlord has no obligation in respect of assisting the tenant to find alternative premises.

In other cases it will be a matter of the developer agreeing acceptable terms to buy out the relevant interests at a freely negotiated price – a deal which in some cases may be underpinned by assistance in identifying alternative premises but which we would expect to more typically be purely financial.

Depending on the outcome of this report, the Council has indicated that it would ultimately be commissioning a detailed Business Relocation Study to assess the needs of local businesses and the extent to which they can be maintained within the locality.

However, for the purposes of this report we have carried out a survey of a sample businesses to assess their awareness of the development proposals, their relocation plans and requirements and the extent to which they require assistance. We have also examined some more pro-active steps that the Council can take in facilitating this process for maximum benefit to the area.

9.2 Questionnaire

We have sought to survey a sample of 20 firms in the OAPF area which was agreed in advance with the Council. Parties have been contacted by telephone and the following questions posed:

- To what degree are you aware of the future plans to redevelop the Nine Elms area?
- How large is your current premises/site?
- How many people do you employ?
- What proportion of employees are local i.e. live within Wandsworth/Lambeth boroughs?
- Are you able to tell me your company's turnover for the last financial year?
- Are you an owner occupier or do you lease your premises?
- If lease, who is the landlord?
- If lease, how long is your lease and when is it due to expire?
- If lease, have you been served a Notice of Termination (s.25 Notice) from your landlord?
- Are you actively seeking premises to relocate to?
- If yes, what are your space requirements?
- If yes, where is your locational preference? (Nine Elms/elsewhere in LBW or LBL/within London/outside London)
- Why are you seeking to relocate here?
- If no, are you staying in-situ or is the business being extinguished?
- If staying in-situ, what factors do you feel to be the most important in wanting to stay in Nine Elms?
- What support do you need from the Council?

A full schedule of the parties which have been approached and a more detailed summary of the responses is set out at Appendix 3.

However, where possible we have drawn out some general conclusions below and also provided some more general observations on areas where Wandsworth can play an active role.

9.3 Survey Results

Of the 20 parties that we sought to approach since the list was agreed with the Council, we managed to illicit responses from 13 of them.

From the results, we have found that 5 out of 13 responding companies have plans to move from their existing premises in the short term. Of these 5 firms, 3 are planning on finding premises within the Wandsworth Borough area. These moves are from the Ponton Road or Tideway Industrial Estate area, where we know that US Embassy, Ballymore and St James are acquiring sites and terminating existing leases. Companies located on Sleaford Industrial Estate are currently not gearing up to relocate, as there is less pressure from landlords to redevelop these sites, as we know that there are more long term opportunities.

It is also evident from the responses that the majority of respondents need to remain in a central London location, in order to serve their respective markets. Only one respondent, Fine Art Logistics is confirmed to be leaving the Wandsworth area, and is relocating to Wimbledon.

Two parties highlighted that they considered it important that the Council retained light industrial units in the area, something that can really only be controlled by planning policy ensuring retention of such uses in certain sites (particularly the Stewart's Road area).

There is no sense that there is an impending mad rush to leave the area. Parties seem to be dealing with situations as they arise. Most (though not all) are aware of the masterplan proposals.

9.4 Wider Conclusions

The ability of the Council to intervene in respect of business relocation is relatively limited given its lack of direct contractual control over individual schemes. Whilst planning policy will clearly have a key role in ensuring that certain premises are retained, such as within the Strategic Industrial Location (SIL) at Stewarts Road, and some new business accommodation is provided within the OAPF, this does not deal with direct interface with individual companies.

That said, clearly the Council's wider role in respect of the wider community is important here and it must have a role to play in terms of the transition of VNEB from how it is today to how it will be after the delivery of the OAPF vision.

The first point to make here is one around **visibility**. At the moment, if we take the example of an industrial unit at Tideway Wharf, the process is likely to be that the landlord will serve notice on a tenant advising that they do not intend to renew the lease on expiry. The latter may seek professional advice on validity of the notice, process for termination, compensation, etc. It will then look for alternative premises, again either direct or through an agent.

In all this process, there is no statutory role for the Council. Whilst some parties may automatically think of turning to the Council for advice or assistance, we suspect that the majority will not – either because they do not think that such advice is available or because they consider that they are able to deal with the matter themselves.

So if the Council is to take a more pro-active role in matters, the first thing it must do is to make sure that all parties are aware of this fact. Without this level of visibility in the area, the impact of any role it wishes to play will be limited.

But if the Council is to take a more visible role then it must be clear as to what it wishes that role to be. We assume that there is no intention to provide financial assistance to companies being displaced by the masterplan – land assembly by individual developers will be either undertaken through statutory determination or freely negotiated buy-outs.

So the most likely role the Council will take is a provider of information. We consider that there are a number of roles that this can take, probably best gathered together on a bespoke web page that can be widely advertised.

Technical information – whilst there are sources of information available to tenants on determination and renewal of leases on government websites, these are not always easy to find. Gathering together such information as an initial guide for business would certainly be helpful.

Masterplan information – again this is probably a matter of gathering together available information into one place. This could deal not only with the statutory planning process but also information provided by developers which is in the public realm.

Availability – if businesses are to be retained within the area, it is essential that they have easy access to information on premises currently available and also suitable business premises which are to be provided through new development. A regularly updated database providing such information through the same website will be invaluable in this respect.

Advice – the final point is where more detailed bespoke advice can be obtained. Should there be sufficient resource within the Council, there would certainly be a benefit in providing a helpline where parties can call for initial assistance. We would assume that the Council would not be looking to provide specific technical advice and so it may also be advisable to assemble a list of local agents, grouped by the nature of advice required, which can be passed on to parties to assist them in any more detailed negotiations, site searches etc.

We consider that a good quality website covering the items outlined above will be of great assistance to parties affected by new development, notwithstanding the fact that some will consider themselves to be more than capable of dealing with matters without such help.

Aside from this, clearly the key to retention of businesses within the area is to ensure that there are suitable alternative premises in the area and this can probably only be done through appropriate requirements for mix of uses within policy, and robust negotiation of planning consents. However, the OAPF proposals will (and are intended to) change the character of the area and it is inevitable that there will be some displacement of businesses. The Council's role will be to mitigate this as far as is practical and to provide support where required.

10 Delivery Strategy

There is of course much detailed work still to emerge on the OAPF area as a whole, particularly the DIFS study and (presumably) the next stage of TfL's analysis of NLE funding.

However, parties are pressing ahead with scheme designs and planning applications and if momentum is to be developed in the Nine Elms area then it is important for the Council to be able to assist in progress be it through general facilitation or through dealing with planning matters.

This report clearly represents a snapshot in time and is based on a fairly broad level of financial analysis. However, it does start to draw some conclusions on how the OAPF aspirations will come together and the role and approach that the Council might take.

10.1 Planning

In the absence of land ownership and an interventionist approach (CPO, etc.) the Council's key role is going to be in the sphere of planning.

Our brief was very much couched in terms of a desire to make things happen. For this to occur, the private sector must be attracted to the development opportunities on offer in the area.

The key concerns of developers will be around speed, certainty and the ability to make an acceptable return. For landowners it will be around extracting sufficient value from their land to incentivise them to bring forward development rather than, for example, just renewing existing leases and taking the lower risk approach.

So how can this be done? Well there is clearly progress in this respect. The draft OAPF has proposed a high density approach and reached some conclusions around infrastructure needs. The outputs of the DIFS report will take this further in terms of producing proposals for actual tariff rates and for delivery.

Wandsworth are a key stakeholder in this work and it will be important that they take part in a rigorous debate before these outputs are turned into policy, both to ensure that they are robustly based and also that they are affordable. If the latter is not the case, either they will be a significant disincentive to development or their credibility will be quickly eroded through early negotiations with active planning applications.

We await with interest the extent to which some of the infrastructure proposals will be fleshed out in this next stage of the work. For example, at the moment the document refers to some very general requirements – upgrade of highways, bus facilities etc. We have seen the Feb 2010 options report on the latter but are not aware of any progress since then.

This sort of very general approach, aside from being impossible to cost, will inject significant uncertainty into the planning process which will only cause delay. So any ability that the Council has to ensure that items such as this are brought forward expediently, enabling comprehensive policy documents to be issued will certainly assist in delivery of consents and ultimately of development on the ground. (We have picked up the specific issue of the NLE in the next section).

When it comes to approaching individual planning applications, the sooner policy is clarified the stronger the Council's position will be in terms of negotiations. Some developers will clearly be very sympathetic to the Council's position in terms of tariffs and infrastructure, seeing the benefit to their schemes in terms of marketability and achievable values, particularly if these are set at an 'affordable' level.

However, there will inevitably be some parties that will seek to minimise contributions on grounds of viability and will claim that there is minimal benefit to their scheme from, for example, the NLE. Whilst we have not carried out planning policy-based analysis on the specific requirements, we consider that the Council's case here is particularly strong given the dispensation provided to the Nine Elms area from Crossrail contributions. Ultimately the Council will need to take a firm stance to ensure that revenues are maximised from early negotiations, particularly in the period up until the NLE delivery strategy is finalised.

10.2 Northern Line Extension

We have set out our views on the initial TfL paper in chapter 3 of this report. This is the single most important issue facing those seeking to promote development in the VNEB area, given both the magnitude of cost and the benefit it will provide. Whilst some schemes would probably come forward regardless of its delivery, others are more dependent on it.

In particular, the Battersea Power Station scheme which will be the icon for VNEB and a catalyst for delivery and value growth, appears to be very reliant on NLE and looking wider, the ability to achieve the best mix between commercial and residential space within the area will also be dependent on a successful outcome for the NLE .

We consider that there is still much work to be done here and a delivery mechanism which secures more of the upfront capital cost through s106 receivable in the shorter term will certainly be beneficial.

In the absence of a direct funding/underwriting or delivery role, the Council will need to use its influence to ensure that work on the NLE progresses quickly. The initial study, while useful as far as it goes, is clearly a very high level piece of work and one which while is long on theory whilst relatively short on testing of deliverability. (It is clearly acknowledged in the report, for example, that there has been little work done on identifying parties that could finance this level of expenditure and the need for an overarching 'guarantor' clearly presents difficulties.)

Our impression from discussions with Treasury Holdings is that they are very willing to explore options in which they take a much more direct involvement in delivery of the NLE and we consider it important that this enthusiasm is capitalised on in direct and practical discussions. An incremental approach of short, high level studies will not lead to a successful outcome in the short term.

10.3 Other Infrastructure

Any analysis of the ability for the area to secure the necessary infrastructure must be examined in the context of the NLE. This clearly the most costly item and until there is a clear strategy for its deliverability, and a clear statement of cost it will be almost impossible to reach an understanding of the availability of funds for other items.

However, in the meantime, the Council is still in a position where it may be faced with planning applications which it will have to process (unless there are strong prematurity grounds for delay).

It is apparent that there are a number of items of 'shared' infrastructure which can actually be delivered through individual schemes. The example of the CCHP facility is a good one here – Treasury Holdings' application includes provision of a CCHP which will have capacity to be extended to link into a much wider District Heating System as other individual schemes come forward.

Another example is the linear park where the proposals of Ballymore and the Royal Mail illustrate that the basic provision can be undertaken as part of individual schemes where there is co-operation between parties. The Council's role in facilitating this through pre-application discussions will be of great importance here.

We would expect developers to be receptive to this given that they will fully appreciate the importance of high quality public realm to place making and the benefits that they will secure in terms of marketability and value. However, there will of course be potential for them to seek to offset s106 contributions when they are providing over-and-above levels of open space – this will need to be considered in individual negotiations.

There remain some big unknowns within the overall package – transport and non-NLE transport improvements fall into this category and there is little here that we can comment on other than then need for this issue to be resolved as quickly as possible. It seems likely that there will be some major interventions that will need to be funded through tariff receipts and others which will be delivered through individual schemes but we presume that this will be examined in more detail through the DIFS study.

Finally there are items which will clearly need to be delivered by the public sector and funded through the s106 package. This includes the new school, community, elements of the enhancement of the riverside pedestrian route etc.

The delivery of these will be a question of priority and consideration of their relative importance compared to the need for early s106 monies to be diverted to NLE will only be resolved when the latter's delivery strategy is finalised.

10.4 Quality

The question of how the quality of development in the area can be driven by the Council is one that clearly emerges from the brief and our subsequent discussions with the Council. However, without an ownership position to provide contractual control, the Council's ability to directly control quality is to some degree limited.

Planning policy will of course be the first port of call. A high level of design standard can be encapsulated in policy which will enable the Council to set a high required standard in dealing with planning applications and, importantly, in pre-application discussions. Consideration may need to be given to a suite of additional Supplementary Planning Documents (SPD) produced by the Council to deal with items such as open space, design standards etc in more detail.

Early delivery of a quality development in the form of the US Embassy will also drive quality in that it will set a tone that developers should aspire to and will give them the expectation that the market they are seeking to capture is at the quality end of the spectrum.

Quality will not only be around design of buildings but also of treatment of public areas and of mix of uses. The delivery of high quality public realm, for example in the case of the linear park, will set a benchmark against which public space (and also private outdoor space) will be judged against in individual schemes.

As far as mix is concerned, it will be important to ensure that the area is not dominated by flats. We have assumed a mix in our financial model which is more weighted towards family housing which creates more vibrant and balanced communities (other than on smaller sites where this is inappropriate) and we would assume that this is a stance that would be taken in policy and development control.

Whilst there is certainly a temptation for developers to maximise volume through large flatted schemes, we consider that there is some move away from this. Residential towers have to be built out in one tranche, thus attracting significant up front costs and longer term finance costs as units are sold over time. There is more scope for phased development of schemes more weighted to housing which does present cashflow benefits (thus de-risking a scheme) even if the overall return may not be so great.

Finally, as we have indicated in the previous section, the extent to which current plans are heavily weighted towards residential perhaps reflects some scepticism amongst the developer community that the NLE will be successfully delivered. The accessibility benefits that it will provide is likely to influence parties to take a more imaginative approach to scheme design and we would expect a better balance between residential and commercial to result.

Moreover, without the NLE the plans to attract the scale of new jobs is likely to be undermined and lead to much more of a residential community and not the expected vibrant mixed use quarter.

10.5 Existing Businesses

We have examined business relocation in Chapter 9 and examined some of the steps that the Council can take in assisting businesses displaced by new development, and particularly in retaining them within the area.

Ultimately a successful delivery of the OAPF vision will provide a compelling reason for businesses to want to stay in the area and for new business to be drawn in, to capitalise on the quality and vibrancy of the area.

In the meantime it will be key that the Council takes steps to ease the process of relocation within the area, keeping up to date information on available premises and forthcoming developments, providing some high level advice on dealing with, for example, s25 notices, details of local agents that can assist with relocation etc.

It is to be expected that some business will be driven out of the area by a general uplift in values. To some degree this is unavoidable and the expectation is that they will be replaced by other business providing a comparable or enhanced level of economic activity. However, a pro-active Council providing assistance where required certainly has the potential to minimise this.

10.6 Summary

The key actions for the Council in the short term are:

- To push for rapid progress on the delivery strategy for the NLE;
- To facilitate discussions between Treasury Holdings and TfL if it is apparent that this is the most likely option for delivery;
- Work closely with the GLA to ensure that policy is quickly finalised with transparent tariffs set at a level which can maximise contributions to the required infrastructure but does not disincentivise development;
- In the meantime, to maximise s106 receipts from early applications based on a sensible negotiating position around assessment of viability building on the financial modelling in this report as an evolution of the rates identified in the OAPF and pending the results of the DIFS;
- To continue to pro-actively bring forward pre-application discussions with major landowners and developers to explore the direct delivery of infrastructure items through individual schemes.
- To undertake a more detailed business relocation strategy, to put in place measures it is able to take to assist businesses to stay in the area and to fully publicise this.

APPENDICES

Appendix 1 - Financial Appraisal Assumptions

Caveat and Assumptions

The viability analysis has been undertaken adopting a residual appraisal methodology with a quarterly cashflow. Given the large and complex nature of the project, it was considered that the development of a bespoke development appraisal model, using Excel software, was the most suitable method of assessing viability. This enable sufficient flexibility to be created in order to test the range of senility analysis required and to tailor the output in the most appropriate manner. The model has been developed so it can be updated relatively easily as scheme progress and more detailed information becomes available.

We would highlight that the analysis does not constitute formal valuations as defined by the RICS Valuation Standards ('Red Book'). The inputs and results of the exercise provide only an <u>indication</u> of viability. The outputs are likely to be subject to change due to a number of factors, including changing market conditions, refinement of developers proposals, detailed infrastructure and cost information, as well as phasing and the approach to implementation.

Set out below is the main assumptions master sheet which details the specific assumption adopted for each of the sites. Further commentary on the approach to assessment is set out in the main body of the report and should be read in conjunction with the model.

Navigation Page

Assumption Description	Source / Control	Site 1	Phase 1	Phase 2	Phase 3	Phase 4	Site 2	Site 3	Site 4	Site 5	Site 6	Site 7	Site 8	Site 9	Site 10	Site 11	Site 12	Site 13	Site 14	Site 15	Site 16	Site 17	Site 18	Site 19	Site 20	Site 21	Site 22	Site 23
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Site and Overall Floor Space Assumptions																												
Site Area (ha)	Key App	16.35	4.0875	4.0875	4.0875	4.0875	0.18	0.32	2.96	1.27	17.23	4.14	5.78	0.46	0.34		0.55	1.27	1.9	0.84	1.07	5.43	0.83	0.42	0.51	1	0.42	10.49
Site Area (Acres)	Auto	40.38	10.10	10.10	10.10	10.10	0.44	0.79	7.31	3.14	42.56	10.23	14.28	1.14	0.84		1.36	3.14	4.69	2.07	2.64	13.41	2.05	1.04	1.26	2.47	1.04	25.91
Total Residential Units	Key App	3,938	574	758	1,967	638	68	121	700	365	230	1740	3000	173	128		207	500	800	772	403	2000	313	158	192	200	158	#REF!
Residential Density (Dwellings Per ha)	Auto	241					378	378	236	287	13	420	519	376	376		376	394	421	919	377	368	377	376	376	200	376	#REF!
Gross Office Floor Space (B1) - Sq M	Key App		#REF!	#REF!	#REF!	#REF!			16723				18580							27550		4000	0					
Gross Unit Retail Floor Space (A1) - Sq M	Key App		#REF!	#REF!	#REF!	#REF!														1808								
Gross Café / Restaurant Floor Space (A2, A3,A4,A5) = Sq M	Key App		#REF!	#REF!	#REF!	#REF!			1858			4,356							1858	1808								
Gross Retail Foodstore Floorspace - Sq M	Key App		0	0	0	0						9290	9290															
Gross Big Box Leisure Floorspace (cinema, bingo, bowling) - Sq M	Key App		#REF!	#REF!	#REF!	#REF!						1200	6000															
Gross Retail Warehousing Floorspace - Sq M	Key App		0	0	0	0																						
Gross Hotel Floor Space (C1) - Sq M	Key App		#REF!	0	#REF!	#REF!						11750	28,000						7450									
Gross Industrial Floorspace - Sq M	Key App		0	0	0	0																						
Assisted Living - Sq M	Key App		#REF!	0	0	#REF!																						
Event and Conferencing - Sq M	Key App		#REF!	#REF!	#REF!	#REF!																						
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Other Uses SqM	Key App		#REF!	#REF!	#REF!	#REF!					46500																	
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Shared Ownership / Intermediate																												
1 bed flat / 1 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Check			#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Residential Unit Sizes																												
Private Market																												
1 bed flat / 1 bed spaces	Planning A		475	475	475	475	475	475	475	475	475	475	475	475	475		475	475	475	475	475	475	475	475	475	475	475	475
1 bed flat / 2 bed spaces	Planning A		550	550	550	550	550	550	550	550	550	550	550	550	550		550	550	550	550	550	550	550	550	550	550	550	550
2 bed flat / 4 bed spaces	Planning A		700	700	700	700	700	700	700	700	700	700	700	700	700		700	700	700	700	700	700	700	700	700	700	700	700
3 bed flat / 5 bed spaces	Planning A		900	900	900	900	900	900	900	900	900	900	900	900	900		900	900	900	900	900	900	900	900	900	900	900	900
2 bed house / 4 bed spaces	Planning A		750	750	750	750	750	750	750	750	750	750	750	750	750		750	750	750	750	750	750	750	750	750	750	750	750
3 bed house / 5 bed spaces	Planning A		1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000		1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
4 bed house / 6 bed spaces	Planning A		1350	1350	1350	1350	1350	1350	1350	1350	1350	1350	1350	1350	1350		1350	1350	1350	1350	1350	1350	1350	1350	1350	1350	1350	1350
Social Rented																												
1 bed flat / 1 bed spaces	Planning A		400	400	400	400	400	400	400	400	400	400	400	400	400		400	400	400	400	400	400	400	400	400	400	400	400
1 bed flat / 2 bed spaces	Planning A		500	500	500	500	500	500	500	500	500	500	500	500	500		500	500	500	500	500	500	500	500	500	500	500	500
2 bed flat / 4 bed spaces	Planning A		725	725	725	725	725	725	725	725	725	725	725	725	725		725	725	725	725	725	725	725	725	725	725	725	725
3 bed flat / 5 bed spaces	Planning A		825	825	825	825	825	825	825	825	825	825	825	825	825		825	825	825	825	825	825	825	825	825	825	825	825
2 bed house / 4 bed spaces	Planning A		750	750	750	750	750	750	750	750	750	750	750	750	750		750	750	750	750	750	750	750	750	750	750	750	750
3 bed house / 5 bed spaces	Planning A		900	900	900	900	900	900	900	900	900	900	900	900	900		900	900	900	900	900	900	900	900	900	900	900	900
4 bed house / 6 bed spaces	Planning A		1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100		1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100
Shared Ownership / Intermediate																												
1 bed flat / 1 bed spaces	Planning A		400	400	400	400	400	400	400	400	400	400	400	400	400		400	400	400	400	400	400	400	400	400	400	400	400
1 bed flat / 2 bed spaces	Planning A		500	500	500	500	500	500	500	500	500	500	500	500	500		500	500	500	500	500	500	500	500	500	500	500	500
2 bed flat / 4 bed spaces	Planning A		725	725	725	725	725	725	725	725	725	725	725	725	725		725	725	725	725	725	725	725	725	725	725	725	725
3 bed flat / 5 bed spaces	Planning A		825	825	825	825	825	825	825	825	825	825	825	825	825		825	825	825	825	825	825	825	825	825	825	825	825
2 bed house / 4 bed spaces	Planning A		750	750	750	750	750	750	750	750	750	750	750	750	750		750	750	750	750	750	750	750	750	750	750	750	750
3 bed house / 5 bed spaces	Planning A		900	900	900	900	900	900	900	900	900	900	900	900	900		900	900	900	900	900	900	900	900	900	900	900	900
4 bed house / 6 bed spaces	Planning A		1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100		1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100
Residential Values Per Sq Ft																												
Private Market																												
1 bed flat / 1 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Social Rented																												
1 bed flat / 1 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Shared Ownership / Intermediate																												
1 bed flat / 1 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Key App		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Residential Values Per Unit																												
Private Market																												
1 bed flat / 1 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Social Rented																												
1 bed flat / 1 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Shared Ownership / Intermediate																												
1 bed flat / 1 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Residential Ground Rent																												
Priavte Apartments (ground rent per unit)	Key App		£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300		£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300	£ 300
Intermediate Apartments	Key App		£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Yield (%)	Key App		6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50		6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Costs	Key App		5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%		5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
Car Parking Numbers																												
Private Market	0.5																											
1 bed flat / 1 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Social Rented	Auto		0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0
1 bed flat / 1 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Shared Ownership / Intermediate	Auto		0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0
1 bed flat / 1 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
1 bed flat / 2 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed flat / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed flat / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
2 bed house / 4 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
3 bed house / 5 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
4 bed house / 6 bed spaces	Auto		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Check Total			#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Commercial Value Assumptions																												
Rental Values (£ per sq ft)																												
Office	Key App		£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40		£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40	£ 40
Unit Retailing	Key App		£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65		£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65	£ 65
Café / Restraunt Use	Key App		£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35		£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35	£ 35
Foodstore Retail	Key App		£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5		£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5	£ 22.5
Big Box Leisure	Key App		£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15		£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15	£ 15
Retail Warehousing	Key App		£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25		£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25	£ 25
Hotel (CV Per Bed Space)	Key App		£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000		£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000	£ 250,000
Industrial	Key App		£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12		£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12	£ 12
Student Accommodation	Key App		£660	£660	£660	£660	£660	£660	£660	£660	£660	£660	£660	£660	£660		£660	£660	£660	£660	£660	£660	£660	£660	£660	£660	£660	£660
Events and Conferencing	Key App		£15	£15	£15	£15	£15	£15	£15	£15	£15	£15	£15	£15	£15		£15	£15	£15	£15	£15	£15	£15	£15	£15	£15	£15	£15
Serviced Apartments (£ per sq ft)	Key App		£335	£335	£335	£335	£335	£335	£335	£335	£335	£335	£335	£335	£335		£335	£335	£335	£335	£335	£335	£335	£335	£335	£335	£335	£335
Other Uses	Key App		£477	£477	£477	£477	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Yields																												
Office	Key App		6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000		6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000
Unit Retailing	Key App		6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000		6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000
Café / Restraunt Use	Key App		6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000		6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000
Foodstore Retail	Key App		5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000		5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000
Big Box Leisure	Key App		7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000		7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000
Retail Warehousing	Key App		6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000		6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000
Hotel (CV Per Bed Space)	Key App		250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000		250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Industrial	Key App		6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500		6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500
Student Accommodation	Key App		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Events and Conferencing	Key App		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Serviced Apartments (£ per sq ft)	Key App		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Uses	Key App		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Voids / Rent Free (months)																												
Office	Key App		24	24	24	24	24	24	24	24	24	24	24	24	24		24	24	24	24	24	24	24	24	24	24	24	24
Unit Retailing	Key App		24	24	24	24	24	24	24	24	24	24	24	24	24		24	24	24	24	24	24	24	24	24	24	24	24
Café / Restraunt Use	Key App		12	12	12	12	12	12	12	12	12	12	12	12	12		12	12	12	12	12	12	12	12	12	12	12	12
Foodstore Retail	Key App		0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0
Big Box Leisure	Key App		12	12	12	12	12	12	12	12	12	12	12	12	12		12	12	12	12	12	12	12	12	12	12	12	12
Retail Warehousing	Key App		6	6	6	6	6	6	6	6	6	6	6	6	6		6	6	6	6	6	6	6	6	6	6	6	6
Hotel (CV Per Bed Space)	Key App																											
Industrial	Key App		13	14	15	16	17	18	19	20	21	22	23	24	25		27	28	29	30	31	32	33	34	35	36	37	37
Student Accommodation	Key App		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Events and Conferencing	Key App		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Serviced Apartments (£ per sq ft)	Key App		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction Costs																												
Residential Build Costs (per sq ft)																												
Private Flats (Code 4)	Key App		£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200		£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200
Affordable Flats (Code 4)	Key App		£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200		£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200	£200
Private Houses (Code 4)	Key App		£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140		£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140
Affordable Houses (Code 4)	Key App		£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140		£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140	£140
Up Lift Per Unit (flat) to Code Level 5	Key App		£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000		£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000
Up Lift Per Unit (House) to Code Level 6	Key App		£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000

Navigation Page

Assumption Description	Source / Control	Site 1	Phase 1	Phase 2	Phase 3	Phase 4	Site 2	Site 3	Site 4	Site 5	Site 6
		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Car Parking											
Car parking (Surface) per space	Key App		1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650
Car parking (Multi-storey) per space	Key App		12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Car parking (Basement) per space	Key App		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Overall Cost of (surface Parking)	Auto		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Overall Cost of (Multi-Storey Parking)	Auto		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Overall Cost of (Basement Parking)	Auto		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Commercial Build Costs											
Office	Key App		£220	£220	£220	£220	£220	£220	£220	£220	£220
Unit Retailing	Key App		£110	£110	£110	£110	£110	£110	£110	£110	£110
Café / Restraunt Use	Key App		£120	£120	£120	£120	£120	£120	£120	£120	£120
Foodstore Retail	Key App		£85	£85	£85	£85	£85	£85	£85	£85	£85
Big Box Leisure	Key App		£110	£110	£110	£110	£110	£110	£110	£110	£110
Retail Warehousing	Key App		£70	£70	£70	£70	£70	£70	£70	£70	£70
Hotel (CV Per Bed Space)	Key App		£150	£150	£150	£150	£150	£150	£150	£150	£150
Industrial	Key App		£60	£60	£60	£60	£60	£60	£60	£60	£60
Student Accommodation	Key App		225	225	225	225	225	225	225	225	225
Events and Conferencing	Key App		300	300	300	300	300	300	300	300	300
Serviced Apartments (£ per sq ft)	Key App		200	200	200	200	200	200	200	200	200
Other Uses	Key App		£10	£10	£10	£10	£10	£10	£10	£10	£10
Pre Construction Costs											
Demolition and Site Clearance (per ha)	Key App		#REF!	#REF!	#REF!	#REF!	£200,520	£356,480	£7,992,000	£1,414,780	£19,194,220
Planning and Techincal Studies	Key App		£ 574,115	£ 758,254	£ 1,967,140	£ 638,067	£68,000	£121,000	£700,000	£365,000	£230,000
Land Assembly	Sens		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	£0	£0
On Site Infrastructure including public realm	Key App		£ -	£ -	£ -	£ -	£35,460	£63,040	£583,120	#REF!	£3,394,310
Services & Utilities	Key App		£ -	£ -	£ -	£ -	£578,160	£1,027,840	£9,507,520	£4,079,240	£55,342,760
Infrastructure Tariff (Gross Floor Area)											
Commercial (GIA per sq ft)	Sens		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Residential (GIA per sq ft)	Sens		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Other Costs											
Contingency	Key App		10%	10%	10%	10%	10%	10%	10%	10%	10%
Professional Fees	Key App		12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Sales and Marketing Fees (Private GDV)	Key App		3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Legal Fees Sale (Private GDV)	Key App		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Letting Agents Fee (1st years rent)	Key App		10%	10%	10%	10%	10%	10%	10%	10%	10%
Letting Legal Fees (1st years rent)	Key App		5%	5%	5%	5%	5%	5%	5%	5%	5%
Inv.Sale Agents Fees (Capital Value)	Key App		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Inv.Sale Legal Fees (Capital Value)	Key App		0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Purcharsers Costs	Key App		4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Interest Rates	Key App		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Developers Return (on Costs)											
Developers Return	Sens		30.00%	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Cashflow Inputs											
Rate of Return (%)	Key App		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Value Inflation (pa)	Sens		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Cost Inflation (pa)	Sens		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!

Assumption Description	Site 7	Site 8	Site 9	Site 10	Site 11	Site 12	Site 13	Site 14	Site 15	Site 16	Site 17	Site 18	Site 19	Site 20	Site 21	Site 22	Site 23
	#REF!	Ballymore Sites	#REF!	#REF!	Not Use	Metroploitan Police Warehouse Garage, Ponton Road	#REF!	#REF!	#REF!	#REF!	#REF!	Government Car and Dispatch Agency, Ponton Road	#REF!	#REF!	#REF!	#REF!	Lambeth Sites
Car Parking																	
Car parking (Surface) per space	1,650	1,650	1,650	1,650		1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650
Car parking (Multi-storey) per space	12,000	12,000	12,000	12,000		12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Car parking (Basement) per space	30,000	30,000	30,000	30,000		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Overall Cost of (surface Parking)	tbc	tbc	tbc	tbc		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Overall Cost of (Multi-Storey Parking)	tbc	tbc	tbc	tbc		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Overall Cost of (Basement Parking)	tbc	tbc	tbc	tbc		tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc	tbc
Commercial Build Costs																	
Office	£220	£220	£220	£220		£220	£220	£220	£220	£220	£220	£220	£220	£220	£220	£220	£220
Unit Retailing	£110	£110	£110	£110		£110	£110	£110	£110	£110	£110	£110	£110	£110	£110	£110	£110
Café / Restraunt Use	£120	£120	£120	£120		£120	£120	£120	£120	£120	£120	£120	£120	£120	£120	£120	£120
Foodstore Retail	£85	£85	£85	£85		£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85
Big Box Leisure	£110	£110	£110	£110		£110	£110	£110	£110	£110	£110	£110	£110	£110	£110	£110	£110
Retail Warehousing	£70	£70	£70	£70		£70	£70	£70	£70	£70	£70	£70	£70	£70	£70	£70	£70
Hotel (CV Per Bed Space)	£150	£150	£150	£150		£150	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150
Industrial	£60	£60	£60	£60		£60	£60	£60	£60	£60	£60	£60	£60	£60	£60	£60	£60
Student Accommodation	225	225	225	225		225	225	225	225	225	225	225	225	225	225	225	225
Events and Conferencing	300	300	300	300		300	300	300	300	300	300	300	300	300	300	300	300
Serviced Apartments (£ per sq ft)	200	200	200	200		200	200	200	200	200	200	200	200	200	200	200	200
Other Uses	£10	£10	£10	£10		£10	£10	£10	£10	£10	£10	£10	£10	£10	£10	£10	£10
Pre Construction Costs																	
Demolition and Site Clearance (per ha)	£11,178,000	£6,438,920	£512,440	£378,760		£612,700	£1,414,780	£2,116,600	£2,437,701	£1,191,980	£6,049,020	£924,620	£467,880	£568,140	£1,114,000	£467,880	£11,684,078
Planning and Techincal Studies	£1,740,000	£3,000,000	£173,000	£128,000		£207,000	£500,000	£800,000	£772,000	£403,000	£2,000,000	£313,000	£158,000	£192,000	£200,000	£158,000	#REF!
Land Assembly	£0	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
On Site Infrastructure including public realm	#REF!	#REF!	£90,620	£66,980		#REF!	£250,190	£374,300	#REF!	#REF!	#REF!	#REF!	£82,740	£100,470	£197,000	£82,740	£2,066,215
Services & Utilities	£13,297,680	£18,565,360	£1,477,520	£1,092,080		£1,766,600	£4,079,240	£6,102,800	£4,619,280	£3,436,840	£17,441,160	£2,665,960	£1,349,040	£1,638,120	£3,212,000	£1,349,040	£33,688,741
Infrastructure Tariff (Gross Floor Area)																	
Commercial (GIA per sq ft)	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Residential (GIA per sq ft)	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Other Costs																	
Contingency	10%	10%	10%	10%		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Professional Fees	12.50%	12.50%	12.50%	12.50%		12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Sales and Marketing Fees (Private GDV)	3.25%	3.25%	3.25%	3.25%		3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Legal Fees Sale (Private GDV)	1.00%	1.00%	1.00%	1.00%		1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Letting Agents Fee (1st years rent)	10%	10%	10%	10%		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Letting Legal Fees (1st years rent)	5%	5%	5%	5%		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Inv.Sale Agents Fees (Capital Value)	1.50%	1.50%	1.50%	1.50%		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Inv.Sale Legal Fees (Capital Value)	0.50%	0.50%	0.50%	0.50%		0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Purcharsers Costs	4.75%	4.75%	4.75%	4.75%		4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Interest Rates	7.00%	7.00%	7.00%	7.00%		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Developers Return (on Costs)																	
Developers Return	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Cashflow Inputs																	
Rate of Return (%)	3.5%	3.5%	3.5%	3.5%		3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Value Inflation (pa)	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Cost Inflation (pa)	#REF!	#REF!	#REF!	#REF!		#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!

Appendix 2 - Results of the Financial Appraisals

Appendix 3 - Results of the Business Relocation Questionnaire Survey

VNEB Project Feasibility and Delivery Strategy

Business Relocation Study: List of Businesses to Contact

Ponton Road Area

1. Metropolitan Police (Vehicle Depot) - Response

2. Jack Barclay (Rolls Royce/Bentley Cars) - Response

3. Government Car and Despatch Agency (GCDA) - Response

4. Christie's Fine Art, Ponton Road (Storage and Distribution) - Response

5. DHL, Ponton Road (Postal services) - Response

6. Fine Art Logistics, Ponton Road (Storage and Distribution) - Response

7. Spitfire, Southbank Business Centre, Ponton Road (IT services) – No Response

8. Product Plus International, Southbank Business Centre, Ponton Road (Advertising) - Response

9. TNT Courier, Southbank Business Centre, Ponton Road (Courier/Postal services) – No Response

10. Davies Keeling Trowbridge, Ponton Road (Artists/illustrators) - Response

11. Live Technical Productions, Ponton Rd (Motion picture/audio visual) – No Response

Sleaford Industrial Estate Area

12. BMW/Mini Dealership, Battersea Park Road (Car dealership/showroom) – No Response

13. Booker, Battersea Park Road (Wholesale of food and beverage) - Response

14. Dairy Crest Ltd, Sleaford Street (Dairy) - Response

15. What on Earth Ltd, Sleaford Street (Organic Food) - Response

16. Pizzeria Roma, Sleaford Street (Manufacture of Foods) – No Response

Tideway Industrial Estate Area

17. Party Ingredients, Tideway IE (Catering) - Response

18. Nimbus Ltd, Tideway IE (Lighting Consultant) - Response

19. Dalkia Services, Tideway IE (Energy Management Control Systems) – No Response

20. V & A Enterprise, Kirtling Street (Museum) – No Response

VNEB Project Feasibility and Delivery Strategy

Business Relocation Study: Questionnaire Proforma for Telephone Interviews

Introduction:

Good Morning, I am XX from Knight Frank, a firm of property consultants instructed by Wandsworth Council to assess the feasibility and deliverability of the Greater London Authority's Vauxhall/Nine Elms/Battersea regeneration area.

We appreciate that there are major plans for the area, which may affect your business, and we would welcome 5 minutes of your time to answer a few questions about your company and its future plans in the area. This will help the Council and others understand the implications of plans for the area on existing businesses.

Q1. To what degree are you aware of future plans to redevelop the Nine Elms area?

Q2. How large is your current premises/site?

Q3. How many people do you employ?

Q4. What proportion of employees are 'local' i.e. live within Wandsworth/Lambeth boroughs

Q5. Are you able to tell me your company's turnover for the last financial year

Is it:

£0-100k	
£100-500k	
£500k-1m	
£1-2m	
£2-5m	
£5-10m	
£10m+	

Q6. Are you an owner occupier or do you lease your premises?

Q6a. If Lease – who is the landlord?

Q6b. If Lease – how long is your lease and when is it due to expire?

Q6c. If Lease – have you been served with a Notice of Termination (s.25 Notice) from your landlord [for tenants within the 1954 L&T Act]?

Q7. Are you actively seeking premises to relocate to?

Q7a. If Yes – What are your space requirements?

Q7bi. If Yes – Where is your locational preference?:

Local Nine Elms Area	
Elsewhere in Wandsworth Borough	
Within London – Specify	
Outside of London – Specify	

Q7bii. Why are seeking to relocate here?

Q7ci. – If No, are you staying in-situ, or is the business being extinguished?

Q7cii. – If staying in-situ – what factors do you feel to be the most important in wanting to stay in Nine Elms?

Q8. What support do you feel you need from the Council?

Thank You

Name:

Job Title:

Business:

VNEB Project Feasibility and Delivery Strategy Business Relocation Survey Results – June 2010

Q	Metropolitan Police, Ponton Road Area	Jack Barclay, Ponton Road Area	Government Car Service, Ponton Road Area	Christies, Ponton Road Area	DHL, Ponton Road Area	Fine Art Logistics, Ponton Road Area	Product Plus, now 'Brand Edition', Ponton Road Area
1	Very aware of the regeneration plans in the area	Knew last year	Very aware – planners have been in to show maps etc	Yes – know it will affect them	Yes, am generally aware	Yes – agreed a surrender 18 months ago with the US Embassy	Aware their premises is on the Embassy site
2	No figures to hand	Not sure – large bus garage	64,580 sq ft	100,000 sq ft	Home Delivery Network has recently pruchased DHL's parcel service. HDN is now in Units A-C and DHL International in Unit D. Unit A-C is approximately 60,000 sq.ft.	Unknown	Not sure
3	Confidential	72	300	8	150	Unknown	40
4	Confidential	40%	Two thirds	1	Don't know, but most live outside of the local area	Unknown	15
5	n/a	No	No – not yet	No	No	No	No
6	Owner occupier	Lease	Lease	Freehold	Lease	Lease	Lease
6a	n/a	US Embassy	Would not say	n/a	Not known	US Embassy	US Embassy
6b	n/a	Lease surrender negotiated – to move out by end 2011	Would not say	n/a	Expires at end of 2016/start of 2017	Lease surrender negotiated – good offer. Rent free at the moment.	Next year or 2012
6c	n/a	n/a	Would not say	n/a	No	n/a	No
7	Yes – actively negotiating a relocation	Already found	No	Not yet – not on the market but would accept high offer	Not yet – too early to be searching	Already found	Not at the moment
7a	Confidential	Burr Road, Wandsworth	n/a	100,000 light industrial	An equivalent size - 60,000 sq.ft.	Wimbledon	Not sure
7bi	Confidential	Moving within Wandsworth	n/a	Local area, Wandsworth Borough – need to be 15 mins from W1	Local Nine Elms Area/Wandsworth Borough	Moving to Wimbledon	Local area & Wandsworth
7bii	Need to stay in central London	Best for staff	n/a	n/a	Need central London site with access for 40 ft vehicles	n/a	Staff retention is important
7ci	n/a	n/a	Can't afford to move	Waiting until necessary. Plan until sitting tight until land values increase. No need to move until 2013.	n/a	n/a	n/a
7cii	n/a	n/a	Location & access	Clients, cost of relocation, staff	n/a	n/a	n/a
8	Not at the moment	Not at the moment – deal done independently of Council	Consider Council not maintaining local services as they should because of the regeneration plans. Want better co-operation between Council and occupiers. Need to be in the area and maintain the status quo.	Nothing specific	Nothing specific	No Council involvement needed	Not at the moment

VNEB Project Feasibility and Delivery Strategy Business Relocation Survey Results – June 2010

Q	Davies Keeling. Ponton Road Area	Booker, Sleaford IE Area	Dairy Crest, Sleaford IE Area	What on Earth, Sleaford IE Area	Party Ingredients, Tideway IE Area	Nimbus Ltd, Tideway IE Area
1	Settlement negotiated with the US Embassy	Yes – US Embassy	Generally aware, but our site is a long way down the development pipeline compared to others	No, not at all	Aware of Battersea Power Station and plans for improved transport	See plans for area and aware of US Embassy
2	3,500 sq ft	33,000 sq ft	2 acres	8,000 sq ft	2 x 3,000 sq ft light industrial	4,500 sq ft
3	10+ - various with contractual changes	35	86	25	40-45 with up to 300 on full catering events	Confidential
4	50%	25%	10%	50%	30	40%
5	No	£22m +	£18m	Not known yet	No	No
6	Took on last 5 years of lease	Lease	Owner occupier	Licence	Leaseholder	Lease
6a	Ballymore	Not known	n/a	Spacia	St James's Group	St James
6b	Lease surrender has been negotiated – move out end 2011	Not known	n/a	Ongoing – renewed last year and every 3 years	2½ years left but St James have operated their break and need to be out in 11 months time.	Just renewed for 5 years but option to break in 16-18 months
6c	n/a	Not known	n/a	n/a	As above	No
7	Yes but not in a hurry as currently renting free	Not known	No	n/a	Yes	No
7a	3,500	Not known	n/a	n/a	Same or slightly more space	Same
7bi	Nine Elms , Wandsworth Borough, Central	Not known	n/a	n/a	Must be local Wandsworth area	Can be anywhere same distance from central London
7bii	Staff and clients	Not known	n/a	n/a	Staff	n/a
7ci	n/a	Not known	Staying in situ	Staying in situ – not worried yet. Investment of £750k recently made in fit out of premises for production	n/a	No
7cii	n/a	Not known	Need to serve the central London market - West End/The City in terms of restaurants and businesses with Milk rather than homes. May seek to sell site and rent at some stage but would need to central site, possibly in this area of London.		Premise and local staff	No
8	Would like some sort of compulsory retention of light industrial/studio space. Need certainty that there are long term relocation options for this type of space.	Help in relocation if necessary	Nothing specific at this stage		Would expect help financially to cover recent investment	Decrease business rates – feel they keep going up and get little value from Council from them.

Appendix 4 - Detailed Residential Market Commentary

Detailed Residential Market Commentary

Residential Macro Market

Housing market update

The election took place against the background of a cooling housing market. This slowdown has been apparent since early March, with the flow of actual mortgage lending for house purchases (latest three months on the previous three months) declining by 21.3% in March 2010, and mortgage approvals for house purchase declining by 16.3% in April on the same basis.

Although house prices have been relatively resilient - according to the Nationwide prices rose 1% per month in March and April, reversing a 1% fall in February – the market appears to be in a new phase with prices becoming more volatile on a month-on-month basis.

Against this more uncertain backdrop we need to consider how the political landscape will impact on the market. The fear at the current time is that the electorate has unwittingly created the conditions for a housing market reversal.

The logic for this argument is that a hung parliament causes a lack of investor confidence in the UK's willingness to tackle the budget deficit in a meaningful way, which in turn pushes the pound lower and increases yields on UK gilts. This could put pressure on the Bank of England to increase the UK base rate before it would ideally like to have done so, increasing the costs of mortgages and undermining affordability in the market.

Concern over short term inflation is not significant at the moment. While the pound did fall following the election, this fall only partially reversed recent growth against the dollar and against the euro, the pound is still stronger than it was in mid-March. Additionally there is still a degree of space capacity in the economy which should help contain inflation growth over the short term.

The Bank of England's decision to keep the UK base rate at 0.5% in June was unsurprising, there was little chance of a surprise move so soon after the election and before the 22 June Emergency Budget. However even before the politicians began their campaigns there have been small but growing signs that the MPC has become more nervous over the prospects for rising inflation.

Despite the fact that the bank is well aware that there would be a fiscal squeeze under just about any government coalition, which would temper some of the inflationary pressures in the economy, there is still the issue of the weaker pound generating inflation through higher import prices. So the response of the foreign exchange markets is critical to the future direction of UK interest rates.

The seriousness of the current concerns over the impact of the hung parliament and also the Euro crisis is underlined by an increasing number of reports that point to the volume of bank lending to consumers, businesses and each other, beginning to tighten again.

Consideration needs to be given to the impact on the housing market of the newly formed coalition government. Although little detail has emerged, the limited amount of comment from the Conservatives and Lib Dems so far suggests that the economy, and critically the need for a bold deficit reduction plan, is at the top of the agenda. As David Cameron has been able to create a sustainable coalition, he seems likely to be more radical in his attempt to cut the deficit than he alluded to during the campaign. The Conservatives are likely to try to reduce the deficit to below 4% of GDP within five years, and potentially even below 3%.

It seems likely that spending cuts would be favoured over tax rises, and these cuts would need to be large. The result of this scenario – if it could be carried off effectively – would be to underpin the value of the pound and even help to contain bond yields.

There is no doubt that rising unemployment from lost public sector jobs, and lower wages from pay freezes and even cuts, would put some downward pressure on the housing market. So too would the negative impact of the wave of strikes that would undoubtedly accompany this process.

These negative trends would, however, be offset by the lower interest rates and mortgage rates that would hopefully be safeguarded by this more confident approach.

This scenario would still mean that while we expect house prices in the UK to end the year down slightly, these falls ought to be modest. We would also expect to see growth, albeit slow, in sales volumes over the year, reversing the pre-election slowdown.

With more significant issues at stake, it seems unlikely that any government will devote as much attention as it might have done to legislation related to the housing market. As both the Lib Dems and the Conservatives agree on the need to abolish the unloved Home Information Pack, this would be a simple change to enact which it could be argued would increase flexibility in the housing market.

The fairly radical Conservative plans for overhauling the planning system may just feature – but they would seem an easy candidate for delaying if they proved a sticking point with the Lib Dems.

Affordable housing market update

Affordable Housing is not defined by tenure. The London Plan defines it as housing designed to meet the needs of households whose incomes are not sufficient to allow them to access decent and appropriate housing locally. It comprises social and intermediate housing, and is provided by Local Authorities, housing associations and co-operatives, developers, private landlords or 'registered providers' as defined by the Housing and Regeneration Act 2008.

Rents for social rented housing are no higher than target rents set by government for housing associations and Local Authorities. Intermediate housing is "sub-market" housing, which can be for letting or sale. Rents must be a maximum of 80% of the equivalent market rent.

Intermediate sale housing, or "shared ownership", is typically sold at between 25% and 75% equity, with the provider charging an annual rent on the unsold equity, not to exceed 2.75%. Purchasers typically have the right to acquire 100% of the property, known as staircasing, though this may be restricted by specific clauses in Section 106 agreements where the affordable housing is being provided by this route.

The "rent-to-buy" intermediate product offers new homes to rent at a subsidised rate, with the opportunity to purchase a share in the property as shared ownership after three years. Households with incomes up to £61,400 (reviewed annually) are eligible for this product in London and the definition of affordability is that no more than 30% of net income should be spent on housing costs, including service charges.

A number of other intermediate products exist, which provide equity loans towards the purchase of a property on the open market.

<u>Provision of Affordable Housing</u>

The provision of a significant proportion of affordable housing is reliant on market housing through Section 106 agreements. This provision is being heavily reduced as house building has slowed. It is therefore clear the provision of affordable housing through s106 agreements is being hit by the market downturn.

Housing Corporation grants have fallen over the past ten years, by up to half, and housing associations have adopted a mixed tenure model that relies on sales and cross subsidy from intermediate units to supplement the falling grant income. Housing associations also are increasingly reliant on the provision of s106 affordable housing.

Currently, housing associations get roughly 50% of the capital cost as grant for social rented housing and 25% for intermediate housing, with the remaining cost made up from cross subsidy and borrowing from the market, supported by rental income.

The Homes and Communities Agency

The HCA was launched on 1 December 2008 and brings together the housing investment and regeneration functions of the Housing Corporation and English Partnerships. Nationally the HCA has an investment budget of over £5 billion a year. In London it has taken over the Housing Corporation's £4 billion National Affordable Housing Programme 2008/2011.

The HCA develops new approaches to investing in residential development in England, with a clear emphasis on investment rather than grant. They focus on:

i. Bringing forward public sector land for development through various mechanisms including deferred receipts.
ii. Agreeing planning frameworks in advance of applications to provide greater certainty for private developers.
iii. Provision of gap funding for developers experiencing liquidity problems, especially on flagship schemes or on large sites in danger of being mothballed – gap funding is likely to be in the form of investment rather than grant with the investment protected by an overage agreement.

London – The Draft Mayor's Housing Strategy

The Mayor published his draft Housing Strategy in November 2008 for statutory consultation. Key policies included are:

i. The 50% affordable housing target will be scrapped through formal alterations to the London Plan (likely to take place in 2011).
ii. New individual borough targets based on unit numbers to be agreed in Spring / Summer 2009.
iii. The tenure split for new affordable homes will be 60:40 social rent to intermediate (replacing 70:30).
iv. 42% of social rent and 16% of intermediate homes to be 3 bed or bigger (but location sensitive).
v. A redefined affordability threshold with household income up to £72,000 for intermediate housing.
vi. A new London Housing Design Guide requiring all new affordable housing to meet Lifetime Home standards, plus a min. 10% wheelchair.
vii. New projects must meet Code for sustainable Homes level 3, and level 6 zero carbon by 2016.

The Tenant's Services Authority's Survey:

In October 2009 the Tenant Services Authority (TSA) carried out its latest quarterly survey of housing associations. The survey indicated that there was improved confidence, with the sector expressing cautious optimism on housing and finance market conditions. Key headlines are set out below:

i. £437 million of sales receipts were generated in the last quarter. This is a strong performance against planned annual receipts of £1.3bn.
ii. The number of unsold low-cost home ownership homes fell by 19% on the previous quarter, to 6,660 units. Those unsold for over six months represent less than half the stock. Over one third of the unsold stock is reserved.
iii. Access to finance remains good, with 92% of the forecast £4.7 billion debt requirement over the next 12 months already in place.
iv. New facilities of £1.2 billion have been arranged over the first half of 2009-10.
v. There are no associations forecasting breaches of loan covenants.
vi. The sector continues to cope with the fall out from the housing market slowdown. 50% of Finance Directors believe the financial market has improved and 38% believe the housing market has improved.
vii. The sector continues to be attractive to funders, with £7.1 billion new loan facilities being arranged in the financial year 2008-2009 (2009-2010 information not yet available).
viii. The 2008-2009 impairment charge for the sector has increased by 38% to £174 million; however, the figure remains low compared to its asset base and represents less than 0.5% of the total assets.

The market for low-cost homes has continued to improve with many associations reporting increased interest in both first tranche sales and staircasing. However, although demand is stronger and sales are taking place, the availability and cost of mortgage finance remains a difficulty for purchasers. Survey respondents commented on prudent valuations of properties, low loan-to value ratios and a requirement for high deposits as constraints in the market.

The number of unsold low-cost home ownership units continued to fall compared to the previous quarter. The total of 6,660 unsold low-cost home ownership units in January 2010 was 36% below the level reported in January 2009. This reduction was largely the result of increased sales, with conversions to other rental tenures continuing to reduce.

Forecast cashflow from asset sales over the next 12 months reduced to £1.3 billion. Based on the data from the past four quarters, this figure appears reasonable. However, the fragility of the housing market recovery means that there is a degree of uncertainty to achievement of the forecast sales.

The continuing uncertainty in the housing market reinforces the need to ensure financial plans are based on reasonable sales assumptions.

Access to private finance remains good for the sector, with many Finance Directors reporting positive discussions with funders. The sector currently has committed loan facilities of £58 billion and new facilities of £1.2 billion were agreed in the first half of 2009-10. Whilst this indicates a continued willingness to lend to the sector, it also confirms anecdotal evidence that demand for new facilities has been significantly lower than in the previous financial year (£7.1 billion).

Housing Market Summary

If the above comments are unavoidably hedged with uncertainty, we can at least say with more confidence that the current trend towards a two tier private residential market, split between an active mid and upper end and a more depressed lower end, will continue. Affordable housing is highly influenced by government policy and it is too early to be definitive about the likely changes to the affordable housing sector during the term of the new coalition government.

Mortgage availability will remain tight over the next two years, especially as the banks begin to repay government loans extended through the Special Liquidity Scheme at the height of the credit crunch. The banks will also continue to ration mortgages using sharply differentiated lending rates depending on deposit levels.

Despite the uncertainty after the election, Knight Frank stands by their current forecast that house prices in the UK will end the year 3% lower when compared with the start of the year, and that prices in the central London prime market will rise by 3%.

Residential Micro Market (Battersea / Nine Elms)

Housing Market Commentary

We have spoken to local agents active in the Battersea / Nine Elms area who have advised us that market activity has notably improved over the past 6 months in terms of general enquiries, viewings taking place and subsequent offers coming forward. The general consensus is that prices have risen by approximately 10-12% over the past 12 months, due to increased demand from buyers and limited stock. We understand that this improvement to market conditions has been due to a modest improvement to the mortgage lending market and improved market sentiment.

We understand that properties have been selling close to their asking prices. Those units in the greatest demand are typically 1 and 2 bed flats in popular blocks close to tube stations (Vauxhall, Elephant & Castle and Kennington). Properties which are in poor condition (refurbishment opportunities) are in reasonable demand albeit buyers in the current market prefer units which require little modernisation.

The stock in the Battersea / Nine Elms area comprises predominantly flats as opposed to houses. We are advised by agents that there is a general lack of stock across the board, with a number of agents commenting that 2 and 3 bedroom flats coming to the market are becoming more of a rarity. There have been few new instructions of family houses in the area. Agents inform us that investor demand has markedly improved over the last few months, with investors looking to achieve a circa 5-6% yield on their purchase.

We provide details below of some of the principal new developments around the Battersea / Nine Elms opportunity area that can be used to ascertain potential sales values.

Comparable Development Sites

Chelsea Bridge Wharf, Queens Town Road, SW8

- This is a development of 1,069 flats by Berkeley Homes and is located to the west of Battersea Power Station on Queenstown Road. The scheme has a prime riverside location. There are six separate main buildings ranging from 12 to 14 storeys.
- The residential element of the scheme comprises a mix of studios, one, two, three and four bedroom flats. Additional affordable units are provided to the south. The commercial element comprises 164,925 sqft of commercial comprising office, assembly and leisure floor space and a 218-bedroom four star hotel. The scheme benefits from communal gardens, a central piazza running between apartment blocks and onsite leisure facilities.
- Most of the residential units have a balcony or terrace as outside amenity space, and some units have views over Battersea Park. There is also 24 hour concierge and underground parking sold at £42,000 per space. The specification for all units is to a modern standard. The average achieved prices for recent sales from the scheme is £916psf (ranging between £730psf to £1,249psf).
- The table below provides information on the sale values within the scheme:

Apartment	Date sold	Sale price	sqft	£psf
Studio, 82 Lanson Building, (7th Floor)	**19/05/2010**	**£285,000**	**297**	**£960**
3 bed, 86 Lanson Building, (7th Floor)	**17/05/2010**	**£1,500,000**	**1,464**	**£1,025**
2 bed, 151 Eustace Building, (5th Floor)	**14/05/2010**	**£545,000**	**691**	**£789**
1 bed, 118 Lanson Building, (9th Floor)	**07/05/2010**	**£385,000**	**463**	**£832**
1 bed, 42 Eustace Building, (7th Floor)	**05/05/2010**	**£425,000**	**508**	**£837**
3 bed, 92 Centurion Building, (6th Floor)	**27/04/2010**	**£1,375,000**	**1,101**	**£1,249**

2 bed, 114 Howard Building, (3rd Floor)	**01/04/2010**	**£670,000**	**918**	**£730**
1 bed, 24 Lanson Building, (3rd Floor)	**15/03/2010**	**£410,000**	**469**	**£917**
2 bed, 28 Horace Building, (7th/8th Floor)	**09/03/2010**	**£780,000**	**832**	**£938**
2 bed, 27 Horace Building, (7th Floor)	**02/02/2010**	**£900,000**	**920**	**£978**
Studio, 67 Eustace Building, (4th Floor)	**21/01/2010**	**£275,000**	**335**	**£821**
2 bed, Lanson Building (6th Floor)	**Available**	**£870,000**	**850**	**£1,024**
2 bed, Centurion Building (1st Floor)	**Available**	**£850,000**	**866**	**£982**
4 bed, Howard Building (6th Floor)	**Available**	**£1,995,000**	**1,527**	**£1,306**
2 bed, Lanson Building (11th/12th Floor)	**Available**	**£1,550,000**	**1,063**	**£1,458**
2 bed, Eustace Building (8th Floor)	**Available**	**£1,425,000**	**1,163**	**£1,225**
2 bed, Ultima Building (16th Floor)	**Available**	**£1,113,000**	**1,066**	**£1,044**

St George's Wharf, Wandsworth Road, SW8

- This is a development of 1,404 flats by St George Plc. St George's Wharf is a landmark mixed use development located next to Vauxhall Bridge on Wandsworth Road. The development benefits from good transport links at Vauxhall Cross and its immediacy to central London.
- The 7 acre site contains twelve buildings ranging from 10 to 23 storeys. An additional 49 storey tower know as St George Tower is under construction.
- The residential element of the scheme comprises a mix of studios, one, two, three and four bedroom flats. The commercial element comprises circa 150,000 sqft of office, retail, restaurants, bars, leisure and medical floor space. The scheme benefits from communal gardens, a central piazza running between apartment blocks and onsite retail / leisure facilities. Most of the units have a balcony or terrace as outside amenity space. There is also 24 hour concierge and underground parking available (available to lease only to residents at £1,950 per annum). The specification for all the units is to a modern standard.
- The average achieved price for recent sales is £694psf (ranging between £544psf to £858psf).
- The table below provides information on the sale values within the scheme:

Apartment	Date sold	Sale price	sqft	£psf
2 bed, 25 Bridge House, (1st Floor)	**19/05/2010**	**£545,000**	**890**	**£612**
2 bed, 73 Bridge House, (5th Floor)	**12/05/2010**	**£587,000**	**845**	**£695**
2 bed, 12 Bridge House, (Ground Floor)	**29/03/2010**	**£380,000**	**699**	**£544**
3 bed, 397 Flagstaff House (8th Floor)	**17/11/2009**	**£1,200,000**	**1,630**	**£736**
2 bed, 68 Bridge House (4th Floor)	**09/11/2009**	**£465,000**	**737**	**£631**
2 bed, 491 Hamilton House (3rd Floor)	**20/10/2009**	**£575,000**	**670**	**£858**
589 Hanover House (4th Floor)	**18/09/2009**	**£341,500**	**556**	**£614**
444 Galleon House (4th Floor)	**11/09/2009**	**£469,950**	**596**	**£788**
1 bed, 439 Galleon House (3rd Floor)	**02/09/2009**	**£400,000**	**519**	**£771**
2 bed, Drake House (5th Floor)	**Under offer**	**£700,000**	**1,059**	**£885**
3 bed, Jellicoe House (9th Floor)	**Available**	**£1,200,000**	**1,356**	**£1,002**
3 bed, Drake House (9th Floor)	**Under offer**	**£1,795,000**	**1,811**	**£991**
1 bed, Kestrel House (4th Floor)	**Available**	**£430,000**	**461**	**£933**
2 bed, Hamilton House (16th Floor)	**Available**	**£1,100,000**	**1,098**	**£661**
3 bed, Flagstaff House (12th Floor)	**Available**	**£1,425,000**	**1,481**	**£962**

Grosvenor Waterside, Gatliff Road, SW1

- This is a site of approximately 14 acres and is located to the east of Chelsea Bridge and borders the northern bank of the Thames. This is a scheme that will comprise a total of six residential blocks comprising 645 private residential units and 267 affordable units. The scheme will also comprise 17,400 sqft of retail, 3,700 sqft of A3 use (restaurant) and 2,900 sqft of non-residential D1 use. There are 510 basement parking spaces available at £50,000 per space.
- To date, Blocks C-F have been constructed, and Blocks A-B are due for completion in November 2010.
- The table below provides information on the sale values within the scheme:

Apartment	Date sold	Sale price	sqft	£psf
3 bed, 89 Hepworth Court, (2nd Floor)	**05/03/2010**	**£1,125,000**	**1,089**	**£1,102**
2 bed, 3 Pavilion Court, (2nd Floor)	**12/02/2010**	**£1,900,000**	**1,386**	**£1,371**
3 bed, 68 Cubitt Building, (5th Floor)	**12/02/2010**	**£1,300,000**	**1,217**	**£1,068**
3 bed, 64 Cubitt Building, (4th Floor)	**02/02/2010**	**£1,400,000**	**1,269**	**£1,103**
1 bed, 15 Cubitt Building, (1st Floor)	**22/12/2009**	**£575,000**	**614**	**£936**
2 bed, 12 Hirst Court, (1st Floor)	**11/12/2009**	**£975,000**	**947**	**£1,030**
1 bed, Hepworth Court, (2nd Floor)	**20/11/2009**	**£550,000**	**560**	**£982**
1 bed, Cubitt Building, (4th Floor)	**17/11/2009**	**£600,000**	**678**	**£885**
2 bed, Hepworth Court, (3rd Floor)	**29/10/2009**	**£830,000**	**950**	**£874**

Imperial Wharf, Townmead Road, SW6

- This major development on the north side of the River Thames covers 32 acres and consists of 1,875 residential units, 167,530 sqft of B1 floor space, 70,000 sqft of retail, financial services, professional services, food and drink floor space, 24,000 sqft community use, a 175 bedroom hotel, 34,000 sqft health and fitness and 10 acres of open space. A new station providing easy rail access to the site has opened.
- The most recent release is the Imperial apartments which provide high end residential units. A few units remain, such as a five bed, five bath apartment on the ground floor with a guide price of £3,250,000 which equates to £1,131psf; a three bed unit with an asking price of £2,500,000 (£979psf); and a two bed unit on the seventh floor with a guide price of £780,000 (£860psf).
- Unallocated surface car parking spaces are available at £15,000 per space, or for an allocated secure space the charge is £45,000.

Viridian, Battersea Park Road, SW8

- This is a development of 240 flats (180 private units and 60 affordable units) by Barratt Homes. Viridian is located on Battersea Park Road. The flats are arranged in one block over 9 storeys. The scheme comprises a mix of studios, one and two bed flats. There is no commercial element. The scheme benefits from communal amenity space between blocks, communal roof terrace and an onsite residents gymnasium. All of the units have a balcony or terrace as outside amenity space. There is also 24 hour porterage and 177 underground parking spaces (these were sold for between £15,000-£20,000 per space). The specification for all the units is to a modern standard.

- Practical completion of the scheme was in August 2008. The average achieved prices from historic flat sales in November/ December 2008 were £631psf (ranging between £528psf to £689psf).
- Being the first recent development in the area, there are limited amenities and the surrounding properties are either commercial or low value housing.

This Space, Wandsworth Road, SW8

- This is a refurbishment development of the former Lewisham College to provide 229 flats (172 private units and 57 affordable units) by Mount Anvil. The flats are arranged in one block over 9 storeys. Phase 1 of the scheme comprises a mix of studio, one and two bedroom flats. The commercial element comprises circa 47,415 sqft of office and retail floorspace. All of the units have a balcony or terrace as outside amenity space. The scheme benefits from onsite retail facilities (a Tesco supermarket). There are 131 underground car parking spaces which are being marketed separately at £20,000 per space (there have been 16 reservations to date). The specification for all the units is to a modern standard.
- Practical completion of Phase 1 was in November 2009 and the whole scheme is due for completion in 2011. The average achieved prices for Phase 1 of the scheme are £475psf (ranging between £370psf to £617psf).

Strata, Walworth Road, SE1

- This is a development of 408 flats (310 private flats, 78 intermediate units and 20 social rented units) by Brookfield Europe. The tower is 43 storeys. The residential element of the scheme comprises a mix of studios, one, two and three bedroom flats. The commercial element comprises 7,190 sqft of retail floorspace separated into four units. The flats do not benefit from a balcony or terrace but there are communal sky lounges at upper levels. There is 24 hour concierge and 57 underground parking spaces (these are being marketed separately at £50,000 per space). The specification for all the units is to a modern standard.
- The majority of the flats were sold as bulk investment deals in 2007. The average achieved prices for historic flat sales in 2007 were £472psf (Phase 1), £703psf (Phase 2) and £736 (Phase 3).
- We understand that there are 16 units currently being marketed (4 that have not yet been sold and 12 from buyers who are looking to off-load to new purchasers). The remaining units are being marketed as follows: 1 bedroom flats at £260,000; 2 bedroom flats at £360,000 to £375,000; and 3 bedroom flats at £1,150,000 to £2,500,000. The selling agent advises us that they would expect these units to sell for close to their asking prices which would equate to circa £475-£525psf at lower levels within the building. The units on upper levels would achieve a material premium, reflecting up to circa £600psf to £750psf.

Conclusions on potential private residential values at Battersea/ Nine Elms

- We believe that the most relevant evidence is from Chelsea Bridge Wharf and St George's Wharf. Even within theses schemes themselves, there are significantly differing sales rates achieved, usually determined by height within the building and whether there are river views. At Chelsea Bridge Wharf, values range between £750-£1,250psf and at St George's Wharf, values range from £550-£1,000psf. Schemes across the Battersea/ Nine Elms Opportunity Area are likely to have variances in unit values that are more extreme than this due to the greater diversity of locations and outlooks.
- Whilst Chelsea Bridge Wharf benefits from its riverside location, currently there are very few amenities in the local area and there is no access to the London Underground network. We believe that potential values at the Battersea / Nine Elms Opportunity Area may exceed those at Chelsea Bridge Wharf provided the units are located close to the new stations proposed (as part of the Northern Line Extension) and benefit from elevated/river outlooks.
- Having looked at the evidence that is available, we believe that the following values (on a £psf basis) would be achievable at the Opportunity Area, provided transport infrastructure is improved and on the assumption that the Northern Line Extension is implemented. We provide our opinions of value based upon the generic location within the overall site:

Generic locations within the Opportunity Area	Value £psf
Compromised locations	£650psf
Street / urban locations	£750psf
Average locations	£800psf
Elevated and best locations excluding waterfront	£950psf
Waterfront	£1,200psf

- We would comment that the above figures are average rates applied to units on all floors. In practice, there will be significant differences between units to represent position, configuration and the view. In particular, we would expect premiums being achieve for units on higher floors, with an additional premium for penthouses.

Residential Development (Land) Market

Central London Newbuild Sales Market

London's new-build sales market has been at the forefront of the wider residential recovery over the past year, at least in terms of sales growth if not price rises. While welcoming improved market conditions, developers are having to adapt to changing buyer requirements.

The revival in the London sales market in 2009 was felt across the market, but nowhere more dramatically than the new-build sector. Sales of new houses and flats in the final quarter of last year were a remarkable 214% higher than the same period in 2008, compared with growth of 68% in the whole London market.

From the market's nadir in March 2009, when prices in prime central London had fallen by 24% from their peak, London property has seen a strong upturn in pricing. In the eleven months to the end of February 2010, prices in central London rose by 19%. In greater London as a whole, prices rose by an impressive 14% over a similar period.

This recovery in prices was not unfortunately experienced to anything like the same degree in the new-build sector. There was evidence of price growth on some schemes over the year, in particular some prime market schemes like Embassy Court in St John's Wood, but these examples were offset by an almost equal number of price reductions, particularly on schemes where developers were exercised by the need to secure cash flow. For developers, the improvement in pricing has been felt more by the evaporation of discounting rather than by headline price growth.

The turnaround in the market has been led by the significant boost prompted by ultra-low interest rates, the weak pound which stimulated international interest – but also government support schemes that targeted the new-build market and the first time buyer in particular.

The Impact of Changing Buyer Requirements

One of the most notable changes in the market over the past two years in central London has been the rebalancing of purchaser interest, away from an over-reliance on investors and towards more owner-occupiers.

In 2007 investors bought almost 70% of all central London new-build properties, with owner-occupiers accounting for the remainder. In 2008 the ratio began to shift and by 2009 there had been a dramatic reversal with owner-occupiers accounting for 71% of all purchases. While the early evidence from 2010 is that there has been a slight moderation to this reversal, the impact of weak buy to-let funding and the 15% decline in rents from their 2008 peak are both acting to limit the expansion of the investment market.

This change in demand is slowly beginning to influence the nature of new developments. Buyers looking for their own accommodation, tend to be more interested in property layout and specification than investors.

We ought, however, not to get carried away and think the return of the owner-occupier signals the return of the 1,200 sq ft two-bedroom flat, at least outside of the super-prime markets. Affordability still provides an effective brake on the aspiration of buyers. Even so, evidence from our new homes applicant data confirms subtle changes to buyer requirements, with a modest, but noticeable, rise in demand for larger units across prime central London markets.

With more emphasis on sales to owner-occupiers there is a requirement for different skills from developers. During the investment boom, the closest many investors got to their target development was a computer generated image in a brochure. As a result, attention-grabbing exterior architecture was often where resources were focussed, with little effort or consideration given to the quality of internal spaces.

The successful schemes, especially in central London, in the next few years will be those that attract occupiers by creating an environment where people want to live. Although land values have fallen, development economics still require the delivery of high-density schemes, precisely the type that have suffered from a lack of available skills to create high-quality places. It is to be hoped that lessons from the more successful ones, such as Imperial Wharf, will be adopted by more new developments in the future.

It is not just developments that are beginning to change. Marketing strategies have had to evolve rapidly. While 20% off-plan sales are still the objective for an early sales launch, with a further 20% to 30% at second launch, the shift towards owner-occupier purchasers means that the marketing centre is back in vogue. With valuation criteria being tightened up over recent years, incentives have become less important, and developers are having to concentrate on the quality of the customer experience to maximise sales.

While owner-occupiers have become dominant in recent quarters, the investor has not disappeared altogether. In central London they still account for almost a third of buyers. If we consider off-plan sales, which tend to be dominated by investors, the signs are that investment motivated purchases are still running at around 40% across London as a whole.

The opportunity offered for overseas investors by the weak pound can not be understated. It has brought a significant new sector into the market that until early 2009 had been absent for nearly 18 months. Far Eastern buyers, especially those from Hong Kong, Singapore and Malaysia, led the revival of the London market in the mid 1990s, and they have been back in force in London over the past 12 months.

The feedback from Knight Frank’s recent Asian investment sales tours, is that the Asian investor has undertaken considerable homework on the London market, the travails of which over the past two years have been closely documented in the main Asian media. Armed with strong professional advice, these investors have more tools at their disposal to ensure they only buy into the best schemes.

It seems even a future investment revival will not easily permit developers to cut back on scheme quality. Hopefully future competition between central London developers will be fought out over quality not simply price.

Future Supply Trends

There is a significant piece of good news for developers considering the London market in 2010, the legacy of the downturn has not led to the creation of an overhang of stock units in the capital.

The market changed greatly over the 18 months to the end of 2009. The numbers of built-complete units for sale rose from just under 1,800 in Q3 2008 and then peaked at a little under 2,200 in the final quarter of the year, before rapidly falling back as the sales market recovered in 2009 to hit a low of 975 in Q3 last year.

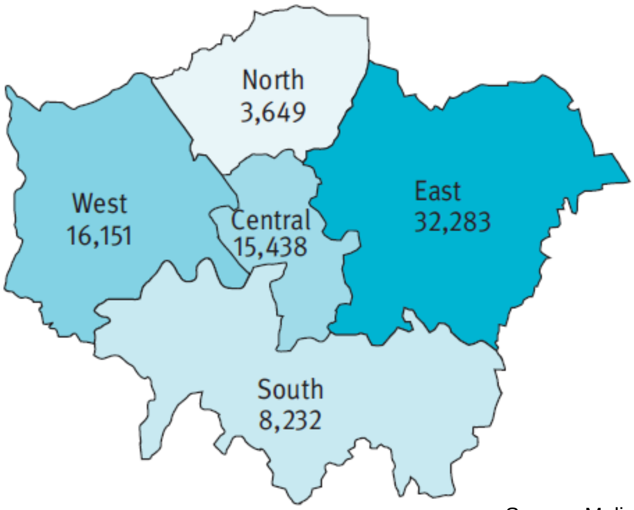
At the same time there has been a steady growth in the number of ‘under-construction’ units for sale. Rising from 982 in Q3 2008, at a time when the construction sector was still reeling from the lack of finance for projects and seemingly continual price reductions, to 1,752 in the final quarter of 2009, as developers and house builders looked to capitalise on the opportunities offered by the newly rejuvenated market.

The rapid sell-off of built-complete units meant that the 78% rise in under-construction units only led to a 2% rise in available units to buy between Q3 2009 and Q4 2009.

The 994 schemes across Greater London currently under construction will have delivered a total of nearly 76,000 units by the time they have been completed, although, on the larger schemes, final delivery will be provided in stages over the next 10 years or more.

Figure 1 shows the split of delivery by London subregion. The most striking element being the huge share of under-construction activity in East London – 32,283 units, or 42% of the total – led by the huge 5,500-unit 2012 Olympic scheme.

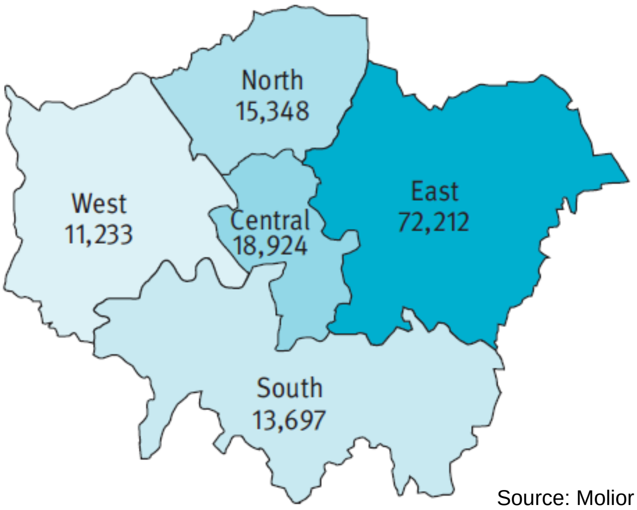
Figure 1: Total housing units from “under-construction” sites



Source: Molior

Even more striking is East London’s share of the future development pipeline. Figure 2 illustrates the distribution of schemes that have planning, but have not yet started on site, East London’s share is 55% - comprising 72,212 out of 131,414 units.

Figure 2: Aggregate housing permissions excluding schemes under construction



Source: Molior

With population and household growth forecast to easily outpace supply again over the next decade, the pressures on house prices in areas away from future supply hubs, which include most of north, west and south London, will be considerable.

While the numbers for the future development pipeline look impressive, the ability of developers to actually bring these sites into the market will be constrained by the lack of development finance for new projects.

The new-build sales market benefited from direct support from government intervention – schemes like My Choice Home Buy and the First Time Buyer Initiative have played a not inconsiderable part in London's recovery to date. The post-election world with its promised 'new austerity' suggests the housing sector will need to prepare for less of this type of support in the future. The evidence thus far is that even a slower sales market should not lead to an over-supply of stock in London.

London's Development Land Market

In line with the sales market, the fortunes of London's development land market have seen a dramatic turnaround over the past 12 months. However, despite strengthening demand and prices, persuading landowners to sell is still an uphill battle.

London's developers are back in the market for land. Demand for their products is increasing and there has been some reversal to the crushing price falls seen in 2008. After sharp falls in the preceding 12 months, land values subsequently rose by 9% on average across London in the second half of 2009 as competition for development sites increased.

While the revival in prices points to a strong recovery, there is an important caveat. Very few sites came to the market in 2009 and the market has yet to be tested by even a modest volume of available sites, making it hard to assemble a truly accurate picture of the resilience of pricing.

Low interest rates have meant minimal holding costs, which has given banks little incentive to put distressed sites on the market. However we are aware that several of the main banks are gearing themselves up to start releasing sites during 2010. There is a risk that an initial trickle of new land offerings turns into a flood if competition between the banks develops as to who can get land into the market first. An additional concern regarding the speed of disposals, comes from the need for banks to raise money from assets as government financial sector support begins to be withdrawn this year.

One source of new supply this year will be from the public sector, following the government's stated goal to use property disposals to reduce the fiscal deficit. Local authorities, faced with the prospect of budget cuts of up to 20%, have few options but to look at asset disposals over the next year or so. Camden Town Hall is a prime example. Given, however, that public bodies will want to maximise their returns by piloting sites through the planning process first, this source of disposals is unlikely to provide much immediate relief to the market.

Developers’ strategies for acquisition have had to evolve markedly. The lack of credit for development funding has meant that cash-rich buyers have been the most prominent players.

While there has been a slight thaw in the capital markets, with some banks indicating they will expand their lending, even this improvement in bank funding is being offered with strings attached. The proportion of site value being offered rarely rises above 50%, and even these terms are only being offered to developers with a proven track record.

With only a slowly widening supply pipeline, 2010 will be a testing year for London’s developers. For many the ability to unlock sites will see developers having to surrender a share of future profits in the form of joint ventures or overage deals. Creative deal making will be critical this year.

This shortage of new land availability means that developers are having to work their existing land banks as hard as possible to pull sites forward. With development viability still under considerable pressure, despite the market’s improvement, renegotiating planning terms, especially when it comes to affordable housing quotas, is the order of the day.

Some councils are adopting a pragmatic approach to this issue. The Homes and Communities Agency has recently published useful guidance for local authorities on the topic. In addition new regulations for the Community Infrastructure Levy show an element of recognition for current commercial reality.

In our view councils need to extend this flexible approach to other areas of planning policy and practice. This would be a good juncture to revisit the assumption that affordable housing has to be delivered within the footplate of developments, rather than allowing greater off-site provision. As both private developers and registered social landlords prefer to manage their own properties, separate entrances and service cores are required. This has a significant impact on scheme viability.

In previous reports we have noted that many regulations and costs placed on the development process date from the market boom. An election year provides an ideal opportunity for a reassessment of the regulations surrounding the development process, and to create a sustainable basis for the delivery of both private and affordable housing – which takes account of normal rather than boom market condition.

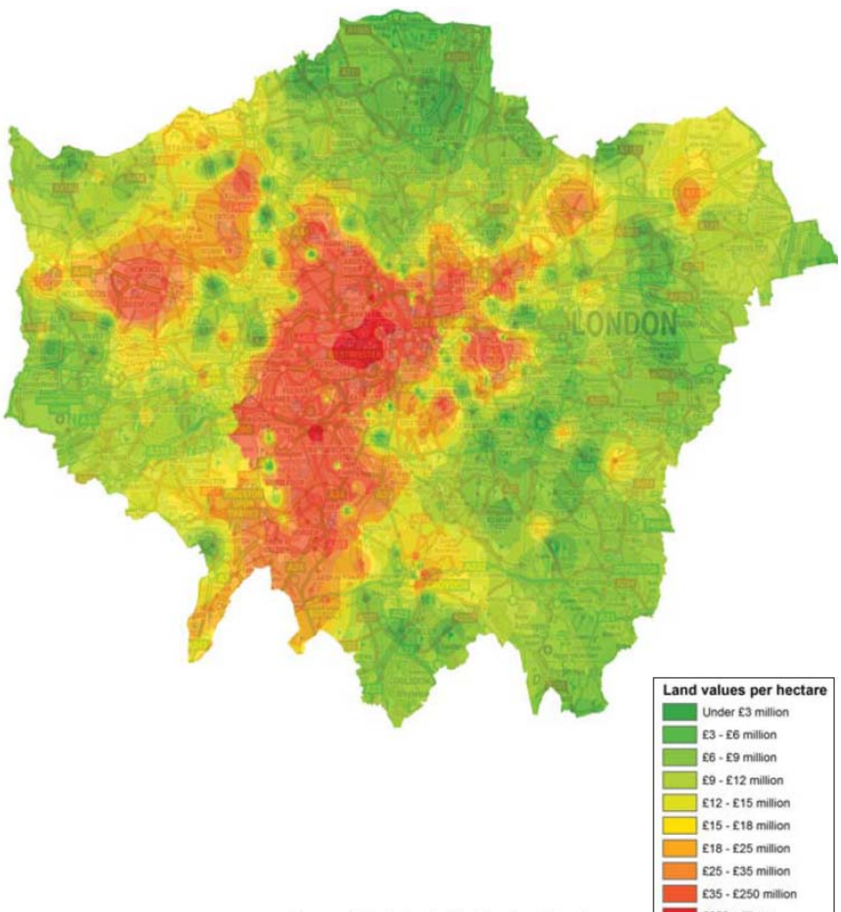
London Land Values Mapped

The value of land across London averaged £6m per hectare in 2009 (according to the Valuation Office Agency), however by mapping the values from actual transactions we can create a clearer picture of how land values vary across the city.

Very-high density schemes on small sites can create very high values on a per hectare basis, with one or two £750m per hectare examples in Westminster and Kensington & Chelsea. Beyond key central London locations it is likely that the schemes which contributed to ultra-high land pricing will be significantly remodelled, meaning that the recovery of land prices to peak levels will be delayed by not only a lack of development finance and lower house prices, but also by a different form of development which suits the post-recession world.

Our view is that land prices in London are likely to keep climbing through 2010. In fact, assuming the delivery of land to the market by the banks is carefully managed through this year and next there is no reason why prices couldn't climb by double-digit rates over the short term. The divergence in performance between central London, where competitive bids for land have been a significant feature of the land market since last summer, and the rest of the city – which has seen a more measured improvement – suggests that when we rerun this map in 12 months time the difference between the centre and the periphery will be even more marked.

Figure 3: London land value mapping



Source: Knight Frank, Molior, Land Registry