



Convoys Wharf

Financial Viability Statement

Prepared by:-
James R Brown BSc (Hons) MRICS
RICS Registered Valuer - Strutt & Parker

November 2013



Convoys Properties Ltd.



Convoys Properties Ltd,
Hutchison House,
5 Hester Road,
London,
SW11 4AN.

Direct Dial: +44 (0) 20 7318 5050
E-Mail james.brown@struttandparker.com
Our Ref: Viability report as at 20112013

20th November 2013

F.a.o. Philip Hayden – Senior Project Manager

Dear Sirs,

**CONVOYS WHARF (“THE SITE”) – FINANCIAL VIABILITY REVIEW AND NEW
MASTERPLAN SCHEME
AFFORDABLE HOUSING, S.106 AND MAYORAL C.I.L. CONSIDERATIONS.**

1.0 EXECUTIVE SUMMARY

- 1.1 We have appraised the viability of your Master-Plan 2013 scheme to identify the maximum sustainable affordable housing provision in the context of proposed Section 106 provisions and Mayoral CIL.
- 1.2 With [REDACTED] affordable housing ([REDACTED] rented to intermediate), £48m of S.106 costs and Mayoral CIL of £11.89m, the scheme produces a development profit of [REDACTED] on total costs.

1.3 [REDACTED]

1.4 [REDACTED]



RICS Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522.
A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

2.0 BACKGROUND

- 2.1 James Brown BSc (Hons) MRICS (RICS Registered Valuer), now of Strutt & Parker, has been assessing iterative development proposals for The Site over a 3-4 year period for planning negotiation purposes.
- 2.2 The outline master-plan scheme has changed since the first formal viability report was presented to the London Borough of Lewisham ("LBL") in September 2009.
- 2.3 A second formal and detailed viability report was produced in October 2010 and, whilst elements of the master-plan scheme changed between September 2009 and October 2010, its broad parameters were the same. As a consequence, the findings of the viability reports between September 2009 and October 2010 were similar.
- 2.4 Both reports identified that the proposed schemes were not viable based upon a Site Value Benchmark ("SVB") of around [REDACTED].
- 2.5 On this basis, both proposed outline scheme(s) were driving a profit on cost of [REDACTED].
- 2.6 The estimated Existing Use Value of The Site as at October 2010 was [REDACTED].
- 2.7 The viability report dated October 2010 was considered by LBL's viability advisor (Lambert Smith Hampton) and, following some debate about build costs, LSH were broadly in agreement with its conclusions (subject to there potentially being around 1% more profit than concluded therein) by April 2011.
- 2.8 The quantum of affordable housing (approximately 25% by habitable room) assumed in the viability report dated October 2010 relied upon a value assumption for this accommodation equivalent to [REDACTED]. However, as clarity emerged during (and beyond) the preparation of that report regarding affordable housing grant funding and the value differential between Social Rented accommodation and the new 'Affordable Rent' tenure format, it was agreed with LSH that [REDACTED] was too high (without moving substantially towards purely intermediate affordable housing tenures). This was confirmed via discussions with London & Quadrant ("L&Q") to the extent that it became clear that the affordable housing quantum would need to reduce to around 15% (by habitable room) to maintain a [REDACTED].
- 2.9 Although viability discussions with LSH were relatively straightforward and conclusive, the subject of viability was delayed by parallel and subsequent discussions with LBL about which scheme costs should or should not represent Section 106 expenditure.
- 2.10 We understand that, during the summer of 2011, LBL wrote to you citing a range of issues with your master-plan (including design and 'parcelling') to the extent that you appointed new architects (Terry Farrell and Partners) who have revised the master-plan iteratively over several months. This brings us to the master-plan scheme considered within this viability report ("Master-Plan 2013") which is to form the basis of an imminent planning application with which this viability report will be submitted.



Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

2.11 We understand that the Master-Plan 2013 remains similar in overall parameter terms (e.g. proposed uses, building heights/mass and areas per use) to the earlier master-plan scheme discussed with LSH in 2010/2011 but that:-

- The proposed residential mass has been reduced by around 5%.
- The overall scheme mass has been reduced by around 5.8%.
- Other scheme layout issues raised by Lewisham have been addressed as far as reasonably possible.

2.12 Since October 2010, Mayoral CIL has introduced more cost to any scheme. Furthermore, a new proposed Community Infrastructure Levy ("CIL") schedule for Lewisham might add even more cost, although we have not accounted for the latter prospect at this stage.

2.13 As such, the affordable housing content in the Master-Plan 2013 remains at around 15% but now reflects a tenure split of 25% Affordable Rent and 75% Intermediate. This has enabled London & Quadrant to sustain an offer for the built affordable housing that equates to around [REDACTED] and helps to counter-balance the viability impact of Mayoral CIL.

2.14 This report appraises the Master-Plan 2013 based upon some of the viability assumptions that were agreed with LSH in 2010/2011.

2.15 This report seeks to identify the maximum affordable housing provision that is viably sustainable by the Master-Plan 2013 scheme.

3.0 INSTRUCTIONS

3.1 We understand that you would like us to appraise the viability of your Master-Plan 2013 scheme.

3.2 We understand that you would like us to confirm what maximum affordable housing provision is sustainable in the context of proposed Section 106 provisions and Mayoral CIL.

4.0 BASIS OF APPRAISALS HEREIN

4.1 This report is to assist your planning discussions with LBL and/or the GLA.

4.2 It is not an RICS (Royal Institution of Chartered Surveyors) "Red Book" compliant valuation report and the figures referred to herein are not formal valuations. However, detailed justification for the indicative values and/or component valuation inputs I have used are provided herein.

4.3 This viability report is provided on a confidential basis. We therefore request that the report should not be disclosed to any third parties (other than LBL/GLA and their advisors) under the Freedom of Information Act 2000 (sections 41 and 43/2) or under the Environmental Information Regulations.

4.4 I am aware that you will provide LBL/GLA with a copy of this report and we are happy for this to occur. However, we do not offer LBL/GLA, their advisors and/or any third parties a professional duty of care.



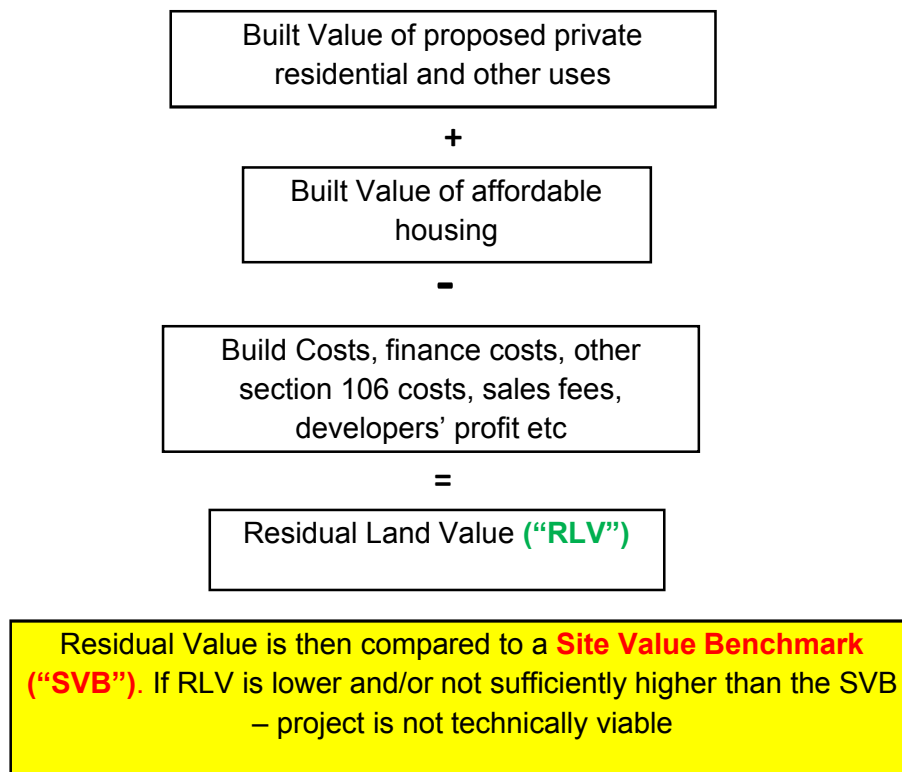
Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

5.0 VIABILITY AND PLANNING

5.1 Scheme viability is assessed using residual valuation methodology.

5.2 A summary of the residual process is:-



5.3 If the RLV driven by a proposed scheme is reduced to significantly below an appropriate SVB, it follows that it is commercially unviable to pursue such a scheme, and the scheme is unlikely to proceed.

5.4 The 'land residual' approach (as summarised above) can be inverted so that it becomes a 'profit residual' based upon the insertion of a specific land cost/value (equivalent to the SVB) at the top. By doing this, the focus is moved onto the level of profit driven by a scheme. This is the approach we have adopted herein.



Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

6.0 SITE VALUE BENCHMARK (“SVB”)

- 6.1 We have based our assumed SVB on Market Value (having regard to development plan policies and all other material planning considerations, and disregarding that which is contrary to the development plan) as per guidance provided by the RICS (Financial Viability in Planning – GN 94/2012).
- 6.2 By default, this means we have also taken into account guidance on deriving SVBs (or the equivalent thereof) provided by:-
- National Planning Policy Framework “NPPF” (and, in particular, references to ‘competitive returns’), and;
 - The 2012 GLA Toolkit Guidance Notes, and;
 - ‘Viability Testing Local Plans’ – Advice for Planning Practitioners – Local Housing Delivery Group – June 2012, and;
- 6.3 We believe this means that our SVB approach is equivalent to what some refer to as Current Use Value (plus premium), although we do not tend to use this terminology.
- 6.4 Please refer to **Appendix 1** for further background.

7.0 THE SITE

- 7.1 Please refer to the site plan in **Appendix 2**.
- 7.2 The Site comprises 41.2 acres.

8.0 SVB (OR LAND COST INPUT) ADOPTED FOR VIABILITY BENCHMARKING

- 8.1 For the avoidance of contention, we have adopted an SVB of [REDACTED] with reference to previous discussions with LSH and finance costs and/or land value growth since then.
- 8.2 This is despite the fact that the purchase price of the Site in 2008 was [REDACTED]. Further costs have been incurred since.
- 8.3 We have inserted the SVB of [REDACTED] as a land cost input within a residual profit appraisal of the proposed Masterplan 2013 scheme.



Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

9.0 PROPOSED SCHEME

9.1 Please refer to the indicative Master-Plan 2013 in **Appendix 3**.

9.2 The proposed scheme comprises:-

Residential	NIA (sq.m.)	NIA (sq.ft)	GEA (sq.m.)	GEA (sq.ft.)	Range of Storey Nos.	Indicative Nos Units	A = River Front or Tower B = Mid site or Park C = Rear of site Affordable = Affordable	Av. Unit Size (sq.ft.)
Phase 1								
Private Resi Building P08 (K1-K3)	27,146	292,204	35,719	384,479	4-14	397	B	
Private Resi Building P15 (N2)	3,912	42,114	5,148	55,413	4-9	59	C	
Private Resi Building P01 (W1-3)	17,109	184,162	22,512	242,319	5-12	242	A	
Private Resi Building P14 (T2-4)	14,714	158,386	19,361	208,402	6-9	217	C	
Private Resi Building P14 (T1)	15,686	168,849	20,640	222,169	38	218	A	
Private Resi Building P09/P10 (U1-2)	1,746	18,791	2,297	24,725	2-3	16	B	
Private Resi Building P11 (S5)	1,395	15,019	1,836	19,762	2-3	13	C	
Affordable Resi Building P12 (S1-S3)	9,136	98,340	12,021	129,394	3-8	140	Affordable	
Affordable Resi Building P15 (N1)	2,268	24,411	2,984	32,120	4-7	34	Affordable	
Phase 2								
Private Resi Building P18 (M1-3)	19,681	211,846	25,896	278,745	6-14	289	B	
Private Resi Building P02 (B1 & B3)	20,612	221,867	27,121	291,931	8-13	292	A	
Private Resi Building P02 (B2)	21,532	231,766	28,331	304,955	48	285	A	
Affordable Resi Building P19 (L1-L3)	10,201	109,801	13,422	144,475	4-9	155	Affordable	
Phase 3								
Private Resi Building P03 (A1)	8,874	95,517	11,676	125,680	14	125	A	
Private Resi Building P06 (G2-3)	12,082	130,048	15,897	171,115	4-14	175	B	
Private Resi Building P06 (G1)	19,717	212,238	25,944	279,261	38	274	A	
Private Resi P04 (C1-4)	26,436	284,556	34,784	374,415	8-14	374	A	
Affordable Resi Building P05 (E 1)	7,814	84,105	10,281	110,665	7-10	120	Affordable	
Affordable Resi Building P20 (H1-3)	3,899	41,966	5,130	55,219	3-5	59	Affordable	
Total Residential	243,960	2,625,986	321,000	3,455,245	<i>Affordable</i>	3,484	<i>508</i>	<i>15%</i>
Commercial								
Phase 1								
Employment Building P14 (S4)		30,340	2,967	31,937				
Employment Building P13 (R1)		29,358	2,871	30,903				
Health Building P13 (R1)		6,647	650	6,997				
Retail Building P08 (K1-K3)		14,838	1,451	15,619				
Restaurant Bar Building P08 (K1-K3)		2,055	201	2,164				
Retail Building P15 (N2)		3,037	297	3,197				
Employment Building P15 (N2)		8,037	786	8,461				
Hotel Building P15 (N2)		33,847	3,310	35,629				
Retail Building P01 (W1-3)		4,755	465	5,005				
Restaurant/Bar Building P01 (W1-3)		2,250	220	2,368				
Retail Building P14 (T2-4)		4,264	417	4,489				
Cultural Building P09/P10 (U1-2)		7,649	748	8,051				
Phase 2								
Retail Building P18 (M1-3)		5,911	578	6,222				
Hotel Building P16 (Q1-3)		242,965	23,760	255,753				
Cultural Building P16 (Q1-3)		16,770	1,640	17,653				
Retail Building P02 (B1 & 3)		4,847	474	5,102				
Restaurant/ Bar Building P02 (B1 & 3)		16,034	1,568	16,878				
Employment Building P19 (L1-L2)		13,375	1,308	14,079				
School (S106 Item) Building P17 (P)		39,492	3,862	41,571				
Cultural (S106 item) - Olympia Building P07 (O)		43,889	4,292	46,199				
Employment Olympia Building P07 (O)		6,647	650	6,997				
Retail - Olympia Building P07 (O)		12,568	1,229	13,229				
Restaurant/ Bar - Olympia Building P07 (O)		11,504	1,125	12,110				
Phase 3								
Cultural Building P03 (A)		18,488	1,808	19,461				
Restaurant - Building P03 (A)		8,753	856	9,214				
Restaurant - Building P04 (C)		5,624	550	5,920				
Employment - Building P04(C)		11,351	1,110	11,948				
Employment - Building P05 (E)		41,026	4,012	43,185				
Retail - Building P06 (G2-G3)		9,193	899	9,677				
Employment - Building P06 (G2-G3)		11,535	1,128	12,142				
Employment - Building P20 (H1-3)		6,831	668	7,190				
Total Commercial		673,880	65,900	709,348				
Wharf Land								
Other		Nos Spaces:-						
Carparking Phase 1		700						
Carparking Phase 2		600						
Carparking Phase 3		540						



RICS Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522.
A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

10.0 SECTION 106 COSTS & MAYORAL CIL

10.1 Without prejudice to what you may end up agreeing with LBL, we have assumed the following as working assumptions:-

- Mayoral CIL - £11,889,275
- Section 106 provision (green shaded items below expressed at 'gross' cost, with all other costs at net amount excluding interest):-

Health Building P13 (S106 Item)	£643,724
Cultural (S106 item)- Olympia Building P07 (S.106 Item)	£7,253,243
Employment Olympia Building P07 (S.106 Item)	£1,098,529
Retail - Olympia Building P07 (S.106 Item)	£2,076,953
Restaurant/ Bar - Olympia Building P07 (S.106 Item)	£1,901,270
School (S106 Item) Building P17 (S.106 Item)	£6,900,786
River Bus	£4,250,000
Highway Works	£3,150,000
New King Street improvements	£1,400,000
Cycle path	£100,000
Green Travel Plan	£200,000
Archaeology Works	£3,140,000
Bus Improvements	£6,000,000
Heritage and Public Art	£300,000
Controlled Parking Zone	£250,000
Air quality monitoring	£100,000
Telecoms Interference monitoring	£20,000
Design Panel	£200,000
Professional fees	£400,000
Wharf and Jetty	£7,329,000
Employment /Training	£1,300,000
Total	£48,013,505



Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522.
A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

11.0 APPROACH TO VIABILITY ASSESSMENT & BUILD COSTS

- 11.1 We have financially appraised the application scheme using ARGUS, a widely used proprietary software package.
- 11.2 We consider that the residual profit from the proposed scheme needs to be at least [REDACTED] for it to be considered viable by normal measures.
- 11.3 We have used the build costs and rates agreed with LSH in 2010/11 for the previous similar master-plan scheme but have reduced these by 1% having regard to the movement of building tender indices prevailing in the industry for the period 2010/11 and the date of this viability report (April 2013). The rates used are as follows:-

Residential	GEA (sq.ft.)	Range of Storey Nos.	Build Cost Rate p.s.f. on GEA
Phase 1			
Private Resi Building P08 (K1-K3)	384,479	4-14	
Private Resi Building P15 (N2)	55,413	4-9	
Private Resi Building P01 (W1-3)	242,319	5-12	
Private Resi Building P14 (T2-4)	208,402	6-9	
Private Resi Building P14 (T1)	222,169	38	
Private Resi Building P09/P10 (U1-2)	24,725	2-3	
Private Resi Building P11 (S5)	19,762	2-3	
Affordable Resi Building P12 (S1-S3)	129,394	3-8	
Affordable Resi Building P15 (N1)	32,120	4-7	
Phase 2			
Private Resi Building P18 (M1-3)	278,745	6-14	
Private Resi Building P02 (B1 & B3)	291,931	8-13	
Private Resi Building P02 (B2)	304,955	48	
Affordable Resi Building P19 (L1-L3)	144,475	4-9	
Phase 3			
Private Resi Building P03 (A1)	125,680	14	
Private Resi Building P06 (G2-3)	171,115	4-14	
Private Resi Building P06 (G1)	279,261	38	
Private Resi P04 (C1-4)	374,415	8-14	
Affordable Resi Building P05 (E 1)	110,665	7-10	
Affordable Resi Building P20 (H1-3)	55,219	3-5	
Total Residential	3,455,245		
Commercial	GEA (sq.ft.)		
Phase 1			
Employment Building P14 (S4)	31,937		
Employment Building P13 (R1)	30,903		
Health Building P13 (R1)	6,997		
Retail Building P08 (K1-K3)	15,619		
Restaurant Bar Building P08 (K1-K3)	2,164		
Retail Building P15 (N2)	3,197		
Employment Building P15 (N2)	8,461		
Hotel Building P15 (N2)	35,629		
Retail Building P01 (W1-3)	5,005		
Restaurant/Bar Building P01 (W1-3)	2,368		
Retail Building P14 (T2-4)	4,489		
Cultural Building P09/P10 (U1-2)	8,051		
Phase 2			
Retail Building P18 (M1-3)	6,222		
Hotel Building P16 (Q1-3)	255,753		
Cultural Building P16 (Q1-3)	17,653		
Retail Building P02 (B1 & 3)	5,102		
Restaurant/ Bar Building P02 (B1 & 3)	16,878		
Employment Building P19 (L1-L2)	14,079		
School (S106 item) Building P17 (P)	41,571		
Cultural (S106 item) - Olympia Building P07	46,199		
Employment Olympia Building P07 (O)	6,997		
Retail - Olympia Building P07 (O)	13,229		
Restaurant/ Bar - Olympia Building P07 (O)	12,110		
Phase 3			
Cultural Building P03 (A)	19,461		
Restaurant - Building P03 (A)	9,214		
Restaurant - Building P04 (C)	5,920		
Employment - Building P04(C)	11,948		
Employment - Building P05 (E)	43,185		
Retail - Building P06 (G2-G3)	9,677		
Employment - Building P06 (G2-G3)	12,142		
Employment - Building P20 (H1-3)	7,190		
Total Commercial	709,348		
Wharf Land			
Other	Nos Spaces:-		
Carparking Phase 1		Cost/space	
Carparking Phase 2		Cost/space	
Carparking Phase 3		Cost/space	



Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

11.4 For infrastructure costs, these are based upon costs previously agreed with LSH at [REDACTED].

Infrastructure:-

	Phase 1	Phase 2	Phase 3	Total
Enabling Works (incl. decontamination)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Marine Works	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Roads	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Footpaths/ Landscaping	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Underground Drainage	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
External Services (incl. power distribution, water & gas supply, communication & IT, security, etc.)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Statutory Service Connections	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Flood Defence Wall	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

12.0 EXTRAORDINARY COSTS

12.1 We believe we have accounted for all relevant costs but reserve the right to add additional extraordinary costs should as and if relevant.

13.0 PRIVATE RESIDENTIAL & AFFORDABLE HOUSING VALUES

13.1 We have considered sales comparables of new homes in the area.

13.2 Relevant comparables and an analysis thereof can be seen in **Appendix 4**.

13.3 Our affordable housing value assumptions are based discussions with L&Q (your preferred affordable housing provider) and our recent experience of S.106 affordable housing values in Lewisham.



RICS Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

13.4 In summary, we have adopted the following residential values:-

Residential	NIA (sq.m.)	NIA (sq.ft)	GEA (sq.m.)	GEA (sq.ft.)	Range of Storey Nos.	Indicative Nos Units	A = River Front or Tower B = Mid site or Park C = Rear of site Affordable = Affordable	Av. Unit Size (sq.ft.)	Market Value (p.s.f.)	Total Market Value
Phase 1										
Private Resi Building P08 (K1-K3)	27,146	292,204	35,719	384,479	4-14	397	B			
Private Resi Building P15 (N2)	3,912	42,114	5,148	55,413	4-9	59	C			
Private Resi Building P01 (W1-3)	17,109	184,162	22,512	242,319	5-12	242	A			
Private Resi Building P14 (T2-4)	14,714	158,386	19,361	208,402	6-9	217	C			
Private Resi Building P14 (T1)	15,686	168,849	20,640	222,169	38	218	A			
Private Resi Building P09/P10 (U1-2)	1,746	18,791	2,297	24,725	2-3	16	B			
Private Resi Building P11 (S5)	1,395	15,019	1,836	19,762	2-3	13	C			
Affordable Resi Building P12 (S1-S3)	9,136	98,340	12,021	129,394	3-8	140	Affordable			
Affordable Resi Building P15 (N1)	2,268	24,411	2,984	32,120	4-7	34	Affordable			
Phase 2										
Private Resi Building P18 (M1-3)	19,681	211,846	25,896	278,745	6-14	289	B			
Private Resi Building P02 (B1 & B3)	20,612	221,867	27,121	291,931	8-13	292	A			
Private Resi Building P02 (B2)	21,532	231,766	28,331	304,955	48	285	A			
Affordable Resi Building P19 (L1-L3)	10,201	109,601	13,422	144,475	4-9	155	Affordable			
Phase 3										
Private Resi Building P03 (A1)	8,874	95,517	11,676	125,680	14	125	A			
Private Resi Building P06 (G2-3)	12,082	130,048	15,897	171,115	4-14	175	B			
Private Resi Building P06 (G1)	19,717	212,238	25,944	279,261	38	274	A			
Private Resi P04 (C1-4)	26,436	284,556	34,784	374,415	8-14	374	A			
Affordable Resi Building P05 (E 1)	7,814	84,105	10,281	110,665	7-10	120	Affordable			
Affordable Resi Building P20 (H1-3)	3,899	41,966	5,130	55,219	3-5	59	Affordable			
Total Residential		2,625,986	321,000	3,455,245	<i>Affordable</i>	3,484				
						<i>508</i>	<i>15%</i>	<i>Private Average =</i>		



Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

14.0 COMMERCIAL AND OTHER USES

14.1 The commercial space proposed will be particularly pioneering in this location.

14.2 We have considered the following comparables in so far as they are comparable (Source: CoStar FOCUS and EGi):-

Retail:-

- 403 New Cross Road, SE14 6LA – 1,858 sq.ft. of retail (A4) with a passing rent of £145,512 sold as an investment @ 7.20%. 13/8/2012.
- Unit 2, Rubicon Commercial Unit, Tarves Way, SE10 9JU – 1,057 sq.ft. of retail sold for £225,000 (**£213 p.s.f.**). 15/5/2012.
- 6 Peckham Park Road, SE15 6TW – 980 sq.ft. sold for £200,000 (**£204 p.s.f.**). 15/2/2013.
- Prince of Wales, 19 Plough Way, SE16 2LS – 2,995 sq.ft. of A4 space sold for £295,000 (**£98.50 p.s.f.**). 15/11/2011.
- Unit A, Artesian House, 135 Grange Road, SE1 3GF – 3,012 sq.ft. of A1 space sold as an investment for £260,000 (**£86.32 p.s.f.**). 15/4/2011.
- Unit B, Artesian Building, 98 Alscot Road, SE1 3GG – 1,453 sq.ft. of A1 space sold as an investment for £275,000 (**£189.26 p.s.f.**). 1/11/2009.
- Montreal House, Surrey Quays Road, SE16 7AQ – 11,248 sq.ft. of A3 space sold as an investment for £2,255,000 (**£200.48 sq.ft.**).
- 150 Spa Road, SE16 4RR – 3,402 sq.ft. of retail space let to the Co-Operative Group for £14.04 p.s.f. Ground floor. 15 year lease with 5 yearly upward only market rent reviews collared at 1% and capped at 4% and an option to break in Year 10. 14/12/2012.
- 191-197 Southampton Way, SE5 7EJ – 6,806 sq.ft. of retail space sold by Galliard Construction to The Jehovah's Witnesses for £644,000 (**£94.62 p.s.f.**).
- 185 Deptford High Street, SE8 – 900 sq.ft. let at £18.33 p.s.f. 1/5/2012.
- John Evelyn, 299 Evelyn Street, SE8 5RA – 2,381 sq.ft. of retail space sold as an investment for £550,000 (**£231 p.s.f.**). 12/1/2011.
- Theatro, Creek Road, SE8 3BN – 3,014 sq.ft. of mixed retail space let for £20.57 p.s.f. 1/6/2010.



RICS Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W1J 5LQ.

Office:-

- The Works, Ruby Triangle, SE15 1LG – 16,000 sq.ft. of B1a space sold for £1,400,000 (**£87.50 p.s.f.**). 15/5/2010.
- The Stationery Office, Mandela Way, Willow Walk, SE1 5SS – 63,789 sq.ft. of B1a space sold as an investment at £8,525,000 with a passing rent of £542,215 (£8.50 p.s.f.). the deal equates to 6.34% and/or **£133.64 p.s.f.** 13/12/2012.
- Unit 7, St Saviours Wharf, 23 Mill Street, SE1 2BE – 2,220 sq.ft. of B1a space was let at £18.02 p.s.f. 1/8/2011.
- 1st Floor, 23 Jacob Street, SE1 2BG – 1,854 sq.ft. of B1a space let for £14.02 p.s.f. 1/1/2011.
- 208 Providence Square, SE1 2EW – 2,625 sq.ft. of B1a space sold as an investment for £650,000 (**£247.62 sq.ft.**) 1/3/2010.
- Canada Water (Site E), Canada water, SE16 2XU – 3,736 sq.ft. of B1a space sold as an investment for £415,000 p.s.f. (**£111 p.s.f.**). 1/1/2010.
- 85 Childers Street, SE8 5PT – 4,315 sq.ft. of office space sold as an investment for £366,605 (**£84.96 p.s.f.**). 15/4/2012.
- Units 1-12b Deptford Business Centre, Grinstead Road, SE8 5AD – 2,464 sq.ft. of B1 space. Asking rent = £12.50 p.s.f.
- Units 1-12b Deptford Business Centre, Grinstead Road, SE8 5AD – 948 sq.ft. let at £9.37 p.s.f. p.s.f. 1/12/2010.

Leisure/Other:-

- 43-81 Greenwich High Road, SE10 8JL – 72,000 sq.ft. hotel sold by Galliard Homes Ltd for £15m (**£208 p.s.f.**). 2/3/2011. Agent = Gerrard Nolan & Partners. The modern purpose built hotel is let to Premier Inn Hotels Ltd who commenced a 25 year lease on 20/2/2011.



RICS Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

14.3 We have adopted the following commercial value assumptions:-

Commercial							
	NIA (sq.m.)	NIA (sq.ft)	GEA (sq.m.)	GEA (sq.ft.)	Rent p.s.f.	Yield	Void & Rent Free (Months)
Phase 1							
Employment Building P14 (S4)		30,340	2,967	31,937			
Employment Building P13 (R1)		29,358	2,871	30,903			
Health Building P13 (R1)		6,647	650	6,997			
Retail Building P08 (K1-K3)		14,838	1,451	15,619			
Restaurant Bar Building P08 (K1-K3)		2,055	201	2,164			
Retail Building P15 (N2)		3,037	297	3,197			
Employment Building P15 (N2)		8,037	786	8,461			
Hotel Building P15 (N2)		33,847	3,310	35,629			
Retail Building P01 (W1-3)		4,755	465	5,005			
Restaurant/Bar Building P01 (W1-3)		2,250	220	2,368			
Retail Building P14 (T2-4)		4,264	417	4,489			
Cultural Building P09/P10 (U1-2)		7,649	748	8,051			
Phase 2							
Retail Building P18 (M1-3)		5,911	578	6,222			
Hotel Building P16 (Q1-3)		242,965	23,760	255,753			
Cultural Building P16 (Q1-3)		16,770	1,640	17,653			
Retail Building P02 (B1 & 3)		4,847	474	5,102			
Restaurant/ Bar Building P02 (B1 & 3)		16,034	1,568	16,878			
Employment Building P19 (L1-L2)		13,375	1,308	14,079			
School (S106 Item) Building P17 (P)		39,492	3,862	41,571			
Cultural (S106 item) - Olympia Building P07 (O)		43,889	4,292	46,199			
Employment Olympia Building P07 (O)		6,647	650	6,997			
Retail - Olympia Building P07 (O)		12,568	1,229	13,229			
Restaurant/ Bar - Olympia Building P07 (O)		11,504	1,125	12,110			
Phase 3							
Cultural Building P03 (A)		18,488	1,808	19,461			
Restaurant - Building P03 (A)		8,753	856	9,214			
Restaurant - Building P04 (C)		5,624	550	5,920			
Employment - Building P04(C)		11,351	1,110	11,948			
Employment - Building P05 (E)		41,026	4,012	43,185			
Retail - Building P06 (G2-G3)		9,193	899	9,677			
Employment - Building P06 (G2-G3)		11,535	1,128	12,142			
Employment - Building P20 (H1-3)		6,831	668	7,190			
Total Commercial		673,880	65,900	709,348			

15.0 GROUND RENT & CAR PARKING SPACES

15.1 We have assumed a ground rent capital value of [REDACTED] and a value per car space of [REDACTED].

16.0 FINANCE COSTS

16.1 ARGUS software works out the relevant land financing cost automatically.

16.2 We have adopted finance costs of [REDACTED] (including finance facility fees).

16.3 Whilst know this to be low based upon typical finance costs and a small survey we have recently carried out amongst finance intermediaries and banks. However, it is a rate frequently used by consultants in planning scenarios and is the GLA Toolkit default rate. As such, we have adopted it at this stage as a means to avoid contention. However, we reserve the right to review this.



Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

17.0 DEVELOPMENT PROFIT

17.1 To be viable in a planning application context, we are of the opinion that our ARGUS appraisal needs to allow for a profit of [REDACTED] on total cost (i.e. not GDV which would result in a much higher profit £sum).

17.2 This is for a mixture of valuation, funding and planning precedent based reasons.

17.3 We note that, in a recent appeal case (APP/V5570/A/10/2139585/NWF – 243 Junction Road, London), the inspector appears to have accepted the appellant's view that the profit margin on the project in question needed to be 25% as opposed to the 17.5% suggested by the Council.

17.4 We also note from a recent appeal case APP/X0360/A/12/2179141 (8/1/2013) that the inspector expressed a view on a Council's suggestion that a different profit percentage should be applied to private residential and affordable housing. He said with respect to 'Developer's Profit':-

"The parties were agreed that costs should be assessed at 25% of costs or 20% of gross development value (GDV). The parties disagreed in respect of the profit required in respect of the affordable housing element of the development with the Council suggesting that the figure for this should be reduced to 6%. This does not greatly affect the appellants' costs, as the affordable housing element is 2%, but it does impact rather more upon the Council's calculations.

The appellants supported their calculations by providing letters and e-mails from six national house-builders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give great weight to it. I conclude that the national house-builders' figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable."

17.5 [REDACTED]

18.0 VIABILITY ASSESSMENT RESULTS

18.1 Please refer to our appraisal in **Appendix 5**.



Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522. A list of members' names is open to inspection at our registered office, 13 Hill Street, London W 1J 5LQ.

19.0 CONCLUSION

19.1 The appraisal in **Appendix 5** drives a residual profit of [REDACTED] on total cost.

19.2 [REDACTED]

19.3 [REDACTED]

19.4 [REDACTED]

20.0 DISCLOSURE AND STATUS OF REPORT

20.1 We understand that you may provide a copy of this report to LBL and/or the GLA and their advisors but that, beyond that, this report will remain confidential.

Yours faithfully,



James Brown BSc (Hons) MRICS

Partner.

RICS Registered Valuer.

Residential Development & Investment.

For and behalf of Strutt & Parker LLP



RICS

Regulated by RICS

Strutt & Parker LLP is a limited liability partnership and is registered in England and Wales with registration number OC334522.
A list of members' names is open to inspection at our registered office, 13 Hill Street, London W1J 5LQ.

APPENDIX 1

SITE VALUE BENCHMARK OR LAND COST/VALUE INPUT

1.0 General:-

1.1 Deriving SVBs has been an unnecessarily contentious issue over recent years.

1.2 The most recent guidance can be found in:-

- National Planning Policy Framework “NPPF” (and, in particular, references to ‘competitive returns’), and;
- The 2012 GLA Toolkit Guidance Notes, and;
- ‘Viability testing Local Plans’ – Advice for Planning Practitioners – Local Housing Delivery Group “LHDG” – June 2012, and;
- ‘Financial Viability in Planning’ – Royal Institution of Chartered Surveyors – “RICS” – August 2012.

1.3 The seemingly different bases now recommended by GLA, the LHDG and the RICS for deriving SVBs are primarily (but not solely):-

- Existing Use Value (plus premium) – GLA – **“EUV (plus premium)”**.
- Threshold Land Value – LHDG – **“TLV”**.
- Market Value (assuming that any hope value accounted for has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan) – RICS - **“MV (qualified)”**.

1.4 One regular adviser to local planning authorities in England additionally advocates a basis they have called Current Use Value (plus premium) **“CUV (plus premium)”** – which the RICS have been forced to define as a number of local authorities refer to it.

1.5 Another term which features in this arena is Alternative Use Value (**“AUV”**). This is effectively a component influence on MV (qualified).

2.0 EUV (plus premium):-

2.1 The GLA, whose definition of EUV has significantly altered over the last 4 years, currently (i.e. within their 2012 Toolkit Guidance Notes) define EUV as “simply, the value of the site in its existing use according to the current planning land use designation and disregarding its development potential”. In 2001, they defined EUV as “simply, the value of the site in its existing use”.

2.2 EUV is defined by the RICS as “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after properly marketing and where the parties had each acted without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause market value to differ from that needed to replace the remaining service potential at least cost”.

2.3 Assessing any landowner premium applicable to an EUV can only be done with reference to the market and Market Value, which means Market value effectively determines what the premium is. How else can the premiums be justified? It also means that there is little point in using the terminology EUV plus premium.

- 2.4 The premium over EUV to identify an appropriate SVB is in fact the same as the percentage difference between EUV and Market Value. However, Market Value is the logical side (i.e. the side where citeable justification exists) from which to approach this conundrum.

3.0 TLV:-

- 3.1 The LHDG define TLV as “the value at which a typical willing landowner is likely to release land for development, before payment of taxes (such as capital gains tax)”. We believe that this is effectively the same as the RICS’s definition of Market Value (having regard to development plan policies and all other material planning considerations, and disregarding that which is contrary to the development plan).
- 3.2 The RICS ‘define’ TLV as “A term developed by the Homes and Communities Agency (HCA) being essentially a land value at or above that which it is assumed a landowner would be prepared to sell. It is not a recognised valuation definition or approach”.
- 3.3 We believe, logically and with reference to the Local Housing Delivery Group’s definition of TLV, that a typical willing landowner will not release land for development unless they believe they are obtaining Market value for it. Hence, we end up back with Market value as the relevant driver.

4.0 MARKET VALUE (qualified)

- 4.1 Market Value is defined by the RICS (and no other professional body) as “The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

5.0 CUV (plus premium):-

- 5.1 CUV is defined by the RICS (and no other professional body) as “Market Value for the continuing existing use of the site or property assuming all hope value is excluded, including value arising from any planning permission or alternative use. This also differs from the Existing Use Value. It is hypothetical in a market context as property generally does not transact on a CUV basis, See Appendix E”.
- 5.2 However, the RICS also say in their guidance (Viability in Planning):-
- “To date, in the absence of any guidance, a variety of practices have evolved, which are used by practitioners to benchmark land value. One approach has been to exclusively adopt current use value (CUV) plus a margin or variant of this, i.e. existing use value (EUV) plus a premium. The problem with this singular approach is that it does not reflect the workings of the market as land is not released at CUV or CUV plus a margin (EUV plus). The margin mark-up is also arbitrary and often inconsistently applied in practical application as a result”.
- 5.3 Assessing any landowner premium applicable to a CUV can only be done with reference to the market and Market Value, which means Market value effectively determines what the premium is. How else can the premiums be justified? It also means that there is little point in using the terminology CUV plus premium.
- 5.4 The premium over CUV to identify an appropriate SVB is in fact the same as the percentage difference between CUV and Market Value. However, Market Value is the logical side (i.e. the side where citeable justification exists) from which to approach this conundrum.

6.0 DIFFERENCE BETWEEN EUV (plus premium) and CUV (plus premium):-

- 6.1 We believe that advocates of EUV (plus premium) accept that EUV can account for the scope, subject to planning, to change what is physically on the site (e.g. by re-development, extension or intensification) so long as it stays within the same Use Class (or within Use Classes where permission to switch from one Use Class to another would be permitted or realistically possible).
- 6.2 We believe that advocates of CUV (plus premium) adopt a definition that requires a complete disregard of any potential physical and/or planning use class changes when deriving CUV.
- 6.3 Bearing this in mind, we would usually expect landowner premiums on EUV compared to the premiums on CUV to be different percentages over the value driven by the existing physical buildings and uses.

7.0 AUV:-

- 7.1 AUV is defined by the RICS (and no other professional body) as “Where an alternative use can be readily identified as generating a higher value for a site, the value for this alternative use would be the market value with an assumption, as defined for Site Value for financial viability assessments for scheme specific planning applications (see also Appendix E)”.

8.0 RATIONALISATION OF TERMINOLOGIES AND APPROPRIATE SVB BASIS

- 8.1 Although there have been some differences of opinion between the GLA, the Local Housing Delivery Group and the RICS with respect to SVBs and how to approach them, they all recognise the need for 'willing sellers'.
- 8.2 To identify what price/value creates a 'willing seller, there has to be some reference to actual land transaction evidence in the market (i.e. excluding any which are clearly excessive or misguided) and alternative potential uses/developments (subject to planning).
- 8.3 With a willing seller, one also needs a willing buyer. 'Willing seller/willing buyer' is effectively Market Value by definition.
- 8.4 Some advisers to local authorities are concerned that some land transactions could be fuelled by a 'willing seller/excessively willing buyer'.
- 8.5 However, we believe that any suggestion that this is typical misguided. Land buyers and developers seek to secure land for as little as possible. They do not seek to overpay and are aware of the associated planning and financial risks should they do so.
- 8.6 Bearing in mind that all of the abovementioned bases need cross referencing back to the market and market transactions, all of the recommended bases are, or are the equivalent of, Market Value (having regard to development plan policies and all other material planning considerations, and disregarding that which is contrary to the development plan). All approaches should lead to the same SVB.
- 8.7 Amongst a variety of other methods, Market Value is arrived at with some consideration of land transaction that have occurred in the market. We recognise that land transactions do occasionally occur at excessive amounts but, in deriving Market Value professionally, valuers ignore such transactions in their application of 'judgement'.
- 8.8 As Market value is recommended by the RICS and as the RICS is an independent body that has had viability and valuation at its core for decades, we believe that the RICS guidance on Viability in Planning represents the best possible guidance on this subject to date.
- 8.9 As such, the appropriate basis to derive SVBs is Market Value (assuming that any hope value accounted for has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan) – RICS - **"MV (qualified)"**.

9.0 RECENT PLANNING APPEALS

- 9.1 We note that in appeal case APP/X5210/A/12/2173598, the Inspector granted the appeal and said (9/10/2012):-

"The RICS published guidance in 2012 'Financial Viability in Planning' and suggests that the market should be taken into account. Paragraph 3.4.7 goes to some lengths to state the difficulties of using the sales prices of comparable development sites, but concludes that the importance of comparable evidence cannot be over-stated. This is a reasonable approach and in this case there are some comparable development sites in the vicinity to provide the information".

- 9.2 It is also noteworthy that the head of viability at the District Valuer Service (who regularly advise local authorities) recently advised an appeal as follows:-

"This residual site value is then compared to a Benchmark site value. This is based on Market Value, and assumes that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan".

- 9.3 In appeal case APP/X03360/A/12/2179141, the Inspector granted the appeal and said on the subject of 'Competitive Returns':-

"Two very different viewpoints were put forward at the Inquiry with the appellants seeking a land value of £4,750,000 which is roughly the mid-point between the EUV/CUV and the RLV with planning permission for housing and no obligations. This ties in with the 50:50 split between the community and the landowner sought by the appellants. The Council considered that a sum of £1.865m would ensure a competitive return; that is to say the Council's calculation of the EUV/CUV".

"I am not convinced that a land value that equates to the EUV/CUV would provide any incentive to the landowner to sell the site".

"In the scenario preferred by the Council, I do not consider that the appellants would be a willing vendor".

"I conclude on this issue that, allowing the landowner a competitive return of 50% of the uplift in value, the calculations in the development appraisal allowing for 2% affordable housing are reasonable and demonstrate that at this level of affordable housing the development would be viable".

10.0 IN-APPROPRIATENESS CUV (plus premium)

- 10.1 Bearing in mind CUV (plus premium) is a basis that a particular and regular adviser to local authorities is keen on, we comment further on its in-appropriateness.
- 10.2 It is inconsistent for those advocates of CUV (plus premium) to point towards the RICS's definition of CUV (as the only definition of CUV by a professional body) but not heed the rest of the RICS guidance in the same document.
- 10.3 Whilst the RICS define CUV, they only do so because a particular practitioner that regularly advises local authorities uses this term. The RICS do not support the use of CUV (plus premium) or EUV (plus premium).

10.4 Those practitioners or local authorities that work to CUV (plus premium) are therefore working to an artificial and arbitrary basis which does which surely cannot be advisable.

11.0 RICS GUIDANCE

11.1 Of particular note, the recent RICS guidance (Viability in Planning) also says:-

- a) "Site Value either as an input into a scheme specific appraisal or as a benchmark is defined in the guidance note as follows:- *Site Value should equate to the Market Value subject to the following assumptions that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan*".
- b) "An accepted method of valuation of development sites and land is set out in RICS Valuation Information Paper (VIP) 12".
- c) "Reviewing alternative uses is very much part of the process of assessing the Market Value of land and it is not unusual to consider a range of scenarios for certain properties. Where an alternative use can be readily identified as generating a higher value, the value for this alternative use would be the Market Value".
- d) "The guidance provides this definition in the context of undertaking appraisals of financial viability for the purposes of town planning decisions: *An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project*".
- e) Indicative outline of what to include in a viability assessment. "It is up to the practitioner to submit what they believe is reasonable and appropriate in the particular circumstances and for the local authority or their advisors to agree whether this is sufficient for them to undertake an objective review".
- f) "For a development to be financially viable, any uplift from current use value to residual land value that arises when planning permission is granted must be able to meet the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project (the NPPF refers to this as 'competitive returns'). The return to the landowner will be in the form of a land value in excess of current use value but it would be inappropriate to assume an uplift based upon set percentages as detailed above and in Appendix E, given the heterogeneity of individual development sites. The land value will be based upon market value which will be risk-adjusted, so it will normally be less than current market prices for development land for which planning permission has been secured and planning obligation requirements are known".

- g) "Sale prices of comparable development sites may provide an indication of the land value that a landowner might expect but it is important to note that, depending on the planning status of the land, the market price will include risk-adjusted expectations of the nature of the permission and associated planning obligations. If these market prices are used in the negotiations of planning obligations, then account should be taken of any expectation of planning obligations that is embedded in the market price (or valuation in the absence of a price). In many cases, relevant and up to date comparable evidence may not be available or the heterogeneity of development sites requires an approach not based on direct comparison. **The importance, however, of comparable evidence cannot be over-emphasised, even if the supporting evidence is very limited, as evidenced in Court and Land Tribunal decisions**".
- h) "The assessment of Market Value with assumptions is not straightforward but must, by definition, be at a level which makes a landowner willing to sell, as recognised by the NPPF. Appropriate comparable evidence, even where this is limited, is important in establishing Site Value for a scheme specific as well as area wide assessments".
- i) "Viability assessments will usually be dated when an application is submitted (or when a CIL charging schedule or Local Plan is published in draft). Exceptions to this may be pre-application submissions and appeals. Viability assessments may occasionally need to be updated due to market movements or if schemes are amended during the planning process".
- j) "Site purchase price may or may not be material in arriving at a Site value for the assessment of financial viability. In some circumstances the use of actual purchase price should be treated as a special case".
- k) "It is for the practitioner to consider the relevance or otherwise of the actual purchase price, and whether any weight should be attached to it, having regard to the date of assessment and the Site value definition set out in this guidance".
- l) "Often in the case of development and site assembly, various interests need to be acquired or negotiated in order to be able to implement a project. These may include: buying in leases of existing occupiers or paying compensation; negotiating rights of light claims and payments; party wall agreements, over sailing rights, ransom strips/rights, agreeing arrangements with utility companies; temporary/facilitating works, etc. These are all relevant development costs that should be taken into account in viability assessments. For example, it is appropriate to include rights of light payments as it is a real cost to the developer in terms of compensation for loss of rights of light to neighbouring properties. This is often not reflected in Site Value given the different views on how a site can be developed".
- m) "It is important that viability assessments be supported by adequate comparable evidence. For this reason it is important that the appraisal is undertaken by a suitably qualified practitioner who has experience of the type, scale and complexity of the development being reviewed or in connection with appraisals supporting the formulation of core strategies in local development frameworks. This ensures that appropriate assumptions are adopted and judgement formulated in respect of inputs such as values, yields, rents, sales periods, costs, profit levels and finance rates to be assumed in the appraisal. This should be carried out by an independent practitioner and ideally a suitably qualified surveyor".

- n) "The RICS Valuation – Professional Standards 2012 (Red Book) definition of Market Value is as follows:-

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after properly marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The Red Book also deals with the situation where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the property in the future. This element is often referred to as 'hope value' and should be reflected in Market Value. The Red Book provides two examples of where the hope of additional value being created or obtained in the future may impact on the Market Value:

- the prospect of development where there is no current permission for that development; and
- the prospect of synergistic value arising from merger with another property or interests within the same property at a future date.

The guidance seeks to provide further clarification in respect of the first of these by stating that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.

The second bullet point above is particularly relevant where sites have been assembled for a particular development.

It should be noted that hope value is not defined in either the Valuation Standards. That is because it is not a basis of value but more a convenient way of expressing the certainty of a valuation where value reflects development for which permission is not guaranteed to be given but if it was, it would produce a value above current use.

To date, in the absence of any guidance, a variety of practices have evolved which benchmark land value. One of these, used by a limited number of practitioners, has been to adopt Current Use Value (CUV) plus a margin or a variant of this (Existing Use Value (EUV) plus a premium). The EUV / CUV basis is discussed below. The margin is an arbitrary figure often ranging from 10% to 40% above CUV but higher percentages have been used particularly in respect of green-field and rural land development.

In formulating this guidance, well understood valuation definitions have been examined as contained within the Red Book. In arriving at the definition of Site Value (being Market Value with an assumption), the Working Party / Consultant Team of this guidance have had regard to other definitions such as EUV and AUV in order to clarify the distinction necessary in a financial viability in a planning context. Existing Use Value is defined as follows:-

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after properly marketing and where the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause Market Value to differ from that needed to replace the remaining service potential at least cost.

It is clear the above definition is inappropriate when considered in a financial viability in planning context. EUV is used only for inclusion in financial statements prepared in accordance with UK accounting standards and as such, hypothetical in a market context. Property does not transact on an EUV (or CUV) basis.

It follows that most practitioners have recognised and agreed that CUV does not reflect the workings of the market as land does not sell for its CUV, but rather at a price reflecting its potential for development. Whilst the use of CUV plus a margin does in effect recognise hope value by applying a percentage increase over CUV it is a very unsatisfactory methodology when compared to the Market Value approach set out in the Guidance and above. This is because it assumes land would be released for a fixed percentage above CUV that is arbitrary inconsistently applied and above all does not reflect the market.

Accordingly, the guidance adopts the well understood definition of Market Value as the appropriate basis to assess Site Value, subject to an assumption. This is consistent with the NPPF, which acknowledges that "willing sellers" of land should receive "competitive returns". Competitive returns can only be achieved in a market context (i.e. Market Value) not one which is hypothetically based with an arbitrary mark-up applied, as in the case of EUV (or CUV) plus.

So far as alternative use value is concerned, the Valuation Standards at VS6.7 state where it is clear that a purchaser in the market would acquire the property for an alternative use of the land because that alternative use can be readily identified as generating a higher value than the current use, and is both commercially and legally feasible, the value for this alternative use would be the Market Value and should be reported as such. In other words, hope value is also reflected and the answer is still Market Value. Again, in arriving at Market Value via alternative use value, the planning status of the land / building. This is also consistent with the NPPF for willing sellers to receive competitive returns".

APPENDIX 2

APPENDIX 3



CONVOYS WHARF DEVELOPMENT

Illustrative Masterplan

Not to Scale

26.04.2013

FARRELLS

CON1_SK0255

APPENDIX 4

Comparable Schemes:-

1.) Seren Park, Woodland Heights, Restell Close, SE3:-



Situated next to Maze Hill station, a short distance to the west of the subject site. Development of circa 221 residential units. It was launched in 2009 by Jones Lang LaSalle. Part refurbishment and extension of existing building on site and new building comprising 7 linked blocks over 7 to 11 storeys. The development was completed in 2010.

Between October 2012 and November 2012, Savills had nine of the 23 units under offer:

One Bedroom Units:-

- B2.92 – A one bedroom, 513sq ft apartment is under offer for £245,000 (£478sq ft / £5,145sq m). The price included an allocated car parking space.
- B2.93 – A one bedroom apartment of 513sq ft is under offer for £235,000 (£458sq ft / £4,930sq m). The price included an allocated car parking space.
- B1.185 – A one bedroom apartment of 513sq ft apartment is under offer for £240,000 (£468sq ft / £5,038sq m). The price did not include an allocated car parking space.
- B1.186 – A one bedroom 513sq ft apartment is under offer for £250,000 (£487sq ft / £5,242sq m). The price included an allocated car parking space.

Two Bedroom Units: -

- B2.91 – A two bedroom apartment is under offer at £345,000 (size unknown). The price included an allocated car parking space.
- B2.94 – A two bedroom apartment of 755sq ft is under offer for £340,000 (£450sq ft / £4,844sq m). The price did not include a car parking space.

Three Bedroom Units:-

- B2.97 – A three bedroom apartment of 1,052sq ft is under offer for £480,000 (£456sq ft / £4,908sq m). The price included an allocated car parking space.
- B2.98 – A three bedroom apartment of 1,049sq ft is under offer for £500,000 (£477sq ft / £5,134sq m). The price included an allocated car parking space.
- B1.189 – A three bedroom 1,051sq ft flat has exchanged contracts at £515,000 (£490sq ft / £5,274sq m). The price included an allocated car parking space.

The units were originally launched by Jones Lang in early 2009 following the market downturn. We understand that the sales rate was disappointingly slow with a number of units remaining on the market post build completion. The units were launched by Jones Lang in early 2009, however, as at December 2011, Molior details that 29 units remained unlaunched and 51 were still for sale. We understand that as at March 2012 the developer had decided to rent the remaining unsold units (circa 50 units) (source: Molior) following continuing disappointing take up levels over 2011. Felicity J. Lord have also confirmed that within the last year they have sold some of the two bedroom units "at circa £300,000 for a 700sq ft unit, on the lower floors without parking, and up to £390,000 for the larger units of 850 - 900sq ft on the higher floors, with parking". On 27 September 2012, Savills were appointed as the marketing agents for 23 unsold units, on behalf of RBS and West Register. We have been informed by Savills that West Register are retaining a further 12 units as a 'long term investment', with the intention of letting the units. Between October 2012 and November 2012, Savills had nine of the 23 units under offer, equating to a sales rate of 4.5 per month. Savills have advised that the units were offered to applicants on their existing database and were only softly marketed. 14 units currently remain on the market, and Savills propose to advertise the scheme in the Evening Standard in early February 2013.

2.) **Lovells Wharf (Part of Greenwich Reach), Banning Street, SE10:-**



Mixed use, river front development by London and Regional, which is currently under construction. Phase 1 consists of 29 units and these have exchanged or been reserved. The development is located approximately 0.4 miles to the north west of the subject scheme.

Agents have confirmed that one bedroom flats have recently achieved between £402sq ft - £556sq f. Two bedroom units have recently achieved between £483 sq ft and £611sq ft, exclusive of parking. Three bedroom units have recently achieved between £444sq ft and £495sq ft.

- A one bedroom flat of 542.5sq ft (50.4sq m), located on the first floor, exchanged in the summer of 2012 for £250,000, equating to £461 sq ft (£4,960.3 sq m). The flat had river and garden views.
- A large one bedroom flat of 655.5 sq ft (60.9 sq m) located on the second floor, sold for £315,000 in summer 2012 (£480.5 sq ft/£5,172 sq m). The flat had river and garden views and a balcony.
- A two bedroom, two bathroom flat of 744.9 sq ft (69.2 sq m) sold in summer 2012 for £455,000 (£611 sq ft/£6,575 sq m). The flat had river views and a balcony. A car parking space was purchased for £15,000.

- A three bedroom, two bathroom flat of 1,356.3 sq ft (126 sq m) with two balconies and river and garden views sold for £650,000 equating to £479 sq ft (£5,159 sq m) in summer 2012.

The prices achieved for the units within Phase 1 were exclusive of parking. Parking was offered at £15,000.

Phase 1 of the scheme (29 private sector units) was launched in early 2010. Sales rates were apparently disappointing. Phase 1 is now complete and is more or less fully sold, achieving an overall average price of £525/sq ft). Construction of Phase 2, understood to comprise 125 private sector units, commenced at the beginning of 2012 has been launched overseas but not in the UK to date and a further launch in the UK is planned for spring 2013. Phase 3 and 4 are yet to be commenced. Source: Molior.

3.) **New Capital Quay, Greenwich Reach, SE10 9SW:-**



Mixed use development, developed by Galliard. 686 units. Currently under construction. Situated on the south bank of the Thames, with river frontage on three sides.

Accommodation arranged over 11 blocks, from 4 to 15 floors. Commercial uses include convenience retail; a supermarket; ancillary bars and restaurants; and community and visitor attractions. Completion of the development is due in June 2013.

Unable to obtain detailed sales from Galliard. They have confirmed however, that they have 100 private units remaining with asking prices as follows: 1 beds: £275,000 - £350,000. 2 beds: £365,000 - £750,000. 3 beds: £600,000 - £2,000,000.

There is a premium of between £50,000 - £100,000 for units with river views, with in excess of this for the larger and/or best units. Parking is £25,000. Specifically, they have achieved:

- One Beds: J Block is mix of private and affordable. A one bed flat of 592sq ft sold for £290,000. It was located on the 4th floor and has a juliette balcony.
- Two Beds: Duplex apartments are in Block E. A ground floor apartment with a balcony, measured 1,100sq ft. The asking price was £545,000 and it achieved £520,000. J Block – a 2 bed, 1 bathroom apartment with a terrace would generally achieve circa £360,000 - £380,000.

Completion of the development is due in June 2013.

The scheme was launched in autumn 2007 with approximately 450 units having sold off plan by July 2008. Following the downturn, the site was been placed in the hands of NAMA, Ireland's national Asset Management Agency, and by late 2010 construction had halted.

Completion of construction has been supported, however, and construction was resumed October 2011. Planning permission was sought in May 2012 to increase the height of a number of buildings resulting in an additional 32 private sector units, indicating greater confidence in sales demand.

Expect a sales rate of 5-10 a month on average with a mix of overseas and local purchasers for investment and owner occupation. There is most demand for one, two and three bedroom apartments, without river views.

4.) Greenwich Creekside, 133 Creek Road, SE8 3BU:-



371 units (242 private and 129 affordable).

Greenwich Creekside/Creekside Village provides studios, 1, 2 and 3 bedroom apartments across residential blocks, some of which benefit from views of the Thames. There is also office space within the wider development, and the Laban Dance Centre.

Unit No.	Floor	Beds	Baths	Tenure	Condition	GIA Sq Ft	GIA Sq M	Sale Price	Achieved £/Sq Ft	Date of Sale	Aspect	Parking	Outside Space	Incentives
B74 (The Vertex Tower)	13th	1	1	LH	New Build	464	43	£300,000	£647		North facing. Inset balcony. Views overlooking The Thames.	Not included	Inset balcony	3% stamp duty paid
-	Lower floor	2	1 bath, 1 shower	LH	New Build	800	74	£367,500	£459		-	1 space included	Balcony	Price is net of incentives
34 (The Vertex Tower)	7th	2	1 bath, 1 shower	LH	New Build	800	74	£404,000	£505		Canary Wharf and river views.	-	Balcony	-
51 (The Atrium)	7th	3	-	LH	New Build	918	85	£475,000	£517		South facing. No river views.	1 space included	Balcony	Price is net of incentives
78 (The Vertex Tower)	14th	2	1 bath, 1 shower	LH	New Build	1349	125	£602,000	£446		North facing, but no river views.	-	Balcony	-
C102	11th	1	1	LH	New Build	568	53	£279,300	£492		-	-	-	-
B51	10th	3	-	LH	New Build	918	85	£475,295	£518					
A37	6th	1	1	LH	New Build	464	43	£250,000	£539					
A09	3rd	2	-	LH	New Build	791	73	£352,500	£446					
B46	9th	1	1	LH	New Build	464	43	£240,000	£517					
B81	15th	2	-	LH	New Build	1185	110	£635,000	£536					
A08	3rd	2	-	LH	New Build	790	73	£355,000	£449					
A24	5th	1	-	LH	New Build	505	47	£250,000	£495					
B74	13th	1	-	-	New Build	464	43	£299,995	£647					

We understand that approximately 43 units remained unsold as at 15 October 2012. The one beds have an asking price of £250,000 - £290,000, depending on floor, and measure 464-500sq ft. Three bedroom flats on the higher floors have an asking price of up to £500,000. The units have been achieving a 2% reduction from the asking prices. 25 x one bedroom flats have sold since January 2012. Circa £300,000 has been achieved on one bedroom flats over 600sq ft. The development was launched in the Far East (Singapore) in 2008, but not has not been taken back out to Asia since.

The sales office report that the purchaser profile is typically young professionals buying for owner occupation, with demand being predominately for one and three bedrooms, with less demand for the two bedrooms, the three bedroom units being perceived as providing better value.

Rate of sale = 7-10 units per month.

5.) Theatro Tower:-



Built 3 years ago by Union Developments.

Unit No.	Floor	Beds	Baths	Tenure	Condition	GIA Sq Ft	GIA Sq M	Sale Price	Achieved £/Sq Ft	Date of Sale	Aspect	Parking	Outside Space
No. 21	3rd	2 bed	-	LH	New Build	780	72	£320,000	£410	Exchanged 6th Aug 2012	-	No	No
No. 13	1st	2 bed	-	LH	New Build	700	65	£325,000	£464	Jul-12	-	No	No
Penthouse	6th / 7th	2 bed duplex	2	LH	New Build	1173	109	£480,000	£409	Available	-	Yes	Yes

Theatro is a mixed-use development with 48, 1, 2 and 3 bedroom apartments. The ground floor is allocated as commercial, with a mix of bars, restaurants and studio spaces. The developer has struggled to sell the units, with many now being rented out. Barratt know the scheme well (close to their Delta development), and have advised that the units are over priced, directly on the main road, and have been on the market too long - this deters purchasers.

6.) Delta, Creek Road, Deptford, SE8 3HA:-



Unit No.	Floor	Beds	Baths	Tenure	Condition	GIA Sq Ft	GIA Sq M	Sale Price	Achieved £/Sq Ft	Date of Sale	Aspect	Parking	Outside Space
2	Ground	2	1	LH	New Build	761	71	£300,000	£394	Jul-12	On the road - not the best unit.	Yes	Very small terrace.
29	4th	2	2	LH	New Build	876	81	£330,000	£377	Jun-12		No	2 terraces - 1 north, 1 south
54	3rd	2	2	LH	New Build	762	71	£312,000	£409	May-12		-	-
55	3rd	2	2	LH	New Build	785	73	£310,000	£395	Jun-12	South facing	Yes	Balcony
22	3rd	1	1	LH	New Build	501	47	£240,000	£479	Jun-12		No	No
39	-	1	1	LH	New Build	494	46	£245,000	£496	Jun-12		No	Balcony

Sold the 38 private units between March and June. There are 3 remaining flats which are due to complete shortly.

7.) Paynes & Borthwick Wharf, Watergate Street, SE8:-



257 units.

Restored listed building. Development by United House Developments, which includes a residential tower, art galleries, private gardens, underground car parking, restaurant, 38,000 sq ft commercial and retail space.

The development was launched overseas in Feb 2012, with prices starting from from £245,000. Savills have confirmed that 26 units have exchanged at £570 to £600psf. The scheme is now being marketed in the UK with asking prices set out below. 84 units are now reported to have been sold according to MOLIOR and we estimate that sales achieved have been around 95% of asking prices.

	Max	Avg	Min
Price:	£820,000	£456,765	£290,000
Epsf	£633	£529	£468
Sq. ft	1,408	870	490

	Max	Avg	Min
Studio:	£0	£0	£0
1 Bedroom	£395,000	£322,857	£290,000
2 Bedroom	£605,000	£430,946	£355,000
3 Bedroom	£820,000	£727,143	£695,000

Plot ref	Floor	Bed	Sq Ft	Most recent price	EPSF	Date of price
21 Wharf St 05	1	2	790	£430,000	£544	Mar 2013
21 Wharf St 06	1	2	995	£510,000	£513	Mar 2013
21 Wharf St 07	1	2	841	£445,000	£529	Mar 2013
21 Wharf St 08	1	2	941	£480,000	£510	Mar 2013
21 Wharf St 09	1	2	999	£505,000	£506	Mar 2013
21 Wharf St 10	1	2	1077	£535,000	£497	Mar 2013
21 Wharf St 11	1	2	1147	£560,000	£488	Mar 2013
21 Wharf St 12	1	2	1243	£590,000	£475	Mar 2013
21 Wharf St 13	1	2	1292	£605,000	£468	Mar 2013
21 Wharf St 14	1	2	1193	£580,000	£486	Mar 2013
21 Wharf St 15	1	2	1052	£500,000	£475	Mar 2013
21 Wharf St 16	1	2	727	£385,000	£530	Mar 2013
21 Wharf St 17	1	2	664	£360,000	£542	Mar 2013
21 Wharf St 20	1	2	664	£355,000	£535	Mar 2013
21 Wharf St 21	2	2	862	£425,000	£493	Mar 2013
21 Wharf St 23	2	2	791	£405,000	£512	Mar 2013

21 Wharf St 24	2	2	728	£385,000	£529	Mar 2013
21 Wharf St 25	2	2	663	£360,000	£543	Mar 2013
21 Wharf St 26	2	2	663	£360,000	£543	Mar 2013
21 Wharf St 27	2	2	663	£360,000	£543	Mar 2013
21 Wharf St 28	2	2	663	£355,000	£535	Mar 2013
21 Wharf St 29	2	2	862	£430,000	£499	Mar 2013
21 Wharf St 31	3	2	790	£410,000	£519	Mar 2013
21 Wharf St 32	3	2	728	£390,000	£536	Mar 2013
21 Wharf St 33	3	2	664	£365,000	£550	Mar 2013
21 Wharf St 34	3	2	664	£365,000	£550	Mar 2013
21 Wharf St 35	3	2	664	£365,000	£550	Mar 2013
21 Wharf St 36	3	2	664	£360,000	£542	Mar 2013
Commill House 05	1	1	769	£395,000	£514	Mar 2013
Commill House 06	1	1	769	£370,000	£481	Mar 2013
Commill House 31	7	1	490	£305,000	£622	Mar 2013
Commill House 32	7	2	769	£430,000	£559	Mar 2013
Commill House 33	7	2	769	£405,000	£527	Mar 2013

Commill House 34	7	1	549	£290,000	£528	Mar 2013
Commill House 35	8	1	490	£310,000	£633	Mar 2013
Commill House 36	8	2	769	£440,000	£572	Mar 2013
Commill House 37	8	2	769	£410,000	£533	Mar 2013
Commill House 38	8	1	549	£290,000	£528	Mar 2013
Commill House 42	9	2	714	£415,000	£581	Mar 2013
Commill House 46	10	2	714	£425,000	£595	Mar 2013
Drew House 01	Ground	2	803	£405,000	£504	Mar 2013
Drew House 03	1	2	862	£415,000	£481	Mar 2013
Drew House 04	1	1	580	£300,000	£517	Mar 2013
Drew House 37	4	3	1358	£695,000	£512	Mar 2013
Drew House 38	4	3	1358	£695,000	£512	Mar 2013
Drew House 39	4	3	1358	£695,000	£512	Mar 2013
Drew House 40	4	3	1358	£695,000	£512	Mar 2013
Drew House 41	4	3	1358	£695,000	£512	Mar 2013
Drew House 45	4	3	1358	£820,000	£604	Mar 2013
Drew House 48	4	3	1408	£795,000	£565	Mar 2013
Drew House 49	4	2	795	£425,000	£535	Mar 2013

Ashburnham Apartments, 40 Greenwich High Road:-



44 private flats and 20 affordable units.

Development by Bellway which provides one, two and three bedroom apartments. The development was completed in May 2012. Bellway have closed their marketing suite, and the remaining units are being sold by local agents (Foxtons and KFH).

[illegible]

RE-SALES/ OLDER DEVELOPMENTS:-

9.) The Selection/Union Point/ Sailacre House:-



Located on the site of the former Annadale School, very close to the subject development. This is a development by Durkan which provides 106 private units and 25 affordable units. The construction of this development was completed in 2006. There have been recent re-sales within the development.

Unit No.	Floor	Beds	Baths	Tenure	Condition	GIA Sq Ft	GIA Sq M	Sale Price	Achieved £/Sq Ft	Date of Sale	Aspect	Parking	Outside Space	Incentives
108 Calvert Road	G/1st	2 bed maisonette	1 bath, 1 wc	LH	Resale	680	63	£300,000	£441	Under Offer	-	Yes	No	No incentives - resale
8 Union Park	2 / 3	2 bed duplex	2	LH	Resale - but very good condition.	1065	99	£358,500	£336.62	Jun-12	-	Yes	No	-
37 Union Park	-	2 bed, lateral	2	LH	Resale	617	57	£272,500	£442	May-12	-	-	No	-
147 Annandale Road	G/1st	2 bed maisonette	1 bath, 1 wc	LH	Resale	775	72	£311,250	£402	Jan-12	-	Yes	No	No incentives - resale
127 Annandale Road	G/1st	3 bedroom house	1 bath, 1 wc	FH	Resale	868	81	£405,000	£467	Sep-11	-	Yes	Front and rear gardens	-
30 Union Park	-	2 bed	-	LH	Resale	-	-	£290,000	-	Aug-11	-	Yes	Balcony	-

10.) Blue Building, Woolwich Road:-



Nineteen new build one and two bedroom apartments, two commercial units on the Woolwich Road. Built in 2007. No recent resales.

Unit No.	Floor	Beds	Baths	Tenure	Condition	GIA Sq Ft	GIA Sq M	Sale Price	Achieved £/Sq Ft	Date of Sale	Aspect	Parking	Outside Space
-	2nd	2	1	LH	Resale	938	87	£349,950 (asking price with Foxtons)	£373	On the market		Yes - stacker parking	Enclosed winter garden.

11.) Woodlands Heights, Vanbrugh Hill, SE3 7EL:-



A 2003/04 refurbishment of a former nurses home called Woodlands House. A five-storey brick building. The site is on the side of a steep rise up to Blackheath which provides the buildings with views of Canary Wharf. There have been recent resales within the development.

Unit No.	Floor	Beds	Baths	Tenure	Condition	GIA Sq Ft	GIA Sq M	Sale Price	Achieved £/Sq Ft	Date of Sale	Aspect	Parking	Outside Space
Flat 33		1 bed	1	LH	Resale	-		£250,000		Jun-12	-	Parking	Communal gardens
Flat 11		1 bed	1	LH	Resale	527	49	£270,000	£512	Jun-11		Garage	Communal gardens
Flat 26		2 bed	-	LH	Resale	-	-	£315,000		Jun-11		-	Communal gardens
Flat 36		1 bed	1	LH	Resale	509	47	£261,000	£513	Oct-10		-	Communal gardens
		2 bed	1	LH	Resale	-	-	£390,000	-	Sep-12			

APPENDIX 5

Strutt & Parker

Development Appraisal

Convoys Wharf

New 2013 Masterplan Scheme

Report Date: 22 November 2013

Prepared by JRB

Convoys Wharf New 2013 Masterplan Scheme

Timescale (Duration in months)

Project commences Nov 2013

Phase 1: Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start						
Purchase				Phase Start	Start	0
Pre-Construction				Purchase	End	0
Construction				Pre-Construction	End	0
Post Development				Construction	End	0
Phase End						
Phase Length						

Phase 2: Phase 2

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start						
Purchase				Phase Start	Start	0
Pre-Construction				Purchase	End	0
Construction				Pre-Construction	End	0
Post Development				Construction	End	0
Phase End						
Phase Length						

Phase 3: Phase 3

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start						
Purchase				Phase Start	Start	0
Pre-Construction				Purchase	End	0
Construction				Pre-Construction	End	0
Post Development				Construction	End	0
Phase End						
Phase Length						

Project Length (Merged Phases - Includes Exit Period)

Assumptions

Expenditure

- Professional Fees are based on Construction
- Purchaser's Costs are based on Net Capitalisation
- Purchaser's Costs Deducted from Sale (Not added to Cost)
- Sales Fees are based on Net Capitalisation
- Sales Fees Added to Cost (Not deducted from Sale)

Receipts

- Show tenant's true income stream On
- Offset income against development costs Off
- Rent payment cycle Quarterly (Adv)
- Apply rent payment cycle to all tenants On
- Renewal Void and Rent Free apply to first renewal only Off
- Growth starts from lease start date Off
- Deduct Ground Rent from Stepped Rent, On
- Initial Yield Valuation Method Off
- Default Capitalisation Yield 0.0000%
- Apply Default Capitalisation to All Tenants Off
- Default stage for Sale Date Off
- Align end of income stream to Sale Date Off
- Apply align end of income stream to all tenants On
- When the Capital Value is modified in the cash flow Recalculate the Yield
- Valuation Tables are Annually in Arrears
- Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value Off
- Rent Free method Defer start of Tenant's Rent

Finance

- Financing Method Basic (Interest Sets)
- Interest Compounding Period Quarterly
- Interest Charging Period Monthly
- Nominal rates of interest used
- Calculate interest on Payments/Receipts in final period Off
- Include interest and Finance Fees in IRR Calculations Off
- Automatic Inter-account transfers Off
- Manual Finance Rate for Profit Erosion Off

Calculation

- Site Payments In Arrears
- Other Payments In Arrears
- Negative Land In Arrears
- Receipts In Advance
- Initial IRR Guess Rate
- Minimum IRR
- Maximum IRR
- Manual Discount Rate
- IRR Tolerance

Letting and Rent Review Fees are calculated on Net of Deductions

This appraisal is not a formal valuation and should not be relied upon as such.

Convoys Wharf New 2013 Masterplan Scheme

Assumptions

Development Yield and Rent Cover are calculated on
Include Tenants with no Capital Value
Include Turnover Rent
Net of Non-Recoverable costs
Net of Ground Rent deductions
Net of Rent Additions/Costs
Leasing Commissions are calculated

Rent at Sale Date(s)
On
Off
On
On
On
After Non-Recoverable cost deductions
For the First Term of the lease only

Value Added Tax

Global VAT Rate
Global Recovery Rate
Recovery Cycle every
1st Recovery Month
VAT Calculations in Cash Flow

0.00%
0.00%
2 months
2 (Dec 2013)
On

Residual

Land Cost Mode

Fixed Land Value

Distribution

Construction Payments are paid on
Sales Receipts are paid on
Sales Deposits are paid on

S-Curve
Single curve
Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date
	0.00%	Perpetuity	Nov 2013

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.00%	0.00%	Perpetuity	Nov 2013

Inflation and Growth

Growth Sets

Growth Set 1

Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.00%	Perpetuity	Nov 2013

Inflation Sets

Inflation Set 1

Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.00%	Perpetuity	Nov 2013

This appraisal is not a formal valuation and should not be relied upon as such.

APPRAISAL SUMMARY

STRUTT & PARKER

Convoys Wharf New 2013 Masterplan Scheme

Summary Appraisal for Merged Phases 1 2 3

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Resi Building P08	1	292,204			
Private Resi Building P15	1	42,114			
Private Resi Building P01	1	184,162			
Private Resi Building P14	1	158,386			
Private Resi Building P14	1	168,848			
Private Resi Building P09/P10	1	18,791			
Private Resi Building P11	1	15,019			
Affordable Resi Building P12	1	98,340			
Affordable Resi Building P15	1	24,411			
Car Parking	1	0			
Ground Rents	1	0			
Private Resi Building P18	1	211,846			
Private Resi Building P02	1	221,868			
Private Resi Building P02	1	231,766			
Affordable Resi Building P19	1	109,801			
Car Parking	1	0			
Ground Rents	1	0			
Private Resi Building P03	1	95,517			
Private Resi Building P06	1	130,047			
Private Resi Building P06	1	212,238			
Private Resi Building P04	1	284,555			
Affordable Resi Building P05	1	84,105			
Affordable Resi Building P20	1	41,966			
Car Parking	1	0			
Ground Rents	1	0			
Totals	25	2,625,986			

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Employment Building P14	1	30,340				
Employment Building P13	1	29,358				
Health Building P13 (S.106 Item)	1	6,647				
Retail Building P08	1	14,838				
Restaurant/Bar Building P08	1	2,055				
Retail Building P15	1	3,037				
Employment Building P15	1	8,037				
Hotel Building P15	1	33,847				
Retail Building P01	1	4,755				
Restaurant/Bar Building P01	1	2,250				
Retail Building P14	1	4,264				
Cultural Building P09/P10	1	7,649				
Retail Building P18	1	5,911				
Hotel Building P16	1	242,965				
Cultural Building P16	1	16,770				
Retail Building P02	1	4,847				
Restaurant/ Bar Building P02	1	16,034				
Employment Building P19	1	13,375				
School Building P17 (S.106 Item)	1	39,492				
Cultural Building P07 (S.106 Item)	1	43,889				
Employment Building P07 (S.106 Item)	1	6,647				
Retail Building P07 (S.106 Item)	1	12,568				
Restaurant Bar Building P07 (S.106 Item)	1	11,504				
Cultural Building P03	1	18,488				
Restaurant Building P03	1	8,753				
Restaurant Building P04	1	5,624				
Employment Building P04	1	11,351				
Employment Building P05	1	41,026				
Retail - Building P06	1	9,193				
Employment Building P06	1	11,535				
Employment - Building P20	1	6,831				
Totals	31	673,880				

Investment Valuation

Employment Building P14					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Employment Building P13					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Health Building P13 (S.106 Item)					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Retail Building P08					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Restaurant/Bar Building P08					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Retail Building P15					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Employment Building P15					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Hotel Building P15					

This appraisal is not a formal valuation and should not be relied upon as such.

Convoys Wharf

New 2013 Masterplan Scheme

Manual Value					
Retail Building P01					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Restaurant/Bar Building P01					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Retail Building P14					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Cultural Building P09/P10					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Retail Building P18					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Hotel Building P16					
Manual Value					
Cultural Building P16					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Retail Building P02					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Restaurant/ Bar Building P02					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Employment Building P19					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Cultural Building P07 (S.106 Item)					
Current Rent		YP @			
Employment Building P07 (S.106 Item)					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Retail Building P07 (S.106 Item)					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Restaurant Bar Building P07 (S.106 Item)					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Wharf Land					
Manual Value					
Cultural Building P03					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Restaurant Building P03					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Restaurant Building P04					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Employment Building P04					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Employment Building P05					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Retail - Building P06					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Employment Building P06					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			
Employment - Building P20					
Market Rent		YP @			
(1yr 6mths Rent Free)		PV 1y 6m @			

GROSS DEVELOPMENT VALUE

Purchaser's Costs

NET DEVELOPMENT VALUE

NET REALISATION

OUTLAY

ACQUISITION COSTS

Fixed Price	
Stamp Duty	4.00%
Agent Fee	1.00%
Legal Fee	0.50%

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Car Parking	1 un		
Car Parking	1 un		
Car Parking	1 un		
Totals			

This appraisal is not a formal valuation and should not be relied upon as such.

APPRAISAL SUMMARY**STRUTT & PARKER****Convoys Wharf
New 2013 Masterplan Scheme**

	ft ²	Rate ft ²	Cost
Employment Building P14			
Employment Building P13			
Health Building P13 (S.106 Item)			
Retail Building P08			
Restaurant/Bar Building P08			
Retail Building P15			
Employment Building P15			
Hotel Building P15			
Retail Building P01			
Restaurant/Bar Building P01			
Retail Building P14			
Cultural Building P09/P10			
Retail Building P18			
Hotel Building P16			
Cultural Building P16			
Retail Building P02			
Restaurant/ Bar Building P02			
Employment Building P19			
School Building P17 (S.106 Item)			
Cultural Building P07 (S.106 Item)			
Employment Building P07 (S.106 Item)			
Retail Building P07 (S.106 Item)			
Restaurant Bar Building P07 (S.106 Item)			
Cultural Building P03			
Restaurant Building P03			
Restaurant Building P04			
Employment Building P04			
Employment Building P05			
Retail - Building P06			
Employment Building P06			
Employment - Building P20			
Private Resi Building P08			
Private Resi Building P15			
Private Resi Building P01			
Private Resi Building P14			
Private Resi Building P14			
Private Resi Building P09/P10			
Private Resi Building P11			
Affordable Resi Building P12			
Affordable Resi Building P15			
Private Resi Building P18			
Private Resi Building P02			
Private Resi Building P02			
Affordable Resi Building P19			
Private Resi Building P03			
Private Resi Building P06			
Private Resi Building P06			
Private Resi Building P04			
Affordable Resi Building P05			
Affordable Resi Building P20			
Totals			
Contingency			
Mayoral CIL			
Utilities/Infrastructure/Roads			
River Bus			
Highway Works			
Cycle Path			
Green Travel Plan			
Archaeological Works			
Bus Service Improvements			
Heritage and Public Art			
CPZ			
Telecoms Interference/Air Quality			
Design Panel/Prof Fees			
Wharf & Jetty			
New King Street Improvements			
Employment Training			
PROFESSIONAL FEES			
All Professionals			
MARKETING & LETTING			
Marketing			
Letting Agent Fee			
Letting Legal Fee			
DISPOSAL FEES			
Sales Agent Fee			
Sales Legal Fee			
Additional Costs			
FINANCE			
Debit Rate 7.00% Credit Rate 0.00% (Nominal)			
Total Finance Cost			

This appraisal is not a formal valuation and should not be relied upon as such.

Convoys Wharf New 2013 Masterplan Scheme

TOTAL COSTS

██████████

PROFIT

██████████

Performance Measures

Profit on Cost%
Profit on GDV%
Profit on NDV%
Development Yield% (on Rent)
Equivalent Yield% (Nominal)
Equivalent Yield% (True)

██████████
██████████
██████████
██████████
██████████
██████████

██████████

Rent Cover
Profit Erosion (finance rate 7.000%)

19 yrs 6 mths
1 yr 1 mth

This appraisal is not a formal valuation and should not be relied upon as such.

REVENUE & COST SUMMARY

STRUTT & PARKER

Convoys Wharf New 2013 Masterplan Scheme

Revenue and Cost Summary

Phase 1 (Phase 1)

Heading	%	Total £	At Date	To Date	Distribution
Cap - Employment Building P14					Single
Cap - Employment Building P13					Single
Cap - Health Building P13 (S.106 Item)					Single
Cap - Retail Building P08					Single
Cap - Employment Building P15					Single
Cap - Retail Building P01					Single
Cap - Restaurant/Bar Building P01					Single
Cap - Retail Building P14					Single
Cap - Cultural Building P09/P10					Single
Cap - Hotel Building P15					Single
Cap - Restaurant/Bar Building P08					Single
Cap - Retail Building P15					Single
Sale - Car Parking					Monthly
Sale - Private Resi Building P08					Weighted: 80.00%
Sale - Private Resi Building P14					Weighted: 80.00%
Sale - Private Resi Building P15					Weighted: 80.00%
Sale - Private Resi Building P01					Weighted: 80.00%
Sale - Private Resi Building P14					Weighted: 80.00%
Sale - Private Resi Building P09/P10					Weighted: 80.00%
Sale - Private Resi Building P11					Weighted: 80.00%
Sale - Affordable Resi Building P12					Custom (Editor)
Sale - Ground Rents					Single
Sale - Affordable Resi Building P15					Single
Purchaser's Costs					Related: Cap - Employment Building P14 to Retail Building P15
Sales Agent Fee					Related: Cap - Employment Building P14 to Retail Building P15
Sales Legal Fee					Related: Cap - Employment Building P14 to Retail Building P15
Fixed Price					Single
Stamp Duty					Related: Fixed Price
Agent Fee					Related: Fixed Price
Legal Fee					Related: Fixed Price
Mayoral CIL					Single
Utilities/Infrastructure/Roads					Weighted: 75.00%
Con. - Private Resi Building P14					S-Curve
Con. - Private Resi Building P08					S-Curve
Con. - Private Resi Building P15					S-Curve
Con. - Private Resi Building P01					S-Curve
Con. - Private Resi Building P14					S-Curve
Con. - Private Resi Building P09/P10					S-Curve
Con. - Private Resi Building P11					S-Curve
Con. - Affordable Resi Building P12					S-Curve
Con. - Car Parking					S-Curve
Con. - Employment Building P14					S-Curve
Con. - Employment Building P13					S-Curve
Con. - Health Building P13 (S.106 Item)					S-Curve
Con. - Retail Building P08					S-Curve
Con. - Employment Building P15					S-Curve
Con. - Hotel Building P15					S-Curve
Con. - Retail Building P01					S-Curve
Con. - Restaurant/Bar Building P01					S-Curve
Con. - Retail Building P14					S-Curve

This appraisal is not a formal valuation and should not be relied upon as such.

REVENUE & COST SUMMARY

STRUTT & PARKER

Convoys Wharf New 2013 Masterplan Scheme

Revenue and Cost Summary

Phase 1 (Phase 1)

Heading	%	Total £	At Date	To Date	Distribution
Con. - Cultural Building P09/P10					S-Curve
Con. - Affordable Resi Building P15					S-Curve
Con. - Restaurant/Bar Building P08					S-Curve
Con. - Retail Building P15					S-Curve
Contingency					Related: Con. - Private Resi Building P14 to Retail Building P15
River Bus					Monthly
Highway Works					Monthly
Cycle Path					Monthly
Green Travel Plan					Monthly
Archaeological Works					Monthly
Bus Service Improvements					Monthly
Heritage and Public Art					Monthly
CPZ					Monthly
Telecoms Interference/Air Quality					Monthly
Design Panel/Prof Fees					Monthly
Wharf & Jetty					Monthly
New King Street Improvements					Single
All Professionals					Related: Con. - Private Resi Building P14 to Retail Building P15
Marketing					Related: Cap - Employment Building P14 to Affordable Resi Building P12
Letting Agent Fee					Related: MRV - Employment Building P14 to Retail Building P15
Letting Legal Fee					Related: MRV - Employment Building P14 to Retail Building P15

Phase 2 (Phase 2)

Heading	%	Total £	At Date	To Date	Distribution
Cap - Wharf Land					Single
Cap - Hotel Building P16					Single
Cap - Retail Building P18					Single
Cap - Retail Building P02					Single
Cap - Restaurant/ Bar Building P02					Single
Cap - Employment Building P19					Single
Cap - Cultural Building P07 (S.106 Item)					Single
Cap - Employment Building P07 (S.106 Item)					Single
Cap - Retail Building P07 (S.106 Item)					Single
Cap - Cultural Building P16					Single
Cap - Restaurant Bar Building P07 (S.106)					Single
Sale - Private Resi Building P02					Weighted: 80.00%
Sale - Private Resi Building P18					Weighted: 80.00%
Sale - Private Resi Building P02					Weighted: 80.00%
Sale - Affordable Resi Building P19					Custom (Editor)
Sale - Car Parking					Monthly
Sale - Ground Rents					Single
Purchaser's Costs					Related: Cap - Wharf Land to Restaurant Bar Building P07 (S.106)
Sales Agent Fee					Related: Cap - Wharf Land to Restaurant Bar Building P07 (S.106)
Sales Legal Fee					Related: Cap - Wharf Land to Restaurant Bar Building P07 (S.106)
Mayoral CIL					Single
Utilities/Infrastructure/Roads					Weighted: 75.00%
Con. - Retail Building P18					S-Curve
Con. - Hotel Building P16					S-Curve
Con. - Cultural Building P16					S-Curve
Con. - Retail Building P02					S-Curve

This appraisal is not a formal valuation and should not be relied upon as such.

REVENUE & COST SUMMARY

STRUTT & PARKER

Convoys Wharf New 2013 Masterplan Scheme

Revenue and Cost Summary

Phase 2 (Phase 2)

Heading	%	Total £	At Date	To Date	Distribution
Con. - Restaurant/ Bar Building P02					S-Curve
Con. - Employment Building P19					S-Curve
Con. - School Building P17 (S.106 Item)					S-Curve
Con. - Cultural Building P07 (S.106 Item)					S-Curve
Con. - Employment Building P07 (S.106 Item)					S-Curve
Con. - Retail Building P07 (S.106 Item)					S-Curve
Con. - Private Resi Building P18					S-Curve
Con. - Private Resi Building P02					S-Curve
Con. - Private Resi Building P02					S-Curve
Con. - Affordable Resi Building P19					S-Curve
Con. - Car Parking					S-Curve
Con. - Restaurant Bar Building P07 (S.106)					S-Curve
Contingency					Related: Con. - Retail Building P18 to Restaurant Bar Building P07 (S.106)
Employment Training					Monthly
All Professionals					Related: Con. - Retail Building P18 to Restaurant Bar Building P07 (S.106)
Marketing					Related: Cap - Wharf Land to Affordable Resi Building P19
Letting Agent Fee					Related: MRV - Retail Building P18 to Restaurant Bar Building P07 (S.106)
Letting Legal Fee					Related: MRV - Retail Building P18 to Restaurant Bar Building P07 (S.106)

Phase 3 (Phase 3)

Heading	%	Total £	At Date	To Date	Distribution
Cap - Cultural Building P03					Single
Cap - Restaurant Building P03					Single
Cap - Retail - Building P06					Single
Cap - Employment Building P06					Single
Cap - Employment - Building P20					Single
Cap - Restaurant Building P04					Single
Cap - Employment Building P04					Single
Cap - Employment Building P05					Single
Sale - Car Parking					Monthly
Sale - Ground Rents					Single
Sale - Private Resi Building P06					Weighted: 80.00%
Sale - Private Resi Building P03					Weighted: 80.00%
Sale - Private Resi Building P06					Weighted: 80.00%
Sale - Private Resi Building P04					Weighted: 80.00%
Sale - Affordable Resi Building P05					Custom (Editor)
Sale - Affordable Resi Building P20					Weighted: 80.00%
Purchaser's Costs					Related: Cap - Cultural Building P03 to Employment Building P05
Sales Agent Fee					Related: Cap - Cultural Building P03 to Employment Building P05
Sales Legal Fee					Related: Cap - Cultural Building P03 to Employment Building P05
Mayoral CIL					Single
Utilities/Infrastructure/Roads					Weighted: 75.00%
Con. - Cultural Building P03					S-Curve
Con. - Restaurant Building P03					S-Curve
Con. - Retail - Building P06					S-Curve
Con. - Employment Building P06					S-Curve
Con. - Employment - Building P20					S-Curve
Con. - Car Parking					S-Curve
Con. - Private Resi Building P06					S-Curve
Con. - Private Resi Building P03					S-Curve

This appraisal is not a formal valuation and should not be relied upon as such.

REVENUE & COST SUMMARY

STRUTT & PARKER

Convoys Wharf New 2013 Masterplan Scheme

Revenue and Cost Summary

Phase 3 (Phase 3)

Heading

Con. - Private Resi Building P06
Con. - Private Resi Building P04
Con. - Affordable Resi Building P05
Con. - Affordable Resi Building P20
Con. - Restaurant Building P04
Con. - Employment Building P04
Con. - Employment Building P05

Contingency
All Professionals
Marketing
Letting Agent Fee
Letting Legal Fee

%

Total £

At Date

To Date

Distribution

S-Curve
S-Curve
S-Curve
S-Curve
S-Curve
S-Curve
S-Curve
Related: Con. - Cultural Building P03 to Employment Building P05
Related: Con. - Cultural Building P03 to Employment Building P05
Related: Cap - Cultural Building P03 to Affordable Resi Building P20
Related: MRV - Cultural Building P03 to Employment Building P05
Related: MRV - Cultural Building P03 to Employment Building P05

This appraisal is not a formal valuation and should not be relied upon as such.