



GERALDEVE

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Oval Gas Works, Lambeth, SE11 5SG London

On behalf of Berkeley Homes (Central London) Ltd

Position Note: Site Value

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1 Introduction and Background

- 1.1 Gerald Eve LLP is instructed by Berkeley Homes (Central London) Ltd ("the Applicant") to provide a Site Value for financial viability purposes in order to support a planning application for a residential led development at Oval Gas Works, London ("the Site").
- 1.2 The Site is located in the London Borough of Lambeth (LBL) in the Oval Ward, located approximately 2.4 km south of the Southbank and is immediately north of the Oval Cricket Ground.
- 1.3 The Site is bound by a Tesco Stores Limited and associated parking to the north, Montford Place to the east, Kennington Oval and the Oval Cricket Ground to the south and Vauxhall Street to the west. The Site is currently accessible by vehicle from Kennington Oval and Montford Place.
- 1.4 The Site is shown edged red on the plan in **Appendix 1**.
- 1.5 The Site extends to approximately 4.9 acres (2.0 ha) of developed industrial land. The Site includes four decommissioned gas holders. There are a series of associated buildings which are largely in employment uses. The largest of the four gasholders (No 1) is Grade II listed with all of the gasholders being locally listed by the Council.
- 1.6 We understand that the Applicant has submitted a planning application for a residential-led, mixed use redevelopment of the Site as part of the Oval and Kensington Development Area ("OAKDA") Masterplan.
- 1.7 The Site is currently owned and occupied by Scotia Gas Networks (SGN). The Applicant has an agreement with SGN to acquire the Site.
- 1.8 We understand that the Proposed Scheme currently comprises of 738 units, with a total residential NSA of 506,506 sq ft (47,056 sq m) with 35% affordable housing by habitable room. The planning application also includes:
 - 109,361 sq ft of Class B1 office and Class B1 shared working space incorporating ancillary café and space for community use;

- 8,611 sq ft of B1c space for waste-related uses;
 - 1,582 sq ft of Class D1 community space;
 - The provision of a new publicly accessible open space;
 - The provision of a new publicly accessible open space;
 - New pedestrian and vehicle routes, access points and amenity areas;
 - Basement level car park with integral servicing areas; and
 - Provision of new gas governor, and other associated works including works of de-contamination.
- 1.9 The Applicant has instructed Gerald Eve to prepare this Position Note ("PN") to independently determine the Site Value of the Oval Gas Works having regard to policy and best practice guidance.
- 1.10 This PN has been prepared having regard to: the National Planning Policy Framework (NPPF); Planning Practice Guidance produced by the DCLG; the London Plan; the GLA Affordable Housing and Viability SPG August 2017; and the RICS Guidance Note "Financial Viability in Planning" ("the RICS GN").
- 1.11 The remainder of this PN is set out under the following headings:
- Planning Policy Background
 - Professional Guidance
 - Site Value Methodology
 - Industrial Site Value
 - Comparable Evidence of Land Transactions
 - Land Transactions Analysis
 - Site Value
- 1.12 Appendices to this PN provide background to the various sections and are introduced in the text accordingly. It should be noted that this PN and its appendices are commercially sensitive and therefore will only be provided to LBL's advisors and/or the GLA on a confidential basis. We draw to your attention the confidentiality note on page two of this report.

- 1.13 This PN has been prepared as at February 2018 having regard to the market and economic circumstances as at this date. The reader is therefore directed to the authors of the report, in the first instance, in order to confirm whether the figures contained within it are still up to date.

2 Planning Policy Background

- 2.1 The Site lies in the LBL and any planning application will need to take account of the local planning policy adopted together with national policy, the London Plan, supplementary guidance and emerging policy.
- 2.2 This section sets out the underlying basis of the adopted Site Value. In arriving at a Site Value for the Site the following is considered relevant:
- The National Planning Policy Framework (NPPF) and in particular paragraph 173 (see below);
 - Planning Practice Guidance (PPG) produced by the DCLG;
 - Regional and Local Planning Policy;
 - GLA Affordable Housing and Viability SPG (November 2017).
- 2.3 We briefly comment upon each of the above, below.

National Planning Policy Framework

- 2.4 The National Planning Policy Framework (NPPF) published in March 2012 highlights the importance of ensuring deliverability and viability. Paragraph 173 states:

"Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable."

(Our underlining).

- 2.5 Site Value is recognised by the NPPF as being at a level (the “competitive return”) at which a landowner would be willing to sell.
- 2.6 The NPPF confirms the Government’s ‘presumption in favour of sustainable development’, which it states is about positive growth. In addition, it states that policies should be flexible enough to accommodate needs not anticipated in the plan and to allow a rapid response to changes in economic circumstances.
- 2.7 Paragraph 47 of the NPPF states that housing applications should be considered in the context of the presumption in favour of sustainable development. Moreover, the NPPF states that councils should normally approve planning applications for change to residential use and any associated development from commercial buildings where there is an identified need for additional housing in that area, provided that there are not strong economic reasons why such development would be inappropriate.

Planning Practice Guidance

- 2.8 Further viability guidance is provided by the DCLG on the Planning Portal. Under “decision taking” Land Value is identified as being “central to the consideration of viability is the assessment of land or site value”. “Land or site value will be an important input into the assessment” of viability. DCLG state that in all cases, land or site value should:
- *“Reflect policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;*
 - *Provide a competitive return to willing developers and land owners (including equity resulting from those wanting to build their own homes); and*
 - *Be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.”*
- 2.9 The DCLG Guidance ties in the above with the NPPF and a “competitive return to land

owners and developers" it defines as follows:

"A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy".

- 2.10 Our analysis within this PN demonstrates that the comparables and the transaction of the Site, are not significantly above the market norm. They are therefore relevant as market information for the purposes of this exercise.

Regional Planning Policy

- 2.11 The London Plan, July 2011 with Revised Early Minor Alterations (October 2013) and Further Alterations (March 2015 and March 2016) is the Regional Spatial Strategy for Greater London defined to include the 32 Boroughs and the City of London. The aim of the London Plan is to set out a framework to co-ordinate and integrate economic, environmental, transport and social considerations over the next 20 to 25 years. The London Plan forms the London-wide policy context within which the Boroughs set their local planning agendas, and forms part of the statutory Development Plan.
- 2.12 The London Plan builds upon many of the policies set out at the national level with a significant emphasis upon achieving development in the most suitable and sustainable of locations, prioritising the use of previously developed land and making the most efficient use of available land.
- 2.1 The growth and management of the city form the major challenge and overarching concern of the London Plan, and are prioritised in order to allow London to excel among global cities within the context of significant rates of development and population increases. The detailed objectives of the Plan seek to ensure that London are set out below:

- A city that meets the challenges of economic and population growth;

- An internationally competitive and successful city;
- A city of diverse, strong, secure and accessible neighbourhoods;
- A city that delights the senses;
- A city that becomes a world leader in improving the environment; and
- A city where it is easy, safe and convenient for everyone to access jobs, opportunities and facilities.

2.2 The London Plan establishes the need for regional growth in housing and employment and identifies Opportunity Areas as a means by which this requirement can be accommodated. The London Plan seeks that development should maximise the potential of sites, create or enhance the public realm, provide or enhance a mix of uses, respect local context, character and communities and be sustainable.

2.3 Policy 3.8 states, that whilst boroughs should seek the maximum reasonable amount of Affordable Housing, regard should be had to the need to encourage rather than restrain residential development. Negotiations on sites should take account of their individual circumstances, including development viability.

2.4 Policy 3.10 goes on to state that affordable housing including affordable rented and intermediate housing, should be provided to meet the needs of specific households whose needs are not met by the market.

2.5 Policy 3.12 states that the maximum reasonable amount of affordable housing should be sought when negotiating on mixed use schemes. In particular the policy sets out that regard should be had to the current and future requirements for affordable housing at local and regional levels. Going on to state that there is a need to encourage rather than restrain residential development and promote mixed and balanced communities. The size and type of affordable housing delivered should reflect the size and type of affordable housing currently in need. Part B of Policy 3.12 states that negotiations on sites should take account of their individual circumstances including the viability of schemes and the availability of public subsidy.

- 2.6 The Affordable Housing thresholds are set out in Policy 3.13 which states that Boroughs should normally require affordable housing provision on a site which has capacity to provide 10 or more homes.
- 2.7 Paragraph 3.74 of the London Plan states that affordable housing is normally required on-site but in exceptional circumstances it may be provided off-site or through a ring fenced cash-in-lieu contribution, and if appropriate 'pooled' to secure efficient delivery of new affordable housing on identified sites elsewhere.
- 2.8 Paragraph 3.37 of the London Plan reiterates that the Mayor wishes to encourage, not restrain, overall residential development and that Boroughs should take a reasonable and flexible approach to securing affordable housing on a site by site basis.

GLA Affordable Housing and Viability SPG

- 2.9 The Affordable Housing and Viability SPG ("the Viability SPG") was adopted in August 2017 and focuses on affordable housing and viability including detailed guidance on viability assessments. The guidance seeks amongst other things to clarify viability appraisals and appropriate land values.
- 2.10 The Viability SPG focuses on affordable housing and viability. It includes four distinct parts: background and approach; a background to what the Mayor terms "the threshold approach" to viability assessments; detailed guidance on viability assessments; and a specific approach to Build to Rent schemes.
- 2.11 Paragraph 1.3 of Part One of the Viability SPG states:
- "...the SPG provides guidance to ensure that existing policy is as effective as possible. It does not and cannot introduce new policy."*
- 2.12 Paragraph 1.13 of the Viability SPG states:
- "The London Plan is clear that boroughs should take account of supplementary planning guidance when implementing Policies 3.9 (Mixed and balanced communities), 3.11 (Affordable housing targets), and 3.12 (Negotiating affordable*

housing on individual private residential and mixed use schemes)."

2.13 Paragraph 2.1 of the Viability SPG states:

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

2.14 Paragraph 2.5, however, states:

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

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

2.16 Paragraph 2.18 then goes on to state:

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

2.17 At paragraph 3.43 the Viability SPG states:

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

2.18 The Viability SPG shows a preference to an 'EUV Plus' method, with the plus varying to

reflect the specifics of the scheme.

2.19 At paragraph 3.46 the Viability SPG states:

"...Where a proposed EUV is based on a refurbishment scenario, or a redevelopment of the current use, this is an alternative development scenario and the guidance relating to Alternative Use Value (AUV) will apply."

2.20 At paragraph 3.51 the Viability SPG states:

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

Draft New London Plan

2.21 A draft version of the new London Plan (the draft Plan) was published for consultation on 29 November 2017.

2.22 Delivery of housing and particularly affordable housing is a focus of the draft Plan. The draft Plan sets a challenging target of 66,000 new homes per annum (compared to 42,000 in the previous Plan) to meet London's projected population increase.

2.23 In line with the GLA Affordable Housing and Viability SPG, the draft Plan includes the 50% strategic affordable housing target, the 35% threshold approach upon private land (excluding grant funding) and the preferred affordable housing tenure split of 30% for low incomes (social/affordable rent), 30% for intermediate products and 40% to be determined in agreement with the Borough.

2.24 The draft Plan currently comprises emerging planning policy and as such carries limited weight at present.

Local Planning Policy

- 2.25 LBL's statutory development plan sets out the priorities for the development within the Borough and is used for making decisions on planning applications.
- 2.26 The key policy document is the Local Plan which was formally adopted in 2015. This document highlights the strategic objectives for the borough, focusing on the key issues to be addressed, and includes a delivery strategy for achieving these objectives. There is also a Policies Map which accompanies the Local Plan and was also adopted in 2015.
- 2.27 The Local Plan replaces the Core Strategy 2011 and the Saved Unitary Development Plan policies and includes the Local Plan Policies Map. LBL is currently undertaking a partial review of its Local Plan.
- 2.28 The Site is allocated within a Key Industrial and Business Area ("KIBA"). Policy ED1 of the Local Plan specifies that development within a KIBA will only be permitted for business, industrial, storage and waste management uses.
- 2.29 We understand that the Applicant is seeking de-designation of the Site as a KIBA through the Local Plan review process, which is on-going. This forms part of the work with LBL in preparing the OAKDA Masterplan.
- 2.30 The Site is not within a conservation area however the Kennington Conservation Area borders the site to the east whilst the Vauxhall Conservation Area is located in close proximity to the west. The St Marks Conservation Area is situated to the south of the Oval Cricket Ground. There are also a number of listed buildings located to the west of the site.
- 2.31 Furthermore the Site is located within Flood Zone 3, meaning that there is a 1% or greater chance of river flooding on the site in any one year.
- 2.32 Housing Policy within the Local Plan specifies the following requirements for delivering affordable housing:
- 50% affordable housing (where public subsidy is available) on sites of 10 or more units or of at least 0.1 hectares;
 - 40% affordable housing (where no public subsidy is available) on sites of 10 or more units or of at least 0.1 hectares;
 - A provision of 70% Affordable Rented and 30% Intermediate housing;
 - No more than 20% 1 bed units, 20-50% 2 bed units, 40% 3 bed+ units.

2.33 The Council requires a mix of unit sizes for market housing, including family sized units.

3 Professional Guidance

RICS Guidance Note: Financial Viability in Planning

3.1 In undertaking this assessment of Site Value we have had regard to the RICS Guidance Note: Financial Viability in Planning, the executive summary of which is attached at **Appendix 3.**

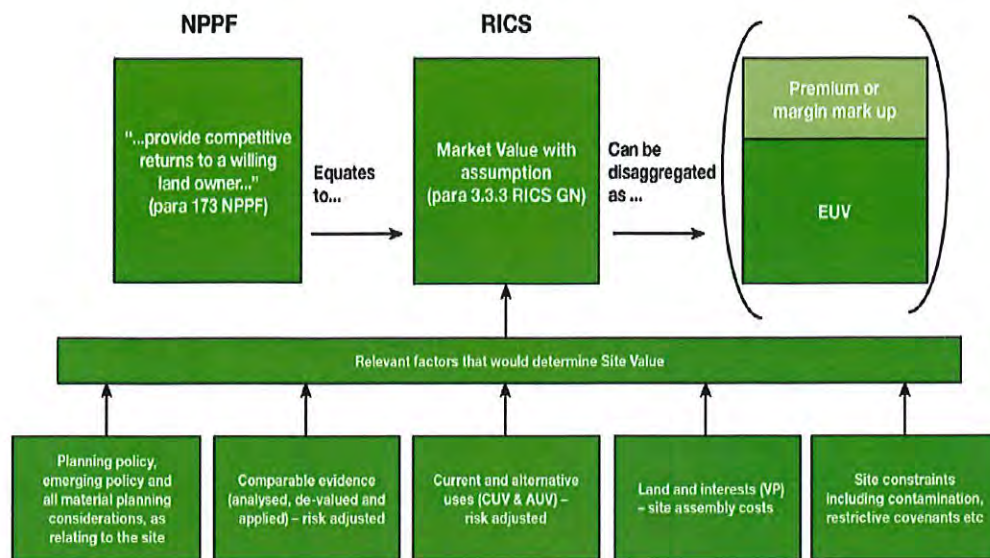
3.2 The RICS GN was published in August 2012. The purpose of the Guidance Note is to enable all participants in the planning process to have a more objective and transparent basis for understanding and evaluating financial viability in a planning context. It provides practitioners with advice in undertaking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

3.3 In arriving at the Site Value, we have had regard to optimisation in respect of the market cycle, the demand and the risks (and therefore returns) associated with delivering redevelopment.

3.4 Site Value is defined in the RICS GN as follows (para 3.3.3):

"Site Value should equate to the Market Value subject to the following assumption; that the value has regard to the development plan policies and all other material considerations and disregards that which is contrary to the development plan".

3.5 The RICS GN highlights that Site Value must, by definition, be at a level where the landowner is willing to sell at a competitive return as recognised by the NPPF. It also states that Site Value should have regard to policy. Site Value therefore by definition is not unrestricted when compared to Market Value as defined the RICS Red Book. The degree of variance will be subject to a judgement, having regard to the circumstances in each instance. The diagram below summarises the assessment of Site Value as prescribed by the RICS GN having regard to paragraph 173 of the NPPF.



- 3.6 In arriving at our opinion of Site Value we have had regard to relevant available comparable evidence, which is detailed in this Position Note. This again is supported by the RICS GN, which states that the importance "of comparable evidence cannot be over-emphasised, even if the supporting evidence is very limited" (RICS GN 94/2012, Paragraph 3.4.7).

4 Site Value Methodology

4.1 In order to establish our opinion of Site Value we have adopted the following methodology and approach. We have:

- a) undertaken an appraisal of a commercial, industrial-led scheme, which is within the existing use class of the Site; and
- b) adopted the direct comparable method of valuation, having regard to development land transactions of a similar location, number of units and site size. This approach is inherent within the three limbs of Site Value as set out in PPG (see paragraph 2.8 of this report) and also consistent with the RICS GN, as well as being a well recognised method of valuation of development land (RICS VIP 12).

Remediation Costs

4.2 In respect of both of the above, we have had regard to the remediation costs that will need to be incurred in order to bring the Site forward for development.

4.3 We understand that in delivering a residential scheme at the Site, remediation costs totalling [REDACTED] will be incurred.

4.4 We note that the RICS GN states the following concerning such costs (para. 3.6.2):

"Where there has been historic expenditure on a development site prior to receiving planning permission, these can be included in a development appraisal. This is highly relevant with certain regeneration site, where cost is not reflected in Site Value. Care, however, must be taken in arriving at a Site Value that the effect of this expenditure should be ignored. In many instances the practitioner will note the expenditure as being reflected in the Site Value arrived at and therefore the historic cost (for example remediation works) will not appear explicitly in the appraisal. Clearly, the objective is that there should be no double counting".

4.5 In Sections 5 to 7 we examine the industrial Site Value, comparable evidence and its analysis, before in Section 8 considering this in the context of the RICS GN Site Value definition set out in Section 3 and arriving at our opinion of Site Value in accordance with national, regional and local policy and guidance.

5 Industrial Site Value

- 5.1 As part of our Site Value assessment we have undertaken an appraisal of a commercial, industrial-led scheme, which is within the existing use class of the Site. This has been considered on an informal desktop basis and therefore does not fall within the requirements of the RICS Valuation – Professional Standards January 2014 in terms of being a formal valuation, but the appropriate methodology has been followed.
- 5.2 In accordance with RICS Valuation Information Paper 12 (VIP 12), in order to arrive at a value for development land we have undertaken an appraisal of a suitable industrial scheme.
- 5.3 The industrial scheme that we have been provided with comprises 142,956 sq ft GEA of B use class space and accordingly we understand that this should be acceptable in planning terms. The industrial scheme comprises 21 industrial units at two storeys each with operational industrial use of the ground floor and ancillary office use of the first floor. The following unit split has been proposed:
- 4 large units (4,959 sq ft floorplate) – 39,672 sq ft total area;
 - 17 small units (2,954 sq ft floorplate) outside the gas holder – 100,436 sq ft total area.
- 5.4 The total GIA measures 140,108 sq ft.
- 5.5 We understand that due to the Site's KIBA designation and in accordance with advice from the Applicant's planning consultants, such a scheme should be acceptable in planning terms.
- 5.6 We have included the indicative industrial scheme plan at **Appendix 4** and a full area schedule at **Appendix 5**.
- 5.7 We have consulted the Gerald Eve industrial team in order to obtain advice on rental value, yields and build costs for the industrial scheme. Whilst there is limited comparable evidence for industrial transactions of a similar specification and location, we have had regard to the following transactions:

- Unit 7 Battersea Business Park, Stewarts's Road , SW8 4UY – The property comprises a modern steel portal frame business unit which extends to approximately 3,065 sq ft. There is an additional mezzanine office that provides an extra 783 sq ft and was added by the previous tenant. The unit was let in September 2016 to Trams Limited for £79,000 pa. The rent excludes the area of the mezzanine level and equates to £25.77 psf. In terms of specification and location this transaction is very comparable to the proposed scheme and therefore we would expect the rental value to be similar.
- Unit 3 Stone Trading Estate, Milkwood Road, Herne Hill, SE24 0JF – The property comprises a modern industrial warehouse with on-site parking that extends to approximately 1,234 sq ft. The unit was let in July 2016 to Rockstar Bakers Limited for £26,000 which equates to £21.07 psf. We would expect units at the proposed to achieve a higher rental value than this transaction due the more central location of the Site.

5.8 Gerald Eve industrial team consider there would be substantial demand in the occupational market for an industrial scheme in this location. We have, however, applied a conservative headline rent of [REDACTED] to the industrial accommodation. [REDACTED]

5.9 In selecting an appropriate construction cost for the industrial scheme we have had regard to advice from the Applicant's QS, Aecom, BCIS rates, as well to the BNP Paribas Real Estate (BNPPRE) Viability CIL Study for LBL.

5.10 BCIS rates for 'warehouses over 2000 sq m' currently show a mean cost of £78 per sq ft and a median cost of £67 per sq ft. The BNPPRE CIL Study reflects £60 per sq ft. We have adopted a build cost of [REDACTED] applied to the GIA, which Aecom has confirmed is a realistic cost rate assumption for the industrial accommodation based on cost model testing.

5.11 Within our industrial appraisal we have adopted a modest yield of [REDACTED] This reflects the prime location of the site, the calibre of tenants it would attract and the investor interest that would result. We have had regard to the following Greater London and

south east yield evidence, which shows yields ranging from 3.15% to 5.25%:

Address	Date	Price £	Net Initial Yield %
Sandown Industrial Park, Esher	Jan-18	£14.1 m	3.67%
Focal Point, Crawley	Dec-17	£17.2 m	3.15%
74 Long Drive, Greenford	Nov-17	£10.1 m	4.74%
Pier Road Industrial Estate, Feltham	Oct-17	£12.3 m	4.50%
Orchard Business Park, Woking	Apr-17	£20.9 m	4.44%
Egham Business Park, Egham	Jan-17	£30.1 m	4.60%
Units A-F, Reading Approach, Reading	Jan-17	£13.1 m	4.85%
Perth Trading Estate, Slough	Jan-17	£19.1 m	5.04%
Headley Park, Reading	Jan-17	£16.8 m	5.25%
Progress Way, Croydon	Dec-16	£8.0 m	5.00%

5.12 In terms of other assumptions our appraisal allows for the following:

- Total GIA: 140,108 sq ft
- Professional fees: [REDACTED] of construction costs
- Contingency [REDACTED] of construction costs
- Finance rate: 7% on total costs
- Lead in period: 3 months
- Construction period: 15 months
- [REDACTED]
- Lettings fees: [REDACTED] of rent
- Legal fees: [REDACTED] of rent
- Sales Agents and Legal disposal fees: [REDACTED]
- Site acquisition costs: [REDACTED]
- Abnormal and remediation costs: [REDACTED]
- Developers Profit: [REDACTED] profit on cost (reflecting the relatively low risk)

5.13 Based on the above assumptions the industrial Site Value of the Site derived by residual appraisal is [REDACTED]. This equates to [REDACTED] per acre. In accordance with RICS VIP12 we have considered this outturn in the context of assessing the value of land in the market for industrial use. In our opinion, [REDACTED] is in line with industrial land values in this location.

5.14 The table below sets out a number of industrial land comparables that GE has had regard to in forming this opinion:

Address	Date	Price £	£ per acre	Comments
Land at Western Road, Park Royal	Withdrawn	n/a	£4.0 m	1.12 acre industrial site marketed by Asda. Bids received in January 2017 at c. £4 m per acre.
100-102 Morden Road, Mitcham	Nov-16	£3.9 m	£2.8 m	Industrial site with development potential. Two 1950s single storey brick clad warehouses. 1.4 acre site.
Valor Park, Heathrow	Sep-16	£15 m	£2.4 m	Industrial site with potential for warehousing up to 134,085 sq ft. Approx. 6.16 acres net.
Unit 8 Factory Road, Silvertown	Aug-16	£6.7 m	£3.2 m	52,469 sq ft of industrial/warehouse accommodation. 2.12 acre site.
56, 92 98 and 104 Lockfield Avenue, Enfield	Feb-16	£10.8 m	£2.0 m	5.41 acre development site purchased by Chancerygate. Development totalling 82,350 sq ft. Units of 6,243 to 39,558 sq ft. PC Q3 2017.
Bath Road, Slough	Q1 2016	£30.5 m	£2.5 m	Land acquired by SEGRO.
Gormley House, Waxlow Road, Park Royal	Sep-14	£6.3 m	£2.8 m	2.26 acre development site purchased by Canmoor.
Circular Point, Jubilee Avenue, Highams Park Industrial Estate	Apr-14	£13.5 m	£2.7 m	Five acre site with planning permission for ten 2,700 sq ft to 41,400 sq ft industrial units. London Borough of Waltham Forest.
EMI, Dawley Road, Hayes	Jun-14	£13 m	£2.0 m	123,000 sq ft. scheme completed September 2016. Quoting £13.95 per sq ft on larger accommodation. Achieved £14.50 per sq ft on smaller units.

5.15 Oval Gasworks is in a far more central and superior location than any of the evidence set out above, the highest and most recent of which shows a land value of £4 million per acre in Park Royal. GE considers the Site to be superior to Park Royal and that the location of Oval should command a premium for industrial redevelopment. BNPPRE's industrial valuation appears to be low in this context.

5.16 Notwithstanding the above, applying for example, the Park Royal comparable to the Site would result in an industrial land value of [REDACTED]

- 5.17 In addition to the above evidence, as a further check and balance GE has also had regard to industrial land values implied by the LBL CIL Viability Study undertaken by BNPPRE in April 2013 which references benchmark land values for industrial sites in the north of the Borough as being £14 million per hectare (£5.7 million per acre) inclusive of a 20% premium. Deducting the premium this equates to a per acre rate of £4.6 million per acre, albeit in early 2013. It is also not unreasonable to expect there to have been some growth since this date.
- 5.18 Applying the 2013 rate of £4.6 million per acre as evidenced by the LBL CIL Study to the 4.9 acre site would result in an industrial land value of £22.5 million.
- 5.19 Rounding the rate up to £5 million per acre and applying it to the 4.9 acre site would result in an industrial land value of £24.5 million.
- 5.20 Allowing for abnormal and remediation costs, our opinion of industrial Site Value at [REDACTED] is therefore below the rate implied by the LBL CIL study.

6 Comparable Evidence of Land Transactions

- 6.1 The RICS GN outlines that it is important to have regard to sale prices of comparable development sites, para 3.16 states:

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

- 6.2 Our initial source of evidence has been the Molior database. However we have cross checked this information through research on LBL's publicly accessible planning website.

- 6.3 In order to account for movement in development land prices over time, we have indexed all of the purchase prices for the comparable development sites up to Q4 2017 using the Savills Development Land Index (the latest index available).

- 6.4 A schedule of comparable transactions is provided at **Appendix 6**. Given the location of the Site, the size and the quantum of proposed development we consider the following transactions to be of particular relevance to the Site:

The Stag Brewery, Mortlake

- 6.5 The property comprises of 21.2 acres, divided into two parts by Ship Lane which runs north-south through the centre of the site. The site is bounded by the River Thames to the north, Lower Richmond Road and both Mortlake High Street and Mortlake Green to the south and Williams Lane to the west. The site is currently occupied by a number of buildings associated with the brewing process. There is also a private playing field on the site.
- 6.6 The site was purchased by CDL Developments (a Singaporean investor) in December 2015 on an unconditional basis. There is a Planning Brief (2011) for the site but at present a planning application has not been submitted for the development.
- 6.7 The approximate number of units anticipated to be achieved on the site ranges from 750 to 1000 units.
- 6.8 In the absence of a planning application confirming the net developable area, a number

of assumptions have been made in relation to the future development of the site. The assumptions have been set out as follows:

- A total of 1,000 units could be achievable on site based on advice from the agents involved in the disposal;
- An average unit size of approximately 800 sq ft;
- A net developable area of 16 acres (75% of the gross acreage);
- Taking the above into account, a total residential NIA of approximately 680,000 sq ft;
- 20% affordable housing having regard to the average level of affordable housing achieved on other land comps of this size (10-20%).

6.9 Taking the above factors into account, the indexed purchase price of £140 million equates to £8.7 million per acre, £175 per sq ft on the proposed residential NIA. On a residential unit basis, the price equates to £140,000 per unit or £175,000 per private unit. The proposed development density equates to 63 units per acre.

6.10 We consider this to be a relatively strong comparable land transaction for the Site by virtue of its size, geographic location, the heritage restrictions prevalent at the site, lot size and the number of units potentially developable. Stag Brewery is also one of the most recent land transaction in south-west London for sites with potential for development of over 500 units and was purchased without planning permission. We consider it therefore comprises a strong comparable for the Site for these reasons.

Brickfields (Dairy Crest Site), White City

6.11 The existing property comprises a former milk bottling and distribution site extending to 12.22 acres (4.95 hectares) located in the London Borough of Hammersmith and Fulham. The existing buildings and land currently provide short term accommodation for a variety of industrial and distribution purposes. This site is located immediately to the north of the M&S Site and is irregular in shape resulting from its location between major transport infrastructure and other land ownerships. This property also forms part of the White City Opportunity Area. The site was purchased by Imperial College London with the benefit of outline planning permission in September 2013 for £127 million. The

outline permission was for the development of up to:

- 1,150 residential units in total extending to 1,227,471 sq ft (GIA);
- 1,036 private residential units;
- 114 affordable units (10%);
- 230,287 sq ft (GIA) of commercial floorspace;
- 33,583 sq ft (GIA) of health, community and/or leisure uses; and
- Infrastructure including basement, car parking and access bridge

6.12 The indexed purchase price of £134 million equates to £10.9 million per acre. On a sq ft basis, this equates to £137 on the proposed residential NIA. On a residential unit basis, the price equates to £116,356 per unit or £129,160 per private unit. The proposed development density equates to 94 units per acre.

M&S Depot, White City

6.13 St James Group acquired the Site from Marks and Spencer plc for an agreed sum of £100 million, with a leaseback to Marks and Spencer plc / Busyexport Ltd (a subsidiary of Marks and Spencer plc) for a term of five years with a mutual break in year three.

6.14 The Site was purchased unconditionally (i.e. not subject to planning permission being granted) but with a series of deferred payments. The present value of the future payments is calculated to be £88.6 million.

6.15 The proposed scheme comprises includes:

- 1,465 residential units extending to 1,135,222 sq ft (NIA);
- 1,300 private residential units;
- 165 affordable residential units (11%).

6.16 The indexed purchase price of £96 million equates to £9.2 million per acre or £85 per sq ft. On a proposed residential unit basis, the indexed purchase price equates to £65,565 per unit or £73,887 per private unit. The proposed development density equates to 141 units per acre.

Battersea Power Station, Nine Elms

6.17 The existing property comprises a decommissioned coal-fired power station situated on the south bank of the River Thames. The site extends to 29.6 acres (12 hectares), is Grade II* listed and has become one of London's best known landmarks. The site is located in the London Borough of Wandsworth. We understand that the site was purchased by Battersea Power Station Development Company in September 2012 for £400 million with planning permission for the development of up to:

- 3,278,365 sq ft of residential floor space (NIA);
- 699,901 sq ft of retail and professional and financial services (GIA);
- 328,891 sq ft of assembly and leisure floor space (GIA);
- 1,698,296 sq ft of business floor space (GIA);
- 290,249 sq ft of hotel space (GIA);
- 360,192 sq ft of serviced apartments (GIA);
- 90,384 sq ft of student housing (GIA);
- 169,951 sq ft of event and conference space (GIA); and
- Other various ancillary buildings and features including an energy centre, parking and river bus ticket office.

6.18 We have been unable to source the floor area of the residential space on an NIA basis so have assumed a gross to net ratio of 80% for the purpose of our analysis. The indexed purchase price of £477 million equates to £16 million per acre and £146 per sq ft on the proposed residential NIA. On a residential unit basis, the price equates to £138,543 per unit or £163,014 per private unit. The proposed development density equates to 116 units per acre.

Battersea Gasholders, Nine Elms

6.19 The Battersea Gasholders site comprises a former natural gas facility operated by the National Grid extending to 4.9 acres. The site was decommissioned in 2012 and is currently being redeveloped. The Site is located on Prince of Wales Drive on the eastern edge of Battersea Park, to the south of Battersea Power Station, in the London Borough of Wandsworth.

6.20 The site was purchased without the benefit of planning permission by the Applicant in September 2013. The purchase price was confidential but was reported to be c. £75

million. Planning permission has subsequently been granted for a residential-led mixed-use scheme comprising the following:

- 12 new buildings ranging in height from seven up to 26 storeys;
- 839 residential units total extending to approximately 773,200 sq ft NIA;
- 201 intermediate units (24% affordable housing); and
- 50,000 sq ft of flexible commercial floorspace;

6.21 The indexed purchase price of £79 million equates to £15.8 million per acre. On an area basis this equates to £102 on the proposed residential NIA. On a residential unit basis, the price equates to £94,185 per unit or £123,858 per private unit. The proposed development density equates to 168 units per acre.

Riverlight (Tideway Wharf), Nine Elms

6.22 The property comprises 4.9 acres (2 hectares) of under-utilised land consisting of low grade warehouse and light industrial buildings. The site fronts on to the River Thames and is located approximately 0.7 km to the north east of the subject property on Kirtling Street, in the London Borough of Wandsworth.

6.23 The site was purchased by the St James Group with planning permission in March 2011 for £50.9 million. The permission was for the development of:

- 752 residential units in total (630,071 sq. ft. NIA);
- 653 private residential units (mix: 36xstudio 113x1 bed; 437x2 bed; 67x3 bed);
- 99 affordable units (13%) all of which are to be intermediate;
- 21,011 sq. ft. (GIA) of A1-A4 retail floor space;
- 6,318 sq. ft. (GIA) of D1 floorspace;
- a 136 room hotel; and
- basement vehicle / cycle parking.

6.24 Following their purchase of the Site, the St James Group submitted a revised application

comprising amendments to the extant permission. Permission was subsequently granted in December 2011 for the development of:

- 806 residential units in total (678,885 sq. ft. NIA);
- 699 private residential units;
- 107 affordable units (13%) all of which are to be intermediate;
- 22,680 sq. ft. (GIA) of A1-A4 retail floor space;
- 10,549 sq ft (GIA) of D1 floorspace;
- Basement vehicle / cycle parking

6.25 We have based our analysis on this revised scheme and have adjusted the purchase price for time over the period March 2011 to the present day. This results in an adjusted purchase price of £68 million which equates to £13.8 million per acre and £101 per sq ft on the proposed residential NIA of 678,885 sq ft. On a residential unit basis, the price equates to £84,925 per unit or £97,925 per private unit. The proposed development density equates to 163 units per acre.

Christie's Auctioneers Warehouse, Nine Elms

6.26 The property comprises a 2.69 acre (1.09 hectare) and operates as a storage facility for Christie's comprising a large storage building, office accommodation and car parking. The property is located off Ponton Road, approximately 1 km to the east of the subject property in the London Borough of Wandsworth. The site was purchased by Bellway Homes without planning permission in December 2012 for £35 million. A planning application was subsequently submitted and the borough has resolved to grant permission for the following:

- 510 residential units in total extending to 532,184 sq ft (GIA);
- 434 private residential units;
- 76 affordable units (15%);

- 14,558 sq ft (GIA) of flexible commercial floorspace;
- 12,082 sq ft (GIA) of community use floorspace; and
- Ground floor car parking.

6.27 We have been unable to source the floor area of the residential space on an NIA basis but have assumed a gross to net ratio of 80% for the purpose of our analysis. The indexed purchase price of £41 million equates to £15.2 million per acre and £96 per sq ft on the proposed residential NIA. On a residential unit basis, the price equates to £80,384 per unit or £94,027 per private unit. The proposed development density equates to 190 units per acre.

Vauxhall Bondway, Vauxhall

6.28 The existing property comprises former warehousing and office space extending to 0.6 acres. The property is located a 69-71 Bondway within the London Borough of Lambeth and is situated to the west of the River Thames and in close proximity to Vauxhall station. Vauxhall Bondway is located approximately 700m west of the subject Site.

6.29 The site was purchased in June 2015 for £32.14 million by DAMAC. The site has planning permission for the demolition of the existing buildings and the redevelopment of the site to include:

- 450 residential units extending to 527,769 sq ft (NIA);
- 360 private residential units;
- 90 affordable residential units (20%);
- 64,806 sq ft (GIA) of commercial floorspace.

6.30 The indexed purchase price of £28.2 million equates to £47 million per acre. On a sq ft basis, this equates to £54 psf on the proposed residential NIA. On a residential unit basis, the price equates to £62,772 per unit or £78,465 per private unit. The proposed development density equates to 738 units per acre.

Barrington Lodge, Brixton

- 6.31 The existing property comprises of a three storey former nursing home on a site measuring 0.8 acres. The property is located at 2 Barrington Road within the London Borough of Lambeth, being situated to the east of Brixton town centre and west of Loughborough Junction station. Barrington Lodge is situated approximately 2.2 km south of the subject Site.
- 6.32 The site was purchased in July 2014 for £14.8 million by Metropolitan Housing Trust Limited. The site has planning permission for the demolition of the existing buildings and the redevelopment of the site to include:
- 104 residential units extending to 74,247 sq ft (NIA);
 - 73 private residential units; and
 - 31 affordable residential units (30%).
- 6.33 We understand that as of September 2016 the scheme is now being delivered as 100% affordable housing, with the 73 permitted private units having switched tenure.
- 6.34 We have analysed the transaction based price paid that reflected the planning permission for 73 private units and 31 affordable units. The indexed purchase price of £13.2 million equates to £16.6 million per acre. On a sq ft basis, this equates to £177 psf on the proposed residential NIA. On a residential unit basis, the price equates to £126,719 per unit or £180,531 per private unit. The proposed development density equates to 132 units per acre.

Grand South, Vauxhall

- 6.35 The existing property comprises former warehousing and office space extending to 0.8 acres. The property is located at 12-20 Wyvil Road within the London Borough of Lambeth, being situated south east of the River Thames and approximately 500 metres south west of Vauxhall station. Grand South is located approximately 1 km to the south west of the subject Site.
- 6.36 The site was purchased in October 2015 for 15.2 million by Alchemi Group. The site has planning permission for the demolition of the existing buildings and the redevelopment of the site to include:
- 219 residential units extending to 196,152 sq ft (NIA);

- 203 private residential units;
- 16 affordable residential units (7%);
- Commercial and employment floorspace (flexible use class A1, A2, A3 and B1);
- Two basement levels with vehicles access to Wyvil Road and car and cycle parking.

6.37 The scheme will be built across three buildings ranging from three to 37 storeys in height.

6.38 The indexed purchase price of £13.4 million equates to £17.2 million per acre. On a sq ft basis, this equates to £68 on the proposed residential NIA. On a residential unit basis, the price equates to £61,254 per unit or £66,082 per private unit. The proposed development density equates to 281 units per acre.

Higgs Triangle, Loughborough Junction

6.39 The site comprises of a number of former industrial buildings which extends to 0.3 acres. The site is located at Herne Hill Road within the London Borough of Lambeth, being situated in close proximity to Loughborough Junction station. Higgs Triangle is located approximately 2.3km to the south west of the subject Site.

6.40 The site was purchased in June 2015 for £16.75 million by Family Mosaic Home Ownership Limited. The site has planning permission for the demolition of the existing buildings and the mixed use redevelopment of the site to include:

- 124 residential units extending;
- 74 private residential units;
- 50 affordable residential units (40%);
- 39,105 sq ft of B1 and B2 floorspace.

6.41 The scheme will be built across five buildings ranging between 6 and 10 storeys in height.

6.42 The indexed purchase price of £14.7 million equates to £49 million per acre. On a residential unit basis, the price equates to £118,720 per unit or £198,937 per private unit. The proposed development density equates to 388 units per acre.

Brixton Town Hall, Brixton

- 6.43 The existing property comprises the former council offices extending to 0.5 acres. The property is located at 17 Brixton Hill within the London Borough of Lambeth and situated to the south of Brixton town centre. The property is located approximately 3 km south of the subject Site.
- 6.44 The site was purchased in February 2016 for £8.3million by the London Borough of Lambeth. The property has planning permission for the demolition of the existing offices and the redevelopment of the site to include:
- 74 residential units extending to 74,137 sq ft (NIA);
 - 44 private residential units;
 - 30 affordable residential units (41%); and
 - Commercial floorspace (flexible A1/B1/D1/D2 use classes) at ground floor and basement level.
- 6.45 The proposed redevelopment will range between six and seven storeys.
- 6.46 The indexed purchase price of £7.4 million equates to £13.7 million per acre and £100 per sq ft on the proposed NIA. On a residential unit basis, the price equates to £100,430 per unit or £168,905 per private unit. The proposed development density equates to 137 units per acre.

Key Comparable Land Transactions

- 6.47 We consider the following transactions to be the most comparable to the Site and Proposed Scheme, in terms of geographical location, site size, number of units and date of transaction:
- Battersea Gasholders; and
 - Christie's Auctioneers Warehouse;
- 6.48 We set out at **Appendix 6** a summary of the land transactions that we have had regard to in this report.
- 6.49 We have plotted the above transactions on a number of graphs in Section 6 which compare the price paid expressed in terms of the proposed residential NIA, £ per unit, £

per private unit and £ per acre. The averages have been calculated omitting the purchase of the Site as a comparable.

- 6.50 We note that whilst the list of land transactions does not necessarily comprise all land transactions in comparable value areas within London, we are not aware of any others that show analysed values significantly lower. The guidance in PPG regarding market evidence and consideration of actual purchase price is therefore fully considered. The land transactions represent valid comparable evidence and cannot be described as over payments.

7 Land Transactions Analysis

7.1 The Applicant is currently preparing to submit a planning application for the Site. We therefore set out below an analysis of land value based on comparable evidence of the land transactions for redevelopment set out in Section 6, having regard to the current Proposed Scheme.

7.2 A summary of the proposed Scheme provided below:

- 738 residential units total;
- 502 private units;
- 236 affordable units (35% affordable housing by habitable room); and
- 109,361 sq ft of B1 space.

7.3 A summary of the proposed uses and approximate floor areas for the Proposed scheme is provided in the table below.

Table 3 Summary of Proposed Uses: Proposed Scheme

Use	NIA (sq ft)
Private residential	335,794
Affordable housing	170,708
Commercial	102,187
Total	608,689

7.4 We understand that the Site measures 4.9 acres.

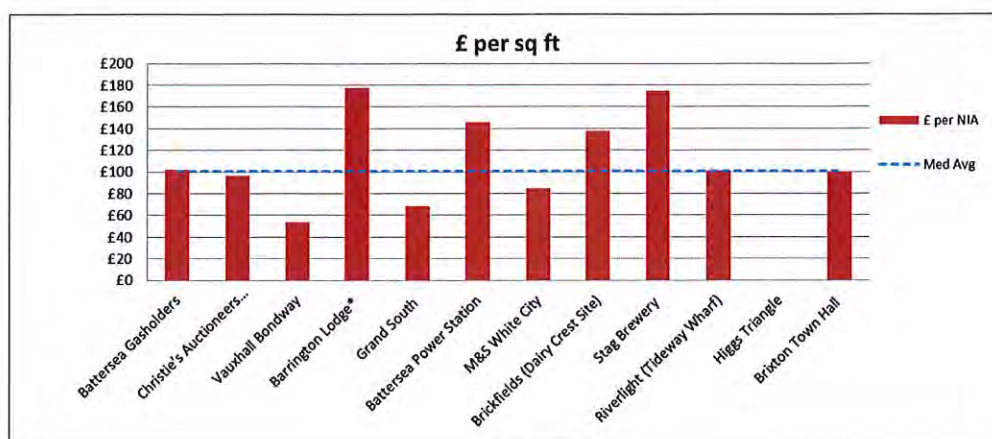
7.5 Due to the mix of uses in the scheme, we consider it appropriate to analyse the evidence and compare it against the proposed total residential area on site on the following bases:

- £ per proposed residential NIA;
- £ per proposed residential unit;
- £ proposed private residential unit; and
- £ per acre.

- 7.6 The Proposed Scheme will include residential accommodation totalling approximately 506,506 sq ft (NSA).

Analysis

Graph 1: Land Transactions compared against land value - £ / Resi NIA sq ft



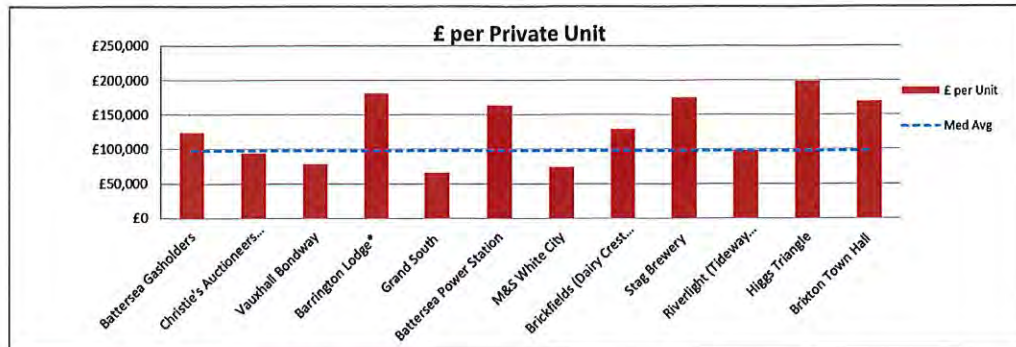
- 7.7 On a proposed Residential NIA basis (of the Proposed Scheme), our analysis of the evidence suggests that the land value could be in a range of between [REDACTED] [REDACTED]. Adopting the [REDACTED] the above evidence suggests that the land value having regard to the Proposed Scheme could equate to approximately [REDACTED].
- 7.8 Both Battersea Gasholders and Christies Auction Warehouse were purchased without planning permission figures reflecting £102 per sq ft and £96 per sq ft on proposed NIA respectively. Applying the [REDACTED] [REDACTED] to the proposed residential NIA of Oval Gas Works (506,506 sq ft) would result in a land value of approximately [REDACTED].
- 7.9 We consider this is likely to represent the lower end of a range of land values by virtue of the fact that residential sales values will be higher at the Oval Gas Works site than at Battersea Gasholders.

Graph 2: Land Transaction compared against land value - £ / Unit



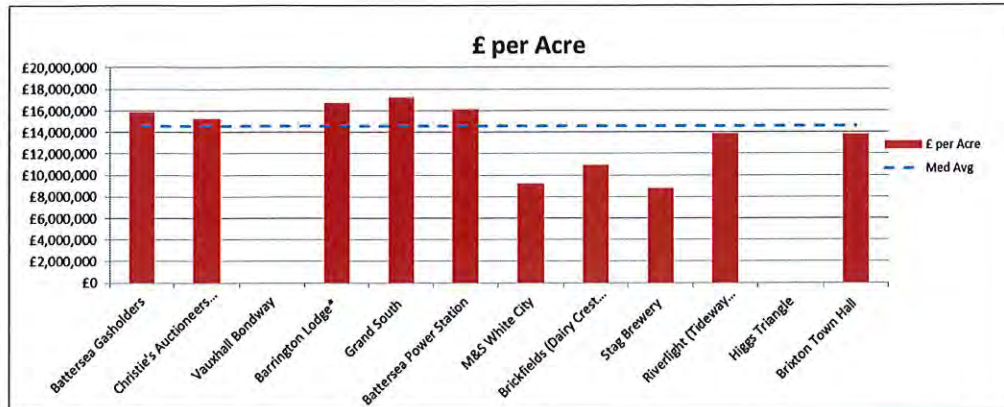
- 7.10 On a proposed £ per unit basis, our analysis of the evidence suggests that the land value could be in a range of between [REDACTED]. Adopting the [REDACTED] [REDACTED] the evidence suggests that the land value having regard to the Proposed Scheme could equate to [REDACTED].
- 7.11 Applying the [REDACTED] derived from a combination of Battersea Gasholders and Christies Auction Warehouse i.e. [REDACTED] would imply a land value of approximately [REDACTED].

Graph 3: Land Transaction compared against land value - £ / Private Unit



- 7.12 On the basis that the Proposed Scheme includes 35% affordable housing i.e. 502 private units, on a proposed £ per private unit basis the evidence suggests that the land value could be in a range of between [REDACTED]. Adopting [REDACTED] the evidence suggests that the land value having regard to the Proposed Scheme could equate to [REDACTED].
- 7.13 Applying [REDACTED] derived from a combination of Battersea Gasholders and Christies Auction Warehouse i.e. [REDACTED] would imply a land value of approximately [REDACTED].

Graph 4: Land Transaction compared against land value - £ / Acre



7.14 For the purposes of this form of analysis we have excluded the following comparables due to the unusually high £ per acre that would be derived from sites of this size:

- Vauxhall Bondway; and
- Higgs Triangle.

7.15 On a £ per acre basis our analysis of the evidence suggests that the land value could be in a range of between [REDACTED]. Adopting the [REDACTED] [REDACTED] the evidence suggests that the land value having regard to the Proposed Scheme could equate to approximately [REDACTED].

7.16 Both Battersea Gas Holders and Christies Auction Warehouse both sold reflecting approximately [REDACTED] (without planning permission). Applying this rate to the Site implies a land value of [REDACTED].

8 Site Value

- 8.1 We have in this Position Note followed the methodology and approach in determining Site Value or Benchmark Land Value set out in Section 4.
- 8.2 Assessment of Site Value or Benchmark Land Value for viability testing is based on a balanced judgement, having had regard to all material factors. The land price needs to reflect the competitive return to the landowner (NPPF para. 173), which in the current market is likely to be higher than price levels achieved in less buoyant conditions. In arriving at the Site Value for the Site, we have had regard to the market cycle, the demand and the risks (and therefore returns) associated with delivering redevelopment, together with the above analysis.

Comparable Evidence

- 8.3 For the purposes of this report, we consider it is material to take account of the land comparables set out in Section 6. This approach is inherent within the Site Value definition of the PPG and is consistent with the RICS GN as well as being a recognised approach to the valuation of development land (RICS VIP 12).
- 8.4 We have analysed the comparables having regard to the Proposed Scheme with indexing and the median averages of the results are shown in the table below:

Table 4: Land Value Analysis – Comparable Averages

£ per Proposed NIA	£ Per Unit	£ per Private Unit	£ per Acre

Source: Gerald Eve Analysis

- 8.5 In arriving at a Site Value we have had particular regard to the transactions of Battersea Gasholders and Christies Auction Warehouse and have placed greater weight on these comparables accordingly. In addition to the analysis above we have also undertaken an exercise which values the Site having regard to the specific metrics of these two comparables in isolation. The results are set out in the table below:

	£ per Proposed NIA	£ Per Unit	£ per Private Unit	£ per Acre
Analysis				
Scheme Variable				
Site Value				

8.6 We have also had regard to the industrial land value of the Site, which we consider to be approximately [REDACTED].

8.7 We note that the industrial land value is substantially lower than our opinion of land value having regard to comparable evidence for redevelopment. The value in this instance is understated as a benchmark land value as it does not allow for the competitive return a landowner would require to release the Site for development.

8.8 In urban areas, analysis on a per acre basis can sometimes be misleading due to the degree of variance in site acreages and development densities between comparable sites. As such we have placed greater weighting on our analysis on the alternative bases set out above.

8.9 Having regard to the analysis of the comparables within Section 6 and with greater weighting applied to the above key comparables, we consider the gross Site Value to be in the order of [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

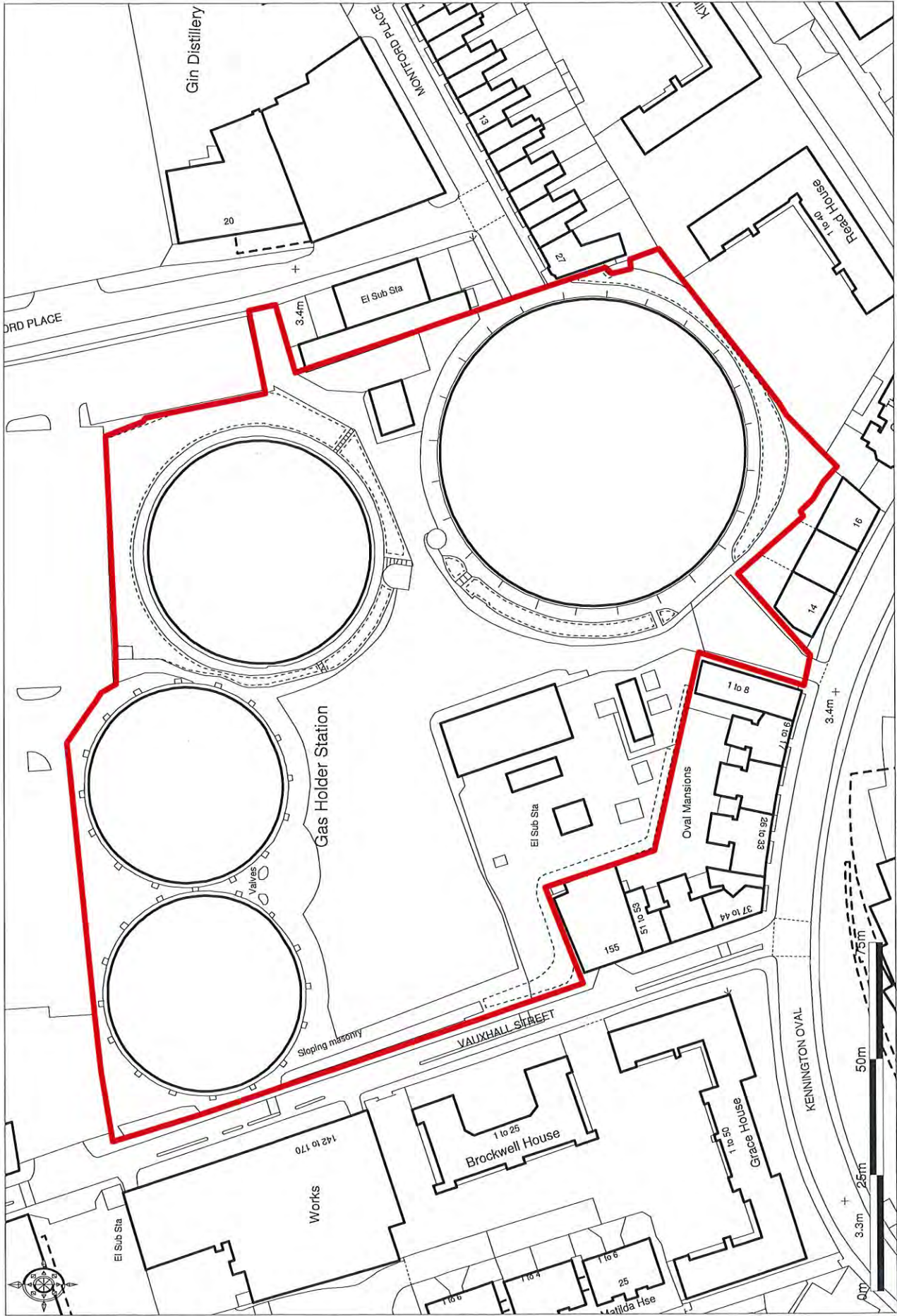
Net Site Value and Conclusions

8.11 We are therefore of the opinion that a Site Value in the order of [REDACTED] is appropriate as at February 2018 having regard to the NPPF, the Mayor's Viability SPG, PPG and the RICS GN. This figure is the Site Value net of the remediation costs totalling [REDACTED] set out in Section 4.

8.12 Our net Site Value is therefore [REDACTED] adjusted for costs.

8.13 Therefore a Site Value of [REDACTED] equates to the following approximate analyses:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]



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Executive Summary

The guidance note provides all those involved in financial viability in planning and related matters with a definitive and objective methodology framework and set of principles that can be applied mainly to development management. The principles are however applicable to the plan making and CIL (area-wide) viability testing.

The National Planning Policy Framework (NPPF) sets out to achieve growth through attracting investment and development. RICS acknowledges that the planning authority is responsible for promoting policies for sustainable development. We also recognise that where development proposals can not be made to comply with sustainable development policies the planning authority may be obliged to refuse planning permission.

The guidance note is grounded in the statutory and regulatory planning regime that currently operates in England. It is consistent with the *Localism Act 2011*, the NPPF and *Community Infrastructure Levy (CIL) Regulations 2010*.

The most common uses for financial viability assessments as set out in this guidance note are for development management (including affordable housing, enabling development, land use, Section 106 Agreement planning obligations) and plan making (policy and CIL viability testing).

Financial viability for planning purposes is defined by this guidance as follows:

An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project.

(Where viability is being used to test and inform planning policy it will be necessary to substitute 'a development project' into the wider context)

The guidance note separates the two key components of development: land delivery and viable development. This is in accordance with the NPPF. Fundability is also an intrinsic element of both.

The residual appraisal methodology for financial viability testing is highlighted where either the level of return or residual Site Value can be an input and the consequential output (either a residual land value or return respectively) can be compared to a benchmark to assess the impact of planning obligations or policy implications on viability.

The guidance note does not recommend any particular financial model (bespoke or otherwise) or provide indications as to inputs or outputs commonly used. It is up to the practitioner in each case to adopt and justify as appropriate.

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 value¹ subject to the following assumption: 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.

When undertaking Local Plan or CIL (area-wide) viability testing, a second assumption needs to be applied to the Site Value definition:

The Site Value (as defined above) may need to be further adjusted to reflect the emerging policy/CIL charging level. The

level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted. These include, as a minimum, comments on the state of the market and delivery targets as at the date of assessment.

The guidance note encourages practitioners to be reasonable, transparent and fair in objectively undertaking or reviewing financial viability assessments. Where possible, practitioners should seek to resolve differences of opinion.

In undertaking scheme-specific viability assessments, the nature of the applicant should normally be disregarded, as should benefits or disbenefits that are unique to the applicant. The aim should be to reflect industry benchmarks in both development management and plan making viability testing.

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 during the planning process.

The guidance note highlights where re-appraisals, i.e. viability reviews prior to scheme or phase implementation, or projection (growth) models may be appropriate as an alternative to current day methodologies. It is assumed that for CIL charging schedules and local plan testing this will be undertaken on a current day basis, subject to suitable margins/buffers.

It is strongly recommended that financial appraisals are sensitivity tested as a minimum, and with more complex schemes further scenario/simulation analysis should also be undertaken. This is to ensure that a sound judgment can be formulated on viability.

The guidance note sets out what should usually be included in viability assessments, common terminology and definitions, together with additional technical guidance for practitioners.

Confidentiality protocols and suggested non-binding mediation/arbitration mechanisms for resolving disputes are set out in the guidance note.

Oval Gas Works
Industrial Scheme Appraisal - Jan 18

Development Appraisal
Gerald Eve LLP
26 January 2018

**Oval Gas Works
Industrial Scheme Appraisal - Jan 18**

Timescale (Duration in months)

Project commences Oct 2016

Phase 1: Industrial Scheme

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2016				
Pre-Construction	3	Oct 2016	Dec 2016	Purchase	End	0
Construction	15	Jan 2017	Mar 2018	Pre-Construction	End	0
Sale	1	Apr 2018	Apr 2018	Income Flow	End	0
Phase End		Apr 2018				
Phase Length	19					
Project Length	19	(Includes Exit Period)				

APPRAISAL SUMMARY

GERALD EVE LLP

Oval Gas Works Industrial Scheme Appraisal - Jan 18

Summary Appraisal for Phase 1 Industrial Scheme

Currency in £

REVENUE

Rental Area Summary

	Units	ft²	Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Industrial Total						

Investment Valuation

Industrial Total						
Market Rent						
(6mths Rent Free)						

GROSS DEVELOPMENT VALUE

Purchaser's Costs

NET DEVELOPMENT VALUE

NET REALISATION

OUTLAY

ACQUISITION COSTS

Residualised Price

Stamp Duty

Agent Fee

Legal Fee

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost
Industrial Total			
Developers Contingency			
Demolition & Remediation			

PROFESSIONAL FEES

Professional Fees

MARKETING & LETTING

Letting Agent Fee

Letting Legal Fee

DISPOSAL FEES

Sales Agent Fee

Sales Legal Fee

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)

Land

Construction

Total Finance Cost

TOTAL COSTS

PROFIT

Performance Measures

Profit on Cost%

Profit on GDV%

Profit on NDV%

Development Yield% (on Rent)

Equivalent Yield% (Nominal)

Equivalent Yield% (True)

IRR

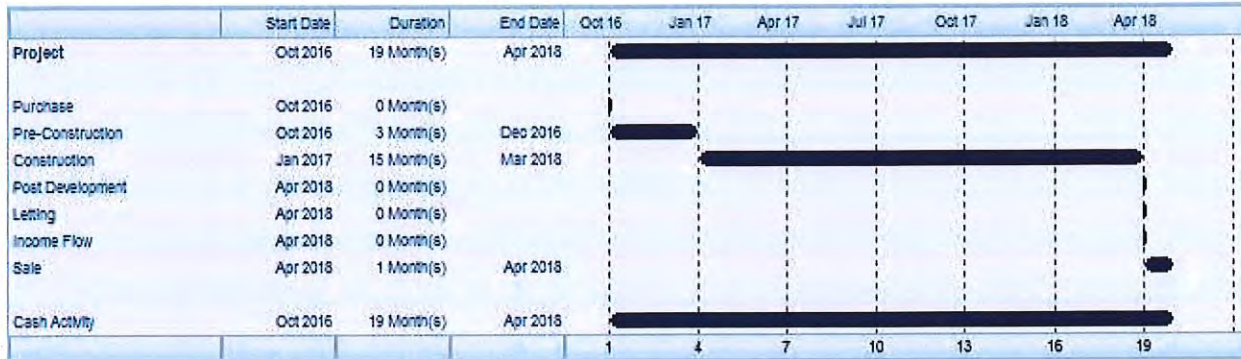
Rent Cover

Profit Erosion (finance rate 7.000%)

Oval Gas Works Industrial Scheme Appraisal - Jan 18

Project Timescale	
Project Start Date	Oct 2016
Project End Date	Apr 2018
Project Duration (Inc Exit Period)	19 months

1. Industrial Scheme



Ref.	Issue	Spec.	Comp.	Int.
A	Issued for Comment	06.07.2016	J1	CV
B	Gas Holder layout added	04.10.2016	J1	CV
C	Gas Governor added	02.11.2016	J1	CV
D	Gas Governor Moved	02.11.2016	J1	CV
E	GG compound embossed	07.12.2016	J1	CV

DRAFT

GRID

Architects // Masterplanners
20 Eastman Drive
Selden NY 11784
John M. Gorman
Phone (516) 297-1100 E-Mail jgorman@jgorman.com

Berkeley Homes

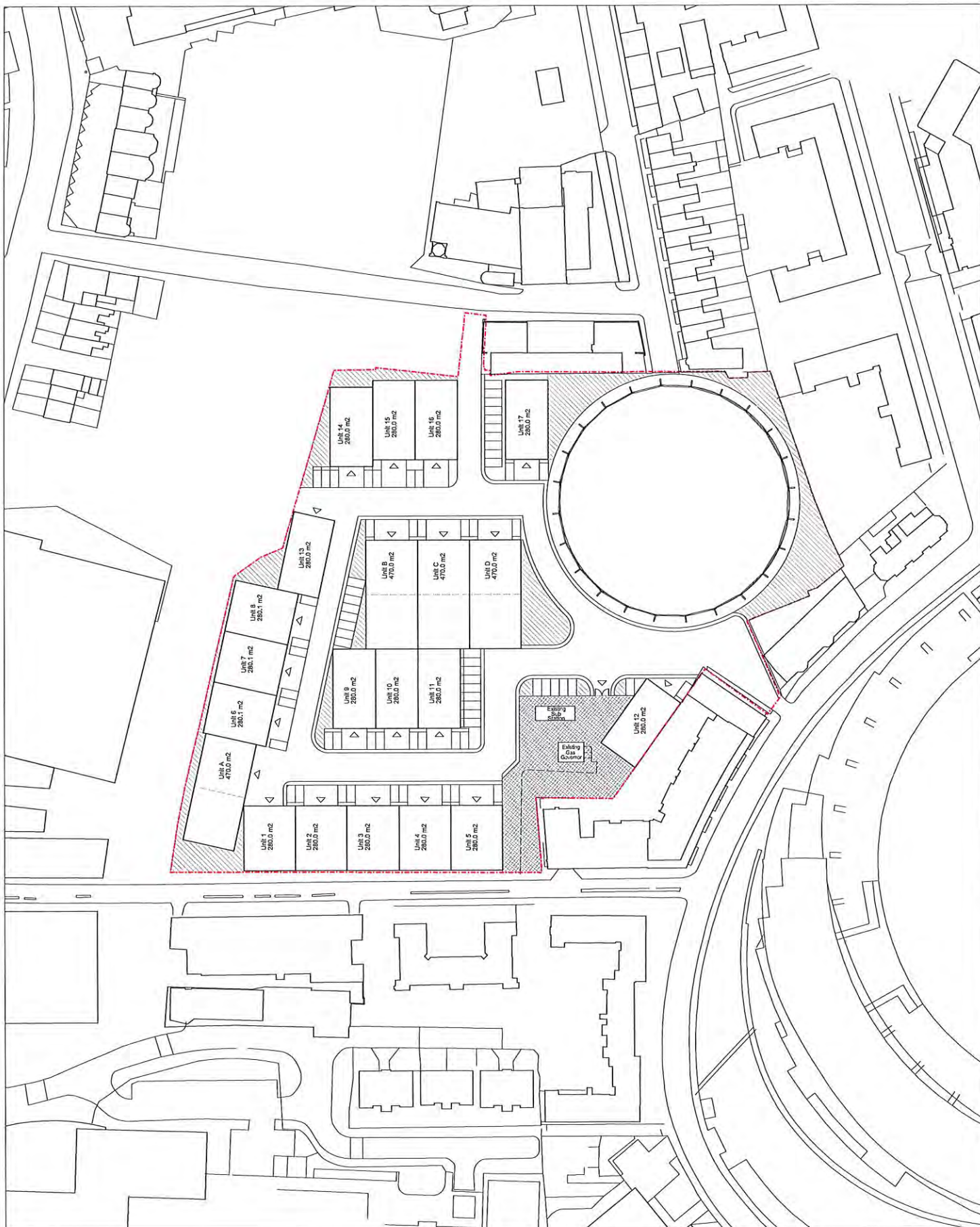
Oval Gas Works
Oval / Kennington

OGW
AUV Layout

Drawn By:	Issued By:	Date of First Issue:
JL	CV	06.07.2016

Project No:	Scale: 1" = 1'
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Construction Year	Ratio	Condition
16016	1:500	



Title: **EUV Scheme Area Schedule**
 Project: **Oval Gasworks**
 Project No.: **16016**
 Client: **Berkely Homes**
 Date: **07.12.2016**
 Revision: **D**
 Drawn by: **JI**

GRID

GEA	Sqm	Sqft
Unit A	470	5060
Unit B	470	5060
Unit C	470	5060
Unit D	470	5060
Sub Total	1880	20240

2 storey	3,760	Sqm
	40,480	Sqft

GEA	Sqm	Sqft
Unit 1	280	3014
Unit 2	280	3014
Unit 3	280	3014
Unit 4	280	3014
Unit 5	280	3014
Unit 6	280	3014
Unit 7	280	3014
Unit 8	280	3014
Unit 9	280	3014
Unit 10	280	3014
Unit 11	280	3014
Unit 12	280	3014
Unit 13	280	3014
Unit 14	280	3014
Unit 15	280	3014
Unit 16	280	3014
Unit 17	280	3014
Sub Total	4760	51238
	6640	71478

2 storey	9,520	Sqm
	102,476	Sqft

Total GEA	13,280	Sqm
	142,956	Sqft

Total Units	22
Parking /Unit	2
	44
Guest Parking	29
Total Parking	73

Appendix 6

Land Transactions Schedule



GERALDEVE

Site	Purchase Price	Date	Planning	Proposed Residential NIA (Sq Ft)	£ /Proposed Residential NIA	Number of Units	£ /Unit	Acres	£ /Acre
Battersea Gasholders	£79,021,352	Sep-13	N	773,230	£102	839	£94,185	4.99	£15,835,942
Christie's Auctioneers Warehouse	£40,995,648	Dec-12	N	425,755	£96	510	£80,384	2.69	£15,240,018
Vauxhall Bondway	£28,247,326	Jun-15	Y	527,769	£54	450	£62,772	0.61	-
Barrington Lodge*	£13,178,746	Jul-14	Y	74,247	£177	104	£126,719	0.79	£16,681,957
Grand South	£13,414,634	Oct-15	Y	196,152	£68	219	£61,254	0.78	£17,198,248
Battersea Power Station	£477,142,090	Sep-12	Y	3,278,365	£146	3444	£138,543	29.64	£16,097,911
M&S White City	£96,053,095	Jul-13	N	1,135,222	£85	1465	£65,565	10.40	£9,235,874
Brickfields (Dairy Crest Site)	£133,809,490	Sep-13	Res to Grant	974,909	£137	1150	£116,356	12.22	£10,950,040
Stag Brewery	£139,915,852	Dec-15	N	800,000	£175	1000	£139,916	16.00	£8,744,741
Riverlight (Tideway Wharf)	£68,449,735	Mar-11	Y	678,885	£101	806	£84,925	4.94	£13,850,614
Higgs Triangle	£14,721,304	Jun-15	N			124	£118,720	0.32	-
Brixton Town Hall	£7,431,829	Feb-16	Y	74,137	£100	74	£100,430	0.54	£13,762,647
Median					£101		£97,308		£14,545,316