

PCE Report

Greater London Authority

Charles Street CPO
Silvertown
London
E16 2BY

19 May 2016

Prepared by

GL Hearn
280 High Holborn
London WC1V 7EE

T +44 (0)20 7851 4900
glhearn.com

Contents

Section	Page
1 INTRODUCTION	4
2 PURPOSE OF REPORT	6
3 THE SCHEME	7
4 INTERESTS TO ACQUIRE	8
5 THE COMPENSATION CODE	13
6 BASIS OF COMPENSATION	15
7 PLANNING	16
8 MARRIAGE VALUE	20
9 DEVELOPMENT VALUE	22
10 VALUE OF EXISTING INTERESTS	25
11 ASSESSMENT OF MARRIAGE VALUE	30
12 OTHER COMPENSATION PAYMENTS	34
13 COMPENSATION SUMMARY	35
14 ASSUMPTIONS	37
15 CONFIDENTIALITY AND THIRD PARTIES	38

Appendices

APPENDIX A: PLANS	39
APPENDIX B: PHOTOGRAPHS	43
APPENDIX C: VALUATION BREAKDOWN	50

Quality Standards Control

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

DATE
19th May 2016

ORIGINATORS
Jonathan Gray
CPO & Regeneration Surveyor

APPROVED
David Conboy
CPO & Regeneration Director





Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 INTRODUCTION

- 1.1 GL Hearn ('GLH') has been instructed by the Greater London Authority ('GLA') to provide an estimate of the compensation payable should the remaining leasehold interests at the Charles Street site be acquired under a Compulsory Purchase Order (CPO).
- 1.2 The Charles Street site is a 4.106 hectare (10.146 acre) area of land situated in Silvertown, E16. The site is bound by the Royal Victoria Dock to the North, Connaught Bridge to the East, North Woolwich Road to the South and Pontoon Dock to the West. The site is located in close proximity to the Excel Centre, London City Airport and has good access to public transport in the form of the DLR.
- 1.3 The Charles Street site, which forms part of the wider Silvertown Quays site, represents one of the last remaining undeveloped brownfield sites surrounding the Royal Docks. It is a significant development opportunity having been identified as Strategic Site 'S21 - Silvertown Quays' in the London Borough of Newham's Core Strategy 2012.
- 1.4 The Silvertown Partnership, a joint venture between Chelsfield Properties, First Base and Macquarie Capital, have submitted an outline planning application (ref: 14/01605/OUT) for the development of the 27.4 hectares (67.7 acres) site as a mixed use development comprising retail, brand centres, office, retail, hotel and leisure accommodation. The London Borough of Newham's Strategic Development Committee resolved to grant outline planning consent subject to concluding the s.106 agreement and referral to the Mayor of London, Secretary of State for Transport and Secretary of State for Communities and Local Government. The Mayor of London confirmed on the 22nd December 2015 that he is content to allow the Council to determine the case itself, and the Department of Transport have also confirmed their support (25th February 2016). On the 18th January 2016 the matter was referred to the Secretary of State for Communities and Local Government with a decision pending.
- 1.5 The GLA own the Freehold interest in the Charles Street site, which has historically been divided into a number of plots which have been let on both long and short term leases. The proposed development programme allows the GLA to secure vacant possession of the majority of the site through bringing leases and licenses to an end through the use of either break options, the efflux of time to the expiry of the lease, or where the lease is inside the security of tenure provisions of the Landlord and Tenant Act 1954, through opposing a renewal on the grounds of redevelopment.
- 1.6 There are however some long leasehold interests in land in which vacant possession cannot be secured within the required development programme and which the GLA will need to acquire. The GLA's intention is to secure these interests through agreement, but recognise that they may need to

have recourse to their compulsory purchase powers in order to secure vacant possession of the land if agreement cannot be reached.

2 PURPOSE OF REPORT

- 2.1 The purpose of this report is to provide an estimate as to the compensation that will be payable if the third party interests in land are acquired using compulsory purchase powers. This report will inform the GLA of the anticipated level of financial liability of acquiring the outstanding interests in land required to complete the land assembly for the Charles Street site.
- 2.2 The estimate has been prepared to reflect the approach and assumptions as set out in this report. The site assembly costs provided are an estimate of the compensation that would be payable as at the date of this report. As set by statute, the date for assessing the compensation payable to a dispossessed owner or occupier is the date the acquiring authority takes possession of the property. This is likely to be some time in the future, following the process to obtain compulsory purchase powers and then exercise those powers. In the intervening period we would expect changes in the property market and general economic conditions that will affect property values and other elements of compensation; we therefore recommend that this estimate is regularly updated to reflect any such changes.
- 2.3 We have made endeavours to ensure that the assumptions we have made are as accurate as possible. As more information is obtained in respect of the property size and condition, tenancies and occupational arrangements, the PCE should be updated. Assessments of Market Value contained within this report should not be regarded as formal Valuations.

3 THE SCHEME

- 3.1 The definition of 'the scheme' is important in the context of compulsory purchase and compensation as the effects of the scheme upon the value of the land to be acquired, whether positive or negative, are to be disregarded when assessing compensation.
- 3.2 The scheme underlying the acquisition will be closely aligned to that of the planning consent that is in the process of being obtained for the land. It will not have the exact same definition as to do so would not provide the flexibility required to deliver a varied scheme that is currently proposed in the outline consent. For example, 'the scheme' would not be defined by the quantum of proposed development
- 3.3 The definition of the scheme will gain greater clarity as the proposed development goes through the design and planning process but at present the scheme can be said to be the delivery of a comprehensive mixed-use development comprising residential, commercial, retail, leisure, community and other employment uses (in the form of brand units') across the entirety of the Silvertown Quays site.

4 INTERESTS TO ACQUIRE

4.1 We have been asked to assess the compensation payable for the acquisition of the following interests in land:

- (i) The Drum Group Interest in 'Plot 4'. Drum Group holds the land on a long lease which expires on the 21st February 2082 registered under title number EGL292939.
- (ii) The Oak Viking Interest in 'Plot 12'. Oak Viking holds the land on a long lease which expires on the 25th March 2052 registered under title number EGL98402.

4.2 The plot references relate to the references given to the individual sites within the Charles Street area as per the plan attached in Appendix A.

4.3 **Plot 4**

- (i) Plot 4 comprises a square parcel of land located west of centre of the Charles Street site. The site measures 0.523 ha (1.29 acres) and comprises of an area of concrete hard standing with a group of buildings and structures situated along its western boundary.
- (ii) The buildings and structures vary in age and construction type. At the southern end of the group is a large, linear, single storey building with brick elevations and steel trussed roof with a corrugated steel covering. The eaves height is relatively low (circa 3m) and the internal condition of the property is poor. The western elevation of the property has a number of roller shutter doors for access. To the north of this building is a second brick built building that has a larger eaves height, and two canopy areas of steel frame construction with profiled steel cladding for side elevations. Within the yard area are a number of portable buildings and some bays created by low brick and block walls being constructed to divide the yard area. Photographs of the property can be found in Appendix B.
- (iii) The Valuation Office Agency's (VOA) Rateable Value assessment records the property having the following areas:

	Area (sq. m.)	Area (sq. ft.)
Ground Floor Store	307.86	3,314
Ground Floor Store	1,219.73	13,129
Ground Floor Portable Building	97.57	1,050
First Floor Portable Building	38.99	420

Canopy	409.36	4,406
Sub Total	2,073.51	22,319
Hard Surfaced, Fenced Yard	2835.63	30,522

- (iv) Drum Group Limited, a company specialising in the cleaning of oil and lubricant drums for re-use, holds the long leasehold interest in the land (note: the Land Registry Title records Gerald Jones Limited as the registered owner). The salient terms are listed below:

Landlord:	London Borough of Newham (now held by GLA)
Tenant:	Ernest Williams (Drums) Limited (assigned on 4 th December 1991).
Term:	99 years from 22 nd February 1983.
Passing Rent:	£67,200
User:	the renovation, cleaning, painting and manufacture of steel drums and containers or for any light industrial purposes previously approved in writing by the Landlord.
Repair:	The Tenant covenants to keep the premises in repair.
Insurance:	The Landlord covenants to insure the property
Alienation:	Assignment of whole permitted with Landlord's consent
Security of Tenure:	The tenancy is inside the Security of Tenure provisions of Sections 24-28 of the Landlord and Tenant Act 1954.
Break Option:	Landlord's option to break on 3 rd March 2054 with a minimum 6 months' notice and a maximum 12 months' notice.
Rent Review:	5 yearly upwards only to annual rent as defined as: "the rent which the land as secured by the buildings erected thereon might reasonably be expected to let in the open market by a willing Landlord by a lease for a term equivalent to the residue then unexpired of the said term with vacant possession". The terms of the lease are to

be assumed and all matters set out in s.34 of the Landlord and Tenant Act 1954 should be disregarded.

- (v) A Deed of Rectification and Variation dated 24th July 2001 makes a revision to the rent review clause providing that the following should also be disregarded when assessing the annual rent:
 - (i) The several works numbered 1 to 39 inclusive in the second schedule to the building agreement dated 25th November 1982 between the Corporation and the Lessee;
 - (ii) The laying of a reinforced concrete platform to provide storage areas and access areas for vehicles.
- (vi) Drum Group also occupies Plot 8 on a lease from the GLA that expired on the 24th December 2006. The lease has the protection of the Landlord and Tenant Act 1954 and Drum Group continue to occupy under a continuation tenancy. The GLA have served notice bringing the tenancy to an end and opposing the grant of a new tenancy on the grounds that the property is to be re-developed. Drum Group has served a counter-notice seeking a new tenancy and the matter has been referred to court. Drum Group's interest in plot 8 has been excluded from this PCE as it is expected that possession can be secured using Landlord and Tenant powers, even in the event a new lease was granted. It should be noted that if the lease is brought to an end under Landlord and Tenant powers compensation will be payable under s.37 of the 1954 Act amounting to twice the rateable value of the property. This sum is not included in this report.

4.4 **Plot 12**

- (i) Plot 12 comprises a rectangular parcel of land located east of centre of the Charles Street site. The site measures 0.085 ha (0.21 acres) and is occupied by a large brick built warehouse, the footprint of which takes the entire site.
- (ii) We have not internally measured the building but measurements from digital mapping suggest that the property has a footprint in the region of 850 sq. m. (9,149 sq. ft.). We have reviewed the Rating List and have not been able to accurately identify the entry for the property and have therefore adopted an area of 825 sq. m. (8,880 sq. ft.) as the Gross Internal Area of the property.
- (iii) Oakviking Limited holds the long leasehold interest in the land. The salient terms are listed below:

Landlord:	The Mayor, Alderman and Burgesses of the County of West Ham (now held by GLA)
Tenant:	The Union-Mail Steamship Company Limited (now held by Oakviking Limited)

Term:	From the 4 th March 1957 for a term to 25 th March 2052
Passing Rent:	£160 per annum.
User:	Not to use or permit to be used any part of the premises for any illegal or immoral purpose nor without the consent of the Landlord for the sale of intoxicating liquors or as an advertising station or for the holding of auction sales.
Repair:	The Tenant covenants to keep the premises in repair.
Insurance:	The Tenant covenants to insure the property
Alienation:	Not to assign, underlet or part with possession of the land during the last 14 years of the term.
Security of Tenure:	The tenancy is inside the Security of Tenure provisions of Sections 24-28 of the Landlord and Tenant Act 1954.
Break Option:	None
Rent Review:	None

Note: The lease in the same terms and subject to the same reservations and to the same covenants as the lease dated 24th October 1955 between the parties relating to the adjoining land.

- (iv) Oak Viking hold the property as an investment, sub-letting the accommodation to ALLHD Airports Limited, an airport logistics company. We have not been able to obtain a copy of the lease between the parties as one is not registered at Land Registry and Oakviking have to date not provided a copy.
- (v) It should also be noted that ALLHD Airports Limited occupies plots 10 and 12A. Plot 10, which forms of an industrial unit and large surfaced yard, is occupied under a tenancy at will at a rent of £32,000p.a. Plot 12A, which forms of an area of surfaced land immediately to the south of Plot 12, was occupied under a 5 year lease that was contracted outside of the security of tenure provisions of the Landlord and Tenant Act 1954 which expired in 2014. The GLA have continued to accept rent after the contractual lease expiry date and there is therefore likely that ALLHD Airports Limited occupy the property under a protected 1954 Act lease. If the lease does have protection of the Landlord and Tenant Act 1954, possession of the plot 12A will need to be secured through the service of a s.25 notice to bring the lease to an end. Compensation will be payable under s.37

Landlord and Tenant Act 1954 amounting to 1x or 2x the rateable value depending on the period of occupation. This compensation is not reflected in this PCE report.

- (vi) AllHD's interest in plots 10 and 12A have been excluded from this PCE as it is expected that possession can be secured using Landlord and Tenant powers, even in the event a new protected lease on plot 12A has been created.

4.5 We note that there are a number of other tenancies and licences on other plots across the Charles Street site but have been informed that these are either:

- let on 'development leases' which provide the GLA with an option to break the lease on short notice (typically six months);
- that vacant possession can be recovered by the GLA when the lease ends as the lease has been contracted outside of the security of tenure provisions of the Landlord and Tenant Act 1954 and that the lease end date is before the expected date of commencing with construction;
- that the contractual term of the lease, which does have the benefit of protection under the Landlord and Tenant Act 1954, expires before the date that construction is to begin on the site and vacant possession will be secured through service of the requisite notices bringing the tenancy to an end and opposing the grant of a new lease.

4.6 It may be prudent to include some of these interests in land within any CPO so to ensure that vacant possession can be obtained in a timely manner. As the GLA is confident that it can secure vacant possession of all other plots (save as to plot 4 and 12) without recourse to compulsory purchase, we have been instructed to assess the compensation payable for plots 4 and 12 only.

5 THE COMPENSATION CODE

- 5.1 When an interest in land is acquired using compulsory purchase powers the compensation payable to the owner is to be assessed in accordance with the statutory compensation code.
- 5.2 The compensation code is made up of several pieces of legislation together with a body of case law and Tribunal decisions. In principle the dispossessed owner or occupier is entitled to receive:
- (i) The Market Value of his interest in land;
 - (ii) The reduction in the value of any retained land due to Injurious Affection or Severance;
 - (iii) Disturbance compensation – Compensation for any loss caused by being displaced from the land or any other matter not directly based on the market value;
 - (iv) Statutory loss payments, if eligible;
 - (v) Professional fees.
- 5.3 In assessing the market value of the interest in land, any depreciation caused by the prospect of the property being acquired by an authority possessing compulsory purchase powers is to be disregarded. Similarly, no allowance is to be made on account of the acquisition being compulsory. The value of the land is to be the amount which the land if sold by a willing seller in the open market would expect to realise.
- 5.4 Furthermore, any increase in value on account of the scheme underlying the acquisition is to be ignored.
- 5.5 Typically, an owner occupier of a property would expect to receive the Market Value of their property together with disturbance compensation for costs reasonably incurred in relocating, or, in the event that a business is unable to relocate, compensation for the loss of future profits. An investment owner would receive the Market Value of their property with disturbance compensation generally limited to re-investment costs.
- 5.6 Compulsory purchase compensation is founded upon the principle of equivalence – a dispossessed owner should not be financially better or worse off as a result of the compulsory purchase. Where the Market Value of the property is by reference to the Existing Use Value, disturbance compensation will be payable. Where the Market Value is based on an alternative use or development value, on account of the occupier having to displace themselves from the property in order to realise this value, compensation is not payable for disturbance items.

- 5.7 Where a property or parcel of land is used for a purpose of such a nature that there is no general demand or market for land or property for that purpose, rule 5, section 6 Land Compensation Act 1961 states that compensation may be assessed on the basis of the reasonable cost of equivalent reinstatement providing that the land would continue to devoted to that purpose had it not been compulsorily purchased and there is a genuine intention to reinstate the purpose elsewhere.
- 5.8 When determining whether a claimant qualifies for equivalent reinstatement the purpose for which a building had originally been built is not relevant; it is the use to which they are put which is the basis for qualification for equivalent reinstatement.
- 5.9 Evidence of some demand or market for the use is also not sufficient to disqualify a claimant from equivalent reinstatement; there must be a general demand for the purpose to which the land is put and a market where there is the buying and selling of land for that purpose. Latent demand, a demand that doesn't exist until land devoted for that purpose is offered for sale, does not amount to general demand for the purposes of rule 5.
- 5.10 The measure of compensation for Equivalent Reinstatement is the reasonable cost of replacing the building/land and for alterations to allow the property/land to be used for the existing purpose it is currently devoted without any substantial interference. There is to be no deduction for receiving more modern accommodation i.e. new for old, a better location or layout. However, where repairs are required at the existing property the cost of these works can be deducted. Compensation is not payable for works of improvement or for the costs of replacing outworn facilities. Where there is a planning or other statutory requirement for a facility or specification that doesn't exist in the existing premises this is to be compensated.
- 5.11 An award of equivalent reinstatement is at the discretion of the Tribunal. In exercising its discretion the Tribunal will consider all material factors including a comparison between the compensation payable under rule 5 and that which would be payable on the basis of Market Value and Disturbance. In the case of a business, the relationship between the costs of reinstatement and the total value of the business may be a paramount consideration for the Tribunal.

6 BASIS OF COMPENSATION

6.1 There are two potential bases of compensation available to each claimant:

- (i) Market Value based on a share of the Claimant's development value ('Marriage Value');
- (ii) Market Value based on the Existing Use Value ('EUV') and disturbance compensation.

6.2 Based on the information provided, we do not consider the basis of Equivalent Reinstatement to be a likely basis for compensation on account of the property and its use has at a general market. Drum Group may have specific location and accommodation requirements but the property is inherently industrial accommodation and land that is available in the open market.

6.3 In respect of bases (i) and (ii), the claimants can advance a claim on whichever basis produces the higher compensation amount. Whilst the Marriage Value of each interest may be greater than the EUV, if the EUV and the applicable disturbance compensation produces a higher total sum, the claimants can elect to progress their compensation claim on this basis.

6.4 The value of the land is to be assessed in what is often referred to as the 'No Scheme World'. This is often misconstrued as meaning that the proposed use of the land and the planning policy that surrounds the scheme should be disregarded, with an assumption made that the land use being promoted by the acquiring authority cannot be considered when assessing the Market Value of the land. This is incorrect, whilst there are some development scenarios (as detailed under section 6 Land Compensation Act 1961) which require a complete disregard of certain types of development, the no scheme world primarily relates to the use of compulsory purchase powers to facilitate land assembly and delivery of the scheme. Applicable planning policy and any planning permissions are to be considered when assessing the Market Value of the land and under the planning assumption provisions of the Land Compensation Act (sections 14 – 17), section 15 provides that it should be assumed that planning permission for the proposals of the acquiring authority is in place when assessing compensation.

6.5 We have therefore considered the compensation payable to both parties on both bases.

7 PLANNING

7.1 The Charles Street site forms part of the wider Silvertown Quays site, which lies within the Royal Docks and Beckton Waterfront Opportunity Area (Opportunity Area 28) which is designated within the London Plan (2015) as being capable of delivering a minimum of 11,000 new homes with an indicative employment capacity of 6,000 new jobs.

7.2 The London Plan does not provide any specific policy for the Silvertown Quays site, instead outlining a vision that:

“The Royal Docks will return to its former glory at the forefront of international trade and exchange. The regeneration of Silvertown Quays, Royal Albert Dock and Royal Albert Basin should build upon innovative and iconic developments such as the Siemens Crystal and the Emirates Air Line cable car. The Enterprise Zone will support its role as a world class business destination with capacity for at least 6,000 jobs. Joint public and private investment will create London’s first Asian business park. The potential for a new floating village should be explored as part of the Royal’s potential to accommodate at least 11,000 new homes.”

7.3 The working draft Royal Docks and Beckton Riverside Opportunity Area Planning Framework (March 2016) identifies that the area has capacity for 25,500 new homes and 60,000 jobs and highlights Silvertown Quays as having the potential to deliver 3,003 homes and 20,700 new jobs referring to the outline planning consent that has received a resolution to grant.

7.4 Taking forward the London Plan’s identification of the site forming part of the Royal Docks and Beckton Waterfront Opportunity Area, the London Borough of Newham’s Core Strategy (adopted January 2012) details the spatial strategy for how the transformation from traditional industrial land to higher value should be managed. It notes that this must take place in ‘a comprehensive rather than piecemeal manner, in order to ensure that new housing areas are not gated communities isolated from the rest of the borough, and that new employment uses can sit comfortably alongside residential areas and vice versa’ and that ‘strategic sites have been identified setting out the mix of appropriate uses and key development principles of each’ (para 5.4).

7.5 The Core Strategy states further adds ‘whilst the potential for transformation is huge, there is a need to take a co-ordinated approach which considers the most appropriate locations for new and expanding neighbourhoods, to manage the change from the traditional heavy industrial character of the past to a more efficient use of land’ (para 5.41).

7.6 The objective for the Royal Docks is for the creation of a world class business destination and a unique and high quality waterfront urban quarter with the existing fragmented residential

development becoming consolidated within a number of distinct neighbourhoods through the development of existing industrial land to higher value uses.

7.7 The policy states that approximately 9,160 new dwellings are to be developed in the Royal Docks area, with the majority on the identified strategic sites of Silvertown Quays (Strategic Site S21) and Minoco Wharf (Strategic Site S22). The policy sets out ten vision-based policies and is clear that *'the Council will not support the development of the sites in a piecemeal way particularly where this would prejudice the realisation of the overall vision for the area of where timing of delivery would be unsupported by infrastructure. Large applications should be accompanied by realistic phasing proposals'*.

7.8 In respect of Silvertown Quays the Core Strategy states that development of the land should be based on:

Residential-led mixed use with potential for leisure and hospitality and green industries including research and development, building on the visitor attraction cluster at the western end of the docks (ExCeL, Siemens building). New residential development on this site will form part of the wider neighbourhood at Silvertown, supported by local shopping and community uses (a new local centre) focused around North Woolwich Road, including use of space under the DLR viaduct. Leisure uses should relate to the water space, with clear pedestrian and cycle connections through to the new local centre and across North Woolwich Road. Public access to the dock edge should be provided. Indicative residential typology - medium density, medium family

7.9 In July 2014, the Silvertown Partnership Limited submitted an outline planning application (ref: 14/01605/OUT) for the redevelopment of the Silvertown Quays site for the construction of a maximum total of 670,000 sq. m. of floorspace across a range of uses. To provide flexibility in the delivery of the development, a maximum quantum of floorspace for each use has been proposed:

- 222,000 sq. m. of brand units (sui generis)
- 44,500 sq. m. of 'brand-related' retail (Use Class A1)
- 179,000 sq. m. of office (Use Class B1)
- 300,000 sq. m. of residential (Use Class C3)
- 20,400 sq. m. of food and beverage (Use Class A3 - A5)
- Up to 10,000 sq. m. of local retail (Use Class A1 – A5)
- 16,000 sq. m. of hotel (Use Class C1)

- 6,900 sq. m. of community and education (Use Class D1)
- 19,800 sq. m. of leisure and cultural (Use Class D2)
- 3,800 sq. m. infrastructure

7.10 The development retains the Grade II listed Silo D, the partial demolition and rebuild of the Millennium Mills and Rank Hovis building, the repair and restoration of the dock walls and the infilling of a substantial part of Pontoon Dock. Two new footbridges across the dock will also be created along with improvements to Pontoon Dock DLR Station.

7.11 The maximum permitted floorspace by use is further broken down into seven development zones to provide an indication as to how these uses may be distribute across the site. The table below provides the zone-by-zone breakdown with the plan in Appendix A showing the location of the individual development zones. The two interests in land to be acquired fall within Development Zone 6.

	1	2	3	4	5	6	7	Max
Brand Units	145,000	0	45,000	32,000	0	0	0	222,000
B1	29,000	0	40,000	110,000	0	0	0	179,000
C3	24,000	53,000	0	68,000	115,000	40,000	0	300,000
Brand A1	29,000	0	9,000	6,500	0	0	0	44,500
A1-A5 Local Retail	3,300	0	1,200	2,700	2,800	0	0	10,000
A3-A5	9,000	800	3,500	2,000	2,100	3,000	0	20,400
C1	16,000	0	0	0	0	0	0	16,000
D2	1,900	0	16,000	0	0	1,900	0	19,800
D1	1,900		0	0	0	5,000	0	6,900
Infrastructure	700	1,400	200	0	0	1,500	0	3,800
Max	213,000	56,000	102,000	130,000	118,000	51,000	0	670,000

- 7.12 The London Borough of Newham's Strategic Development Committee resolved to grant outline planning consent subject to concluding the s.106 agreement and referral to the Mayor of London, Secretary of State for Transport and Secretary of State for Communities and Local Government. The Mayor of London confirmed on the 22nd December 2015 that he is content to allow the Council to determine the case itself, and the Department of Transport have also confirmed their support (25th February 2016). On the 18th January 2016 the matter was referred to the Secretary of State for Communities and Local Government with a decision pending.
- 7.13 The reason for the reference to the Secretary of State for Communities and Local Government is on account of the application constituting a departure from the Development Plan. The site is designated as being a residential-led development but the quantum of residential development within the proposal amounts to a maximum of 45% of the total delivered floorspace and the Council also considered that the proposed office use would not accord with the Core Strategy. The matter of 'residential-led' development was also set in the context of a previous planning permission on the site that delivered a significantly higher level of residential accommodation (between 1,430 and 2,130 additional units depending on mix).
- 7.14 Despite these concerns, the officer recommended that the Strategic Development Committee resolved to grant as the reduction in residential accommodation was not expected to impede the Core Strategy's ambition of delivering 9,160 new dwellings in the Royal Docks area given development that was coming forward on other sites within the Royal Docks and that the delivery of the office accommodation would provide significant new employment opportunities with the potential creation of 20,700 new jobs.

8 MARRIAGE VALUE

8.1 Marriage Value is defined by the RICS as follows:

“An additional element of value created by the combination of two or more interests where the combined value is more than the sum of the separate parts.”

8.2 When assessing compensation under the statutory provisions, consideration needs to be given to whether the marriage value exists in the absence of the use of compulsory purchase powers. When assessing compensation, the existence of compulsory purchase should be disregarded and therefore the marriage of the sites which results in the creation of an additional value needs to be achievable in the absence of a CPO. There are no strict criteria or tests as to whether a valuation on the basis of marriage value is appropriate: the lower the number of interests required to be brought together establishes a greater likelihood of all parties reaching agreement to realise the higher combined value of the land but there is no automatic qualification threshold. In determining whether a prospective purchaser in the open market would pay a marriage value one needs to consider the number of interests to be brought together, planning policy, the motivations of all of the parties, the difference between the market value of the individual interests and their combined value and any history of discussions between the parties.

8.3 Given that there are two interests to be brought together (with that of the GLA freehold interest) and that there is potentially a significant increase in value resulting from the combination of the three interests we consider that Marriage Value is the correct starting point for the valuation and as such have reviewed:

- (i) The Development Value of the site assuming the site is in one single ownership.
- (ii) The Market Value of the GLA's interest in the Property in isolation;
- (iii) The Market Value of the each leasehold interest in the Property in isolation;

8.4 It is important to note that the Market Value of the interest can reflect its independent development potential, if such potential can be realised in isolation under the terms of the lease, planning policy, etc. There is naturally a level of 'ransom' between the parties when considering marriage value as the additional value can only be created by the joining of the interests.

8.5 However, Marriage Value differs to 'Ransom Value' in the traditional form on account of both interests in land having development upon their land whereas in a true ransom situation, there is typically a parcel of land which is required in order for the development value of another parcel to be realised but there is typically no physical development on this land other than perhaps access

roads and other forms on infrastructure. As a result we will consider the Marriage Value and not the 'Ransom Value' in this report.

9 DEVELOPMENT VALUE

- 9.1 Before turning to the value of the Council's freehold interest and those of the existing leaseholder it is important to detail our approach to the development of the Charles Street site and the application of planning policy.
- 9.2 The planning policy references the Silvertown Quays site as a whole, allocating it as a Strategic Site and advancing a range of land uses that the site should be brought forward for. The size of the overall site (53.13 acres) and its configuration is such that development will always be delivered in a phased manner. The Core Strategy is clear that any development should be undertaken in a co-ordinated fashion so to achieve comprehensive development but there is no requirement for it to be delivered by one party, particularly as many of the infrastructure improvements will be funded by the Council directly through the LEP.
- 9.3 We consider it a reasonable position that the Silvertown Quays site can be divided into two separate development parcels based around the configuration of the Pontoon Dock – an eastern zone based around Charles Street and a western zone covering the land to the south and west of the dock. Whilst there may be potential for some further sub-divisions of zones, it is considered that as two zones each would provide a substantial quantum of development in their own right and provide a large enough area of land to also create the sense of place and neighbourhood sought by the planning policy. This is important as it frames the extent of the development value that is created from the marriage of the interests i.e. across the eastern part of the site only (the 'Charles Street site') rather than its entirety. We have considered whether the development site for the purposes of the calculation of the marriage value should be framed smaller but given the location of plots 4 and 12 in the centre of the Charles Street site we do not consider this appropriate nor realistic in the context of developing adjoining land.
- 9.4 The planning policy requires the delivery of a mix of uses. Development should be residential led but should also deliver employment, leisure, hospitality and research and development accommodation. The freehold of the Silvertown Quays site is in one single ownership (subject to the two long leases on plots 4 and 12) which resolves any potential issue of adjoining landowners competing to claim the highest value uses for their land; the planning policy requires a mix of uses but does not allocate the areas where certain uses should be located. In essence, whilst the outline planning application places the majority of the residential accommodation in the eastern part of the site and the commercial accommodation to the west and south of the dock, there is no reason in planning terms why this could not be reversed.
- 9.5 For this reason, when establishing a development value for the Charles Street site we have first established the development value of the entire Silvertown Quays site, reflecting the need for a mix

of land uses and the associated land values these have. From this we have been able to established a blended land value across the wider site that can be applied to the Charles Street site.

9.6 GLH's valuation team has recently undertaken an asset valuation exercise in which they divided the Silvertown Quay site between the two land uses: a residential land area of 29.65 acres and a non-residential land area of 23.48 acres. The ratio of the division is broadly 55:45 between residential and commercial uses reflecting that the development of the site should be residential-led.

9.7 A land value of £5,500,000 per acre has been applied to the residential land, a figure derived from the recent sale of the Royal Wharf site (a 39 acre site which sold for £5.128million per acre) £1,000,000 per acre has been applied to the commercial. We have adopted these land values for consistency and summarise the calculation in the table below:

	ac.	£ per acre	Value
Residential Land	29.65	£5,500,000	£163,075,000
Commercial Land	23.48	£1,000,000	£23,480,000
Total	53.13		£186,555,000

9.8 In forming the development valuation we have applied the same allowances from the valuation as the asset valuation save for one area: planning risk where an allowance of 15% was made to reflect the lack of a planning consent. In the context of compulsory purchase, when assessing compensation it can be assumed that planning consent has been granted for the development proposed to be delivered by the authority. Furthermore, a claimant can seek a Certificate of Appropriate Alternative Development under s.17 Land Compensation Act 1961 which allows, on the grant of a certificate, an assumption that planning consent has been obtained for the alternative scheme when valuing the land. As such, in the context of assessing compensation under a CPO it is inappropriate to allow for the planning risk adjustment. The table below details the deductions made from the gross land value:

Allowance / Deduction	Amount
Planning Risk	£0
Building Demolition	£3,000,000
Asbestos Removal and Remediation of Site	£68,000,000
Dock Wall Repairs	£10,500,000

Bridge Across Dock	£16,000,000
TOTAL	£97,500,000

- 9.9 As a result of the land values and deductions, we are of the opinion that the whole site (Silvertown Quays and Charles Street) has a value of £90,000,000. When taken over the entire site this equates to a rate of £1,693,958 per acre. If this blended per acre land value is applied to the Charles Street site only (over the approximate site area of 10.146 acres), we are of the opinion that the development value of the Charles Street site is £17,185,000.

10 VALUE OF EXISTING INTERESTS

10.1 *Existing Value of GLA's Freehold Interest*

- (i) The GLA own the Freehold interest of the 10.146 acre Charles Street site which is subject to the two long leasehold interests in plots 4 and 12 with the remainder let on short term leases or licences. The freeholder cannot realise the development value of the site until the expiry of these leases and we have therefore valued the site based on the income that can be derived from the letting of the land until vacant possession can be secured at the lease expiry / break dates and the site sold for development.
- (ii) As explained in section 9 of this report, we have treated the Charles Street site as a separate development plot forming part of the wider Silvertown Quays development site and have assumed that development of the western and southern parts of Silvertown Quays can be delivered separately without the need for land assembly to be completed in the Charles Street area. We consider this a correct approach given the size of the site, the expectation that any development of the entire site would be phased, the form of neighbouring development and that this would accord with the planning policy requirement for comprehensive and co-ordinated development.
- (iii) Vacant Possession of Plot 12 (Oakviking) can be secured on the expiry of the lease on the 25th March 2052. Vacant possession of Plot 4 (Drum Group) can be secured on the 3rd March 2054 through the operation of the landlord's break option.
- (iv) Save for the buildings on plot 4, 10 and 12 the remainder of the site comprises a number of parcels of open storage land. As currently utilised, the freeholder can let these parcels of land and the building on plot 10 until vacant possession of plots 4 and 12 can be secured. We have reviewed the individual parcels of land and have applied the following rental values:
 - Open Storage Land, hard surfaced and secure £2psf
 - Warehouse accommodation £7.50psf
- (v) Vacant possession of plot 12 can be secured 1.94 years in advance of plot 4. In the interim period a reasonable landlord would let this building on a 'development lease', contracted out of the security of tenure provisions and allowing for determination on six months' notice.
- (vi) In capitalising the rental income for the period until vacant possession can be secured we have applied a high yield of 10% to reflect potential void periods for what constitutes a significant amount of land.

- (vii) At the vacant possession date of the 3rd March 2054 the development value of £22,000,000 can be realised. We have present valued this figure at a deferment rate of 6.5% reflecting the risks associated with holding a development site for such a duration of time.
- (viii) Based on the above calculations and assumptions we are of the opinion that the Market Value of GLA's current Freehold interest in the site is £8,450,000

10.2 ***Existing Value of Drum Group Limited's Leasehold Interest (Plot 4)***

- (i) Drum Group's lease to the property provides for five yearly rent reviews with the definition of annual rent, as amended by the Deed of Rectification and Variation, requiring the parties to disregard the works that were undertaken under the building agreement dated the 25th November 1982 and the laying of a reinforced concrete platform to provide storage areas and access areas for vehicles.
- (ii) The building agreement lists 39 items of work that include:
- To install a meter room and water pit, including providing water and electricity services to these facilities;
 - the erection of boundary fences;
 - the installation of an electricity supply to some buildings;
 - the installation of 10 roller shutter doors;
 - internal works to create a toilet, changing room, manager's office and workers canteen;
 - to lay a concrete floor in one of the buildings;
 - the installation of double glazing;
 - to lay drains over a major part of the land and concrete the same;
 - to re-roof part of a building;
- (iii) There are no photographic records attached to the Building Agreement or schedule of condition to determine the pre-existing nature of the land and buildings prior to works being undertaken. The age of the large linear building on site shows that this would have been in situ prior to the works but based on the works undertaken (and its current condition), the property was likely in a poor standard of repair. With the laying of reinforced concrete and drainage to create a storage and vehicle access area, we assume that the land was previously unsurfaced.

- (iv) Disregarding the works undertaken under the building agreement and the laying of a concrete reinforced platform across the site, we have adopted a value of £1.25psf for the land, equating to an annual rent as per the lease of £70,000 p.a. The hypothetical term to be adopted for the purposes of the rent review is the residue of the lease (currently 65 years) for which would have made a 15% allowance given the long term and the regular rent review provisions. This would bring the annual rent as per the rent review clause to £59,500p.a.

- **Carlsberg Tetley Site, North Woolwich Road, Canning Town, London, E16 2AB**

The site is rectangular in shape and broadly level. The site is currently being used by a number of industrial buildings and an office building. The land area is 14.28 acres (5.78 ha). The properties on the land are let to 6 tenants on 8 tenancies with a total aggregate rent of £914,708 per annum. The rent equates to £1.47psf.

- **Thames Wharf, Dock Road and Scarab Close, Canning Town, E16 1AF**

The site is irregular shaped comprising of a large holding intersected by Dock road, Scarab close and an elevated section of the DLR. The site is currently being occupied by a number of industrial buildings. The total site area is 13.89 acres (5.62 ha). The site is divided into individual plots with an aggregate rent of £609,542 per annum. The rent equates to £1psf.

- (v) We understand that the passing rent under the lease is £67,200 p.a. (please note we have not been provided with a copy of the rent review memorandum, the tenant's has provided this information). As our opinion of annual rent as per the rent review clause is below this figure we have adopted £67,200p.a. as the rent payable for the duration of the lease.
- (vi) A higher level of rent could be commanded by Drum group reflecting the current condition of the premises. We are of the opinion that a profit rent exists and that Drum Group's Leasehold interest has a Market Value.
- (vii) The table below summarises our rental valuation of the existing premises, utilising areas published by the VOA but disregarding the presence of the portable buildings on site which are chattels that could be removed from the land.

	Area (sq. ft.)	Rental Value	Market Rent
Store Buildings	16,443	£4.00	£65,772
Canopy	4,406	£3.00	£13,218
Yard	30,522	£2.00	£61,044

Total			£140,034
Say			£140,000

- (viii) When taken against the site area the rent equates to £2.50psf
- (ix) The difference between the unimproved land estimated rental value and the improved land estimated rental value equates to a profit rent; that can be calculated over the remaining term of the leasehold interest until such time as the next break clause can be actioned by a reasonable Landlord.
- (x) Capitalising this profit rent at a yield of 8% and allowing for a sinking fund and tax to reflect the end to replace the value of the depreciating asset at the end of the term we are of the opinion that the Existing Use Value of Drum Group's leasehold interest in the property is £700,000.

10.3 **Existing Value of Oakviking Limited's Leasehold Interest (Plot 12)**

- (i) Oakviking Limited's lease expires on the 25th March 2052 (35.85 years unexpired) with a passing rent of £160 p.a. The lease contains no break clauses or rent reviews and therefore Oakviking enjoy a sizeable profit rent that will exist until the end of the term.
- (ii) We understand that the property is currently let to ALLHD Airports Limited but are not aware of the terms of occupation or the passing rent. In forming an opinion of the rental value of the accommodation we have considered the following comparables:

- **Suite 1G - 439 North Woolwich Road, London, E16 2BS**

Oyez Professional Services Ltd has leased 3,407 sq. ft. (316.52 sq. m) of ground and first floor industrial space in May 2015. The lease is for 5 years at a rent of £29,500 pa which equates to £8.66psf (£93.2 psm). The lease is subject to a break in year 3 and a 3 month rent free period. The property comprises a self-contained unit with ground floor warehouse space and first floor office space.

- **Suite 3B - Henley Road, London, E16 2ES**

The Cold Press Juice Co Ltd has leased 5,859 sq. ft. (544.32 sq. m) of industrial space in August 2015. The lease is for 5 years at a rent of £56,413 pa which equated to £9.63psf (£103.64 psm). The lease is subject to a break option in year 3. The property comprises ground floor warehouse space and first floor office space, and is refurbished.

- **Unit 1, Cody Road, London, E16 4SP**

Z-Tech Control Systems Ltd leased 6,343 sq. ft. (589.28 sqm) of ground and first floor space on assignment of an existing lease expiring in August 2020. The assignment began from Mar 2016. The pass rent is £82,600 pa which equates to £13.02psf (£140.15 psm). The property comprises ground floor warehouse space and first floor office space

- (iii) Based on the comparables we estimate that the property would have a rental value in the region of £7.50psf. Against the assumed internal area of 8,880 sq. ft. this equates to a rental value of £66,600p.a. and a profit rent of £66,440p.a..
- (iv) Capitalising this profit rent at a yield of 8% and allowing for a sinking fund and tax to reflect the end to replace the value of the depreciating asset at the end of the term we are of the opinion that the Existing Use Value of Oakviking's leasehold interest in the property is £635,000.

11 ASSESSMENT OF MARRIAGE VALUE

- 11.1 The purpose of compulsory purchase compensation is to put the dispossessed owner in the same position, so far as money can do so, as if his land had not been acquired. This is referred to as the “principle of equivalence” and underpins land compensation law.
- 11.2 However, the principle of equivalence also means that a landowner should not be deprived of a value which he could reasonably have expected to secure in the open market if there had been no CPO. To accommodate this, the circumstances in which the scheme being facilitated by the CPO should be disregarded are limited to the following;
- (i) Where the development could not reasonably have been expected to proceed without a CPO (usually because there are too many interests to assemble by agreement)
 - (ii) Where the value increase created by the scheme can only be realised by the use of statutory powers or by a body with compulsory purchase powers. This protects the acquiring authority from being ransomed for a use that the land owner could not sell the land for in the open market.
- 11.3 The proposed development of the Charles Street site requires the assembly of the following interests:
- (i) Drum Group Ltd’s leasehold interest, and;
 - (ii) Oakviking Limited’s leasehold interest.
- 11.4 With two interests in land to assemble it cannot be reasonable to say that either of the disregards are applicable and therefore, we must consider the Marriage Value created in the assessment of compensation.
- 11.5 In considering the assessment of Marriage Value there are no set percentages for apportioning marriage value as each case has its own circumstances. With only the marriage of two parties’ interests required to create the higher value the normal starting point would be a 50:50 apportionment - precedent for this can be found in the Leasehold Reform, Housing and Urban Development Act 1993 where, on matters of leasehold enfranchisement or a lease extension, the law requires the marriage value arising from the merger of the two interests in land to be split 50:50.
- 11.6 The 50:50 split can differ where the unexpired term of the lease is short (say less than 10 years) giving the landlord a stronger negotiating position as the tenant has an ever diminishing interest and

faces the prospect of the landlord waiting to secure vacant possession on lease expiry. The shorter the unexpired term, the smaller the tenant's share of Marriage Value.

- 11.7 In the subject scenario there are three interests to be brought together to deliver a vacant Charles Street site. There are two options typically advanced as to how to divide marriage value on this basis: (i) an even apportionment of the uplift in value between the three parties (33:33:33) or (ii) an even apportionment (50:50) between the freeholder and individual leaseholder based on a the uplift in value of their own plot with the uplift derived from the taking the site area and applying the blended £ per acre land value.
- 11.8 We consider the even apportionment basis (33:33:33) to be the most appropriate basis for the following reasons:
- In order for the development value to be realised all plots need to be brought together. The extent of the land ownership is not the issue, rather the existence of a number of different interests;
 - The development value on a £ per acre basis does not exceed the Existing Use Value of Plot 12.
- 11.9 With more than one interest in land to bring together in order to achieve a developable site there is a level of land assembly risk that needs to be factored into the valuation. Without the ability to rely on compulsory purchase powers (which is to be disregarded in the valuation exercise), the prospective purchaser would face the risk of reaching agreement with only one party with the other refusing to sell either outright or only for an unrealistic land value. This risk needs to be reflected in the valuation.
- 11.10 The Lands Tribunal case of *Abbey Investments Limited v London Development Agency* [2010] considered a scenario where a number of parcels of land needed to be assembled in order to create a development site. In the *Abbey* case, the claimant owned a parcel of land which was used for industrial and employment uses which was compulsorily purchased by the LDA to facilitate land assembly and bring forward development of a larger site allocated by the Local Planning Authority's supplementary planning guidance for residential development. *Abbey* argued that their land could be developed independently and that the Masterplan, whilst envisioning development of the whole site comprised in the order lands, did not require comprehensive development.
- 11.11 The Tribunal determined that independent development of the site would not have been in accordance with planning policy as it would have restricted development on adjacent sites therefore not maximised the development opportunity, but neither was there a policy requirement for the

entire masterplan site to be developed comprehensively at the same time. Providing that a proposal accorded with the masterplan, planning permission would have likely been granted.

- 11.12 The Tribunal agreed with Abbey's second line of argument that there was a strong prospect that planning permission would have been granted for a development of their land in conjunction with neighbouring land that was in other ownerships. The valuation of Abbey's land was therefore based on the hope value of bringing forward a development of a larger site, as bound by adopted highways, with an allowance of 20% to reflect purchaser's risk of having to acquire the four other interests within the larger development site.
- 11.13 Each case is unique but the Charles Street site shares the similar characteristic of there being a number of ownerships to bring together in order for the development value to be realised.
- 11.14 In the market a developer would normally undertake land assembly by obtaining option agreements with the parties whereby the full development value of the site is paid once all the sites required are signed up. This limits their immediate expenditure and reduces the potential risk of acquiring only a significant portion of the land and then being held to ransom by the last remaining landholder. The definition of market value under compulsory purchase legislation doesn't allow for this: the market value of the land acquired is to be the value that the land would achieve at the valuation date if sold by a willing seller. Consequently a deduction is applied to the development value of the site to reflect the risk the developer is taking on in having to complete land assembly. When valuing the land no consideration can be given to site assembly being undertaken through the use of compulsory purchase powers. The value of the land is to be assessed considering the prospect of the land being assembled in the no scheme world.
- 11.15 The allowance applied is a matter of judgement with the number of interests to acquire to create the necessary access to develop the land, the identity of the other owners, planning policy support and the uplift of development value above that of existing use value all considered and reflected. Assuming that there are only two interests in land (outside of the GLA's freehold ownership) that need to be brought together for access we consider a discount of 15% is warranted. This reduced the development value from £17,185,000 to £14,600,000.
- 11.16 Based on this apportionment, our opinion of the Market Value of both the freehold and leasehold interests in the Property, having due consideration to the Marriage Value created through the unification of the two interests, is detailed below. A full breakdown of the calculation can be found in Appendix C.

Interest	Existing Value	Marriage Value Apportionment	Market Value
GLA	£8,450,000	£1,605,000	£10,055,000
Drum Group Limited	£700,000	£1,605,000	£2,305,000
Oakviking Limited	£635,000	£1,605,000	£2,240,000
TOTAL	£9,785,000		£14,600,000

12 OTHER COMPENSATION PAYMENTS

Loss Payments

- 12.1 Since October 2004, both owners and occupiers of land are eligible to receive statutory loss payments. There are three types of loss payment applicable to those properties to be included in the compulsory purchase order:

Basic Loss Payment – payable to all claimants with an interest in land who have owned the property for a year or more and is calculated as 7.5% of the value of the interest in land (subject to a maximum of £75,000).

Occupiers Loss Payment – payable only to displaced occupiers who have been in occupation of the property for at least 12 months prior to the date of acquisition and is based on either 2.5% of the Market Value of the interest in land or the size of the property/land subject to a minimum of £2,500 and a maximum of £25,000.

Home Loss Payment - payable only to displaced owners or qualifying occupiers who have been in occupation of a residential property for at least 12 months prior to the date of acquisition. The payment is calculated on 10% of the Market Value of the interest in land subject to a minimum of £5,300 and a maximum of £53,000.

- 12.2 The appropriate level of loss payment for each claimant has been included in the PCE.

Injurious Affection and Severance

- 12.3 Based on the land ownership information available we do not consider that any compensation will be payable for injurious affection or severance as in each case the entire interest is proposed to be acquired.

Statutory Interest

- 12.4 Statutory Interest is payable on compensation. It accrues daily on a simple rather than compound basis at a rate of 0.5% below the Bank of England base rate from the date of entry until settlement with the claimant.
- 12.5 The current rate of statutory interest is 0% and therefore no allowance has been made within this PCE for this item. However, as the base rate varies so will the statutory interest rate and therefore this item may be payable by the date of acquisition.

13 COMPENSATION SUMMARY

- 13.1 The table below set out our assessment of the compensation payable to both Drum Group and Oakviking on the basis of a marriage value share of the development value of the site:

	Plot 4 Drum Group	Plot 12 Oakviking
Market Value	£2,305,000	£2,240,000
Injurious Affection / Severance	n/a	n/a
Disturbance / Sec 10A Reinvestment	£140,000	£135,000
Basic Loss Payments	£75,000	£75,000
Occupier's Loss Payment	£25,000	n/a
Professional Fees	£35,000	£35,000
Total	£2,580,000	£2,485,000

- 13.2 As Drum Group is in occupation of their property they are entitled to receive an Occupiers Loss Payment.
- 13.3 As Drum Group would be able to elect to choose the higher of EUV and Disturbance compensation or the Development Value of their land in compensation we have considered the difference between the Development Value of the land and the Existing Use Value:

Basis of Land Value	£
Development Value	2,305,000
Existing Use Value	700,000
Difference	1,605,000

- 13.4 We do not consider that the costs of relocating the business will be in excess of £1,605,000. Even if the business was extinguished, which we would consider an unrealistic proposition given the availability of alternative accommodation (which includes accommodation to rent and purchase) and the duty of the claimant to mitigate their loss, the business would need to be generating profits in the region of £400,000 per year to achieve a higher value. We have not been able to view the Profit and Loss accounts, but have assumed that the profit does not exceed £400,000 per year.
- 13.5 In light of the information available and the expectation that the business would be able to relocate we consider the appropriate basis of compensation will be the development value of the land.
- 13.6 If the GLA did proceed with a CPO the following costs we would recommend the following budget:

Compensation	£5,065,000
Contingency (15%)	£759,750
Costs associated with CPO Process	£300,000
Professional Fees (acquisition)	£60,000
Allow for 1x Tribunal Hearing	£150,000
Total	£6,334,750
Say	£6,350,000

- 13.7 We have not allowed for any SDLT payments as we have assumed that the transactions will be qualify for exemption as the GLA is purchasing the property for the purposes of redevelopment which will be undertaken by a third party.

14 ASSUMPTIONS

- 14.1 We have relied on the tenancy information provided by the GLA and assume that this information is accurate. We have assumed that there are no other third party interests to acquire other than those listed in this report. This is an important factor given the compensation is based on a marriage value calculation. We have assumed that Oakviking will be able to provide vacant possession of their property but have not been able to verify this through a review of the existing lease. Before any offer of compensation is made to either party, the ability of Oakviking to secure vacant possession needs to be reviewed.
- 14.2 We have not undertaken any site surveys or investigations, nor have we reviewed the title of any of the plots. We have assumed that there are no abnormal ground conditions, contamination or archaeological issues which would impact upon the value of the land or property other than the specific allowances made in the development valuation exercise. We have assumed that the various plots do not contain any covenants or encumbrances that would impact the value of the property.
- 14.3 We have assumed that the structure of all of the buildings is sound and free from defect. We have not undertaken any intrusive or non-intrusive surveys and give no advice as to the structural condition of the properties included in this report.
- 14.4 We have not undertaken on-site measurements of the buildings or the extent of the site. We have calculated site areas from digital mapping and building areas from a combination of information obtained from the VOA's records and from digital mapping. We have assumed that these areas are correct.
- 14.5 There has been a level of site assembly undertaken in the past. We have assumed for the purposes of this assessment that these acquisitions cannot be disregarded when considering the land assembly position for the assessment of compensation payable.

15 CONFIDENTIALITY AND THIRD PARTIES

- 15.1 In accordance with our standard practice this Report is intended solely for the use of the instructing client, to whom it is addressed, for the specific purpose to which they refer and no responsibility is accepted to any third party for whole or any part of its content.
- 15.2 Neither the whole nor any part of this Report or any reference thereto may be included in any published document, circular or statement, nor published, reproduced or referred to in any way without our written approval of the form and context in which it may appear.

APPENDIX A: Plans

Location Plan – Charles Street Site, London E16 2BY



Charles Street Site



© UKMap Copyright The GeoInformation Group 2016 Licence No. LANDMLON100003121118. Plotted Scale - 1:1431



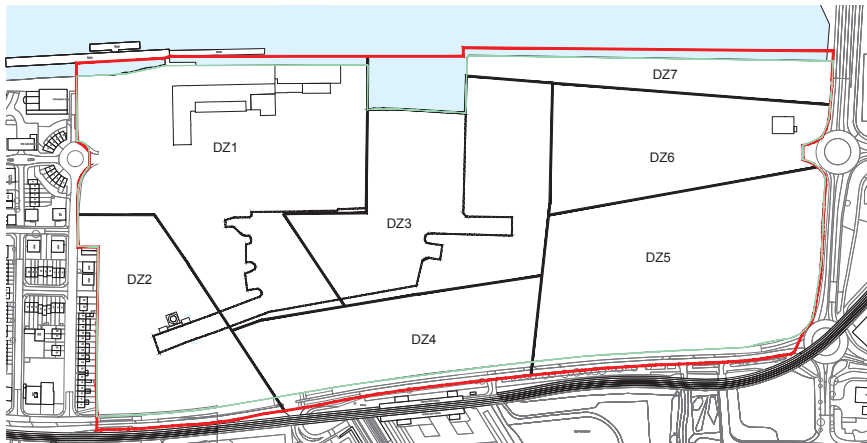
4.106 Ha (10.146 Ac)



5.1 Quantum

For the purposes of the outline planning application, the site has been organised into seven 'development zones'. These are formally defined in Parameter Plan 08. The masterplan does not commit the amount of floor space in specific building plots, but the maximum amount of development (in total and by specific land use) is fixed in each zone. The proposed schedule of accommodation is as follows and is set out in the Development Specification and Framework.

To provide flexibility, the total floor areas for each zone add up to more than the total indicated. This means that the outline planning permission provides important flexibility in the type and amount of floor space that can be delivered across the construction of the scheme. This approach allows the development to respond to demand and the market as the development is built out in order to make the most of opportunities as they arise. For avoidance of doubt, the total approved floor space shall not exceed the permissible amount stated by zone.



Development zones as defined by Parameter Plan 08

Zone Use Class	Brand (excluding retail) <i>Sui Generis</i>	Office B1	Residential	Retail			Hotel C1	Leisure & Cultural D2	Community & Education D1	Infrastructure	Maximum Floorspace Permitted
				Brand A1	Local A1- A5	Food & Drink A3- A5					
1	145,000	29,000	24,000	29,000	3,300	9,000	16,000	1,900		700	213,000
2	0	0	53,000	0		800	0	0	1,900	1,400	56,000
3	45,000	40,000	0	9,000	1,200	3,500	0	16,000		200	102,000
4	32,000	110,000	68,000	6,500	2,700	2,000	0	0	0		130,000
5	0	0	115,000	0	2,800	2,100	0	0			118,000
6	0	0	40,000	0		3,000	0	1,900	5,000	1,500	51,000
7	0	0	0	0	0		0	0	0	0	0
Maximum Floorspace Permitted	222,000	179,000	300,000	44,500	10,000	20,400	16,000	19,800	6,900	3,800	670,000

Schedule of accommodation per development zone. Refer to the Development Specification and Framework

APPENDIX B: Photographs

Appendix B Photographs

The Drum Group Limited 'Plot 4'

Photograph 1 – Entrance and Cabins



Photograph 2 – Yard



Photograph 3 – Yard and Buildings



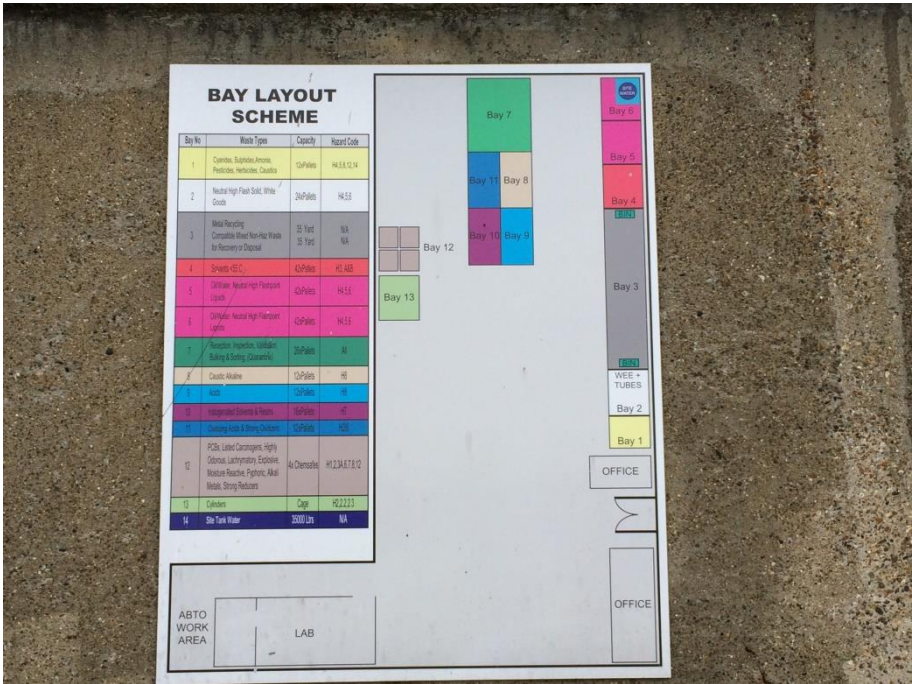
Photograph 4 – Yard & Buildings 2



Photograph 5 – Yard & Buildings 3



Photograph 6 – Site Layout



Oakviking Limited 'Plot 10, 12 & 12A'

Photograph 1 – Yard



Photograph 2 – Yard 2



Photograph 3 – Yard and Buildings



Photograph 4 – Building (Internal) 'Plot 10'



Photograph 5 – Building (Internal) ‘Plot 10’



Photograph 6 – Building (Internal) ‘Plot 12’



APPENDIX C: Valuation Breakdown

GLA Charles Street
Marriage Valuation Breakdown - Draft 28.04.2016

	ac.	£ per acre	Value
Residential Land	29.65	£5,500,000	£163,075,000
Commercial Land	23.48	£1,000,000	£23,480,000
	53.13		£186,555,000
Less			
Allowance for planning risk	0%		£0
Building Demolition			£3,000,000
Asbestos Removal and Remediatin of Site			68,000,000
Dock Wall Repairs			£10,500,000
Bridge across Dock			16,000,000
Sub Total			£97,500,000
Balance			£89,055,000
Say			£90,000,000
Overall No. of acres			53.13
£ per acre			£1,693,958
Charles Street Area (ac)			10.15
Charles Street Area Land Value			£17,186,900
Say			£17,185,000
Land Assembly Risk Adjustment			15%
Adjusted Development Value			£14,607,250
Say			£14,600,000

Site	Market Value (excl. Marriage)	Size (ac.)	£ per ac.
GLA	£8,450,000	8.646	£977,331
Drum Group	£700,000	1.29	£542,636
Oak Viking	£635,000	0.210	£3,023,810

Marriage Value Calculation - Option 1 - Share of Marriage Value

GLA	£8,450,000
Drum Group	£700,000
Oak Viking	£635,000
Combined Independent Value	£9,785,000
Marriage Value	£14,600,000
Divisible Balance	£4,815,000

Apportionment	33%	
33:33:33 Split	£1,605,000	
		uplift from independent site value
GLA Marriage Value Apportionment	£10,055,000	19%
Drum Marriage Value Apportionment	£2,305,000	229%
Oak Viking	£2,240,000	253%
Total	£14,600,000	