Lewisham Housing Zone
New Bermondsey Scheme

Scheme Acceleration Commentary

Confidential

PREPARED FOR

GLA

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Table of Contents

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1. Introduction

1.1 Purpose of Report

The Greater London Authority (GLA) is considering potential Housing Zone (HZ) grant funding to help deliver key rail infrastructure as part of the New Bermondsey Scheme in Lewisham (the Scheme). £10 million HZ funding in the form of a grant has been requested by London Borough of Lewisham (LBL) on behalf of the developer, Renewal Group Limited (Renewal). This funding will be used to pay for the delivery of a new Overground rail station, to be called Surrey Canal Road. Scheme commencement is directly linked by a Section 106 Agreement (dated 30 March 2012 - the "S106") requirement for this new station.

Lambert Smith Hampton (LSH) has previously undertaken an assessment of the Housing Zone application for this intervention on behalf of the GLA. The GLA requires Cushman & Wakefield (C&W) to undertake a further review of the proposed intervention and has requested that we focus our review specifically on whether accelerated housing delivery within the Scheme can expect to be realised earlier than the timescales envisaged under the S106 agreement

1.2 Scheme Background

In March 2012 outline planning consent was granted for the Scheme. This was for a mixed use scheme of 2,400 new homes that would support 2,000+ new jobs and one of London's largest new indoor sports centres for community use to have been built in the last 50 years. The development site (also known as the Surrey Canal Triangle) comprises land surrounding Millwall Football Club's stadium and a site to the south of Surrey Canal Road. We understand that the development will be developed in seven phases, with the residential element of the scheme delivered in five phases.

We understand it is envisaged that the lead developer, Renewal, will adopt the role of Master Developer, procuring the delivery of key aspects of the project (including infrastructure, transport interchange, community sports facility), whilst at the same time working together with development partners (to be determined) who will build out both private and commercial elements of the scheme. The commercial elements, once delivered, will be handed back to Renewal at nil cost to hold as an investment.

The role of the Master Developer (played by Renewal) is key to ensuring coordinated site wide estate management, comprehensive approach to key site delivery, de-risking elements of delivery which ensuring high quality design and place-making.

The proposed scheme includes the construction of a new rail station at Surrey Canal Road. This is on the recently re-opened London Overground Line branch that connects Islington and Whitechapel in north London with Clapham Junction. The current frequency of trains is every 15 minutes equating to 4 per hour.

As part of the original S106 agreement, the developer Renewal was required to indirectly deliver the new station through investment of £10 million to be paid to TfL who will commission the delivery of the new station. The £10m includes the cost of constructing and opening the station plus a 40% contingency (we understand this cost may have subsequently risen above this). The £10m was based on a quote provided by TfL who indicated a 24 month build programme.

The HZ funding ask for the new station is £10 million, therefore equating to 100% of the capital cost required under the S106.

There are also proposals to deliver a new transport interchange which the developer is required to deliver in Phase 2. The transport interchange will deliver two new bus routes, improvements to surrounding railway arches and underpasses, link the two rail stations on site and connections to the wider area with new walking and cycling routes. The £12,142,000 cost for the transport interchange is also a requirement in the S106 and forms part of discussions for another HZ funding application. However the interchange infrastructure package is not part of the analysis in this report, though there are likely to be similar supporting arguments which apply.

1.3 Initial HZ Funding Assessment

The scheme funding request for the New Bermondsey scheme was originally reviewed by LSH who we understand first reported its findings to the GLA in July 2015, with an updated report delivered in March 2016. The GLA is content with LSH's review of the property analysis behind the applicant's key value, cost and other development assumptions. However, the GLA has requested that C&W undertake a further separate review into the rationale behind the developer's claim that residential unit delivery in the scheme will be accelerated directly as a result of the GLA's HZ funding of the new station.

1.4 Overview of HZ Funding Rationale

Based on the information provided, we understand that the case for HZ funding made by Renewal and LBL is that a new Overground station will accelerate housing delivery in two ways:

- Delivery of the first 532 housing units within phases Phase 1A and Phase 2 will be accelerated by 2 years (i.e. the start date of initial ***unit delivery is brought forward***); and
- The overall development delivery timescale is reduced from over 11 years to circa 8 years (i.e. ***unit delivery timescales are compressed***).

Based on the total number of consented residential units of 2,400, the baseline forecast total development programme of 11 years equates to an average housing completion rate of nearly 220 units per year. Assuming delivery of the whole scheme within 8 years, this would equate to an average housing completion rate of 300 units per year. This includes affordable housing which we understand from the S106 agreement is set at 12% of total residential units.

Notwithstanding the requirement to make the payment for the new station prior to development commencement, C&W has not been provided with any evidence or detailed explanation to underpin the applicant's assumption that the first phase will start 2 years earlier and that the total scheme will be delivered 3 years earlier than the baseline forecast (from 11 years to 8 years). In the absence of this, C&W has sought to:

i. Comment on the likelihood of successfully accelerating scheme commencement given funding, CPO and other risks[1]

ii. Qualitatively analyse how the delivery of new railway station infrastructure can accelerate housing delivery and compress delivery timescales

iii. Comment on the likelihood of the new Overground station at New Bermondsey in general accelerating housing delivery

[1] Timescale for making £10 million payment to deliver new Overground station in a non-HZ funding scenario not disclosed to C&W.

1.5 Supporting Information Provided

In reviewing the Lewisham Housing Zone funding application for New Bermondsey C&W has had regard to the following documents provided by the GLA:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- New Bermondsey Section 106 Agreement dated 30 March 2012 (full copy)
- New Bermondsey Section 106 Agreement dated 30 March 2012: Copy of Schedule 2: Public Transport pages 52 to 58.

1.6 Qualifications and Assumptions

C&W's review has focused exclusively on the extent to which the new infrastructure that is to be delivered by the HZ funding might be expected to accelerate housing delivery. There are a number of areas which C&W has not reviewed but which may have a bearing on the case for how HZ funding consequently accelerates the delivery of new housing within the Lewisham HZ. These are:

- Future value growth within the New Bermondsey scheme resulting from the delivery of the proposed new infrastructure. C&W has assumed that this issue has been considered and analysed by LSH as part of their original assessment of the Lewisham HZ funding application
- Compulsory purchase order (CPO) for 28 outstanding third party land ownerships required to deliver part or the whole of the scheme
- The financial structure for the payment of HZ funding to LB Lewisham towards the identified infrastructure
- Any implications resulting from the HZ funding being a £10m grant rather than a £10m repayable loan, and the rationale behind this
- The overall level of density within the New Bermondsey Scheme. We have assumed that the proposed package of new transport infrastructure improvements is already factored in, therefore there is no uplift in density from the levels in the outline planning consent (though we recognise there is nothing to prevent the Developer making an application(s) to increase the density of the scheme in the future)
- The financial viability of the scheme and the developer's funding arrangements (ability to source debt / availability of equity)
- A cost assessment of the infrastructure proposals for a new Overground station at Surrey Canal Road.

2. Accelerating Scheme Commencement

This section considers the first argument for the funding case – that the HZ funding for the station would accelerate the start of the scheme.

2.1 Scheme Commencement Linked to Delivery of New Overground Station

A key requirement of the S106 is that a payment of £10 million is made to Transport for London (TfL) (via LBL) for the delivery of a new Overground station to be called Surrey Canal Road. The payment must be made at 'Commencement of Development'. Based on our interpretation of the S106 provisions, construction of the first phase of the New Bermondsey scheme cannot start until the £10 million payment for the Overground station has taken place.

An overview of the key S106 provisions and sequencing for making the payment and delivering the station is as follows:

- **Day 1**: The developer pays the £10 million (the 'New Station Contribution') to LBL
- **Day 4**: LBL shall pay the New Station Contribution to TfL.
- **Day 5**: TfL procures the construction of the new station to no less than that identified in the GRIP 4 stage.
- **Within 24 months of Day 5**: The Surrey Canal Road Overground station is completed and open for passenger services.

A key document guiding the delivery of the new Overground station will be the Transport Interchange Delivery Agreement between Renewal, LBL and TfL. This sets out:

- The agreed specification for the transport interchange works, including works regarding highways, buses, pedestrian and cycle routes and improvements to surrounding underpasses and railway arches;
- Milestones for the transport interchange delivery;
- Agreed costs, including an amount for contingency, for the transport interchange;
- Information relating to the submission of planning applications for the transport interchange works.

We understand that passive provision for the station has already been undertaken and paid for by the Developer and LBL. Detailed design work is ready to commence as soon as funds can be drawn down from the developer.

The key observation from the above is that the £10m S106 requirement is key to the timing of the start of housing unit delivery, as development cannot take place until that payment has been made. There is therefore no baseline 'without station' scenario for the New Bermondsey scheme to be assessed against in order to demonstrate 'acceleration'.

The definitive question here is therefore when would the Developer pay the £10m S106 sum to kick-start the development without HZ funding?[2] This would be funded either from alternative sources (e.g. bank debt), the Developer's own equity reserves or a mixture of the two. The availability of this funding would, not exclusively but to a significant degree, be contingent on an assessment of scheme viability. C&W has not been instructed to review the scheme viability. However, if the quantum and timing of the

[2] Timescale for making £10 million payment to deliver new Overground station in a non-HZ funding scenario not disclosed to C&W.

£10m S106 obligation is such that it renders the scheme unviable (or viable but still unattractive to a developer) in the current market then, all other things being equal, the release of that burden through the HZ funding can likely be said to be a strong catalyst that would reasonably be expected to accelerate the commencement of the scheme (assuming that the scheme is still not unviable even after the HZ funding).

2.2 Compulsory Purchase of Sites

The New Bermondsey scheme is located on a strategic site which is identified within LBL's adopted planning policy. Its re-development is a key regeneration priority and central to the success of the Council's Core Strategy. Whilst Renewal has assembled the majority of the land required for the project (we understand alongside the Council), it has not been able to reach agreement with the owners of a number of land interests required for the project to proceed[3] and/or the outline planning consent fully realised.

The prospective CPO will enable the acquisition of the remaining 28 land interests required in order to ensure this important scheme can be delivered. On 7 September 2016, the Council's Mayor and Cabinet decided that a CPO should be made. The CPO will not take effect unless it is confirmed by the Secretary of State for Communities and Local Government (SoS). After the CPO is made it will be submitted to the SoS with a request that it is confirmed. There will be a process enabling representations by those affected and others with a public inquiry taking place to consider objections before the SoS makes his decision[4].

C&W understands that as of 20 September 2016 LBL's Business Scrutiny Committee ordered a review of the decision by the Council's Cabinet to approve the making of the CPO. At the time of this report the likelihood and timescales for the CPO progressing are unclear[5] however it is clear that the issue of whether the CPO will be progressed is at a critical stage.

The CPO has a key bearing on the quantum and rate at which housing can be delivered (and hence started & accelerated) on the New Bermondsey site, against the outline planning consent. It consequently represents a major risk to accelerating housing delivery against the originally envisaged timescales, regardless of the £10m S106 payment.

2.3 Summary

[redacted].

C&W considers that there might be a justification to assert that the HZ funding would improve scheme viability, which in turn could be a basis for expecting the scheme commencement to be accelerated. However, this would require a detailed understanding of the scheme viability and the developer's business plan (including confirmation that it is committed to building out the scheme) that is outside the scope of C&W's current instruction. Notwithstanding the improved viability that would be expected from the HZ funding, there remain other significant project risks such as the need for a CPO and detailed

[3] https://www.lewisham.gov.uk/inmyarea/regeneration/deptford/north-deptford/Pages/New-Bermondsey-questions-and-answers.aspx
[4] https://www.lewisham.gov.uk/inmyarea/regeneration/deptford/north-deptford/Pages/New-Bermondsey-questions-and-answers.aspx
[5] http://www.southwarknews.co.uk/news/lewisham-council-cabinet-vote-millwall-cpo-watchdog-vote/

planning which could delay the scheme and therefore potentially nullify any benefit from funding the upfront S106 payment.

With this in mind, the remainder of this report examines the second argument on accelerating delivery. This is that the overall scheme delivery timescales would be compressed by the provision of the station through increased market take-up. For this, we have assumed that the CPO will be made and the S106 paid as anticipated in the outline planning application.

3. Compressing Delivery Timescales

This section considers the second aspect of the funding case – that the HZ funding for the station would lead to a compression of the overall scheme delivery timescales. To do this, C&W has reviewed other transport infrastructure projects to understand how these have contributed to a step change in housing delivery, and to what extent a similar outcome is likely at New Bermondsey.

One of our key reference projects is Kensal Gas Works which has similarities with New Bermondsey / Lewisham HZ due to its strategic size, present industrial nature and stage of redevelopment, significant emerging residential-led development proposals and likely arrival of a new train station.

3.1 Densities and Build Out Rates

London Wide Identified as Part of C&W Kensal Gas Works Development Study

C&W were commissioned by the Royal Borough of Kensington & Chelsea (RBKC) to analyse a range of different development scenarios in the Kensal Opportunity Area, in particular the land known as the North Pole Depot. The purpose of the analysis was ultimately to provide an evidence base to support RBKC's ongoing efforts to secure a Kensal Portobello Crossrail station, and to demonstrate to Transport for London (TfL) that a Crossrail station in this location is beneficial for both the borough and the surrounding authorities.

C&W's experience in our research for Kensal Gas Works is that build out rates have been typically accelerated by the introduction of significant transport infrastructure improvements such as Crossrail.

This has been observed at locations in close proximity to secured Crossrail stations and developers have been attracted by the reduced risk of lower demand for the units at less accessible or connected sites, and the developer's concern of 'flooding' the market is significantly reduced.

C&W also considers that this perception among developers goes beyond accessibility / connectivity and is related to the perceptions on the influence and strength of significance of Crossrail (and by extension other significant infrastructure upgrades) in terms of its value and demand impact. The paragraphs below provide further analysis into developer perceptions and responses to transport infrastructure investment.

At Kensal Gas Works C&W noted the potential impacts of Crossrail on densities come in two ways. Firstly, there is the impact in planning policy terms through the improvement of the PTAL score (and therefore densities) but also secondly an impact in terms of the 'regeneration effect' and how developers may respond to the impetus provided.

Disaggregating these impacts is difficult, particularly in strongly performing residential areas of London. It is typically difficult to evidence a cap on densities from anything other than planning policy in the current market (and indeed, for a reasonably long period). However, transport improvement provides a real impact in relation to increases in demand (and changes in the type of units demanded) and the developer's perception of this.

This serves to stimulate developer and investor confidence, and consequently allows for a greater number of units to be delivered simultaneously. Ultimately, most housing developers rely on 'return on capital' as a key measure of viability and therefore wish to build, sell and exit a scheme and realise their profit as quickly as possible. Hence a reduction in the perceived risk that units will not sell, will encourage faster delivery.

Other Major Development Schemes

C&W has reviewed a number of regeneration areas within London and major residential-led development sites.

Notable projects and areas experiencing major transport upgrades include:

- Woolwich; C&W considers that this provides the best example of an area of major brownfield land which has seen a large number of residential schemes since it gained a Crossrail station. Whilst many emerging schemes in Woolwich achieve densities of circa 230 units per hectare (u/ha), there are developments achieving up to circa 480 u/ha in close proximity to the new Crossrail station, such as The Warren, Royal Arsenal and Armourer's Way, Arsenal Way. It is unlikely that this level of density would be achievable without the arrival of Crossrail.
- Vauxhall Nine Elms Battersea (VNEB); the agreed location for a Northern Line Extension (NLE), this area is subject to a large number of residential-led regeneration schemes on large tracts of brownfield land. Prince of Wales Drive, a 830 unit residential scheme by St William given consent in May 2015, will achieve 400 u/ha when delivered, benefiting hugely from the new NLE station at Battersea Park due to open in 2020.
- Kidbrooke Village; Berkeley Homes has funded and delivered a new station facility (albeit, with no significant alteration in the service as we understand it). These works have helped the area to be 'repositioned' by the developer and, although in an area less attractive to developers than say VNEB, Berkeley Homes is delivering a reasonably dense scheme within a short timeframe.

3.2 Property Values

There is a large body of research which shows the strong relationship, and often significant impact, of major new infrastructure on property values and development viability. Rail investments such as Crossrail result in much improved levels of accessibility, which drives demand for development around rail stations and alters the type of development undertaken. This provides the opportunity for market values and development activity increase. Key points from the various studies points to:

- Increased connectivity enables high density development and is a key factor in supporting the viability of retail and office uses.
- The Kensal Study identified that there is a premium for retail and commercial space within the immediate proximity of a transport node of up to 400 metres.
- Residential property increases in value due to improvements in rail infrastructure up to a range of 1,000 metres. However, it can sometimes be detrimental to locate residential uses within immediate proximity to a transport node if not properly master planned.

  Previous research by Savills into the time and cost savings of commuter rail in the South East suggests that every 60 seconds saved in commute times will add £1,300 to apartments (circa £2,000 for detached housing).
- While there may be additional benefits in terms of increases in property and land values, these are to some extent dependent on other factors being present in the local economy, including supportive local economic conditions relating to the labour and property markets, a supportive political environment that is conducive to inward investment and the availability of both private and public funds for investment.
- The London Assembly heard in July 2015 that transport schemes should drive regeneration using the example of the Bakerloo Line Extension (Estates Gazette, 2015).

- The East London Line Extension (ELLX) (Overground) is thought to have so far led to a 15% uplift in values since opening.
- The French experience with regard to regeneration indicates that there is a window of opportunity stretching from about three years prior to a new service launch for approximately four years after opening, during which the major benefits can be expected to arise (Greengauge 21). Beyond that period, the newly enhanced services become 'taken for granted'. Rail Infrastructure upgrades enabled greater densities; areas with the benefit of high speed rail grew quicker and exhibited more resilient local office, retail and residential markets.

This research suggests that infrastructure improvements have a positive impact on the value of land and property; unsurprisingly this is particularly prominent where a suburb with poor connectivity is opened up and linked to an area of high economic activity.

Crossrail Studies

Various Crossrail studies have also identified a direct correlation between transport infrastructure and values – aiding the viability of projects and reducing the risk to the developer. Key points from these studies are set out below:

- The GVA Crossrail Property Impact Study (October 2012) suggests a potential capital value uplift of around 20% - 25% for residential and 10% for commercial values immediately around Crossrail stations. It forecast that for every 250m distance from the Station entrance, there would be a decrease in price or impact of 1.9% of this additional property value increase.
- Knight Frank's 2015 report[6] found the overall price performance to be generally stronger around central stations. The research showed average property prices within a 10-15 minute walk from new Crossrail stations had already outperformed prices in the wider area by some 5% (averaged over each station). Residential property prices within a 10 minute walk of the central stations had risen, on average, by 57% since July 2008 compared to 43% growth in the Prime Central London market over the same period, according to Knight Frank's own index.
- Knight Frank's research also identified that outside the central zone price growth has lagged, with opportunity for further price uplifts particularly where large scale regeneration and development is underway such as Woolwich and Southall. In Woolwich, a comparable South East London to New Bermondsey, analysis showed that average residential prices have risen by 25% around Woolwich station since 2008. However, Knight Frank expect this trend to change once the extensive new development around the station is completed. There are currently circa 200 new residential units under construction within a 15 minute walk of the new Woolwich station, and planning has been approved for 2,700 more, with 400 being built directly above the new station.
- JLL forecast that the price of homes near stations along the Crossrail 1 route will increase by up to 57% between 2013 and 2018.
- Groundsure's recently published 2015 study, based on land registry data, found that the most significant price increases have been around Crossrail stations at less central locations between 2013 and 2015.
- Recent research undertaken by Hamptons International has discovered a stark rise in property transactions in close proximity to Crossrail stations. Transactions within 500m of future Crossrail

6 Knight Frank Residential Research: Crossrail – Analysing Property Market Performance from Reading to Shenfield, 2015

stations grew by 23% in 2013 and by 21% within a mile, significantly exceeding the London forecasting average of 13% for 2013.

Based on the points above, and recognising that it is not within the scope of this report to build a specific econometric model, C&W considers that it is reasonable to contend that a new Overground station at Surrey Canal Road would lead to residential value uplift over and above that achieved by the wider South London market (or without the station).

Forecasting the level of growth that can be expected from the new station is difficult, and not within the scope of this report. However, the above findings point to the potential for substantial price growth in the immediate area, which is currently more characterised by industrial uses rather than residential. The likelihood of new transport infrastructure driving additional value is significant. As already mentioned, this both gives developer's the confidence to deliver development at greater pace and quantity, and also provides additional incentive (and hence developer competition) through the likelihood of realising greater profits from the increase in achievable prices.

3.3 Combining Rail Infrastructure Upgrades with Place Improvement

A further relevant point is the link between infrastructure upgrades and the place improvement that the development at New Bermondsey is likely to bring.

Savills[7] have undertaken research around the newly upgraded Crossrail stations at Manor Park, Ilford, Seven Kings, Goodmayes and Chadwell Heath (the north east tranche). Although values may lag behind the other Crossrail borough averages, greater value uplift could be delivered in these areas where the station upgrade is combined with place improvement. This notion is likely to be applicable to Lewisham HZ – that both rail upgrades and significant public realm and place improvement (through the new development) will create value uplift and increase demand from purchasers, and in turn the willingness of developers to build more units concurrently.

Where development has already occurred, new build schemes have achieved a significant premium to existing stock, but one that can be supported by the new travel time and the place improvement brought about by large-scale regeneration. Plans to extend the Bakerloo line to Hayes in 2030 with stations at New Cross, Lewisham town centre and Catford, if approved, will open up the Lewisham HZ area and South East London further.

3.4 Section 106 'Smoothing'

C&W reviewed the Ealing Housing Zone funding request made by LB Ealing on behalf of the developer on the Southall Gasworks scheme, St James. One of the key arguments made for the funding towards a new wider vehicle bridge (South Road Bridge) to significantly improve access to the site, was that it would speed up the delivery of new housing units.

The funding was anticipated to result in the following benefits specific to the St James' scheme:

1. St James will deliver 186 affordable housing units forward for delivery in Q4 2018 as opposed to Q4 2021.
2. The bringing forward of the infrastructure upgrade is likely to improve the speed of housing delivery over the whole scheme
3. St James will move forward its existing obligation (from the S106 agreement) to deliver a gas main diversion by the 2,500th unit, in circa 2030; this will now be undertaken at the same time as the bridge works. Perhaps most importantly, it reduces the risk of housing delivery being

[7] Boosting London's Housing Numbers (2014)

halted by the Grampian[8] condition in relation to the 2,500th unit. Whilst the works would be due at that point, the difficult of getting possession of the track to do the work will likely make the execution of the improvements much more difficult than if it is undertaken now.

3.5 Analysis and Summary

The Developer (and developers of future schemes in close proximity) will likely respond to changes in the area's accessibility through altering the rate of build out of the scheme in response to the maximum density they can achieve given planning regulations (assuming stable market conditions).

C&W have (for other clients) modelled a number of scenarios on major regeneration schemes in and around London and would typically anticipate private market sale units (with a single sales 'output') to be in the region of 125-175 per annum. This rate of sale takes into consideration the likely increased revenue at the beginning of the sales period received from off plan sales once construction is complete.

To give some context, in the South East (out of London), on standard suburban sites, a house builder at full capacity would typically construct circa 50 units on any one site in any year (at the top end of historic build out rates) and if delivering a major development of a new/ extended urban area, up to 4/5 different house builder 'brands' could be involved in a scheme to mean private unit delivery of around 200 units per annum (pa). Note that affordable units would be on top of these figures.

This figure of 200 units pa is likely to vary +/- 25% depending on the market. At this level we would likely expect the site to be split up so that marketing is pitched at a range of markets (with different product finishes and different designs). To achieve a strong build out rate, you would need a mix of developers with complementary (i.e. not the same or directly competing) business models. Some, typically low margin, developers are driven by building out high volumes of units quickly in order to maximise returns and minimise risk; other developers seek higher margins and look to restrict sales rates to maximise residential sales values.

[redacted]

However, the market within London and current imbalance between supply and demand is such that potential sales rates are considerably stronger than other locations of major new housing provision. We consider that subject to physical constraints, up to four different house building brands could be brought forward on the site if multiple phases were to be brought forward at the same time. This would not mean multiplying the typical sales rate per house builder highlighted above (125-175 per annum) by four; although the brands would typically target different segments of the market, the sales rate achieved would likely be diluted by the sheer quantum of units.

On balance, we consider that an annual average rate of 200 private units pa for multiple developer brands (say 3/4) is a reasonable assumption for an intensively managed regeneration scheme.

[8] A "Grampian condition" is a planning condition attached to a decision notice that prevents the start of a development until off-site works have been completed on land not controlled by the applicant.

4. Key Findings & Conclusions

4.1. Overall Conclusions

1. What is the likelihood of the HZ funding successfully accelerating the scheme start?

The delivery of the station and realisation of its benefits are triggered by the S106 payment of the £10million to TfL. C&W has not been provided with the timescales for making the station payment in a 'no HZ funding' scenario, nor with the developer's business plan for the scheme (including confirmation that it is committed to building out the scheme). We cannot therefore comment conclusively on the relative degree of to which the HZ funding for building the station will result in housing start and delivery being accelerated.

Although we have not been able to model the specific impacts, C&W considers that it is reasonable to expect that HZ funding would improve scheme viability, which in turn could mean that the scheme commencement is accelerated. If the quantum and timing of the £10m S106 obligation is such that it renders the scheme unviable (or viable but still unattractive to a developer) in the current market then, all other things being equal, the release of that burden through the HZ funding can likely be said to be a strong catalyst that would reasonably be expected to accelerate the commencement of the scheme (assuming that the scheme is still not unviable even after the HZ funding).

Notwithstanding the improved viability that would be expected from the HZ funding, there remain other significant project risks such as the need for a CPO and detailed planning which could delay the scheme and therefore potentially nullify any benefit from funding the upfront S106 payment.

We would require further information from the applicant on its 'non HZ funding' scenario in order to undertake any further assessment of the relative impact on start dates.

2. How does the delivery of new rail station infrastructure accelerate / compress delivery timescales?

From experience on other relevant sites and the various studies discussed above, C&W has identified that the construction of new infrastructure such as rail stations typically lead to:

- Shorter travel times which is a key consideration for commuters and visitors – who wish to access employment opportunities and amenities in Central London and other key town centres – in determining where to live.
- Greater densities through an improvement in PTAL scores. This enables the delivery of more units and aids the creation of a 'regeneration' or 'place-making' effect'.
- Increased accessibility which supports other non-residential uses (such as retail and commercial space) through increased footfall and access to employment and amenities for those outside the area.

From an occupier, resident and visitor perspective, new rail station infrastructure can result in:

- More willingness to pay a premium for new residential and employment space as a result of greater accessibility and commute times
- Increases in residential buyer and occupier leasing demand against other competing locations
- Increased accessibility and residential units in the area supporting commercial and retail uses, aiding place-making.

This in turn can lead developers to:

- Achieve a higher density of development making the development return more attractive. As well as development value, this also generates S106 and CIL income to be spent on key infrastructure upgrades (transport and social) in proximity to the development.
- Experience improved marketability of developments to residents and occupiers. This leads to uplifts in values and increased development viability, and an incentive to deliver the optimum housing quantum.
- Take a lower perception / assessment of development risk
- Through the above, gain increased confidence to accelerate build out rates as identified in Crossrail studies. This confidence, shaped by the above factors, is probably the biggest reason for a developer increasing the pace of housing delivery.

It is worth noting that for rail infrastructure projects such as Crossrail, the improved perception among developers goes beyond accessibility / connectivity, and is related to the perceptions on the influence and strength of significance in terms of value and demand impact.

3. Does the experience seen elsewhere mean that the new station at New Bermondsey will result in faster delivery rates?

As discussed in previous sections, there is qualitative evidence from similar rail infrastructure projects that supports an argument that the new station itself could accelerate the delivery rate of new housing at New Bermondsey for the reasons outlined above. However, the extent of this is very difficult to quantify and is subject to the following key considerations:

- The extent to which the assumed density of the outline planning consent for the New Bermondsey scheme already factors in the new proposed station and other public transport upgrades proposed (which is unclear from the information provided).
- [redacted].
- HZ funding could improve the cashflow position of the developer enabling them to deliver more development at any one time. However we understand that direct delivery of the development is likely to be done by third party developers, therefore it is unclear whether this type of benefit would be realised.

Overall, we would therefore expect that the HZ funding would support the acceleration of housing delivery. The increased pace of delivery that would be required to accelerate the scheme from the baseline assumption of 11 years to an accelerated assumption of 8 years is at the very upper end of a reasonable range.

[redacted]