



**AFFORDABLE HOUSING AND  
VIABILITY REPORT**

**BREAM STREET**

**LONDON AND QUADRANT**

**June 2015**

**Our Ref: Q50505**



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## **CONFIDENTIALITY**

**The information contained in this report, appendices, wider evidence base including the viability appraisal is provided on a strictly confidential basis due to the commercially sensitive nature of its content and should not be made available to any other party without prior agreement from the Applicant.**

**Therefore, on the basis that the information within this report is provided in confidence and contains commercially sensitive information, it should be afforded exemption from any disclosure pursuant to the Freedom of Information Act 2000 ("FOIA") and the Environmental Information Regulations 2004 ("EIR"), including but not limited to the exemptions in Sections 41 and 43 of FOIA and Regulations 12(5) (e) and (f) of EIR.**



## 1 INTRODUCTION

- 1.1 This Affordable Housing and Viability Statement (“AHVS”) has been prepared in support of the application for planning permission and conservation area consent submitted to the London Legacy Development Corporation (LLDC) on behalf of the London & Quadrant Housing Trust (‘The Applicant’) in respect of a site at Bream Street, Fish Island (‘the Application Site’).
- 1.2 In accordance with national, regional and local planning policy, this document outlines the approach taken by the Applicant in determining the appropriate affordable housing outcome for the proposed scheme evidencing that the proposed affordable housing offer is the maximum reasonable level deliverable on this development. It explains the proposed affordable housing, describing the amount, tenure, type, location and timing of delivery. It also provides a basis for the potential costs and benefits of on-site provision of affordable housing to be considered against wider priorities and objectives pertinent to this site.
- 1.3 The proposed affordable housing offer has been informed by the financial viability assessment, which forms a sound basis on which to test scheme viability and enables the Authority to determine the application in the confidence that the contribution to affordable housing represents the maximum reasonable in accordance with planning policy.
- 1.4 This AHVS should be read and considered alongside a number of other documents, including but not limited to, the Planning Statement and Design and Access Statement.
- 1.5 This AHVS is structured to provide:
- An introduction to the existing application site (Section 2)
  - An overview of relevant national, regional and local planning policy; (Section 3)
  - An overview of the affordable housing offer and the approach to affordable housing delivery; (Section 4)
  - The approach to the financial assessment; (Section 5), and
  - The findings of the financial appraisal and conclusion; (Section 6).

## 2 APPLICATION OVERVIEW

### a) The Application Site

- 2.1 The application site (the 'Site') is located within the Fish Island in the London Borough of Tower Hamlets and extends to 0.85ha in size. It is bound by Stour Road to the north-west, Bream Street to the west, Dace Road to the south and the River Lee Navigation (Hackney Cut) to the East.



Figure 2.1 – Outline of Site

- 2.2 The existing site comprises a building on the southern part that is occupied by Aston Matthews (a bathroom retailer). The Aston Matthew's building is approximately 1,700 sq. m. GIA in area and includes showroom, office and storage space. A scaffolding company also operates from part of the site and comprises porta-cabins and open areas of storage. The remainder of the site is vacant.
- 2.3 The site is designated as an opportunity site (Site 4) within the Fish Island Area Action Plan (Former Warehouses Bream Street (0.7 HA)) for mixed used development including employment, residential, affordable housing and galleries to come forward in a comprehensive manner. It is also



allocated (SA1.4: Bream Street) within the emerging LLDC Local Plan, for mixed- use development including employment, residential, creative and cultural uses.

**b) Development Proposal**

2.4 The development proposals are set out in detail in the Planning Statement and supporting planning documents.

2.5 The proposed development ('Proposed Development') seeks planning permission for:

*“Demolition of existing building, existing structures, removal of existing trees and associated site clearance to enable a mixed use development of 7 buildings and basement to provide up to 24,989m<sup>2</sup> of floorspace (GIA) comprising employment (Use Classes B1 – B8), residential (Use Class C3) (up to 204 units), retail (Use Classes A1 and A3) and exhibition/leisure uses (Use Class D1/D2), parking and servicing space, hard and soft landscaping, public realm, creation of new vehicular access and other associated works.”*

2.6 The Proposed Development includes demolition of the existing building and structures and erection of 7 buildings up to 6/7 storeys. A total of 204 residential units are proposed, located across Blocks A, B, C, D and F. The Proposed Development includes the provision of 2, 491 sq m / 26,807 sq ft (GIA) of non-residential floorspace, including Use Classes A1-A3, B1- B8, D1 and D2. A total of 41 car parking spaces are proposed, located in a single level basement. The Proposed Development also includes new public realm improvements to the Canal side and a public passageway. The following table provides a breakdown of the different uses proposed:

**Table 2.1 – Residential and Commercial Area Schedule**

Proposed Use	GIA (sq. ft)	NIA (sq. ft)
Residential (Blocks A, B, C, D & F)	200,746	154,806
Block A – B, D1 or D2 Use	269	269
Block D – A1-A3 Use, B Use, D1 or D2 Use	7,007	7,007
Block E – B Use	18,196	12,303
Block G – A1 Use, D1 or D2 use	1,335	1,335
<b>TOTAL</b>	<b>227,553*</b>	<b>175,720*</b>

\*excluding the basement and residential facilities areas.





2.7 Based on the Application Site area (c. 0.6 hectares), the Proposed Development provides homes at a density of 262 units per hectare and 754 habitable rooms per hectare (c. 588 habitable rooms are proposed). The Proposed Development makes a significant contribution to the local supply of housing through the net addition of 204 residential units. It is proposed that 40 units (128 habitable rooms) are provided as affordable housing representing 20% on a unit and habitable room basis.

c) **Housing Mix**

2.8 The proposed residential accommodation on site will comprise a mix of dwelling types to include one bedroom, two and three bedroom apartments. The total provision is set out in the following table:

**Table 2.2 – Proposed Housing Mix**

	Affordable Rent	% Mix	Intermediate	% Mix	Private	% Mix	Total	% Mix
1 Bed	0	0%	11	79%	57	35%	68	33%
2 Bed	7	27%	3	21%	82	50%	92	45%
3 Bed	19	73%	0	0%	25	15%	44	22%
<b>Total</b>	<b>26</b>	<b>100%</b>	<b>14</b>	<b>100%</b>	<b>164</b>	<b>100%</b>	<b>204</b>	<b>100%</b>

2.9 The Proposed Development has sought to optimise the provision of family-sized affordable rented units providing 73% of all the affordable rented units as 3 bedroom units in recognition of the Council's priority housing needs. The proposed site wide mix is supported by latest census data, the 2013 LLDC Housing Needs Report, Tower Hamlet's Strategic Housing Market Assessment carried out in 2009 and viability, as outlined in this report. The Applicant has sought to respond to the identified high requirement for family-sized affordable rented units. It is therefore the optimum mix to be delivered on this site and has been carefully considered in light of the housing requirements for the area.



**d) Design and Specification**

- 2.10 The residential units will be designed to a high quality. All units will comply with the London Housing Design minimum space standards and floor to ceiling heights. All units will meet Lifetime Homes standards and generally ensure high levels of inclusive access.
- 2.11 The Proposed Development also includes 21 units that are designed as wheelchair accessible or easily adapted, equating to 10% of the total number of homes proposed. The wheelchair accessible or adaptable homes comprise a range of market housing and affordable homes, spread across the development. A total of 3 affordable rented wheelchair accessible or easily adaptable homes are proposed, all of which comprise of 3 bedroom 5 person homes (located in Block A), reflecting the Council's priority wheelchair housing needs as evidenced in the Tower Hamlets Inclusive Design Guidance which states that there is a 43 per cent need for accessible family-sized housing. Furthermore, an additional 2 wheelchair accessible or easily adaptable homes are proposed as shared ownership, comprising of 1 bed 2 person units (located in Block F).
- 2.12 The Proposed Development is also targeting Code for Sustainable Homes Level 4 for the residential units and BREEAM Excellent for the commercial floor space.
- 2.13 Car parking provision is proposed at basement level. The resultant area provides one accessible parking space for every wheelchair-accessible home, in accordance with the requirements of the LLDC's Inclusive Design Standard. Therefore, a total of 21 dedicated accessible blue badge parking spaces are proposed together with 6 Lifetime Homes spaces. In addition, a total of 14 standard parking spaces are proposed of which 2 will be allocated for the affordable units.
- 2.14 Cycle parking will be provided within the basement (264 spaces) and at ground floor level (114 spaces).

**e) Non-residential Uses**

- 2.15 The Proposed Development includes a range of different non-residential uses, as set out in Table 2.1 located in blocks A, D, E, and G. Block A is a 269 sq ft Gross Internal Area (GIA) ground floor space designated to B, D1 or D2 use. Block D is a riverside block with the commercial comprising a rectangular ground floor space of 7,007 sq ft GIA designated to A1-3 Class, B Class, D1 or D2 use.



Block E is a 5 floor 18,196 sq ft (GIA) block designated as B use Class. Block G is a 1,335 sq ft GIA ground floor and mezzanine designated to A1, D1 or D2 use. Each block is to be constructed to shell and core.

- 2.16 In addition, the Applicant recognizes the priority to provide affordable workspace on the Proposed Development. As set out in the Employment Statement, the Applicant's approach is to offer a mix of co-working space and serviced offices/studios. This will provide a range of floorspace on flexible terms that will allow businesses to move in, grow and if necessary move on as their needs require without being tied in to long leases or with high fit-out costs. This flexibility will significantly reduce occupancy costs for businesses and make the floorspace affordable to a wider range of start-up and small businesses.
- 2.17 It is proposed that the final quantum of affordable workspace will be agreed with officers through the determination process as part of the wider Section 106 discussions, including discussions surrounding affordable housing.

**f) Community Infrastructure Levy and Section 106 Contributions**

- 2.18 In accordance with policy, the Proposed Development will be liable to pay Community Infrastructure Levy (CIL), which totals £1,694,773 including LLDC local CIL (£1,010,839) and Mayoral CIL (£683,934). This total CIL liability takes into account social housing relief and a further discount in recognition of the existing floor space currently in lawful use, in accordance with local and national policy and guidance. No residual Section 106 financial contributions (other than affordable housing) have been assumed at this stage.



### 3 PLANNING POLICY AND GUIDANCE

- 3.1 This section of the AHVS sets out the relevant extracts of national, regional and local policy and guidance, which has informed the amount, type and mix of affordable housing proposed and supported by the scheme.
- 3.2 The London Legacy Development Corporation ('LLDC') acts as the planning authority for the area around and including Queen Elizabeth Olympic Park within which the application site is situated. In October 2012, the London Legacy Development Corporation (Planning Functions) Order 2012 came into force giving the Legacy Corporation a range of planning functions that would normally be available to a local planning authority, including plan making powers. This incorporated areas from four separate planning authorities including; Tower Hamlets, Newham, Hackney and Waltham Forest. A Draft Local Plan (August 2014) underwent Examination in March 2015.
- 3.3 As the site is situated within the London Borough of Tower Hamlets, until such time as the LLDC's local plan is adopted, the relevant development plan policies that apply to the application include Tower Hamlets' adopted development plan policies, together with regional and national policies and guidance.
- 3.4 The examination hearing session into the LLDC's Local Plan took place in early March 2015. Following these hearing sessions the Legacy Corporation has proposed a number of main and minor modifications to the Local Plan. The consultation period concluded on the 13 May 2015.
- a) **National Planning Policy Framework**
- 3.5 The National Planning Policy Framework (NPPF), adopted in March 2012, provides the national context for affordable housing delivery and sets out Central Government's housing policy objectives. The NPPF is an important material consideration in the determination of all planning applications.
- 3.6 The NPPF makes it clear that development should not be frustrated, either through policy/plan making or decision making (paragraph 14). The NPPF sets a national policy framework which seeks to ensure there are policies in place to secure delivery of a wide choice of high quality homes for a range of needs, including affordable housing (paragraph 50) having regard to the overriding policy



objective to deliver a significant boost in supply of housing (paragraph 47) with emphasis on viability, deliverability, quality and sustainable communities.

- 3.7 The NPPF requires housing applications to 'be considered in the context of the presumption in favour of sustainable development' (paragraph 49). The need to seek a range of types and tenures of homes is required to be applied flexibly, specifically in the context of establishing an appropriate affordable housing contribution and local authorities are required to consider scheme viability on a site-by-site basis. Paragraph 173 emphasises the need for development, which is both viable and deliverable. The balance of contributions - whether quality standards, affordable housing, infrastructure contributions or other requirements - must be considered in the context of the normal costs of undertaking development, including providing competitive returns to both the landowner and developer - critical elements in development viability. Paragraph 205 emphasises that this balancing of contributions must be sufficiently flexible to avoid a development opportunity being stalled.
- 3.8 The NPPF needs to be considered in the context of the wider changes affecting the ability of local authorities to deliver affordable housing, for example: the introduction of affordable rent and reduction in grant funding. In addition consideration needs to be given to whether the introduction of Community Infrastructure Levy (CIL) is placing further pressure on scheme viability and securing affordable housing on S106 sites.
- 3.9 Local authorities continue to be required to consider scheme viability in establishing an appropriate affordable housing contribution on a site by site basis. The overriding need to deliver housing to facilitate growth is required to be balanced with wider aspirations to achieve mixed and balanced communities, to widen housing choice and to provide opportunities for households to realise their aspirations to become homeowners, alongside realising planning objectives.
- 3.10 NPPF specifically notes (Para 203 - 206) that where obligations are being sought or revised, local planning authorities should take account of changes in market conditions over time, and wherever appropriate, be sufficiently flexible to prevent development being stalled.
- 3.11 On 6th March 2014 the Department for Communities and Local Government (DCLG) published its National Planning Policy Guidance (NPPG) which contains relevant guidance on the approach to



housing delivery. The NPPG makes clear that 'Where an applicant is able to demonstrate to the satisfaction of the local planning authority that the planning obligation would cause the development to be unviable, the local planning authority should be flexible in seeking planning obligations. This is particularly relevant for affordable housing contributions which are often the largest single item sought on housing developments. These contributions should not be sought without regard to individual scheme viability. The financial viability of the individual scheme should be carefully considered in line with the principles in this document' (NPPG paragraph 019).

3.12 National Planning Guidance is clear that to ensure viability and deliverability, planning viability assessments should ensure that the Proposed Development 'provides sufficient incentive for the land to come forward and the development to be undertaken' (NPPG paragraph 016). The NPPG provides further clarification on this matter in stating that 'A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy' (paragraph 024). In a competitive process, this would ultimately be the highest amount that can be achieved. In the context of guidance contained in the NPPG (Para 023), the Benchmark Land Value for viability purposes, should be set in recognition of the following key principle:

- Reflect policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;
- Provide a competitive return to willing developers and land owners (including equity resulting from those wanting to build their own homes; and
- Be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.

3.13 Therefore, Central Government continues to reinforce the significant challenges now facing delivery of affordable housing, the need to focus on optimising overall outcomes and ensuring value for money and ensuring the deliverability and viability of housing developments.



**b) Regional Policy**

- 3.14 The London Plan, provides the overarching strategic planning framework for London. The London Plan identifies the Mayor's requirement to maximise affordable housing output and sets out a clear expectation for developers to make the most effective use of available resources to achieve this objective.
- 3.15 On 10 March 2015 the Mayor adopted the Further Alterations to the London Plan (FALP). From this date, the FALP are operative as formal alterations to the London Plan (the Mayor's spatial development strategy) and form part of the development plan for London.
- 3.16 The FALP has increased the overall housing target for Tower Hamlets by 36% from 2,885 units per annum (Local Plan 2011) to 3,931 per annum, based on an overall ten year target of 39,314 units between 2015 to 2025, as set out in Table 3.1 of the FALP. In addition, a housing target has been introduced for the new London Legacy Development Corporation area of 1,471 units per annum based on an overall target of 14,711 units (2015-2025). This area is made up 16% of land which was previously under control of Tower Hamlets.
- 3.17 Policy 3.11 of the FALP requires boroughs to set overall affordable housing targets with regard to a number of factors, which include:
- the need to maximise the provision of affordable housing in light of the London-wide delivery target of at least 17,000 affordable homes per annum;
  - specific housing targets for their areas in respect of affordable family-sized homes;
  - current and future housing requirements;
  - the need to promote mixed and balanced communities;
  - the viability of future development taking into account future resources;
  - the approach to coordinating provision and targets to meet the range of strategic, sub-regional and local affordable housing needs in London; and,
  - capacity to accommodate development.



- 3.18 Part A of Policy 3.11 of the FALP also targets 60% of new affordable provision as social/affordable rent and 40% as intermediate rent or sale.
- 3.19 Part A of Policy 3.12 of the FALP requires local planning authorities to seek the maximum reasonable amount of affordable housing on private residential and mixed use schemes, having regard to, inter alia:
- The need to encourage rather than restrain residential development;
  - The need to promote mixed and balanced communities;
  - The size and type of affordable housing needed in particular locations;
  - The specific circumstances of individual sites;
  - Resources available to fund affordable housing to maximise affordable housing output, and;
  - The priority for affordable family housing.
- 3.20 Part B of Policy 3.12 of the FALP emphasises the need to take into account individual circumstances, including development viability, the availability of public subsidy and other scheme requirements.
- 3.21 The London Plan Annual Monitoring Report 11, 2013 - 14 (Table 2.7) summarises the net housing completions in 2013/14. In relation to previous provision, it demonstrates that Tower Hamlets delivered 1,601 net housing completions in 2013/14, representing just 56% of the adopted London Plan target of 2,844 (excl. vacant) units per annum for Tower Hamlets. If this is measured against the most recent target of 3,931 homes per annum as set out in Table 3.1 of the FALP, this represents just 41% of the target, revealing that there is a significant need to increase not just affordable housing but overall housing delivery in the local area.
- 3.22 The Mayor's adopted Housing SPG (November 2012) reinforces the messages within the NPPF, maintaining that development viability is a material consideration in identifying the quantum of affordable housing which may be financially supported and provided on a development. In reviewing viability, due regard should be had to all the costs of delivery whilst ensuring a





competitive return to both a willing land owner and the developer. These are core principles of project viability review, which reflect the national policy position of the NPPF and are of particular relevance to the application site.

- 3.23 The SPG identifies that Affordable Rent, with its relatively wide spectrum of associated rental levels, has considerable potential to support mixed and balanced communities. In relation to the tenure split between affordable rent and intermediate the SPG notes in determining the appropriate balance on specific sites account should also be taken of sites in neighbourhoods with a proportion of existing social rented provision significantly above or below the London average (paragraph 4.4.16). This is particularly important for this Site, in light of the fact that the ward within which it is located (Bow East) currently consists of c. 43% social rented housing compared to the London-wide average of just 24%. Therefore, there is a need to assist in addressing this imbalance.
- 3.24 The FALP also recognises that the affordable rent product is used to address the same housing needs as social rented housing (paragraph 3.44). It also notes that there is a particular need for affordable family homes (Policy 3.11). Because of this, the Proposed Development specifically proposes that the majority of affordable rented units being provided will be 3 bed units. In terms of setting rent levels for affordable rented units, it is noted that in all cases particular regard should be had to the availability of resources, the need to maximise provision and the principles set out in policies 3.11 and 3.12 of the FALP and goes on to note (in paragraph 3.63 of the FALP) that boroughs should avoid imposing any requirements (such as borough-level caps on rent levels for affordable rented housing) that might restrict the numbers of new affordable homes.
- 3.25 In terms of intermediate housing affordability, the adopted London Plan considers affordability of intermediate accommodation at paragraph 3.62 of the FALP and sets the range of intermediate incomes for households eligible to access the intermediate sector, noting that eligibility criteria for intermediate housing may be set locally to recognise the individual characteristics of local housing markets but should not compromise the requirement to maximise affordable housing outcomes. In the absence of local eligibility criteria, paragraph 3.62 sets the intermediate household income thresholds, which are updated annually through the Annual Monitoring Report (AMR). The AMR 11 (2013/14) currently sets a maximum household income threshold of £71,000 for 1 and 2 bedroom homes and £85,000 for family sized accommodation comprising 3 bedrooms or more.



3.26 The Mayor's Housing Covenant 2015-18 was launched in July 2014 with an ambitious target to support the construction of 45,000 low cost homes between 2015 to 2018 through the provision of £1.25 billion of funding, as part of the housing devolution settlement between the GLA and central government to administer the Affordable Homes Programme for London. The Mayor's Housing Covenant Prospectus deals with the funding requirements for affordable housing within the capital and sets the target to allocate around 40 per cent of its funding to deliver flexible home ownership and 60 per cent for Affordable Rent.

3.27 In respect of Affordable Rented delivery, the Housing Covenant Prospectus introduced a differentiation between 'Capped' and 'Discounted' affordable rents. Discounted affordable rented units are where rent levels are set at a lower level of discount to the market rents with the initial expectation that rents are set at 80% of market rents or, where it would be lower, at the Local Housing Allowance cap levels. Capped affordable rented units are where rent levels are set at no more than 50% of market rents. Although it is noted that the discounted rents can be set at less than 80% market rent, it is noted that the GLA will not be subsidising rents below this level and it is up to the individual Boroughs to decide whether to subsidise rents below the 80% market rent, or else there would be a need to use a higher rent level for Capped affordable rent homes to ensure the objective of maximising affordable housing delivery across the London 2015-18 was achieved (ie. ensuring suppressing rent levels would have a net nil impact on subsidy levels). The Housing Covenant prospectus also notes that each registered provider's bid must contain an equal split of delivery of the two types of affordable rented product.

c) Local Plan

i) Tower Hamlets Local Plan

3.28 Tower Hamlets Local Plan consists of the Core Strategy (2010) and Managing Development Document (MDD 2013). Together, these documents provide the development management policies for development in the borough.

3.29 The Core Strategy records that Tower Hamlets faces significant housing challenges and that there is a current affordable homes shortfall of 2,700 homes per year.



- 3.30 Policy SP02 of the Tower Hamlets Core Strategy (2010), sets a requirement for 35-50% (subject to viability) affordable homes on sites providing 10 or more units. The Development Management Document (2013) Policy DM3 states that affordable housing will be calculated on the basis of habitable room.
- 3.31 Both the Core Strategy SP02 and the DMD Policy DM3, require an overall strategic tenure split for affordable homes of 70:30 (social rented: intermediate). The Core Strategy was introduced prior to the introduction of the affordable rented tenure and consequently makes no reference to it, whereas the DMD (2013) makes provision for 70% Social/Affordable Rent.
- 3.32 In terms of housing mix, SP03 sets an overall target of 30% of all new housing to be of a size suitable for families (3 bed plus) including 45% of new social rented homes to be for families.
- 3.33 The DMD provides a more specific indication of the mix required, based on the 2009 Strategic Housing Market Assessment. This mix is set out in the table below:

**Table 3.1 – Housing Mix Required**

Tenure	1-Bed %	2- Bed%	3 Bed %	4 Bed %
Market Sector	50	30	20	
Intermediate	25	50	25	0
Social/Affordable Rented	30	25	30	15

- 3.34 It is noted in the DMD that different tenures should be mixed throughout a development, however it goes on to recognise that separate cores may be required to enable effective management arrangements.
- 3.35 Policy DM4 sets out local housing standards. The minimum space standards for new developments are consistent with the standards set within the London Housing Design Guide Standards. Part 2 of the policy provides minimum space standards for private amenity space provision and communal amenity space provision as well the requirements in respect of child play space provision. The supporting texts to this policy also sets out that homes should be delivered to standards set out to



'Lifetime Homes standard' and 10% of new housing should be designed to be accessible or 'easily adaptable' for residents who are wheelchair users.

3.36 Policy DM22 requires that developments will be required to comply with the specific parking standards set out in appendix 2 of the Managing Development Document. Principally it notes that development will be required to prioritise sustainable approaches to any off-street parking by:

- a) Requiring space for on-site car clubs and pool car schemes
- b) Securing the provision of electric charging points and parking bays for electric vehicles as part of any car parking provision; and
- c) Ensuring an appropriate allocation of parking spaces for affordable family homes.

ii) Fish Island Area Action Plan

3.37 The Fish Island Area Action Plan (FI AAP) was adopted as a development plan document (DPD) by the Council in 2012. From October 1, 2012, the FI AAP forms part of the Local Plan for the London Legacy Development Corporation (LLDC).

3.38 The site is designated as an opportunity site (site 4) within the FIAAP (Former Warehouses Bream Street (0.7 HA)) for mixed used development including employment, residential, affordable housing and galleries to come forward in a comprehensive manner.

3.39 Policy 4.5 of the FI APP reiterates the position set out in the Core Strategy and DMD in relation to the level of affordable housing provision to be provided (i.e. minimum 35%) and tenure split (i.e. 70:30). Although the policy states social rent; it does make reference to affordable rented tenure, and notes that this will only be accepted where social rented accommodation would make a proposal unviable.

3.40 It also notes that, there is substantial demand for family housing (homes with three or more bedrooms) across Tower Hamlets and that development in Fish Island has the potential to contribute to the provision of this form of accommodation, therefore specific provision has been made for this form of housing.



3.41 Appendix 3 of the FIAPP provides information on managed workspace guidelines. It sets out a list of indicative workspace providers (albeit not an exhaustive list) including the following; Acme Studios, SPACE, Mother Studios, Urban Space, Workspace Group, Bow Arts Trust, Chisenhale Art Place, Acava, Shoreditch Trust and StourSPACE.

3.42 It also notes that successful employment workspace projects could range in scale. New developments incorporating employment will be encouraged to provide a minimum of 500 sq. m. of flexible employment workspace and this amounts to typically 20 to 25 workspaces, providing sufficient critical mass to enable the development of a viable business plan to deliver and manage workspaces.

iii) Tower Hamlets Supplementary Planning Documents

3.43 The Planning Obligations SPD was adopted in January 2012. This SPD states that affordable housing will be measured as a proportion of habitable rooms within the development and reiterates the Core Strategy Policy SP02.

3.44 In addition, it states that Registered Providers will be expected to enter into a 'Rent and Nomination Agreement' with the Council to ensure that the housing secured is genuinely affordable in perpetuity and meets the needs of the local community.

3.45 The Council has produced a Revised Draft Planning Obligations SPD (April 2015), this will replace the Planning Obligations SPD adopted in January 2012. The Council consulted on the Revised Draft Planning Obligations SPD between 27<sup>th</sup> April and 1<sup>st</sup> June 2015.

3.46 In relation to review mechanisms, the Draft Planning Obligations notes that where the original viability assessment of a scheme was used to justify an offer which falls short of the Council's policy requirements in full, the Council may require a commitment to re-appraise the scheme viability (on one or more occasions) to be incorporated into the Section 106 agreement.

3.47 The SPD provides further detail (Para 5.4) on when review mechanisms will be required, stating that *"There are a number of circumstances where the Council requires a new viability appraisal to be undertaken when the original application did not provide a policy compliant scheme in terms of the quantum and tenure mix of affordable housing, including:*



- *Where there is a delay in starting on-site normally 2 years*
- *Where an application for renewal of permission is submitted*
- *Where a large scheme is built out in phases, or over a long period.*
- *At the end of a development to assess whether the development can deliver the maximum reasonable level of affordable housing and to inform future negotiations. The viability appraisal will be carried out after the completion of sales of at least 80% of the private units. The purpose of the assessment is to determine the level of affordable housing which could have been sustained on the scheme compared to the results of the previous viability assessments taking account of final sales values achieved and other relevant costs."*

3.48 The Draft SPD also states that where the viability review concludes that a greater level of affordable housing and/or a more policy compliant affordable tenure mix can be provided on a development, the Council will seek additional affordable housing delivery on site, an amendment to the affordable tenure mix or a cash in lieu or a combination of all three, subject to viability.

*iv) Community Infrastructure Levy*

3.49 Tower Hamlet's Community Infrastructure Levy came into effect on April 1st 2015 and the LLDC's CIL was also adopted on 6th April 2015. Therefore, the LLDC's CIL and Mayoral CIL charge are applicable to the Proposed Development.

3.50 The Mayoral CIL rate for Tower Hamlets is £35 per square metre in respect of all development other than for medical and educational uses (definition shown in Table 2 of the Mayor's CIL charging schedule).

3.51 The LLDC residential CIL rate is £60 per square metre. The LLDC apply a CIL rate of £100 per square metre for convenience supermarkets/superstores and retail warehouses (over 1,000 sq. m.) along with Hotels and Student Accommodation. Retail Uses (A1-A5) are liable for a CIL rate of £100 psm within the defined Stratford Retail Area, all other uses are excluded from the CIL charge. Therefore the relevant rates for this proposed development will be £60psm for residential use only.



3.52 The specific projects which are intended to be funded through the LLDC's CIL are set out in the LLDC's Regulation 123 list. One of the infrastructure items which the Council may seek funding for related to this development is the "upgrade of existing bridge over Old River Lea (south of Old Ford Lock) for use by cycles and wheelchairs by adding ramp on south bank and widening bridge deck".

v) Tower Hamlets Tenancy Strategy 2013

3.53 Tower Hamlets' Tenancy Strategy was adopted in January 2013. The aim of this document is to seek to ensure that the Council and Registered Housing Providers work effectively in partnership to meet the Council's strategic housing priorities.

3.54 Principally, the document focuses on how fixed term tenancies will be granted, in light of the changes introduced by the Localism Act 2011. The document also notes that the Council's preference is for Registered Providers to offer lifetime assured tenancies, although it notes that they can also use introductory or starter tenancies (in combination with either lifetime or where adopted, fixed-term tenancies) as part of their own agreed tenancy policies and in accordance with government guidance and regulations. It recognises that Registered Providers may wish to introduce fixed-term tenancies in some circumstances in order to manage their own stock efficiently and in line with local priorities as well as to assist in the delivery of the Mayor of London's affordable housing programme.

vi) London Legacy Development Corporation Draft Local Plan

3.55 The Site is located within the London Borough of Tower Hamlets under the control of the LLDC. As noted previously, the LLDC Local Plan was submitted to the Secretary of State for examination on the 21st November 2014.

3.56 The examination hearing sessions took place between 3 March and 12 March 2015. Following these hearing sessions the LLDC has proposed a number of main and minor modifications to the Local Plan. These modifications were consulted upon for 6 weeks which commenced on 1 April and concluded on 13 May 2015. We understand that it is the intention of the Council to adopt the plan in July 2015, however this will be subject to the outcome of this consultation period.

3.57 In consideration of the fact that LLDC’s Local Plan is at such a late stage within the adoption process, significant weight needs to be given to the LLDC’s emerging policies. Therefore, they should be considered to have a material consideration on this planning application.

3.58 The site is allocated (SA1.4: Bream Street) within the emerging LLDC Local Plan, shown in the map below, for mixed- use development including employment, residential, and creative and cultural use.

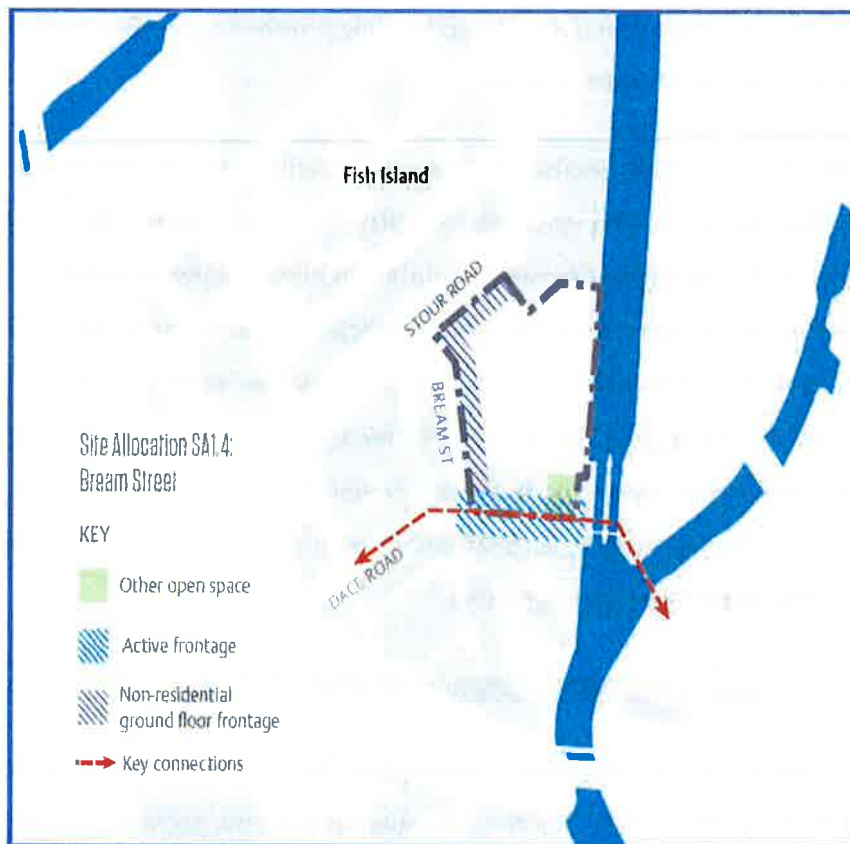


Figure 3.1 – LLDC Local Plan - SA1.4: Bream Street

3.59 In relation to overall housing targets, the Further Alterations to the London Plan sets out an annual target of 1,471 new homes, although the LLDC Local Plan (Strategic Policy SP.2) notes that it aims to deliver in excess of this target. It also notes that of this target a minimum 455 units will be affordable.

3.60 Policy H2 of the emerging LLDC Local Plan states that “Affordable housing will be maximised on sites capable of providing ten units” and notes that this will be broken down as 60 per cent





Affordable Rent and Social Rent, and 40 per cent intermediate. However, the policy text does not set a specific target for affordable housing. The affordable housing target is referred to within supporting text where it states that 'This has been set as a minimum target of 35 per cent of affordable homes across the whole of the Legacy Corporation area,' however the annual affordable housing target of 455 units as set in Strategic Policy SP.2 equates to c.30% of the annual housing target of 1,471 homes.

- 3.61 LLDC Local Plan (Strategic Policy SP.2) aims to provide for family housing in all tenures. In Policy H.1, it requires that residential development should meet identified local and strategic requirements, containing a mix of one-, two- and three-bedroom units and larger, with units of two bedrooms and more constituting more than half the total. Supporting paragraph 5.8 states that evidence (the Strategic Market Housing Assessment (SHMA) Review, 2013; Four Boroughs SHMAs) suggests there is a particularly high requirement for the following types of housing:
- One bedroom properties within market and affordable/social rent;
  - Two bedroom properties in market housing;
  - Larger units (of three or more) particularly within affordable/social rent and low cost home ownership sectors.
- 3.62 Paragraph 5.9 also states that all proposals should reflect these identified size, form and tenure requirements, providing an appropriate balanced mix of unit types, including within the affordable tenures. Following the Examination into the draft Local Plan, aside from updating references to the London Plan and the Mayor's Housing SPG and the insertion of 'Development Management Policies' above Policy H1, no other modifications were proposed to Policy H1 or its supporting text.
- 3.63 As part of the Local Plan Examination the LLDC produced a series of Statements to respond to Matters and Issues the Inspector Raised. LLDC Prepared Statement ST/3 – Matter 3 Housing (09-02-15) explaining why the approach to housing mix set out in draft Local Plan Policy H1 was different to the constituent London boroughs and that differences in approach reflect the updated evidence reflecting the Legacy Corporation area and the provision to meet strategic as well as local requirements.



- 3.64 The Proposed Development has taken into account these policy requirements and sought to balance providing a mix of different unit sizes with the provision of affordable housing and the wider viability considerations.
- 3.65 Supporting text 5.14 to Policy H2 states that in relation to affordable rent, half of those affordable homes delivered will be set at 'capped' affordable rent levels to ensure the requirements of those most in need are met (similar to those within local authority nomination lists). For the remainder within the 'discounted' level, this should have typical rents of no more than 80 per cent of market value, including service charge. This reflects the approach set by the Mayor detailed within the Mayor's Housing Covenant 2015-18 Prospectus as set out in Section 2 of this AHVS.
- 3.66 The provision of review mechanisms are suggested in Policy H2 and that they will be considered for phased developments. Supporting text is more definite in the utilization of review mechanisms stating that 'to ensure affordable housing is maximised, the Legacy Corporation will utilize Section 106 agreements to ensure that proposals within phased development re-appraise viability prior to each subsequent phase of the development. Outcomes of the re-appraisal may result in additional affordable housing provision within later phases.'

vii) Affordable Workspace

- 3.67 Low-cost workspace provision is highlighted in the LLDC Local Plan (Policy B.4), which sets out that existing managed and low-cost workspace shall be retained where viable and where it complements wider plans for the area. New managed workspace and/or low-cost workspace will be acceptable where it is flexible and able to meet needs of various end users, includes an appropriate management scheme secured through 106 agreements and does not result in net loss of employment.
- 3.68 Policy B.4 goes on to note that low cost provision will be supported where rents are up to 75 per cent of historic market rent for the previous year for the equivalent floor space in the same area for an equivalent B Class Use, is secured at the current market rate for cultural or creative purposes, is subsidised to reduce the cost to the user for charitable purposes or it established robust management links with a registered workspace provider.



- 3.69 A recent study which forms part of the local evidence base (Research and Viability study of affordable and managed workspaces supporting artistic practises in east London - March 2014) notes how the National Federation of ARTIST Studio Providers (NFASP) state that across the UK affordable studio space is on average around 1/3 of market rents. In 2012, and based on rents at the time, the NFASP also proposed the following definition of affordable studio space in Hackney Wick Fish Island: Definition in £ per sq. ft. of 'affordable' in 2012 is £6-12/ft<sup>2</sup> inclusive of insurance, repairs, maintenance, and business rates, according to the NFASP.
- 3.70 The LLDC Local Plan highlights, through a case study of a low-cost workspace at Neptune Wharf Fish Island, how the provision of affordable workspace may work. It notes that in the case of Neptune Wharf 500 sq. m. of B1 low-cost workspace was secured with the affordability of the units being determined at 75% of historic market rents for the previous year throughout Fish Island and the units were secured for at least 10 years with no upward rent review for the first five years.
- viii) Draft Planning Obligations SPD LLDC January 2015*
- 3.71 This Draft Planning Obligations Supplementary Planning Document (LLDC PO SPD) sets out the approach the LLDC will take in relation to Section 106 agreements from April 2015 once the LLDC CIL has been adopted. The use of the LLDC PO SPD was approved by the Board on an interim basis on an interim basis for negotiation of section 106 agreements when determining planning applications, until the SPD is updated and adopted following adoption of the Legacy Corporation Local Plan.
- 3.72 The Draft LLDC PO SPD will be supplementary to the LLDC's Local Plan once adopted and therefore the impacts of the policies that the draft SPD is supplementary to are being formally assessed through the Local Plan examination process. However, the SPD was considered by the examiner as part of the examination of the Charging Schedule and the Examiner's report has not criticise the general approach set out in the SPD.
- 3.73 In relation to affordable housing, the Draft LLDC PO SPD does not provide much additional guidance but notes (Paragraph 4.3) that the level of on-site affordable housing or payments in lieu of on-site affordable housing will be secured through a section 106 agreement. It also notes that the type of



affordable housing, i.e. affordable rent, shared ownership, social rented will be defined in the Section 106 agreement.

- 3.74 In relation to affordable workspace, it notes that where the provision of managed / affordable workspace is proposed or required as part of a development, a scheme of rent levels and the principles of the management scheme will be secured through a Section 106 agreement. In terms of the quantum of S106 being sought the Draft LLDC PO SPD notes that an allowance of £1,000 per unit is considered a reasonable proxy for the likely sums to be sought after CIL is implemented.



## 4 AFFORDABLE HOUSING DELIVERY STRATEGY

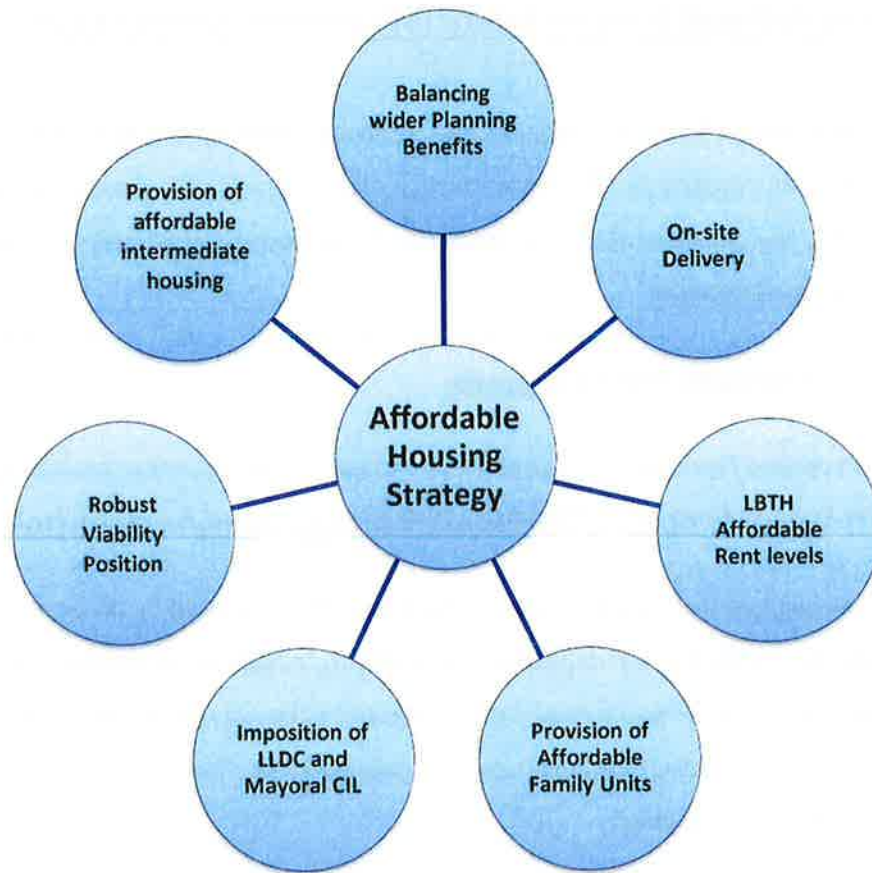
4.1 This section of the AHVS explains the approach taken by the Applicant in determining how the scheme can respond to affordable housing planning policy requirements, having regard to scheme viability, key decision principles, local affordable housing need and the wider planning objectives for the development.

a) **Affordable Housing Proposals**

4.2 The Proposed Development will deliver 204 new residential units comprising 18,650 sq m/ 200,746 sq ft GIA and 14,382 sq m/ 154,806 sq ft NSA (excluding the residential facilities area).

4.3 The overall quantum of affordable housing has been informed by the scheme viability which will be subject to review by an independent assessment. In addition to viability, the appropriateness of the proposed mix and tenure must be considered in the context of the availability of public subsidy, existing housing mix, individual site circumstances and the availability of necessary infrastructure and community facilities.

4.4 In accordance with policy, a site specific approach has been taken to inform the amount and type of affordable housing which has sought, balancing policy requirements with the practicalities of on-site delivery alongside the wider planning benefits specific to the site, which include employment uses incorporating co-working space and serviced offices/studios. In addition, consideration has been given to the importance of providing certainty of the amount, type and location of the affordable housing along with the timing of delivery of affordable homes. Whilst therefore, viability is a key consideration, it has not been considered in isolation of other issues and is not the only factor which has informed the proposed affordable housing on this site.



**Figure 4.1 – Affordable Housing Strategy**

- 4.5 Figure 3 above outlines the affordable housing approach whereby affordable housing is provided in response to Tower Hamlet’s housing priorities and needs, in recognition of competing priorities as set out by Tower Hamlets in their Local Plan and by LLDC in their emerging policies, as well as providing a robust viability position, whilst delivering onsite and balancing the wider planning benefits.
- 4.6 The total amount of affordable homes proposed is 40 units (20%) and 118 habitable rooms (20%). The affordable housing provision consists of 26 affordable rented units (65% of total affordable provision) and 14 shared ownership units (35% of total affordable provision).
- 4.7 The table below sets out the quantum of units and habitable rooms proposed across the tenures and the tenure percentage mix when calculated by both units and habitable rooms:

**Table 4.1 – Proposed Housing Mix**

Tenure	Units		Habitable Rooms	
Affordable Rent	26	13%	97	16%
Intermediate	14	7%	21	4%
Market	164	80%	470	80%
Total	204	100%	587	100%

4.8 Block A consists of 15 Affordable Rented Units. The block only contains affordable rented residential units and are accessed via a single core and two lifts.

4.9 Block F contains a mix of tenures (Market/Intermediate and Affordable Rented). The block is made up of two cores. The 11 Affordable Rented Units are located on the northern end of the block, accessed via a central courtyard served by a separate core. The 14 Shared Ownership Units are located in the centre of Block F. These units are accessed via a separate core which also provides access to 5 Market Units.

**b) Housing Mix**

4.10 The proposed scheme-wide housing mix and tenure split will respond positively to the existing housing stock at both ward level (Bow East) and wider Borough and LLDC areas. The proposal will provide the opportunity to further diversify the housing offer locally as well as providing the maximum reasonable level of affordable housing delivery on site and much needed private housing to assist both Tower Hamlets and the LLDC in achieving their housing delivery targets.

4.11 The site is located within Bow East, which has a higher proportion of affordable housing, both social housing (42.81%) and shared ownership (3.31%) in comparison to the Tower Hamlets Borough-wide level of 39.61% and 2.35% respectively. Table 5 below sets out the full breakdown of existing households at both ward and Borough level. It demonstrates a relatively high proportion of social and intermediate housing, based on Census 2011 data.

**Table 4.2 – Ward Tenure (from 2011 Census Data)**

	Bow East Ward		Tower Hamlets borough-wide	
	Households	%	Households	%
Owned Outright	447	7%	8,648	8%
Owned with Mortgage	1,045	16%	15,904	16%
Shared Ownership	218	3%	2,383	2%
Social Rented	2,823	43%	40,106	40%
Private Rented	1,997	30%	32,964	33%
Living Rent Free	65	1%	1,252	1%
<b>TOTAL</b>	<b>6,595</b>	<b>100%</b>	<b>101,257</b>	<b>100%</b>

- 4.12 It is worth noting that when comparing 2001 Census Data with 2011 Census Data, there appears, both at ward level and borough-wide level, to be a decrease in social rented housing (by 12% in Bow East Ward and 13% for Tower Hamlets as a whole) with a simultaneous increase in private rented accommodation with Bow East Ward experiencing a growth in this tenure by just over 17% since 2001 and Tower Hamlets as a whole experiencing an increase of 16%. This reflects the increasing demand for low cost home ownership and private rented accommodation, following growth in house prices leading to more constrained housing affordability.
- 4.13 In support of the emerging LLDC Local Plan, a number of background papers were produced including the LLDC Housing Needs Study (2013), which assessed the housing needs within the LLDC area, noted that the number of households claiming Housing Benefit within the private rented sector as a share of the total dwellings is much lower in Tower Hamlets (c. 4.5%) when compared to the London average (8.3%) and other Borough's within LLDC (Newham (c. 14.2%, Waltham Forest (11%) and Hackney (9.8%)). Furthermore, while the other three Boroughs have seen a growth in benefit claimants over the period (2010-2013), Tower Hamlets has seen a decline, potentially indicating a lack of properties being available under the new benefit thresholds. Furthermore, combined with the rising increase in the private rented sector experienced both at ward and borough level, it signals an increasing need to provide accommodation to those households unable to access social housing (due to eligibility) but who are unable to afford to buy a property of their





own, i.e. those households stuck in private rented accommodation often referred to as “Generation Rent” and on low to moderate incomes.

4.14 The LLDC Housing Needs Study (2013) also reviewed the findings of the various SHMA’s for the relevant boroughs within the LLDC. This review found that for Tower Hamlets, the conclusions of the SHMA 2009 on housing needs were still applicable. Table 6 of the LLDC Housing Background Paper (August 2014) sets out Tower Hamlet’s SHMA demand proportions, as set out below:

**Table 4.3 – Borough SHMA Demand Proportions for Tower Hamlets**

	1 bedroom	2 bedroom	3 bedroom
Market	17%	10%	7%
Intermediate	8%	17%	8%
Social/Affordable Rent	10%	8%	15%

4.15 In considering the table above, paragraph 5.8 of the Housing Background Paper states that demand within Tower Hamlets is more even across size and tenure, with the demand proportion for 1 bedroom market, 3 bedroom intermediate and 3 bedroom social/affordable rent highlighted in red.

4.16 Paragraphs 5.11 and 5.12 of the Housing Background Paper also note that precise dwelling split demands provide certainty for developers however have not been set in this instance because these would by definition err towards local or strategic requirements when one of the principal roles of the organisation is to provide for both. The requirement for over half of units to be above two bedrooms is appropriate for local and strategic requirements, ensuring flexibility. Therefore Policy H.1 stipulates that two and three bedroom homes should form a greater proportion of the supply than one-bedroom properties, which is in line with the combined demand figures set out in Section 5 of the Paper.

4.17 The 2011 Census data indicates that the level of overcrowding in the Bow East Ward was significant at 11.1%, although this falls below the Borough-wide level of 16.3% (compared to the London-wide level of over-crowding at 11.3% household in 2011). Census 2011 data also provides useful information in respect of the number of concealed households in the borough, concluding that 4.2% of all families in Tower Hamlets contain more than one household, compared to the London-



wide average of 3.3% of all households. It is evident that there is a need to address the levels of over-crowding faced by Tower Hamlet's residents. This is further demonstrated through overcrowding (bedroom standard) in the social rented sector in Tower Hamlets which is 22% compared to London social rented sector of 17%.

4.18 Therefore, taking this evidence base into consideration and in light of the objectives of both Tower Hamlets and the LLDC, the proposed housing unit mix as set out in Table 2.2 of the AHVS, seeks to incorporate a range of unit sizes, providing a slightly higher quantum of 1 bedroom shared ownership units against the policy target in the interest of enabling a greater quantum of family sized affordable rented units at rent levels in line with LBTH's Framework Rents. The provision of 19 affordable rented 3 bedroom units (equating to 73% of the total number of affordable rented units) and the provision of 44 family sized units across the whole scheme, will assist in meeting the needs of families within the borough currently living in accommodation that doesn't meet their housing needs.

c) **Affordable Rent Levels**

4.19 The Applicant recognises that local household income and demographics must play an important role in informing the Proposed Development's tenure mix and determining the suitable rent levels for affordable rent and target incomes for intermediate housing.

4.20 As part of Revised Early Minor Alterations to the London Plan which introduced the 'Affordable Rent' product to regional policy, Tower Hamlets objected to affordable rent levels being delivered at up to 80% of market value. In support of this, analysis carried out by POD LLP resulted in a set of suggested rent levels for Tower Hamlets – known as Tower Hamlet's Framework Rents. These rent levels are indicated in the borough's policy as percentages of local market rent, ranging from 50% for family sized units to 65% for 1 beds.

4.21 Both the Tower Hamlets Draft Affordable Housing SPD (AH3) and Tenancy Strategy specify that affordable rent levels should reflect the following rent level as % of market rents; 1 beds – 65%, 2 beds – 55%, 3 beds – 50% and 4 beds 50%. The latest Affordable Rent levels for the Borough are set out in the following table:



**Table 4.4 – Latest Tower Hamlet Framework Rent Levels for E3**

	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed
2015/16 rent levels	£185	£202	£248	£269	£290

4.22 In recognition of the affordability constraints experienced by those households in greatest housing need, the Proposed Development includes the provision of 26 affordable rented units which will be set at affordable rent levels that reflect the latest Tower Hamlets Framework Rents for the site’s Broad Rental Market Area (i.e. postcode E3).

**d) Intermediate Housing Affordability**

4.23 Tower Hamlets carried out a research paper on local household incomes (Household income in Tower Hamlets) which provides an analysis of household incomes based on the CACI Paycheck data published in 2013. The household income information is broken down by local wards, and provides a useful comparison with London and England averages. It shows that the median income level in Bow East is the 5th highest in the Borough (£31,641) and the median household income in the Borough is £30,805, which is below the median level seen at Bow East ward level. The following table sets out the median income levels and percentage of households earning £15,000 or below and above £60,000 by ward.

**Table 4.5 – Household Incomes**

Ward Name	Median Income	0 to 15k (%)	Above 60k (%)
Bow West	£30,864	15.8	15.8
Bow East	£31,641	15.9	17.6
Bromley by Bow	£24,802	23.7	8.0

4.24 A paper carried out by Tower Hamlet’s corporate research unit in June 2013 (‘Private Rental Market and House Price Trends in Tower Hamlets’) also indicated that the cost of privately renting a property in Tower Hamlets is high and above the London average. The paper notes that between 2012 and 2013, median monthly rental prices in Tower Hamlets increased in most property sizes in the borough, with the average rent increase at 16.7%. However, despite this, as set out earlier in



this Section, the private rented sector has increased significantly. The table below sets out the borough median private rental prices in March 2013 compared with median London private rented prices:

**Table 4.6 – Monthly Private Rents**

Unit type	Median Monthly Private Rent		Difference
	Tower Hamlets	London	
Room rate	£542	£445	97
Studio	£1,233	£825	408
1 bed	£1,399	£1,100	299
2 bed	£1,647	£1,343	304
3 bed	£1,950	£1,500	450
4 bed	£2,383	£2,297	86
<b>Average</b>	<b>£1,517</b>	<b>£1,250</b>	<b>2676</b>

- 4.25 The Council's SHMA (2009) sets out the income ranges needed to enter the housing market in the borough for single and dual households. The table below sets out the dual income thresholds for Bow East / Bow West area compared with borough-wide, demonstrating that the issue of affordability is particularly acute in the area (notably in respect of 2 bedroom flats).

**Table 4.7 – Income Thresholds**

	Income Thresholds (£)	
	1 bed flat	2 bed flat
Bow East/ Bow West	£62,200	£73,700
Borough- wide	£62,200	£70,400

*Source: DCA House Price Survey May 2009, taken from the Tower Hamlet's SHMA (2009)*

- 4.26 It should be noted that the following data reflected the position in 2009 when the SHMA was carried out and therefore, in order to gain a true idea of the minimum incomes required to access homeownership, should be indexed. It remains evident that there is an acute affordability issue in both the borough and at ward/local level with strong demand for low cost home ownership accommodation required to address the housing needs of those households trapped in private rented housing and unable to afford to buy a property of their own outright.



4.27 Consideration has been given to the intermediate proposals in light of the above evidence. All of the intermediate homes are proposed as shared ownership. The homes will be allocated to eligible households who cannot afford to buy a home of their own outright and who would not be given a high priority for social/affordable rented accommodation. The homes will meet an important gap both locally and in the borough as a whole, providing high quality accommodation to buy for residents whose current only choice, more often than not, is expensive, sub-standard private rented accommodation.

4.28 It is proposed that the intermediate units will be made available at an affordable level to households earning an average of at least [REDACTED] for the one beds and [REDACTED] for the two beds. In determining the minimum household incomes required to afford the proposed intermediate units, the following assumptions have been made:

- A minimum equity share of 25%;
- Rent on the unsold equity at 2.75%;
- The application of an affordability cap to ensure that the total housing costs (including mortgage repayments, rent and service charges) do not exceed more than 45% of a household's net income, which is calculated as 74% of gross income; and,
- A minimum deposit level of 10% of the initial equity share.

e) **Management & Nominations Proposals**

4.29 Good management is crucial to the long term success of any development and it will therefore be important to agree the structure of management arrangements for the affordable housing units as early as possible. L&Q owns and manages nearly 71,000 homes across London and the South East - making it the largest landlord in the capital. L&Q is committed to working in partnership with its local authority partners, such as Tower Hamlets, to enable effective management and maintenance of its properties, delivered to the highest standard.

4.30 The Applicant will ensure that the service charges are fair and proportionate. The Applicant understands the importance of ensuring service charge levels do not restrict the ability to make the affordable homes truly affordable. Therefore, the design of the Proposed Development has



carefully considered any impact of shared cores and potential service charge levels. The affordable units are spread between 2 blocks, Block A and F. The affordable units in Block A (which are located above ground floor employment space and service area) consists of 15 Affordable Rented Units. The block only contains affordable rented units and are accessed via a single core and with two lifts.

- 4.31 Block F contains a mix of tenures (Market/Intermediate and Affordable Rented). The block is made up of two cores. The 11 Affordable Rented Units are located on the northern end of the block and is accessed via central courtyard. The 14 Shared Ownership Units are located in the centre of Block F. These units are accessed via a separate core which also provides access to 5 Market Units.
- 4.32 As the applicant is an approved preferred Registered Provider with Tower Hamlets, it is proposed that the Applicant will continue to own and manage all the homes proposed, enabling the service charges to be kept to a minimum whilst reflecting the level needed to ensure the delivery of a high quality and efficient management and maintenance service that responds to the wide-ranging needs and aspirations of the new residents that will be served.
- 4.33 The allocation and nomination of the affordable rented units will be in line with Tower Hamlets Council requirements as set out in their Allocations Policy, ensuring Tower Hamlets are given nomination rights to the units as required. It is proposed that the marketing of the intermediate affordable units will follow the Council's normal protocols working closely with FirstBuy (the Homebuy agents for London) and sold to those eligible applicants who cannot afford to buy a home of their own outright and who would not be given high priority for social rent or affordable rent (as these properties are allocated to those in most urgent housing need).



## 5 THE FINANCIAL APPRAISAL

- 5.1 This section of the AHVS provides an overview of the approach taken to assessing the development viability of the proposed scheme and to determining the maximum reasonable amount of developer subsidy available to enable the provision of affordable housing. This site, like many in the current market, faces a number of challenges when it comes to viability and its ability to provide affordable housing is further constrained by the nature of the proposed development, the offer to provide a mix of co-working space and serviced offices/studios and the wider planning gain package, which includes a significant level of non-residential uses, combined with the imposition of both local LLDC and Mayoral CIL.
- 5.2 Having regard to the policy aims and scheme specific circumstances, consideration has been given to the ability of the proposed scheme to respond to the aspiration to deliver an element of affordable housing on site.
- a) **Measuring Financial Viability**
- 5.3 The Royal Institute of Chartered Surveyors Financial Viability in Planning Guidance Note (“RICS GN”), published in August 2012, defines financial viability for planning purposes as providing ‘an objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project’.
- 5.4 Similarly, the NPPG states that ‘a site is viable if the value generated by its development exceeds the costs of developing it and also provides sufficient incentive for the land to come forward and the development to be undertaken.’
- 5.5 In preparing the scheme specific viability, in accordance with the RICS GN, ‘the nature of the applicant should normally be disregarded as should benefits or dis-benefits that are unique to the applicant. The aim should be to reflect industry benchmarks having regard to the particular circumstances in both development management and plan making viability testing’. Therefore, planning viability is an objective test of how the Proposed Development would be brought forward and reasonably delivered.



**b) The Financial Model**

- 5.6 A financial appraisal of the Proposed Development has been prepared using the Argus Developer Software. This development appraisal package is widely used throughout the development industry and is considered to be appropriate, reasonable and robust for presenting the viability position based on the scale of development proposed. Further details can be accessed at [www.argussoftware.com](http://www.argussoftware.com).
- 5.7 Argus works in the same way as the GLA toolkit and other residual appraisal models. The value of the completed development and development costs (including either the profit margin required or land costs) can be cash-flowed over the development period and the difference between the total development value and total costs are compared to either a benchmark profit or land value (depending on the inputs for the development) to identify whether the proposal is a viable proposition.
- 5.8 The model structure provides a sound basis on which to test scheme viability and to determine the developer subsidy available to deliver the maximum reasonable proportion of affordable housing in accordance with national, regional and local policy.
- 5.9 The model is based on the application scheme, which comprises of 204 residential units (comprising 200,746 sq ft GIA) and 26,807 sq ft. (GIA) of non-residential floorspace.

**c) Inputs and Assumptions**

- 5.10 The Applicant's financial model has been based on the Proposed Development as set out in Section 2 of the AHVS and the accommodation schedule included at Appendix 2.
- 5.11 The approach to development viability has involved the Applicant's project team (e.g. architects, cost consultants, technical specialists, agents and valuers, etc) working together from the outset to ensure the underlying inputs and assumptions are robust. The inputs and assumptions relied upon are principally bespoke and are set out in Appendix 1, for example, an independent scheme specific cost plan has been prepared by Quadrant Construction and Airey Miller cost consultants.





- 5.12 In the current funding environment, it has been assumed that it would be unrealistic to assume grant funding to facilitate delivery of affordable housing on this site. Therefore, nil grant is assumed.
- 5.13 In accordance with Section 4.5 of the RICS GN, the approach taken has sought to be reasonable and where additional clarification or supplementary information would be of assistance the independent assessor is invited to engage with the Applicant and its advisors with a view to resolving differences of opinion/ clarification on some of the allowances used.
- 5.14 A summary of the assumptions that inform the scheme viability is set out at Appendix 1. Key assumptions are summarised below.

d) **Land Value**

- 5.15 In “Ensuring viability and deliverability” the NPPF (para 173) states that “to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable”.
- 5.16 In this instance, viability is determined by comparing the Residual Land Value (RLV) against a benchmark (or threshold) land value (BLV). In broad terms, if the RLV exceeds the agreed BLV, a scheme can be considered as viable, as the requirements of para 173 of the NPPF for competitive returns to the developer and the landowner have been satisfied. However, if the RLV is lower than the BLV, the scheme would normally be unviable, as it would not generate a competitive return to the landowner.
- 5.17 The ‘EUV plus’ approach recognises the need to incentivise the land owner to release their site for development, although the level of the premium will depend on site specific circumstances. The ‘EUV Plus’ approach has the obvious advantage of enabling a comparison of the potential scheme value with what is there now from the land owners’ point of view. The NPPG sets out what should be considered when determining the BLV for a site including:



- reflect policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;
- provide a competitive return to willing developers and land owners (including equity resulting from those wanting to build their own homes); and
- be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.

5.18 Therefore, market evidence should also be taken into consideration wherever possible. The RICS GN also recommends that Site Value should be based on market value which includes regard to current use value, alternative use value and market/transactional evidence (para 3.4.5).

5.19 Frost Meadowcroft have prepared an existing use valuation of the site with the assumption of it coming forward in its current use. Based on their residual land calculation and analysis of comparable developments, they confirm that the sites Current Use Value, excluding any hope value for a change of use or premium, is [REDACTED]. A copy of Frost Meadowcroft's land valuation is attached in Appendix 3.

5.20 However, in accordance with the NPPF, NPPG and regional guidance, the BLV should recognise the need to incentivise the landowner to release the land for development and provide a competitive return to a willing landowner. The NPPG (Para 024) notes that "the price will need to provide an incentive for the land owner to sell in comparison with the other options available." Therefore, in recognition of this, it would be reasonable to apply a premium to the current use value of [REDACTED] which given this Site has an allocation, should be in the region of [REDACTED] of the current use value, equating to a minimum BLV of [REDACTED].

e) Sales Values

5.21 Strettons have undertaken a review of the scheme to inform the viability submission and the likely achievable sales revenue from the private units, which have been individually priced. Strettons have taken into account comparable market evidence as well carefully considering the wider vision for the site and the Proposed Development acting as a catalyst for regeneration within the Fish Island area. A copy of Strettons advice is attached in Appendix 4.



5.22 Strettons have provided a plot pricing schedule which concludes that the average private sales value for the 164 private residential units proposed on this Site is [REDACTED] which is what has been applied in the financial model.

5.23 Furthermore, Strettons have advised that the 12 private parking spaces would attract a value of [REDACTED] totalling a capital value of [REDACTED]

5.24 In addition, Strettons advise that the annualised ground rents for the private units should be set at [REDACTED] for a 1 bed, [REDACTED] for a 2 bed and [REDACTED] for a 3 bed, assuming a [REDACTED]. Given the private residential mix proposed, this equates to an average ground rent of [REDACTED] per annum.

**f) Affordable Values**

5.25 Quod has carried out an assessment of the value of the proposed affordable units using POD Plan software and benchmarked registered provider assumptions. POD Plan is an appraisal model that is used by many registered providers to determine the capitalised value of affordable housing.

5.26 This delivers the following affordable housing values, which have been applied to the proposed affordable housing units:

- [REDACTED] psf for the affordable rented units;
- [REDACTED] psf for the shared ownership units

**g) Commercial Values**

5.27 Frost Meadowcroft have also provided advice on the anticipated capitalised values, rental income and achievable yields for the commercial and non-residential uses proposed. These have been summarised in the following table:

**Table 5.1 – Non Residential Use Values**

Proposed Non – Residential Uses						
Block	Use	Net Lettable Area (sq. ft.)	£ per psf.	Yield	Capitalised Value	Void and Rent Free Periods



Proposed Non – Residential Uses						
A	B1 Use	260	████████	████████	████████	████████ ████████ ████████ ████████
D	A Class, B, Class, D1 or D2	7,007	████████	████████	████████	████████ ████████ ████████ ████████
E	B Use Class	12,302	████████	████████	████████	████████ ████████ ████████ ████████
G	A1 Use	1,335	████████	████████	████████	████████ ████████ ████████ ████████

5.28 Each different block has been modelled within the viability appraisal, reflecting the Proposed Development. In accordance with the advice prepared by Frost Meadowcroft.

5.29 In formulating their advice, Frost Meadowcroft have had regard to local-comparables and market conditions, taking account of the proposed development, local context and specification proposed. It should be noted that the build cost assumptions assume a shell and core specification, which includes completed external envelope, lifts and WC and excludes floor, wall and ceiling finishes and all M&E, save capped services at each floor level. However, it should be noted that Frost Meadowcroft’s report notes that the B1 space would not be lettable if just at shell and core and therefore would need to be fit to at least Category A fit-out (ie. include at the very least ceiling mounted, exposed, mid-range air cooling and heating, timber floor covering, galvanised trunking, ceiling mounted cable trays and pendant style lighting), which would cost c. ██████████ assuming no internal partition walls are required – an additional cost that is yet to be factored into the viability appraisal. Frost Meadowcroft’s advice has been included within Appendix 5.

5.30 It should be noted that, as set out in para.s 2.16 and 2.17 in Section 2 of this report, the Applicant’s approach is to offer a mix of co-working space and serviced offices/studios. Rent is typically no more than 50% of total occupancy costs. The remainder is made up of rates and service charges,



fit-out, and facilities management. A headline rent of [REDACTED] could therefore equate to total occupancy costs of over [REDACTED]. For a single person office of 100sqft this equates to [REDACTED] per year or [REDACTED] month. By contrast, co-working space starts at [REDACTED] month – equivalent to less than [REDACTED] on the same basis.

5.31 As it is proposed that the final quantum of affordable workspace will be agreed with officers through the determination process as part of the wider Section 106 discussions, including discussions surrounding affordable housing, this has not yet been factored into the viability, however will have a significant impact on viability.

**h) Construction Costs**

5.32 Quadrant Construction has prepared a summary cost plan, informed by a detailed cost plan prepared by Airey Miller. Quadrant Construction's summary cost plan, in Appendix 6 provides a breakdown of the apportionment between the various project elements and concludes that the total construction cost estimate, excluding fees and contingency is [REDACTED] equating to a build cost rate of [REDACTED] per sq ft (GIA) for the residential floorspace (when excluding the basement and circulation space) and [REDACTED] per sq ft (GIA) for the commercial, when excluding basement, external and demolition works.

5.33 In accordance with Quadrant Construction's summary cost plan, the following additional construction cost allowances have been applied in the viability appraisal:

- Demolition works - [REDACTED]
- External works - [REDACTED] and,
- Basement works - [REDACTED]

5.34 The Applicant has also confirmed that an allowance of [REDACTED] required for site remediation works.

**i) Professional Fees**



5.35 Professional fees have been used at a proportion of [REDACTED] of construction costs. This level of professional fees is aligned with that used within both the GLA Toolkit and by BNPPRE in their Tower Hamlets Affordable Housing Viability Study Tower (2011). An allowance of [REDACTED] for professional fees reflects the level of complexity of a scheme of this nature and the likely breakdown of fees that would be required, which include:

- Architect design fees [REDACTED]
- Engineer (ME/Structural) [REDACTED]
- Quantity Surveyor [REDACTED]
- Landscape Architect [REDACTED]
- Planning Supervisor/ CDM co-ordinator [REDACTED]
- Project Manager [REDACTED]

j) **Development Finance**

5.36 The appraisal incorporates development finance costs on land and building at a rate of [REDACTED]  
[REDACTED]  
[REDACTED] This rate also reflects the likely debt financing costs applicable to a project of this type, however it should be noted that this does not include arrangement fees and exit fees which would bring this rate higher.

k) **Developers Return**

5.37 The NPPF states that scheme viability for planning should consider competitive returns to a willing developer to enable the development to be deliverable. The NPPG recognises that 'this return will vary significantly between projects to reflect the size and risk profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible'.

5.38 The Applicant has considered the level of developer return required to bring forward the Application scheme with its advisory team. Having regard to recent minimum profit levels required



on comparable schemes and carefully considering the need to ensure a sufficient and competitive return to the developer in accordance with national guidance and policy, a [REDACTED]

[REDACTED]

l) Project Timescales

5.39 For the project programme and in consultation with other consultants (cost consultants, surveyors, private sales agents, etc.), the following project programme has been assumed:

Table 5.2 – Project Timescale

Project Timescale	
Stage	Period/Duration
Project start date – aligned with the planning application submission date	[REDACTED]
Pre-Commencement period – for further design work, discharge of pre-commencement conditions, detailed investigations/surveys, site assembly, etc.	[REDACTED]
Demolition	[REDACTED]
Basement	[REDACTED]
Build Programme – including substructure, superstructure, internal finishes, fittings, furnishings, services, externals etc	[REDACTED]
Sales Period	[REDACTED]



Project Timescale	
	[REDACTED]
Affordable Housing Payment Structure.	[REDACTED] [REDACTED] [REDACTED]

m) Summary

5.40 The methodology that underlies the financial appraisal follows normal conventions and is appropriate for the scale and nature of the development. The model structure provides a sound basis on which to test development viability and to determine the funding that is available from the development to deliver the maximum reasonable proportion of affordable housing in accordance with national, regional and local policy.





## 6 MODELLING OUTCOMES AND CONCLUSIONS

6.1 This section of the AHVS summaries the outputs of the viability appraisal and provides the overall conclusion of the assessment.

a) **Viability Overview**

6.2 As detailed within Section 4 of the AHVS, the Applicant is proposing to provide 40 units/118 habitable rooms as affordable housing onsite, which equates to 20% by habitable rooms and by units.

6.3 The development viability appraisal prepared in support of this planning application has been prepared on the basis of the following:

- 20% affordable housing;
- A total CIL contribution of £1,694,773;
- A minimum benchmark land value of [REDACTED]
- [REDACTED]

6.4 The resulting model is provided in Appendix 7. The key headlines of the appraisal are summarised in the following table:

**Table 6.1 – Appraisal Summary**

Scheme Revenue	
Private Residential (164 Units)	[REDACTED]
Shared Ownership (14 Units)	[REDACTED]
Affordable Rent (26 Units)	[REDACTED]
Commercial (capitalised value)	[REDACTED]
Ground Rent (capitalised value)	[REDACTED]
Car Parking	[REDACTED]
Purchaser's Costs [REDACTED]	[REDACTED]



<b>Scheme Revenue</b>	
<b>NET DEVELOPMENT VALUE</b> (less purchaser's costs)	██████████
<b>Scheme Costs</b>	
Developers Contingency, CIL & S106	██████████
Demolition, Basement, Externals and Services, site remediation	██████████
Build Costs	██████████
Other Costs	██████████
Professional Fees	██████████
Marketing and Letting Fees	██████████
Sales Disposal Fees	██████████
Finance	██████████
Land Acquisition & Planning Costs	██████████
<b>TOTAL</b>	██████████
Profit	██████████
<b>Total Costs (excl land price)</b>	██████████
Residual Price (excl land costs)	██████████
Benchmark Land Value	██████████
<b>Surplus/Deficit</b>	██████████

6.5 The resulting model derives a residual land value of c. ██████████. The residual land value derived from the viability assessment of the scheme is therefore significantly lower than the benchmark land value of ██████████ evidencing that the proportion of affordable housing exceeds that which the viability alone can justify.

6.6 On the basis of the viability submission, it is evidenced that the ability of the development to make contributions towards Section 106, Mayoral and Local CIL together with fulfilling the affordable housing obligations are constrained. The nature of CIL means it is not possible to increase the



proportion of affordable housing through the negotiation of the wider planning gain package and this in turn means that the proportion of affordable housing is reduced. Furthermore, the ability of the scheme to incorporate affordable housing is constrained due to the design aspirations led by the planning objectives for this site, which include the wider vision for the public realm for this site and the provision of a significant proportion of non-residential floorspace. The Applicant does however recognise the priority that the Council ascribe to affordable housing delivery and this has informed the decision to provide certainty of delivery of 20% affordable housing, rather than a significantly lower quantum on the basis of scheme viability.

**b) Conclusion**

- 6.7 The proposals for Bream Street, Fish Island represent a unique opportunity to secure an important redevelopment of an underused site by maintaining employment use on the site, delivering 204 high quality residential units and 20% affordable housing to assist in meeting significant housing need in the Borough and LLDC. It offers a mix of residential accommodation ranging in size and mix – prioritising the provision of much needed family-sized affordable rented accommodation and addresses a number of planning objectives and aspirations.
- 6.8 In accordance with planning policy requirements, this Affordable Housing and Viability Statement outlines the approach that the Applicant have taken to affordable housing. The development-specific financial appraisal evidences the CIL, the packages of S106 benefits and proposed affordable housing is in addition to what would be the maximum reasonable level deliverable on this site.
- 6.1 The NPPG advises on the treatment of viability in planning, and specifically in the context of decision making, stating where an applicant is able to demonstrate to the satisfaction of the local planning authority that the planning obligation would cause the development to be unviable, the local planning authority should be flexible in seeking planning obligations, noting ‘this is particularly relevant for affordable housing contributions which are often the largest single item sought on housing developments. These contributions should not be sought without regard to individual scheme viability. The financial viability of the individual scheme should be carefully considered in line with the principles in this guidance’. This is an important consideration for this site, given the wide-ranging benefits the Proposed Development seeks to deliver.



- 6.2 Overall, the proposed housing mix responds to the needs of the local area and balances against wider planning objectives for London Borough of Tower Hamlets and LLDC. The affordable housing proposed is 20% by both units and habitable rooms, of which 65% are proposed as affordable rent and 35% as shared ownership, exceeding LLDC's emerging affordable tenure target mix and broadly meeting Tower Hamlet's tenure policy target mix. The proposed affordable housing units have also been set at a genuinely affordable level, as outlined in Section 4 of the AHVS.
- 6.3 The Applicant has sought to carefully balance meeting the acute housing needs of Tower Hamlets and the LLDC with the need to provide the maximum level of affordable housing deliverable on this site whilst making the best use of affordable housing resources available. Furthermore, the Proposed Development includes the provision of extensive employment, retail and leisure/community floorspace, which in itself would be unviable to develop if delivered as a standalone development, given the cost of delivery vs. the capitalized value generated. Nevertheless, the Applicant recognizes the strategic importance to LLDC in providing these elements within the Proposed Development. To enable these non-residential lower value uses to be viably provided, they require cross-subsidy from the private residential elements of the Proposed Development, which constrains the Proposed Development's viability and ability to provide a higher quantum of affordable housing.
- 6.4 The Applicant remains committed to bringing forward this development and enabling a balanced approach to the delivery of planning obligations, including affordable housing and Local and Mayoral CIL. Developments which demonstrate that they are unable to viably support the delivery of affordable housing at the aspirational policy target level, type or tenure identified by the Council but can robustly demonstrate that this is the case, can be deemed policy compliant. This document sets out the robust and credible viability appraisal and its evidence base, which confirms that the proposed 20% level of affordable housing exceeds the level that can be reasonably supported by the development.



## APPENDIX 1

### INPUTS AND ASSUMPTIONS

## Appendix 1: Input and Assumptions



INPUT/OUTPUTS	INPUT	EVIDENCE/COMMENTARY
<b>AREAS</b>		
Total Residential (GIA)	200,746 sq ft	Area Schedule (Appendix 2)
Of which is affordable	41,714 sq ft	
Total Residential (NIA)	154,806 sq ft	Area Schedule (Appendix 2)
Of which is affordable	32,065 sq ft	
Total Number of Units	204	Area Schedule (Appendix 2)
Of which is affordable	40	
Non Residential Floor space (GIA)	26,807 sq ft	Area Schedule (Appendix 2)
<b>REVENUE</b>		
Private Sales Values	██████████	Strettons Residential Sales Valuation evidence (Appendix 4) – average value for the 164 private sales units proposed)
Shared Ownership Sales Values	██████████	Assumed as shared ownership. When calculating the affordability, minimum incomes of ██████████ for the 1 beds and ██████████ for the 2 beds can be targeted assuming an initial equity share of 25%, 10% deposit requirement (of the equity share), rent on the unsold equity of 2.75% and ensuring the total housing costs (including mortgage repayments, rent and service charge) do not exceed 45% of a households net income.
Affordable Rent Values (when testing 22% affordable housing)	██████████	Assuming the affordable rent levels are set at Tower Hamlets Framework Affordable rent levels. The transfer values have been derived using POD plan model. This is an appraisal model that when used to value affordable housing capitalises the rental income stream over time and discounts the future value of the asset over the lifetime of the cash flow back to present day values. We have used industry benchmarked assumptions in relation to: <ul style="list-style-type: none"> <li>▪ on costs;</li> <li>▪ inflation;</li> <li>▪ interest and discount rates;</li> <li>▪ management and maintenance costs;</li> <li>▪ voids and bad debts;</li> <li>▪ costs of funding; and</li> <li>▪ cash flow periods.</li> </ul>
Block A B1 Use	██████████	Frost Meadowcroft Commercial Valuation Evidence (Appendix 5)
Block D A Use, B Use and D1/D2 use	██████████	Frost Meadowcroft Commercial Valuation

Block E B Use		Evidence (Appendix 5)
Block G A1 Use		Frost Meadowcroft Commercial Valuation Evidence (Appendix 5)
Ground Rent		Average value based on Strettons Residential Sales Valuation Evidence (Appendix 4)
Car Parking		Strettons Sales Valuation Evidence (Appendix 4)
<b>ACQUISITION COSTS</b>		
Stamp Duty Land Tax		Industry standard assumption
Agent Fee		Industry standard assumption
Legal Fee		Industry standard assumption
<b>CONSTRUCTION COSTS includes preliminaries and overheads</b>		
Non-residential floorspace Build Costs		Quadrant Construction Cost Plan Summary (Appendix 6)
Residential Build Costs		Quadrant Construction Cost Plan Summary (Appendix 6)
Demolition & Enabling Costs		Quadrant Construction Cost Plan Summary (Appendix 6)
Site remediation works		As advised by the application
Basement works		Quadrant Construction Cost Plan Summary (Appendix 6)
External Works		Quadrant Construction Cost Plan Summary (Appendix 6)
Contingency		Reasonable allowance given the nature of this project
Design, development and construction risk allowance		Reasonable allowance given the nature of this project
<b>OTHER COSTS</b>		
CIL- Mayoral and LA	£1,694,773	Includes both Mayoral and LLDC CIL charges.
NHBC/ Building Regs		Reasonable assumption to apply, given the nature of the units proposed
Neighbourly Costs		As advised by the applicant
Planning application submission Fee		planning application fee
Post Planning Submission Fees		Includes viability review but does not include S106 legal fees
Professional Fees		An allowance within the normal acceptable parameters, which includes all standard construction related professional fees and a range of other site specific specialist consultants/technical reports and surveys (i.e. planning, rights of light, site investigations, etc)
<b>MARKETING &amp; DISPOSAL FEES/COSTS</b>		
Residential Marketing		Industry standard assumption
Commercial Marketing		Industry standard assumption
Sales Agent Fees		Industry standard assumption
Sales legal Fees		Industry standard assumption
Letting Agent and Legal Fees		Industry standard assumption
Investment Agent and Legal Fees		Industry standard assumption
Purchaser's Costs		Industry standard assumption

**FINANCE & PROFIT**

Finance Rate	[REDACTED]	Reasonable assumption for a scheme of this nature – Argus model assumes a 100% debt funded model, based on the cash-flowed development costs over the proposed development period. This rate does not include arrangement and other associated fees.
Profit on Private Units	[REDACTED]	Reasonable assumption for a scheme of this nature
Profit on Commercial	[REDACTED]	
Profit on Affordable	[REDACTED]	

**PROJECT LENGTH**

Project Start date	[REDACTED]	planning submission date
Pre-commencement period	[REDACTED]	Reasonable period for a project of this nature as advised by Quadrant Construction– includes further detailed design work, time required to discharge pre-commencement conditions, detailed investigations/surveys, site assembly, etc
Demolition works	[REDACTED]	Reasonable assumption, as advised by Quadrant Construction
Basement works	[REDACTED]	Reasonable assumption, as advised by Quadrant Construction
Build period	[REDACTED]	As advised by Quadrant Construction, reflecting the nature of construction envisaged- includes substructure and superstructure works, internal finishes, fittings, furnishings, services, externals, etc.
Sales period	[REDACTED]	Assuming [REDACTED] and a sales rate of [REDACTED] units per month post completion.





**APPENDIX 2**

**ACCOMODATION SCHEDULE**

**SCHEDULE OF GIA ACCOMMODATION**

BUILDING CORE	RESIDENTIAL AREA		RESIDENTIAL FACILITIES AREA		COMMERCIAL AREA		CARPARK AREA		TOTAL GIA ACCOMMODATION	
	sq.m	sq.ft	sq.m	sq.ft	sq.m	sq.ft	sq.m	sq.ft	sq.m	sq.ft
<b>TOTAL</b>	<b>18,650</b>	<b>200,746</b>	<b>365</b>	<b>3,929</b>	<b>2,491</b>	<b>26,807</b>	<b>3,484</b>	<b>37,501</b>	<b>24,989</b>	<b>268,983</b>
B1							3,484	37,501	3,484	37,501
A	1,763	18,977	148	1,593	25	269			1,936	20,839
B	2,644	28,461	24	258					2,668	28,719
C	5,550	59,740	46	495					5,596	60,235
D	5,927	63,798	82	883	651	7,007			6,660	71,688
E					1,691	18,196			1,691	18,196
F	2,766	29,771	65	700					2,831	30,470
G					124	1,335			124	1,335

BREAKDOWN OF AREAS - CARPARK		
GIA		
Basement	<b>CYCLES</b>	325
	<b>PLANT</b>	
	CHP	186
	Misc	50
	water tank room	41
	District Heating SS	41
	Smoke extract room	44
	<b>STORAGE</b>	59
	<b>CORES</b>	250
	<b>CARPARKING</b>	1,873
<b>TOTAL</b>		<b>2,869</b>

BREAKDOWN OF AREAS - FACILITIES		
GIA		
Level 0	<b>PLANT</b>	
	Substations	88
	Gas meter	19
	<b>REFUSE</b>	
	Residential	237
	Bulky	28
<b>TOTAL</b>		<b>372</b>

**SCHEDULE OF GEA ACCOMMODATION**

BUILDING CORE	RESIDENTIAL AREA		RESIDENTIAL FACILITIES AREA		COMMERCIAL AREA		CARPARK AREA		TOTAL GEA ACCOMMODATION	
	sq.m	sq.ft	sq.m	sq.ft	sq.m	sq.ft	sq.m	sq.ft	sq.m	sq.ft
<b>TOTAL</b>	<b>20,338</b>	<b>218,915</b>	<b>448</b>	<b>4,823</b>	<b>2,850</b>	<b>30,677</b>	<b>3,484</b>	<b>37,501</b>	<b>27,120</b>	<b>291,917</b>
B1							3,484	37,501	3,484	37,501
A	1,986	21,377	174	1,873	32	344			2,192	23,594
B	2,884	31,047	29	308					2,913	31,355
C	6,075	65,391	59	635					6,134	66,026
D	6,371	68,577	99	1,066	716	7,707			7,186	77,349
E					1,906	20,516			1,906	20,516
F	3,022	32,523	88	942					3,109	33,465
G					196	2,110			196	2,110

BREAKDOWN OF AREAS - CARPARK		
GIA		
Basement	<b>CYCLES</b>	341
	<b>PLANT</b>	
	CHP	197
	Gas meter	62
	Misc	46
	water tank room	46
	District Heating SS	46
	Smoke extract room	46
	<b>STORAGE</b>	66
	<b>CORES</b>	281
	<b>CARPARKING</b>	1,924
<b>TOTAL</b>		<b>3,009</b>

BREAKDOWN OF AREAS - FACILITIES		
GIA		
Level 0	<b>PLANT</b>	
	Substations	108
	Gas meter	20
	<b>REFUSE</b>	
	Residential	287
	Bulky	34
<b>TOTAL</b>		<b>449</b>

**SCHEDULE OF NIA ACCOMMODATION**

BUILDING CORE	RESIDENTIAL AREA		RESIDENTIAL FACILITIES AREA		COMMERCIAL AREA		CARPARK AREA		TOTAL NIA ACCOMMODATION	
	sq.m	sq.ft	sq.m	sq.ft	sq.m	sq.ft	sq.m	sq.ft	sq.m	sq.ft
<b>TOTAL</b>	<b>14,382</b>	<b>154,806</b>	<b>366</b>	<b>3,940</b>	<b>1,943</b>	<b>20,914</b>	<b>0</b>	<b>0</b>	<b>16,691</b>	<b>179,660</b>
B1							0	0	0	0
A	1,314	14,144	148	1,593	25	269			1,487	3,176
B	2,028	21,829	24	258					2,052	2,286
C	4,409	47,458	48	517					4,457	4,926
D	4,451	47,910	81	872	651	7,007			5,183	12,330
E					1,143	12,303			1,143	12,303
F	2,180	23,465	65	700					2,245	2,880
G					124	1,335			124	1,335

BREAKDOWN OF AREAS - FACILITIES		
NIA		
Level 0	<b>PLANT</b>	
	Substations	88
	Gas meter	19
	<b>REFUSE</b>	
	Residential	221
	Bulky	26
<b>TOTAL</b>		<b>354</b>

PRIVATE RESIDENTIAL					
BLOCK					TOTAL UNITS
	1B2P	2B3P	2B4P	3B5P	

<b>TOTALS</b>	<b>57</b>	<b>7</b>	<b>75</b>	<b>25</b>	<b>164</b>
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A					0
B	6	6	8	6	26
C	21	1	34	10	66
D	30	0	30	6	66
E					0
F	0	0	3	3	6
G					164

MIX	ACTUAL		
SPEC	FLAT TYPE	UNITS	MIX
Standard	1 Bed 2 person	57	35%
Standard	2 Bed 3 Person	7	4%
Standard	2 Bed 4 Person	75	46%
Standard	3 Bed 5 Person	25	15%
<b>TOTAL UNITS</b>		<b>164</b>	<b>100%</b>

AFFORDABLE RENTED RESIDENTIAL					
BLOCK					TOTAL UNITS
	2B3P	2B4P	3B4P	3B5P	

<b>TOTALS</b>	<b>3</b>	<b>4</b>	<b>9</b>	<b>10</b>	<b>26</b>
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A	3	0	6	6	15
B					0
C					0
D					0
E					0
F	0	4	3	4	11
G					26

MIX	ACTUAL		
SPEC	FLAT TYPE	UNITS	MIX
Standard	2 Bed 3 Person	3	12%
Standard	2 Bed 4 Person	4	15%
Standard	3 Bed 4 Person	9	35%
Standard	3 Bed 5 Person	10	38%
<b>TOTAL UNITS</b>		<b>26</b>	<b>100%</b>

SHARED OWNERSHIP RESIDENTIAL			
BLOCK			TOTAL UNITS
	1B2P	2B3P	

<b>TOTALS</b>	<b>11</b>	<b>3</b>	<b>14</b>
---------------	-----------	----------	-----------

A			0
B			0
C			0
D			0
E			0
F	11	3	14
G			14

MIX	ACTUAL		
SPEC	FLAT TYPE	UNITS	MIX
Standard	1 Bed 2 Person	11	79%
Standard	2 Bed 3 Person	3	21%
<b>TOTAL UNITS</b>		<b>14</b>	<b>100%</b>

PRIVATE AND AFFORDABLE RESIDENTIAL						
BLOCK						TOTAL UNITS
	1B2P	2B3P	2B4P	3B4P	3B5P	

<b>TOTALS</b>	<b>68</b>	<b>13</b>	<b>79</b>	<b>9</b>	<b>35</b>	<b>204</b>
---------------	-----------	-----------	-----------	----------	-----------	------------

A	0	3	0	6	6	15
B	6	6	8	0	6	26
C	21	1	34	0	10	66
D	30	0	30	0	6	66
E						0
F	11	3	7	3	7	31
G						204

MIX	ACTUAL				
SPEC	FLAT TYPE		UNITS	MIX	
Standard	1 Bed 2 person		68	33%	
Standard	2 Bed 3 Person		13	6%	
Standard	2 Bed 4 Person		79	39%	
Standard	3 Bed 4 Person		9	4%	
Standard	3 Bed 5 Person		35	17%	
<b>TOTAL UNITS</b>			<b>204</b>	<b>100%</b>	

PRIVATE AND AFFORDABLE	RESIDENTIAL AREA			
	NET SALABLE AREA		BALCONY AREA	
	(sq.m)	(sq.ft)	(sq.m)	(sq.ft)

<b>TOTAL</b>	<b>14,382</b>	<b>154,806</b>	<b>2,152</b>	<b>23,166</b>
--------------	---------------	----------------	--------------	---------------

A	1,314	14144	109	1168
B	2,028	21829	274	2953
C	4,409	47458	662	7126
D	4,451	47910	814	8762
E				
F	2,180	23465	293	3158
G				

UNITS PER FLOOR	
Level 0	20
Level 1	41
Level 2	40
Level 3	40
Level 4	37
Level 5	20
Level 6	6
<b>TOTAL UNITS</b>	<b>204</b>





**APPENDIX 3**

**FM LAND VALUATION REPORT**



View of warehouse and land from Old Ford Locks

**CURRENT USE APPRAISAL OF COMMERCIAL SITE**  
**AT**

Land in Bream Street, Dace Road and Stour Road, Fish Island, London, E3 and showroom and  
warehouse at 47-51 Dace Road, E3

**FOR**  
London & Quadrant

**May 2015**

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**APPENDIX A - LOCATION MAPS**

**APPENDIX B - PHOTOGRAPHS**

**APPENDIX C - STANDARD LIMITATIONS & ASSUMPTIONS**

## 1. EXECUTIVE SUMMARY

- This report provides an appraisal of the commercial site with a special assumption of continuing the use of the property, assuming all hope value is excluded including value arising from any planning permission or alternative uses. This basis of valuation could otherwise be referred to as the current use value (CUV) as defined by RICS Guidance Note – Financial Viability in Planning (2012).
- The property comprises an irregular shaped site of approximately 1.48 acres together with a piece of land that has a warehouse constructed on it that is 17,559 sq ft (GIA).
- A location map is copied in Appendix A.
- Photos of the site are to be found in Appendix B.
- The General Principles Adopted in Preparation of Reports and Valuations appended must be read in conjunction with this report.
- The current use value of the property ignoring any hope value for a change of use is [REDACTED]



## **2. LOCATION**

- 2.1 The site is bounded by Stour Road, Dace Road and Bream Street in an area known as Fish Island in reference to the roads with the names of freshwater fish: Smeed, Dace, Monier, Bream and Roach etc. The eastern boundary of the site overlooks the Old Ford Locks as the Lee Navigation meets the Old River Lea. The Olympic Park and West Ham United's proposed Olympic Stadium are on the opposite bank of the Lea.
- 2.2 The nearest train station is an Overground station 10 minutes' walk north at Hackney Wick. This connects with Stratford to the east and Richmond to the west. Pudding Mill Lane on the Docklands Light Railway is 13 minutes' walk south and Stratford for the Underground (Central and Jubilee Lines) is 23 minutes east. By road transport, Dace Road is accessible from the A12 East Cross Route via Wick Lane south of the north circular (A406).
- 2.3 Once a largely industrial area, the island is currently going through a major redevelopment of much of the industrial property to residential property as well as studios and workshops in the creative industries. However many light industrial users remain, including the adjoining H Forman & Son smoked salmon producers. The property is in the London Borough of Tower Hamlets, in the ward of Bow East.

## **3. DESCRIPTION**

- 3.1 The property comprises a part three floor and part single storey 17,559 sq ft warehouse, probably constructed in the 1980's, fronting Dace Road and three parcels of land comprising 1.48 acres north of the warehouse. The site is bounded by Bream Street to the west, the Lee Navigation on the east and Stour Road and the smoked salmon producer, H Forman, to the north. One of the parcels of land is just hardstanding, one is used by a scaffolding company for storage and one has an electrical sub-station occupying it.
- 3.2 The warehouse comprises a three floor section, used as showroom, storage and ancillary offices, and a single storey, portal frame section of the same height as the three floor property suitable for warehouse storage and distribution.
- 3.3 The three floor section has a flat roof whereas the single storey section is under a pitched roof with roof lights. Both parts of the building have red brick elevations and there are windows in the three exposed elevations of the three floor section. There is a roller shutter door in the three floor section on to Dace Road and a roller shutter door in the single storey section into the car park. There are no windows in the single storey section.

#### 4. ACCOMMODATION

4.1 The 17,559 sq ft warehouse accommodation is arranged as follows measured in accordance with the RICS code of measuring practice:

Ground floor:	11,087 sq ft
1 <sup>st</sup> floor:	2,583 sq ft
2 <sup>nd</sup> floor:	3,929 sq ft
<b>Total:</b>	<b><u>17,599 sq ft</u></b>

There is a small car park to the front for half a dozen cars.

The land to the north of this warehouse is 64,360 sq ft or 1.48 acres. It is an irregular shape but level and with no adverse features. The land is mostly laid to concrete hardstanding. The plan below shows the 1.48 acres. Plot B is the part of the site let currently to a scaffolding company, plot A is currently an electrical sub-station and plot C is currently hardstanding.



## 5. STATE OF REPAIR

This is not a structural or building survey but it was noted that the warehouse property is in reasonable property and could be re let as it appears to be reasonably well maintained. In addition is it the tenant's responsibility to 'well and substantially repair maintain and clean the premises' so dilapidations would be due if the tenant was in breach of this lease covenant.

## 6. ENVIRONMENTAL ISSUES

- 5.1 We have not undertaken an environmental audit.
- 5.2 Informal enquiries to the Environment Agency show that the property is in Flood Zone 3, liable to flooding (but is protected by the Thames Barrier at Silvertown).
- 5.3 We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of this property, or has since been incorporated, we are therefore unable to report that the property is free from risk in the respect. For the purposes of this valuation we have assumed that such investigation would not disclose the presence of such to any significant effect.

## 7. TENURE

- 7.1 We understand that the property is freehold.
- 7.2 For the purpose of this report we have made assumptions that there is a good and unencumbered title, free from any unusual or onerous restrictions, covenants or easements likely to have an adverse effect upon our valuation.

## 8. TENANCIES

The majority of the land to the north of the warehouse is with vacant possession, although 7,750 sq ft section is let on a short tenancy to a scaffolding company [REDACTED]. The rent is [REDACTED] annum exclusive ([REDACTED] ft). It is shown as plot B in the previous plan.

The warehouse, known as 47-51 Dace is let for a [REDACTED] from 1 August 2011. There is a break clause by which the landlord may terminate the lease by giving at least six months written notice to the tenant, Aston Matthews. The rent is [REDACTED] annum exclusive [REDACTED]. This [REDACTED].

As these tenancies are [REDACTED] term to enable development the current use value will reflect vacant possession value as purchasers [REDACTED] months for the [REDACTED].

## 9. PLANNING

- 9.1 The current use is not currently classified and so we have assumed that the warehouse is B8 with an A1 showroom and B1 ancillary above this and the 1.48 acres of land to the north of the Aston Matthews warehouse previously had B1 and B2 use we understand.
- 9.2 The site is suitable for residential redevelopment but this is not being considered in this report.

## 10. MARKET TRENDS AND GENERAL VALUATION COMMENTS

- 10.1. This appraisal has been prepared in accordance with normal practice taking into account comparable evidence and current market conditions. In determining our opinion of current use value, we have considered both the comparison method of valuation and the identification of a market rent being capitalised at an appropriate yield. We have carried out our usual research and enquiries, including discussions with local and specialist sector agents. We have also analysed the existing market commentaries and data in determining our opinion as to value.
- 10.2. **General Economy**  
GDP increased by 0.3% in the 1<sup>st</sup> quarter of 2015 following growth of 0.6% in the fourth quarter of 2014. GDP grew in every quarter of 2014. Construction and Production output decreased. Manufacturing is the largest component of production.
- 10.3. The temporary Permitted Development Rights which came in to effect on 30<sup>th</sup> May 2013 and will be available to developers until 30<sup>th</sup> May 2016 have put pressure on rents and capital values of commercial properties in Zone 2 and 3 London as the supply of office stock is reduced by conversions to residential and to Free Schools. On 15<sup>th</sup> April 2015 new provision was introduced to Permitted Development running until 15<sup>th</sup> April 2018 that allows change of use from storage or distribution centres that are below 5382 sq ft. This may add further pressure on supply which will increase rents and capital value of industrial land and buildings.
- 10.4 In general there are very few areas in central East London that have sites available for open storage and the supply of B2 general industrial and B8 warehousing has reduced substantially as land is developed for more valuable uses such as office and creative space as well as housing. This has led to rent increases in this sector.
- 10.5 In their *Outlook for 2015*, CBRE describe the UK industrial market as 'suffering a severe shortage of stock, especially in areas of highest occupier demand, continues to influence the industrial market in the UK. Speculative development will only go so far to address this situation, with a mismatch in some regions between what is being developed and what requirements exist. As a result 2015 will continue the current trend for occupier decisions to be driven by where supply is located, rather than their ideal location - but only if they are not prepared to wait for a 'Built To Suit' unit. From a landlord's perspective these are all positive signs for the industrial market, not least because rental growth is increasingly becoming a part of overall total returns, especially so in the South East and primary Midlands markets. IPD's Monthly Index puts annual rental growth to the end of November in London at 4.2%'.
- 10.6 GVA in their *Economic and Property Market Review* of February 2015 state that 'In the industrial sector the dwindling supply of good quality space is impacting on rental growth as robust demand continues from retailers, manufacturers and urban logistics, particularly in the Midlands and the South East. Industrial construction output (factories and warehouses) has picked up strongly, albeit from a low base in 2013. Growth of 12% is estimated for 2014 and a further 27% over the next four years to 2018. The warehousing subsector will lead this growth, being closely correlated to growth in the economy, consumer spending and internet shopping. The industrial market is showing the strongest rental growth of the three sectors outside London. According to the IPD monthly index, UK industrial rents have increased by 2.9% over the year to December. We forecast rental growth of just over 3% pa over the next five years.'
- 10.7 The site is accessible by vehicles via the A12 East Cross Route but has access via a single lane road from a roundabout off Wick Lane and would therefore be prone to congestion in

comparison to, for example, the Corporation of London's purpose built New Spitalfields Market in Leyton, E10. This estate is 1.5 miles north but has better dual carriageway access direct via the A106 Eastway from the A12 or Prologis Park 2 miles to the south in Canning Town, E16.

- 10.8 We consider the open storage would be in demand from the construction industry, similar to the current scaffolding company leasing part of the site, as well as general industrial users, due to its proximity to central London.
- 10.9 There is a scarcity of this type of land in such proximity to London due to the pressure of higher land values from redevelopment. The warehouse would interest owner occupiers and property investors. It is very lettable and saleable in its existing condition due to the scarcity of stock and good demand.

## 11 COMPARABLE EVIDENCE

### Vacant warehouse/industrial freehold comparables

[REDACTED]  
This [REDACTED] ft GIA (with mezzanine of 450 sq ft) steel portal frame terraced industrial building sold on a [REDACTED] auction for [REDACTED]

It is [REDACTED] of the subject property just north of the A12 but has poorer vehicular access via smaller roads than the subject warehouse. This gives an indication of [REDACTED] the subject property would [REDACTED] due to its [REDACTED]

[REDACTED]  
An [REDACTED] and [REDACTED] industrial property is under offer to a firm of contractors to [REDACTED] and offices at [REDACTED]. The vendor's agent concluded that the rental value of this early 20<sup>th</sup> century section of a 6 property estate was in the [REDACTED]. This illustrates that owner occupiers are paying approximately 6% [REDACTED] yield after acquisition costs. As this comparable is small, more companies have the ability to purchase it therefore [REDACTED] in price per sq ft paid for this property in comparison to the subject property. This property is 5 minutes walk south of the subject property.

### Warehouse/Industrial Leasehold comparables

[REDACTED]  
This [REDACTED] single storey industrial unit constructed in the 1980's, built of steel portal frame construction and clad with brickwork was let [REDACTED] April Wing Ltd from [REDACTED] p.a. [REDACTED] Thomas Road Industrial Estate is just east of the City, 2 miles south of the subject property and within 1 mile of the Docklands and Canary Wharf, near the A13 but not with direct access to this road.

[REDACTED]

This [redacted] warehouse let for [redacted] a [redacted]. The property had been under offer since August in a growing market in terms of local warehouse/industrial rents and so it is likely the property would be marketed at [redacted] sq ft to [redacted] ft were it on the market now. The property is similar to the subject property as it is a modern single storey industrial/warehouse unit of steel portal frame construction, with a roller shutter door and small yard. It is 3 miles south of the subject property.

[redacted]  
In [redacted] a prop hire company, Newman Hire, [redacted] ground floor and mezzanine warehouse with approximately 10 car parking spaces for [redacted] which equates to [redacted]. The developer, Chancery Gate, is converting the existing industrial property to make it more suitable and more accessible for the modern warehouse occupier. Chancery Gate are "industrial break-up" developers who purchase large industrial properties and then refurbishing and modernising them in order to sell to industrial or warehouse owner occupiers.

#### Leasehold comparable for open storage land

[redacted]  
In summer [redacted] commercial open storage yard on behalf of the [redacted] who have about [redacted] Interest was [redacted]. They eventually [redacted] as they felt the [redacted] of the site both in terms of practicality but also in terms of jeopardizing a pending rent review. This [redacted]

[redacted]  
In January 2015 a [redacted] site was let for storage at [redacted] per sq ft. The subject property will command a higher rent because of its closer proximity to London in an area where storage land is scarcer.

#### Freehold investment comparable for open storage land

[redacted] (near Heathrow)  
This 2 acre [redacted] site had 8 years unexpired on a 10 year with no breaks and was occupied for open storage and the parking of lorries. The rent is [redacted] per sq ft). The investment sold in March 2014 for [redacted]

#### Freehold comparable for industrial land sale

[redacted] N17  
This vehicle breakers yard is under offer for sale at [redacted]. It is understood that the purchaser will clear the site of older buildings and develop the property for modern industrial units to be sold to industrial / warehouse owner occupiers. The property is [redacted] property and inferior in terms of its proximity to central London and there is better articulated lorry access to the subject property as Willoughby Road is off a residential road.

**Freehold comparable for warehouse investment**

[REDACTED]  
 In December 2014 [REDACTED] acquired the [REDACTED] on behalf of [REDACTED] for [REDACTED] reflecting a topped-up yield of [REDACTED]. This portfolio comprises 6 industrial estates in the South East region totalling 97 individual units of varying sizes and specifications. The location of the units included Camberley, Frimley, Heathrow, West Thurrock, Woodford Green and Hemel Hemstead. This acquisition demonstrates likely achievable investment yields for industrial property in the South East. Because the subject property is closer to the London the yield would be slightly lower.

Date	Address	Size	£ per sq ft	FH/LH
<b>Vacant warehouse/industrial freehold comparable</b>				
March 2014	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	FH
Q4 2014	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	FH
April 2015	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	FH
<b>Warehouse/Industrial Leasehold comparable</b>				
March 2014	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	LH
April 2014	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	LH
<b>Leasehold comparable for open storage land</b>				
Summer 2014	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	LH
January 2015	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	LH
<b>Freehold investment comparable for open storage land</b>				
March 2014	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	LH FH
<b>Freehold comparable for industrial land sale</b>				
	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	FH
<b>Freehold comparable for warehouse investment</b>				
Dec 2014	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	<span style="background-color: black; color: black;">[REDACTED]</span>	FH

## 12 VALUATION APPROACH

- 13.1 For the remit of this valuation we have been asked to consider the current use [REDACTED] assumption to [REDACTED]  
[REDACTED]
- 13.2 The valuation approach has been the comparable method taking into account the sale of vacant properties on a price per sq ft as well as comparing investment sales.
- 13.3 Having considered the respective values and adopted methodology we have applied a rental value of [REDACTED] for the [REDACTED] warehouse building and small car park currently let to Aston Matthews and a freehold value of [REDACTED]
- 13.4 We have also applied a rent of [REDACTED] ft for the [REDACTED] and north of Aston Matthews and a freehold value of [REDACTED]
- 13.5 If an investor was interested in the property we expect that they would consider an all risk yield of [REDACTED] to be the investment yield for the warehouse were it to be let. Investors do tend however to want to buy larger, complete industrial and warehouse estates rather than a standalone warehouse like the subject property. We consider the investment yield to be applied to the land would be [REDACTED] to establish the capital value.
- 13.6 CBRE's UK Monthly Index gives prime central London industrial estates at [REDACTED] Our yields are higher because the Aston Matthews warehouse is not purpose built and the access for articulated lorries is inferior and the similarly whilst well located the access to the land is more limited to articulated lorry access than what we would regard a prime industrial site. All net initial risk yields allow for the deduction of purchase costs at [REDACTED]  
[REDACTED]

## 13 CURRENT VALUE

We are of the opinion that the Current Value of the commercial site with a special assumption of continuing the use of the property, assuming all hope value is excluded including value arising from any planning permission or alternative uses. This basis of valuation could otherwise be referred to as the current use value (CUV) as defined by RICS Guidance Note – Financial Viability in Planning (2012) is:

Land	[REDACTED]	[REDACTED]
Showroom and warehouse at 47-51 Dace Road, E3	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]



**14 SIGNATURE**



Signed .....

Date: 21<sup>st</sup> May 2015



Frost Meadowcroft Surveyors LLP  
Island Studios, 22 St Peters Square, London W6 9NW  
Tel: 020 8748 1200

## APPENDICES



**APPENDIX B**

**PHOTOGRAPHS**



**View of warehouse from Old Ford Lock**



**Frontage of site to Old Ford Lock and Lee Navigation**



**Hardstanding adjoining H Forman's warehouse**





Dace Road elevation of warehouse



Car park to warehouse off Dace Road



Dace Road elevation



Bream Street elevation of warehouse



Scaffolder's yard accessed off Bream Street



Interior of main warehouse





Interior of main warehouse



Upper showroom floor



Ground floor showroom section of warehouse



[Redacted text block]

- [Redacted list item]
- [Redacted list item]
- [Redacted list item]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

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[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]



**APPENDIX 4A**

**STRETTONS RESIDENTIAL SALES ADVICE**



## **MARKET REVENUE REPORT: NEW RESIDENTIAL-LED DEVELOPMENT**

**SITE AT BREAM STREET  
FISH ISLAND  
LONDON  
E3**

**FOR**

**LONDON & QUADRANT HOUSING ASSOCIATION**



**MAY 2015**



CHARTERED SURVEYORS  
AUCTIONEERS  
VALUERS  
ESTATE AGENTS  
ESTATE MANAGERS

**CITY & CITY FRINGE**  
1-3 Sun Street  
London EC2A 2EP  
Telephone: 020 7375 1801  
Fax: 020 7628 7262  
Email: city@strettons.co.uk

London & Quadrant Housing Association  
Development & Sales  
10 Grove Crescent  
Stratford  
London  
E15 1BJ

**EAST & NORTH LONDON**  
Telephone: 020 8520 9911  
**AUCTIONS**  
Telephone: 020 7637 4000  
**WEST END**  
Telephone: 020 7637 4000  
**ESSEX & HERTS**  
Telephone: 01279 451835  
**STRATFORD**  
Telephone: 020 8522 4666

For the attention of [REDACTED]

14 May 2015

Our ref: GP/BreamStRevVals

Dear Sir

**MARKET REVENUE REPORT: NEW RESIDENTIAL-LED DEVELOPMENT  
SITE AT BREAM STREET, FISH ISLAND, LONDON E3**

**1 INSTRUCTIONS**

We have been instructed by London & Quadrant Housing Association (L & Q) to appraise the proposed residential-led development at the above site in order to provide valuation advice on the private tenure residential units and other matters within the completed scheme. We specifically report on the following:

- i) Individual Market Values for the [REDACTED]
- ii) Market value of the [REDACTED]
- iii) Ground Rent for the [REDACTED]
- iv) Commentary on the likely percentage of [REDACTED] of the private tenure flats.

The date of valuation is the date of this report.

You are understood to be in the process of preparing a planning application for the redevelopment of the site to deliver a residential-led scheme providing a total of 204 new flats (164 private tenure and 40 affordable tenure) and 1,943 sq m / 20,914 sq ft (NIA) of mixed commercial space all situated in a mix of seven newly built up to 7-storey buildings.

**STRETTONS LIMITED  
ESTABLISHED IN 1931**

Registered in England: No. 268552  
Registered Office:  
189-203 Hoe Street London E17 3SZ



**DIRECTORS**

Benjamin Tobin BSc FRICS FNARA •  
Philip J Waterfield BSc FRICS  
Simon E D Tilsiter BSc FRICS •  
Francis C Hunter BSc FRICS  
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Neal Matthews BSc MRICS  
Mark H Shaw BSc FRICS ACIAB  
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Philip Costa BSc MRICS ACIAB  
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Nicholas Duck BSc PGDip MRICS  
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**NON-EXECUTIVE DIRECTORS**

Peter G Tobin BSc MPhil FRICS FCIAB  
Philip P Tobin FRICS MCIAB  
Graham R Slyper FRICS IRREV

**FINANCIAL CONTROLLER**

Kirit K Jethwa

**HEAD OF PROPERTY ACCOUNTS**

Richard Allen AIRPM

**INSURANCE MANAGER**

Ram Bekir

We inspected the site from the surrounding public roads and paths on 6 May 2015.

This report is prepared in support of a planning application to the London Legacy Development Corporation regarding a Toolkit Viability Assessment in order to consider the level of Affordable Housing to be provided within the development and associated s.106 contributions. We understand that you have appointed Quod to provide detailed advice in relation to the development viability.

This report has been undertaken by [REDACTED] PGDip BSc (Hons) MRICS, a RICS Registered Valuer, who has the relevant knowledge, skills and understanding to undertake this valuation advice competently.

We provide our valuations on the basis that the proposed scheme is completed as described in this report, in accordance with planning permission and to a good standard.

We have been provided with a number of layout and elevation plans, design images and a schedule of accommodation relating to the proposed development and the proposed associated planning application on the site. The principal documents that we have relied upon include the document titled 'Bream Street Fish Island LBTH meeting 15 April 2015', schedule of accommodation and development plans produced by Allford Hall Monaghan Morris and development layout plans (Project 14039) that are being submitted as part of the planning application for the proposed development.

We confirm that no conflict of interest arises from Strettons undertaking this valuation advice. This location is very well known to Strettons and we have advised on a number of new residential-led developments over recent years in the surrounding location.

## **2 EXECUTIVE SUMMARY**

We arrive at a Gross Development Value for the proposed private tenure flats and car parking spaces plus other matters within the completed development based on the plans provided and on the assumption that the scheme is built as described in this report for the proposed tenure mix as follows:



Tenure / Type	Gross Development Value
Private Flat Sales	██████████
12 Basement Car Parking Spaces	██████████
<b>Total</b>	██████████

With regard to the subject scheme we have had regard to the general level of ground rents paid by other new build schemes within the general area and assess the initial ground rent of the private flat types payable under a new lease of 125 years as follows:

Unit Type	Ground Rent pa
1-Bedroom Flat	██████████
2-Bedroom Flat	██████████
3-Bedroom Flat	██████████

We then consider that the market would apply an all risks yield of ██████ to the above.

In terms of the marketing and sales programme, we consider that the market would assume that 40% of the units in the scheme would be pre-sale while the development is under construction.

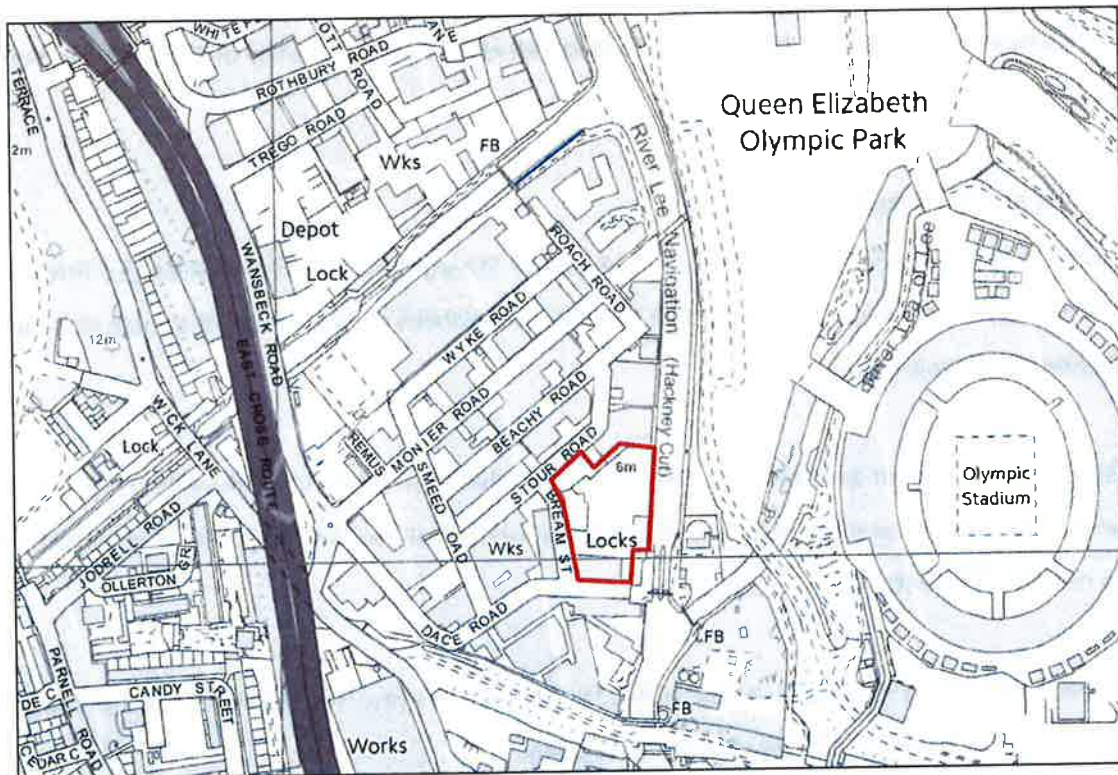
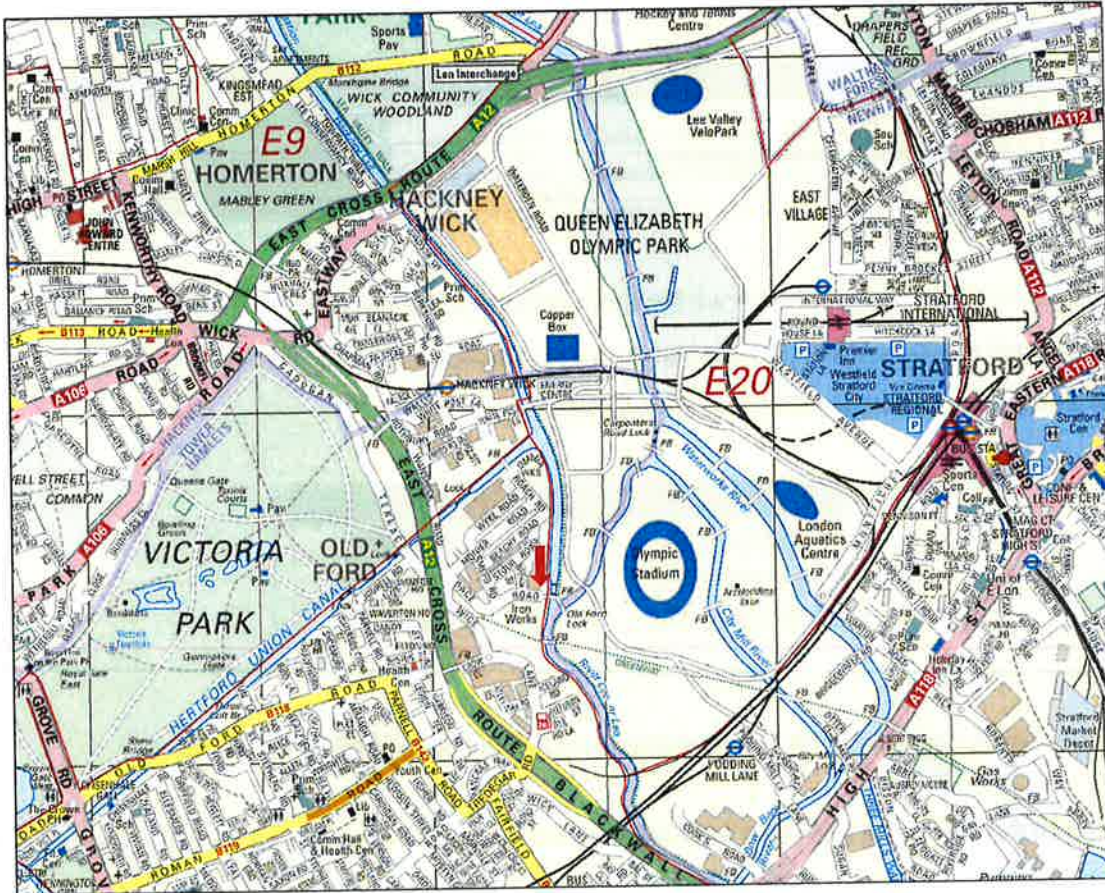
This Executive Summary should not be read independently of the main body of the report as set out below.

### 3 LOCATION AND SITE DESCRIPTION

The subject site is located on the east side of Bream Street, adjacent to the River Lee Navigation (Hackney Cut), which is just to the west of the Queen Elizabeth Olympic Park, the main site for the 2012 London Olympic Games.

The site is situated in an area known as 'Fish Island' within east London and the London Borough of Tower Hamlets. The site is about 3½ miles north east of Central London and 1 mile to the south west of the commercial centre of Stratford.

The street map, site plan and aerial photographs below show the location of the proposed development; they are for identification purposes only.





The irregular shaped site appears to be generally level and is understood to have a gross area of approximately 8,470 sq m (91,170 sq ft) / 0.85 hectares (2.09 acres).

The site is bounded to the north-west onto Stour Road, Bream Street to the west, Dace Road to the south and River Lee Navigation (Hackney Cut), Old Ford Lock to the east and to the north east is the Foreman's Salmon Smoke factory along with its on-site restaurant and conference centre.

The subject site has been largely cleared, save for a 4 storey circa. 1950s industrial building to the south west fronting Bream Street and Dace Road plus some temporary buildings containing a storage yard to the west side of the site fronting Bream Street.

Opposite the site on the south side of Dace Road is 'Iron Works', which is a gated mixed commercial and residential development created about 10 years ago that comprises a range of medium rise new and older buildings providing a mix of live-work, residential and commercial units. To the east of the 'Iron Works' is 'Swan Wharf', that comprises converted medium rise period warehouse buildings which appear to provide a mix of arts, cultural, media, conference, restaurant uses, including the Plough Pub next to Old Ford Lock at the eastern end of Dace Road, where there is a footbridge over the lock.

In the immediate area are a range of period and post-World War II industrial buildings that are in a mix of commercial and cultural uses.

There have been limited new residential developments on Fish Island. Two of the principle schemes are known as 'Iron Works' and 'Omega Works'.

We set out below photographs of the site and the surrounding area taken at the time of our inspection.

Existing building on the site located on the corner of Dace Road and Bream Street



Site frontage onto Dace Road



Site frontage onto Hackney Cut



Old Ford Lock



Site frontage onto Bream Street



View of subject site



Site frontage onto Bream Street



Site frontage onto Bream Street



Site frontage onto Stour Road



Site frontage onto Stour Road and Bream Street



Site frontage onto Stour Road showing car park to Foremans



Site frontage onto Stour Road showing car park to Foremans in the distance



Hackney Wick and Fish Island is an area to the east of the A12 dual carriageway and immediately to the west of the new Queen Elizabeth Olympic Park (QEOP). As part of the strategic redevelopment of this area, the London Legacy Development Corporation has issued Design and Planning Guidance (2014). The vision for the area is of a creative quarter to live, work and visit that innovates while building on its industrial heritage and sense of place.

The Queen Elizabeth Olympic Park already contains East Village that comprises circa. 2,800 new homes in the former Athletes Village in a mix of affordable and PRS tenures. The park is being further developed over the next 20 years, creating 5 new neighbourhoods containing over 10,000 new homes, commercial space and other uses include media, community, retail, leisure, hotels, offices, schools and medical. In addition, Stratford City, which is adjacent to the park close to Westfield Shopping Centre is proposed to be further developed with a mix of commercial and leisure properties.

There are very limited shopping facilities on in the area. Extensive shopping and leisure facilities are found in the commercial centre of Stratford including the Westfield Shopping Centre, the largest urban shopping centre in Europe.

The area is reasonably well served by road and public transport. There is a bus route running along Wick Lane not far to the west. Hackney Wick London Overground Station is within ½ mile to the north and this provides quick connections in to Stratford Station which contains a mix of Underground, Overground, Mainline Rail services and within a few year years the new Crossrail Line. The A12 Blackwall Tunnel Northern Approach Road is just to the west of the site and this provides access into the Blackwall Tunnel to the south and motorway network out of London to the north.

There are currently limited parking restrictions in the immediate area, but we noted signs stating that a Controlled Parking Zone (CPZ) is soon to be implemented.

#### 4 PROPOSED NEW RESIDENTIAL-LED DEVELOPMENT & ACCOMMODATION

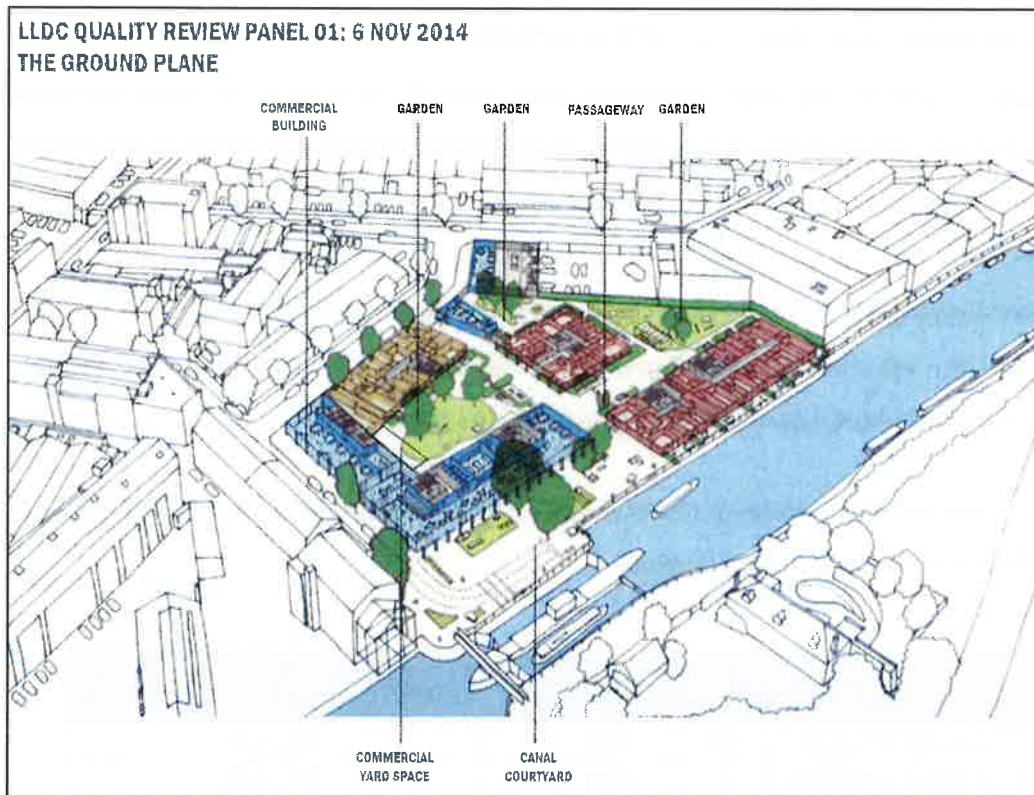
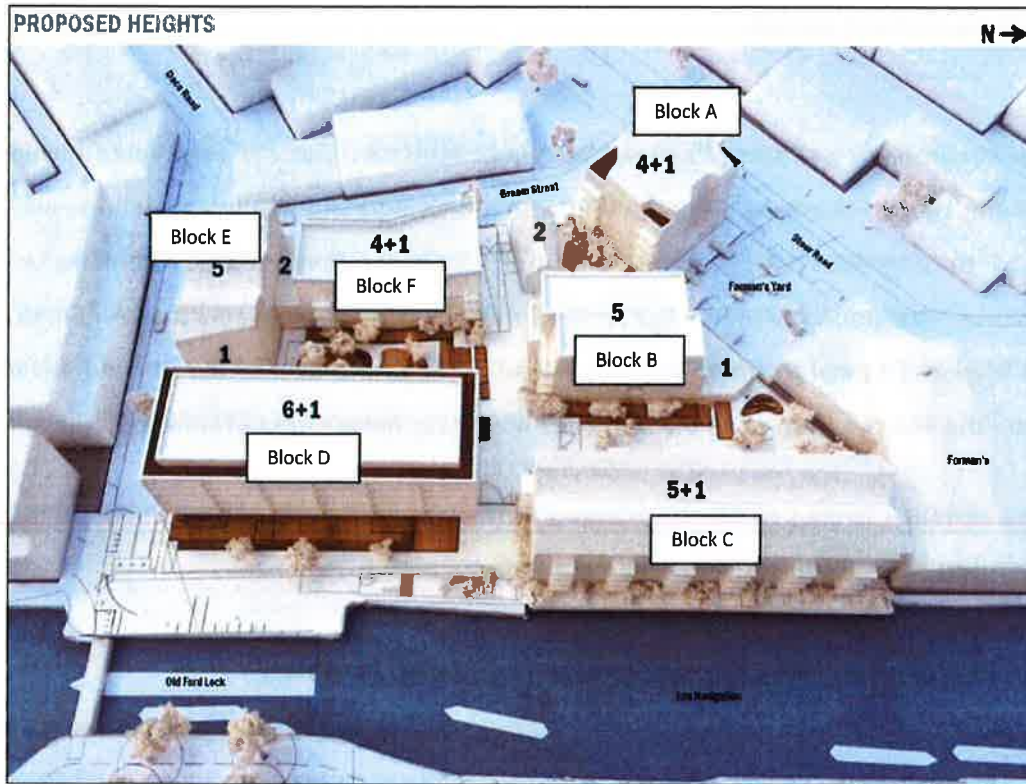
The proposed residential-led development involves demolishing the existing buildings on the site and erection of seven buildings of up to 7 storeys plus basement car parking. The scheme will comprise a total of 204 flats (164 private tenure and 40 affordable tenure split between 26 affordable rent and 14 shared ownership) and 1,943 sq m / 20,914 sq ft (NIA) of commercial space which is to provide a mix of retail, office and community uses at the lower level of a number of the residential blocks and also in separate buildings. A new public path is to be created through the centre of the scheme from Bream Street and this will give access to the new public realm adjacent to Old Ford Lock.

The report mainly deals with the 164 private tenure flats that are situated within three self-contained buildings to the east side of the site, with two adjacent to the River Lea and a further block containing a mix of shared ownership and private tenure flats.

The table below shows a summary of the subject 164 private tenure flats and a full schedule of accommodation is shown in our valuations.

Flat Type	No.	Floors	Minimum GIA sq m / sq ft
1-Bed / 2 Person	57	Gnd – 5 <sup>th</sup>	50 / 538
2-Bed / 3 Person	7	Gnd – 4 <sup>th</sup>	64 / 689
2-Bed / 4 Person	75	Gnd – 5 <sup>th</sup>	70 / 753
3-Bed / 5 Person	25	Gnd – 6 <sup>th</sup>	86 / 926
<b>Total</b>	<b>164</b>		

Site plans below illustrating the development and also show the location of each of the principle blocks.





A brief description of each block is shown below. We concentrate on the blocks containing the private tenure flats.

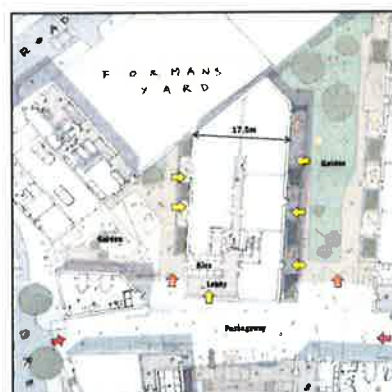
**Block A (Affordable Rent Tenure Residential Block)**

Up to 5 storey block containing 15 affordable rent tenure flats arranged over first to fourth floor levels. There is assumed to be ground floor commercial space.

**Block B (Private Tenure Residential Block)**

5 storey block containing 26 flats private tenure flats arranged over ground to fifth floors levels. The flats are in a mix of 1, 2 and 3 bedroom types. The east and south elevations will front onto inner communal gardens, west elevation onto near-by blocks on the scheme and north elevation onto the Foreman's site.

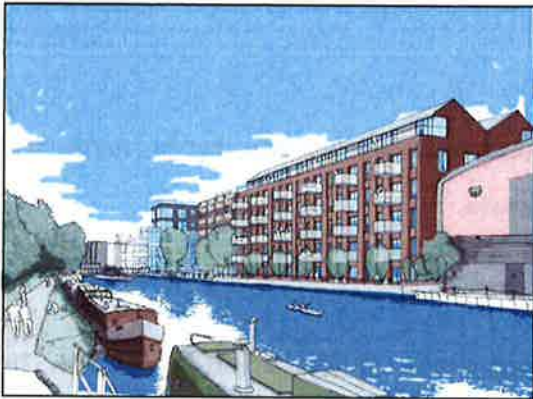
The new block is shown in the design plans below.



**Block C (Private Tenure Residential Block)**

Up to 6 storey block containing 66 flats private tenure flats arranged over ground to sixth floor levels. The flats are in a mix of 1, 2 and 3 bedroom types. The west elevation will front onto inner communal gardens, west elevations onto the River Lea, south elevation onto Block D and north elevation onto the Foreman's site.

The new block is shown in the design plans below.



**Block D (Private Tenure Residential Block)**

Up to 7 storey block containing 66 flats private tenure flats arranged over first to sixth floors levels. The flats are in a mix of 1, 2 and 3 bedroom types. It is assumed there is to be ground floor commercial space. The west elevation will front onto inner communal gardens, east elevation on to new public realm onto the River Lea Navigation/Old Ford Lock, south elevation on Dace Road and north elevation onto other blocks on the scheme.

The block is shown in the design plans below.



**Block E (Employment Block)**

Up to 5 storey block containing commercial employment space.

**Block F (Private & Affordable Tenure Block)**

Up to 5 storey block containing 31 flats arranged over ground to fourth floor levels. There are to be 6 private tenure flats, 14 shared ownership tenure flats and 11 affordable rent tenure flats. The private tenure flats are in the form of 2 and 3 bedroom unit types. The east and south elevations will front onto inner communal gardens, west elevation onto adjacent new buildings on the scheme and north elevation onto other blocks on the scheme.

**Block G (Employment Use)**

2 storey block containing commercial employment space.

**Internal Arrangement & Specification**

The subject private tenure flats are arranged as follows:

- The flats have an open plan living room / kitchen design;
- All the flats have a bathroom/WC. The 2 bedroom / 4 person flat plus all the 3 bedroom flats have an en-suite shower/WC, save for a small number of 3 bedroom flats;
- Nearly all the flats have a balcony or terrace.

In our assessment of “Outturn” Market Values of the private tenure flats, we value on the basis that they will compete with other new build units for sale in recent times within the general surrounding area. [REDACTED]

[REDACTED]

**Parking**

It is understood to be 12 basement car parking will be allocated to the private tenure flats. There is to be a CPZ introduced within the immediate area and we assume that the occupiers of the flats will be ineligible to apply for a parking permit.

## 5 ECONOMIC & MARKET BACKGROUND

The RICS Economic Report for May 2015 indicates that the UK economy is on track for a solid expansion in 2015 and suspects that the recent slowing in output growth will be a temporary glitch. Recent employment data remains strong with the number of workers rising to a new record high in January and the unemployment rate falling to 5.6%.

The inflation rate continues to fall, driven by the lower oil price, and reached a record low in March. Whilst this is a welcomed boost for consumers via an increase in real incomes, it is coming at a cost to the economy in other sectors such as the lower North Sea output resulting from the fall in oil and gas prices and reducing GDP growth.

The RICS suggests that the biggest risk to the UK's growth outlook remains the prospect of turbulence in the Euro area stemming from the Greek debt crisis, however economic fundamentals in the Euro Block are beginning to improve. There was widespread speculation about uncertainty surrounding the result of the forthcoming General Election and the impact it will have on the property market.

Construction output is estimated to have fallen by 1.6% in the first quarter but this figure tends to be volatile and prone to revision. The private housing and commercial sectors saw the strongest rise in activity and should be big drivers of growth through the remainder of the year. This steady increase bodes well for growth output with RICS respondents expecting workloads to rise over the next 12 months. *Molilor London Residential Development Research* quarterly analysis indicates that sales prices of apartments in new prime developments has dropped markedly. However, in the lower price bands, sales are still high but this is partly due to discounting from the advertised price lists which is becoming a larger driver of strong sales rates.

In the housing market, the RICS Residential Market Survey has shown a slight pickup in price momentum at the headline level in recent months. The modest increase in price growth is now coming through in other national indices with the Nationwide measure showing a rise of 1% in April relative to the previous month. Sales activity remains subdued and on the schemes that we have appraised in recent months there has been no growth in values. The marginal pick up in values in some area seems to have a correlation to the lack of supply rather than increased demand from buyers all willing to pay higher values.

## 6 VALUATIONS AND GENERAL ADVICE

To recap we have been asked to provide valuation advice on the following:

- i) Individual Market Values for the 164 private tenure flats;
- ii) Market value of the 12 basement car parking spaces;
- iii) Ground Rent for the private tenure flat types;
- iv) Commentary on the likely percentage of 'off-plan' sales of the private tenure flats

The advice is set out below.

### I) INDIVIDUAL MARKET VALUES FOR THE 164 PRIVATE TENURE FLATS

#### Factors Affecting Value & Comparable Evidence

##### **Macro Property Market**

The property market in London over the last year has performed well with Land Registry stating that for the last 12 months up to March 2015 average property prices in London rose by 11.3%, this is down from recent peak which was 20.7% in August 2014. The London Borough of Tower Hamlets has performed reasonably well and is consistent with other inner London Boroughs, with annual price inflation for the last 12 months at 13.4%, but the growth in values have generally levelled off since the later part of 2014. This statistical information needs to be viewed with caution as it only provides a general guide to the property market.

Our experience of the recent property market is that values have ceased rising and have plateaued. This appears to be the case in some of the better performing boroughs such as Tower Hamlets as there has been high growth in recent times which seems to be levelling off due to increased supply and general affordability issues. The higher growth would also appear to be in the superior areas close by such as Victoria Park, around Stratford close to transport hub, Westfield shopping centre and the East Village. There is more buyer caution and we have been involved in a number of schemes over the past couple of months where prices have had to be marginally reduced due to the stalling market and slow rate of sales. For the time being the urgency of buyers seems to have lessened as the perception is that prices are no longer rising at the same pace as they were last year.

## Changing Location

There are plans to transform Fish Island and Hackney Wick in the coming years and the planning vision for the area is set out in the 'Olympic Legacy Supplementary Planning Guidance (OLSPG)' published by The Mayor of London and this states that *'Hackney Wick and Fish Island sub-area will provide a range of new and sustainable employment opportunities that contribute to a balanced economy across the OLSPG area. Improvements to transport, connectivity and digital infrastructure will make the area a desirable location for new and emerging businesses in the creative and cultural sectors, and small and micro businesses'*.

There is already an established Creative & Cultural Industries (CCI) community within Fish Island and a number of large converted factory buildings already house communities of artists. The White Building at Queen's Yard just south of Hackney Wick Station is a partnership between the LLDC, Bloomberg, Arts Council England and SPACE. It is a cultural centre providing gallery and studio space as well as restaurant, educational and conferencing facilities.

The former International Broadcast Centre within the nearby Olympic site is being converted into iCity and aims to become the UK's premier destination for digital and creative companies. There are already a number key tenants that have entered into agreements to take space in the development, including BT Sport and Infinity SDC. The development is understood to 1.2m sq ft of commercial for in a mix of broadcasting, education, offices, studios, business, education and convention facilities that is expected to create about 7,500 new jobs. It is understood that the centre will be fully operation by about 2018.

Hackney Wick and Fish Island is a strategic location which has proximity to the A12, Stratford Metropolitan Centre and QEOP, as well as having extensive canal frontage and a collection of pre and post war industrial buildings. The vision for the area is for high quality contemporary urban design and architecture and to evolve the area's distinctive identity. Heritage buildings and places will be used for creative and industrial employment uses alongside new developments that bring more people and additional jobs back to the area. New housing and work places are central to this. Revived and new streets plus spaces with ancillary uses that include retail, school, culture and leisure will be joined-up by better links within the area and improved connections to fast changing east London.

Hackney Wick is a pivotal location, forming part of the north-south axis of the Lea Valley. To the south-west and south are Old Ford (with Bow and Bromley-by-Bow to the south of that) and, across the A12, the Roman Road neighbourhood and historic Victoria Park. To the north of Victoria Park and the Hackney Wick area are more extensive residential neighbourhoods within Hackney that are now rapidly gentrifying including Lower Clapton and Homerton, Hackney town centre and Dalston further to the west. Further afield, Hackney Wick is in the hinterland of the City of London, Shoreditch, Bethnal Green, Mile End and Canary Wharf. East beyond the Lea Navigation are the major open spaces and emerging communities of Queen Elizabeth Olympic Park, the major retail and transport hub at Stratford, and the older east London residential districts of Leyton and Newham.

A new centre of activity will be created around Hackney Wick Station which will be known as the Hackney Wick Hub. This area is to include a mix of uses including employment, residential, retail, culture and leisure uses that build upon and complement the existing character of the area. The Hackney Wick Hub will be a key focus of activity in the Hackney Wick area. Although the frequency of trains through Hackney Wick have been enhanced in recent years (London Overground), there are improvements planned for the station; moving the station entrance to street level, a new and enlarged concourse, lifts for step free access and the creation of a north-south walkway for passengers and pedestrians through the railway embankment. Station improvements are due to be completed in the next couple of years.

#### **Local Market & Commentary on the Development Scheme**

In order to establish values we have carried out investigations into the local housing market and within the surrounding area. We believe the following issues need consideration and reflecting in our assessment of the Market Values of the private tenure flats.

- i. The development site is within the Hackney Wick and Fish Island area, where there are strategic plans for extensive mixed use redevelopment over the coming years. In particular there are proposals for higher intensity development around Hackney Wick Station, which is to be updated and modernised by March 2016 as detailed above.

- ii. This is an area that is undergoing regeneration and with the strategic plans in place and proximity to the Queen Elizabeth Olympic Park the area is projected to positively change in coming years. In the long term the area will improve and change, but the immediate still contains a high proportion of older industrial buildings and therefore the area is very mixed in nature and lacks some of the normal facilities a buyer expects to find when living in a residential area.
- iii. We appraise the flats on the basis that they are all completed to a good level of specification as described in this report.
- iv. The scheme will need to compete with other new developments in the surrounding areas, which are generally located in residential areas with good local facilities and transport links. Fish Island is still commercial in character and in our view less desirable than many of the comparable new developments in the area and the values will generally need to be lower to reflect this.
- v. The proposed new flats will have various aspects/views and it is very difficult to judge this prior to the block being constructed. In our view those facing the east will have the better views towards Hackney Lock and the Queen Elizabeth Olympic Park. The flats facing the inner courtyard/garden areas will also have reasonable views. Those facing out on to the public highways will have a less pleasant outlook and suffer more from noise disturbance, particularly when/if the near-by sites are redeveloped.

### **Comparable Sales Evidence**

In appraising the Market Value of the units we use the comparative method of valuation and have considered evidence of new developments and also considered older stock in the local area.

The information and illustration of the schemes have been obtained from a number of third party sources including developer's website, marketing suites, local estate agents, EGi London Residential and Molior London.

### **New Developments**

The map above shows the approximate location of the subject scheme and the comparable new build evidence.





1.		5.	
2.		6.	
3.		6.	
4.		7.	

1. [REDACTED]



This is a development by [REDACTED] known as [REDACTED]. This comprises 1, 2, and 3 bedroom flats. The scheme is located on a narrow strip of land on the [REDACTED] which runs parallel to the south bound [REDACTED]

The scheme is arranged in three separate blocks. Block A is 13 storeys and is to the front of the scheme, closest to Gillender Street, and is entirely given over to 46 private tenure residential units with commercial space on the ground and mezzanine floors. Block B will be 6 storeys and sits in the middle of the site. It provides 16 shared ownership tenure units and 21 affordable rent tenure units with ground and mezzanine floors in commercial use. Block C is at the rear of the scheme and the furthest away from Gillender Street. It is arranged over 6 storeys and is entirely given over to 26 shared ownership tenure units with ground and mezzanine floors in commercial use.

**This is a comparable scheme, but in our view it's situated in a marginally inferior location.**

Marketing has started and our research indicates that all the units apart from a small number has been reserved and a number have exchanged contracts. A sample of the sale agreements are shown below.

Flat Type	Floors	GIA sq ft	Asking price (£)	Sold price (£)	£ / sq ft	Date
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

2. [REDACTED]



This is a development by [REDACTED] that is being development [REDACTED] the [REDACTED]. We understand the entire scheme, comprising 3 phases over 5 years will contain around [REDACTED] units.

Phase 1 was launched at the end of May 2014 and we understand they have sold around 150 units comprising a mixture of 1, 2, 3, 4, 5 bedroom flats and houses. We were told 23 one bedroom flats were launched in mid-January 2015 at prices between [REDACTED]

In January 2015, we also understand that a small number (approximately 8) two bedroom flats were released starting at [REDACTED] although some were significantly more and even above [REDACTED] as they were penthouses. These are due to delivered in 2016/2017.

We have also seen a price list of **May 2015** that shows the following asking prices.

- 1-Bed Flats - [REDACTED]
- 2 Bed Flats - [REDACTED]

No floor areas are available.

We have spoken to the sales office on a number of occasions and found them to somewhat unhelpful and unwilling to disclose detailed information on the marketing and achieved sales. They have in the past simply said they have been achieving the asking prices. **This is a comparable scheme, but in our view it's situated in a superior location close to the centre of Stratford.**

3. [REDACTED]



This is a development by [REDACTED] This comprises studio, 1, 2, and 3 bedroom flats. It is situated adjacent to [REDACTED]

[REDACTED] A total of [REDACTED] residential units are proposed and [REDACTED] of these are understood to be for affordable tenure. In addition in excess of [REDACTED] ft of commercial space is proposed.

We understand that marketing has started and some of the units have sold.

Flat Type	Floors	GIA sq ft	Asking price (£)	Sold price (£)	£ / sq ft	Date
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

This is a comparable scheme, but in our view it's situated in an inferior location in the longer term.

4. [REDACTED]



This is a development by [REDACTED] located just over [REDACTED]

[REDACTED] There are [REDACTED] private sales units, comprising a mixture of studio, 1, 2 and 3 bedroom flats all with outside space except one plot. We understand there were 10 parking spaces, which were allocated to the 3 bedroom flats and that the others were sold for [REDACTED]

We understand that many of the flats have been reserved and have achieved asking price. We summarise the recent reservations below.

Flat Type	Approximate Achieved Prices
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

**This is a comparable scheme, but presently in a marginally superior location.**

5.



This is a development by [redacted] which is located on the eastern side of the railway tracks from [redacted]. The development comprises a [redacted] storey residential tower of [redacted] residential units in a mix of 1, 2 and 3 bedroom dwellings ([redacted] private sales). There is an on-site gym, cycle spaces and only 3 off street parking spaces. Ground works have commenced in January 2015 and completion is scheduled for winter 2017. The scheme has already sold out, bar the four penthouses which will be released closer to completion. **In our view this is a comparable development, but appears to be of a higher quality and landmark development, but only offers limited help in establishing the value of the subject flats without proper adjustment for quality.**

We understand that many of the flats have been reserved and have achieved asking price. We summarise the reservations below of 1, 2 and 3 bedroom flats from the lower to higher floors.

Flat Type	Unit No.	Floor	Sales Price £	Size sq ft	Sales £ psf	Date
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]						
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]						
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]







8.



[REDACTED] is the final phase of the [REDACTED] situated next to [REDACTED] station. The block which is being delivered by [REDACTED] comprises a [REDACTED]-storey modern residential block providing [REDACTED] residential apartments and benefits from a contemporary style finish. The block also accommodates [REDACTED] sq ft of leisure space and a 24 hour concierge.

We have also been advised by the sales agents that 1-bedroom and 2-bedroom flats of the following sales.

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

**This is a good quality large development relatively close to the subject scheme and in our opinion it offers good comparable evidence for the subject scheme.**

### Older Housing Stock in the Area

We have also reviewed older housing stock in the local area and set this out below.

[REDACTED] London, E3 (under offer)

2<sup>nd</sup> floor, flat looking into a courtyard is under offer at [REDACTED]  
[REDACTED]

[REDACTED] London, E3 (under offer)

3<sup>rd</sup> floor flat comprising 990 sq ft is under offer at [REDACTED]

[REDACTED] London, E3 (under offer)

2<sup>nd</sup> floor flat with a balcony was agreed at [REDACTED] in February 2015. This overlooked the canal and had the benefit of 24 hour concierge.

[REDACTED] London, E3 (March 2015)

4<sup>th</sup> floor flat comprising 1,200 sq ft that had the benefit of a parking space sold for [REDACTED]  
[REDACTED]

[REDACTED] London E3 (January 2015)

4<sup>th</sup> floor 2-bedroom flat totalling 997 sq ft within a modern residential scheme sold for [REDACTED]  
[REDACTED]

### Summary of Residential Market Values

When evaluating the comparable evidence above, it is important to have regard to the fact that the market appears to have slowed down, but this is after a period of very high growth over the spring and summer of 2014 where values were rising on a monthly basis. [REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

At the date of this report the area around the subject sites is of a predominately commercial character, as well as there being cleared and now vacant land formerly used for commercial purposes. The area has significant potential and in time it will improve. The development of the subject sites is part of this ongoing process, which is expected to occur over the next ten years.

At the date of this report the values of the completed flats are based on what the surrounding area is likely to be in the coming years, rather than on its existing character and appearance.

[REDACTED]

We conclude that the value range of the unit types is set out below.

Flat Type	Value Range
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The flats have various aspects/views and it is very difficult to judge this prior to the blocks being constructed. In our view those facing the canal will have the best views.

[REDACTED]

### **164 Private Tenure Flat Values**

We are of the opinion that the current individual sale values of each of the private tenure flats within the completed development, assuming each flat is sold on the open market after a reasonable marketing period is shown on the excel spreadsheet attached in **Appendix 1**.

The Gross Development Value of the private tenure flats (ORS) totals [REDACTED]

### **II) MARKET VALUE OF THE 12 BASEMENT CAR PARKING SPACES**

We also provide advice on the Market Value of the 12 basement car parking spaces, which are assumed to be sold on a first come, first served basis.

The more restricted the local street parking the higher the price is likely to be achieved for the parking space. There is little no direct comparable evidence in the surrounding area, but we note that at the [REDACTED]

We value on the basis that the spaces can only be sold to the private residential leaseholders. We reflect the small number of spaces available compared to the large number of flats.

For this type of scheme in the current market, we assess the value of a car parking space to be between [REDACTED]

The above would show a total value of [REDACTED]

### **III) GROUND RENT FOR THE PRIVATE TENURE FLAT TYPES**

In addition to the GDV for the private sale flats there will also be a ground rent income attributed to the private tenure flats and commercial units. We are valuing on the basis the flats will be sold on a new 125 year long leasehold interest on the terms.

There is no fixed formula for establishing the amount payable under a Ground Rent and they vary from lease to lease. Some leases have peppercorn ground rents, whereas some high value leases can have ground rents in excess of [REDACTED]. Further they can be fixed or escalating. If it is fixed it means that it remains unchanged throughout the term of the lease. Escalating Ground Rents will increase during the course of the lease. The lease will specify when the Ground Rent increases and by how much.

With regard to the subject scheme we have had regard to the general level of ground rents paid by other new build schemes within the general area and assess the initial ground rent of the private flat types payable under a new lease of 125 years as follows:

Unit Type	Ground Rent pa
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

We then consider that the market would apply an all risks yield of 6.0% to the above.

**IV) COMMENTARY ON THE LIKELY PERCENTAGE OF 'OFF-PLAN' SALES OF THE PRIVATE TENURE FLATS**

In terms of the marketing and sales programme, we consider that the market would assume that [REDACTED]

[REDACTED]

**7 CONCLUSIONS**

We arrive at a Gross Development Value for the completed private tenure flats and basement car parking spaces within the proposed development based on the plans provided and on the assumption that the scheme is built as described in this report for the proposed tenure mix as follows:

Tenure / Type	Gross Development Value
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
<b>Total</b>	[REDACTED]

The above are an overview of the values of the private tenure residential units and car parking spaces.

**8 CONFIDENTIALITY**

This is a confidential report for use only by the addressee or the addressee's professional advisers and only for the purpose mentioned in our instructions. It may not be published or disclosed to any third party without our prior written permission as to the form and context in which it may appear; otherwise, we accept no responsibility to third parties.

If any clarification or enlargement is required concerning this report please do not hesitate to contact the writer.

Yours faithfully  
For STRETTONS



Chartered Surveyor  
Registered Valuer

**CONDITIONS UNDER WHICH THIS REPORT IS PRESENTED**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

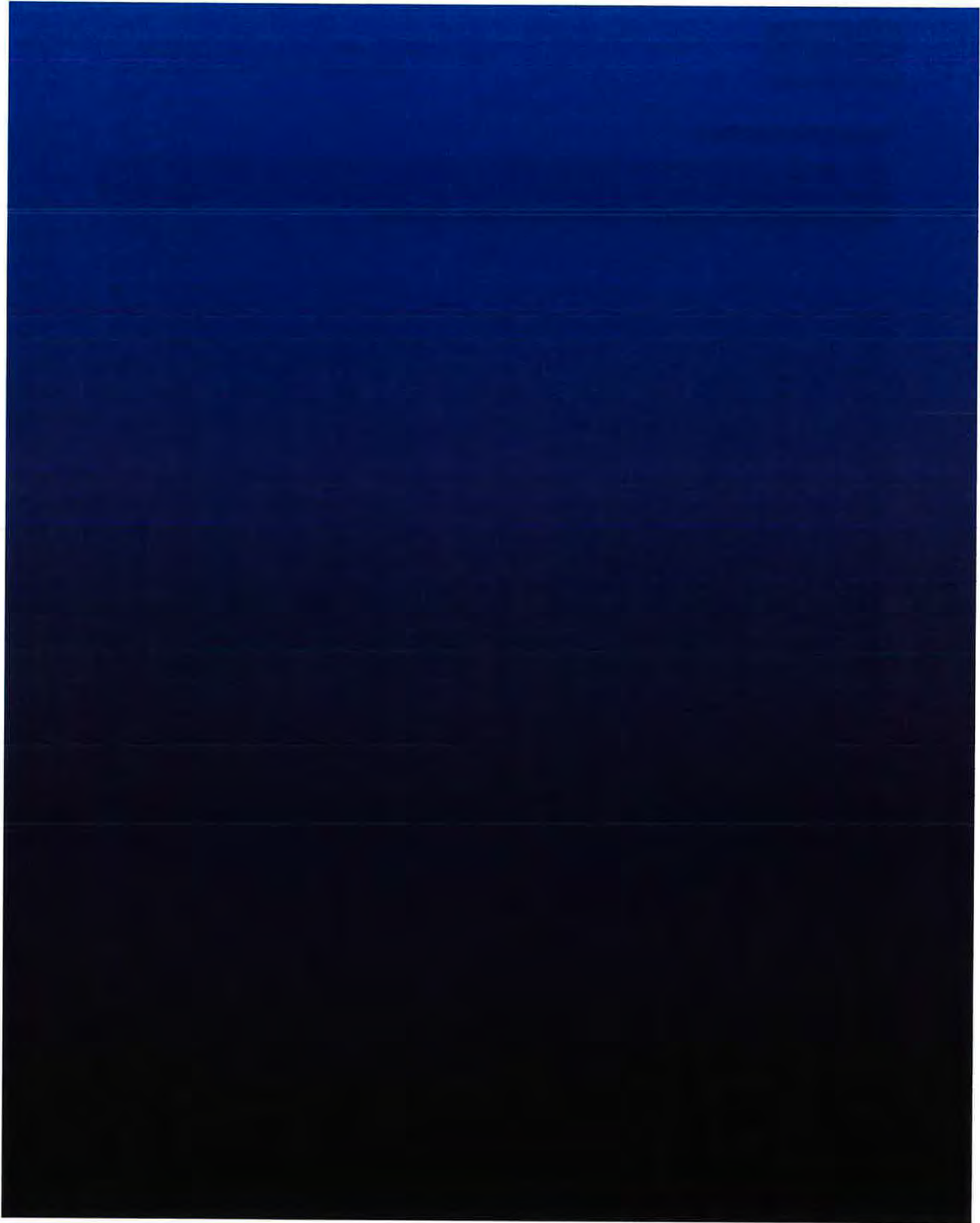


[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



CHARTERED SURVEYORS

CHARTERED SURVEYORS

AUCTIONEERS

VALUERS

ESTATE AGENTS

ESTATE MANAGERS



**APPENDIX 4B**

**STRETTONS RESIDENTIAL SALES ADVICE**

Appendix 1

Site at Bream Street, Fish Island, London, E3  
 Strettons Private Tenure Valuations 14.5.15



SCHEDULE OF UNITS BY BLOCK												
BLOCK B	NO.	TYPE	LEVEL	UNIT NO.	NSA(sqm)	NSA(sqft)	BALCONY AREA	ASPECT	DUAL ASPECT	TENURE	MARKET VALUE	£ / SQ FT
	1	3B5P WC	0	B.00.01 WC	121	1302	30	Play garden /wild flower garden	1	ORS		
	2	2B4P WC	0	B.00.02 WC	86	926	24	wild flower garden	1	ORS		
	3	2B3P WC	0	B.00.03 WC	69	743	16	wild flower garden	1	ORS		
	4	2B4P WC	0	B.00.04 WC	84	904	27	wild flower garden/passageway	1	ORS		
	5	1B2P WC	0	B.00.05 WC	69	743	20	Play garden	1	ORS		
	6	3B5P WC	1	B.01.01 WC	121	1302	14.8	Play garden /wild flower garden	1	ORS		
	7	2B4P WC	1	B.01.02 WC	86	926	7	wild flower garden	1	ORS		
	8	2B3P WC	1	B.01.03 WC	69	743	5	wild flower garden	1	ORS		
	9	2B3P	1	B.01.04	76	818	7	wild flower garden/passageway	1	ORS		
	10	3B5P	1	B.01.05	88	947	7	play garden/passageway	1	ORS		
	11	1B2P WC	1	B.01.06 WC	56	603	5	Play garden	1	ORS		
	12	3B5P	2	B.02.01	99	1066	7	wild flower garden/roof	1	ORS		
	13	2B3P WC	2	B.02.02 WC	69	743	5	wild flower garden	1	ORS		
	14	2B4P	2	B.02.03	76	818	7	wild flower garden/passageway	1	ORS		
	15	2B4P	2	B.02.04	81	872	17.5	play garden/passageway	1	ORS		
	16	1B2P WC	2	B.02.05 WC	56	603	5	Play garden	1	ORS		
	17	3B5P	3	B.03.01	98	1055	7	wild flower garden/roof	1	ORS		
	18	2B3P WC	3	B.03.02 WC	69	743	5	wild flower garden	1	ORS		
	19	2B3P	3	B.03.03	70	753	14	wild flower garden/passageway	1	ORS		
	20	2B4P	3	B.03.04	74	797	7	play garden/passageway	1	ORS		
	21	1B2P WC	3	B.03.05 WC	56	603	5	Play garden	1	ORS		
	22	3B5P	4	B.04.01	95	1023	7	wild flower garden/roof	1	ORS		
	23	2B3P WC	4	B.04.02 WC	69	743	5	wild flower garden	1	ORS		
	24	1B2P WC	4	B.04.03 WC	61	657	8	wild flower garden/passageway	1	ORS		
	25	2B4P	4	B.04.04	74	797	7	play garden/passageway	1	ORS		
	26	1B2P WC	4	B.04.05 WC	56	603	5	Play garden	1	ORS		
	26				2,028	21,829	274.3		14	12		

BLOCK C NO.	TYPE	LEVEL	UNIT NO.	MSA(sq.m)	NSA(sq.ft)	BALCONY AREA	ASPECT	DUAL ASPECT	NO	TENURE	MARKET VALUE	£/SQ.FT
1	3B5P	0	C.00.01	91	980	17	Canal/Formans	1		ORS		
2	1B2P	0	C.00.02	50	538	12	Canal		1	ORS		
3	2B4P	0	C.00.03	70	753	12	Canal		1	ORS		
4	2B4P	0	C.00.04	70	753	12	Canal		1	ORS		
5	1B2P	0	C.00.05	50	538	6	Canal		1	ORS		
6	2B3P	0	C.00.06	64	689	10	Canal/public realm	1		ORS		
7	1B2P	0	C.00.07	50	538	15	wild flower garden		1	ORS		
8	2B4P	0	C.00.08	70	753	14	wild flower garden		1	ORS		
9	2B4P	0	C.00.09	70	753	14	wild flower garden		1	ORS		
10	3B5P	0	C.00.10	91	980	32	wild flower garden		1	ORS		
11	3B5P	1	C.01.01	91	980	14.5	Canal/Formans	1		ORS		
12	1B2P	1	C.01.02	50	538	5	Canal		1	ORS		
13	2B4P	1	C.01.03	70	753	7	Canal		1	ORS		
14	2B4P	1	C.01.04	70	753	7	Canal		1	ORS		
15	1B2P	1	C.01.05	50	538	5	Canal		1	ORS		
16	2B4P	1	C.01.06	70	753	7	Canal/public realm	1		ORS		
17	2B4P	1	C.01.07	70	753	7	wild flower garden/public realm	1		ORS		
18	1B2P	1	C.01.08	50	538	5	wild flower garden		1	ORS		
19	2B4P	1	C.01.09	70	753	7	wild flower garden		1	ORS		
20	2B4P	1	C.01.10	70	753	7	wild flower garden		1	ORS		
21	1B2P	1	C.01.11	50	538	5	wild flower garden		1	ORS		
22	3B5P	1	C.01.12	91	980	14.5	wild flower garden		1	ORS		
23	3B5P	2	C.02.01	91	980	14.5	Canal/Formans	1		ORS		
24	1B2P	2	C.02.02	50	538	5	Canal		1	ORS		
25	2B4P	2	C.02.03	70	753	7	Canal		1	ORS		
26	2B4P	2	C.02.04	70	753	7	Canal		1	ORS		
27	1B2P	2	C.02.05	50	538	5	Canal		1	ORS		
28	2B4P	2	C.02.06	70	753	7	Canal/public realm	1		ORS		
29	2B4P	2	C.02.07	70	753	7	wild flower garden/public realm	1		ORS		
30	1B2P	2	C.02.08	50	538	5	wild flower garden		1	ORS		
31	2B4P	2	C.02.09	70	753	7	wild flower garden		1	ORS		
32	2B4P	2	C.02.10	70	753	7	wild flower garden		1	ORS		
33	1B2P	2	C.02.11	50	538	5	wild flower garden		1	ORS		
34	3B5P	2	C.02.12	91	980	14.5	wild flower garden		1	ORS		
35	2B4P	3	C.03.01	73	786	14	Canal/Formans	1		ORS		
36	1B2P	3	C.03.02	50	538	5	Canal		1	ORS		
37	2B4P	3	C.03.03	70	753	7	Canal		1	ORS		
38	2B4P	3	C.03.04	70	753	7	Canal		1	ORS		
39	1B2P	3	C.03.05	50	538	5	Canal		1	ORS		
40	2B4P	3	C.03.06	70	753	7	Canal/public realm	1		ORS		
41	2B4P	3	C.03.07	70	753	7	wild flower garden/public realm	1		ORS		
42	1B2P	3	C.03.08	50	538	5	wild flower garden		1	ORS		
43	2B4P	3	C.03.09	70	753	7	wild flower garden		1	ORS		
44	2B4P	3	C.03.10	70	753	7	wild flower garden		1	ORS		
45	1B2P	3	C.03.11	50	538	5	wild flower garden		1	ORS		

46	284P	3	C.03.12	73	786	14	Canal/Formans	1	ORS	
47	284P	4	C.04.01	73	786	7	Canal/Formans	1	ORS	
48	182P	4	C.04.02	50	538	5	Canal	1	ORS	
49	284P	4	C.04.03	70	753	7	Canal	1	ORS	
50	284P	4	C.04.04	70	753	7	Canal	1	ORS	
51	182P	4	C.04.05	50	538	5	Canal	1	ORS	
52	284P	4	C.04.06	70	753	7	Canal/public realm	1	ORS	
53	284P	4	C.04.07	70	753	7	wild flower garden/public realm	1	ORS	
54	182P	4	C.04.08	50	538	5	wild flower garden	1	ORS	
55	284P	4	C.04.09	70	753	7	wild flower garden	1	ORS	
56	284P	4	C.04.10	70	753	7	wild flower garden	1	ORS	
57	182P	4	C.04.11	50	538	5	wild flower garden	1	ORS	
58	284P	4	C.04.12	73	786	7	Canal/Formans	1	ORS	
59	385P	5	C.05.01	84	904	21	Canal/Formans	1	ORS	
60	385P	5	C.05.02	87	936	27	Canal	1	ORS	
61	284P	5	C.05.03	72	775	20	Canal	1	ORS	
62	182P	5	C.05.04	56	603	17	Canal/public realm	1	ORS	
63	182P	5	C.05.05	56	603	17	wild flower garden/public realm	1	ORS	
64	284P	5	C.05.06	72	775	20	wild flower garden	1	ORS	
65	385P	5	C.05.07	86	926	27	wild flower garden	1	ORS	
66	385P	5	C.05.08	84	904	21	wild flower garden/Formans	1	ORS	
66				4,409	47,458	662		20		46

BLOCK D NO.	TYPE	LEVEL	UNIT NO.	NSA (sqm)	NSA (sqft)	BALCONY AREA	ASPECT	DUAL ASPECT	TENURE	MARKET VALUE	£ / SQ FT
1	2B4P	1	D.01.01	71	764	12	Canal / Passageway	1	NO		
2	1B2P	1	D.01.02	54	581	12	Canal	1	ORS		
3	1B2P	1	D.01.03	54	581	12	Canal	1	ORS		
4	2B4P	1	D.01.04	85	915	10.6	Canal/rain garden	1	ORS		
5	2B4P	1	D.01.05	82	883	16.7	Canal/rain garden	1	ORS		
6	1B2P	1	D.01.06	55	592	12	Canal	1	ORS		
7	2B4P	1	D.01.07	71	764	12	Canal/Dace Road	1	ORS		
8	2B4P	1	D.01.08	71	764	15	Dace Road/rain garden	1	ORS		
9	1B2P	1	D.01.09	55	592	9.5	rain garden	1	ORS		
10	1B2P	1	D.01.10	54	581	5	rain garden	1	ORS		
11	1B2P	1	D.01.11	54	581	7	rain garden	1	ORS		
12	2B4P	1	D.01.12	71	764	7	rain garden / Passageway	1	ORS		
13	2B4P	2	D.02.01	71	764	12	Canal / Passageway	1	ORS		
14	1B2P	2	D.02.02	54	581	12	Canal	1	ORS		
15	1B2P	2	D.02.03	54	581	12	Canal	1	ORS		
16	2B4P	2	D.02.04	85	915	10.6	Canal/rain garden	1	ORS		
17	2B4P	2	D.02.05	82	883	16.7	Canal/rain garden	1	ORS		
18	1B2P	2	D.02.06	55	592	12	Canal	1	ORS		
19	2B4P	2	D.02.07	71	764	12	Canal/Dace Road	1	ORS		
20	2B4P	2	D.02.08	71	764	7	Dace Road/rain garden	1	ORS		
21	1B2P	2	D.02.09	55	592	7	rain garden	1	ORS		
22	1B2P	2	D.02.10	54	581	5	rain garden	1	ORS		
23	1B2P	2	D.02.11	54	581	7	rain garden	1	ORS		
24	2B4P	2	D.02.12	71	764	7	rain garden / Passageway	1	ORS		
25	2B4P	3	D.03.01	71	764	12	Canal / Passageway	1	ORS		
26	1B2P	3	D.03.02	54	581	12	Canal	1	ORS		
27	1B2P	3	D.03.03	54	581	12	Canal	1	ORS		
28	2B4P	3	D.03.04	85	915	10.6	Canal/rain garden	1	ORS		
29	2B4P	3	D.03.05	82	883	16.7	Canal/rain garden	1	ORS		
30	1B2P	3	D.03.06	55	592	12	Canal	1	ORS		
31	2B4P	3	D.03.07	71	764	12	Canal/Dace Road	1	ORS		
32	2B4P	3	D.03.08	71	764	7	Dace Road/rain garden	1	ORS		
33	1B2P	3	D.03.09	55	592	7	rain garden	1	ORS		
34	1B2P	3	D.03.10	54	581	5	rain garden	1	ORS		
35	1B2P	3	D.03.11	54	581	7	rain garden	1	ORS		
36	2B4P	3	D.03.12	71	764	7	rain garden / Passageway	1	ORS		
37	2B4P	4	D.04.01	71	764	12	Canal / Passageway	1	ORS		
38	1B2P	4	D.04.02	54	581	12	Canal	1	ORS		
39	1B2P	4	D.04.03	54	581	12	Canal	1	ORS		
40	2B4P	4	D.04.04	85	915	10.6	Canal/rain garden	1	ORS		
41	2B4P	4	D.04.05	82	883	16.7	Canal/rain garden	1	ORS		
42	1B2P	4	D.04.06	55	592	12	Canal	1	ORS		
43	2B4P	4	D.04.07	71	764	12	Canal/Dace Road	1	ORS		
44	2B4P	4	D.04.08	71	764	7	Dace Road/rain garden	1	ORS		







**APPENDIX 5**

**FM COMMERCIAL VALUATION REPORT**



View of warehouse and land from Old Ford Locks

**APPRAISAL OF COMMERCIAL USES AT**  
**AT**

Land in Bream Street, Dace Road and Stour Road, Fish Island, London, E3

**FOR**  
London & Quadrant

**June 2015**

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**APPENDIX A - LOCATION MAPS**

**APPENDIX B – PHOTOGRAPHS**

**APPENDIX C – COMPUTER GENERATED IMAGES**

**APPENDIX D – FLOOR PLANS**

**APPENDIX E – CGI of FIT OUT EXAMPLE**

**1. EXECUTIVE SUMMARY**

- This report provides an appraisal of the commercial space within the proposed scheme.
- A location map is copied in Appendix A.
- Plans of the site are to be found in Appendix B.
- CGIs of the scheme are in Appendix C.
- Land Registry Title Plan and Register are found in Appendix D.

• We conclude that [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

## 2. LOCATION

- 2.1 The site is bounded by Stour Road, Dace Road and Bream Street in an area known as Fish Island in reference to the roads with the names of freshwater fish: Smeed, Dace, Monier, Bream and Roach etc. The eastern boundary of the site overlooks the Old Ford Locks as the Lee Navigation meets the Old River Lea. The Olympic Park and West Ham United's proposed Olympic Stadium are on the opposite bank of the Lea.
- 2.2 The nearest train station is an Overground station 10 minutes' walk north at Hackney Wick. This connects with Stratford to the east and Richmond to the west. Pudding Mill Lane on the Docklands Light Railway is 13 minutes' walk south and Stratford for the Underground (Central and Jubilee Lines) is 23 minutes east. By road transport Dace Road is accessible from the A12 East Cross Route via Wick Lane south of the north circular (A406).
- 2.3 Once a largely industrial area, the island is currently going through a major redevelopment of much of the industrial property to residential property as well as studios and workshops in the creative industries. However many light industrial users remain, including the adjoining H Forman & Son smoked salmon producers. The lack of London Underground access is likely to mean that some office and creative companies would not relocate here in comparison to areas with an Underground station. The property is in the London Borough of Tower Hamlets, in the ward of Bow East.

## 3. DESCRIPTION

- 3.1 The development will comprise 7 blocks with commercial sections within 4 of the blocks; blocks A, D, E, and G. Block A is a 269 sq ft Gross Internal Area (GIA) ground floor space designated to B1, D1 or D2 use. Block D is a riverside block with the commercial comprising a rectangular ground floor space of 7,007 sq ft GIA designated to A Class, B Class, D1 or D2 use. Block E is a 5 floor 12,302 sq ft Net Internal Area (NIA) property designated as B Class use. Block G is a 1,335 sq ft GIA ground floor and mezzanine designated to A1, B1, D1 or D2 use. These areas are gross internal areas. Each block is to be constructed to shell and core. The ceiling height at block A will be 3.2m, 3.5m for block D, 3.1m for block E and 3.0m for block G. See CGIs and floor plans in appendices C and D.

Block	Floors	GIA / NIA	Use
A	Ground floor space	269 sq ft GIA	B1, D1 or D2
D	Rectangular ground floor space	7,007 sq ft GIA	A Class, B Class, D1 or D2
E	5 floors	12,302 sq ft NIA	B Class
G	Ground and mezzanine floor	1,335 sq ft GIA	A1, B1, D1 or D2

## 4. TENURE

- 4.1 We understand that the property is freehold.
- 4.2 For the purpose of this report therefore we have made assumptions

## 5 MARKET TRENDS AND GENERAL COMMENTS

5.1 This valuation has been prepared in accordance with normal practice taking into account comparable evidence and current market conditions. In determining our opinion of market value, we have considered both the comparison method of valuation and the identification of a market rent being capitalised at an appropriate yield. We have carried out our usual research and enquiries, including discussions with local and specialist sector agents. We have also analysed the existing market commentaries and data in determining our opinion as to value.

### 5.2 General Economy

GDP increased by 0.3% in the 1<sup>st</sup> quarter of 2015 following growth of 0.6% in the fourth quarter of 2014. GDP grew in every quarter of 2014. The services sector increased 0.5%. This is the sector that most affects B1, and retail rents. The industrial sector decreased this quarter hence the slowdown in growth from the previous quarter.

## 6 LOCAL MARKET CONSIDERATIONS

6.1 Similar to London Fields, Fish Island may become a commercial restaurant and studio/office hub, despite its lack of Underground access. [REDACTED]

[REDACTED] Whilst residential occupiers are prepared to have a more significant walk to their nearest station to commute it is rarer for companies other than very small local firms in London to be able to establish themselves in areas without good Underground access for their staff.

### 6.2 B1 studio/offices

The new studio/offices will need to appeal to the smaller, more local, creative companies looking for affordable rents and reasonably flexible terms. This will therefore lead to the tenants taking shorter leases and their covenant strengths being lower than larger companies. Combined with the untested location, the developer and investment risk will be higher here in terms of potential rental void, risk of tenant failure and comparatively lower rents.

Alternatively, Building E may be let to a serviced office provider or a shared space provider at a rent that will enable them to make a profit subletting to smaller companies that will share the space. This may allow the freeholder to establish a longer lease such as 10 years, but the rent is likely to be below the market rent in the first 5 years before the first rent review to enable the head tenant to establish the income flow from its sub tenants.

The B1 studio offices will not be lettable as shell and core. The specification provided by the freeholder will need to be ceiling mounted, exposed, mid-range air cooling and heating, timber floor covering, galvanised trunking, ceiling mounted cable trays and pendant style lighting. We are currently involved in a similar fit out at [REDACTED]

[REDACTED] This is often described as the developer's 'Category A fit-out'. The tenant will be responsible for kitchens, partitioning, furniture and blinds and cabling. This is often described as the tenant's 'Category B fit-out'. See appendix F for example of the 'Category A' fit-out required.

### 6.3 Restaurant/Retail/D1 uses

Restaurant and bars with external space overlooking Old Ford Locks may trade well in the summer because of its attractive frontage to the lock and Lee Navigation, but to justify their

investment these users will need to sustain trade during the rest of the year to be viable. As this location is untested and not established the rents must be affordable to attract these types of tenants. Similarly the smaller potential retail and D1 units will need to be affordable at the beginning of their tenancies as the location is untested and it will therefore be difficult for these users to assess their future trade.

## COMPARABLE EVIDENCE

### Studio/Office Space Lettings

[REDACTED] E8

This property is just less than [REDACTED] of the subject property at London Fields. London Fields is a more established creative space community than Fish Island but it is similar in that it is not located near an Underground station which is normally the prerequisite for most office development in London. [REDACTED]

The unit is a ground and lower ground floor self-contained studio office space of [REDACTED] sq ft forming part of a mixed use development. It was let in December 2014 to a fashion company at a rent [REDACTED] on a [REDACTED]

[REDACTED] The unit is accessed via a gated entrance and was fitted out to provide open plan media style studio/office space, benefitting from ceiling heights of [REDACTED] to the ground floor and 3.6m in the lower ground floor, with exposed finishes and a private courtyard area. [REDACTED]

In discussions with the letting agent we concur that this rent equates to [REDACTED] for the ground floor and [REDACTED]. We think this comparable is superior to the subject property in terms of location.

[REDACTED] E8

This was a [REDACTED] [REDACTED] and benefitted from an exposed pitched roof with skylights. It was let on a short 2 year letting as a 'co-working space' at [REDACTED] miles to the west at London Fields.

The rent is [REDACTED]  
[REDACTED]  
[REDACTED] This is a superior location to the subject property.

### Studio Office Space Sale

[REDACTED] E8

This is a [REDACTED] that is arranged over ground and lower ground floor. It was constructed in 2011 and was sold in [REDACTED]

[REDACTED] We suggest that this price equates to circa [REDACTED]  
[REDACTED] The rental value would be circa [REDACTED] for the ground floor and [REDACTED] for the lower ground floor. This property is [REDACTED] to the west at London Fields. This is a superior location to the subject property.

### Retail Space Letting

[REDACTED] E20

As part of the regeneration programme within the bid for the 2012 Summer Olympics, the [REDACTED]  
[REDACTED] This area is now known as East Village and is a mile north or 20 minutes' walk from the subject property. It is 5 minutes' walk from Stratford station and 2 minutes' walk from Westfield Shopping Centre. In August 2011, a joint venture between Delancey/Qatari Diar paid [REDACTED] There are 2818 high homes for long term rent (up to 3 years) in the private rented and affordable housing sectors that began completing in 2013 and 2014. Also within are the 12 residential blocks the ground floor sections which were retro-fitted to create 35 units within A1, A3, A4 and A5 uses ranging from 600 through to 3111 sq ft.

These retail units have been letting in shell and core specification for between [REDACTED] [REDACTED] exclusive with the rent and rent-free package depending on the landlord's perception of their suitability for the tenant mix of the estate. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

### Retail Space Sale

[REDACTED] E3 3LL

This property is a [REDACTED] new build [REDACTED] dwelling residential scheme, 3 minutes' walk south of [REDACTED] [REDACTED] and just under [REDACTED] miles south of the subject property. [REDACTED] was a regeneration scheme by [REDACTED] to redevelop a derelict [REDACTED] into new homes and a healthcare facility. The retail unit was purchased by an owner occupier beauty company on a 125 year lease specified to shell and core for [REDACTED] The agent envisaged that the purchaser would spend [REDACTED] on shop fitting from shell and core. We estimate the rental value is £[REDACTED] exclusive so the sale equates to [REDACTED] sq ft shell and core or [REDACTED] per sq ft based on shell value plus fit-out at [REDACTED] or an all risk yield of [REDACTED] after purchasers costs (agent and legal fees but no stamp duty as under [REDACTED]).

[REDACTED] E15 [REDACTED]

[REDACTED] town centre, two ground floor shell and core retail units of [REDACTED] in total were sold by a property trader to the owners of the [REDACTED] above them for [REDACTED] The towers were constructed in [REDACTED] by an Irish developer that subsequently went into receivership.

This property is [REDACTED] walk to the east of the subject property. Similar to the subject property this location is not yet established. This explains the low sale value of the ground floor retail in comparison to the construction costs of the tower which were probably greater than the sale value. The commercial element has not yet been let or occupied.



### Investment Yield Comparables

#### ██████████ E1

The above ██████████ office building was purchased by ██████████ for ██████████. The property is let for ██████████ for a further 6 years to ██████████. The sale price was ██████████ and the office was renovated in ██████████. As the property is ██████████ (just south of ██████████) miles west of the subject property and is let for a term of 6 years, the yield will be ██████████ than for the subject property.

#### ██████████ E8 ██████████

The above investment located just over 2 miles northwest of the subject property sold for ██████████. It is a ██████████ with ancillary accommodation at 1<sup>st</sup> and 2<sup>nd</sup> floor which was let to ██████████. This is a ██████████ to what we expect the subject investment to be worth if it were built and let on the valuation date although the investment market ██████████.

#### ██████████ E10 ██████████

This ██████████ and basement let to a ██████████ until 2018 together with 2 flats on 1<sup>st</sup> and 2<sup>nd</sup> floor sold in ██████████. This is ██████████ miles north of the subject property. This illustrates local secondary yields although there is a residential element here that will reduce the risk and yield of this investment in comparison to the subject property.

Date	Address	Size	£ per sq ft	FH/LH
<b>Studio/Office Space Lettings</b>				
Q4 2014	[REDACTED]	[REDACTED]	[REDACTED]	LH
Q1 2015	[REDACTED]	[REDACTED]	[REDACTED]	LH
<b>Studio Office Space Sales</b>				
Q1 2015	[REDACTED]	[REDACTED]	[REDACTED]	FH
<b>Retail Space Lettings</b>				
2014/15	[REDACTED]	[REDACTED]	[REDACTED]	LH
<b>Retail Space Sales</b>				
April 2015	[REDACTED]	[REDACTED]	[REDACTED]	FH
Q1 2014	[REDACTED]	[REDACTED]	[REDACTED]	FH
<b>Investment Yield Comparables</b>				
Aug 2014	[REDACTED]	[REDACTED]	[REDACTED]	FH
Sep 2014	[REDACTED]	[REDACTED]	[REDACTED]	FH
Oct 2014	[REDACTED]	[REDACTED]	[REDACTED]	FH

## 7 POTENTIAL MARKET TERMS

### Block A

Block A is a 269 sq ft ground floor space designated B1 use.

We consider the current rental value were it let today to be [REDACTED]

We consider most tenants will require a [REDACTED]  
[REDACTED]  
[REDACTED]

We consider the current value assuming virtual freehold or freehold to be [REDACTED] per sq ft).

In investment value terms [REDACTED] equates to an all risk yield of [REDACTED] after acquisition fees that would comprise agents and legal fees. We would expect that the most likely purchaser would be an owner-occupier B1 user. This is because of the comparatively small lot size, which would not be of much interest to most investors but would be affordable to business people buying their own property for occupation.

### Block D

Block D is a 7,007 sq ft space within a riverside block comprising a rectangular ground floor designated to A Class, B Class, D1 or D2 use.

We consider the current rental value were it let today to be [REDACTED]

[REDACTED]  
[REDACTED]

We consider the current value assuming virtual freehold or freehold to be [REDACTED] per sq ft).

In investment value terms [REDACTED] equates to an all risk yield of [REDACTED] which would comprise stamp duty at [REDACTED] agents and legal fees. We would expect that the most likely purchaser would be an investor as it would be unusual for operators to purchase their own property for occupation of this comparatively large lot size for the location.

### Block E

Block E is a 5-floor 12,302 sq ft property designated as B Class use.

We consider the current rental value were it let today to be [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

We consider the current value assuming virtual freehold or freehold to be [REDACTED] per sq ft).

In investment value terms [REDACTED] equates to an all [REDACTED] [REDACTED] We would expect that the most likely purchaser would be an investor as it would be unusual for B Class occupiers to purchase their own property for occupation of this comparatively large lot size for the location.

**Block G**

Block G is a 1,335 sq ft ground floor and mezzanine use designated to A1 use.

We consider the current rental value were it let today to be [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

We consider the current value assuming virtual freehold or freehold to be [REDACTED] sq ft)

In investment value terms [REDACTED] equates to an all risk yield of [REDACTED] which would comprise agents, and legal fees. We would expect that the most likely purchaser would be an owner-occupier A1 user. This is because of the comparatively small lot size, which would not be of much interest to most investors but would be affordable to business people buying their own property for occupation.

**8 CONCLUSION**

We conclude that this commercial development is an exciting, interesting prospect in a great riverside location overlooking the Old Ford Locks, the Lee Navigation and West Ham United's Olympic Stadium from 2016. It is however an untested location in terms of the proposed commercial scheme and the extremely risky in terms of rental void. The build costs associated with the commercial development make the commercial development here unviable in terms of normal development risk and profit.

**SIGNATURE**



Signed .....

Date: 3<sup>rd</sup> June 2015

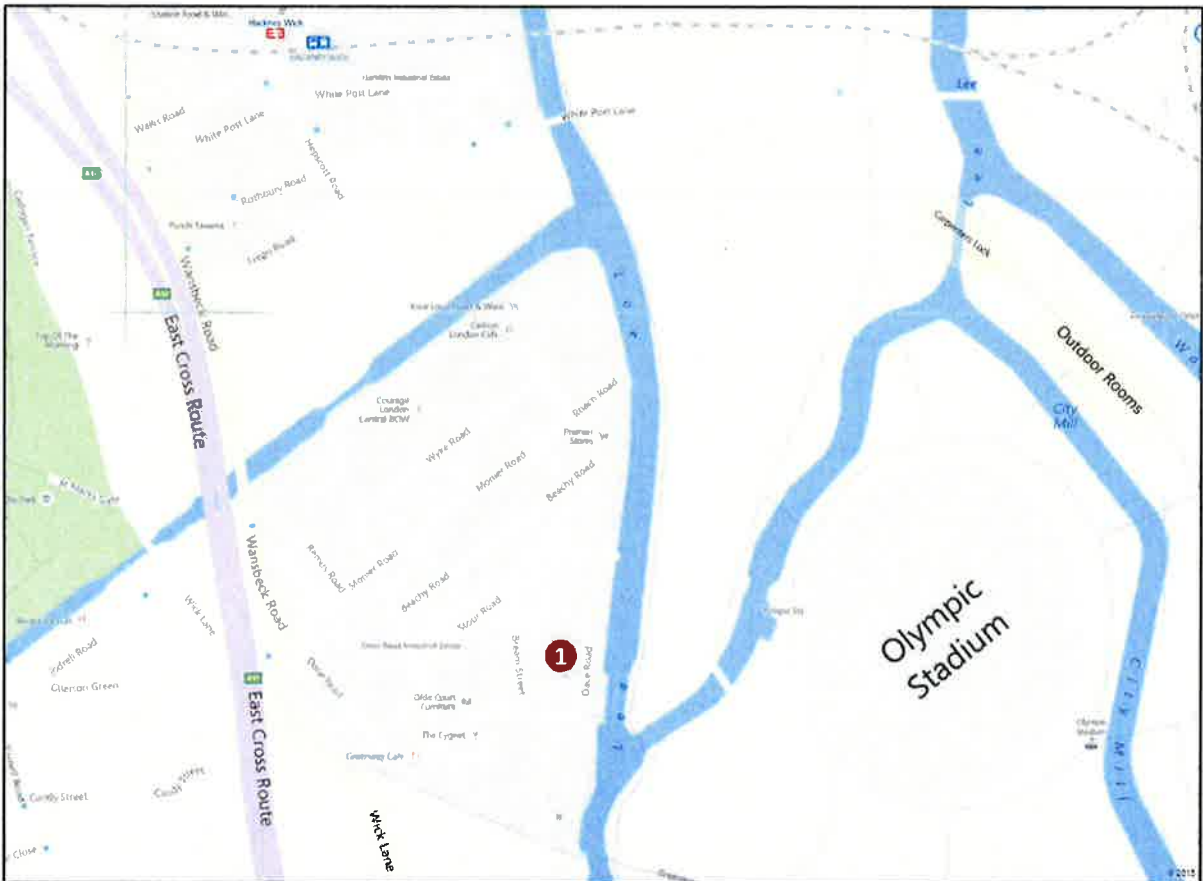
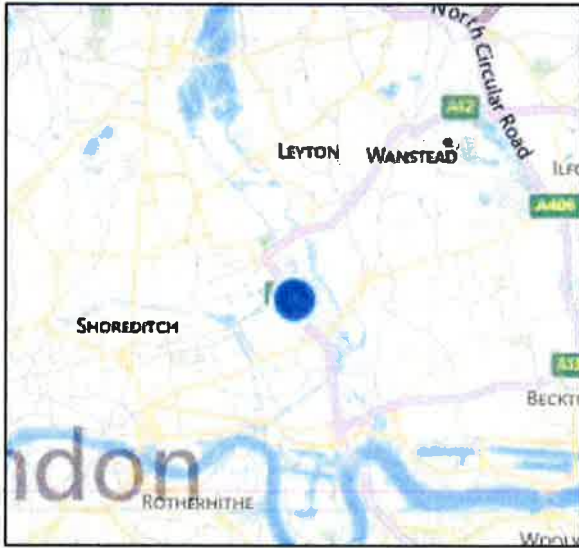
[REDACTED]

Frost Meadowcroft Surveyors LLP  
Island Studios, 22 St Peters Square, London W6 9NW  
Tel: 020 8748 1200

## APPENDICES

**APPENDIX A**

**LOCATION MAPS**



1. Marks sight location

**APPENDIX B**

**PHOTOGRAPHS**



**View of warehouse from Old Ford Lock**



**Frontage of site to Old Ford Lock and Lee Navigation**



**Hardstanding adjoining H Forman's warehouse**







**Dace Road elevation of warehouse**



**Car park to warehouse off Dace Road**



**Dace Road elevation**



**Bream Street elevation of warehouse**



**Scaffolder's yard accessed off Bream Street**

**APPENDIX C**

**COMPUTER GENERATED IMAGES**



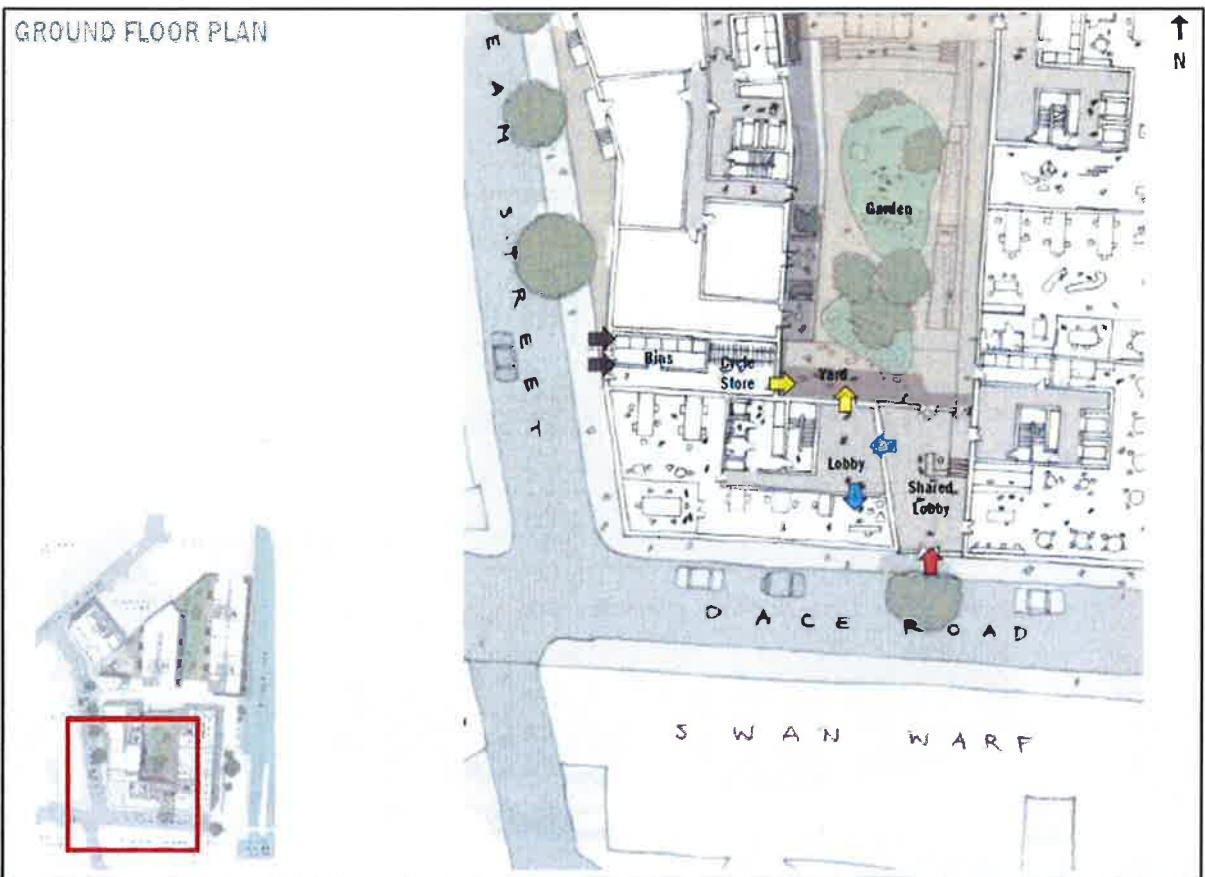
**Developed scheme**



**Old Ford Lock view**



Block E view from 60 Dace Road



Employment Building (Block E) – Ground Floor Plan



**Proposed Bream Street View**



***Visual and physical permeability across the site, and to the water***

**Bream Street Building – Proposed Passage View**

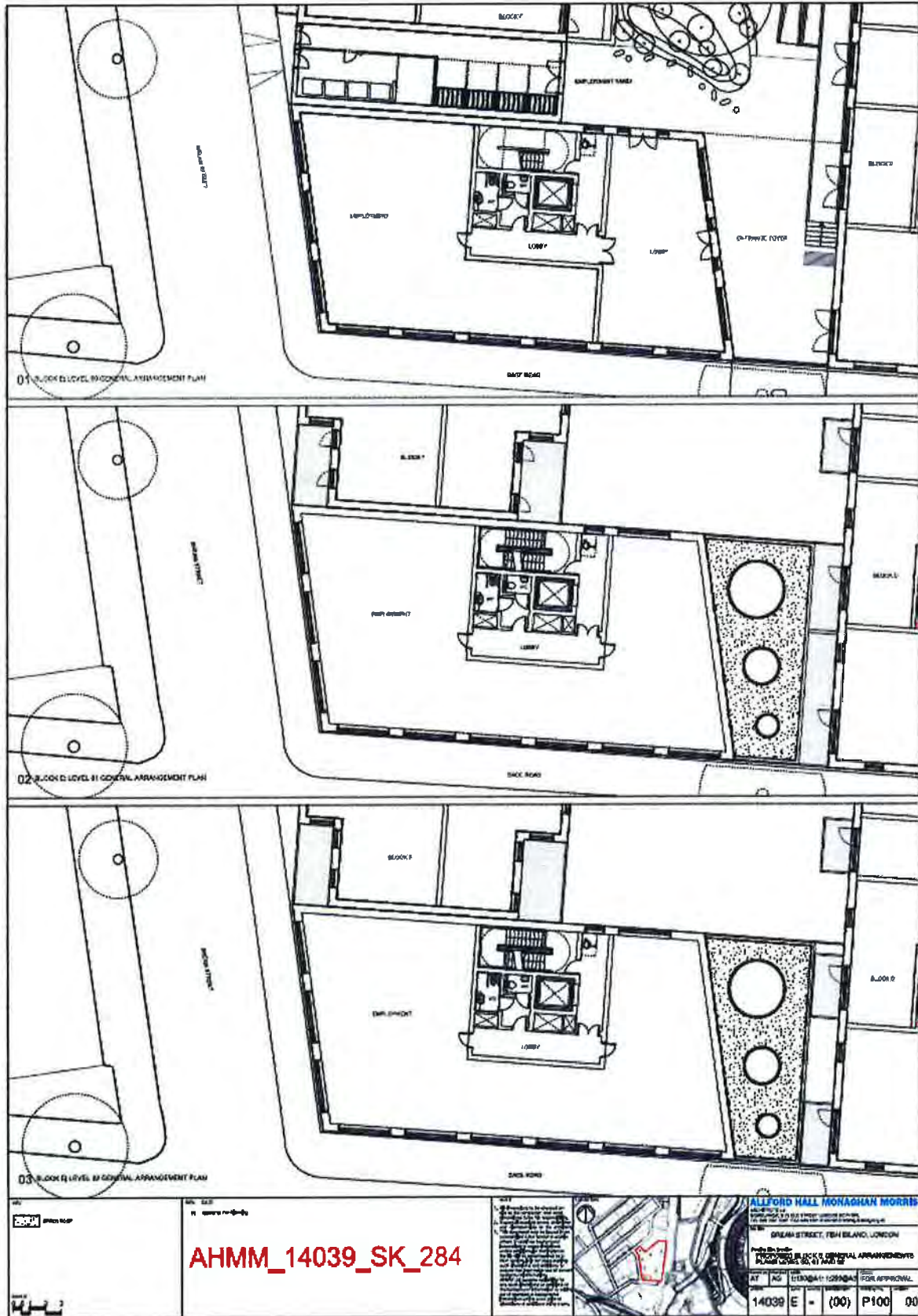


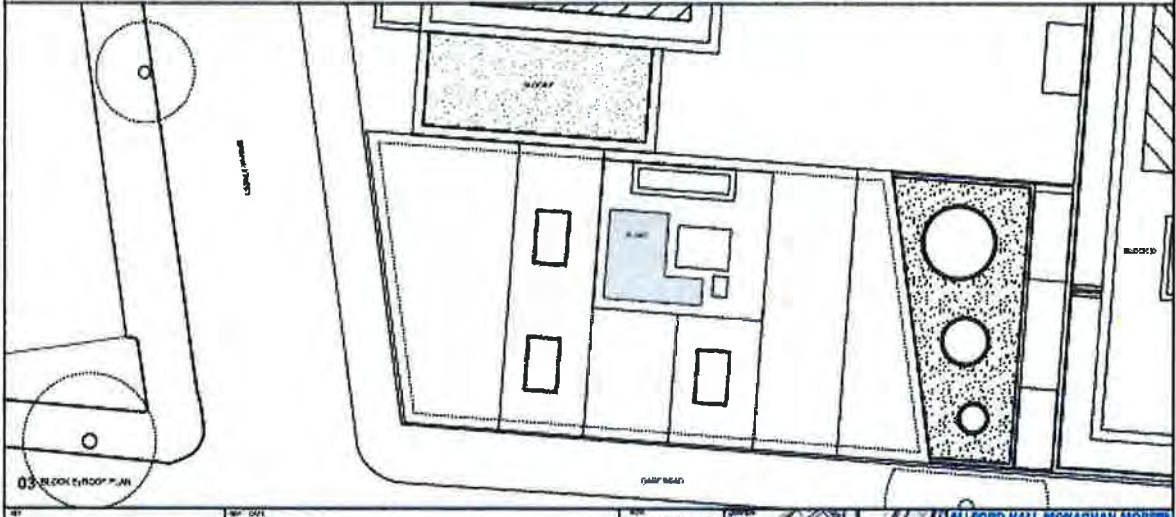
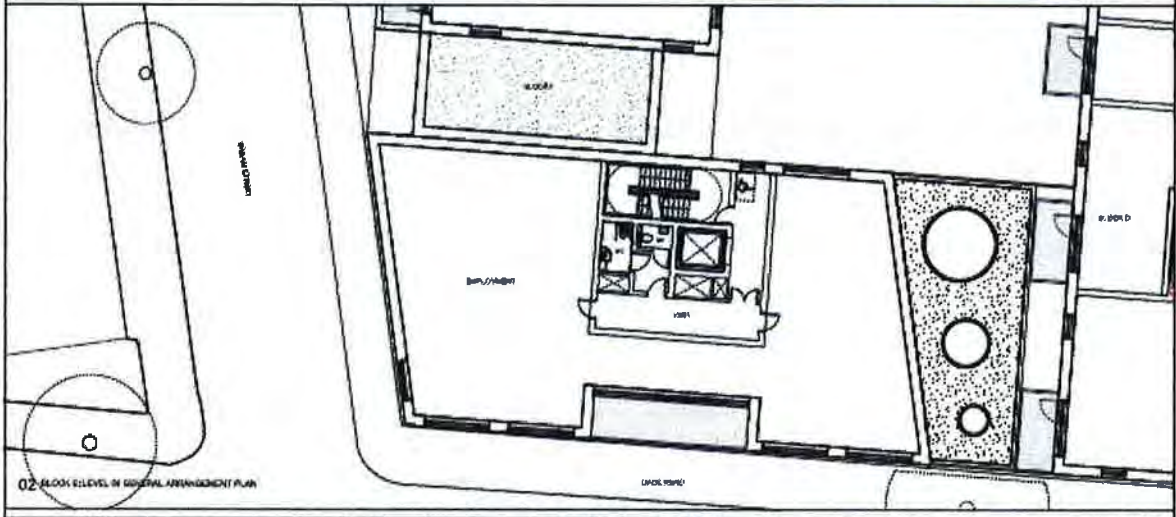
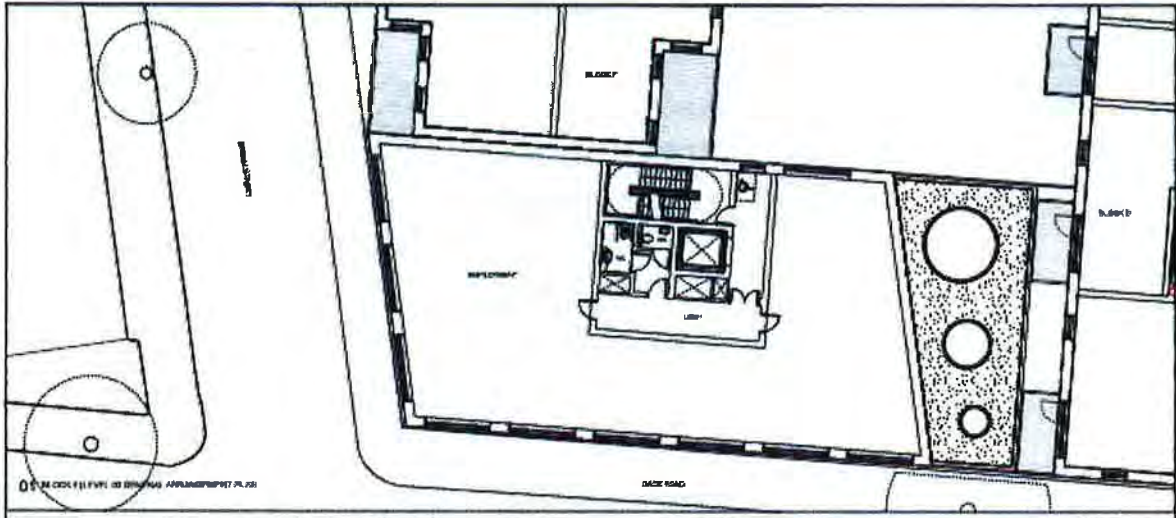
**Proposed view from Stour Road looking east**





Block E Ground – 3<sup>rd</sup> Floor Commercial





	<p><b>AHMM_14039_SK_285</b></p>		<p><b>ALLFORD HALL, MORGAN MORRIS</b>        14039 E - (00) P101 00</p>
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# Block G Ground Floor Commercial

01 BLOCK G LEVEL 01 PLAN

02 BLOCK G LEVEL 02 PLAN

03 BLOCK G LEVEL 03 PLAN

	<h2 style="color: red;">AHMM_14039_SK_126</h2>	<p><b>NOTES</b></p> <ol style="list-style-type: none"> <li>1. All dimensions are in millimetres unless otherwise stated.</li> <li>2. All dimensions are to the face of the work unless otherwise stated.</li> <li>3. All dimensions are to be taken from the finished surface unless otherwise stated.</li> <li>4. All dimensions are to be taken from the centre line unless otherwise stated.</li> <li>5. All dimensions are to be taken from the top surface unless otherwise stated.</li> <li>6. All dimensions are to be taken from the bottom surface unless otherwise stated.</li> <li>7. All dimensions are to be taken from the side surface unless otherwise stated.</li> <li>8. All dimensions are to be taken from the end surface unless otherwise stated.</li> <li>9. All dimensions are to be taken from the front surface unless otherwise stated.</li> <li>10. All dimensions are to be taken from the back surface unless otherwise stated.</li> </ol>		<p><b>ALLFORD HALL MONAGHAN MORRIS</b>          ARCHITECTS          15, NEWTON ROAD, FISH ISLAND, LONDON, E3 8JN          TEL: 020 8488 1111 FAX: 020 8488 1112          WWW.AHM.CO.UK</p> <p><b>BREAM STREET, FISH ISLAND, LONDON</b></p> <p>Project No: 14039          BLOCK G FLOOR PLANS          11 AUGUST 2010</p> <table border="1" style="width: 100%; border-collapse: collapse; font-size: x-small;"> <tr> <td style="width: 10%;">AT</td> <td style="width: 10%;">AG</td> <td style="width: 10%;">E</td> <td style="width: 10%;">T</td> <td style="width: 10%;">S</td> <td style="width: 10%;">D</td> <td style="width: 10%;">R</td> <td style="width: 10%;">A</td> <td style="width: 10%;">P</td> <td style="width: 10%;">O</td> <td style="width: 10%;">O</td> </tr> <tr> <td>14039</td> <td>G</td> <td>-</td> <td>(00)</td> <td>P100</td> <td>00</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	AT	AG	E	T	S	D	R	A	P	O	O	14039	G	-	(00)	P100	00					
AT	AG	E	T	S	D	R	A	P	O	O																
14039	G	-	(00)	P100	00																					

**APPENDIX E**

**CGI EXAMPLE OF CATEGORY A FIT-OUT REQUIRED**





**APPENDIX 6**

**QUADRANT CONSTRUCTION SUMMARY COST PLAN**

<u>Bream Street, Fish Island</u>		Area	GIA (ft2)	NIA (ft2)	
		Residential (excludes circulation, ancillary/service areas and basement car park)			
		Non-residential			
Item	Residential (£)	Commercial (£)	Total Budget (£)	Cost per ft2 (GIA)	Cost per ft2 (NIA)
<b>Build cost</b>					
<b>Build cost sub-total</b>					
<b>Total project cost</b>					

**NOTES**

- 1) Rates above include preliminaries at [redacted] OH&P at [redacted] and inflation adjustment to 2Q at [redacted]
- 2) Design fees are [redacted]



**APPENDIX 7**

**FINANCIAL APPRAISAL SUMMARY REPORT**

**APPRAISAL SUMMARY**

**Bream Street Planning Application Viability**

**Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

**Sales Valuation**

Private	Units	ft²	Rate ft²	Unit Price	Gross Sales
Affordable Rent					
Shared Ownership					
<b>Totals</b>					

**Rental Area Summary**

Ground Rents	Units	ft²	Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Car Parking						
Block A - B1 Use						
Block D - A Use, B Use, D1/D2						
Block E - B Use						
Block G - A1 Use						
<b>Totals</b>						

**Investment Valuation**

**Ground Rents**

Market Rent

Car Parking Market Rent

Block A - B1 Use Market Rent

Block D - A Use, B Use, D1/D2 Market Rent

Block E - B Use Market Rent

	YP @					
	YP @					
	YP @					
	YP @					
	YP @					





**APPRAISAL SUMMARY**

**QUOD**

**Bream Street Planning Application Viability**

Demolition			
Site Remediation			
Mayoral and LLDC CIL			
<b>Other Construction</b>			
NHBC and regs			
Externals			
Basement			
Neighbourly Costs			
<b>PROFESSIONAL FEES</b>			
Professional Fees			
<b>MARKETING &amp; LETTING</b>			
Resi Marketing			
Commercial Marketing			
Letting Agent & Legal Fee			
Investment Agent and Legal Fees			
<b>DISPOSAL FEES</b>			
Sales Agent Fee			
Sales Legal Fee			
<b>MISCELLANEOUS FEES</b>			
Profit on Private			
Profit on Commercial			
Profit on Affordable			
<b>FINANCE</b>			
Debit Rate			
Credit Rate			
(Nominal)			
Land			
Construction			
Other			
Total Finance Cost			
<b>TOTAL COSTS</b>			

**Bream Street Planning Application Viability**

**PROFIT**

**Performance Measures**

Profit on Cost%

Profit on GDV%

Profit on NDV%

Development Yield% (on Rent)

Equivalent Yield% (Nominal)

Equivalent Yield% (True)

IRR

Profit Erosion (finance rate)



