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Executive Summary



Front Elevation



Rear Elevation or Interior View

Property	Part of Vittoria Wharf, Stour Road, London E3 2NT
Date of Valuation	4 April 2017
Location	Located within the area known as Fish Island, a predominantly commercial/industrial location which is currently undergoing regeneration in the East End of London.
Description	A triangular piece of land on which there is currently an old industrial building. This valuation assumes that the building has been demolished and the land is clear and vacant.
Tenure	Freehold
Basis of Valuation	[REDACTED] [REDACTED] [REDACTED]
Market Value	
MV1	£000,000
MV2	£000,000
MV3	£000,000
Valuation Issues/Action Points	<ul style="list-style-type: none">▪▪▪▪

Our ref: [REDACTED]RID362

London Legacy Development Corporation
Level 10
1 Stratford Place
Montfichet Road
London
E20 1EJ

For the attention of [REDACTED]

5 June 2017

Dear Sirs

RE: CLIENT: LONDON LEGACY DEVELOPMENT CORPORATION
PROPERTY: PART OF VITTORIA WHARF, STOUR ROAD, LONDON E3 2NT ("The Site")

In accordance with your instructions given to us in a contract dated (xxx), we inspected The Site on 4 April 2017 following which we have made the relevant enquiries and have pleasure in reporting as follows.

We confirm that the valuer, [REDACTED] FRICS (RICS Membership No: [REDACTED]), has the appropriate knowledge, skills and experience to undertake the valuation competently and is an RICS Registered Valuer.

The Valuer was assisted by [REDACTED] LLB (Hons) MSc.

Glenny LLP will be acting in the capacity of an External Valuer in relation to this instruction.

1.0 INSTRUCTIONS

To provide a report and our opinion of the following:

[REDACTED]
[REDACTED]
[REDACTED]

You have specifically requested that we have regard to the following Special Assumptions:

The instructions are in connection with the proposed disposal of land which will be temporarily used by LLDC to construct a footbridge over the adjoining waterway and once works have been carried out, [REDACTED]
[REDACTED]
[REDACTED]

The date of our valuation is the date of this report. We assume that there have been no material changes to The Site since the date of our inspection.

We confirm that we have had no other connection with either The Site or Palm Lane Limited within the previous 24 months.

We confirm that we have acted independently, with integrity and objectivity and that the report has been prepared in accordance with the RICS Valuation – Professional Standards (January 2014 edition).

This valuation may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

Reliance on Information Provided

We have been provided with various information by the Bank, your customer and their agents, the local authority/various government authorities, commercial data publishing companies and third party agents upon which we have relied. We can take no responsibility for any omissions or misrepresentations made to us.

Red Book Departures

Where we are expressing an opinion of value which includes marriage value, it should be noted that the definition of Market Value according to the RICS Valuation – Professional Standards (the Red Book) excludes synergistic or marriage value.

We have not carried out a building survey nor have we inspected those parts which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about, or advise upon, the condition of uninspected parts and this report should not be taken as making any implied representations or statement about such parts.

Development Appraisal

We have not carried out any soil surveys or ground investigations and we have assumed that The Site is suitable for the proposed use without the need for any special construction techniques.

A copy of your confirmation of instructions is included within Appendix A.

2.0 LOCATION

The Site is located between the River Lea Navigation at its eastern end and Stour Road at its western end. Stour Road is one of the estate roads serving the area known as Fish Island, a traditionally industrial/commercial area situated some 1 mile west of Stratford town centre. Stratford provides all town centre amenities, including a mainline railway station, underground station and access to HS1. It will shortly be served by Crossrail. The Site lies approximately ¼ mile south of Hackney Wick railway station. The City of London lies approximately 4.7 miles to the south west.

Following the London 2012 Olympics, the Olympic park has now been well-established and this dominates the area. A great deal of regeneration has taken place as a result of the Olympics and this is continuing. The area to the north, beyond White Post Lane is the subject of a recent planning application entitled 'The Hackney Wick Master Plan'. This promotes low, medium and high rise new development to a maximum height of 10 storeys centred on Hackney Wick railway station. The Site adjoining the subject land immediately to the north has the benefit of a planning permission granted in 2014 for a mixed use development including 34 residential units in buildings of 4 – 6 storeys. Further detailed reference to this planning permission is given later in the report.

A general location plan is included within Appendix B, together with a more detailed Land Registry Title Extract and Title Plan within Appendix C.

3.0 DESCRIPTION

A triangular piece of land on which there is currently an old industrial building, parts of which are multi-storey. As covered earlier in the report, we are to assume that The Site is clear and vacant.

Photographs are included within Appendix D.

4.0 ACCOMMODATION

The Site

This triangular site is to be valued clear of all buildings and vacant. We are informed that the area extends to 231 sq.m (2,486 sq.ft).

5.0 SERVICES, PLANT AND EQUIPMENT

We have not tested the services or installations and this report does not therefore express an opinion as to their adequacy or condition.

We have assumed that all services, including gas, electricity, mains water and mains drainage are available within the public highway and are adequate for the development, reference to which is made later in this report.

6.0 RATING ENQUIRIES

Business Rates

We are to assume a vacant and cleared site and as such, the current rating assessment, which includes adjoining buildings, is of no relevance.

7.0 PLANNING ENQUIRIES

We have made online enquiry of the London Legacy Development Corporation. According to the Local Plan Policies Map which forms part of the Legacy Corporation Local Plan (July 2015) shows The Site and surrounding area as unallocated for any specific use. The River Lea Navigation immediately to the east is part of a larger conservation area. Beyond the River Lea Navigation there is an area allocated as local open space, which is part of the Queen Elizabeth Olympic Park.

The Site immediately adjoining the subject site which is currently occupied by an old industrial building. Following a planning application made on 17 September 2013 (Application No. 13/00280/FUM) planning permission was granted on 12 December 2016. This permits the demolition of existing buildings and erection of a new 4 – 6 storey building comprising 1,317 sq.m of commercial floorspace (Use Class B1), a 252 sq.m café (Use Class A3), 34 residential dwellings (15 x 1 bed, 10 x 2 bed and 9 x 3 bed) and courtyard for disabled parking and servicing, along with retention of the Gatehouse building (84 sq.m).

The permission is subject to a number of conditions including, amongst other matters, a relocation strategy for existing occupants, an archaeological investigation, the approval of a Bridge Compatibility Strategy in respect of the Stour Bridge, agreement of the details of biodiverse roofs (green/brown roof) a ground contamination survey and plans for any remediation and an archaeological survey.

We note that in comparison to other redevelopment sites nearby [REDACTED]

We have not consulted the Statutory Register or obtained other confirmation and we have assumed that all licences, permits and certificates have been obtained and complied with in accordance with the conditions contained therein.

No local land charges search has been undertaken in arriving at our valuation and we have assumed that there are no onerous proposals affecting the premises.

8.0 ENVIRONMENTAL MATTERS

We are not environmental experts and we have not carried out an environmental audit.

On our inspection of the building on site we noted that it has in the past been used for industrial purposes and we cannot therefore rule out ground contamination. Other than this, our limited enquiries have not revealed any contamination affecting The Site or neighbouring property which would affect our valuation. Should it, however, be established subsequently that contamination exists at The Site or on any neighbouring land or that the premises have been or are being put to contaminative use, this might reduce the values now reported.

Flooding

To the best of our knowledge, we do not believe that the subject property is sited in an area which is prone to or at risk from flooding. Should this prove to be otherwise then we reserve the right to review our opinion of value.

Japanese Knotweed

As The Site is currently covered yard space and existing buildings, we can confirm that no Japanese Knotweed was noted within the curtilage of The Site, or neighbouring property, that we could identify in those areas that were accessible.

Unless otherwise stated, our valuation assumes there are no issues concerning Japanese Knotweed or other invasive species present that may pose a threat to the fabric of The Site.

9.0 HIGHWAYS

Roads and footpaths are made up and assumed to be adopted by the Local Authority.

10.0 TENURE

Freehold.

11.0 SUMMARY AND RECOMMENDATIONS

Economic Overview

Prime Minister Theresa May has made the decision to call a snap General Election on 8 June 2017 in an attempt to strengthen her government's hand in its Brexit negotiations.

Whilst current property transactions are therefore set against the backdrop of political uncertainty, it is the consensus of industry commentators that the outcome of a snap election may bring welcome clarity for May's government and ultimately investors in UK property.

In his Spring budget statement, Chancellor Philip Hammond said that the British economy has continued to confound commentators and that it is still demonstrating robust growth. Commenting on upwardly revised Office for Budget Responsibility (OBR) forecasts for short term GDP growth, Mr Hammond confirmed that the OBR growth forecast for 2017 has been upgraded from 1.4% to 2%, this being in line with the Bank of England's view, although this is downgraded to 1.6%, 1.7% and then 1.9% in subsequent years, not forecast to again reach 2% until 2021-2022.

Whilst many commentators derided the Budget Statement growth figures as being overly optimistic, they continued in an overall positive vein from the latest Office of National Statistics GDP figures which were released on 25 May 2017. These estimate that UK GDP in volume terms increased by 0.2% between Quarter 4 2016 and the end of Quarter 1 2017. UK GDP growth in Quarter 1 2017 has been revised down by 0.1 percentage points from the preliminary estimate published on 28 April 2017, with this mainly due to downward revisions within the services sector. ONS statistics confirm that UK GDP growth slowed to 0.2% in Quarter 1 2017 as consumer facing industries such as retail and accommodation fell and household spending slowed, with this due in part to rising prices. The construction and manufacturing sectors also demonstrated little growth, while business services & finance continued to grow strongly. GDP in current prices increased by 0.7% between Quarter 4 2016 and Quarter 1 2017.

At the last Bank of England's Monetary Policy Committee (MPC) meeting on 10 May 2017, the Committee voted unanimously to maintain the Bank Rate at 0.25%. Governor of the Bank of England, Mark Carney, said the decision reflected the impact that slowing wage growth and rising inflation has had on near-term household spending and GDP growth forecasts.

The Bank's forecasters have reduced the outlook for 2017 growth to 1.9 percent from the previously forecast level of 2.0 percent.

The Bank also made further adjustments to their longer term growth estimates, increasing their GDP projections for 2018 and 2019 by 0.1 percentage point each, to 1.7 percent and 1.8 percent respectively.

The pound appreciated by 2.5% between the BOE's February and May 2017 Inflation Reports, although it is still about 16% below its November 2015 peak.

Inflation has been accelerating in recent months, partly as a continuing result of the fall in the pound following the Referendum, which has raised import prices. The Bank of England expects the weakness in the pound to increase inflation further still, forecasting a peak of just below 3% by the end of 2017, well above its target rate of 2%. Indeed, the latest domestic Consumer Prices Index (CPI) figures published by the ONS confirm that inflation rose in April to 2.7%, up from 2.3% in March, remaining at its highest level since September 2013 and continuing to outpace wages and interest rates. The primary reason for this latest rise in inflation is said to be higher air fares, with this due to the later date of Easter this year.

Turning to the Labour Markets, the latest ONS report published in April 2017 confirms that UK unemployment rate remained at 4.7% for the three month period to February 2017, the same as the previous 3 month period to January and remaining at its lowest level since 1975. The number of people unemployed fell by 45,000 to 1.56 million over the period. However, the Bank of England has forecast that unemployment is set to rise amid uncertainty over the effects of Brexit.

Average weekly earnings, including bonuses, increased by 2.3% (2.2% excluding bonuses), the same as in the year to January 2017, with rising inflation beginning to wipe out wage growth. The ONS comment that, when adjusted for inflation, average weekly earnings grew by 0.2% including bonuses and by 0.1% excluding bonuses, over the year, the slowest rate of growth since 2014.

Theresa May's government officially triggered Article 50 of the Lisbon Treaty on 29 March 2017, giving notice of the UK's intention to leave the European Union and formally beginning Brexit negotiations. The timing on triggering Article 50 means the UK looks set to leave the EU by summer 2019.

The economy and property market may witness a period of uncertainty and short term volatility during the EU exit negotiations. It is possible that some purchasers, occupiers and investors will adopt a 'wait and see' approach before making any significant decisions, potentially resulting in a general slowdown in market activity in some sectors.

We would, therefore, recommend that the valuation of The Site is regularly reviewed during the term of the proposed loan.

Additionally, in consideration of current levels of uncertainty within The Site market and to crystallise the position in terms of valuation advice provided herein, we would draw your attention to the following Valuation Practice Guidance issued by the Royal Institution of Chartered Surveyors.

VPGA 9 GN 1.2 of the RICS 'Red Book' *'All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or special assumptions. A valuation is not a fact, it is an opinion. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty – that is, the probability that the valuer's opinion of market value would exactly coincide with the price achieved were there an actual sale at the valuation date'*.

Residential

According to Nationwide's latest House Price Index publication, house price growth declined for the third month in a row in May 2017, with prices falling 0.2% month-on-month from April. The annual rate of growth slowed to 2.1% in May, the weakest level in almost 4 years.

Commenting on these figures, Robert Gardner, Nationwide's Chief Economist, stated that "it is still early days, but this provides further evidence that the housing market is losing momentum". He suggests that this may be indicative of a wider slowdown in the household sector, albeit that data continues to be mixed in this respect. "While real incomes are again coming under pressure as inflation has overtaken wage growth, the number of people in work has continued to rise at a healthy pace. Indeed, the unemployment rate fell to a 42-year low in the three months to March".

Mr Gardener goes on to comment that, if history is any guide, the slowdown is unlikely to be linked to election-related uncertainty, as housing market trends have not traditionally been impacted around the time of general elections. "Rightly or wrongly, for most home buyers, elections are not foremost in their minds while buying or selling their home".

Notwithstanding Mr Gardner's comments, there have been recent rumblings that house pricing was going to soften, with employment growth having moderated and earnings growth having slowed. The outlook for the housing market remains generally clouded and it remains too early to tell whether the slowdown in house prices is just a blip, a reflection of the impact of the squeeze on household budgets, a reflection of the mounting affordability pressures in key areas of the country, or the general uncertainty surrounding economic prospects and the UK's future trading arrangements.

With inflation set to rise further in the months ahead as a result of the weaker pound, real wages and consumer spending, which have been key engine components of growth in previous quarters, are likely to come under further pressure. Employment growth is also likely to continue to moderate should the economy slow as most forecasters expect.

On balance, a consensus view is that the economy is likely to slow throughout 2017, as the squeeze on household budgets intensifies and heightened uncertainty impacts upon business investment and hiring.

Nevertheless, a small rise in house prices of around 2% is still anticipated over the course of 2017, since low borrowing costs, subdued building activity and a dearth of homes on the market should continue to support prices.

National Residential Development Market

A recent report by Savills on UK Residential Development Land indicates that since the summer the land market has picked up in many parts of the UK, sentiment and the number of bids per site has improved.

The publicly listed housebuilders (PLCs) are becoming more active in the land market again having been the most cautious about purchasing land and in the summer and early autumn. The PLC's have all recently reported increases in completions (outside London) with higher profits and an awareness of the uncertain political and economic backdrop.

The greater supply of consented land and the need to just replenish their pipeline of land means that the PLC's can be selective about The Sites they buy. Oven-ready, permissioned land parcels of circa 100-150 homes are generally preferred by the PLC's at the moment. Greater due diligence has been required on sites, deferred payment terms have become more common and hurdle rates have been raised to reduce risk.

The regional housebuilders or larger private housebuilders have been able to take advantage of the more selective land buying by the PLC housebuilders, they have been able to continue to make bids on sites, paying upfront in many cases.

Regional housebuilders are expanding and need the land to continue to do so. The top 11-50 largest builders are the fastest growing group, increasing the number of completions achieved by 31% in the year to October 2016, according to the NHBC.

SME's generally operate on smaller sites (less than 25 homes) than those wanted by the larger housebuilders. They have been able to continue their activity in the land buying market where they have access to finance, which continues to be a constraint.

In areas where there is less intense competition for land, more land owners are engaging with joint venture agreements with developers, to generate higher land value over a longer period. Build licences are often used.

In a similar way to deferred payments, it means that housebuilders don't have to foot the cost of the land upfront. These areas of less intense competition provide more opportunities for a wider range of developers entering the market.

The outlook remains positive with new home delivery set to increase and more land is needed to replenish stock. There is land buying appetite from housebuilders which have seen relatively strong sales rates in the second half of 2016 with targets to continue to expand. Support from Government includes the £3bn Home Building Fund and Help to Buy Equity Loan, now extended to 2021. However, land purchasers are likely to continue to be selective and more careful about The Sites they buy.

The availability of labour continues to be a notable factor constraining the expansion of the industry, although it has eased as an issue. 39% of builders consider it a major constraint according to the Q3 2016 HBF Survey compared with 63% in December 2014.

Finally several Government policies are set to bring more development land to the market including:-

- The £2 billion Accelerate Construction Fund which aims to deliver 15,000 homes on surplus public sector land.
- The announcement of 17 further Garden Towns and Villages which have the potential to provide almost 200,000 new homes across the country.
- The announcement of 30 local authority partnerships set to be the first to build Starter Homes on brownfield sites, backed by the £1.2 billion Starter Homes Land Fund.

Local Market Conditions

The subject site and the adjoining redevelopment opportunity being promoted by the developers, Palm Lane Limited are situated within a rapidly changing area and there have been a number of disposals of sites in and around the Hackney Wick area with residential redevelopment potential.

A summary of these is included in Appendix F and these are summarised as follows.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

Methodology

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

We would make the following points:-

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

In our experience [Redacted]
[Redacted]
[Redacted]
[Redacted]

- [REDACTED]
- Taking account of the above observations, [REDACTED]

We now set out below our respective opinions of value.

- | | |
|--------------|------------|
| ■ [REDACTED] | [REDACTED] |
| ■ [REDACTED] | [REDACTED] |
| ■ [REDACTED] | [REDACTED] |

Summary and recommendations

Our respective opinions of value set out above indicate that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

12.0 GENERALLY

We trust that this report is sufficient for your present purposes and we must state that [REDACTED]

[REDACTED] since receipt of the instructions.

[REDACTED]

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, and we are therefore unable to report that The Site is free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

[Redacted signature area]

Yours faithfully

Countersigned

[Redacted] FRICS
Valuation Services
For and on behalf of Glenny LLP

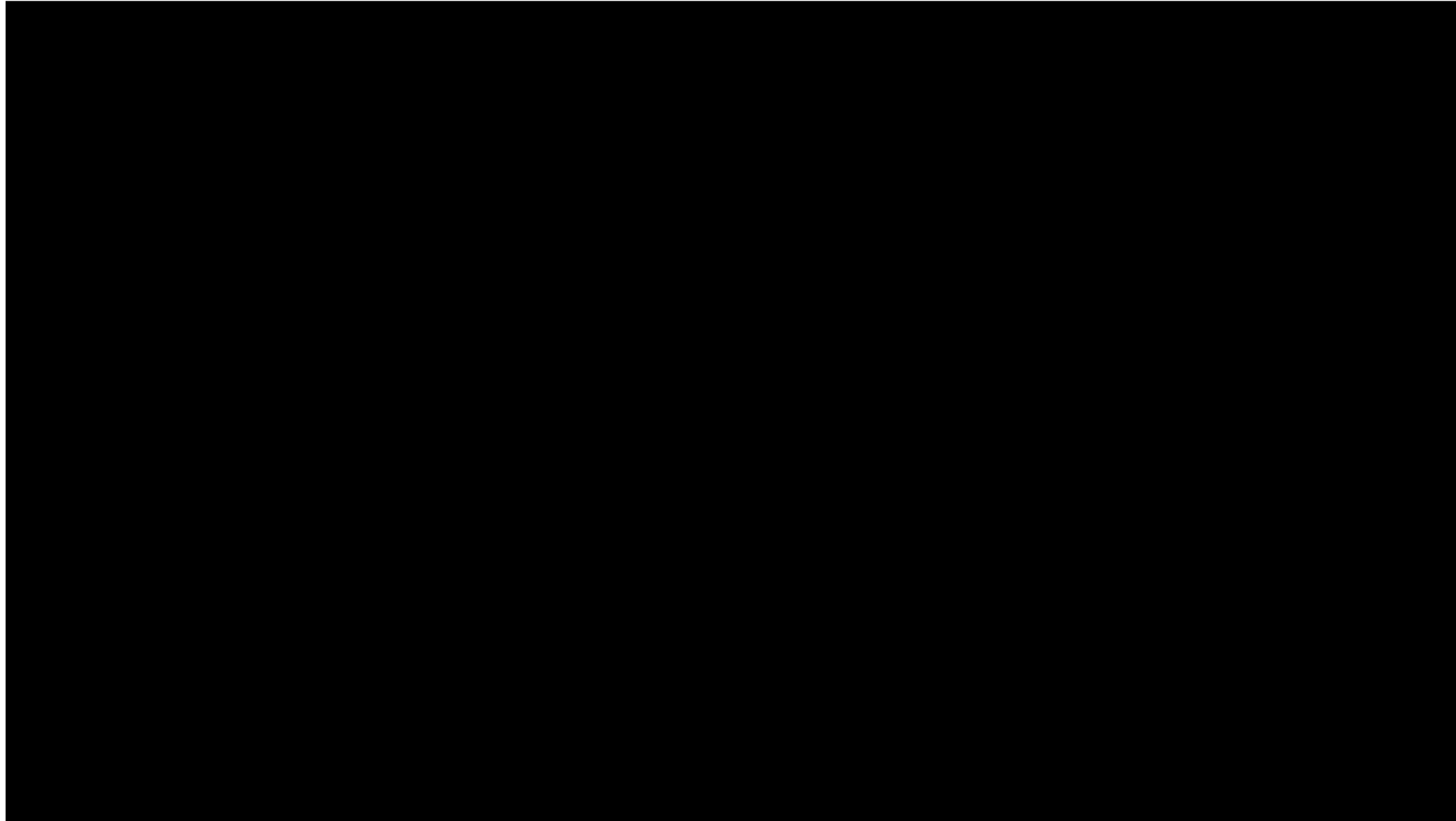
Name – Qualifications
Valuation Services
For and on behalf of Glenny LLP

Date.....

Date.....

East London Development Land Schedule

Address	Description and Site area	Planning	Price and Date	£/Unit £/HR	£/acre and Comments
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East London Development Land Schedule

Address	Description and Site area	Planning	Price and Date	£/Unit £/HR	£/acre and Comments
