

Thameside West

Viability Addendum Note

March 2020



PREAMBLE

Silvertown Homes Limited (SHL) and Greater London Authority Land and Property (GLAP) have submitted a hybrid planning application to the London Borough of Newham (LBN) for the redevelopment of the Thameside West site, accessed off Dock Road in Newham (the Site).

SHL is a property development company and joint land owners of the Site. SHL has over 65 years combined experience at delivering high quality regeneration projects across London. GLAP is a subsidiary corporation of the Greater London Authority (GLA) and took over assets and liabilities from the London Development Agency (LDA) in 2012. GLAP is primarily focused on delivering genuinely affordable homes and jobs for London.

The proposal is to construct a new high-quality residential-led mixed-use development comprising new homes, new industrial floorspace, a new local centre, a new primary school and nursery school, new community facilities, a new public park (with associated outdoor play facilities), enhanced SINC and over 800m of new riverside walk along the River Thames with ecological / biodiversity enhancements. This development has been designed to focus its community hub around the delivery of a new Dockland Light Rail (DLR) station that is proposed to be constructed on the Site by Transport for London's (TfL) in 2023.

The proposals have been designed by Foster & Partners, John McAslan & Partners, Patel Taylor and the wider project team (listed, right) taking into account comments provided by local residents during summer and public exhibition events and comments provided during pre-application discussions with a variety of statutory and non-statutory interests, including LBN and its Design Review Panel (DRP), the Greater London Authority (GLA), Transport for London (TfL), Environment Agency (EA), Port of London Authority (PLA) and London City Airport (LCA).

This document is one of a suite of planning application documents submitted to LBN, including an Environmental Statement. The planning application is available to review at LBN's office or using LBN's online services:

Search for planning application reference number 18/03557/OUT at:
<https://pa.newham.gov.uk/online-applications/search.do?action=simple>

PROJECT TEAM

GREATERLONDONAUTHORITY

**BARTON
WILLMORE**

Foster + Partners

JOHN McASLAN + PARTNERS

Patel Taylor

Tavernor

**BURO HAPPOLD
ENGINEERING**

MEINHARDT

AnsteyHorne

SYSTRA

Aviaire WILDLIFE HAZARD
MANAGEMENT
CONSULTANTS
Improving safety from the ground up.

**Winckworth
Sherwood**

MOLA

JLL | *Achieve
Ambitions*

**LONDON
COMMUNICATIONS
AGENCY**

realm
virtually, anything is possible.



GERALDEVE

Thameside West, London, E16

Viability Addendum Note (May 2020)

On behalf of: Silvertown Homes Limited (SHL) and GLA Land and Property (GLAP)

15th May 2020

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NOTE: This report has been produced in accordance with National Planning Policy Framework (2019) and Planning Policy Guidance (as amended). Gerald Eve LLP can confirm that the report has been produced by qualified Practitioners of the Royal Institution of the Chartered Surveyors (RICS) and that the report has been produced in accordance with RICS Practitioner guidance on viability in planning matters.

The contents of this report are confidential to the Applicant and it together with any further information supplied shall not be copied, reproduced or distributed to any third parties without the prior express written consent of Gerald Eve LLP. Furthermore, the information is being supplied to the Greater London Authority ("the GLA") on the express understanding that it shall be used only to assist in the financial assessment in relation to Thameside West, London, E16. The information contained within this report is believed to be correct as at May 2020, but Gerald Eve LLP give notice that:

- (i) all statements contained within this report are made without acceptance of any liability in negligence, tort or otherwise by Gerald Eve LLP. The information contained in this report has not been independently verified by Gerald Eve LLP;
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- (v) Any estimates of values or similar, other than specifically referred to otherwise, are subject to and for the purposes of discussion and are therefore only draft and excluded from the provisions of the RICS Valuation – Global Standards 2020; and
- (vi) if this report is subsequently to be provided to the GLA in full, it should be on a confidential basis. We therefore request that the report should not be disclosed to any third parties (other than consultants instructed by the City Council to review this report) under the Freedom of Information Act (Sections 41 and 43 (2)) or under the Environmental Information Regulations.

Summary Inputs Table

| Input | Updated Viability Position (May 2020) | Source |
|--|---------------------------------------|---------------------------------|
| Revenue | | |
| Market Private Residential Sales Values £psf (average) | £806 psf | JLL |
| Adjusted Notional Private Residential Sales Values £psf (average) <i>Requested by the Applicant / GLA</i> | £846 psf | Applicant |
| Affordable Sales Values £psf | Shared Ownership: £442 psf | GE Affordable Housing Team |
| | London Affordable Rent: £184 psf | GE Affordable Housing Team |
| Adjusted Notional Affordable Sales Values £psf <i>Requested by the Applicant / GLA</i> | Shared Ownership: £500 psf | Applicant |
| | London Affordable Rent: £200 psf | Applicant |
| Residential Ground Rents | Not included | Gerald Eve |
| Industrial Values | Rent: £15.00 - £16.50 psf | JLL |
| | Rent Free: 3 – 6 months | JLL |
| | Yield: 4.25% | JLL |
| | Void Period: 12 months | JLL |
| Retail Values | Rent: £20 psf | Gerald Eve |
| | Rent Free: 12 months | Gerald Eve |
| | Yield: 6% | Gerald Eve |
| | Void Period: 3-6 months | Gerald Eve |
| Total Net Development Value | £2,386,422,212 | |
| Costs | | |
| Total Construction costs including preliminaries, OHP and contingency | £1,431,900,000 | Gardiner & Theobald |
| Professional fees | 9% | Gerald Eve |
| Commercial Letting Agents and Legal | 15% | Gerald Eve |
| Commercial Sales Agents and Legal | 1.50% | Gerald Eve |
| Residential Sales Agents | 2.0% | Gerald Eve |
| Sales Legals | 0.50% | Gerald Eve |
| Residential Marketing | 1.0% | Gerald Eve |
| Planning Obligations Package (excluding affordable housing) | £58,851,831 | Barton Willmore & The Applicant |
| Finance | 6.50% | Gerald Eve |
| Programme | | |
| Construction Programme | Nov 2020 – Feb 2031 | Gardiner & Theobald |
| Sales Velocity – Off plan sales (per plot) | 40% | JLL / Applicant |
| Sales Velocity – Rate per month following PC | 5 per month | JLL / Applicant |
| Land Value | | |
| AUV (part of Site, excluding ASD and Silver Building) | n/a | Gerald Eve |
| EUV of ASD building and Silver Building (part of Site) | £13,706,722 | GE Industrial Team |
| EUV of Remainder for Storage (excluding ASD and Silver Building) | £44,209,448 | GE Industrial Team |
| Total EUV (Component 1) | £57,916,170 | GE Industrial Team |
| Premium (Component 2) | 90% | Gerald Eve |
| Benchmark Land Value (Component 1 & 2) | £110,000,000 | Gerald Eve |
| Returns | | |
| Target Return (IRR) | 14% | Gerald Eve |

Appendices

1. RICS Mandatory Requirements
2. GE Viability Appraisal – Present Day – May 2020

1. Introduction and Background

- 1.1 A Financial Viability Assessment ('FVA') was submitted by Gerald Eve ('GE') in December 2018 as part of the hybrid planning application. The London Borough of Newham ('LBN') instructed BNP Paribas Real Estate ('BNPP') to review our conclusions that the Scheme is proposing the maximum level of affordable housing and planning obligations.
- 1.2 Following refusal from LBN in November 2019, the Deputy Mayor for Planning, Regeneration and Skills ordered that the Mayor take over the determination of the planning application In December 2019. The following GE viability information has been provided to the GLA:

| Ref | GE Documents Provided to GLA | Date of Document |
|-----|--|-------------------------|
| 1 | Submission of FVA | Dec-18 |
| 2 | GE First Addendum Note and appendices | May-19 |
| 3 | GE Second Addendum Note and appendices | Jun-19 |
| 4 | GE Third Addendum Note and appendices | Sep-19 |
| 5 | GE Fourth Addendum Note and appendices | Oct-19 |
| 6 | GE Comfort Cooling and Sales Values Note | Oct-19 |
| 7 | GE Target Rate of Return Note | Oct-19 |
| 8 | GE Updated Position Note to GLA | 4 th Mar-20 |
| 9 | GE Note in Response to the GLA | 26 th Mar-20 |

- 1.3
- 1.4 As set out within the table above, we provided an updated position note to the GLA, dated 4th March 2020, which set out the current viability position reflecting the latest scheme design changes, as well the latest costs and values, informed by the third-party consultants.
- 1.5 The results and conclusions of the Position Note, dated 4th March 2020, were consistent with the conclusions of our original FVA: that the Scheme may be potentially capable of achieving the target rate of return whilst delivering 37.5% affordable housing by hab room (33% by unit number), as well as other planning obligations, and CIL. On a present- day basis the return was unacceptable to the Applicants, and it was suggested that further discussions to improve the return should take place.

- 1.6 The Applicant, Barton Willmore, and GE subsequently met with the GLA on 10th March 2020 to discuss the latest viability position. Following the meeting GE provided a Response Note that the GLA, dated 26th March 2020, which set out our comments on the information provided by the GLA regarding affordable sales values, as well as our commentary and further evidence on other cost and values items identified in the meeting. In addition, the previous Response Note included multiple indicative appraisal scenarios, setting out the impact of changing the level of affordable housing, as well as the impact of notionally changing key value inputs.
- 1.7 The Applicant and the GLA had subsequent discussions, and following those discussions, the Applicant has agreed to increase the level of affordable housing, on the basis of notionally adjusted value input assumptions, which have been set out within this Viability Addendum Note.
- 1.8 This purpose of this May 2020 Viability Addendum Note is therefore to summarise any changes in the scheme areas, unit mix, and appraisal cost and value inputs. We then provide an updated viability appraisal and financial conclusion, based on the input changes and assumptions set out within this report.
- 1.1 The RICS Professional Statement: Financial Viability in Planning – Conduct and Reporting became effective on 1 September 2019 and applies to all Chartered Surveyors and regulated firms of Chartered Surveyors. It applies to both area wide (policy making) and scheme specific assessments (decision making). The Practice Statement is mandatory to originators of viability assessments as well as reviewers and in area with viability assessments. We set out our compliance with the requirements in **Appendix 1**.
- 1.2 We confirm that the contributors to this Viability Addendum Note have complied with these mandatory requirements and are competent to undertake the work involved. We also confirm that the contributors to this note have complied with these mandatory requirements and are competent to undertake the work involved. We confirm that we have had adequate time to produce this note.
- 1.3 In line with the requirements we also confirm that subject to the completion of any discussion and resolution, or not, of differences, we may be retained to then subsequently advise upon and negotiate the Section 106 Agreement.

- 1.4 Whilst we are instructed as viability consultants, in order to inform our viability assessments, we have relied upon information provided by several other consultants, namely:
- Foster + Partners – Architects;
 - Barton Willmore Planning – Planning Advice;
 - JLL – Market Private Residential Values;
 - JLL – Retail and Industrial Values;
 - GE – Affordable Housing Values; and
 - Gardiner & Theobald – Cost Consultants.

- 1.5 In preparing this note, we confirm that we have acted with objectivity, impartiality and without interference. We have also complied with the requirements of PS2 Ethics, competency, objectivity and disclosures in the RICS Valuation – Global Standards 2020 in connection with valuation reports.

Material valuation uncertainty due to Novel Coronavirus (COVID – 19)

- 1.6 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value and viability. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a viability judgement. Our financial viability assessment, whilst provided in accordance with the RICS Professional Statement on “Financial Viability in Planning: report and conduct”, is therefore reported as being subject to material uncertainty. Consequently, less certainty – and a higher degree of caution – should be attached to our financial viability assessment than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep this assessment under frequent review.
- 1.7 For the avoidance of doubt, the inclusion of the “material valuation uncertainty” declaration above does not mean that the assessment cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the assessment than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the assessment.

2. Viability Appraisal Updates

2.1 As set out within the previous Section, following discussions between the Applicant and the GLA, the Applicant has increased the level of affordable housing and adjusted the affordable tenure mix. Within this Section of the Viability Addendum Note we summarise the revised areas provided to us by the Applicant, as well as any changes to the value and cost inputs. The updates outlined below are then adopted within our financial viability appraisal within the next section of this report.

Proposed Scheme Area and Unit Mix

- 2.2 The Applicant has increased the proposed level of affordable housing to 39% by hab room (34% by unit), equating to a total of 1,700 affordable units.
- 2.3 In addition, affordable housing tenure mix has changed, with the Applicant increasing the proportion of London Affordable Rent ('LAR') units to 980 (58% by unit number), and consequently the London Shared Ownership ('LSO') units have reduced to 720 units (42% by unit number).
- 2.4 As a consequence of these changes, the proposed Net Sales Area ('NSA') and unit numbers for the private and affordable elements of the Proposed Scheme are summarised within the table below:

| Tenure | Units | NSA (sq ft) |
|--------------|--------------|------------------|
| Private | 3,300 | 2,201,023 |
| LAR | 980 | 786,935 |
| LSO | 720 | 565,874 |
| Total | 5,000 | 3,553,832 |

Source: The Applicant

2.5 As can be seen from the table above, the Proposed Scheme will provide 3,300 private units equating to a total private NSA of 2,201,023 sq ft, and 1,700 on-site affordable units equating to a total affordable NSA of 1,352,809 sq ft.

Private Residential Sales Values

2.6 JLL, the Applicant's residential consultant, previously considered that the average private sales value for the scheme was £806 per sq ft, based on their pricing and having regard for

comparable sales evidence. We summarise this evidence and the JLL analysis within our previous viability addendums.

- 2.7 JLL have not priced the revised scheme areas due to the current Covid-19 pandemic, and as such the inherent uncertainty and potential market volatility. However, due the potential market downturn caused by the Covid-19 pandemic, we consider that £806 psf is now an optimistic position for the market sales value on a present day basis. Indeed, the values may need to be revised in due course by JLL once the economic and market impact on values and sales velocity from the Covid-19 pandemic is clearer.
- 2.8 Nonetheless, following the discussions between the Applicant and the GLA, the Applicant has agreed to notionally increase the private residential sales value, as suggested by the GLA viability team. The Applicant has therefore requested that we include an overall average private sales value across the units of £846 per sq ft, based on the current private NSA.
- 2.9 We have included this notionally adjusted value within the viability appraisal at the request of the Applicant, but for the avoidance of doubt, GE consider the market value of the private residential sales value on a present day basis to be lower than this value, for the reasons set out above.

Affordable Values

- 2.10 The GE Affordable Housing Team have updated their calculations of the affordable values, based on the revised areas, tenure split, and unit mix within the proposed scheme. Based on their calculations, the GE Affordable Housing Team consider the affordable sales values to be as follows:
- LSO: £442 per sq ft; and
 - LAR: £184 per sq ft.
- 2.11 However, following the discussions between the Applicant and the GLA, the Applicant has agreed to notionally increase the affordable sales values to the level suggested by the GLA viability team. The Applicant has therefore requested that we include the following affordable values within the viability appraisal:
- LSO: £500 per sq ft; and
 - LAR: £200 per sq ft.

2.12 We have included these notionally adjusted affordable values within the viability appraisal at the requested of the Applicant, but for the avoidance of doubt, the GE Affordable Housing Team consider the affordable values for both the LSO and LAR to be lower, as set out above.

Notional Section 106 Cost

2.13 Following discussions with the GLA, the Applicant has requested that we reduce the notional Section 106 cost from £40 million to £20 million within the viability appraisal.

2.14 In addition to the 39% on-site affordable housing, and public realm contributions, the revised planning obligations cost within the appraisal (including the CIL estimates provided by Barton Willmore), therefore totals £58,851,831.

2.15 This is summarised within the table below:

| Item | Planning Cost | Source |
|--------------|----------------------|-----------------|
| Section 106 | £20,000,000 | The Applicant |
| Mayoral CIL | £8,043,659 | Barton Willmore |
| Borough CIL | £30,808,172 | Barton Willmore |
| Total | £58,851,831 | |

Source: The Applicant / Barton Willmore

Position on the Target Rate of Return

2.16 Within our previous viability addendums to the GLA, both dated March 2020, GE had adopted a target rate of return for this Scheme of 14% IRR on a present day basis. As set out within Section 1, the COVID-19 outbreak was been declared a global pandemic. We consider that the overall risk to a developer in the current market has increased significantly since March 2020, and this increased risk also applies to the Applicant and the subject scheme.

2.17 The increased risk is due to the potential volatility in both values and demand, as well as the significant increase in construction risk - as a consequence of potential supply chain issues, construction workforce logistics, financing, and also potential construction cost increases. This may also manifest itself in increased construction contingency and affect the construction programme.

2.18 Whilst it is unclear whether these potential issues will be resolved at the point of construction, we are, in line with NPG, assessing the viability of the scheme on a present day basis at the

point of the planning determination, and as such we must consider the associated risk and uncertainty to the developer at the point of determination.

- 2.19 GE therefore reserves the right to review our adopted target rate of return, and potentially increase our adopted target rate of return in due course, for the purposes of the viability assessment. We are not proposing to change the target rate of return at this moment in time, as we consider it prudent to see how the economic situation continues to unfold in order to gain a greater understanding of the increased development risks in the current market, and as such inform an appropriate target rate of return. Nonetheless, we reserve the right to revisit our position on the target rate of return anytime between the date of this Viability Addendum and the point of planning determination by the GLA for the proposed scheme.

3. Financial Appraisal – Updated Appraisal

- 3.1 Having regard to the proposed area and value changes set out in the section above, the Applicant has requested that we test the financial impact of within the viability appraisal.
- 3.2 The Applicant has requested the following notional changes to the appraisal assumptions and inputs:
- The Scheme at 39% affordable housing (by hab room), based on the areas provided by the Applicant, which are summarised in Section 2 above;
 - Changing the proportional mix of the affordable (LAR and LSO) tenure, which is set out within Section 2 above;
 - Reducing the notional Section 106 by £20 million;
 - Increasing the LAR sales value from £184 psf to £200 psf;
 - Increasing the LSO sales value from £442 psf to £500 psf; and
 - Increasing the private sales value from an average of £806 psf to £846 psf.
- 3.3 Based on the design changes, and the requested value and cost assumptions above, the updated financial viability appraisal for the revised Scheme generates the following returns on a present day basis:
- 13% IRR; and
 - 17.3% Profit on GDV.
- 3.4 The results indicate that in overall terms, based on a present-day approach and the assumptions set out above, the updated viability appraisal still achieves an IRR which is below the target rate of return level of 14% IRR. This therefore demonstrates that on this basis, the proposed planning obligations package is the maximum reasonable that the Scheme can provide.
- 3.5 The updated financial viability appraisal for the revised Scheme, is attached at **Appendix 2**.

4. Sensitivity Analysis

4.1 To substantiate this assessment, sensitivity analysis has also been undertaken in order to test the robustness of delivering the proposed Scheme. The sensitivity analysis is provided in the table below.

Private Sales Values and Construction Costs (present day) – Impact on IRR

| Private Sales Values | | | | | |
|----------------------|-------|-------|--------------|-------|-------|
| Construction Cost | -5.0% | -2.5% | 0.0% | 2.5% | 5.0% |
| -5.0% | 13.0% | 13.9% | 14.8% | 15.6% | 16.4% |
| -2.5% | 12.1% | 13.0% | 13.8% | 14.7% | 15.5% |
| 0.0% | 11.2% | 12.1% | 13.0% | 13.8% | 14.6% |
| 2.5% | 10.3% | 11.2% | 12.1% | 12.9% | 13.8% |
| 5.0% | 9.5% | 10.3% | 11.2% | 12.1% | 12.9% |

4.2

Source: Gerald Eve

4.3 The results demonstrate that the return is sensitive to both changes in costs and residential sales values. The sensitivity analysis shows that if there are cost savings and increases in the residential sales values, the Scheme is potentially capable of achieving the target rate of return. However, clearly any increase in the costs and a reduction in sales values further reduces the Scheme's viability.

5. Conclusion

- 5.1 The Scheme is a major redevelopment of the Site to deliver mixed-use buildings comprising residential, industrial and retail uses. This Viability Addendum Note provides a summary of the current viability position and assumptions, following the discussions between the Applicant and the GLA.
- 5.2 Our appraisal has been undertaken on a present-day basis. Inputs include current residential sales values (if the Scheme was delivered in its entirety today on a present day basis, including the DLR station and any regeneration effects, whilst removing the negative effects that would exist of selling a site of this scale in one phase), and costs within the appraisal.
- 5.3 Based on the changes and assumptions above, and the requested value and cost assumptions, the updated financial viability appraisal for the revised Scheme generates the following returns on a present day basis:
- 13% IRR; and
 - 17.3% Profit on GDV.
- 5.4 The results indicate that in overall terms, based on a present-day approach, the updated viability appraisal still achieves an IRR which is below the target rate of return level of 14% IRR.
- 5.5 The sensitivity analysis undertaken indicates that the Scheme may be potentially capable of achieving the target rate of return whilst delivering 39% affordable housing by hab room (34% by unit), as well as other planning obligations, and CIL. However, clearly any increase in the costs and a reduction in sales values further reduces the Scheme's viability.
- 5.6 The results therefore indicate that the proposed planning obligations package is the maximum reasonable that the Scheme can provide.
- 5.7 As set out in Section 1, the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value and viability. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a viability

judgement. Our financial viability assessment, whilst provided in accordance with the RICS Professional Statement on “Financial Viability in Planning: report and conduct”, is therefore reported as being subject to material uncertainty. Consequently, less certainty – and a higher degree of caution – should be attached to our financial viability assessment than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep this assessment under frequent review.

- 5.8 For the avoidance of doubt, the inclusion of the “material valuation uncertainty” declaration above does not mean that the assessment cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the assessment than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the assessment.

Appendix 1

**Appendix 1****Reporting Sign Off**

The table below sets out confirmation of compliance for each of the requirements of RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019). This is a practice requirement for RICS members and firms and is regulated by RICS. This becomes effective from 1st September 2019.

| Report and process requirements (reference paragraph from Professional Statement) | Financial Viability Assessment (reference) |
|--|---|
| 2.1 Objectivity, impartiality and reasonableness statement | GE FVA Submission December 2018 – 1.14 |
| 2.2 Confirmation of instructions and absence of conflicts of interest | GE FVA Submission December 2018 – 1.15 |
| 2.3 A no-contingent fee statement | GE FVA Submission December 2018 – 1.17 |
| 2.4 Transparency of information | GE FVA Submission December 2018 – 1.17 |
| 2.5 Confirmation where the practitioner is acting on area-wide and scheme-specific viability assessments | GE FVA Submission December 2018 – 1.16 |
| 2.6 Justification of evidence and differences of opinion | GE FVA Submission December 2018 – 1.18 |
| 2.7 Site Value and supporting evidence | GE FVA Submission December 2018 – Section 10 |
| 2.8 FVA origination, reviews and negotiations | GE Position Note – Revised Scheme (March 2020) – Paragraph 1.4 |
| 2.9 Sensitivity analysis | GE FVA Submission December 2018 – Section 14 and Section 6 GE Position Note – Revised Scheme (March 2020) |
| 2.10 Engagement | GE FVA Submission December 2018 – Appendix 1 |
| 2.11 Non-technical summaries | GE FVA Submission December 2018 – EXECUTIVE SUMMARY (NON-TECHNICAL) |
| 2.12 Author(s) sign off | GE Fourth Viability Addendum Note – Paragraph 5 |
| 2.13 Inputs to reports supplied by other contributors | GE Position Note – Revised Scheme (March 2020) – Paragraph 1.6 |
| 2.14 Timeframes for carrying out assessments | GE Position Note – Revised Scheme (March 2020) – Paragraph 1.8 |

Appendix 2

Thameside West - 39% AH by HR
Silvertown Homes Limited & GLA Land and Property
Present Day - 15.05.20

Development Appraisal
Gerald Eve LLP
15 May 2020

**Thameside West - 39% AH by HR
Silvertown Homes Limited & GLA Land and Property
Present Day - 15.05.20**

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21

Currency in £

REVENUE

| Sales Valuation | Units | ft ² | Sales Rate ft ² | Unit Price | Gross Sales |
|------------------|--------------|------------------|----------------------------|------------|----------------------|
| Plot A - LAR | 71 | 55,779 | 200.00 | 157,124 | 11,155,800 |
| Plot A - LSO | 124 | 92,484 | 500.00 | 372,919 | 46,242,000 |
| Plot B - Private | 206 | 158,608 | 751.66 | 578,735 | 119,219,490 |
| Plot D - LAR | 103 | 97,048 | 200.00 | 188,443 | 19,409,600 |
| Plot D - LSO | 103 | 69,223 | 500.00 | 336,034 | 34,611,500 |
| Plot C - Private | 145 | 94,120 | 834.80 | 541,873 | 78,571,636 |
| Plot E - Private | 126 | 70,687 | 842.34 | 472,560 | 59,542,511 |
| Plot E - LSO | 141 | 106,133 | 500.00 | 376,358 | 53,066,500 |
| Plot F - Private | 326 | 215,194 | 831.26 | 548,720 | 178,882,582 |
| Plot G - Private | 320 | 210,565 | 874.01 | 575,111 | 184,035,558 |
| Plot J - Private | 218 | 143,646 | 873.52 | 575,584 | 125,477,361 |
| Plot M - Private | 205 | 133,689 | 877.20 | 572,059 | 117,272,003 |
| Plot N - Private | 313 | 205,980 | 873.59 | 574,893 | 179,941,577 |
| Plot Q - Private | 185 | 136,574 | 792.62 | 585,144 | 108,251,601 |
| Plot Q - LSO | 33 | 32,636 | 500.00 | 494,485 | 16,318,000 |
| Plot R - Private | 542 | 351,423 | 879.13 | 570,014 | 308,947,459 |
| Plot S - Private | 434 | 285,547 | 852.27 | 560,744 | 243,363,049 |
| Plot S - LSO | 141 | 126,499 | 500.00 | 448,578 | 63,249,500 |
| Plot T - LAR | 423 | 282,340 | 200.00 | 133,494 | 56,468,000 |
| Plot U - Private | 70 | 40,903 | 809.75 | 473,158 | 33,121,084 |
| Plot U - LSO | 95 | 76,123 | 500.00 | 400,647 | 38,061,500 |
| Plot U - LAR | 32 | 32,992 | 200.00 | 206,200 | 6,598,400 |
| Plot H - LAR | 143 | 110,492 | 200.00 | 154,534 | 22,098,400 |
| Plot K - Private | 104 | 81,322 | 818.59 | 640,088 | 66,569,119 |
| Plot K - LAR | 103 | 102,043 | 200.00 | 198,142 | 20,408,600 |
| Plot L - Private | 106 | 72,765 | 820.60 | 563,312 | 59,711,103 |
| Plot L - LAR | 105 | 106,241 | 200.00 | 202,364 | 21,248,200 |
| Plot P - LSO | 83 | 62,776 | 500.00 | 378,169 | 31,388,000 |
| Totals | 5,000 | 3,553,832 | | | 2,303,230,134 |

Rental Area Summary

| | Units | ft ² | Rent Rate ft ² | Initial MRV/Unit | Net Rent at Sale | Initial MRV |
|--------------------------------|-----------|-----------------|---------------------------|------------------|------------------|------------------|
| Plot A - Industrial | 1 | 19,257 | 16.50 | 317,741 | 317,741 | 317,741 |
| Plot B - Industrial | 1 | 16,803 | 16.50 | 277,250 | 277,250 | 277,250 |
| Plot B - Retail | 1 | 2,131 | 20.00 | 42,620 | 42,620 | 42,620 |
| Plot D - Industrial | 1 | 8,514 | 14.00 | 119,196 | 119,196 | 119,196 |
| Plot G - Retail | 1 | 12,755 | 20.00 | 255,100 | 255,100 | 255,100 |
| Plot J - Retail | 1 | 4,230 | 20.00 | 84,600 | 84,600 | 84,600 |
| Plot N - Retail | 1 | 4,672 | 20.00 | 93,440 | 93,440 | 93,440 |
| Plot Q - Retail | 1 | 5,382 | 20.00 | 107,640 | 107,640 | 107,640 |
| Plot R - Retail | 1 | 11,087 | 20.00 | 221,740 | 221,740 | 221,740 |
| Plot S - Retail | 1 | 22,142 | 20.00 | 442,840 | 442,840 | 442,840 |
| Plot T - Retail | 1 | 5,113 | 20.00 | 102,260 | 102,260 | 102,260 |
| Plot U - Retail | 1 | 7,513 | 20.00 | 150,260 | 150,260 | 150,260 |
| Industrial Site - Ground Floor | 1 | 37,590 | 20.00 | 751,800 | 751,800 | 751,800 |
| Industrial Site - 1st Floor | 1 | 43,590 | 15.00 | 653,850 | 653,850 | 653,850 |
| Industrial Site - 2nd Floor | 1 | 43,590 | 15.00 | 653,850 | 653,850 | 653,850 |
| Totals | 15 | 244,369 | | | 4,274,186 | 4,274,186 |

Investment Valuation

Plot A - Industrial

| | | | | | |
|-------------------|---------|------------|---------|---------|-----------|
| Market Rent | 317,741 | YP @ | 4.2500% | 23.5294 | |
| (3mths Rent Free) | | PV 3mths @ | 4.2500% | 0.9896 | 7,398,857 |

Plot B - Industrial

| | | | | | |
|-------------------|---------|------------|---------|---------|-----------|
| Market Rent | 277,250 | YP @ | 4.2500% | 23.5294 | |
| (3mths Rent Free) | | PV 3mths @ | 4.2500% | 0.9896 | 6,455,990 |

Plot B - Retail

| | | | | | |
|-------------------|--------|------------|---------|---------|---------|
| Market Rent | 42,620 | YP @ | 6.0000% | 16.6667 | |
| (6mths Rent Free) | | PV 6mths @ | 6.0000% | 0.9713 | 689,937 |

APPRAISAL SUMMARY

GERALD EVE LLP

Thameside West - 39% AH by HR Silvertown Homes Limited & GLA Land and Property Present Day - 15.05.20

| | | | | | |
|---------------------------------------|-------------|------------|-------------|----------------------|-------------------|
| Plot D - Industrial | | | | | |
| Market Rent | 119,196 | YP @ | 4.2500% | 23.5294 | |
| (6mths Rent Free) | | PV 6mths @ | 4.2500% | 0.9794 | 2,746,849 |
| Plot G - Retail | | | | | |
| Market Rent | 255,100 | YP @ | 6.0000% | 16.6667 | |
| (6mths Rent Free) | | PV 6mths @ | 6.0000% | 0.9713 | 4,129,584 |
| Plot J - Retail | | | | | |
| Market Rent | 84,600 | YP @ | 6.0000% | 16.6667 | |
| (6mths Rent Free) | | PV 6mths @ | 6.0000% | 0.9713 | 1,369,513 |
| Plot N - Retail | | | | | |
| Market Rent | 93,440 | YP @ | 6.0000% | 16.6667 | |
| (6mths Rent Free) | | PV 6mths @ | 6.0000% | 0.9713 | 1,512,616 |
| Plot Q - Retail | | | | | |
| Market Rent | 107,640 | YP @ | 6.0000% | 16.6667 | |
| (6mths Rent Free) | | PV 6mths @ | 6.0000% | 0.9713 | 1,742,487 |
| Plot R - Retail | | | | | |
| Market Rent | 221,740 | YP @ | 6.0000% | 16.6667 | |
| (6mths Rent Free) | | PV 6mths @ | 6.0000% | 0.9713 | 3,589,549 |
| Plot S - Retail | | | | | |
| Market Rent | 442,840 | YP @ | 6.0000% | 16.6667 | |
| (6mths Rent Free) | | PV 6mths @ | 6.0000% | 0.9713 | 7,168,737 |
| Plot T - Retail | | | | | |
| Market Rent | 102,260 | YP @ | 6.0000% | 16.6667 | |
| (6mths Rent Free) | | PV 6mths @ | 6.0000% | 0.9713 | 1,655,395 |
| Plot U - Retail | | | | | |
| Market Rent | 150,260 | YP @ | 6.0000% | 16.6667 | |
| (6mths Rent Free) | | PV 6mths @ | 6.0000% | 0.9713 | 2,432,424 |
| Industrial Site - Ground Floor | | | | | |
| Market Rent | 751,800 | YP @ | 4.2500% | 23.5294 | |
| (3mths Rent Free) | | PV 3mths @ | 4.2500% | 0.9896 | 17,506,300 |
| Industrial Site - 1st Floor | | | | | |
| Market Rent | 653,850 | YP @ | 4.2500% | 23.5294 | |
| (3mths Rent Free) | | PV 3mths @ | 4.2500% | 0.9896 | 15,225,452 |
| Industrial Site - 2nd Floor | | | | | |
| Market Rent | 653,850 | YP @ | 4.2500% | 23.5294 | |
| (3mths Rent Free) | | PV 3mths @ | 4.2500% | 0.9896 | 15,225,452 |
| Total Investment Valuation | | | | | 88,849,139 |
| GROSS DEVELOPMENT VALUE | | | | 2,392,079,273 | |
| Purchaser's Costs | | | (5,657,061) | | |
| Effective Purchaser's Costs Rate | 6.80% | | | (5,657,061) | |
| NET DEVELOPMENT VALUE | | | | 2,386,422,212 | |
| NET REALISATION | | | | 2,386,422,212 | |
| OUTLAY | | | | | |
| ACQUISITION COSTS | | | | | |
| Fixed Price | 110,000,000 | | | | |
| Fixed Price | | | 110,000,000 | | |
| | | | | 110,000,000 | |
| Other Acquisition | | | | | |
| Acquisition Costs | 6.8000% | 7,480,000 | | | |
| | | | | 7,480,000 | |

**Thameside West - 39% AH by HR
 Silvertown Homes Limited & GLA Land and Property
 Present Day - 15.05.20**

CONSTRUCTION COSTS

| Construction | ft² | Build Rate ft² | Cost | |
|---------------|----------------------|----------------|----------------------|---------------|
| Plot A | 185,291 | 446.79 | 82,787,018 | |
| Plot B | 193,149 | 451.17 | 87,142,420 | |
| Plot D | 225,043 | 263.42 | 59,280,482 | |
| Plot C | 117,801 | 291.62 | 34,353,205 | |
| Plot E | 223,945 | 273.02 | 61,141,819 | |
| Plot F | 272,179 | 283.90 | 77,272,262 | |
| Plot G | 263,675 | 294.08 | 77,541,725 | |
| Plot J | 180,631 | 297.53 | 53,743,297 | |
| Plot M | 171,040 | 294.38 | 50,350,715 | |
| Plot N | 261,361 | 275.92 | 72,115,658 | |
| Plot Q | 226,744 | 255.03 | 57,826,247 | |
| Plot R | 439,300 | 280.69 | 123,308,463 | |
| Plot S | 514,971 | 249.34 | 128,402,624 | |
| Plot T | 352,973 | 247.78 | 87,458,711 | |
| Plot U | 199,295 | 275.96 | 54,997,424 | |
| Plot H | 136,444 | 263.44 | 35,944,393 | |
| Plot K | 229,392 | 257.30 | 59,021,933 | |
| Plot L | 229,392 | 262.73 | 60,267,546 | |
| Plot P | <u>78,760</u> | <u>419.07</u> | <u>33,005,725</u> | |
| Totals | 8,328,205 ft² | | 1,295,961,667 | |
| S106 | | | 20,000,000 | |
| Mayoral CIL | | | 8,043,659 | |
| Borough CIL | | | 30,808,172 | |
| | | | | 1,354,813,498 |

Other Construction

| | | | | |
|------------------------------------|--|--|------------|-------------|
| Landscaping - Landings & Parkside | | | 17,912,457 | |
| Landscaping - The Quays | | | 12,234,613 | |
| Landscaping - Riverside Quarter | | | 25,130,940 | |
| Landscaping - Central Spine | | | 9,465,907 | |
| Industrial Site | | | 12,269,849 | |
| Demolition | | | 7,200,000 | |
| Energy Centre | | | 21,950,000 | |
| Reprofiling/Decontamination | | | 11,500,000 | |
| Community Buildings inc School | | | 15,000,000 | |
| Risk allowance - Silvertown Tunnel | | | 3,000,000 | |
| | | | | 135,663,766 |

PROFESSIONAL FEES

| | | | | |
|-------------------|-------|-------------|--|-------------|
| Professional fees | 9.00% | 128,198,289 | | 128,198,289 |
|-------------------|-------|-------------|--|-------------|

DISPOSAL FEES

| | | | | |
|----------------------------------|--------|------------|--|------------|
| Commercial Letting Agent & Legal | 15.00% | 641,128 | | |
| Commercial Sales Agent & Legal | 1.50% | 1,238,850 | | |
| Resi Sales Agent - Exchange | 1.00% | 18,629,061 | | |
| Resi Sales Agent - Completion | 1.00% | 18,629,061 | | |
| Resi Sales Legal - Exchange | 0.25% | 4,657,265 | | |
| Resi Sales Legal - Completion | 0.25% | 4,657,265 | | |
| Residential Marketing | 1.00% | 18,629,061 | | |
| | | | | 67,081,693 |

FINANCE

| | | | | |
|---|--|--|--|-------------|
| Debit Rate 6.500%, Credit Rate 0.000% (Effective) | | | | |
| Total Finance Cost | | | | 168,656,241 |

TOTAL COSTS

1,971,893,487

PROFIT

414,528,725

Performance Measures

| | |
|------------------------------|--------|
| Profit on Cost% | 21.02% |
| Profit on GDV% | 17.33% |
| Profit on NDV% | 17.37% |
| Development Yield% (on Rent) | 0.22% |
| Equivalent Yield% (Nominal) | 4.73% |
| Equivalent Yield% (True) | 4.88% |
| IRR% (without Interest) | 13.00% |

Thameside West - 39% AH by HR
Silvertown Homes Limited & GLA Land and Property
Present Day - 15.05.20

| | |
|-------------------------------------|----------------|
| Rent Cover | 96 yrs 12 mths |
| Profit Erosion (finance rate 6.500) | 2 yrs 12 mths |

FOR FURTHER INFORMATION ON THE PROPOSALS, PLEASE VISIT:
WWW.THAMESIDEWEST-PLANS.CO.UK