



GERALDEVE

Thameside West, London, E16

Note in Response to the GLA (March 2020)

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

26th March 2020

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Summary Inputs Table

Input	Updated Position, March 2020	Source
Revenue		
Private Residential Sales Values £psf (average)	£806 psf	JLL
Affordable Sales Values £psf	Shared Ownership: £448 psf London Affordable Rent: £181 psf	GE Affordable Housing Team GE Affordable Housing Team
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	£2,270,935,173	
Costs		
Total Construction costs including preliminaries, OHP and contingency	£1,431,700,000	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)	£77,869,747	Barton Willmore & LBN
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	BNPP
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. JLL March 2020 – Private Residential Market Update
3. Site Plan Illustrating Unlettable Areas
4. EUV calculations (Appendix 3 of the Fourth GE Addendum)
5. G&T Summary of Changes to the Construction Costs
6. Matrix Summary of Indicative Scenarios

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	Mar-20

- 1.3
- 1.4 As set out within the table above, we provided an updated position note to the GLA, dated 2020, which set out our 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 March 2020, were consistent with the conclusions of our FVA: that the Scheme may be potentially capable of achieving the target rate of return whilst delivering 33% affordable housing by unit number on-site (37.5% by hab room), other planning obligations, and CIL. On a present- day basis the return is currently unacceptable to the Applicants, and it was suggested that further discussions to improve the return should take place.

- 1.6 The results indicate that the proposed planning obligations package is beyond the maximum reasonable that the Scheme can viably provide.
- 1.7 The Applicant, Barton Willmore, and GE met with the GLA on 10th March 2020 to discuss the latest viability position. The actions for GE and the GLA from the meeting are summarised below:
- 1) **Private Residential Sales Values:** The GLA commented that following the design changes they would anticipate the private £ per sq ft sales value to increase. The Applicant said that they would ask JLL, their residential consultant, to review the values.
 - 2) **Private Residential Comparable Evidence:** The GLA commented that they would expect six to seven comparable schemes to be used by JLL to inform the private residential sales values, and mentioned that Greenwich Peninsula could be considered as an additional comparable.
 - 3) **Affordable Values:** The GLA commented that they were aware of evidence indicating higher shared ownership values at circa £500 per sq ft. GE asked the GLA to please share this additional evidence so that our Affordable Housing Team can consider it and respond.
 - 4) **Affordable Tenure Mix:** The GLA was provided with the affordable unit mix for the current Scheme prior to the meeting. The GLA have requested clarification on the unit mix for each of the two affordable housing tenures. The Applicant has said that they can provide this to the GLA, albeit this tenure mix may change following further discussions between the Applicant and the GLA on the affordable housing provision for the Scheme.
 - 5) **Residential Ground Rents:** The GLA consider that ground rents should be reflected within the viability appraisal. The Applicant's position is that ground rents should not be included based on the latest Government guidance. GE comment further within this note.
 - 6) **Industrial Yield:** The GLA commented that they would like us to look at the industrial yield adopted. It was not confirmed if the GLA consider this yield to be too high or too low. GE have reviewed and provide comment within this note.

- 7) **EUV and BLV:** The GLA asked for clarification on the GE approach to EUV. GE said that we would summarise our approach to EUV within this note, and also BLV.
- 8) **Cost Changes:** The GLA requested further detail on the latest update to the construction costs. The Applicant has confirmed that they would request a summary from their cost consultant, G&T.
- 9) **Professional Fees:** The GLA requested a further information regarding the increase in professional fees from 8% to 9%. The Applicant confirmed that they would provide further information to support this change.
- 10) **Finance Cost:** The GLA commented that whilst the finance rate remains the same between the March 2020 Position Note to the GLA, and our previous addendum to BNPP, the overall finance cost has increased. GE can confirm that this is as a consequence of the construction costs being updated (and increasing) from the previous addendum to BNPP, dated October 2019, and the March 2020 Position Note.
- 11) **40% Scheme and Scenario Testing:** The GLA commented that a more detailed due diligence process reviewing the construction costs and values may not be required by the GLA if the Applicant was willing to increase the affordable housing offer from 37.5% by hab room to 40% by hab room. The Applicant agreed to test the viability at 40%, but the offer would be subject to viability and further negotiations between the Applicant and the GLA. GE have tested further indicative scenarios based on an approximately 40% scheme to demonstrate the impact on viability.

- 1.1 Following the meeting with the GLA on 10th March 2020, we set out within this note our responses and further comments to the items raised in the meeting above.
- 1.2 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**.

- 1.3 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. We confirm that the contributors to this Position Note have complied with these mandatory requirements and are competent to undertake the work involved.
- 1.4 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.
- 1.5 Whilst we are instructed as viability consultants, in order to inform this note, we have relied upon information provided by several other consultants, namely:
- Foster + Partners – Architects.
 - JLL – Private Residential Industrial Values.
 - JLL – Retail Values.
 - GE – Affordable Housing Values.
 - Barton Willmore Planning – Planning Advice.
 - Gardiner & Theobald – Cost Consultants; and
- 1.6 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.

2. Responses to GLA Comments

- 2.1 The Applicants now propose to make a third set of amendments to the planning application material. The updated description of the development is:

Private Residential Sales Values

- 2.2 The GLA commented that following the design changes they would anticipate the private £ per sq ft sales value to increase.
- 2.3 The Applicant have asked JLL, their residential consultant, to review the private sales values, having regard to the design changes. In addition, the Applicant also clarified that the majority of the units impacted by the design changes were affordable units, and that only 69 private residential units moved position, and of those private units that have moved position, only 52 are now river facing. This is therefore a very small proportional change overall to the private residential units.
- 2.4 Following JLL's review of the pricing, the Applicant has confirmed to GE that JLL have taken account of the design changes within their latest pricing provided to GE, and detailed within the GE Position Note, dated March 2020. It is important to note that this redistribution has generated an additional c.£8.5 million of private revenue, but due to the significant number of total units and area, this does not change the over £ per sq ft, which remains at an average of £806 per sq ft. In addition, we understand from the Applicant that the private total area has increased by 5,407 sqft in the recent design changes, which has also kept the private £ per sq ft figure at this level.

Private Residential Comparable Evidence

- 2.5 Prior to the meeting with the GLA on 10th March, GE provided an updated market commentary from JLL dated March 2020, the Applicant's residential agents, which included their latest comparable evidence for private residential units. This is attached at **Appendix 2**.
- 2.6 The GLA commented in the meeting on 10th March that (in addition to the private residential comparable evidence already provided by and analysed by JLL) they would expect six to seven comparable schemes to be used by JLL in total to inform the private residential sales values, and mentioned that Greenwich Peninsula could be considered as an additional

comparable. Once these are available from JLL, we will provide the additional comparables, and any further commentary and analysis undertaken by JLL in relation to these.

Affordable Values

- 2.7 The GLA commented that they were aware of evidence indicating higher shared ownership values at circa £500 per sq ft. GE asked the GLA to please provide this additional evidence so that the GE Affordable Housing Team could consider it and respond.
- 2.8 The GE Affordable Housing Team have reviewed the information provided by the GLA and they do not regard these schemes as comparable with the units at the subject Scheme, for the reasons set out within their comments below.

Leon House

- 2.9 *This scheme was permitted development with no S106 obligations. I have spoken to a contact at Optivo who confirmed that they purchased these units with grant and also “off the shelf,” so as they were buying completed units there was no construction to cash flow and subsequently incur interest.*

Kidbrooke

- 2.10 *We believe that this is a 2 bedroom flat (77m²) purchased for £455,268 - similar to the Molior average value.*

	Max	Avg	Min
1 Bedroom	£407,500	£315,000	£277,500
2 Bedroom	£585,000	£454,969	£330,000
3 Bedroom	£915,000	£628,500	£440,000

- 2.11 *Seems to be an anomaly – we would suggest that it was either staircased to 100% very quickly and was bought back by Moat, or it was an open market sale unit purchased to be delivered as affordable housing. Further clarification would be needed to accept this as a comparable, such as the Section 106 agreement detailing the units provided as affordable housing.*

Battersea

- 2.12 *The SO valued at 53% of private value on average on this site, at 56% we have a higher ratio on this site.*
- 2.13 *We would also not accept these as comparables as they are too expensive to be SO as per the GLA's Affordable Housing and Viability SPG as the open market value is in excess of £600,000.*
- 2.14 *Clause 2.49 of the SPG:*

For shared ownership properties, to ensure mortgage costs assumptions are reasonable, boroughs, developers and Registered Providers are advised to assume buyers will access a repayment mortgage, with a term of 25 years and a 90 per cent loan to value ratio. The prevailing average interest rate being offered to lenders based on the terms above should be used to calculate the monthly payments. Generally shared ownership is not appropriate where unrestricted market values of a home exceed £600,000.

- 2.15 As set out above, the GE Affordable Housing Team do not consider that the information provided is comparable and does not support a higher shared ownership value.
- 2.16 Notwithstanding the above, the Applicant has asked us to test the impact of notionally increasing the shared ownership sales value to £500 per sq ft, and the London Affordable Rent ('LAR') sales value to £200 per sq ft. We test the impact of these changes within this note. For the avoidance of doubt, GE do not consider the affordable values to be at this level. We understand that this is instead in order to inform discussions between the Applicant and the GLA.

Affordable Tenure Mix

- 2.17 The GLA was provided with the affordable unit mix for the current Scheme prior to the meeting. The GLA have requested clarification on the unit mix for each of the two affordable housing tenures.
- 2.18 The Applicant has confirmed that they can provide this to the GLA, albeit this tenure mix may change following further discussions between the Applicant and the GLA on the affordable housing provision for the Scheme.

Residential Ground Rents

2.19 The GLA consider that ground rents should be reflected within the viability appraisal. The Applicant's position is that ground rents should not be included based on the latest Government guidance. This is set out below in more detail.

2.20 The Minister for Housing, Communities and Local Government provided the following statement on 21st December 2017:

"The Government will introduce legislation so that, in the future, ground rents on newly established leases of houses and flats are set at a peppercorn (zero financial value)".

2.21 To add to this, on 27th June 2019, the Communities Secretary stated:

"All new-build houses will be sold as freehold in a bold move to tackle unfair leasehold practices and prevent future home-owners from being trapped in exploitative arrangements".

2.22 Given the current direction of travel in relation to ground rents, we therefore consider it reasonable to assume that ground rents are to be removed in future assessments, as we have done so in our analysis.

Industrial Yield

2.23 The GLA commented that they would like us to look at the industrial yield adopted. It was not confirmed if the GLA consider this yield to be too high or too low.

2.24 GE have reviewed the industrial yield and we note that the current GE industrial yield is at 4.25%, which we consider to be an optimistic position, and at the lowest end of an acceptable range. If the industrial yield is to change, we consider that it should be higher, albeit this would further reduce the viability of the Scheme.

EUV and Benchmark Land Value

2.25 The GLA asked for clarification on the GE approach to EUV and Benchmark Land Value, which we summarise below.

2.26 In the initial FVA (December 2018), we established an BLV of £110m and set out our approach (EUV plus) within the Report. The EUV of the Site was based on industrial values and comprised two components, the residual value of the site and the investment value of the operational property. The residual value was agreed at £90,981,352, the remainder

comprised an investment value of ‘the Silver Building’ and the ‘ASD building’ which totals £13.7 million. The premium (or ‘plus’) component above the EUV was established based on adjusted market evidence and concluded that the total BLV for the entire Site was £110m.

2.27 As stated in our Fourth Addendum to BNPP, dated October 2019, the residual approach adopted in the initial FVA for part of the Site now represents an AUV, not an EUV, and as such we revised our approach to assessing the EUV for the entire site based on the updated guidance. This is in order to adopt an EUV+ approach, in line with the current NPG.

2.28 The Applicant provided a site plan detailing the total site area to be 45.75 acres (18.51 ha). The site area excluding the undevelopable areas of the site, and the plots for the Silver Building and the ASD building, equates to 33.22 acres. The undevelopable infrastructure is detailed in Section 2 of the initial FVA, which includes areas under the existing flyover road / network. These unlettable areas for the EUV are indicatively illustrated in yellow at **Appendix 3**.

2.29 The operational buildings include ‘the ‘Silver Building’ and the ‘ASD building’ which were valued on an investment basis as part of the initial FVA and total £13.7 million. Based on discussions with our Industrial Team, we consider that the remainder of the Site (in addition to the EUV of £13.7 million for the Silver Building and the ASD building) could be used for industrial storage in its existing form. The approach to the remaining storage land calculations is set out in our Fourth Addendum. A breakdown of the total site area and values is shown in the following table:

BLV Breakdown Summary

Land Use	Site Area (Acres)	EUV	Source
ASD Building	4.95	£9,271,500	GE FVA (December 2018)
Silver Building	0.4	£4,435,222	GE FVA (December 2018)
Undevelopable Infrastructure	7.18	Nil	GE FVA (December 2018)
Remaining Land (industrial storage use)	33.22	£44,209,448	GE Fourth Addendum (October 2019) Appendix 3
Total EUV (Component 1)	45.75	£57,916,170	GE Fourth Addendum (October 2019) Appendix 3
Premium (Component 2)	45.75	£52,083,830	GE Fourth Addendum (October 2019) Appendix 3

BLV (Based on Adjusted Market Evidence)	45.75	£110,000,000	GE Fourth Addendum (October 2019) Appendix 3
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Source: GE

2.30 The EUV of the remainder of the Site for storage use is based on an average rent of £2.50 psf having regard to a 95% area efficiency allowance. We have assumed that the site would be let in plots over a three-year period which we consider to be a conservative position. The calculations and assumptions for the EUV of the storage land is set out at Appendix 3 of the Fourth Addendum. For ease of reference we have re-attached this appendix to this note at **Appendix 4**.

2.31 Our BLV (comprising of both Component 1 and Component 2) has regard to the AUV assessment, as well as the analysis of the adjusted comparable land transactions within our original FVA. As set out in our FVA and our previous addendums, we have adopted a BLV of £110 million, which we consider to be at the lower end of a reasonable range, based on the comparable land transactions.

2.32 This therefore equates to a premium, or plus (Component 2), above the revised EUV (Component 1) of c.90%, being £52,083,830.

Construction Cost Changes

2.33 The GLA requested further detail on the latest update to the construction costs. The Applicant provided a summary from their cost consultant, G&T, which sets out why the construction cost has increased. This is attached at **Appendix 5**.

Professional Fees

2.34 The GLA requested a further information regarding the increase in professional fees from 8% to 9%. The Applicant has provided the following information and rationale for the 1% increase to the professional fees:

2.35 *“Since the first FVA was undertaken and submitted in December 2018, the forecast liability for professional fees has become clearer over the last 12 months.*

2.36 *It is appropriate to see professional fees vary from between 8% to 12% of build costs. This percentage calculation can vary as a result of a number of variables including (but not limited*

to) the scale of the project, the complexity of the project, constraints on site, range of expert consultants needed, design quality and local/regional politics.

- 2.37 *The original FVA submitted to LBN identified professional fees running at 8% of build costs. The revised FVA has increased fees to 9% of build costs. This has been done for a number of reasons and primarily reflects the complicated nature of the development proposals and a large number of site-specific constraints that require additional and costly professional support. The extent of these costs and risks associated with the delivery of the project had not been fully understood in 2018.*
- 2.38 *The site-specific reasons for a greater level of professional fees than were included in the original December 2018 FVA have been provided to us by the Applicant. These are set out below:*
- 2.39 *“The London Borough of Newham (LBN) resolved to refuse the planning application in November 2019 and subsequently the Greater London Authority (GLA) have taken over the application to determine it with a hearing date set for 3rd July 2020. This process has added significant delay to the process and significant professional fees. The Call-in process will add circa £750,000 to the Hybrid Planning Application fees. This represents an increase of circa 10% of the original budget.*
- 2.40 *The majority of the development site will be controlled by Transport for London (TfL) and their project delivery partner, Riverlinx, under a Development Consent Order (DCO) to construct a new road tunnel (Silvertown Tunnel). Until the Silvertown Tunnel is completed, this remains a significant risk item that impacts upon the delivery of Phase 2 onwards of the masterplan. In light of this and in light of major delays that have been witnessed on other large-scale infrastructure projects in London, the length of the delivery timetable could be extended.*
- 2.41 *We will be required to enter into two significant Asset Protection Agreements (APA) with TfL for working in adjacency to the DLR line and the new Silvertown Tunnel. This process can take two years to agree and will need to involve external consultancy support.*
- 2.42 *The existence of significant third-party infrastructure projects (the Emirates Cable Car, the DLR, the Silvertown Tunnel, Jubilee Line, electricity pylon) has generated additional unforeseen legal costs.*

2.43 *There are a number of site-specific constraints that require additional consultation and consultancy support, the extent to which has now become clearer. These are as follows:*

- a) London City Airport (Aviation Safeguarding & wildlife management).*
- b) Environment Agency (Flood Defense & Contamination).*
- c) Port of London Authority (Safeguarded Wharf & River Wall works).*
- d) Marine Maritime Organisation (River Wall construction).*
- e) DLR Line (APA and extensive engagement with TfL).*
- f) Silvertown Tunnel (APA, ongoing engagement with TfL and Riverlinx).*
- g) Jubilee Line (Engagement with LUL and engineers).*
- h) Land & Works Agreement (DCO related legal costs).*
- i) River Wall Works (regular engagement with Riverlinx).*
- j) Co-Operation Agreement (JV related consultancy support and legal costs).*

Finance Cost

2.44 The GLA commented that whilst the finance rate remains the same between the March 2020 Position Note to the GLA, and our previous addendum to BNPP, the overall finance cost has increased.

2.45 GE have checked the appraisal and can confirm that this increase in the total finance cost is as a consequence of the construction costs being updated (and increasing) from the previous addendum to BNPP, dated October 2019, and the March 2020 Position Note.

40% Scheme and Scenario Testing

2.46 The GLA commented that a more detailed due diligence process reviewing the construction costs and values may not be required by the GLA if the Applicant was willing to increase the affordable housing offer from 37.5% by hab room to 40% by hab room.

2.47 The Applicant agreed to test the viability at 40%, but the offer would be subject to viability and further negotiations between the Applicant and the GLA.

2.48 GE have tested further indicative scenarios based on an approximately 40% scheme demonstrate the impact on viability, as well as testing the notionally higher affordable sales values, as set out previously. This is set out within the next section of this note.

3. Financial Appraisal – Indicative Scenarios

- 3.1 Having regard to the GLA comments at the meeting on 10th March, the Applicant has requested that we test the financial impact of multiple indicative scenarios ('the Scenarios').
- 3.2 These scenarios test the financial impact of combining the following notional changes to the appraisal assumptions and inputs:
- The Scheme at c.40% affordable housing (converting Block C from private to affordable tenure);
 - Increasing the LAR sales value from £181 psf to £200 psf;
 - Increasing the LSO sales value from £448 psf to £500 psf;
 - Changing the proportional mix of the affordable (LAR and LSO) tenure;
and
 - Adopting grant funding (£28,000 per affordable unit) for some of the 40% affordable scenarios.
- 3.3 For the avoidance of doubt, the GE Affordable Housing Team does not consider the affordable notional sales values tested for the LAR and LSO tenures (£200 psf and £500 psf respectively) are correct in the current market. These tests are requested by the Applicant in order to inform discussions between the Applicant and the GLA.
- 3.4 The full schedule of 14 indicative scenarios, including the current base scheme, is attached within the scenario matrix at **Appendix 6**.
- 3.5 As can be seen from the scenario matrix, the IRR of the indicative scenarios ranges from 9.23% IRR for the base 40% scheme (Scenario 5) with all other inputs remaining the same, to 14.78% IRR (Scenario 14).
- 3.6 Scenario 14 reaches the 14% target rate of return, if the following changes are applied, shown overleaf:

- The Scheme at c.40% affordable housing (converting Block C from private to affordable tenure);
- Increasing the LAR sales value from £181 psf to £200 psf;
- Increasing the LSO sales value from £448 psf to £500 psf;
- Changing the mix of the affordable to approximately 70% LSO and 30% LAR; and
- Adopting grant funding (£28,000 per affordable unit).

3.7 The results indicate that in overall terms, based on a present-day approach, all of the Scenarios (except for Scenario 14 above), achieve a return which is below the benchmark 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.

3.8 We understand that this return is currently unacceptable to the Applicants, and that further discussions to improve the return should take place.

4. Conclusions

- 4.1 The Scheme is a major redevelopment of the Site to deliver mixed-use buildings comprising residential, industrial and retail uses. This note provides responses to the GLA, as well as testing this impact of multiple indicative scenarios, following the most recent meeting with the GLA on 10th March 2020.
- 4.2 Our appraisals have 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.
- 4.3 The results are consistent with our conclusions within our FVA that the Scheme may be potentially capable of achieving the target rate of return whilst delivering 33% affordable housing by unit number on-site (37.5% by hab room), other planning obligations, and CIL. On a present- day basis the return is currently unacceptable to the Applicants, and that further discussions to improve the return should take place.
- 4.4 The results indicate that the proposed planning obligations package is beyond the maximum reasonable that the Scheme can provide.
- 4.5 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. In the UK, market activity is being impacted in all 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 reported in accordance with the RICS Professional Statement on “Financial Viability in Planning: report and conduct” is provided on the basis of 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.

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

Market Report
Jones Lang LaSalle Incorporated

Silvertown Homes Ltd

Thameside West

Introduction

Important Information

- As per the request of the client, the pricing within this document has been produced as if the scheme was delivered in its entirety today, including the station and including any regeneration effects, but removing the negative effects that would exist of selling a site of this scale in one phase.
- To achieve a quantum of sales at launch, JLL recommends launching the first phase below the £psf stated for Block B pricing. Pricing can be increased easily, but it is hard to reduce once launched
- Early international buyers need to feel that they will benefit from a ‘regeneration premium’
- Amenity provision will need to be similar to Goodluck Hope and London City Island
- A large international sales and marketing campaign will also be necessary (JLL has not been asked to prepare a full sales and marketing strategy)
- Help to Buy will end 2023
- This pricing is subject to change upon receipt of the final iteration of the scheme and is priced as a whole, not in its parts

Overview

JLL has been instructed by Silvertown Homes Ltd Partners to provide consultancy advice relating to the Sales and Marketing of Thameside West (hereby the “Scheme”).

The report will comment on the following area:

- London and local borough level housing market analysis
- Market Forecasts
- Comparable scheme analysis
- Pricing Strategy
- Sales rates and velocity

The Scheme

Thameside West is located within the London Borough of Newham, sandwiched between the Silvertown Way and the River Thames. The scheme is set to provide c.5000 units, c.3375 for private sale across 19 blocks, these will consist of approximately 379 studios, 878 one beds, 1600 two beds, 512 three-beds and 6 four bedroom units.

Transport Infrastructure

The site is located a short walk from the existing stations of Royal Victoria and West Silvertown, which are served by the DLR, providing a connection to Bank and the City of London in 18 minutes, Canary Wharf in 13 minutes and Stratford in 10 minutes.

However, as part of the current master plan there are plans to add an additional DLR station on the site. This will dramatically increase the connectivity of the site and improve its connectivity to the two of the capitals largest employment hotspots.

London City Airport is only 4 minutes by DLR, and all of London's other major airports are easily accessible, by both road and rail, with all four (Heathrow, Gatwick, Stansted, and Luton) accessible in 1 hour.

Housing Market Analysis

UK housing market overview

The UK housing market continues to adjust to varying levels of political and legislative change. In August 2018, interest rates increased for the first time since the global financial crash, rising from 0.5% to 0.75%, where they remain today. Brexit uncertainty continues to subdue the UK economy alongside the uncertain effect of the COVID-19 Coronavirus.

Annual housing transaction volumes were slightly lower in the year to September 2019 compared with a year earlier, but remain in-line with the previous quarter, according to the HMRC.

National house prices continue to rise and house price growth in the UK for the year to September was 1.3%, up slightly from 1% pa three months earlier and down from 2.9% pa a year ago. Average prices increased by 1.6% in Q3 2019, in line with price increases in Q2 2019.

Annual house price growth was positive across all regions except Greater London and the East of England for the year ending September 2019. House price growth in London was -0.4% pa, well below the UK average increase. House price growth was highest in the North West at 2.8% pa, followed by Wales at 2.6% pa. House price growth was stronger in northern regions than in southern regions in the year to September 2019.

According to the September 2019 RICS survey, activity remained subdued across the sales market and new instructions decreased to its weakest reading in three years. Prices are still expected to rise at a national level over the coming twelve months, driven mainly by the northern regions.

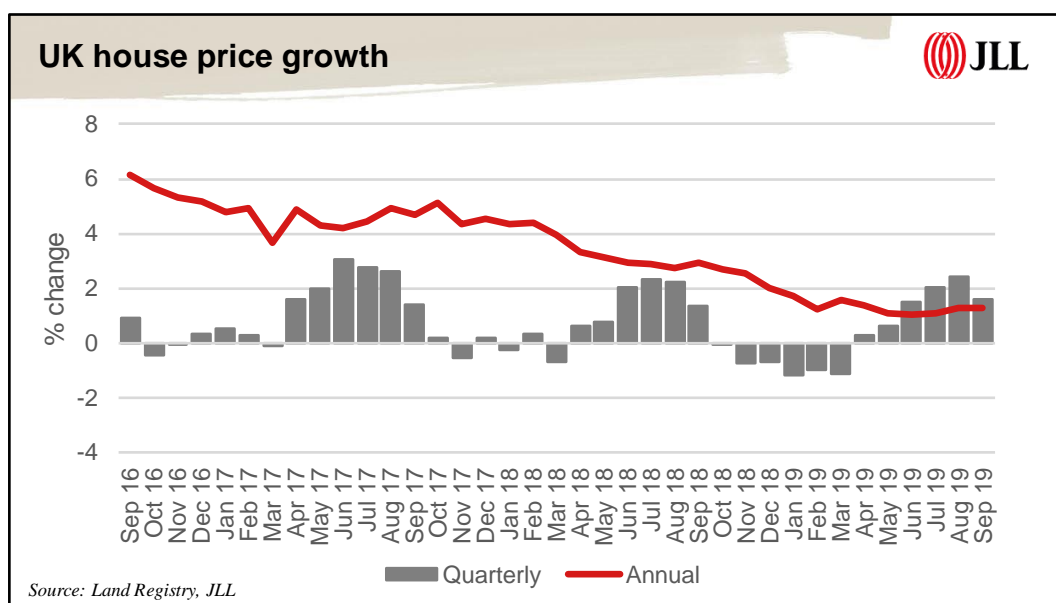
Construction starts in England decreased in the year to Q2 2019, while completions increased over the same period. The number of annual starts now stands at 160,650 and the number of completions at 173,670. These are some of the highest levels recorded since 2008, although still well below the delivery target of circa 300,000 new homes pa.

UK housing market analysis

Using a selection of data from Government sources, including Land Registry, HMRC and MHCLG, as well as survey data collected by the RICS (the Royal Institution of Chartered Surveyors), this section provides a detailed analysis of the UK housing market.

House price growth

In the three months to September 2019, house prices increased by 1.6%, slightly above the increase of 1.5% in the preceding three months. Annual price growth remained positive at 1.3% in the year to September 2019, up from 1.0% in the preceding three months.

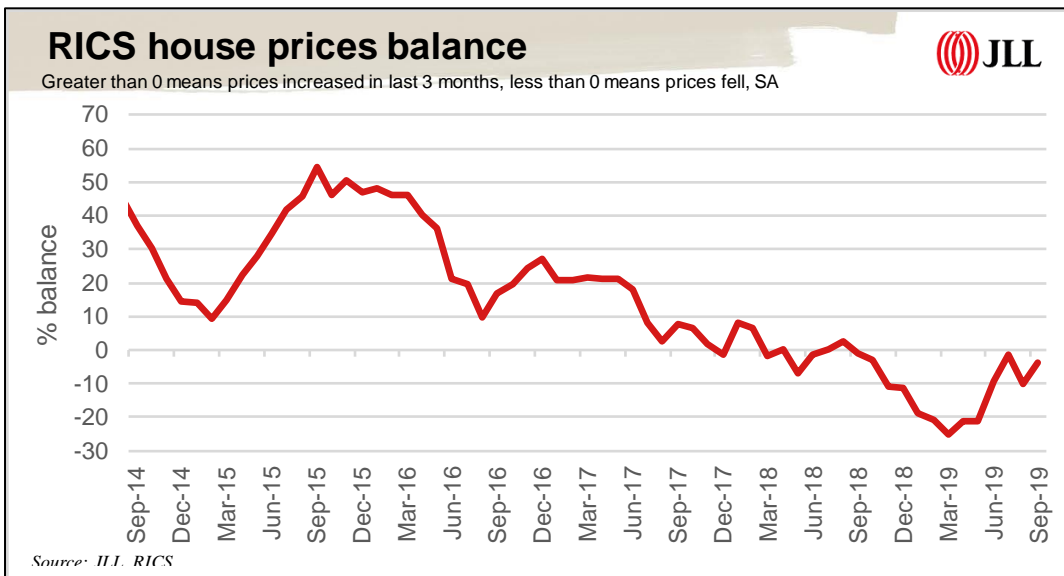


Housing supply and demand

The following section analyses data from the RICS Housing Market Survey, a useful tool when analysing demand, supply and pricing in the UK housing market. The data is sourced from a survey of chartered surveyors across the UK and it includes a range of questions from their future perceptions of the market to how the market has moved in the preceding three months.

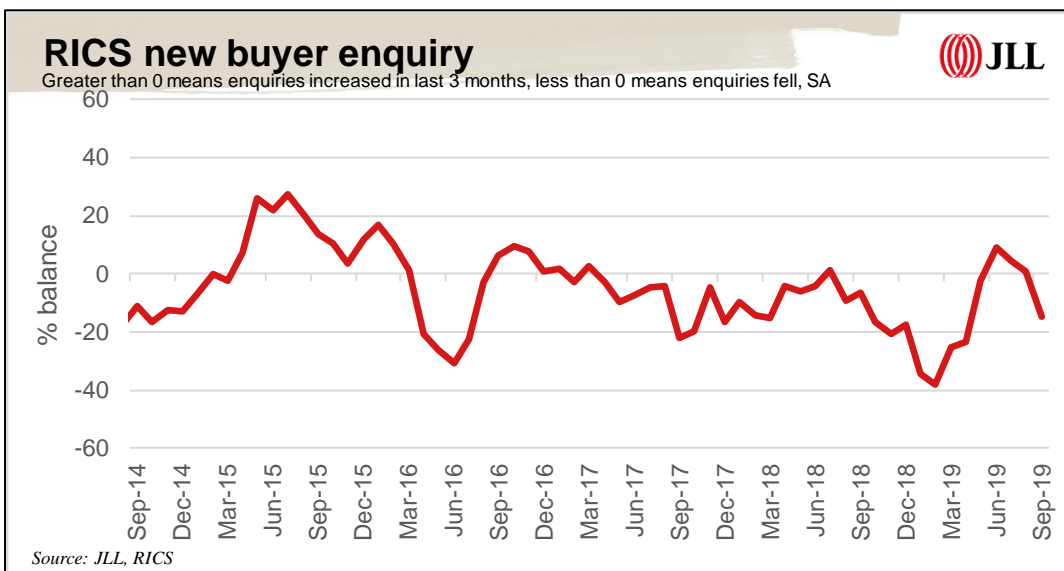
Several results are presented through a balance of surveyor views. Results below zero indicate that demand/supply/price is falling while positive values reveal a rise in demand/supply/price. Each value describes the rate at which demand/supply/price is growing or falling which are useful in analysing the momentum of the market. The findings of the survey are presented below.

The RICS survey reveals that, on a seasonally adjusted basis, the price balance was -4% in September 2019. This is up from June 2019, when the price balance was -9%. This suggests that while surveyors continue to assert that house prices are falling, they are decreasing at a slower rate than in the preceding three months.

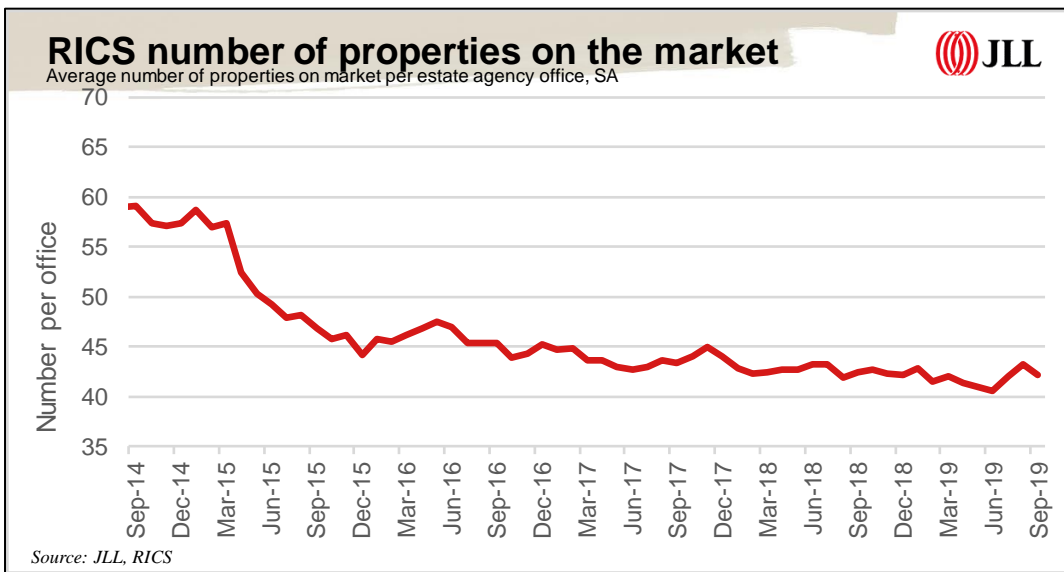


The chart below reveals the difference in the proportion of surveyors who believe that the number of new buyer enquiries, in the last three months, has risen against those who believe that they have fallen. Any figures below zero indicate that more surveyors feel that demand has fallen rather than risen in the last three months. The balance reveals not only the changes in demand but also how quickly levels of demand have moved.

The RICS survey reveals that, on a seasonally adjusted basis, housing demand decreased in the three months to September 2019. 14% more surveyors believe that new buyer demand has fallen rather than risen in the three months to September 2019, following a steady increase in the three months to June 2019.

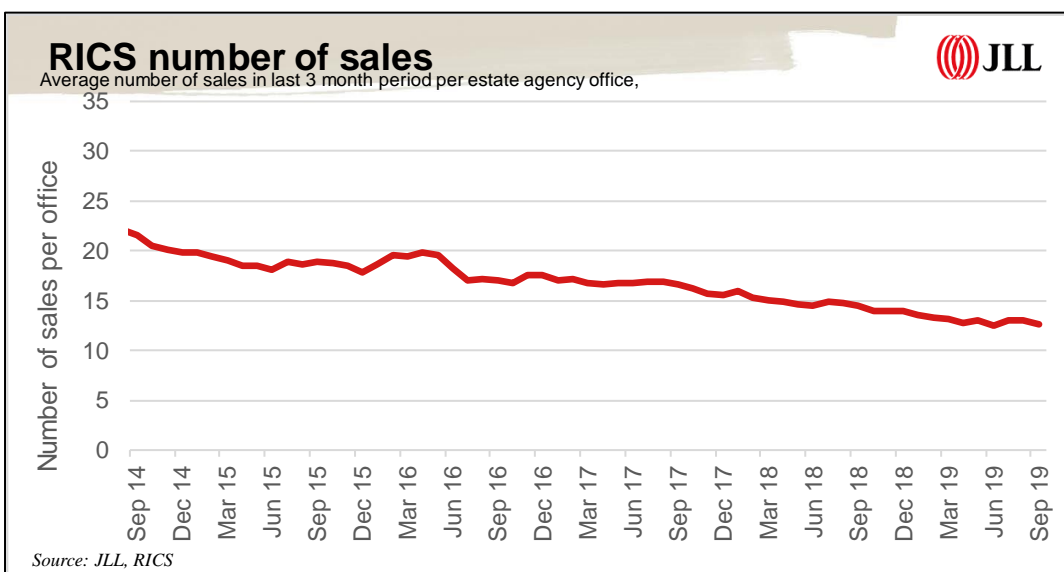


According to the RICS survey, the average number of properties on the market has remained steady following a sharp fall between March 2015 and December 2015. In September 2019, the average number of properties on the market per estate agency office rose slightly to 42, up from 40 the previous quarter and in line with September 2018.

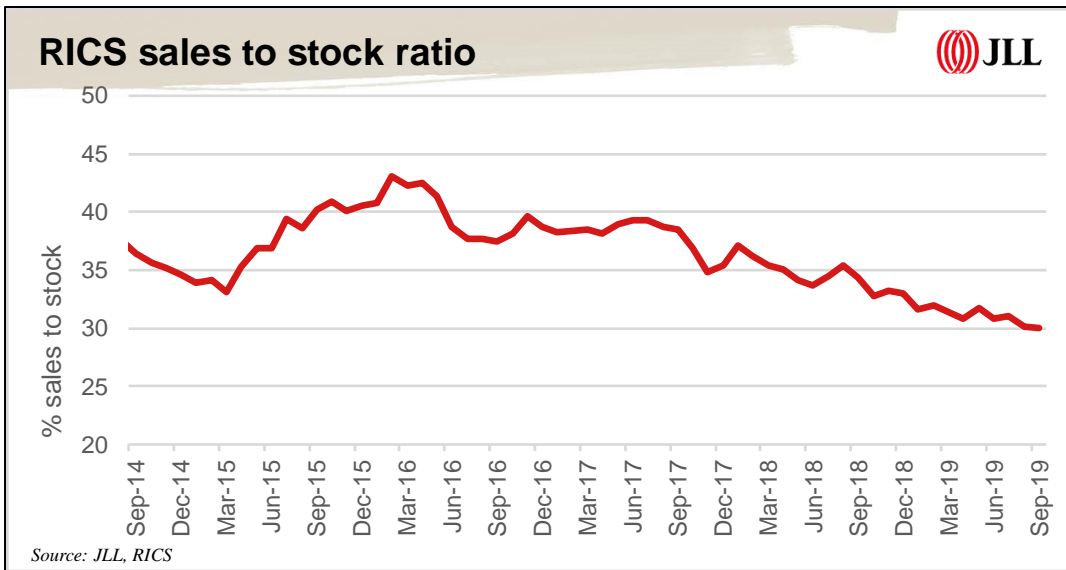


The average number of sales per month per estate agency office showed no change during the three months to September 2019 but has been slowly decreasing since mid-2014.

As of the end of September 2019, estate agency offices were selling approximately 13 homes on average during the preceding three-month period, down from 15 homes a year earlier.



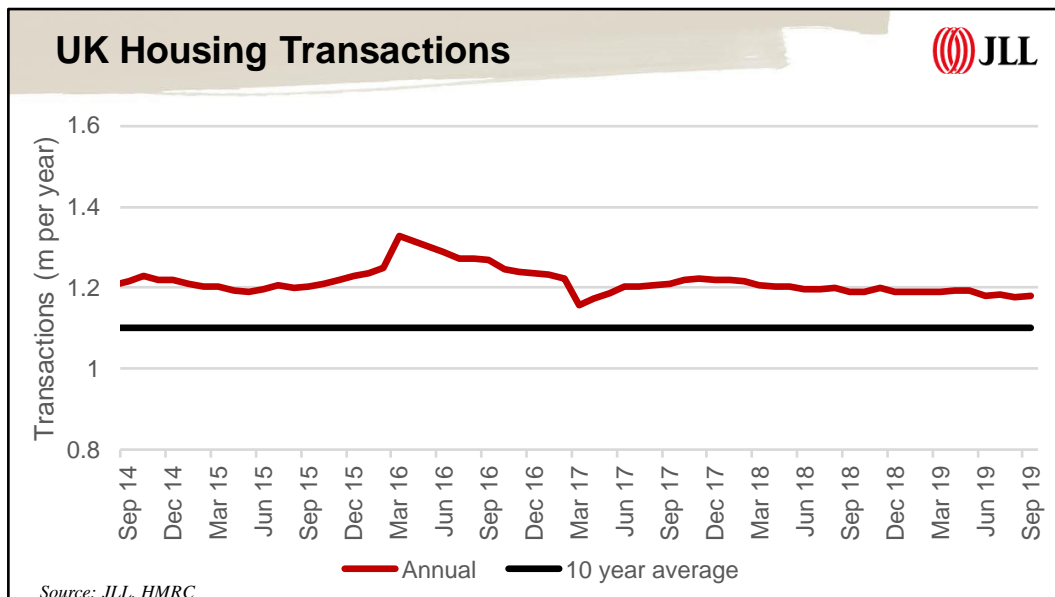
Further data from the RICS survey reveals that the sales to stock ratio has decreased slightly in September 2019. The sales to stock ratio in September 2019 was 30, in-line with June 2019 and slightly down from 34 in September 2018. This implies a slight easing in housing market conditions on recent quarters.



Housing transactions

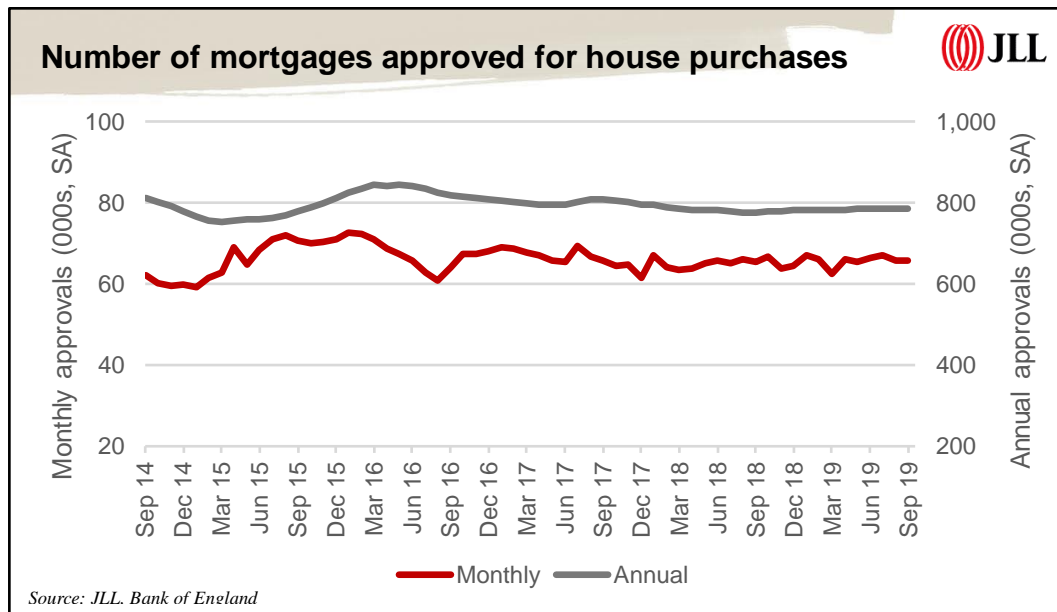
HMRC data reveals that annual transactions showed no change in Q3 2019 compared with the previous three months. Transactions have generally been falling since the spike in March 2016 before the introduction of the second home stamp duty tax but have levelled-off in recent months.

In the year to September 2019, there were 1.18 million transactions in the UK, compared to 1.19 million transactions a year earlier. Annual transactions remain above the 10-year average of 1.10 million.



The mortgage market

Data from the Bank of England shows that national house lending has been relatively stable of late on an annual basis.



Housing development

The number of housing starts in England decreased slightly in the year to Q2 2019. There were approximately 160,650 starts in the year to Q2, below the 163,820 starts in Q1, and above the 157,330 in Q2 2018.

Annual completions across England increased by 7.8% in the year to June 2019. There were 173,670 completions, compared with 161,120 a year earlier.

Over the past ten years, housing construction in England has consistently been well below the delivery target of 240,000-300,000 homes per annum.

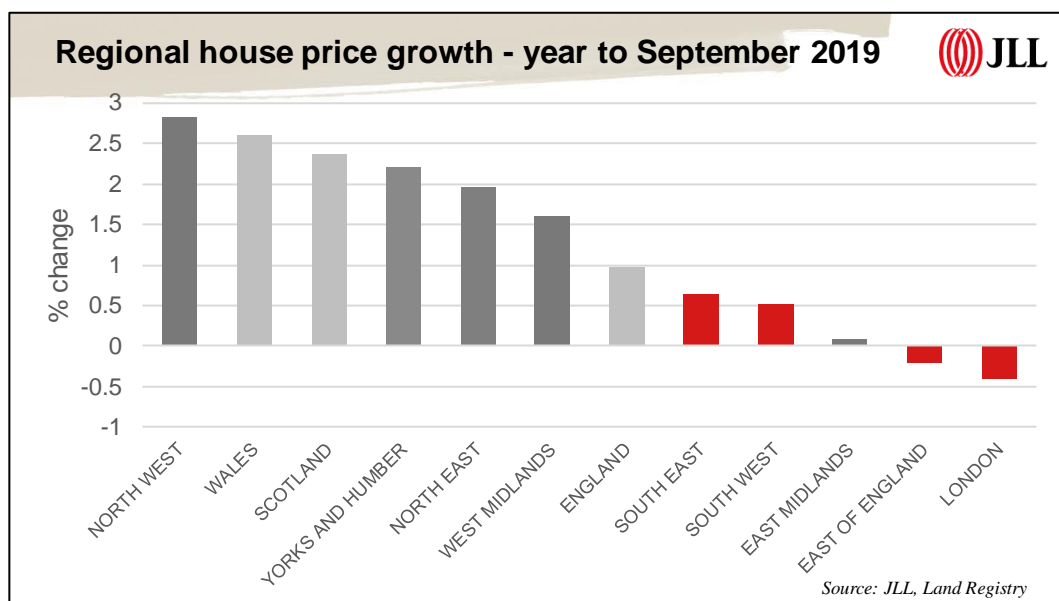


Regional house price growth

Data from Land Registry reveals that house prices have increased in all regions in the year to September 2019 with the exception of London and the East of England.

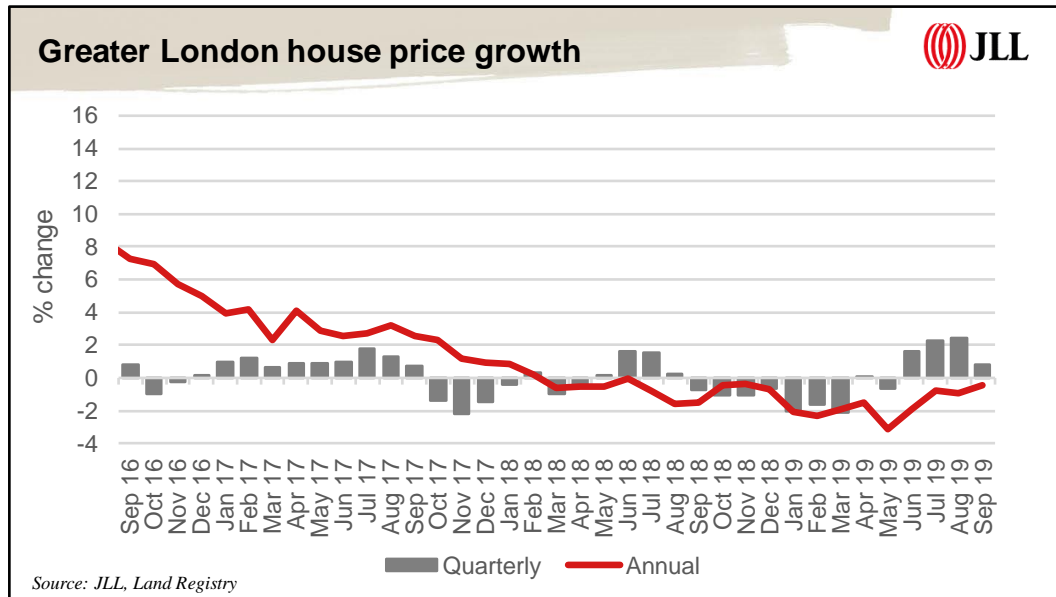
The usual North-South price growth divide has flipped on its head in recent years. The North West, Wales and Scotland saw the highest house price growth, while London and the East were the slowest of all the UK regions.

Regional house price growth in the North West increased by 2.8% in the year to September 2019. London saw a fall of 0.4% and house prices in the East of England decreased by 0.2% in the same period.

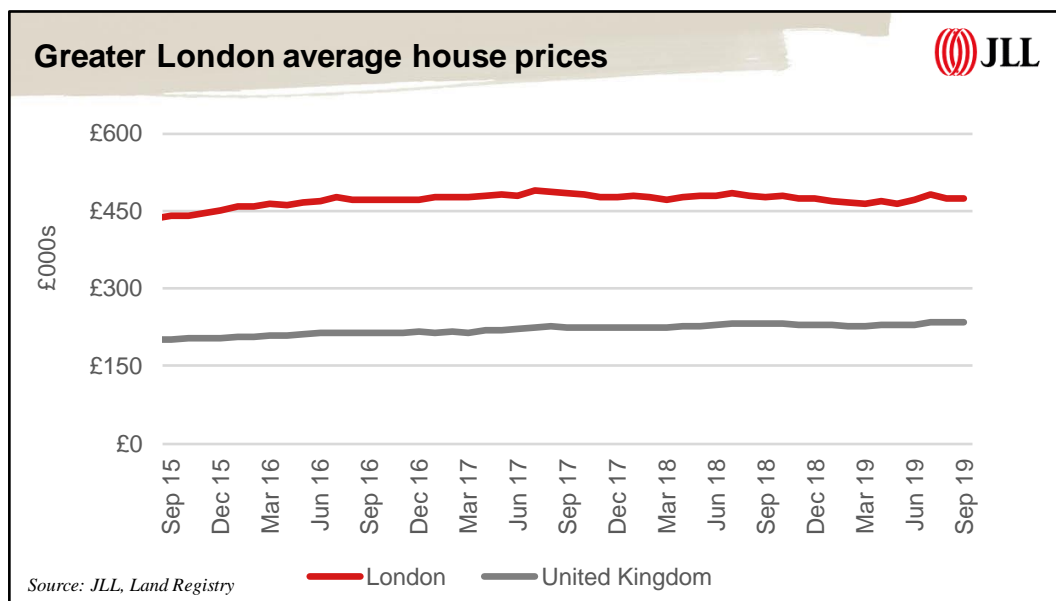


Greater London housing market

House prices in Greater London increased by 0.8% during the three months to end-September 2019. This is below the UK average of a 1.6% increase. The 0.8% rise follows an increase of 1.6% in the three months to end-June 2019 and a decrease of 2.1% three months earlier. In the year to end-September 2019 house prices in Greater London decreased by 0.4%, below the 1.3% average rise across the UK. (Source: Land Registry).

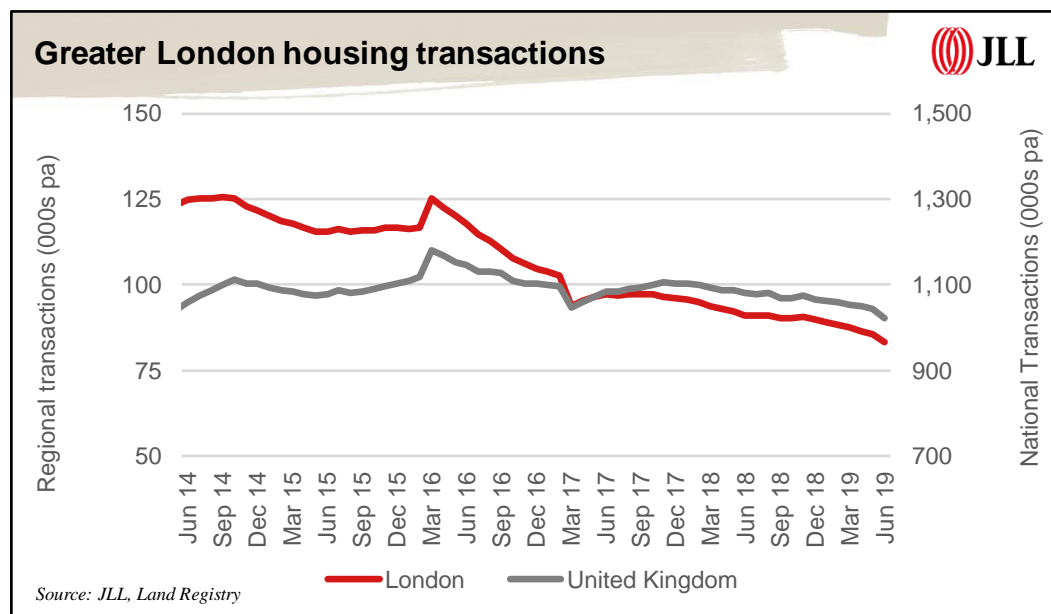


Despite slow quarterly growth since October 2017, house prices in Greater London remain well above the UK average. The average house price in Greater London was £474,600 in September 2019 which compares with £234,370 across the UK. In recent years, house prices in Greater London have accelerated away from prices across the UK, although in recent months the gap has started to close slightly. (Source: Land Registry).



There has been a significant decrease in the annual number of property transactions in London compared with a year earlier. Transaction levels in London in the year to June 2019 have decreased by 8.6%, compared to a decrease of 5.5% across the UK over the same period.

The current level of transactions in London, at circa 83,200 pa, is 46.8% lower than the 2006 average which compares with 29.4% lower than the average across the UK. The annual number of transactions in London is also below the 10-year average by 16.9%. In comparison, housing transactions across the UK over the same period exceeded the 10-year average by 6.3%. (Source: Land Registry).



The number of development starts in Greater London has decreased compared with a year earlier. At 13,610, the number of housing starts in the year to June 2019 was 17.5% lower than a year earlier and 35.7% below peak 2006-2007 levels. Compared with the 10-year average, housing starts in Greater London are now 24.3% below, while housing starts in England are 24.5% above.

The number of annual completions in Greater London has also decreased compared with a year earlier. The number of development completions in the year to Q2 2019, at 20,540 units, was 9.2% below the previous year. It was 4.2%

below 2006-2007 levels and 1.6% above the 10-year average. Both starts and completions remain significantly shy of the 66,000 units required each year as defined in the July 2018 Draft London Plan. (Source: MHCLG).



Residential Market Forecasts

The political and economic uncertainty surrounding Brexit has undoubtedly had an adverse impact on the economy and the housing market, with some potential buyers and sellers delaying decisions to move or sell until a greater understanding of the UK's future relationship with the EU is known. We saw sentiment improving after a Conservative majority won the December 2019 General Election but now there are uncertainties surrounding the economic impact of the Covid-19 Coronavirus.

Furthermore, many of the housing market boosts we have seen in the recent past, such as an expanding population, low interest rates, previous affordability relative to incomes and the escalation of housing as a lifetime investment, are becoming less prominent. Constraining factors are increasingly having a greater impact. Affordability in terms of income multiples, heightened mortgage market stringency, less support from the Bank of Mum & Dad (as parents need to use housing wealth for their retirement) will start to loom larger. The domestic buy-to-let investor landscape is also now significantly less favourable meaning that owner-occupiers and the affordability issue become even more significant. Demand drivers are likely to be weaker in the short to mid-term, when compared to the last 20 years.

On the whole, the underlying fundamentals of the UK economy remain reasonably strong. Several favourable economic indicators such as very low interest rates, wage growth and record low unemployment levels continue to provide support to the UK housing market despite rising inflation impacting disposable income and consumer spending. GDP forecasts indicate steady growth in the short-to-medium-term. JLL have also experienced an increase in activity from First Time buyers and those who had previously delayed their housing decisions. Another key segment of the market are UK based international buyers, who are either residing on a permanent or temporary basis in the UK, especially whilst there is a lack of international travel.

Fundamentally for the UK, and London market in particular, there is the continued failure to build enough homes to meet the needs of a growing and ageing population. This trend is expected to continue into the foreseeable future, underpinning price growth in areas where population pressures are most acute.

Housing market forecasts

House price growth (%pa)	2020	2021	2022	2023	2024
Central London Developments	2.0%	3.5%	4.0%	4.0%	3.5%
Greater London	1.0%	2.5%	4.5%	4.5%	3.5%
UK	1.0%	2.5%	4.0%	3.5%	3.0%

Source: JLL

Rental value growth (%pa)	2020	2021	2022	2023	2024
Central London Developments	2.0%	3.0%	3.5%	3.0%	3.0%
Greater London	2.5%	3.0%	4.0%	3.5%	3.0%
UK	2.0%	2.5%	2.5%	2.5%	2.0%

Source: JLL

Comparable scheme analysis

Comparable Scheme Analysis

1: London City Island



NAME	LONDON CITY ISLAND
DEVELOPER	BALLYMORE
ADDRESS	ORCHARD PLACE, E14 0JU
INITIAL PHASE 1 LAUNCH DATE	SEPTEMBER 2013
TOTAL UNITS ALL PHASES	1,706
RESERVATIONS TO DATE	1,491
SALES RATE	C. 19 PCM
TOTAL REMAINING	96 PRIVATE UNITS
AVERAGE SALES PRICE PER SQ.FT AT LAUNCH	C. £600
CURRENT SALE PRICE PER SQ.FT (ASKING)	C. £850 (WITH INCENTIVE PACKAGES)
AMENITIES	CONCIERGE, GYM, SWIMMING POOL, SPA, ROOF TERRACE
COMPLETION DATE	Q2 2020 IN ENTIRETY (PHASE 1 FROM Q4 2016)
Comments	<ul style="list-style-type: none"> • LOCATED UNDER 0.5 MILES FROM THAMESIDE WEST • LOCATED CLOSER TO CANNING TOWN TUBE STATION • HIGH LEVEL OF SPECIFICATION • HIGHER AMENITY PROVISION • SIMILAR SENSE OF PLACEMAKING AND SCALE • BALLYMORE HAS A LOYAL BRAND FOLLOWING AND IS WELL KNOWN IN THE INTERNATIONAL MARKETS

2: Goodluck Hope



NAME	GOODLUCK HOPE
DEVELOPER	BALLYMORE
ADDRESS	LEAMOUTH PENINSULA, E14 0JW
NO. OF UNITS	651
NO. SOLD	c.467 RESERVATIONS
ASKING £ PER SQ. FT	£950
INITIAL LAUNCH	15TH JUNE 2017
AMENITIES	CONCIERGE, COMMUNAL GARDENS, GYM, SPA AND RESIDENTS CLUB.
PRACTICAL COMPLETION	IN TRANCHES FROM MID 2020-2021
COMMENTS	<ul style="list-style-type: none"> • THE HIGH ASKING PRICE WAS ACHIEVED IS SKEWED BY THE HIGH NUMBER OF OPTIMISED STUDIO APARTMENTS THAT SOLD FACING THE RIVER • 2 BEDS SALES RATE HAS BEEN MUCH SLOWER THAN THE STUDIOS AND ONE BEDS • LOCATED UNDER 0.5 MILES FROM THAMESIDE WEST • HIGH LEVEL OF SPECIFICATION • HIGHER AMENITY PROVISION • SIMILAR SENSE OF PLACEMAKING AND SCALE • BALLYMORE HAS A LOYAL BRAND FOLLOWING AND IS WELL KNOWN IN THE INTERNATIONAL MARKETS

3: Aberfeldy Village Phase 3



NAME	ABERFELDY PHASE 3
DEVELOPER	ECOWORLD LONDON
ADDRESS	EAST INDIA DOCK ROAD, E14 0GP
No. of UNITS	262 PRIVATE - BLOCK F IS 34 UNITS, COMPLETED, 29 UNITS HAVE SOLD. - BLOCK H IS 48 UNITS, COMPLETED, 47 UNITS HAVE SOLD.
No. SOLD	116
AVERAGE ASKING £ PER SQ. FT	£665
INITIAL LAUNCH	JULY 2017
AMENITIES	COMMUNAL GARDENS AND PARKING
PRACTICAL COMPLETION	Q1 2020
COMMENTS	<ul style="list-style-type: none"> • LOCATED UNDER 1 MILE FROM THAMESIDE WEST • LOWER LEVEL OF SPECIFICATION • LOWER AMENITY PROVISION • LESS PLACEMAKING AND SCALE • NOT RIVER FACING • HAS EXPERIENCED A LOW SALES RATE, EVEN WITH LARGE DISCOUNTS AND INCENTIVES

4: Bagel Factory



NAME	Bagel Factory
DEVELOPER	Aitch Group
ADDRESS	24-26 White Post Lane, E9 5EP
NO. OF UNITS	Bagel Factory: 140
NO. SOLD	140 – sold out Q2 2019
AVERAGE ASKING £ PER SQ. FT	£747
AVERAGE ACHIEVED £ PER SQ. FT	£774
INCENTIVES	Help-to-Buy; Stamp Duty Contribution; Legal Fee Contribution; Interior Design Package
INITIAL LAUNCH	April 2018
AMENITIES	Roof gardens; Concierge; Residents Gym – located at Bagel Factory
PRACTICAL COMPLETION	Q2 2019
COMMENTS	<ul style="list-style-type: none"> • SET A NEW PRICE EXPECTATION FOR HACKNEY WICK THROUGH GOOD MARKETING • NOT RIVER FACING • LOWER AMENITY PROVISION • WORSE TRANSPORT PROVISION

Pricing Analysis

Pricing Summary

As per the request of the client, the pricing below has been produced as if the scheme was delivered in its entirety today, including the station and including any regeneration effects, but removing the negative effects that would exist of selling a site of this scale in one phase. We are advised mortgage funding is not impacted by the ground floor industrial use in the building which we have not confirmed

Block B

B	Units	Typical NIA	Avg Sqft NIA	No. Units	Total NIA	Est. £psf	Unit Pricing	Total Pricing
	4B 8P	138	1485	3	414	£599	£889,774	£2,669,321
	4B 7P	131	1410	1	131	£567	£799,518	£799,518
	3B 6P	104	1119	30	3,120	£610	£682,868	£20,486,045
	3B 5P	95	1023	6	570	£683	£698,422	£4,190,533
	3B 4P	88	947	0	0	£0	£0	£0
	2B 4P	77	829	32	2,464	£700	£580,180	£18,565,747
	2B 3P	69	743	53	3,657	£743	£551,838	£29,247,413
	1B	52	555	80	4,122	£810	£449,305	£35,944,400
	Studio	47	510	0	0	£0	£0	£0
	Studio	39	420	1	39	£834	£350,110	£350,110
	Total		156265	206	14,517	£718		£112,253,087

At this price point and in this location, we believe off plan sales will be driven by international buyers, both international investors living abroad and UK based international passport holding purchasers. Later in the build phase, c.6-9 months from completion, we believe there will be traction at this level from the UK owner occupier market.

With this in mind, we believe to achieve the greatest value across the entire site, Silvertown Homes Ltd will need to launch the development in phases, priced to achieve a high sales velocity at the beginning to gain traction and a market presence. Launching the first phase at too high a price point will stop early investors if they believe they are not getting the true 'regeneration premium'.

Another consideration to be aware of is that Help to Buy is currently distorting the market. Its introduction has dramatically reduced the number of transactions on units over £600,000, and has pushed developers to increase their pricing on the smaller units. A panacea for developers 6-12 months ago, its effect is weakening, there is a large amount of completed stock in the market and buyers are becoming more aware of their choices.

Furthermore, the current Help to Buy is set to end in 2021, being replaced with an updated version, which will run until March 2023, however, it will only be open to first-time buyers and will have regional property price caps.

Prices for unit types should remain flexible post launch to ensure that if a unit type sells significantly quicker than another, its price can be moved upwards to reflect demand. Should the whole development sell faster than we

would anticipate in this market, then there is of course scope to staircase these values across the blocks as part of a block release strategy.

Sales Rate Analysis

Sales rates can be highly dependent on a number of factors, many of which have been outlined within the report, and the projections shown here are a reflection of our current experience of sales rates at our comparable developments in the local area and can be subject to change at the time of launch. Our sales rates analysis also assumes JLL’s approach and strategy for marketing the scheme.

The following projections are based on the release of only block B, three years off plan. This would involve a full international sales and marketing campaign, typically consisting of a UK launch and c.4 international weekend exhibitions.

Projected Sales Rates			
Sales Generation	Low Rate (Units)	Mid Rate (Units)	High Rate (Units)
UK Launch	2	10	20
Asia Launch	35	60	90
On Going Sales PCM	5	7	10
Est. Time until sales completion			

Sales and Marketing Caveats

- To achieve a quantum of sales at launch, JLL recommends launching the first phase below the £psf stated for Blocks B pricing. Pricing can be increased easily, but it is hard to reduce once launched
- Early international buyers need to feel that they will benefit from a ‘regeneration premium’
- Amenity provision will need to be similar to Goodluck Hope and London City Island
- A large international sales and marketing campaign will also be necessary
- Help to Buy will end 2023
- This pricing is subject to change upon receipt of the final iteration of the scheme and is priced as a whole, not in its parts



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About JLL

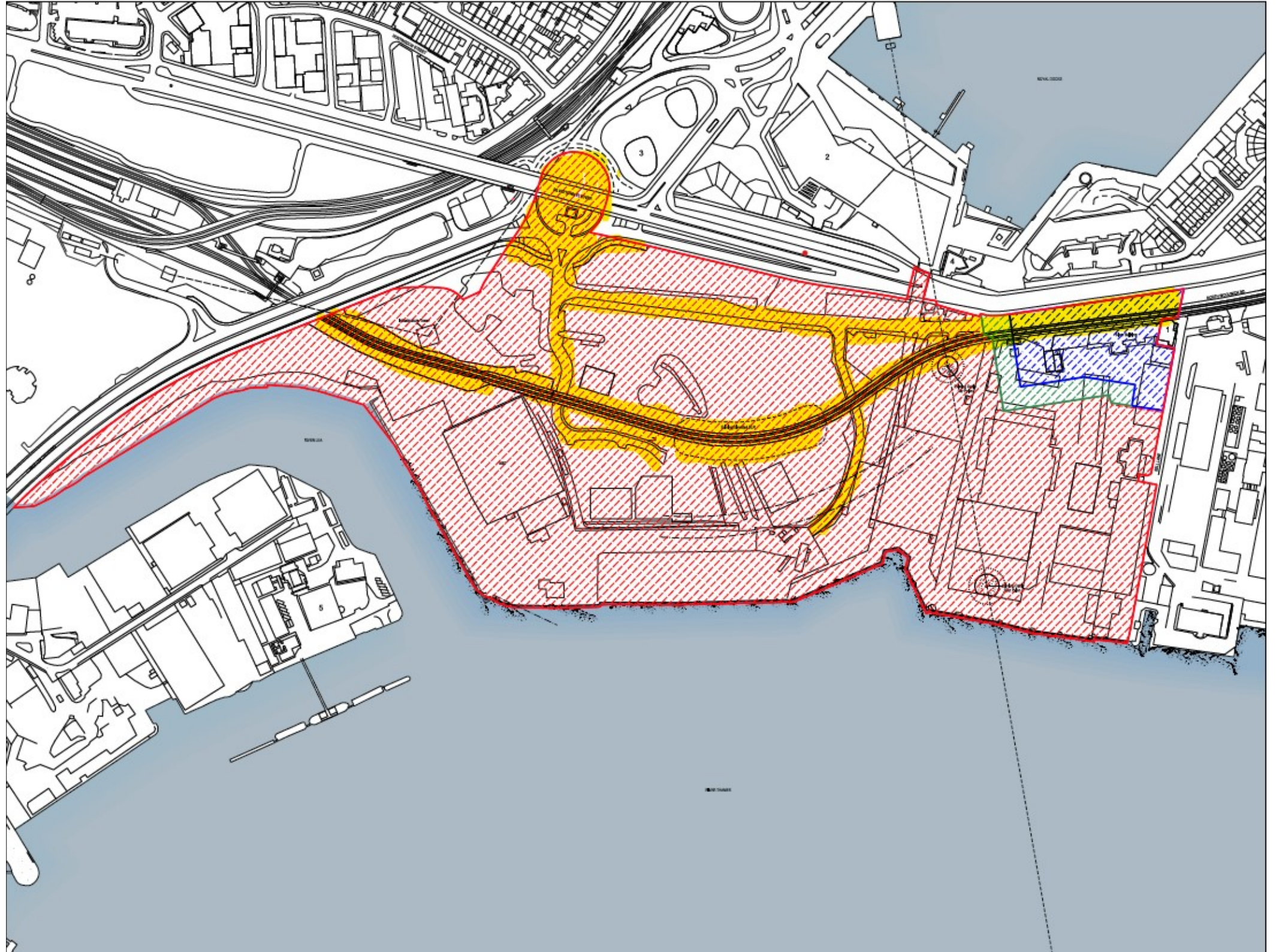
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Appendix 3



Appendix 4

Thameside West - Adjusted EUV Oct 2019

45.75 acre site total
 7.18 acres of undevelopable infrastructure
 33.22 acre development site (net developable area)

Residual Appraisal

N/A

ASD Building - occupied FHVP

4.95 acres
 74,172 sq ft @ £125 psf £9,271,500 £11,873,030 per acre

Silver Building - multi let office building / studio space

0.4 acres
 51,129 sq ft £6.85 psf

ERV £350,000 per annum

YP perp years @ 6.50% 15.38461538
 Deferred 2 years @ 6.50% 0.8817
 13.56461538

£4,747,615.38

Costs 6.58% £312,393

£4,435,222

NIY 7.37% £4,435,222

£11,088,056 per acre

£86.75 sq ft cap val

Revised EUV

33.22 acres
 1,447,063 sq ft of storage space
 1,374,710 taken at 95%

1,374,710 sq ft £2.50 psf

ERV £3,436,775 per annum

YP perp years @ 6.50% 15.38461538

£52,873,463

c.5.5 acre parcels	CV	Deferred	Years	Yield	PV rate	ECV
Parcel 1	£8,812,244	Deferred	0.5 years @	6.50%	0.969	£8,539,064
Parcel 2	£8,812,244	Deferred	1 years @	6.50%	0.939	£8,274,697
Parcel 3	£8,812,244	Deferred	1.5 years @	6.50%	0.9099	£8,018,261
Parcel 4	£8,812,244	Deferred	2 years @	6.50%	0.8817	£7,769,755
Parcel 5	£8,812,244	Deferred	2.5 years @	6.50%	0.8543	£7,528,300
Parcel 6	£8,812,244	Deferred	3 years @	6.50%	0.8278	£7,294,775
Total	£52,873,463					£47,424,853

Costs 6.78% £3,215,405

Net Value £44,209,448 £1,330,808 per acre
 £32.16 sq ft cap val
 7.77% NIY

Combined Total

Total £57,916,170
Say £58,000,000

Appendix 5

THAMESIDE WEST
MASTERPLAN COST PLAN RECONCILIATION

BLOCK	TSW Masterplan, Jan 2020	TSW Masterplan, Jun 2019	Difference	Comments
The Landings - Block A	67,507,440	74,031,363	(6,523,923)	GIA has decreased by 4,103m2, NIA has decreased by 330 m2 (more efficient design); Apartment nr has decreased by 32.
The Landings - Block B	70,844,040	60,290,462	10,553,578	NIA has increased by 2,067 m2; Apartment mix has changed: Studio, 1B, 2B3P 3B5P and 4B6P have been replaced by 12nr 2B4P and 16nr 3B6P apartments which are more expensive to fit out
The Landings - Block D	48,193,163	53,617,065	(5,423,902)	GIA has decreased by 3,440m2, NIA has decreased by 1283m2 (more efficient design); Apartment number has decreased by 70 overall
Parkside - Block C	27,928,073	28,524,257	(596,184)	Minor change to GIA but height of the building has decreased by one storey; Overall number of apartments has decreased by 6nr;
Parkside - Block E	49,706,371	49,877,244	(170,873)	The number of Private apartments has decreased by 28nr, but has been offset by Affordable apartment number increasing by 34nr
Parkside - Block F	62,819,913	60,744,297	2,075,616	GIA has increased by 1,790m2, NIA has increased by 2,308 m2 (more efficient design); Apartment number has increased by 6nr
Landscaping; Landings and Parkside	14,590,274	16,177,642	(1,587,368)	Total cost estimate for landscaping notionally pro rated by GIA, ie total GIA blocks by total GIA entire development
The Quays - Block G	63,038,978	63,141,331	(102,353)	Minor GIA change
The Quays - Block J	43,691,606	42,178,182	1,513,424	GIA has increased by 587m2, NIA has increased by 1,369m2 (more efficient design); apartment number has increased by 7nr
The Quays - Block M	40,933,544	37,933,695	2,999,849	GIA has increased by 1,545 m2, and NIA has increased by 1,674m2 (more efficient design); apartment number has increased by 11nr

THAMESIDE WEST
MASTERPLAN COST PLAN RECONCILIATION

BLOCK	TSW Masterplan, Jan 2020	TSW Masterplan, Jun 2019	Difference	Comments
The Quays - Block N	58,627,756	54,992,854	3,634,902	GIA has increased by 2,112 m2, and NIA has increased by 2,961m2 (more efficient design), apartment number has increased by 20
Landscaping; The Quays	9,939,320	10,112,703	(173,383)	Total cost estimate for landscaping notionally pro rated by GIA, ie total GIA blocks by total GIA entire development
Riverside Quarter - Block Q	47,010,916	44,606,820	2,404,096	GIA has increased by 2566m2, and NIA has increased by 4269 m2, apartment number has increased by 4nr
Riverside Quarter - Block R	100,245,893	99,086,391	1,159,502	Minor change to GIA but NIA has increased by 1,923m2 (more efficient design); Apartment mix now includes 18nr 2B4P instead of 11nr 2B3P
Riverside Quarter - Block S	104,387,285	102,123,199	2,264,086	Minor change to GIA but NIA has increased by 3,518m2, apartment number has increased by 8nr
Riverside Quarter - Block T	71,101,175	64,110,904	6,990,271	GIA has increased by 4,061m2, and NIA has increased by 5,429m2 (more efficient design); apartment number has increased by 45nr
Riverside Quarter - Block U	44,711,172	38,017,003	6,694,169	GIA has increased by 6,518m2, and NIA has increased by 6,367m2 (more efficient design); apartment number has increased by 10nr; (building height has increased by approximately 7 storeys overall)
Landscaping; Riverside Quarter	20,416,211	20,271,679	144,532	Total cost estimate for landscaping notionally pro rated by GIA, ie total GIA blocks by total GIA entire development
Central Spine - Block H	29,221,658	28,510,422	711,236	GIA has increased by 738m2 NIA has increased by 788m2, apartment number has increased by 12nr

THAMESIDE WEST
MASTERPLAN COST PLAN RECONCILIATION

BLOCK	TSW Masterplan, Jan 2020	TSW Masterplan, Jun 2019	Difference	Comments
Central Spine - Block K	47,982,971	44,516,741	3,466,230	GIA has increased by 2,736m2 and NIA has increased by 2,766m2; apartment number has increased by 4nr, (note: building height has increased by 2 storeys)
Central Spine - Block L	48,995,615	44,275,249	4,720,366	GIA has increased by 2,740m2, NIA has increased by 2,778m2; apartment number has increased by 5nr; (note: building height has increased by 2 storeys)
Central Spine - Block P	26,832,614	27,161,973	(329,359)	GIA has decreased by 977 m2, and NIA has decreased by 799m2, apartment number has decreased by 9nr
Landscaping; Central Spine	7,690,041	7,603,041	87,000	Total cost estimate for landscaping notionally pro rated by GIA, ie total GIA blocks by total GIA entire development
Block V - Industrial	9,975,000	10,000,000	(25,000)	No design detail available; GIA confirmed as 14,250m2 all in rate applied
Sub Total	1,116,391,029	1,081,904,517	34,486,512	
Main Contractors Preliminaries (14%)	156,294,744	151,466,632	4,828,112	Increase based on % mark-up
Main Contractors OHP (4%)	50,907,431	49,334,846	1,572,585	Increase based on % mark-up
Sub Total	1,323,593,204	1,282,705,995	40,887,209	

THAMESIDE WEST
MASTERPLAN COST PLAN RECONCILIATION

BLOCK	TSW Masterplan, Jan 2020	TSW Masterplan, Jun 2019	Difference	Comments
Design Development Risk Allowance (1.75%)	23,162,881	22,447,355	715,526	Increase based on % mark-up
Construction Contingency (2%)	26,471,864	21,672,821	4,799,043	Increase based on % mark-up
Inflation	Excluded	Excluded	Excluded	
TOTAL (Excluding Abnormal Costs); rounded	1,373,200,000	1,326,800,000	46,400,000	
Abnormals:				
Demolition	7,200,000	7,200,000	-	No change
Energy Centre	21,950,000	21,950,000	-	No change
Reprofiling / decontamination	11,500,000	11,500,000	-	No change
Community Buildings incl. School	15,000,000	15,000,000	-	No change
Risk Item - construction methodology adjacent to Silvertown tunnel	3,000,000	3,000,000	-	No change
TOTAL (Including Abnormal Costs); rounded	1,431,900,000	1,385,500,000	46,400,000	

Note:
Refer to cost plans for full list of assumptions, exclusions, etc.

Appendix 6

Thameside West Matrix
Indicative Scenarios - 26/03/2020

Ref	Current Scheme (37% by hab room)	Private Sales Values	Shared Ownership (LSO)	Affordable Rent (LAR)	% LSO (NSA)	% LAR (NSA)	Grant Funding (£28,000 per affordable unit)	Return (IRR)	Affordable Units
1	Base Position	£806	£448	£181	41%	59%	n/a	9.95%	1,625
2	Base Position - assuming £500 psf LSO £200 psf LAR	£806	£500	£200	41%	59%	n/a	10.95%	1,625
3	Base Position - assuming 50% LSO at £500 psf and 50% LAR at £181 psf. Blocks A, D, T, U, H, K & L (LAR)	£806	£500	£181	50%	50%	n/a	11.54%	1,625
4	Base Position - assuming 50% LSO at £500 psf and 50% LAR at £200 psf. Blocks A, D, T, U, H, K & L (LAR).	£806	£500	£200	50%	50%	n/a	11.80%	1,625

Ref	Approx. 40% Scheme (Block C as affordable) - No Grant	Private Sales Values	Shared Ownership (LSO)	Affordable Rent (LAR)	% LSO (NSA)	% LAR (NSA)	Grant Funding (£28,000 per affordable unit)	Return (IRR)	Affordable Units
5	c.40% scheme - base values	£806	£448	£181	45%	55%	n/a	9.23%	1,770
6	c.40% scheme - assuming LSO at £500 psf and LAR at £200 psf	£806	£500	£200	45%	55%	n/a	10.34%	1,770

Ref	Approx. 40% Scheme (Block C as affordable) - With Grant	Private Sales Values	Shared Ownership (LSO)	Affordable Rent (LAR)	% LSO (NSA)	% LAR (NSA)	Grant Funding (£28,000 per affordable unit)	Return (IRR)	Affordable Units
7	c.40% scheme - base values	£806	£448	£181	45%	55%	£49,560,000	10.37%	1,770
8	c.40% scheme - approx. 50% / 50% (LSO / LAR) (Block D changed from LAR to LSO)	£806	£448	£181	52%	48%	£49,560,000	11.14%	1,770
9	c.40% scheme - assuming LSO at £500 psf and LAR at £200 psf	£806	£500	£200	45%	55%	£49,560,000	11.50%	1,770
10	c.40% scheme - approx. 50% / 50% (LSO / LAR) (Block D changed from LAR to LSO) bring LAR down to 50% assuming LSO at £500 psf and LAR at £200 psf	£806	£500	£200	52%	48%	£49,560,000	12.41%	1,770
11	Same as option 10, with a £20m reduction in build cost to reflect the riverwall construction being funded via HIF or alternative third party funding. Reduce S106 if not delivered	£806	£500	£200	52%	48%	£49,560,000	12.98%	1,770
12	Updated Option 11 to increase the profit on GDV to 17.6%. Block K changed from LAR to LSO.	£806	£500	£200	55%	45%	£49,560,000	13.34%	1,770
13	Updated Option 11 to increase % of LAR to 50%. LAR units in Plot A increased to 110 from 87 and LSO reduced from 108 to 85.	£806	£500	£200	50%	50%	£49,560,000	12.77%	1,770
14	c.40% scheme with LSO at £500 psf, LAR at £200 psf, with grant, and the LSO / LAR mix at 70%/30% (Blocks T, U & K are LAR) .	£806	£500	£200	70%	30%	£49,560,000	14.78%	1,770