Sadiq Khan (Mayor of London)
New London Plan
GLA City Hall
London Plan Team
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London SE1 2AA

Tesco Stores Ltd
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Welwyn Garden City
Hertfordshire
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2nd March 2018

Dear Sirs,

We have pleasure in enclosing our representation on the draft New London Plan, following the period of public consultation which ends Friday 2 March. Tesco has a significant footprint across London with over 500 stores and employing 26,000 colleagues, so we fully support your growth agenda and the Plan's ambitious targets to unlock housing delivery across London.

While Tesco is first and foremost a retail business, we hold a considerable portfolio of land in London and believe that we can deliver around 10,000 new homes through intensification of land use via mixed-use redevelopment schemes. As such, we welcome the opportunity to contribute to the preparation of the Plan in a constructive way and we very much hope that these comments are helpful and informative.

Nearly all of these sites currently comprise operational Tesco stores and we intend to continue serving customers in these locations, so there are a number of challenges associated with bringing them forward for development which we have set out in our representations. Nevertheless, we recognise the potential that the portfolio holds and we appreciate from dialogue with the GLA that this is acknowledged.

Additionally, Tesco supports the threshold approach to viability and affordable housing delivery, however we are highlighting some broader commercial considerations relating to the unlocking of Operational Assets which would enable us to bring these sites forward for development. We are also suggesting some small changes to other spatial and parking polices to reflect that where established larger supermarkets are redeveloped for mixed uses, a sufficient level of replacement parking will be required to ensure the redeveloped store is viable.

We hope that these comments are constructive in informing the next stage of the London Plan process. We would welcome the opportunity to maintain a positive dialogue with the GLA as we continue to bring forward redevelopment opportunities from our portfolio over the course of this year and in the future.

Yours faithfully,

Tesco Stores Ltd

TESCO STORES LIMITED

Representations on the Draft London Plan

2 March 2018

1. Introduction

1.1. These representations have been prepared and submitted by Savills on behalf of Tesco Stores Limited in response to the Mayor's Draft London Plan (The Spatial Development Strategy for Greater London) (December 2017). They are supported with input from Gerald Eve and Markides Associates who have considered the viability and transport matters. Together this work represents Tesco's full response to the consultation.

1.2. Tesco is a major employer and provider of high quality convenience and comparison goods across the UK. It has stores located throughout London and it is keen to retain its presence across the city as a high quality retailer. Tesco controls a substantial portfolio of land in the Greater London Authority (GLA) area, some of which is freehold and some leasehold. Together, it has the potential to play a significant part in the delivery of London's growth aspirations, including housing and employment as well as supporting strategic infrastructure.

1.3. Initial feasibility work suggests that the assets could deliver in the region of 10,000 new homes and most of the sites have been identified as part of the GLA's call for sites process. If realised, this is a significant contribution to the pressing housing need in London. Tesco support the ambition to deliver significantly more homes in London than have been delivered in the recent past and can make an important contribution towards this goal.

1.4. Tesco will seek to maximise delivery of genuinely affordable homes on their schemes. However, the Draft London Plan should recognise that existing retail food stores are a particular asset class with unique costs and challenges to be taken into consideration.

1.5. These representations are made with specific regard to the redevelopment of these assets to support the Mayor's vision for London. We have only identified those parts of the Draft London Plan where we have major concerns and where we can suggest positive changes.

The main points of these representations with respect to the Draft London Plan are as follows:

i. **Tesco's reservoir of existing foodstore sites could help the much needed requirement for more homes in London and there are considered to be 3 policies which require amendment specifically to reflect and encourage this.**

ii. **Viability appraisal undertaken on existing foodstore sites should reflect the fact that these are valuable existing commercial businesses with specific associated costs, namely:**
   - **high existing use values/benchmark land values of existing supermarkets;**
   - **the costs associated with the interruption of trade for the foodstore;**
   - **the particular costs associated with the need to provide a temporary retail store whilst redevelopment takes place.**

iii. **The redevelopment of existing foodstore sites to bring forward housing needs to reflect the fact that such schemes are unlikely to come forward unless viable both in housing and retail terms. The Draft London Plan should enable sufficient parking to be re-provided to ensure the commercial viability of the replacement store**.

2. Housing Delivery

This section of these representations make the following points:

1. **Tesco support the ambition to deliver significantly more homes in London than have been delivered in the recent past;**

2. **However, there is a potentially significant shortfall in housing supply identified by the Draft London Plan;**

3. **As major landholder, Tesco has a number of assets that could contribute in the region of 10,000 new homes, which represents a significant source of housing supply, provided the Draft London Plan encourages rather than constrains redevelopment.**

2.1. In his recently published Draft Housing Strategy the Mayor made it clear that *"London's housing crisis is the single biggest barrier to prosperity, growth, and fairness facing Londoner's today."*[1] Tesco concur and welcome the recognition given in the Draft London Plan that solving the housing crisis will require a significant increase in the rate of housing delivery.

2.2. The Draft London Plan refers to an overall need for 66,000 homes per year for at least 20 years. This figure is informed by the 2017 SHMA carried by the GLA [2]. The methods used to estimate London's housing requirements in the 2017 SHMA closely follow those used in the 2013 SHMA. The 2013 SHMA was carried out before government had provided its guidance through the NPPG in 2014 and before the recent consultation on a standardised methodology for assessing need[3]. At the time of writing the Governments conclusions on its proposed standard methodology are not yet known. However, Tesco support a consistent approach to assessing housing need to ensure that housing is properly planned for locally, regionally and nationally.

2.3. The Draft London Plan sets a London-wide housing target of circa 66,000 new homes a year, which is a significant increase over the current target of 42,000. Historically, delivery has consistently fallen behind the targets. Completions reached a high point in 2015/16 when circa 39,000 homes were completed[4]. Whilst in the previous year completions were closer to 32,000[5]. This position is hugely ambitious and in order to achieve such a significant increase in the rate of housing delivery it is essential that the Draft London Plan encourages rather than constrains development, and Tesco can contribute much toward addressing this issue.

2.4. With a potentially significant shortfall in housing supply, the Draft London Plan must identify every source of housing and ensure that these can be delivered. As a major landholder in London, Tesco is able to contribute to Good Growth through optimising its assets with mixed-use redevelopment including the provision of housing. It has identified through earlier SHLAA submissions a number of freehold and leasehold opportunities, which can be realised for housing. These assets could deliver in the region of 10,000 new homes. If realised, this could be a significant source of housing supply. However, Tesco have identified two major areas of concern, where the provisions of the Draft London Plan, as drafted will constrain the development of its assets and prevent the delivery of these homes: viability and car parking.

[1] Draft London Housing Strategy 2017
[2] The 2017 London Strategic Housing Market Assessment
[3] Planning for the right homes in the right places: consultation proposals
[4] London Plan Annual Monitoring Report 13
[5] London Plan Annual Monitoring Report 12

2.5. In order to further encourage the development of Tesco's assets we recommend the following changes to policy CD8 para A 4) and policy H1 B 2) b) so that supermarkets are specifically identified as a residential development opportunity.

SD8 para A 4

*4) realising the full potential of existing out of centre retail and leisure parks, **<u>and supermarkets</u>** to deliver housing intensification through redevelopment and ensure such locations become more sustainable in transport terms, by securing improvements to public transport, cycling and walking. This should not result in a net increase in retail or leisure floorspace in an out-of-centre location having regard to parts A(1), (2) and (3) above*

H1 para B 2) b)

*b) mixed-use redevelopment of car parks, **<u>supermarkets</u>** and low-density retail parks*

3. Affordable Housing

This section of these representations with respect to the Draft London Plan make the following points:

1. **Tesco support the delivery of affordable housing and the expectation that all development proposals should maximise the delivery of affordable housing;**

2. **In the majority of scenarios, planning applications for the redevelopment of operational food stores will be required to follow the viability tested route. Tesco have undertaken viability modelling that demonstrates that the 35% affordable housing requirement can only be delivered on the redevelopment of operational food stores in a small number of cases;**

3. **In order to create certainty and speed up viability negotiations, the Draft London Plan should recognise that existing retail food stores are a particular asset class with unique costs to be taken into consideration.**

3.1. Tesco support the delivery of affordable housing and the expectation that all development proposals should maximise the delivery of affordable housing. However, they have some concerns regarding the Mayor's threshold approach to viability, initially detailed in the Mayors Affordable Housing and Viability SPG, which applies a 'one size fits all' to development of private land in London. In particular this approach does not take into account the distinct economics related to the development of existing retail sites.

3.2. The companion text to these representations by Gerald Eve (Appendix 1)

3.3. considers the London Plan Viability Study and associated Technical Report (LPVS) and its central purpose of providing a robust evidence base to support the Draft London Plan in terms of viability and deliverability of sites as applied in the case of the Tesco portfolio across London. The report therefore considers typologies not represented by the LPVS but which are typical of the Tesco operational portfolio, and whether their redevelopment is deliverable having regard to the proposed policies and their application in the Draft London Plan. It finds that the LVPS does not address the operational context of existing food retail stores and how this should be taken into consideration when granting planning permission.

3.4. The threshold approach as set out in Policy H6 *Threshold approach to applications,* allows applications to be fast tracked where these meet the threshold of 35% affordable housing (with the exception of public sector land and industrial land) and other criteria. However, viability assessments carried out by Gerald Eve demonstrate that in the majority of scenarios applications for the redevelopment of existing food stores will not be able to provide 35% affordable housing; this is largely due to the following factors:

- high existing use values/benchmark land values of existing supermarkets;
- the costs associated with the interruption of trade for the foodstore;
- the particular costs associated with the need to provide a temporary retail store whilst redevelopment takes place.

3.5. As a consequence, the majority of applications to redevelop Tesco's sites will be required to follow the Viability Tested Route. In order to assist with these viability negotiations and provide more clarity and certainty, Tesco suggest that the Draft London Plan should be modified to recognise that special circumstances surrounding the redevelopment of operational assets need to be taken into account.

3.5 We suggest the insertion of a new paragraph between paras 4.6.6 and 4.6.7 which states:

"It is recognised that the redevelopment of certain sites which contain existing operations such as retail sites have challenges in relation to the temporary or permanent relocation of the trading asset, disturbance costs, and the higher existing use value of the land. These challenges are recognised and will be taken into account when considering applications using the viability tested route."

3.6 Turning to the type of residential product that could be delivered as part of these development scenarios, the Draft London Plan seeks to apply the same 35% threshold to other C3 products such as Build to Rent, and non-C3 products such as Purpose-Built Shared Living, Student and Older Persons Living. We consider that further consideration of the different market dynamics of these products is required in order to ensure that development is not stalled. For example, it is widely recognised that Build to Rent schemes do not generate short term returns in the same way as Build for Sale schemes, and therefore adopting the same approach of applying a 35% threshold may overburden such developments.

4. Making the best use of land

This section of these representations with respect to the Draft London Plan make the following points:

1. **Tesco can support the Good Growth principle of making the best use of land by redeveloping its assets to deliver new stores that are co-located with housing and community uses in mixed-use developments with higher sustainability standards.**

2. **However, Tesco is first and foremost a food retail business and will be unable to make a business case for mixed-use redevelopment of its existing stores unless the Draft London Plan enables sufficient parking to be re-provided to ensure the commercial viability of the replacement store.**

3. **Tesco are committed to reducing the reliance on the private car and improving air quality. However, reducing car parking levels in replacement large food stores will not achieve this aim and could result in longer car journeys**.

4.1. The redevelopment of assets in Tesco's portfolio of sites could directly support the Good Growth principle of making the best use of land by redeveloping its assets to deliver new stores that are co-located with housing and community uses in mixed-use developments with higher sustainability standards. However, Tesco is first and foremost a food retail business and will be unable to make a business case for mixed-use redevelopment of its existing stores unless the Draft London Plan enables sufficient parking to be re-provided to ensure the commercial viability of the new store. An inflexible approach to replacement parking will prevent the redevelopment of sites which could deliver significant amounts of housing (10,000 homes) in London.

4.2. Markides Associates consider below the transport policies in the Draft London Plan in light of the operational requirements of Tesco stores.

4.3. **New Draft London Plan Policy T6 I**

4.4. Tesco is supportive of the Mayor's aim to improve air quality in London for the benefit of all. Tesco accept that a step change is required to reducing vehicular traffic and associated exhaust emissions if this improvement is to be realised. Tesco accept that one measure to achieve this is to seek a reduction in existing parking standards to seek to reduce reliance on the private car. In principle Tesco are supportive of this, but seek acknowledgement that where larger retail supermarkets are redeveloped for mixed uses (including housing delivery) that a level of replacement parking will be required to ensure the redeveloped store is viable. If an insufficient level of parking is provided, and the resultant impact on trade too considerable, then such assets will simply not be redeveloped, and these opportunities to provide additional homes that London requires will not be realised. It has been assessed that Tesco's operational assets can provide 10,000 new homes.

4.5. The New Draft London Plan position with regard to car parking is set out in Policy T6:

T6

A. Car parking should be restricted in line with levels of existing and future public transport accessibility and connectivity.

B. Car-free development should be the starting point for all development proposals in places that are (or are planned to be) well-connected by public transport, with developments elsewhere designed to provide the minimum necessary parking ('car-lite').

C. The maximum car parking standards set out in Policy T6.1 Residential parking to Policy T6.5 Non-residential disabled persons parking should be applied to development proposals and used to set local standards within Development Plans.

D. Appropriate disabled persons parking for Blue Badge holders should be provided as set out in Policy T6.1 Residential parking to Policy T6.5 Non-residential disabled persons parking.

E. Where car parking is provided in new developments, provision should be made for infrastructure for electric or other Ultra-Low Emission vehicles.

F. Adequate provision should be made for efficient deliveries and servicing.

G. A Car Park Design and Management Plan should be submitted alongside all applications which include car parking provision, indicating how the car parking will be designed and managed, with reference to Transport for London guidance on car parking management and car parking design.

H. Boroughs wishing to adopt borough-wide or other area-based car-free policies will be supported. Outer London boroughs wishing to adopt minimum residential parking standards through a Development Plan Document (within the maximum standards set out in Policy T6.1 Residential parking) must only do so for parts of London that are PTAL 0-1. Inner London boroughs should not adopt minimum standards. Minimum standards are not appropriate for non-residential land uses in any part of London.

I. Where sites are redeveloped, existing parking provision should be reduced to reflect the current approach and not be re-provided at previous levels where this exceeds the standards set out in this policy.

4.6. Item I under Policy T6 is a new introduction to parking policy that does not exist in the currently adopted London Plan. It requires that where sites are being redeveloped that existing parking provision should be reduced so that it does not exceed the standards set out within the wider Policy.

4.7. It should be noted that food retail uses have different characteristics to many non-food retail uses. Whilst many purchases of comparison goods can be physically carried by a single person walking, cycling or using public transport, the same cannot be said for many food retail purchases. Other large footprint comparison retail associated with white good purchases also does not require car use, as the items are usually ordered in store and delivered at a later date.

4.8. Whilst there has been an increase in 'basket' shopping at smaller food retail stores and online ordering /deliveries, 84% of UK shoppers still carry out a weekly or fortnightly main food shop (Shoppercentric Shopper Stock Take 2017) that is likely in the majority of cases to require a vehicle to transport what is purchased. Larger format supermarkets are therefore heavily reliant on having sufficient car parking for them to operate successfully.

4.9. The redevelopment of large format food retail sites has the potential to assist greatly in the delivery of housing in London. However, development of these sites is only likely to occur if they are able to continue to accommodate food retail uses on a commercially viable basis. The total removal or reduction of parking to a level commensurate with the proposed standards could result in a retained store or redeveloped store being unviable. This would effectively stifle future development of these sites, which would instead remain focused solely on the operator's core business.

4.10. In addition to preventing the delivery of much needed housing on existing food retail sites, the removal / reduction in car parking has the potential to result in less sustainable travel patterns and increased private vehicle mileage. Removal / reduction in parking at one particular location will not remove the desire of food shoppers to access stores by car. Instead, it will reduce the number of stores that they can access by car in their particular locality and as a result they would need to drive greater distances to be able to shop and park. The resultant increase in vehicle-km travelled is not compatible with the need to improve air quality in London.

4.11. Parking associated with food retail stores is also often used as general town centre parking, with shoppers using these to not only undertake their food shopping but to also visit other town centre shops and facilities. The linking of trips for town centre uses assists in keeping overall car trip generation levels down. Furthermore, the availability of car parking at town centre / edge of centre foodstores also assists in the wider viable of the surrounding retail area. The reduction / removal of this parking has the potential to adversely affect the vitality and viability of town centres. The importance of this particularly for the outer London Boroughs should not be underestimated.

4.12. Furthermore, not all food retail uses in / on the edge of town centres are located in areas with adequate on-street parking controls for all of the store's operational hours. Removal / reduction in parking in these locations could potentially result in big increases in on-street parking, thereby having significant adverse impacts on existing residents and other occupants of the area.

4.13. To ensure that these types of food retail sites have the potential to help in meeting London's housing need, it is therefore suggested that a more flexible, need based assessment relating to reprovision of car parking at redevelopment sites is followed. The following recommended wording changes would allow this flexibility:

Policy T6

I. Where sites are redeveloped, existing provision should ***ordinarily*** *be reduced to reflect the current approach and not be re-provided at previous levels where this exceeds the standards set out in this policy.*

The following paragraph should be added to the supporting text for Policy T6:

4.14. **"There is the potential for existing owners / occupiers of large format retail sites to assist in bringing forward the delivery of housing and the wider public benefits that offers. However, it is recognised that this will only happen if these benefits can be delivered without adversely impacting the value and viability of the retained retail use in any redevelopment; which use can be heavily dependent on the availability of car parking. The starting point is therefore that parking on large format retail sites that are redeveloped should reflect the current approach and not be re-provided at previous levels unless the redevelopment brings significant public benefits and is shown to require all or a proportion of the existing car parking to achieve those benefits."**

5. Retail

5.1 Tesco is committed to helping the good growth agenda by delivering new homes across its portfolio of existing foodstore sites in London, where this can be achieved viably in conjunction with providing a replacement store. As part of this process it will be necessary to reappraise the retail format of the replacement store to ensure that it meets current and future needs. In many cases the replacement store may be smaller than existing, although in others cases it may be a similar size and format.

5.2 Tesco fully supports the town centre first approach set out in the NPPF and in policy SD8 of the Draft London Plan. However, it is considered that policy SD8 should be amended to make it clear that the need for a sequential approach and assessment of impact should not be required in respect of replacement retail floorspace, only new or extended space. We therefore recommend the following further changes to policy SD8, in addition to those suggested above:

Policy SD8 Town centres: development principles and Development Plan Documents

A Development Plans and development proposals should take a town centres first approach by:

1) *adopting a sequential approach to accommodating **new** town centre uses **and increases in floorspace** including retail, commercial, offices, leisure, entertainment, culture, tourism and hotels such that new development of these uses is focused on sites within town centres or (if no sites are available, suitable or viable) on sites on the edges of centres that are, or can be, well integrated with the existing centre, local walking and cycle networks, and public transport*

2) *firmly resisting out-of-centre development of town centre uses in line with the sequential approach in A(1) above, with limited exceptions for existing viable office locations in outer London (see Policy E1 Offices)*

3) *providing an impact assessment on proposals for new, or extensions to existing, edge or out-of-centre development for town centre uses in part A(1) above that are not in accordance with the Development Plan*

5.3 We also suggest a small change to paragraph 2.8.2 to make it clear that the text is not intended to relate to replacement retail floorspace:

*2.8.2 Where **new** **edge-of-centre developments of town centre** uses are proposed, and are not in accordance with the Development Plan **or are not proposals to replace existing floorspace,** these should be accompanied by a robust and detailed impact assessment. This applies to retail, leisure and office development greater than 2,500 sq m.*

6. Summary of Changes Sought

Policy Reference	Change(s) sought
SD8 paragraph A 4	*realising the full potential of existing out of centre retail and leisure parks,* ***and supermarkets*** *to deliver housing intensification through redevelopment and ensure such locations become more sustainable in transport terms, by securing improvements to public transport, cycling and walking. This should not result in a net increase in retail or leisure floorspace in an out-of-centre location having regard to parts A(1), (2) and (3) above*
H1 paragraph B 2) b)	*mixed-use redevelopment of car parks,* ***supermarkets*** and low-density retail parks
Insertion of a new paragraph between paragraphs 4.6.6 and 4.6.7	***"It is recognised that the redevelopment of certain sites which contain existing operations such as retail sites have challenges in relation to the temporary or permanent relocation of the trading asset, disturbance costs, and the higher existing use value of the land. These challenges are recognised and will be taken into account when considering applications using the viability tested route."***
T6 paragraph I	*Where sites are redeveloped, existing provision should* ***ordinarily*** *be reduced to reflect the current approach and not be re-provided at previous levels where this exceeds the standards set out in this policy.*
Insertion of a new paragraph to the supporting text for Policy T6	***"There is the potential for existing owners / occupiers of large format retail sites to assist in bringing forward the delivery of housing and the wider public benefits that offers. However, it is recognised that this will only happen if these benefits can be delivered without adversely impacting the value and viability of the retained retail use in any redevelopment; which use can be heavily dependent on the availability of car parking. The starting point is therefore that parking on large format retail sites that are redeveloped should reflect the current approach and not be re-provided at previous levels unless the redevelopment brings significant public benefits and is shown to require all or a proportion of the existing car parking to achieve those benefits."***
SD8 paragraph A 1	*A Development Plans and development proposals should take a town centres first approach by:* *1) adopting a sequential approach to*

	accommodating ***new*** *town centre uses* ***and increases in floorspace*** *including retail, commercial, offices, leisure, entertainment, culture, tourism and hotels such that new development of these uses is focused on sites within town centres or (if no sites are available, suitable or viable) on sites on the edges of centres that are, or can be, well integrated with the existing centre, local walking and cycle networks, and public transport*
Paragraph 2.8.2	*Where* ***new*** ***edge-of-centre developments of town centre*** *uses are proposed, and are not in accordance with the Development Plan* ***or are not proposals to replace existing floorspace,*** *these should be accompanied by a robust and detailed impact assessment. This applies to retail, leisure and office development greater than 2,500 sq m.*
Insertion of two further paragraphs after paragraph 4.6.11	***4.6.11(1) The mixed use redevelopment of existing low density town centre, edge of centre and out of centre retail and leisure premises should take account of the occupational nature of the existing buildings when assessing benchmark land value. These buildings are operational assets to the businesses housed within them and often have many years of continuing functional life remaining, and can often be capable of redevelopment for a mix of existing uses and housing delivery. In these cases, to ensure delivery of such sites, it is necessary to calculate the competitive return to the willing seller of land by reflecting the following:*** • ***The benchmark land value of the existing property;*** • ***Vacant possession costs (where appropriate); and*** • ***Disturbance to the operational business where new premises are to be re-provided.*** ***4.6.11(2) The benchmark land value will have regard to whether it is held as an owner-occupied or an investment premises. Vacant possession costs should take into account the commercial occupational arrangements (if any) associated with the site to be redeveloped. Disturbance should reflect impact on trade and other temporary costs,***

	including new fit out costs, between vacating the existing premises and occupation of new premises. Where new premises are not to be provided disturbance may form an element of vacant possession costs. Care should be taken in not double counting within the calculation where a re-provision of new premises occurs within the redevelopment, having regard to future tenure and occupational arrangements.

APPENDIX 1

Draft New London Plan Representations: Viability Evidence Base

Prepared by Gerald Eve
On behalf of Tesco Stores Ltd

March 2018

Contents

Page

Appendices

1 Introduction

1.1 This is a brief supporting report to the representations by Tesco Stores Ltd (Tesco) on the consultation draft of the New London Plan ("NLP"). In particular, this report considers the London Plan Viability Study and associated Technical Report ("LPVS") and its central purpose of providing a robust evidence base to support the NLP in terms of viability and deliverability of sites, as applied in the case of the Tesco portfolio across London.

1.2 The purpose of this report is to consider typologies not represented by the LPVS, but which are typical of the Tesco operational portfolio, and whether their redevelopment is deliverable having regard to the proposed policies and their application in the NLP.

1.3 Tesco has identified redevelopment opportunities that could lead to the construction of circa 10,000 homes in London. It follows that Tesco's London portfolio represents a significant opportunity for delivery of housing. The LPVS does not address the operational context of existing food retail stores and how this should be taken into account when considering applications for store development, given current policy as set out in the NLP.

1.4 Four over store development ("**OSD**") base typologies representing a cross section of its assets across London have been appraised through an industry based viability appraisal model.

1.5 The four typologies have then been adjusted having regard to Benchmark Land Values (BLVs) across the five value bands as set out in the LPVS. Substitute BLVs have also been applied. As a result 120 appraisals have been undertaken to test the deliverability of providing 35% affordable housing for OSDs.

1.6 The results indicate that 35% affordable housing across the whole of London is not achievable when it comes to assessing the redevelopment of operational assets such as food-retail stores, in all but a small number of cases. The base position is exacerbated further when the substitute BLVs are applied.

1.7 In order to encourage and not restrain OSD housebuilding, the NLP needs to amend policy in order to allow for more flexibility in respect of their application to individual schemes. In particular, the operational nature of the existing stores need to be reflected in the Site Value and associated costs of redevelopment. Additional paragraphs addressing this have been proposed for Chapter 4 of the NLP.

1.8 It is understood that sector bodies such as London First, British Property Federation and others will be addressing the LPVS in the context of government and industry guidance on area-wide viability assessments and general technical considerations.

2 The Business Case for Redevelopment of Food Stores

2.1 Tesco has evaluated its portfolio and has identified that, in the right conditions, redevelopment of a number of their sites could result in the provision of 10,000 homes across London.

2.2 Appendix A provides a brief summary policy position for arriving at a Site Value for viability testing purposes having regard to national and professional guidance. In addition, the Mayoral SPG, which is referred to in the NLP, considers the method of using an “EUV with a premium” is favoured.

2.3 Site Value in the case of existing premises need to fully reflect their operational nature and therefore the competitive return that must be received by an operator such as Tesco in order to deliver a site up for redevelopment. This is notwithstanding being informed by the normal market test in accordance with the PPG which essentially should be reflected in the “premium” element when aggregated with an EUV.

2.4 It follows that notwithstanding these policy principles and guidance, for operational retail premises there would need to be a business case to vacate or redevelop in order for a ‘landowner’ to receive a ‘competitive return’, to bring their sites forward for re-development.

2.5 This competitive return comprises three principle strands:

i) The benchmark land value of the existing property;

ii) Vacant possession costs (where appropriate); and

iii) Disturbance to the operational business where new premises are to be re-provided.

2.6 The justification for the benchmark land value should realistically be taken from the market, including that for stores, where actual transactions provide a good indication of the competitive return to the willing landowner. If transactions are significantly above what the market would consider 'normal' then care should be taken by the valuer in arriving at an appropriate valuation. Valuers can analyse market transactions through various comparable techniques, adding and discounting where considered necessary for site characteristics (mainly locational and physical).

2.7 Where planning policy allows potential alternative uses to be delivered, then this also is a common approach in order to arrive at a reasonable benchmark land value.

2.8 Vacant possession costs have a number of matters to take into account depending on the occupational arrangements associated with the site to be redeveloped:

i) The notional cost of buying the occupier out of the remaining time in any lease;

ii) Marriage value between the freeholder and a long leaseholder concerning the redevelopment; and

iii) Should there be a re-provision of a store within the redevelopment, the future occupational arrangements and whether there should be any offset of future income.

2.9 All of these are frequently agreed in commercial agreements which in turn should be factored into the viability of a proposed scheme. They are also familiar in compulsory purchase and compensation settlements for 'town centre' regeneration projects. Methods and approaches to value these are common place.

2.10 The justification for disturbance, or the loss of profits, over the period of the development lifecycle is well tested in compulsory purchase and compensation. Statutory compensation will often be the lesser of extinguishing the business, or buying land and re-providing facilities for that business/use. Disturbance can also be looked at on a temporary basis prior to moving into new premises. This may also include fit out costs for the new store.

2.11 It is the aggregate of the three strands above that provide a competitive return in assessing Site Value from the prospective of delivering existing operational sites and subsequent redevelopment including development over the new store.

2.12 Re-provision of store may be on a freehold to freehold basis or freehold to leasehold or various combinations. Care should be taken in not double counting within the calculation of Site Value and re-provision of a store.

3 Summary of the Four Typologies

3.1 Appraisals are based on four scheme typologies located across Greater London. These typologies reasonably demonstrate differing characteristics of sites brought forward for redevelopment. Details of the typologies are set-out below:

i **Typology 1**: A superstore site with car park with circa 260 spaces and good transport links but with underground construction constraints. The site is surrounded by residential and retail use properties. This typology involves phasing, with the construction of a smaller store in the existing car park, allowing for demolition of the main store once this is operational. Construction will need to take place above the store and car park, requiring a podium.

ii **Typology 2**: A superstore site with car park with circa 210 spaces in close proximity to a major mainline and underground station and within a large housing regeneration scheme. To bring forward redevelopment of the site, with continuation of trade, a temporary store would need to be constructed in the car park. The new store would be built on the footprint of the previous store with residential units to be provided above.

iii **Typology 3**: A large superstore site with car park with circa 600 car parking spaces. The site is surrounded by a mix of commercial and residential use properties. This site relies on development of part of the car park, with Tesco being re-provided car parking under the residential site. During construction, this scheme will result in Tesco trading from a significantly reduced car park.

iv **Typology 4**: A Tesco Metro site on a busy high street, surrounded by retail, commercial and residential property and close to two mainline stations. The scheme would involve complete demolition of the store and redevelopment.

4 Approach to Testing the Viability

4.1 The majority of the inputs that applied to the appraisals are in accordance with the LPVS.

4.2 The LPVS is based around residential sales value bands A to E (therefore five in total) and we have split these into upper, median and lower values (to find fixed points within the bands for the purpose of running appraisals).

4.3 In relation to arriving at the Benchmark Land Values ("**BLV**") the LPVS's "Non Residential BLV £/SM of New Development" has been added the appropriate "Residential BLV £/dwelling".

4.4 For example:

i the BLV for the "Typology 1 appraisal Upper Band A" is derived from the LPVS "Upper BLV for Band A" multiplied by the number of dwellings in the typology, which is added to the "High - Non Residential BLV £/SM of New Development"; and

ii the BLV for our "Typology 1 appraisal Lower Band E" is derived from the LPVS "Lower BLV for Band E" multiplied by the number of dwellings in the typology, which is added to the "Low - Non Residential BLV £/SqM of New Development".

4.5 In order to provide an illustration of the viability of the four food-retail typologies across the LPVS's assumed five value bands of London, the LPVS appraisal inputs relative to the value bands have been copied, where possible, into the appraisals for the four typologies. Put simply, 15 appraisals have been run for each food-retail typology (which equates to 60 appraisals in total).

4.6 Our appraisals reasonably reflect the LPVS's BLV assumptions. The next logical step in assessing the viability of the four typologies is to adjust the BLV to reflect possible Tesco EUVs (the "**Revised BLVs**").

4.7 The Revised BLVs are indexed relative to each of the value band inputs, and again 15 appraisals of each food retail typology (as set out above above) have been run (which again provides a further 60 appraisals). These value band inputs were indexed using the LPVS data.

4.8 In order to easily demonstrate which appraisals can afford 35% affordable housing we have colour coded each of the results as green (viable), amber (marginal) and red (not viable) and these results are provided in the Summary of Viability Results section below.

4.9 In relation to typologies 1 and 2, the physical characteristics associated with these sites are similar, but Typology 1 in ‘Value band C’ is a slightly more valuable store (in relation to physical property) than Typology 2, which is in ‘Value band B’. This highlights another key matter that the LPVS fails to highlight, that the relative distribution of (existing-use value) valuations of food-retail stores across London are not necessarily linked to the LPVS’s assumed value bands.

4.10 Vacant Possession and disturbance costs have not been included in the appraisals. These costs can be significant as described in Section 2.

5 Appraisal Inputs

5.1 The private sales values have been scenario tested by adopting the values in the LPVS.

5.2 The base value and cost starting position for each typology is determined by its location within the value bands set out in the LPVS, as follows:

i Typology 1 – Value band C;

ii Typology 2 - Value band B;

iii Typology 3 - Value band D; and

iv Typology 4 - Value band C.

5.3 Capitalised ground rents have been applied in every appraisal for each private residential unit. To allocate the correct ground rent in terms of the evidence provided by the LPVS, regard has been made to the capitalised ground rents they have presented for each of the 1 to 4 bedroom flats (assuming no terraced houses).

5.4 The affordable values have been calculated using a model based on the preferred affordable housing policy split of each of the boroughs and the value bands, having regard to our fixed points of upper, median and lower values.

5.5 The number of units proposed has been calculated by using the residential unit sizes provided in the LPVS, this shows the GIA unit areas.

5.6 Commercial rent and yields adopted in the appraisals have regard to the commercial value range in the LPVS.

5.7 In terms of the phasing of the commercial elements of each of the typology appraisals, regard has been had to the phasing in the Technical Report of the LPVS.

5.8 Benchmark land values (BMLV) for the LPVS appraisals have replicated the method proposed within the LPVS[6] using the Value Bands A to E and the low, medium and high value ranges.

5.9 Construction costs have been adopted using actual cost reports prepared on behalf of Tesco, comparable schemes, Building Cost Information Services (BCIS). The LPVS does not recognise food-retail stores, and therefore reasonable assumptions have had to be made.

5.10 Other costs have been included where advised within the Viability Schedule including demolition, construction of the new store / car park.

5.11 Mayoral and Borough Community Infrastructure Levy's (MCIL and BCIL respectively) have been calculated at the correct rates, although this is untested and no contact has been made with the respective borough and Local Authorities.

5.12 Professional fees have been included at 10% as advised by the LPVS.[7]

5.13 Finance costs have been included at 6.5% as advised by the LPVS.[8]

5.14 Acquisition fees have been included at 1.75% (1% Surveyor and 0.75% Legals) as advised by the LPVS.[9]

5.15 Marketing costs have been included at 3% of private residential GDV as advised by the LPVS.[10]

[6] Source: Tables 8.1 and 8.2 Page 54
[7] Source: Table 7.3 Page 48
[8] Source: Table 7.3 Page 48
[9] Source: Table 7.3 Page 48
[10] Source: Table 7.3 Page 48

6 Summary of Viability Results

6.1 In total, 120 appraisals have been run, analysing the viability of the four typologies across the LPVS's assumed five value bands of London, split into upper, median and lower values, adopting both the LPVS BLV and then our Revised BLV.

6.2 Due to the large mass of data produced, we are presenting the viability results in tables according to typology and adopted BLV, colour coded to demonstrate the viability of each appraisal. The colour code key is provided in the table below.

Table 1: Colour code for viability appraisals

Interpretation	Colour code	Profit on GDV Return (%)
35% AH viable		>20%
35% AH marginal		15% < 20%
35% AH not viable		< 15%

6.3 The results of the first set of appraisals, calculated using the GLA's BLV are shown in Tables 2, 3, 4 and 5 below.

Table 2: Typology 1 viability appraisal for 35% (by floor area) affordable housing

Typology 1	Value Bands (LPVS)				
Private Residential & BLV Range	**A**	**B**	**C**	**D**	**E**
Upper range					
Medium / Median range					
Lower range					

Table 3: Typology 2 viability appraisal for 35% (by floor area) affordable housing

Typology 2	Value Bands (LPVS)				
Private Residential & BLV Range	**A**	**B**	**C**	**D**	**E**
Upper range					

Medium / Median range					
Lower range					

Table 4: Typology 3 viability appraisal for 35% (by floor area) affordable housing

Typology 3	Value Bands (LPVS)				
Private Residential & BLV Range	**A**	**B**	**C**	**D**	**E**
Upper range					
Medium / Median range					
Lower range					

Table 5: Typology 4 viability appraisal for 35% (by floor area) affordable housing

Typology 4	Value Bands (LPVS)				
Private Residential & BLV Range	**A**	**B**	**C**	**D**	**E**
Upper range					
Medium / Median range					
Lower range					

6.4 The results of the second set of appraisals, calculated using the Revised BLV are shown in Tables 6, 7, 8 and 9 below.

Table 6: Typology 1 viability appraisal for 35% (by floor area) affordable housing

Typology 1	Value bands (with Revised BLV)				
Private Residential & BLV Range	**A**	**B**	**C**	**D**	**E**
Upper range					
Medium / Median range					
Lower range					

Table 7: Typology 2 viability appraisal for 35% (by floor area) affordable housing

Typology 2	Value bands (with Revised BLV)				
Private Residential & BLV Range	**A**	**B**	**C**	**D**	**E**
Upper range					
Medium / Median range					
Lower range					

Table 8: Typology 3 viability appraisal for 35% (by floor area) affordable housing

Typology 3	Value bands (with Revised BLV)				
Private Residential & BLV Range	**A**	**B**	**C**	**D**	**E**
Upper					
Medium / Median					
Lower					

Table 9: Typology 4 viability appraisal for 35% (by floor area) affordable housing

Typology 4	Value bands (with Revised BLV)				
Private Residential & BLV Range	**A**	**B**	**C**	**D**	**E**
Upper					
Medium / Median					
Lower					

6.5 The results show:

i 34% of the results are viable by representing a profit on GDV return of above 20%.

ii 66% of the results are marginal or unviable in that they represent a profit on GDV return of between 20% or below; and

iii 59% of the total results are unviable and would provide a return of below 15%.

6.6 The majority of viable results are in the LPVS Value band A, which provides misleading results given that none of the Tesco sites lie in the areas allocated in this band.

6.7 Disregarding Value Band A:

i 16.5% of the appraisals provides a viable result;

ii 83.5% of the appraisals providing marginal or non-viable results (76% non-viable results overall).

6.8 These results clearly present that the majority of scheme variations across the four typologies are not able to deliver 35% affordable housing across London.

7 Concluding Comments

7.1 Tesco has identified that it holds assets that contribute in the region of 10,000 new homes in London over the time period of the NPL.

7.2 In its current form, the NLP does not adequately address the requirements of food retailers when sites come forward for redevelopment.

7.3 If undertaken a financial assessment of four store typologies and testing this across the Greater London area, using most of the inputs used in the LPVS, the 35% affordable housing requirement can only be delivered in a small number of scenarios.

7.4 The approach in assessing viability for OSDs would benefit from the recognition that this model of delivery has a special set of constraints. The approach currently adopted in the LPVS will preclude food-retailers from bringing forward operational sites for redevelopment.

7.5 Policy should allow for flexibility when it comes to its application for site specific proposals.

7.6 So far as reflecting the operational nature of the existing assets are concerned, it is proposed that two further paragraphs are added after paragraph 4.6.11 in Chapter 4 of the draft NLP as follows:

4.6.11(1) The mixed use redevelopment of existing low density town centre, edge of centre and out of centre retail and leisure premises should take account of the occupational nature of the existing buildings when assessing benchmark land value. These buildings are operational assets to the businesses housed within them and often have many years of continuing functional life remaining, and can often be capable of redevelopment for a mix of existing uses and housing delivery. In these cases, to ensure delivery of such sites, it is necessary to calculate the competitive return to the willing seller of land by reflecting the following:

- ***The benchmark land value of the existing property;***
- ***Vacant possession costs (where appropriate); and***
- ***Disturbance to the operational business where new premises are to be re-provided.***

4.6.11(2) The benchmark land value will have regard to whether it is held as an owner-occupied or an investment premises. Vacant possession costs should take into account the commercial occupational arrangements (if any) associated with the site to be redeveloped. Disturbance should reflect impact on trade and other temporary costs, including new fit out costs, between vacating

the existing premises and occupation of new premises. Where new premises are not to be provided disturbance may form an element of vacant possession costs. Care should be taken in not double counting within the calculation where a re-provision of new premises occurs within the redevelopment, having regard to future tenure and occupational arrangements.

Appendix A

Policy Position for Land Value for Financial Viability Assessments used for Planning Purposes

This note has been prepared to inform an underlying Site Value (or Benchmark Land Value) assumption, and associated costs. This would be fed into Financial Viability Assessments (FVA) for planning purposes.

Basis of Site Value/Benchmark Land Value assumption

The National Planning Policy Framework ("NPPF") (originally published March 2012) and planning practice guidance ("PPG") are the starting point, which are underpinned by the method and approach set out in the RICS's Guidance Note 94/12, 'Financial Viability in Planning', published in August 2012 (and shortly to be updated) ("RICS GN 94/12").

It is useful to set out what these reference points state about Site Value/ Benchmark Land Value.

The context of achieving sustainable development the NPPF refers to ensuring viability and deliverability at sections 173-177. Section 173 in particular states:

"…. To ensure viability, the costs of any requirement likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking into account of the normal cost of development and mitigation, <u>provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable</u>".

PPG (Viability) defines competitive return for the land owner as:

"The price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy." (Paragraph 24)

PPG refers to three strands, all of which should be considered:

"*The most appropriate way to assess land or site value will vary from case to case [but] In all cases, land or site value should:*

- *reflect policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;*
- *provide a competitive return to willing developers and land owners; and*
- *be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise".*

RICS GN 94/12 is in accordance, and consistent with the NPPF. Site Value is defined in GN 94/12 as follows (para 2.8):-

"***Site Value should equate to the Market Value subject to the following assumption; that the value has regard to the development plan policies and all other material considerations and disregards that which is contrary to the development plan*".**

GN 94/12 highlights that Site Value must, by definition, be at a level where the landowner is willing to sell at a competitive return as recognised by the NPPF. It also states that Site Value "has regard" to policy. Site Value therefore by definition is not unrestricted when compared to Market Value as defined in the RICS Red Book. The degree of variance will be subject to a judgement, having regard to the circumstances in each instance.

GN 94/12 addresses "competitive return" as follows:

"A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project…."

GN 94/12 addresses (at paragraph 3.6.3) 'Third party interests, vacant possession and relocation costs', correctly identifying that in the case of development and site assembly, various interests need to be acquired or negotiated in order to be able to implement a project. This is consistent with the 'Viability PPG'[1], which states that "*Assessment of costs should be based on robust evidence which is reflective of market conditions. All development costs should be taken into account*….."

Appendix B

Typology 1 Appraisal
London Plan Representations

Development Appraisal
Gerald Eve LLP
26 February 2018

APPRAISAL SUMMARY **GERALD EVE LLP**

Typology 1 Appraisal
London Plan Representations

Summary Appraisal for Phase 6 Typology 1 Base Appraisal (35% Affordable Housing)

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**	
Residential	1	262,370	850.00	223,014,713	223,014,713	
Affordable	1	141,277	417.00	58,912,405	58,912,405	
Ground Rents	377	262,370	26.58	18,500	6,974,500	
Totals	**379**	**666,017**			**288,901,617**	
Rental Area Summary				**Initial**	**Net Rent**	**Initial**
	Units	**ft²**	**Rate ft²**	**MRV/Unit**	**at Sale**	**MRV**
Office	1	227,818	30.00	6,834,540	6,834,540	6,834,540
Retail (Revised Tesco)	1	134,495	20.00	2,689,900	2,689,900	2,689,900
Specialist Retail	1	15,016	25.00	375,400	375,400	375,400
Totals	**3**	**377,329**			**9,899,840**	**9,899,840**
Investment Valuation						
Office						
Current Rent	6,834,540	YP @	5.7500%	17.3913	118,861,565	
Retail (Revised Tesco)						
Current Rent	2,689,900	YP @	5.0000%	20.0000	53,798,000	
Specialist Retail						
Current Rent	375,400	YP @	5.5000%	18.1818	6,825,455	
					179,485,020	
GROSS DEVELOPMENT VALUE				**468,386,637**		
Purchaser's Costs			(12,204,981)			
				(12,204,981)		
NET DEVELOPMENT VALUE				**456,181,656**		
Income from Tenants						
Office			12,529,990			
Retail (Revised Tesco)			6,276,433			

Typology 1 Appraisal
London Plan Representations

Specialist Retail			875,933	
				19,682,357
NET REALISATION				**475,864,012**
OUTLAY				
ACQUISITION COSTS				
Fixed Price			16,000,000	
				16,000,000
Stamp Duty			789,500	
Agent Fee		1.00%	160,000	
Legal Fee		0.75%	120,000	
				1,069,500
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Construction Cost	981,129 ft²	326.15 pf²	320,000,000	**320,000,000**
Contingency		5.00%	16,000,000	
Goal Seek			1	
Demolition			390,000	
Construction of New Store/Car Park			2,565,000	
MCIL			3,063,445	
BCIL			11,239,754	
				33,258,200
PROFESSIONAL FEES				
Architect		10.00%	32,000,000	
				32,000,000
MARKETING & LETTING				
Marketing		3.00%	7,367,357	
Letting Agent Fee		10.00%	989,984	
Letting Legal Fee		5.00%	494,992	
				8,852,333
DISPOSAL FEES				
Sales Agent Fee		1.00%	4,561,817	
Sales Legal Fee		0.75%	3,421,362	
				7,983,179

Typology 1 Appraisal
London Plan Representations

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)		
Land	2,142,973	
Construction	20,235,662	
Other	51,891,031	
Total Finance Cost		74,269,666
TOTAL COSTS		**493,432,878**
PROFIT		
		(17,568,865)

Performance Measures

Profit on Cost%	(3.56)%
Profit on GDV%	(3.75)%
Profit on NDV%	(3.85)%
Development Yield% (on Rent)	2.01%
Equivalent Yield% (Nominal)	5.52%
Equivalent Yield% (True)	5.71%
IRR	5.06%
Rent Cover	-1 yrs -9 mths
Profit Erosion (finance rate 6.500%)	N/A

Typology 2 Appraisal
London Plan Representations

Development Appraisal
Gerald Eve LLP
26 February 2018

Typology 2 Appraisal
London Plan Representations

Summary Appraisal for Phase 6 Typology 2 Appraisal (35% Affordable Housing)

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Residential	1	199,999	900.00	179,999,280	179,999,280
Affordable	1	107,692	484.00	52,122,928	52,122,928
Ground Rents	270	0	0.00	29,175	7,877,250
Totals	**272**	**307,691**			**239,999,458**

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Revised Tesco	1	18,000	25.00	450,000	450,000	450,000
Totals	**1**	**18,000**			**450,000**	**450,000**

Investment Valuation

Revised Tesco					
Current Rent	450,000	YP @	5.0000%	20.0000	9,000,000
					9,000,000

GROSS DEVELOPMENT VALUE		**248,999,458**
Purchaser's Costs	(612,000)	
		(612,000)
NET DEVELOPMENT VALUE		**248,387,458**
Income from Tenants		675,000
NET REALISATION		**249,062,458**

OUTLAY

ACQUISITION COSTS

Fixed Price	14,500,000	
		14,500,000

Typology 2 Appraisal
London Plan Representations

Stamp Duty			714,500	
Agent Fee		1.00%	145,000	
Legal Fee		0.75%	108,750	
				968,250
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Revised Tesco	18,000 ft²	326.00 pf²	5,868,000	
Residential	249,999 ft²	326.00 pf²	81,499,674	
Affordable	134,615 ft²	326.00 pf²	43,884,490	
Totals	**402,614 ft²**		**131,252,164**	**131,252,164**
Contingency		5.00%	6,562,608	
Goal Seek			1	
Demolition			356,910	
Temporary Store Cost			1,000,000	
MCIL			143,325	
BCIL			588,792	
				8,651,636
PROFESSIONAL FEES				
Architect		10.00%	13,125,216	
				13,125,216
MARKETING & LETTING				
Marketing		3.00%	5,399,978	
Letting Agent Fee		10.00%	45,000	
Letting Legal Fee		5.00%	22,500	
				5,467,478
DISPOSAL FEES				
Sales Agent Fee		1.00%	2,483,875	
Sales Legal Fee		0.75%	1,862,906	
				4,346,781
FINANCE				
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)				
Land			1,941,945	
Construction			7,763,302	
Other			2,507,787	
Total Finance Cost				12,213,034

Typology 2 Appraisal
London Plan Representations

TOTAL COSTS		**190,524,560**
PROFIT		
		58,537,898
Performance Measures		
Profit on Cost%	30.72%	
Profit on GDV%	23.51%	
Profit on NDV%	23.57%	
Development Yield% (on Rent)	0.24%	
Equivalent Yield% (Nominal)	5.00%	
Equivalent Yield% (True)	5.16%	
IRR	26.15%	
Rent Cover	130 yrs 1 mth	
Profit Erosion (finance rate 6.500%)	4 yrs 2 mths	

Typology Appraisal 3
London Plan Representations

Development Appraisal
Gerald Eve LLP
26 February 2018

Typology Appraisal 3
London Plan Representations

Summary Appraisal for Phase 6 Typology Appraisal 3 (35% Affordable Housing)

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Residential	1	163,052	510.00	83,156,265	83,156,265
Affordable	1	87,797	277.00	24,319,838	24,319,838
Ground Rents	234	0	0.00	13,075	3,059,550
Totals	**236**	**250,849**			**110,535,653**
NET REALISATION				**110,535,653**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price			6,500,000		
				6,500,000	
Stamp Duty			314,500		
Agent Fee		1.00%	65,000		
Legal Fee		0.75%	48,750		
				428,250	
CONSTRUCTION COSTS					
Construction	**ft²**	**Rate ft²**	**Cost**		
Residential	217,402 ft²	275.00 pf²	59,785,550		
Affordable	117,063 ft²	275.00 pf²	32,192,325		
Totals	**334,465 ft²**		**91,977,875**	**91,977,875**	
Contingency		5.00%	4,598,894		
Goal Seek			1		
Abnormals			6,620,000		
MCIL			827,430		
BCIL			2,600,510		
				14,646,835	
PROFESSIONAL FEES					
Architect		10.00%	9,197,788		

Typology Appraisal 3
London Plan Representations

			9,197,788
MARKETING & LETTING			
Marketing	3.00%	2,494,688	
			2,494,688
DISPOSAL FEES			
Sales Agent Fee	1.00%	1,105,357	
Sales Legal Fee	0.75%	829,017	
			1,934,374
FINANCE			
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Land		869,800	
Construction		5,982,162	
Other		6,895,417	
Total Finance Cost			13,747,379
TOTAL COSTS			**140,927,188**
PROFIT			
			(30,391,535)
Performance Measures			
Profit on Cost%	(21.57)%		
Profit on GDV%	(27.49)%		
Profit on NDV%	(27.49)%		
IRR	(9.60)%		
Profit Erosion (finance rate 6.500%)	N/A		

Typology 4 Appraisal
London Plan Representations

Development Appraisal
Gerald Eve LLP
26 February 2018

Typology 4 Appraisal
London Plan Representations

Summary Appraisal for Phase 7 Typology Appraisal 4 (35% Affordable Housing)

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Private	1	39,773	800.00	31,818,600	31,818,600
Affordable	1	21,416	436.00	9,337,485	9,337,485
Ground Rents	57	0	0.00	18,500	1,054,500
Totals	**59**	**61,190**			**42,210,585**

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Tesco	1	11,302	25.00	282,550	282,550	282,550
Retail Unit	1	1,919	30.00	57,570	57,570	57,570
Totals	**2**	**13,221**			**340,120**	**340,120**

Investment Valuation					
Tesco					
Market Rent	282,550	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	5,381,905
Retail Unit					
Market Rent	57,570	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	905,189
					6,287,093

GROSS DEVELOPMENT VALUE		**48,497,678**
Purchaser's Costs	(427,522)	
		(427,522)
NET DEVELOPMENT VALUE		**48,070,156**
NET REALISATION		**48,070,156**

OUTLAY

Typology 4 Appraisal
London Plan Representations

ACQUISITION COSTS				
Fixed Price			12,000,000	
				12,000,000
Stamp Duty			589,500	
Agent Fee		1.00%	120,000	
Legal Fee		0.75%	90,000	
				799,500
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Tesco	11,302 ft²	275.00 pf²	3,108,050	
Retail Unit	2,000 ft²	275.00 pf²	550,000	
Private	53,031 ft²	275.00 pf²	14,583,525	
Affordable	28,555 ft²	275.00 pf²	7,852,625	
Totals	**94,888 ft²**		**26,094,200**	**26,094,200**
Contingency		5.00%	1,304,710	
Demolition			200,000	
BCIL			1,541,543	
MCIL			331,550	
				3,377,803
PROFESSIONAL FEES				
Architect		10.00%	2,609,420	
				2,609,420
MARKETING & LETTING				
Marketing		3.00%	954,558	
Letting Agent Fee		10.00%	34,012	
Letting Legal Fee		5.00%	17,006	
				1,005,576
DISPOSAL FEES				
Sales Agent Fee		1.00%	480,702	
Sales Legal Fee		0.75%	360,526	
				841,228
FINANCE				
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)				
Land			1,452,503	
Construction			1,533,921	
Other			378,510	

Typology 4 Appraisal
London Plan Representations

Total Finance Cost		3,364,934
TOTAL COSTS		**50,092,661**
PROFIT		
		(2,022,505)
Performance Measures		
Profit on Cost%	(4.04)%	
Profit on GDV%	(4.17)%	
Profit on NDV%	(4.21)%	
Development Yield% (on Rent)	0.68%	
Equivalent Yield% (Nominal)	5.15%	
Equivalent Yield% (True)	5.32%	
IRR	2.51%	
Rent Cover	-5 yrs -11 mths	
Profit Erosion (finance rate 6.500%)	N/A	