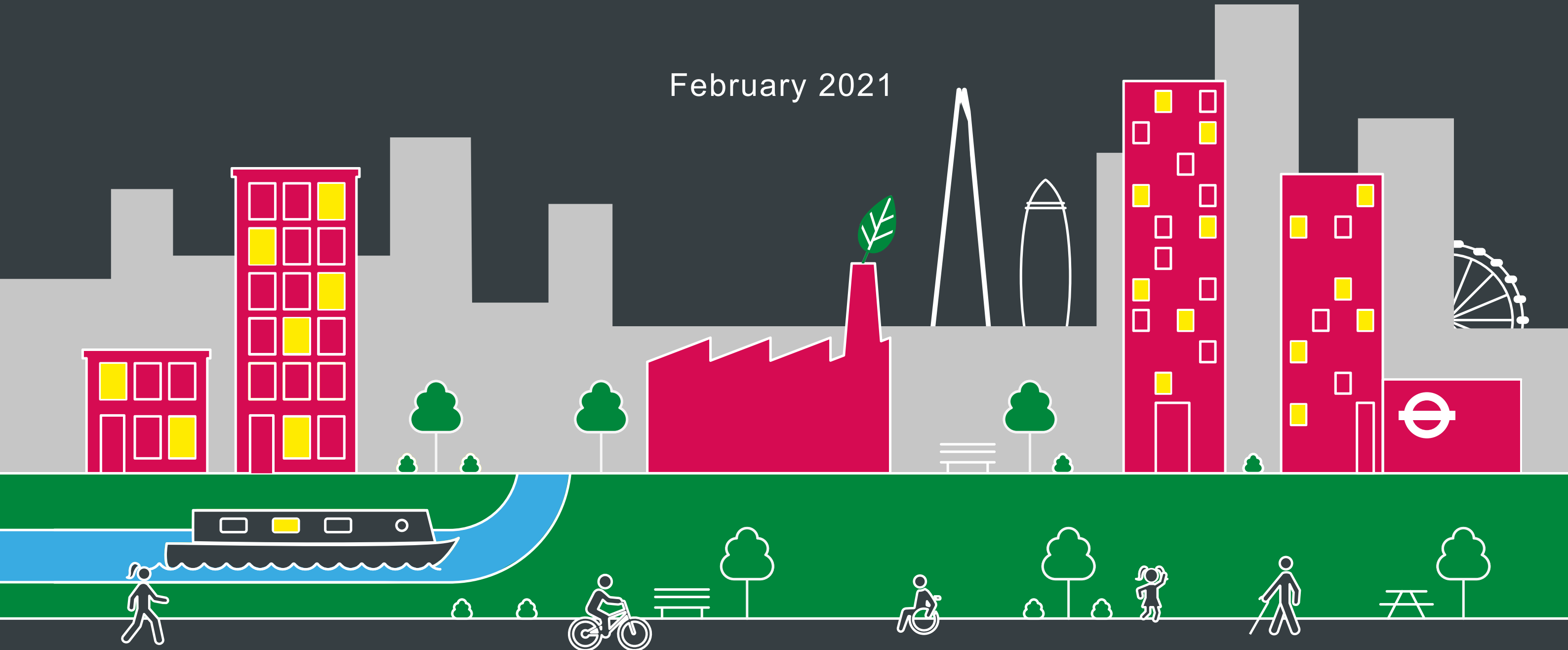
OPDC
OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION

Strategic Site Allocations Viability Assessment

LOCAL PLAN SUPPORTING STUDY

February 2021



MAYOR OF LONDON

Document Title	Strategic Site Allocations Viability Assessment
Lead Author	BNP Paribas Real Estate
Purpose of the Study	To assess the viability of development on four strategic site allocations in the modified Local Plan.
Key outputs	Assessment of viability of industrial intensification on: Site allocation 2: Old Oak North; Site allocation 4: European Metal Recycling (EMR). Assessment of viability of residential mixed use development on: Site allocation 26: Channel Gate; Site allocation 40: North Pole East Deport South.
Key recommendations	Site Allocation 2 Cargiant Old Oak North is viable at 20% profit on Cost when measured against the identified benchmark land value. Site Allocation 4 EMR, either with or without the re-provision of waste uses on the site, is viable at 20% profit on cost when measured against the identified benchmark land value. Site Allocation 26 Channel Gate can viably deliver between 25% and 35% affordable housing without grant, dependant on the starting sales values achieved on the site. With affordable housing grant this can be increased up to 40% affordable housing. Site Allocation 40 North Pole East Depot South can viably deliver between 5% and 25% affordable housing without grant, depending on the starting sales values achieved on the site. With affordable housing grant this can be increased by up to 35% affordable housing. The four key Strategic Site Allocations are developable in the terms defined by the NPPF. The results of the appraisals in this study support the maintenance of the OPDC's proposed policy approaches, which are in conformity with the Publication London Plan.
Key changes made since submission	New study
Relations to other studies	Development Capacity Study Industrial Land Review (addendum)
Relevant Local Plan Policies and Chapters	Strategic policies SP4 (Thriving Communities), SP5 (Resilient Economy) All housing policies Delivery and Implementation Policies DI2 and DI4

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Old Oak and Park Royal Development Corporation

Site Allocations Viability Assessment

Prepared for

Old Oak and Park Royal Development Corporation

February 2021

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1 Introduction and background

1.1 As the plan making authority, the Old Oak and Park Royal Development Corporation ('OPDC') has prepared and submitted to the Planning Inspector a Local Plan for the area. The Local Plan is being examined under the 2012 National Planning Policy Framework ('NPPF') in accordance with the transitional arrangements for plans submitted by March 2019.

1.2 In response to the findings set out in the Planning Inspector's Interim Findings published in October 2019 in relation to the proposed development of the Cargiant site (referred to in the draft Local Plan as site allocation 2 and site allocation 3), OPDC is proposing a change in approach. This includes retaining site allocations 2 and 3 as Strategic Industrial Location (SIL) and to release alternative site allocations from SIL for housing led mixed use development. This will enable the Modified Draft Local Plan ('MDLP') to be in general conformity with the London Plan by meeting the 0 to 10 year housing target of a minimum of 13,670 homes and total development housing target of 25,500 homes.

1.3 As the MDLP assumes that the development of these sites will start to come forward in the first ten years of the Plan period, they are required to be "developable" (in accordance with the NPPF). In light of this requirement, OPDC has commissioned BNP Paribas Real Estate ('BNPPRE') to undertake testing of its MDLP to provide a broad understanding of the viability of key development sites in the area.

1.4 This report outlines the results of the viability testing of four Strategic Sites in the OPDC area, which are identified in the MDLP. These include:

- Site Allocation 2 – Cargiant Old Oak North;
- Site Allocation 4 – EMR;
- Site Allocation 26 – Channel Gate; and
- Site Allocation 40 – North Pole East Depot South.

1.5 Our testing considers the deliverability and developability of these sites and their ability to accommodate the policies in the MDLP, alongside the policies in the London Plan and national policies and guidance.

1.6 This report provides high level assessments of the envisaged level of development for the Strategic Sites, in the sense that it uses standardised costs and values and broad assumptions for a potential development scheme, rather than a more detailed appraisal that might be undertaken for a specific development proposal in support of a fully designed and detailed planning application.

1.7 The National Planning Practice Guidance March 2014 ('NPPG 2014'), under which the OPDC's Local Plan is being examined, identifies at para 005 that:

"Viability evidence should be considered as a tool that can assist with the development of plans and plan policies. It should not compromise the quality of development but should ensure that the Local Plan vision and policies are realistic and provide high level assurance that plan policies are viable".

It goes on to state that,

"Evidence should be proportionate to ensure plans are underpinned by a broad understanding of viability. Greater detail may be necessary in areas of known marginal viability or where the evidence suggests that viability might be an issue – for example in relation to policies for strategic sites which require high infrastructure investment".

1.8 The NPPG 2014 further states at para 006 that:

"Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable; site typologies may be used to determine viability at policy level. Assessment of samples of sites may be helpful to support evidence and more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies".

1.9 Accordingly this report has been prepared in line with the approach suggested in national policy and guidance.

1.10 The purpose of this report is to test the cumulative impact of OPDC's emerging requirements on the Site Allocations including affordable housing, wheelchair accessible units, carbon reduction requirements and OPDC's proposed CIL charges to assess whether the sites are developable. This is in line with the requirements of the NPPF 2012 and the Local Housing Delivery Group guidance '*Viability Testing Emerging Local Plans: Advice for planning practitioners*' (June 2012). As noted at paragraph 173 of the NPPF 2012, "*the sites and scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened*". The test that the OPDC is required to meet is that ***their policy requirements*** do not threaten the viability of a scheme. It is not required to have regard to factors outside its control, such as prevailing sales values and build costs, and underlying land values, all of which are determined by the market. The NPPF 2012 makes clear that for sites which are planned to be delivered in years 6-10 (and where possible for years 11-15) there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged (see NPPF 2012 footnote 12). This is in contrast to sites that are envisaged to come forward within the first five years, which should be demonstrated to be viable (see NNPG 2012 footnote 11).

1.11 Accordingly this report demonstrates that the Strategic Site Allocations have a reasonable prospect of being viably developed at the point envisaged in the MDLP.

1.12 This report is structured as follows:

- **Section 2** provides information on the Site Allocations tested;
- **Section 3** sets out our methodology;
- **Section 4** details the inputs to our appraisals;
- **Section 5** outlines the results of our appraisals; and
- **Section 6** sets out our conclusions.

1.13 This report is not a valuation and should not be relied upon as such. In accordance with PS1 (5.2) of the RICS Valuation – Global Standards 2020 (the 'Red Book'), the provision of VPS1 to VPS5 are not of mandatory application and accordingly this report should not be relied upon as a Red Book valuation.

1.14 In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

1.15 We are not aware of any conflicts of interest in relation to this assessment.

1.16 In preparing this report, no 'performance-related' or 'contingent' fees have been agreed.

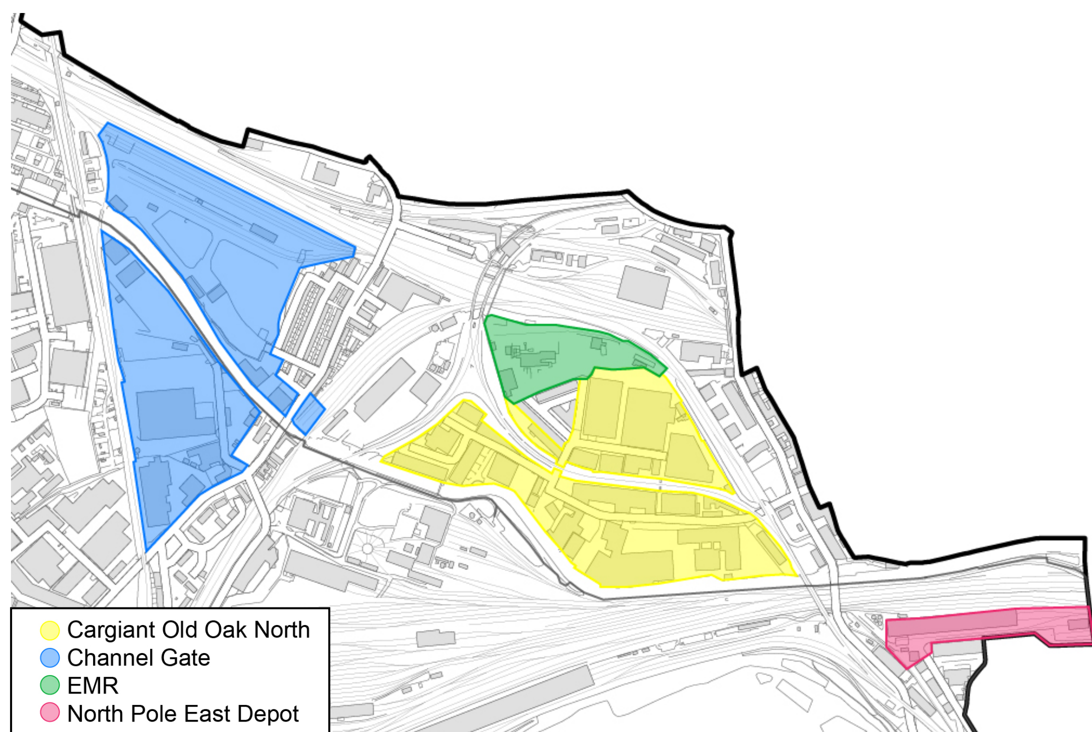
2 The Site Allocations

2.1 The MDLP sets out OPDC's strategy for the sustainable development of its area as a whole, including the general amount, type and location of new development planned to take place and the policies which applications for planning permission should aim to meet, subject to individual site circumstances, including viability.

2.2 In recognition of the challenge facing regeneration of the OPDC's area, Policy DI1 and paragraph 8.19 of the MDLP specifically accept that it will be necessary to balance policy expectations and take account of viability on a site by site basis to ensure delivery.

2.3 To support the delivery of housing and employment growth over the plan period, the OPDC has identified a number of site allocations, as identified on the plan at Figure 2.3.1 below, which includes Cargiant Old Oak North (Site Allocation 2), EMR (Site Allocation 4), Channel Gate (Site Allocation 26) and North Pole East Depot South (Site Allocation 40).

Figure 2.3.1 MDLP Extract of Site Allocations Map



2.4 The MDLP identifies that the Site Allocations will deliver the following housing and commercial floorspace targets as shown in Table 2.4.1 below.

Table 2.4.1 Details of Site Allocations

Site Allocation	Site Area (Ha)	Allocation	Plan Period Homes Capacity	Housing units delivered within the 0-10 year London Plan period	Plan Period Economic floorspace (sq m NIA)
2 - Cargiant	14.901	Industrial intensification	0	-	170,768
4 - EMR	3.71	Industrial intensification	0	-	21,280

Site Allocation	Site Area (Ha)	Allocation	Plan Period Homes Capacity	Housing units delivered within the 0-10 year London Plan period	Plan Period Economic floorspace (sq m NIA)
26 - Channel Gate	9.98	Residential mixed use retention of bus depot	3,100	1,232	10,729
40 - North Pole East Depot South	2.26	Residential mixed use	750	750	500

2.5 OPDC has confirmed that in respect of their work on their housing numbers, the Channel Gate and North Pole East Depot South sites are not assumed to come forward in the first 5 years of the MDLP. Development is anticipated as starting to deliver beyond the first 5 years of the MDLP, with OPDC's Development Capacity Study assuming that the sites are developable over years 6-20 of the plan period.

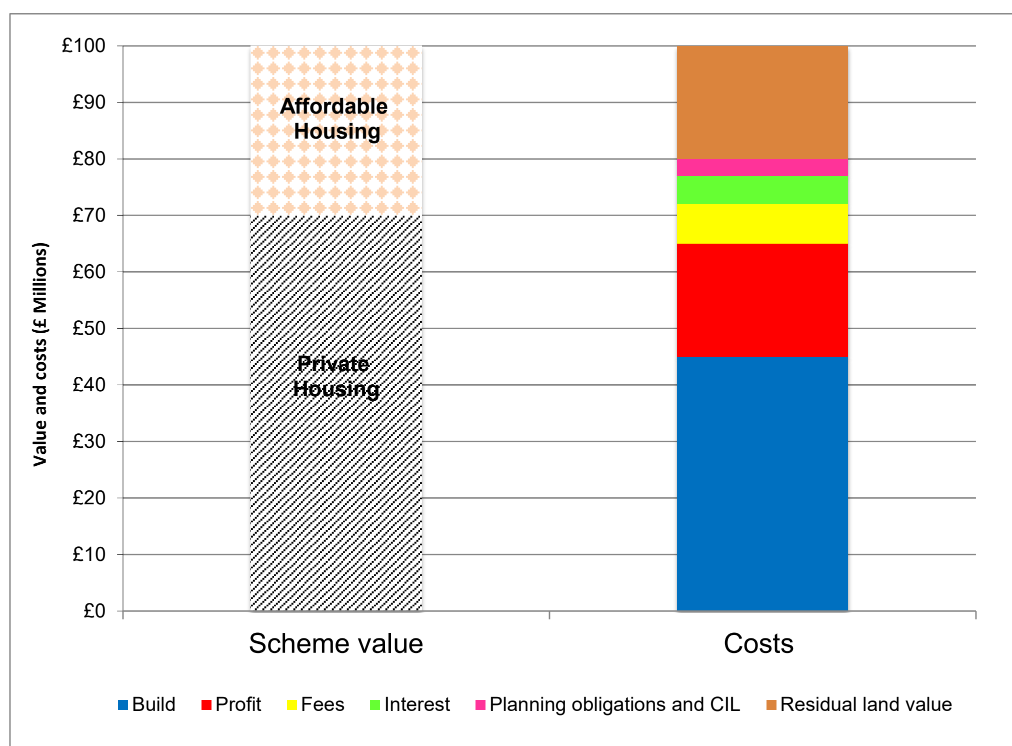
2.6 In addition, Local Plan policies P2 (Old Oak North), P9 (Channel Gate) and P10 (Scrubs Lane) also provide guidance for the development of the Site Allocations with respect to land uses, infrastructure, public realm and movement, green infrastructure and the environment, heritage and character and building heights.

3 Methodology

3.1 Our methodology follows standard development appraisal conventions, using locally-based sites and assumptions that reflect local market and planning policy circumstances. The study is therefore specific to the OPDC and tests the Development Corporation's emerging planning policy requirements alongside adopted CIL rates.

Approach to testing development viability

3.2 Appraisal models can be summarised via the following diagram. The total scheme value is calculated, as represented by the left hand bar. This includes the sales receipts from the private housing (the hatched portion) and the payment from a Registered Provider ('RP') (the chequered portion) for the completed affordable housing units. For a commercial scheme, scheme value equates to the capital value of the rental income after allowing for rent free periods and purchaser's costs. The model then deducts the build costs, fees, interest, planning obligations, CIL and developer's profit. A 'residual' amount is left after all these costs are deducted – this is the land value that the Developer would pay to the landowner. The residual land value is represented by the brown portion of the right hand bar in the diagram.



3.3 The Residual Land Value is normally a key variable in determining whether a scheme will proceed. If a proposal generates sufficient positive land value (in excess of existing use value, discussed later), it will be implemented. If not, the proposal will not go ahead, unless there are alternative funding sources to bridge the 'gap'.

3.4 Issues with establishing key appraisal variables are summarised as follows:

- Development costs are subject to national and local monitoring and can be reasonably accurately assessed in 'normal' circumstances. In the OPDC's area, most sites will be previously developed. These sites can sometimes encounter 'exceptional' costs (e.g. contamination associated with historic uses). Such costs can be very difficult to anticipate before detailed site surveys are undertaken;

- Assumptions about development phasing, phasing of Section 106 contributions and infrastructure required to facilitate each phase of the development will affect residual values. Where the delivery of a planning obligation is deferred, the lower the real cost to the applicant (and the greater the scope for increased affordable housing and other planning obligations). This is because the interest cost is reduced if the costs are incurred later in the development cashflow; and
- While Developer's Profit has to be assumed in any appraisal, its level is closely correlated with risk. The greater the risk, the higher the profit level required by lenders. While profit levels were typically up to around 15% of completed development value at the peak of the market in 2007, banks currently require schemes to show a higher profit to reflect the current risk. Typically, developers and banks are targeting around 17-20% profit on value of the private housing element.

3.5 Ultimately, the landowner will make a decision on implementing a project on the basis of return and the potential for market change, and whether alternative developments might yield a higher value. The landowner's 'bottom line' will be achieving a residual land value that sufficiently exceeds 'existing use value[1]' or another appropriate benchmark to make development worthwhile. The margin above existing use value may be considerably different on individual sites, where there might be particular reasons why the premium to the landowner should be lower or higher than other sites.

3.6 Clearly, however, landowners have expectations of the value of their land which sometimes exceed the value of the current use. Ultimately, if landowners' reasonable expectations are not met, they will not voluntarily sell their land and (unless a Local Authority is prepared to use its compulsory purchase powers) some may simply hold on to their sites, in the hope that policy may change at some future point with reduced requirements. However, the communities in which development takes place also have reasonable expectations that development will mitigate its impact, in terms of provision of community infrastructure, which will reduce land values. It is within the scope of those expectations that developers have to formulate their offers for sites. The task of formulating an offer for a site is complicated further still during buoyant land markets, where developers have to compete with other developers to secure a site, often speculating on increases in value.

Viability benchmark

3.7 Para 014 of the NPPG 2014 identifies that Land Value is central to the consideration of viability. Key issues in determining the land value are identified as follows:

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

3.8 Para 015 of the NPPG 2014 goes on to set out further detail on the idea of competitive returns. This identifies that:

"A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the landowner 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." (emphasis added)

3.9 In our experience and opinion, the "*competitive return*" is reflected in the premium over and above the existing use value.

[1] For the purposes of this report, existing use value is defined as the value of the site in its existing use, assuming that it remains in that use. We are not referring to the RICS Valuation Standards definition of 'Existing Use Value'.

3.10 The Mayor's *'Homes For Londoners Affordable Housing and Viability Supplementary Planning Guidance'* (August 2017) (the 'Mayor's SPG') focuses on decision making in development management, rather than plan making, but indicates that benchmark land values should be based on existing use value plus a premium which should be "*fully justified based on the income generating capacity of the existing use with reference to comparable evidence on rents, which excludes hope value associated with development on the site or alternative uses*".

3.11 The Local Housing Delivery Group published guidance[2] in June 2012 which provides guidance on testing viability of Local Plan policies. The guidance notes that "*consideration of an appropriate Threshold Land Value [or viability benchmark] needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy*".

3.12 In light of the weaknesses in the market value approach, the Local Housing Delivery Group guidance recommends that benchmark land value "*is based on a premium over current use values*" with the "*precise figure that should be used as an appropriate premium above current use value [being] determined locally*". The guidance considers that this approach "*is in line with reference in the NPPF to take account of a "competitive return" to a willing land owner*".

3.13 The examination on the Mayor of London's first CIL charging schedule considered the issue of an appropriate land value benchmark. The Mayor had adopted existing use value, while certain objectors suggested that 'Market Value' was a more appropriate benchmark. The Examiner concluded that:

> *"The market value approach…. while offering certainty on the price paid for a development site, suffers from being based on prices agreed in an historic policy context." (paragraph 8)* and that "*I don't believe that the EUV approach can be accurately described as fundamentally flawed or that this examination should be adjourned to allow work based on the market approach to be done*" (paragraph 9).

3.14 In his concluding remark, the Examiner points out that

> *"the price paid for development land may be reduced* [so that CIL may be accommodated]. *As with profit levels there may be cries that this is unrealistic, but **a reduction in development land value is an inherent part of the CIL concept**. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future. In any event in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges.* (paragraph 32 – emphasis added).

3.15 It is important to stress, therefore, that there is no single threshold land value at which land will come forward for development. The decision to bring land forward will depend on the type of owner and, in particular, whether the owner occupies the site or holds it as an asset; the strength of demand for the site's current use in comparison to others; how offers received compare to the owner's perception of the value of the site, which in turn is influenced by prices achieved by other sites. Given the lack of a single threshold land value, it is difficult for policy makers to determine the minimum land value that sites should achieve. This will ultimately be a matter of judgement for each planning authority.

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[2] Viability Testing Local Plans: Advice for planning practitioners, Local Housing Delivery Group, Chaired by Sir John Harman, June 2012

3.16 Respondents to consultations on planning policy documents in other authorities in London have made various references to the RICS Guidance on 'Viability in Planning' and have suggested that councils should run their analysis on market values. This would be an extremely misleading measure against which to test viability, as market values should reflect *existing policies already in place*, and would consequently tell us nothing as to how future (as yet un-adopted) policies might impact on viability. It has been widely accepted elsewhere that market values are inappropriate for testing planning policy requirements. To this end we would highlight that the 2019 PPG now recognises this issue and states in no fewer than five places that prices paid for sites should not be used as benchmark land values. It also warns that there may be a fundamental mismatch between benchmark land values and prices paid for sites, as developers will use their own 'personal' inputs to their appraisals for formulating bids for sites.

3.17 Relying upon historic transactions is a fundamentally flawed approach, as offers for these sites will have been framed in the context of current planning policy requirements, so an exercise using these transactions as a benchmark would tell the Council nothing about the potential for sites to absorb as yet unadopted policies. Various Local Plan inspectors and CIL examiners have accepted the key principle that Local Plan policies and CIL will ultimately result in a reduction in land values, so benchmarks must consider a reasonable minimum threshold which landowners will accept. For local authority areas such as Bexley, where many sites coming forward for development are previously developed, the 'bottom line' in terms of land value will be the value of the site in its existing use. This fundamental point is recognised by the RICS at paragraph 3.4.4. of their Guidance Note on 'Financial Viability in Planning":

> *"For a development to be financially viable, any uplift from current use value to residual land value that arises when planning permission is granted should be able to meet the cost of planning obligations while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project (the NPPF refers to this as 'competitive returns' respectively). The return to the landowner will be in the form of a land value in excess of current use value".*

3.18 The Guidance goes on to state that "*it would be inappropriate to assume an uplift based on set percentages … given the diversity of individual development sites*". However, the Guidance then goes on to suggest that the market should determine the uplift, which of course if flawed in a planning policy context as landowners will not voluntarily forgo land value to meet planning requirements.

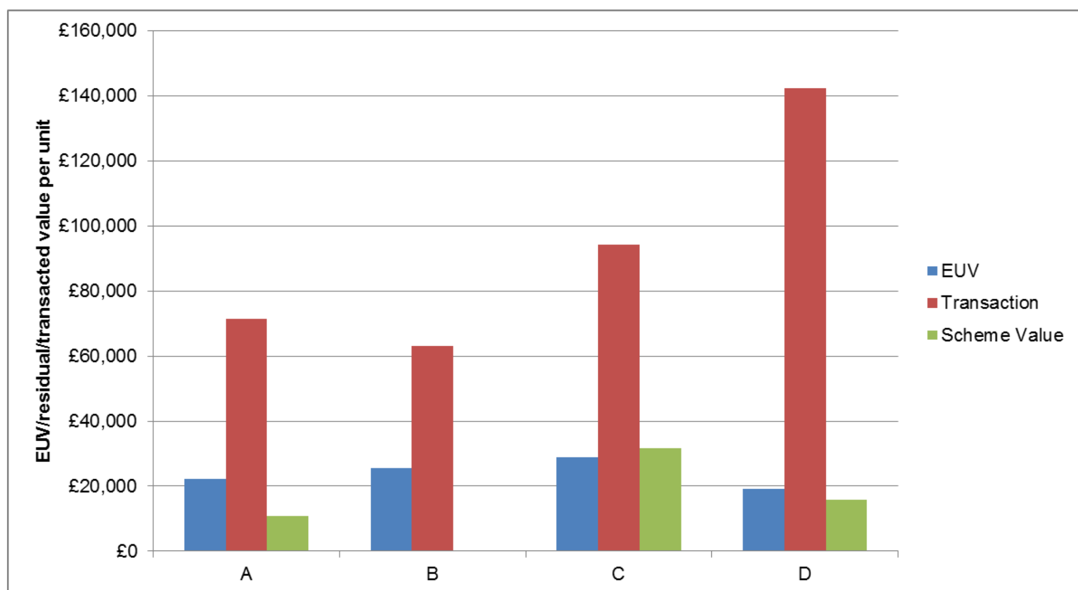
3.19 Commentators also make reference to 'market testing' of benchmark land values. This is another variant of the benchmarking advocated by respondents outlined at paragraph 3.16. These respondents advocate using benchmarks that are based on the prices that sites have been bought and sold for. There are significant weaknesses in this approach which none of the respondents who advocate this have addressed. In brief, prices paid for sites are a highly unreliable indicator of their actual value, due to the following reasons:

- Transactions are often based on bids that 'take a view' on squeezing planning policy requirements below target levels. This results in prices paid being too high to allow for policy targets to be met. If these transactions are used to 'market test' CIL rates, the outcome would be unreliable and potentially highly misleading.
- Historic transactions of housing sites are often based on the receipt of grant funding, which is no longer available in most cases.
- There would be a need to determine whether the developer who built out the comparator sites actually achieved a profit at the equivalent level to the profit adopted in the viability testing. If the developer achieved a sub-optimal level of profit, then any benchmarking using these transactions would produce unreliable and misleading results.

- Developers often build assumptions of growth in sales values into their appraisals, which provides a higher gross development value than would actually be achieved today. Given that our appraisals are based on current values, using prices paid would result in an inconsistent comparison (i.e. current values against the developer's assumed future values). Using these transactions would produce unreliable and misleading results.

3.20 These issues are evident from a BNPPRE review of evidence submitted in viability assessments where the differences between the value ascribed to developments by applicants and the amounts the sites were purchased for by the same parties. The prices paid exceeded the value of the consented schemes by between 52% and 1,300%, as shown in Figure 3.20.1. This chart compares the residual value of four central London development proposals to the sites' existing use values and the price which the developers paid to acquire the sites (all the data is on a per unit basis).

Figure 3.20.1: Comparison of residual values to existing use value and price paid for site



3.21 For the reasons set out above, the approach of using current use values is a more reliable indicator of viability than using market values or prices paid for sites, as advocated by certain observers. Our assessment follows this approach, as set out in Section 4.

4 Appraisals

4.1 Our assumptions adopted for the development appraisals are set out in the following section.

Proposed strategic development

4.2 Table 4.2.1 sets out the assumptions on development density; number of residential units and commercial floorspace in line with the requirements of the Site Allocations, which are within the parameters of the development capacities set out in the Development Capacity Study.

Table 4.2.1: Development assumptions

Site Allocation	Total Resi units	Industrial sq m GIA	Commercial (E Use Classes) sq m NIA	Social Infra-structure sq m NIA	Other GIA
2 – Cargiant	-	156,519	-	-	Ancillary – 6,486
4 – EMR (V1 – with Waste)	-	15,280	-	-	Waste Facility – 6,000 sq m building and 8,000 sq m yard
4 – EMR (V2 – without Waste)	-	21,280	-	-	-
26 – Channel Gate	3,107	-	10,729	7,659	Re-provision of bus depot (2,000 sq m on 1 Ha)
40 – North Pole East Depot South	750	-	500	-	-

4.3 In practice a developer may seek to increase density in order to enhance viability – and this would not necessarily be contrary to the MDLP. For the purposes of this assessment, however, we have taken the unit numbers set out in the MDLP as this would be the minimum that the OPDC would seek to achieve on the sites.

Unit sizes and mix

4.4 Informed by discussions with the OPDC, we have adopted the following unit mix, which allows for the OPDC's policy requirement of 25% three bed and larger units as well as allowing for the affordable rented units (Social Rent/Affordable Rent) based on that suggested by the SHMA.

4.5 The size of units adopted in the study has been informed by the minimum net internal floor areas set out in the DCLG's '*Technical Housing standards nationally described space standards*' published in March 2015, which are consistent with space standards set out in Policy 3.5 and Table 3.3 of the London Plan Consolidated with Alterations Since 2011 (March 2016) and the Intend to Publish London Plan.

Table 4.5.1: Unit mix and sizes

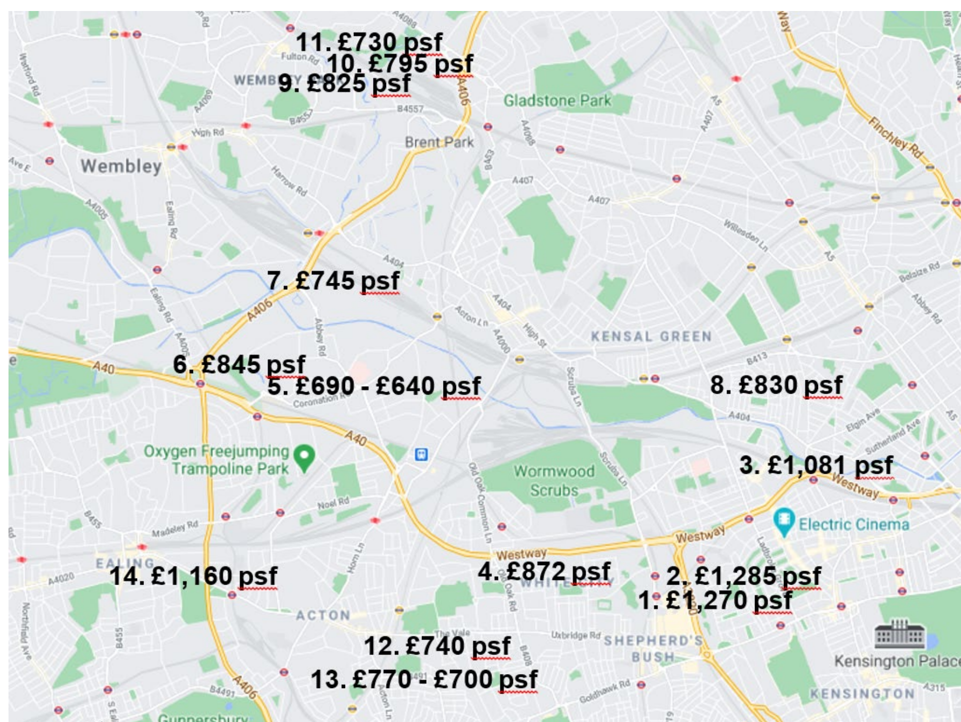
Unit type *Unit size*	1 Bed flat *50 sq m*	2 bed flat *70 sq m*	3 bed flat *86 sq m*	4 bed flat *99 sq m*
Market	50%	40%	10%	0%
Rented Affordable Housing (London Affordable Rent/Social Rent)	23%	28%	34%	15%
Intermediate (London Living Rent and Shared Ownership)	40%	40%	20%	0%

Residential sales values and growth

4.6 We have undertaken research into sales values achievable on new build developments in and around the OPDC area using a number of online database sources including Molior London, Land Registry, Rightmove and Zoopla. Given the predominantly industrial nature of the area, and the majority of new build schemes currently being built, but not yet available to the market, there is limited new build data within the OPDC area at present. Given this, we have considered evidence from new developments coming forward/delivered in the periphery of the OPDC area to identify the tone of achievable sales values for the area. This is the same approach that was taken to establish the sales values adopted in previous viability studies prepared for the OPDC. In our experience this is a common approach taken to assessing the viability of regeneration areas (such as the London Legacy Development Corporation and the Old Kent Road Opportunity Area), where by their nature there is limited or no new build sales evidence available for the area being assessed. Moreover, the significant redevelopment that is proposed to be delivered would significantly change the appeal and values achievable in the area from that of smaller scale/infill development.

4.7 Our assessment of new build sales values in and around the OPDC's area to establish the sales values achievable is summarised below.

Figure 4.7.1 Map of new build sales value evidence



Source: Map - Google Maps, Sales Values - Molior London Database

1. **The Television Centre** is a development being delivered as a joint venture between Stanhope and the BBC located within the former BBC Television Centre in White City. The development consists of 942 units of which 800 are being delivered as private units. The Television Centre benefits from close proximity of both Wood Lane and White City Underground Stations. Phase 1 includes 432 units and was fully completed at the end of February 2019, at which point 393 units had sold (91%) leaving 39 remaining unsold. As of the end of September 2020, 11 units remain to be sold, which are all large 3 beds+ ranging from 1,700 sq ft to 3,200 sq ft and from £2.5 million to £5.995 million. The second Phase of 368 private units are due to commence during 2021. We understand that the achieved sales values range from £960 per sq ft to £1,740 per sq ft with an average of £1,270 per sq. ft.
2. **White City Living:**
   - **Parent Consent + Phase 1 - Plots A1-A3** is a scheme of 412 units in three blocks. At the end of September 2020 Block A1 (Lincoln) comprising 118 units is complete and sold out. Plot A2 (Bowery) comprises 66 units is due to complete in Q1 2021 and is sold out and Block A3 (Belvedere) comprising 228 units is due to complete in Q4 2020 and sold out in Q3 2020. We understand that the achieved sales values range from £1,100 per sq ft to £1,490 per sq ft with an average of £1,285 per sq ft.
   - **Phase 3 Plots E1-E3** includes 317 units and is due to complete in Q4 2023/Q1 2024. We understand that two cores in Plot E1 (Waterside and Cassini) totalling 233 units were released in January 2020 and by the end of September 2020 132 had sold. Plots E2 and E3 comprise 102 units and 107 units respectively and have not yet been released. We understand that asking prices of a sample of the 1 and 2 bedroom units in the scheme dated June 2020 to September 2020 ranged from £1,375 per sq ft to £1,610 per sq ft.
3. **Portobello Square (Phase 2 Bond Mansions)** forms part of the Wornington Green Development being delivered by Catalyst Housing comprising 321 units of which 168 are for market sale. At present a single block of 91 units of which 31 are for market sale was completed in Q1 2020. The scheme launched in June 2019 and as at January 2021 we understand that 18 units have sold with 13 remaining. Asking prices range between £855 per sq ft and £1,235 with an average of £1,080 per sq ft.
4. **Western Circus (Homebase W3)** is a scheme of 364 units including 236 private units being delivered by Barratt. Construction commenced in Q2 2019 and is due to complete in late 2021 to early 2022. The scheme launched in September 2019 and by September 2020 146 units had sold including 26 during the last quarter (62%). Asking sales values range from £760 per sq ft to £998 per sq ft with average values of £870 per sq ft.
5. **First Central (Park Royal 2 – Regency Heights)** is a development of 807 new homes (544 private units) being delivered by Fairview and L&Q. The development was launched in June 2019 and by October 2020 150 units had sold (28%) with 47 sales in Q3 2020. Asking prices range from £565 per sq ft to £840 per sq ft with an average of £690 per sq ft. Sales prices of units sold between 13 February 2019 and 30 September 2020 range from £545 per sq ft to £755 per sq ft with an average of £640 per sq ft.
6. **Westgate House** is a Galliard Homes Development of 388 units of which 362 units are for private sale. The development commenced in Q1 2018 and is due to complete in Q4 2020. The scheme was brought to the market in mid-September 2017 and by the end of March 2018 220 units had sold. At the beginning of Q4 2020 289 units had sold with 73 remaining. We understand that the asking prices range from £653 per sq ft to £990 per sq ft with an average of £845 per sq ft.
7. **Grand Union (Northfields Industrial Estate)** is a St George development of circa 3,350 units, which commenced in circa Q2 2018.
   - **Phase 1:** comprises 400 units, of which 286 are private and at the end of September 2020 the scheme had progressed as follows:
     - Unison House delivering 45 units is due to complete in Q3 2022 and only one unit remains unsold (98% sold).

- Affinity House and Affinity Tower will deliver 241 units, due to complete from Q1 2023 to Q1 2024. 176 units have sold (73%) - we understand the majority of the 47 sales during Q3 2020 were overseas.

We understand that average asking prices range from £654 per sq ft to £995 per sq ft with an average of £745 per sq ft. We also not that some of the two bedroom units' prices were increased in Q3 2020 from those identified in Q2 2020.

8. **Kensal Rise** is a development being brought forward by Eco World London. The development is located approximately 650 metres to the south of Kensal Rise Station and comprises 71 residential units (56 flats and 15 terraced houses) all of which are private. The scheme was completed in September 2018 at which point 54 units had sold (76%) and the scheme sold out in Q2 2019. Asking prices ranged from £705 per sq ft to £990 per sq ft, generating an average of £850 per sq ft. We understand that achieved values of the flats range between £670 per sq ft and £1,015 per sq ft with an average of circa £810 per sq ft.
9. **North West Village - NW06 Alto** is a phase of the Wembley Park development being delivered by Quintain located to the north west of Wembley Stadium. The phase is made up of 370 units (of which 339 are private) arranged in a 1 to 20-storey tower and completed in Q4 2017 at which point only 16 units remained unsold and it sold out in Q3 2018. We understand that 120 of the units have been retained by Quintain as rental units. Quintain have retained a large number of units within the masterplan area for rent. The average sales values in the scheme are identified as being £825 per sq ft.
10. **No. 10 Watkin Road** is a 229 unit scheme being delivered by Barratt of which 159 units are to be for private market sale. Construction commenced in Q2 2019 with completions anticipated to run between March 2022 to June 2022. We understand that by the end of September 2020 26 units have sold (17%) with average asking prices ranging from £640 per sq ft to £930 per sq ft with an average of £795 per sq ft.
11. **Wembley Parade (Amex House)** is being delivered by Anthology and completed in Q1 2020. The development comprises 195 units in a one 4 to 8 storey building and one 13-storey building. At the end of September 2020 85 of the 116 private units (73%) have sold with average asking prices ranging from £575 per sq ft to £1,000 per sq ft, generating an average of £715 per sq ft. Achieved sales values on six of the units sold in 2020 range from £620 per sq ft to £900 per sq ft with an average of £730 per sq ft.
12. **Acton Town Hall** is a development by One Housing Group of 71 units with 57 private sale units. Construction commenced in Q2 2016 and completed in Q1 2019. The scheme was launched in April 2018 and as at the end of September 2020 one unit remained unsold. Asking prices ranged between £885 per sq ft and £670 per sq ft and an average of £760 per sq ft. We understand that achieved values range from £635 per sq ft to £935 per sq ft with an average of circa £740 per sq ft.
13. **Acton Gardens** is a development brought forward by Countryside Properties and London and Quadrant located off Bollo Lane.
    - **Phase 5 (West Park Gate)** comprises 271 units of which 142 are private and sold out at the end of Q3 2018. Of the private units 76 units were sold to London & Quandrant's PRS arm for the rental market. Asking prices ranged from £595 per sq ft to £840 per sq ft, generating an average of £720 per sq ft. We understand that achieved values of the flats range from £565 per sq ft to £820 per sq ft with an average of circa £710 per sq ft.
    - **Phase 9.1 (Lindley)** commenced development in Q3 2018 and consists of 68 units of which 37 are for private sale. The phase sold out in Q3 2020, having completed during Q4 2019. Asking prices ranged from £675 per sq ft to £810 per sq ft generating an average of £760 per sq ft. We understand that achieved values of the flats range from £675 per sq ft to £910 per sq ft with an average of circa £770 per sq ft.

- **Phase 6.1 (Central Square)** comprises 76 units which completed during Q4 2018 and sold out in Q3 2019. Phase 6.2 (Hawthorn) comprises 94 units and 20 units are complete and the remainder will now follow through to the end of 2020. 40 units are being delivered for BTR and 46 more have sold leaving eight remaining. Asking prices range from £570 per sq ft to £800 per sq ft with an average of £700 per sq ft.
- **Phase 7.1 (Boreal)** comprises 142 private units and construction completed during Q3 2020 and five units now remain unsold (96% sold). Asking prices ranged from £585 per sq ft to £805 per sq ft generating an average of £700 per sq ft. We understand that achieved values of the flats range from £565 per sq ft to £820 per sq ft with an average of circa £690 per sq ft.

14. **Dickens Yard** is a development by St. George located in Ealing Town Centre. Dickens Yard comprises 698 units of which 547 are private. The last block completed in Q4 2018 and sold out in Q2 2019. We understand that sales values of units in the scheme have averaged around £1,160 per sq ft since March 2018.

4.8 The Channel Gate Site is situated on a large tract of land at a key juncture west of Willesden Junction, south of Harlesden, and east of the Park Royal industrial estate. The site sits adjacent to the key Victoria Road, Old Oak Lane and Old Oak Common Lane axis, which links areas to the North and South, while the Grand Union Canal, which runs directly through the Site, provides linkages to the East and West. The Site is located within a network of places/neighbourhoods (both within the OPDC and surrounding areas) currently experiencing or set to experience, significant transformation through redevelopment and new infrastructure. Significant enhancements are proposed for Harlesden Town Centre and Willesden Junction station to ensure the station better serves local communities. To the South of the site, North Acton is already experiencing significant change with a new local centre emerging and large numbers of new homes being delivered.

4.9 The Channel Gate Site already benefits from good current transport connections, including the Overground and Underground train facilities offered at Willesden Junction. Crossrail (The Elizabeth Line) and the new HS2 Station at Old Oak Common Station located to the south of the Channel Gate Site, are estimated to be delivered between 2028 and 2032. These services will be a significant catalyst for regeneration in the area, supporting the delivery of a new, high density, mixed use district in London.

4.10 The new Channel Gate Development Framework Principles document (‘the DFP’) sets out a clear series of principles for the future development of Channel Gate place, and the key role development will play in supporting the overall regeneration of the wider OPDC area. The DFP identifies that change is already occurring in the local area with a number of developments having completed or being nearly complete. The Collective, a co-living development and the first example of this Build to Rent model concept in the UK, with accommodation for over 500 residents is located to the south east of Channel Gate and was completed and opened in May 2016. Oaklands is a development of 605 new homes on a 1.5 Ha site to the south east of the Channel Gate Site. 40% of the units in this scheme are being delivered as affordable housing whilst the 363 private units are being delivered as built to rent. The development is nearing completion, which is proposed to be phased from April to June 2021.

4.11 The scale and opportunity presented by the Channel Gate Site is likely to attract and secure a developer with an understanding and appreciation of the opportunities and benefits of placemaking associated with such developments. They understand that this multifaceted approach to creating a vibrant location where people want to live, work and visit is an investment that will deliver a number of benefits. Firstly, good placemaking that is creative, well thought out and executed creates energetic, successful neighbourhoods that are attractive to live and work in. In turn this may result in faster absorption rates, higher achievable sales values/rents and lower vacancy rates. Placemaking is therefore valued as an investment that may generate significant returns as opposed to just being an expense.

4.12 The North Pole East Depot South Site forms the Southern part of the Scrubs Lane regeneration area in the OPDC supported by the Scrubs Land Development Framework ('SLPF'), which sets out the vision and principles for the redevelopment of the area. Scrubs Lane is identified as a hinge area between a series of surrounding neighbourhoods that are undergoing significant change and growth.

4.13 The SLPF provides a summary and diagram of these surrounding neighbourhoods in the context of Scrubs Lane. It identifies that to *"the north of the Scrubs Lane regeneration area is Harlesden Town Centre and Willesden Junction station where significant enhancements are proposed to ensure the station better serves local communities. To its west is Old Oak North which will undergo significant redevelopment and industrial intensification during the lifetime of OPDC's Local Plan and will be supported by active ancillary uses, new open spaces and connections. Old Oak Common station will also be within a short walking distance of Scrubs Lane, accessed via a new pedestrian and cycle link from the Grand Union Canal. To its south is White City Opportunity Area which has already seen significant housing and employment delivery, with further growth planned. Finally, directly to its east is the Kensal Canalside Opportunity Area where an additional 3,500 homes and series of canalside spaces are planned".*

4.14 The Scrubs Lane regeneration area is an important "hinge" with the ability to deliver enhanced connections and active uses which tie together these surrounding neighbourhoods as well as deliver a high quality place which makes a significant contribution to local homes and jobs provision in its own right. See Figure 4.14.1 below, which provides a diagram of the wider area below.

4.15 In particular we note that the North Pole East Depot site sits directly at one of these connections, linking to the Kensal Canalside Opportunity Area where at least 3,500 new homes and town centre uses including 2,000 new jobs will be delivered.

4.16 We further note that two significant developments in the Scrubs Lane area have already secured consent at Mitre Yard (104-108 Scrubs Lane) and North Kensington Gate (115-129A Scrubs Lane) delivering 241 (build to rent) and 208 (sale) residential units along with ground floor commercial uses. We note that the schemes achieved 35% and 30% affordable housing by habitable room respectively. The North Pole East Site will benefit from the earlier delivery of the Mitre Yard and North Kensington Gate schemes.

4.17 The North Pole East site also benefits from the amenity space offered by the Little Wormwood Scrubs recreation ground as well as the ability to integrate into the already established residential neighbourhood of Ladbroke Grove, located to the east of the Site. This is in addition to the integration with the new Kensal Canalside Opportunity Area neighbourhood. Based on our research we understand that values of current newbuild developments in this location (such as Portobello Square) are between £850 and £1,235 with an average of £1,080.

4.18 Taking all of the above into consideration, the developments proposed on the Site Allocations would achieve average current sales values of between £750 per sq ft and £850 per sq ft. We consider it very likely that the schemes would achieve values towards the higher end of this range given the delivery of a high quality public realm and finish of the units and facilities offered in the developments, as well as the access to amenities, excellent transport links and integration into established neighbourhoods and wider regeneration areas and facilities.

Figure 4.14.1 Existing and emerging destinations around Scrubs Lane

Source: Scrubs Lane Planning Framework 2021

4.19 Given that the Site Allocations are identified as coming forward over a significant period of time from year six in the MDLP period (2023), we have allowed for growth in sales values. In order to establish appropriate growth factors, we have had regard to the range of sales value forecasts published by a number of property consultancy companies including Savills, Knight Frank and JLL as set out in Table 4.19.1 below. These forecasts identify sales value growth up to 2024.

Table 4.19.1 Residential growth forecasts

Consultant	2021	2022	2023	2024	Cumulative Growth to 2024
Savills - London (30 Sep 2020)	0.00%	1.00%	4.00%	2.00%	7.14%
Knight Frank - prime Outer London - (7 Sep 2020)	5.00%	4.00%	4.00%	4.00%	18.11%
JLL - Greater London (Nov 2020)	2.50%	4.50%	4.50%	3.50%	15.85%
Average	**2.50%**	**3.17%**	**4.17%**	**3.17%**	**13.64%**

4.20 From 2025 onwards we have allowed for longer term residential value growth at 3% per annum, which remains within the parameters of the Oxford Economics' 20 year forecasts for UK household disposable income cumulative annual growth. We consider that this to be a reasonable - if cautious - approach to future growth as we are aware that historic growth trends (as can be determined by analysing Nationwide or the Land Registry databases on house prices) show a higher average per annum level of growth. However higher base growth per annum will depend on a number of influencing factors which are difficult to predict at this point in time.

4.21 In addition to standard residential value growth, the Site Allocations will benefit from the significant and transformational regeneration of the area. This placemaking, enhancement of the public realm, local amenities and the investment into the delivery of infrastructure to be delivered in the wider area, including transport infrastructure, such as HS2 and Crossrail, will make the area a more desirable place to live.

4.22 There is a significant amount of published research detailing the benefits of regeneration projects, such as placemaking and improved transport links, on property values. In particular, we note that CBRE published research reports on regeneration premiums in 2016 and 2019. CBRE identify that regeneration projects range from the rejuvenation of existing areas, such as London's Southbank, to the creation of completely new neighbourhoods, such as the Olympic Park in Stratford, Greenwich Peninsula and Kings Cross. Research into regeneration uplifts has identified that key drivers of additional growth in values over and above standard annual housing growth in regeneration areas include the scale of change in the quality and nature of the area as well as in transport connectivity. We consider all of these factors to apply to the delivery of the redevelopment of the Site Allocations given the scale of change envisaged in OPDC's area and the transport infrastructure improvements. On this basis there is high potential for significant change.

4.23 The 2016 CBRE report entitled 'The regeneration effect'[3] was informed by a study assessing seven regeneration schemes in London (Paddington Basin, Riverside Quarter, Stratford, Southbank, N1 Islington, North Greenwich and Woodberry Park). This found that on average, regeneration zones experienced annual property price growth of between 2.1% and 8.5% per annum with an average of 4.7% per annum above and beyond wider house price growth. This estimate was determined by examining house price growth in each of the seven regeneration areas to quantify whether growth in such locations could be analysed to determine the uplift attributable to regeneration versus general housing price growth. In November 2019 CBRE published an updated version of this research entitled, "Regeneration: transforming London's landscape"[4]. This report examined eleven regeneration areas in London (Colindale/ Burnt Oak, Elephant and Castle, Greenwich

[3] CBRE – The Regeneration Effect (2016) - https://www.cbreresidential.com/uk/sites/uk-residential/files/The%20Regeneration%20Effect.pdf
[4] CBRE – Regeneration Premium Report (2019) - https://www.cbreresidential.com/uk/en-GB/content/regeneration-transforming-londons-landscape

Peninsular, King's Cross, Nine Elms, Paddington, Royal Arsenal, South Bank, Stratford, Wembley and Woodberry Down). The study identified that the average premium over and above the wider growth was 3.6% per annum (based on a range of 1.5% to 7.6% per annum) from the point of realisation.

4.24 Given the scale of placemaking and infrastructure delivery planned for the OPDC area and wider surrounding area, we consider that the area's regeneration is most comparable to that of the Greenwich Peninsula and Stratford City schemes identified in the CBRE study. With the degree of change delivered, these areas achieved some of the highest additional growth, which is attributed to regeneration factors of 3.5% per annum and 5% per annum respectively in the 2019 report. We understand that the data collected reflects the growth experienced over circa 6 years.

4.25 Notwithstanding this, we note that in the Inspector's Interim Findings Report he identified that he considered a regeneration premium of 2% per annum to be a reasonable assumption over and above the standard growth. Given this, we have adopted a 'regeneration factor' of 2% per annum over and above the standard house price growth assumptions set out in Table 4.16.1 above, which we consider to be a cautious assumption given the scale of change to be delivered and the consideration of the evidence of growth premiums for such developments where the average is 3.6%. The 2% allowance has been applied for a six year period from 2025 up to 2030. This reflects the delivery of placemaking and infrastructure, particularly the Old Oak Common Station (planned for delivery between 2028 and 2032) and the wider regeneration of the area including the Kensal Canalside Opportunity Area identified in Figure 4.14.1 above. A regeneration factor could potentially be applied beyond the six year period given the scale of regeneration envisaged but we have not factored this in at this stage.

Residential sales rate

4.26 The MDLP expects the residential units to come forward between years 6 – 21+ of the plan. Given the number of units to be delivered on the Site Allocations, we have assumed that there will be two sales outlets per site. We have allowed for off plan sales of 35%, which is in line with what other schemes are achieving in London. We have then allowed for a sales rate of circa 6 units for each of two sales outlets per month from practical completion. We consider this to be a reasonably conservative assumption; we are aware that some schemes in London have managed to achieve in excess of 60% off plan sales.

Affordable housing, tenure and values

4.27 In his 2018 London Housing Strategy (document OSD23), the Mayor of London expects the GLA's functional bodies, including OPDC, to target an average of 50% affordable housing across the portfolio of new sites they bring forward. The subsequent Publication London Plan Policy H4 strategic target is for 50% of all new homes delivered across London to be affordable by requiring major developments which trigger affordable housing requirements to provide affordable housing through the threshold approach. Given the strategic direction to functional bodies in the Mayor's London Housing Strategy and the threshold requirements in the Publication London Plan, the OPDC has accordingly developed Policy H2 to achieve general conformity under 2 section 24 (1)(b) of the Planning and Compulsory Purchase Act 2004.

4.28 OPDC's Policy H2 sets a strategic target of 50% affordable housing and the application of the Mayor of London's threshold approach to viability. On privately owned sites, land acquired in the public interest for the purposes of redevelopment less than five years prior to the submission of the relevant planning application and where a site is being master-planned across a wider area to ensure no net loss of industrial floorspace capacity the 35% affordable housing threshold applies. Policy H2 also sets out that affordable housing grant can be used to increase affordable housing beyond the minimum viable. Policy H2 seeks the provision of 30% of affordable housing as London Affordable Rent and 70% as a range of Intermediate housing including London Living Rent ('LLR') and London Shared Ownership ('SO'). We note however, that the GLA's Homes for Londoners: Affordable Homes

Programme 2021-2026 Funding Guidance published in November 2020 clearly identifies that the programme will focus on homes that are genuinely affordable. The guidance indicates that the three affordable housing products that funding will be allocated for will be Social Rent (‘SR’), LLR and SO.

4.29 Our appraisals therefore test 30% rented affordable housing as SR along with 70% intermediate affordable housing at a range of affordable housing percentages between 0% and 50%.

4.30 We have used our bespoke model to value the rented affordable housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures in OPDC’s area over a period of circa 35 years which capitalises the net rental income stream. With respect to the SR accommodation the model calculates the gross rent for these properties derived from a combination of relative property values (as at January 1999) and relative local earnings. The net rent is calculated by taking into account factors such as: standard levels for individual registered providers (RP’s) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt.

4.31 RPs are permitted to increase rents by CPI plus 1% per annum which we have reflected in our assessment.

4.32 With respect to the 70% intermediate units we have undertaken our appraisals testing 30% LLR and 70% SO units.

4.33 For shared ownership units, we have assumed that RPs will sell 25% initial equity stakes and charge a maximum rent of 2.75% on the retained equity, where the units would be affordable to a range of household incomes up to a maximum of £90,000. The rent on retained equity is capitalised using a yield of 5%.

4.34 In line with the GLA’s published maximum rents for LLR we have adopted the following 2020-2021 rents:

Table 4.34.1 LLR rents adopted in study

Type of unit	Rent per week 2020-2021 based on College Park and Old Oak Ward (Channel Gate)	Rent per week 2020-2021 based on College Park and Old Oak Ward (North Pole East Deport South)
1 bed	£208.74	£222.78
2 Bed	£231.93	£247.54
3 bed	£255.13	£272.29
4 Bed	£278.32	£297.04

4.35 The Mayor has secured £4 billion from central Government to deliver affordable homes in London under the new “*Homes for Londoners: Affordable Homes Programme 2021-2026*”. This funding is expected to support starts on site between 2021 and 2026, with completions by 2028 for most projects and some strategic sites completing in 2029. The Mayor will use this programme to maximise the number of new homes in London and is eager to ensure funding results in net additionality.

4.36 The Mayor has indicated that he is committed to delivering homes that are tailored to the varying needs of Londoners. The Mayor will primarily allocate funding through the Affordable Homes Programme 2021-2026 for three affordable housing products, which are:

- Social Rent;
- London Living Rent; and
- Shared Ownership.

4.37 In the 2021-2026 Programme Guidance, the GLA is introducing negotiated grant rates for all projects under this programme rather than a fixed tariff rate. Bids for funding will be assessed for value for money and competitiveness to ensure that they deliver additional affordable homes over and above the homes that would be delivered through the planning system. Bids will be assessed to ensure that they meet the Mayor's overall affordable housing and opportunity area growth objectives. The fixed tariff grant rates (£60,000 for London Affordable Rent and £28,000 for London Living Rent and Shared Ownership) will still be available to investment partners bidding and delivering homes under the Affordable Homes Programme 2016-2023.

4.38 We understand that OPDC is committed to delivering the maximum quantum of affordable housing and is pursuing a number of options to negotiate and secure grant and or additional funding for affordable housing on the Strategic Sites. As one of London's largest opportunity areas with the capacity to deliver 25,500 new homes the OPDC considers that it will be able to demonstrate a strong strategic case for funding to increase the delivery of the Mayor's priority affordable housing tenures. Accordingly, we have undertaken further testing of the Strategic Sites allowing for such funding to understand the impact it would have on the delivery of affordable housing.

4.39 We have therefore tested the following grant scenarios:

- Fixed tariff grant rates (£60,000 for London Affordable Rent and £28,000 for London Living Rent and Shared Ownership). This has been applied to the additional affordable housing units above what is viable without grant.
- £100,000 blended grant rate on additional affordable housing on the basis that a funding settlement would be negotiated with differential rates for the different tenures according to the subsidy required. This has been applied to the additional affordable housing units above what is viable without grant.

4.40 The new Homes for Londoners: Affordable Homes Programme 2021-2026 is currently aimed at funding additional affordable housing units. However, an alternative approach could be to fund all affordable housing units which could also increase the quantum of affordable housing in the strategic sites.

Commercial/Industrial revenue assumptions

4.41 We have undertaken research to understand the rents and yields achievable on new build commercial floorspace in schemes in the OPDC area using online database sources such as EGi and Costar Suite and published research papers and discussions with several active local agents including BNPPRE's Industrial Agency and Investment team, CBRE, Colliers, Doherty Baines, Grant Mills Wood as well as considering the units available for lease and research reports on these agents' websites. A key issue identified by our research and highlighted by the agents is that there is little to no new build space available, only refurbished space in the OPDC's area and as a consequence, new space is likely to achieve a premium over existing space. Based on our research we have adopted the inputs set out in Table 4.41.1 for the non-residential uses in our appraisals.

Table 4.41.1: Commercial revenue adopted in appraisals

Site	Use	Rent (£ / sq ft)	Yield	Rent Free/Void
2 – Cargiant	Mix of Large, Medium and Small Industrial units	Large £18.50 Medium £22.50 Small £26.00 **Ave adopted - £21.33**	4.00% 4.25% 4.25%	1.25 years 1.25 years 1.25 years
	Ancillary	£25.00	6.50%	1.50 years
4 – EMR (V1 – with Waste)	Medium Industrial Waste building Waste Yard	£22.50 £16.00 £5.00	4.25% 4.25% 6.50%	1.25 years 0.50 years 0.50 years

Site	Use	Rent (£ / sq ft)	Yield	Rent Free/Void
4 – EMR (V2 – without Waste)	Medium Industrial	£22.50	4.25%	1.25 years
26 – Channel Gate	Class E Uses Social Infrastructure Bus Garage building Bus Garage Yard	£25.00 £30.00 £12.00 £5.00	6.50% 5.50% 6.25% 6.50%	1.50 years 1.50 years N/A N/A
40 – North Pole East Depot South	Retail / leisure	£25.00	6.50%	1.50 years

Build costs and inflation

4.42 The OPDC commissioned cost consultants CDM Project Services ('CDM') to provide advice in relation to the build costs for the development of the Site Allocations, as well as the likely extra over costs above the base build costs associated with OPDC's policy requirements. See Appendix 1 for a copy of CDM's advice. We have adopted CDM's costs in our appraisals and as summarised in Table 4.42.1 below.

Table 4.42.1 Base Build costs and external allowance adopted in study

Item	Base Build cost per sq m GIA
New Build Industrial / Warehouse	
Large multi-storey	£1,650
Medium multi storey	£1,750
Small multi storey	£1,950
Ancillary space part of industrial	£1,900
External works Industrial	
External works industrial-external area	£600
Undercroft parking area	£700
Multi-level service yards area	£950
External services - GIA industrial	£30
New Build Residential Building 300- 350 dph	
Private	£3,000
Affordable	£2,800
Ancillary/Retail and leisure/Social infrastructure	£1,900
Class E (commercial space)	£2,100
External works Residential	
External works residential-external area	£800
Amenity space, courtyards area	£900
External services	£7,500 per unit

4.43 In addition to the base build costs outlined above we have also allowed for a contingency of 5% of base build costs.

4.44 We have assumed a gross to net ratio of 75% for the residential uses and 85% for non-residential uses, which in our experience are reasonable if conservative assumptions.

4.45 CDM have advised that an allowance of £130 per sq m should be adopted for the demolition of existing floorspace and £30 per sq m for the breaking up of the existing external slabs etc.

4.46 Based on their benchmarks, CDM have advised the cost of wheelchair accessible homes will incur an additional cost of circa £5,000 per unit.

4.47 CDM have also advised that the base build costs they have advised above assume that a majority of the present policy requirement carbon reduction would be achieved on site and that a proportion will be achieved by a carbon offset contribution payment. Their assessment is based on the current approach and carbon rates. Having considered the recent *'Towards Net Zero Carbon, Achieving Greater Reductions on Site'* report dated May 2020 and carbon offset payments for the recent projects CDM have benchmarked we consider an additional allowance of 1.25% should be added to the base build cost.

4.48 With respect to Policy EU9's support for non-residential developments achieving BREEAM Excellent rating, CDM consider that an additional 1% allowance on top of base build costs should be included based on the 2014 BRE / Sweet Group study. We have allowed for this cost in our testing of the commercial floorspace.

4.49 Given that we have allowed for growth in sales values we have accordingly allowed for inflation in build costs. In order to establish appropriate inflation factors, we have had regard to the range of build cost inflation forecasts published by a number of cost consultancy companies as set out in Table 4.49.1 below. These forecasts identify build costs inflation up to 2025.

Table 4.49.1 Build costs inflation forecasts

Consultant	2021	2022	2023	2024
BCIS	2.45%	3.60%	4.00%	3.88%
Gardiner & Theobald	-1.00%	1.00%	1.50%	2.00%
Arcadis	1.00%	3.00%	5.00%	5.00%
Faithful & Gould	-0.50%	1.00%	1.00%	-
WT Partnership	1.50%	3.00%	3.50%	-
MACE	-2.00%	0.50%	1.00%	2.00%
AECOM	1.50%	2.50%	2.75%	-
Average	**0.50%**	**2.00%**	**2.75%**	**3.25%**

4.50 From 2025 onwards CDM have advised that an allowance of 3.5% per annum would be an appropriate assumption for long term build cost inflation, which we have adopted in our appraisal.

Professional fees

4.51 In addition to base build costs, schemes will incur professional fees covering design, valuation highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate an allowance of 10% professional fees, which is the typical rate applied in viability assessments and on this basis we consider this to be a reasonable assumption for schemes in OPDC's area.

Development finance

4.52 Our appraisals assume that development finance can be secured at a rate of 6.5%, inclusive of arrangement and exit fees, which is reflective of current funding conditions.

Marketing and disposal costs

4.53 In our assessment of the residential units we have incorporated an allowance of 3% of the market units' GDV for marketing costs, which includes show homes and agents' fees, plus a further 0.5% on the GDV of all units for legal fees in our appraisals.

4.54 In our assessment of the commercial units we have incorporated the following marketing and disposal costs:

- Letting agent's fee of 10% of annual rent;

- Letting legal fee 5% of annual rent;
- Sales agent's fee of 1% of capital value;
- Legal fees of 0.5% of capital value;
- Purchaser costs of 6.8% of capital values (for stamp duty, agent and legal fees);

CIL

4.55 As set out in section 2 above, OPDC published its PDCS in October 2016. We have allowed for OPDC's proposed CIL charges in our appraisals, as set out in Table 4.55.1 below.

Table 4.55.1: CIL rates in the published PDCS and rates adopted in appraisal

Development / Land use type	Rate per Sq m
Residential (other than student housing and retirement housing (2))	£175
Retail foodstore >280 sq. m (3)	£125
All other retail	£50
Offices	£70

2. As defined by the London Mayor's Housing SPG

3. This includes non-food floorspace within the unit

4.56 We have adopted a cautious position of £125 per sq m on all retail/leisure and ancillary space as not all retail floorspace will be provided as foodstores over 280 sq m. For social infrastructure floorspace we have adopted £70 per sq m. We have also not accounted for any deductions to the chargeable floorspace for existing floorspace that has been lawfully occupied for six months in the last three years on the sites, which if allowed for would reduce the CIL charge.

4.57 In addition to OPDC's CIL, we have also included Mayoral CIL2, which came into effect on 1 April 2019. OPDC is identified within CIL Zone 2 for which a charge of £60 per sq m (before indexation) is levied on all development except health and education floorspace. We have included indexation as per the requirements of Regulation 40 adopting the Royal Institution of Chartered Surveyors (RICS) CIL Index for 2021 of 333 as published in October 2020. This is measured against the BCIS Index applicable for the year the MCIL2 charging schedule took effect, which is 336.

4.58 No further financial contributions towards infrastructure have been allowed for in the appraisals. This is on the basis that development specific section 106 contributions will be sought on a case by case basis and their impact on viability will need to be considered alongside affordable housing provision at the development management stage. The MDLP acknowledges at Policy H2 and paragraph 8.19, which set out a 50% affordable housing target "subject to viability".

4.59 The OPDC has identified that it does not expect the Site Allocations will bear the full burden of the infrastructure provision required and that as a Mayoral Development Corporation it has and will continue to seek alternative funding mechanisms to deliver the infrastructure required to enable the delivery of such wholescale transformational regeneration in their area. The approach towards this has been outlined with OPDC's updated Infrastructure Delivery Plan (IDP).

Developer's profit

4.60 Developer's profit is closely correlated with the perceived risk of development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. In 2007, profit levels were at around 13-15% of GDV. However, following the impact of the credit crunch and the collapse in interbank lending and the various government bailouts of the banking sector, profit margins have increased. It is

important to emphasise that the level of minimum profit is not necessarily determined by developers (although they will have their own view and the Boards of the major housebuilders will set targets for minimum profit).

4.61 The views of the banks which fund development are important; if the banks decline an application by a developer to borrow to fund a development, it is very unlikely to proceed, as most developers rarely carry sufficient cash to fund it themselves. Consequently, future movements in profit levels will be significantly influenced by the attitudes of the banks towards development proposals.

4.62 The near collapse of the global banking system in the final quarter of 2008 resulted in a much tighter regulatory system, with UK banks having to take a much more cautious approach to all lending. In this context, and against the backdrop of the sovereign debt crisis in the Eurozone, the banks were for a time reluctant to allow profit levels to decrease. Perceived risk in the in the UK housing market has been receding with a range of developer profit of between 17% to 20% being seen on developments across London, and a significant number of schemes we have been involved in in 2020 adopting profit levels of 17.5%. Given the recent deal reached for the UK's exit from its membership from the EU, and the approval of two coronavirus vaccinations and the roll-out of the mass vaccination, confidence is likely to increase over the coming months.

4.63 We have therefore adopted a profit margin of 18% of private GDV for testing purposes, although individual schemes may require lower or higher profits, depending on site specific circumstances.

4.64 Our assumed return on the affordable housing is 6%. A lower return on the affordable housing is appropriate as there is very limited sales risk on these units for the developer; there is often a pre-sale of the units to an RP prior to commencement. Any risk associated with take up of intermediate housing is borne by the acquiring RP, not by the developer. A reduced profit level on the affordable housing reflects the GLA 'Development Control Toolkit' guidance (February 2014) and HCA's guidelines in its Development Appraisal Tool (August 2013).

4.65 For the commercial elements in the scheme we have allowed for a profit level of 20% on cost, broadly equivalent to 15% of GDV, which is in line with average market assumptions for appraisals of this type. This reflects the upper end of the range of profit applied to commercial floorspace.

Benchmark land values

4.66 OPDC has confirmed the existing uses and floor areas, where applicable, on each of the Strategic Sites. We have used this information to undertake an assessment of appropriate viability benchmark land values ('BLVs') for the Strategic Sites in order to determine the viability of the proposed development allocation. We set out details of the existing uses and our assumptions as to their value in Table 4.66.1 below, which we have adopted as the viability BLVs in this assessment.

Table 4.66.1 Existing Uses and BLVs

Site	Existing Use Value (£ millions)	Basis of BLV
2 – Cargiant	£161.066	We have maintained the approach to determining the "existing use" BLV for this site as established in the 2019 assessment of the Cargiant Strategic Site based on the following: ▪ Assessing the value of the investment properties within Site Allocation 2 i.e. those let out to third parties by Cargiant. CBRE identified the existing use value of the Gateway Trading Estate, Hythe Road to be £23.075 million. We have allowed for a 20% premium on this value. All

Site	Existing Use Value (£ millions)	Basis of BLV
		of the other investment sites previously identified are not located within the MDLP Site Allocation 2 boundary, so have been excluded. ▪ For the remaining owner occupied/operational properties, it was considered by CBRE that while there are a range of serviceable and diverse industrial accommodation, they viewed them as a comprehensive industrial/warehousing redevelopment opportunity and a general industrial/warehouse residual analysis was prepared to understand the alternative use value ('AUV') of the site. We did not allow for a premium to this AUV, as we considered this to be double counting, as confirmed by the updated 2019 National Planning Guidance. We have reviewed our 2019 assessment of the AUV for the occupied/operational land and made a number of amendments to our assumptions based on the updated market inputs established for the proposed developments in this study. For consistency of approach and assumptions, we have amended the following within our updated 2020 appraisal of the operational land AUV: i. Increased rents as appropriate to £26 per sq ft and £22.50 per sq ft for small and medium sized industrial units respectively. ii. Reduced yield to 4.25% iii. Increased build costs in line with CDM's advice for the multi-level accommodation to £148.69 per sq ft and included costs for the multi-level yards required to service this accommodation. iv. Increased demolition costs of £130 per sq ft for buildings and £30 per sq ft for hardstanding in line with CDM's advice. These amendments produce an updated residual land value of £136.863 million for the larger 12.95 Ha site (£10.565 million per Ha). We have identified that the owner occupied/operational land area for Site Allocation 2 in the MDLP is 12.62 Ha. Apportioning the AUV value to the smaller site area generates a BLV of £133.376 million.
4 – EMR	£38.578	▪ 2,629 sq m existing Waste management and recycling buildings. Rent of £12 per sq ft capitalised at a yield of 6.25% and allowing for a 20% premium; and ▪ 3.4471 Ha of remaining land is cleared, so has been valued as open storage land. Rent of £5 per sq ft capitalised at 6.5% yield and allowing for a 20% premium; and
26 – Channel Gate	£92.845	▪ 8.98 Ha of cleared land valued as open storage land. Rent of £5 per sq ft capitalised at 6.5% yield and allowing for a 20% premium; and ▪ Bus Garage building of 2,000 sq m. Rent of £12 per sq ft capitalised at a yield of 6.25% and allowing for a 20% premium. A further 4,700 sq m of hard surfaced fenced land (as identified in the VOA Rating Valuation) has been valued based on the open storage land assumptions as set out above.
40 – North Pole East Depot South	£30.343	10,487 sq m depot building valued at a rent of £14 per sq ft and capitalised at a yield of 6.25% and allowing for a 20% premium

5 Appraisal results and analysis

Appraisal outputs

5.1 The full outputs from our appraisals are attached at **Appendices 2 to 5**. The results are presented as a matrix. As one moves down the matrix, the percentage of affordable housing increases, whilst moving from left to right along the table tests different value and grant scenarios or profit assumptions as shown in the example in Table 5.1.1 below. With respect to the industrial intensification Strategic Sites there is only one grey results box shown for the residual value given there is no affordable housing sensitivity testing required for these schemes.

Table 5.1.1 Example table of cumulative impact of costs on residual land value

Residual Land Values

Grant Assumption:	No Grant

AH proportion	£750psf starting values	£800psf starting values	£850psf starting values
0%	£219,137,431	£265,929,084	£312,475,959
5%	£195,119,637	£239,854,028	£284,295,108
10%	£168,229,126	£210,247,234	£251,904,032
15%	£144,491,380	£184,089,304	£223,240,111
20%	£119,243,822	£156,295,324	£192,804,677
25%	£94,698,646	£129,260,651	£163,198,420
30%	£70,854,622	£102,992,816	£134,444,406
35%	£47,703,335	£77,497,746	£106,535,981
40%	£27,765,014	£55,478,121	£82,289,054
45%	£6,212,157	£31,693,826	£56,176,896
50%	-£15,131,649	£8,626,941	£30,798,269

Benchmark land value **£92,845,000**

Viability Analysis

AH proportion	£750psf starting values	£800psf starting values	£850psf starting values
0%	£126,292,431	£173,084,084	£219,630,959
5%	£102,274,637	£147,009,028	£191,450,108
10%	£75,384,126	£117,402,234	£159,059,032
15%	£51,646,380	£91,244,304	£130,395,111
20%	£26,398,822	£63,450,324	£99,959,677
25%	£1,853,646	£36,415,651	£70,353,420
30%	-£21,990,378	£10,147,816	£41,599,406
35%	-£45,141,665	-£15,347,254	£13,690,981
40%	-£65,079,986	-£37,366,879	-£10,555,946
45%	-£86,632,843	-£61,151,174	-£36,668,104
50%	-£107,976,649	-£84,218,059	-£62,046,731

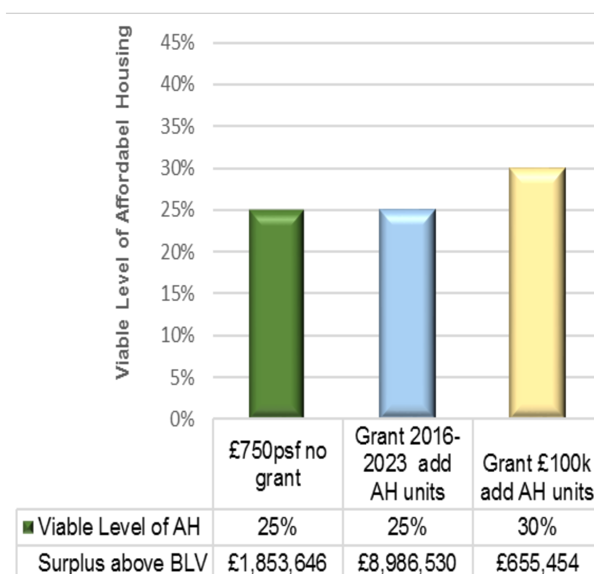
5.2 The appraisal is set up to determine a residual land value per hectare to facilitate a comparison to the benchmark land values set out in Table 4.66.1. The residual land value generated by the scheme (based on the particular sales values assumption and combination of affordable housing percentages and policy costs) is set out in the grey boxes at the top of the results page. The residual land values per hectare are then deducted from the benchmark land values (shown in the yellow boxes on the right hand side) to determine whether each scenario is viable or unviable. There are two possible outcomes, as follows:

- Green cells: Residual value exceeds benchmark land value (viable); and
- Red cells: Residual value is less than benchmark land value (unviable).

5.3 The underlying assumptions on value, value growth, costs and cost inflation are stated at the top of the page. We would highlight that as affordable housing is tested at 5% intervals, where viability is shown at a particular percentage it stands to reason that it is viable at the level tested and possibly higher i.e. viability will lie within the range between that tested and the next interval. For example, in Table 5.1.1 above, at £800 per sq ft the scheme can deliver between 30% and 35% affordable housing with the surplus available to support this uplift from 30% being £10.148 million. In a fully designed and costed site specific assessment this £10.148 million would be further sensitivity tested to identify the maximum viable number of additional units this could provide.

5.4 We have identified where there is a surplus available above the benchmark land value and percentage of affordable housing in the summary graphs for the two Strategic Sites providing affordable housing. As shown in the example Figure 5.4.1 below, the surplus above the benchmark land value at the percentage of affordable housing tested is identified in the table below the graph. This surplus above the benchmark land value could be utilised to fund additional affordable housing units or infrastructure.

Table 5.4.1 Example figure of cumulative impact of costs on residual land value



	£750psf no grant	Grant 2016-2023 add AH units	Grant £100k add AH units
Viable Level of AH	25%	25%	30%
Surplus above BLV	£1,853,646	£8,986,530	£655,454

Analysis of appraisal results

5.5 We set out below a summary of our viability findings relating to each of the four Strategic Sites.

Site Allocation 2 – Cargiant

Table 5.5.1: Viability of Cargiant Site against BLV

Surplus/deficit of RLV at 20% Profit on Cost against BLV
-£25,861

5.6 The results of our appraisals of the industrial intensification proposed for the Cargiant Strategic Site identify that the scheme is viable, generating a de-minimis deficit when measured against the BLV, which is difference of 0.02% of the BLV and would be accounted for in the rounding for such schemes. Given that the BLV has been determined partially by the assessment of an alternative use development on the site, we consider that there is a good prospect for the viable delivery of an industrial redevelopment/intensification of this site. This is confirmed by Cargiant's decision to continue to occupy its site in Old Oak North and intensify its operations to include further expansion into the electric vehicles roll out to support the continuation of Cargiant's business for the foreseeable future.

Site Allocation 3 - EMR

Table 5.6.1: Viability of EMR Site against BLV

Scenario 1 with Waste Surplus/deficit of RLV at 20% Profit on Cost against BLV	Scenario 2 without Waste Surplus/deficit of RLV at 20% Profit on Cost against BLV
£6,862,856	£4,422,330

5.7 Our appraisals identify that the MDLP's proposed retention of the EMR Strategic Site as SIL and the allocation for industrial intensification either with or without the re-provision of waste uses on the site is viable at 20% profit on cost when measured against the identified BLV.

Site Allocation 26 – Channel Gate

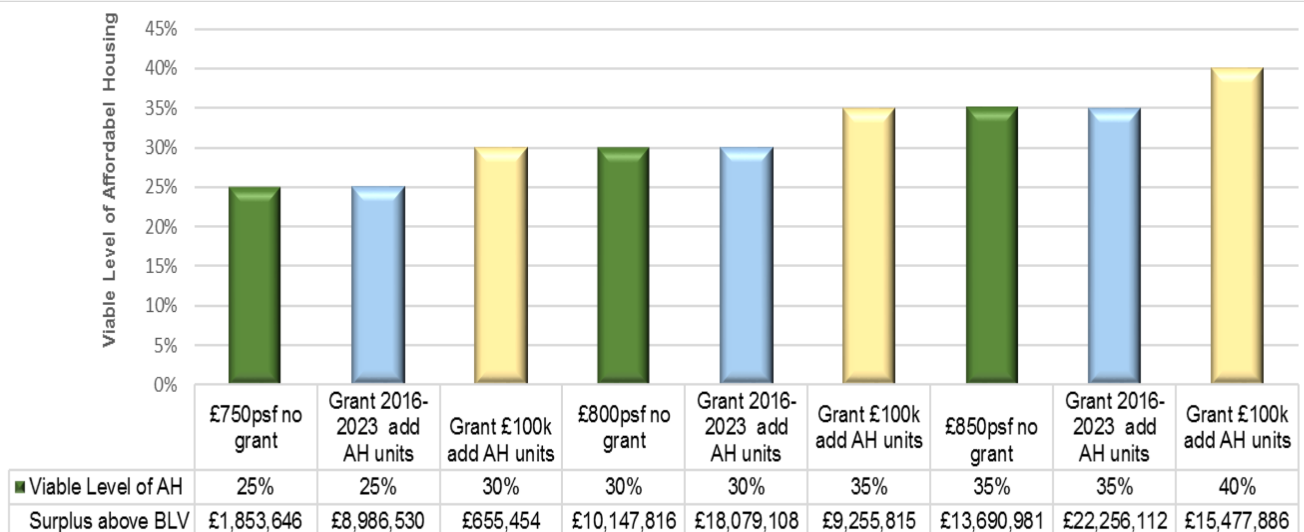
5.8 We have assessed the viability of the Channel Gate Site at starting residential sales of £750 per sq ft, £800 per sq ft and £850 per sq ft values. We have also sensitivity tested the impact of a number of grant funding scenarios should the OPDC successfully secure grant or other funding. As identified in section 4.39 the grant scenarios tested are as follows:

i. 2016-2023 Grant Programme figures (£60,000 per rented unit and £28,000 per intermediate unit) towards additional affordable housing delivery; and

ii. Potential future grant programme figure (£100,000 per unit) towards additional affordable housing delivery.

5.9 A summary of the results of our testing is set out in Figure 5.9.1 below. The full table of results can be found at Appendix 4.

Figure 5.9.1: Viability of Channel Gate site against BLV



	£750psf no grant	Grant 2016-2023 add AH units	Grant £100k add AH units	£800psf no grant	Grant 2016-2023 add AH units	Grant £100k add AH units	£850psf no grant	Grant 2016-2023 add AH units	Grant £100k add AH units
Viable Level of AH	25%	25%	30%	30%	30%	35%	35%	35%	40%
Surplus above BLV	£1,853,646	£8,986,530	£655,454	£10,147,816	£18,079,108	£9,255,815	£13,690,981	£22,256,112	£15,477,886

5.10 The results of our testing identify that the Channel Gate Strategic Site allocation can viably deliver between 25% and 35%[5] affordable housing when measured against the identified benchmark land values, without grant, depending on the starting sales values achieved (green bars). Based on starting values of £850 psf Channel Gate would attain the Mayor's 35% affordable housing threshold.

5.11 Where grant in line with the 2016-2023 Grant Programme is allowed for on additional affordable housing units (light blue bars) between 25% and 35%[5] affordable housing can be delivered.

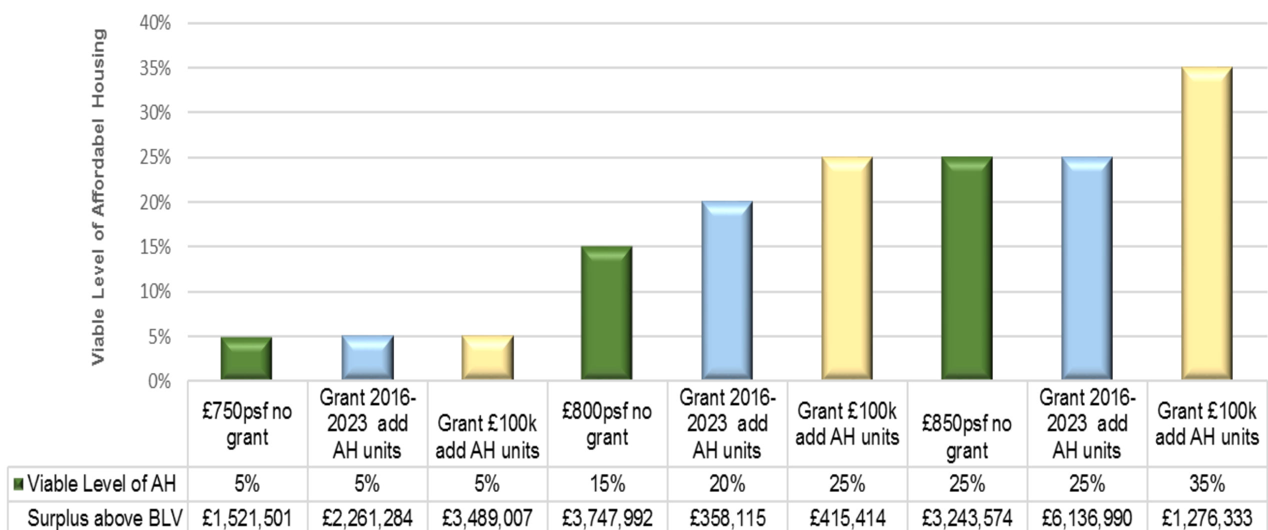
[5] As identified in paragraph 5.3.1 the testing has been undertaken in 5% increments of affordable housing and as a result where a scheme is shown to be viable at a certain percentage of affordable housing it is viable at between that percentage figure and the 5% increment above it, as demonstrated by the surplus available set out in the table below the graph.

5.12 Where grant of £100,000 is allowed for on additional affordable housing units (light yellow bars) between 30% and 40%[5] affordable housing can be delivered.

Site Allocation 40 – North Pole East Depot

5.13 As with the Channel Gate site, we have assessed the North Pole East Depot site at starting residential sales of £750 per sq ft, £800 per sq ft and £850 per sq ft values. We have then also sensitivity tested the impact of a number of grant funding scenarios as per the Channel Gate Site. A summary of the results of our testing is set out in Figure 5.13.1 below. The full table of results can be found at Appendix 5.

Figure 5.13.1: Viability of North Pole East Depot site against BLV



	£750psf no grant	Grant 2016-2023 add AH units	Grant £100k add AH units	£800psf no grant	Grant 2016-2023 add AH units	Grant £100k add AH units	£850psf no grant	Grant 2016-2023 add AH units	Grant £100k add AH units
Viable Level of AH	5%	5%	5%	15%	20%	25%	25%	25%	35%
Surplus above BLV	£1,521,501	£2,261,284	£3,489,007	£3,747,992	£358,115	£415,414	£3,243,574	£6,136,990	£1,276,333

5.1 The results of our testing identify that the North Pole East Depot Strategic Site allocation is viable when measured against the identified benchmark land value delivering between 5% and 25%[5] affordable housing and all other identified policy requirements, without grant (green bars), depending on the starting sales values achieved.

5.2 Where grant in line with the 2016-2023 Grant Programme is allowed for on additional affordable housing units (light blue bars) between 5% and 25%[5] affordable housing can be delivered.

5.3 Where grant of £100,000 is allowed for on additional affordable housing units (light yellow bars) between 5% and 35%[5] affordable housing can be delivered.

5.4 The results of this assessment demonstrate that all four of the Strategic Site allocations tested are "developable" in terms defined by the NPPF 2012. Specific scheme details will be required to focus on viability at the application level but there is a reasonable prospect of viable schemes coming forward based on this assessment. Notwithstanding this, we note that OPDC's policies build in an appropriate level of flexibility both specifically where policies have cost implications as well as identifying an overarching flexible approach through In recognition of the challenge facing regeneration of the area, Policy DI1 and paragraph 8.19 of the MDLP specifically accept that it will be necessary to balance policy expectations and take account of viability on a site by site basis to ensure delivery whilst the maximum amount of affordable housing and contributions that a scheme can reasonably support are provided.

5.5 We consider that the results of the appraisals do not indicate that the OPDC and London Plan's overarching 50% affordable housing target and threshold approach should be amended. Setting any percentage below the current policy strategic target of 50% would, in principle, mean that some schemes that could have delivered more than 35% up to and in some cases beyond 50% would no longer be required to do so. The OPDC's latest Annual Monitoring Report (AMR) (2019/20) demonstrates that sites currently under construction in the area are achieving 37% affordable housing (by habitable room). This demonstrates that

the threshold approach is working in OPDC's area and developments are on balance exceeding the Mayor of London's 35% affordable housing threshold as and where they can. Since the 2019/20 AMR was published, OPDC has also approved an 100% affordable housing scheme at the Central Middlesex hospital site (Site Allocation 37), demonstrating that the policy can exceed the 50% strategic affordable housing target on individual schemes in OPDC's area.

5.6 BNPPRE and OPDC consider that the strategic target of 50%, subject to viability with the application of the Mayor's threshold approach to viability is sound and an appropriate policy approach. Setting a lower proportion of affordable housing is likely to result in a lower overall number of affordable units being delivered, as sites that could have delivered more would no longer do so. This will help to meet identified housing needs by maximising delivery of affordable housing. Further, we would also acknowledge that whilst achieving the Mayor's strategic affordable housing target is important, there is a general shortage of all types of housing in London, and OPDC is required to meet its Publication London Plan housing targets. Schemes that do not achieve 50% affordable housing but deliver the maximum affordable housing identified as being viable and come forward for development are still meaningfully contributing towards meeting OPDC's overall housing targets and meeting wider housing need.

6 Conclusions and Recommendations

6.1 In line with the requirements of the 2012 NPPF and NPPG, this report provides a high level assessment of the viability of four Key Strategic Site Allocations in the OPDC's MDLP. The MDLP identifies that the Allocations are to be delivered from year 6 of the plan period, therefore the NPPF requires that such schemes are "developable". The NPPF identifies that, *"To be considered developable, sites should be in a suitable location for housing development and there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged".*

6.2 The results of our testing of the proposed allocations for four key Strategic Sites, as identified in the MDLP demonstrate that they can all be viably delivered. In particular, our testing identifies that:

- **Site Allocation 2 Cargiant Old Oak North** is viable generating a residual land value that is only marginally below the identified BLV (by 0.02%) which is and would be accounted for in the rounding for such schemes. Given that the BLV has been determined by the assessment of an alternative use development on the site there is clearly a good prospect for the viable delivery of an industrial redevelopment / intensification of this site. This position is confirmed by Cargiant's support for the site's allocation in the MDLP for industrial intensification to support the continuation of their business for the foreseeable future. Further, we note that Cargiant already owns almost the entire site, the majority of which is owner occupied for operational purposes and as a consequence they will not have to acquire the premises and will still make an attractive return on their investment of 19.98% profit on the cost expended, which they would then be able to reinvest back into their business, as well as securing fit for purpose facilities on their site and delivering on their growth aspirations for their business.

- **Site Allocation 4 EMR's** retention as SIL and the allocation for industrial intensification, either with or without the re-provision of waste uses on the site, is viable at 20% profit on cost when measured against the identified benchmark land value.

- **Site Allocation 26 Channel Gate** can viably deliver between 25% and 35%[6] affordable, without grant dependant on the starting sales values achieved on the site. Where grant at the 2016-2023 Programme level is secured, the site could deliver between 25% and 35%[6] affordable housing, when this is applied to additional affordable housing units. Where grant of £100,000 per additional affordable housing unit can be secured by the OPDC, the site could viably deliver between 30% and 40%[6] affordable housing. As set out in section 4, we consider that the Site is likely to achieve values at the upper end of the scale tested.

- **Site Allocation 40 North Pole East Depot South is** viable and can deliver between 5% and 25% affordable housing and all other identified policy requirements, without grant, depending on the starting sales values achieved. In the scenarios where grant at the 2016-2023 Programme level is secured, the site could deliver between 5% and 25% affordable housing, when applied to additional affordable housing units. Where grant of £100,000 per additional affordable housing unit can be secured by the OPDC, the site could viably deliver between 5% and 35% affordable housing. As set out in section 4, we consider that the Site is likely to achieve values at the upper end of the scale tested.

6.3 Given the above, we consider that the four key Strategic Site Allocations are developable in the terms defined by the NPPF and the OPDC's policies build in an appropriate level of flexibility both specifically where policies have cost implications as well as identifying an overarching flexible approach. The MDLP identifies that it will be necessary to balance policy expectations and take account of viability on a site by site basis to ensure delivery whilst the maximum amount of affordable housing and contributions that a scheme can

[6] As identified in paragraph 5.3.1 and at footnote 5, the testing has been undertaken in 5% increments of affordable housing and as a result where a scheme is shown to be viable at a certain percentage of affordable housing it is viable at between that percentage figure and the 5% increment above it, as demonstrated by the surplus available set out in the table below the graph.

reasonably support are provided.

6.4 The results of the appraisals in this study along with the live viability evidence experienced on schemes coming forward in the OPDC's area support the maintenance of the OPDC's proposed policy approaches, which are in conformity with the Publication London Plan. This will not only assist in delivering the maximum reasonable quantum of affordable housing and other policy requirements, but will also ensure that the majority of developments will be able to come forward over the economic cycle and lifetime of the Local Plan thereby contribution towards meeting the OPDC's overall growth aspirations, housing targets and wider housing need.

Appendix 1 - CDM Build Cost Advice

Appendix 2 - Results of appraisals testing Cargiant Site Allocation 2

Appendix 3 - Results of appraisals testing EMR Site Allocation 3

Appendix 4 - Results of appraisals testing Channel Gate Site Allocation 26

Appendix 5 - Results of appraisals testing North Pole East Depot South Allocation 40

Old Oak and Park Royal Development Corporation

Strategic sites order of cost estimates Rev 12

	Stategic sites cost data					
	We set out below the high level cost data to be used for the strategic site cost estimate assessment					
	Item	Base rate	BREEAM excellent percentage addition	Wheelchair accessible homes addition	Carbon offsetting addition	
	New Build Industrial / Warehouse					
	Large multi-storey GIA	£1,650/m2	1%	N/A	N/A	
	Medium multi storey GIA	£1,750/m2	1%	N/A	N/A	
	Small multi storey GIA	£1,950/m2	1%	N/A	N/A	
	Ancillary space part of industrial GIA	£1,900/m2	1%	N/A	N/A	
	Bus garage and waste facility GIA	£1,000/m2	1%	N/A	N/A	
	External works Industrial					
	External works industrial-external area	£600/m2				
	Undercroft parking area	£700/m2				
	Multi level service yards area	£950/m2				
	Extrernal services -GIA industrial	£30/m2				
	New Build Residential Building					
	Residential private circa 300- 350 dw/ha per m2 GIA	£3,000/m2	N/A	£5,000 per dwelling based on 10%	1.25%	
	Residential affordable per m2 GIA	£2,800/m2	N/A	£5,000 per dwelling based on 10%	1.25%	
	New Build Non-Residential					
	Retail and leisure GIA	£1,900/m2	1%	N/A		
	Social infrastructure GIA	£1,900/m2	1%	N/A		
	Class E GIA	£2,100/m2	1%	N/A		
	External works Residential					
	External works residential-external area	£800/m2				
	Amenity space , courtyards area	£900/m2				
	External services per unit	£7,500				

Old Oak and Park Royal Development Corporation

Strategic sites order of cost estimates Rev 12

CDM
Project Services

	Stategic sites cost data					
	Demolitions					
	Existing buildings GIA	£130/m2				
	Existing external area	£30/m2				
	Notes					
	The above includes preliminaries and overheads and profit					
	The above excludes remediation, contingency, professional fees, surveys, latent defects insurance, VAT, basements, removal of asbsetos, comfort cooling , blinds, loose furniture, phasing and the like					

BNP PARIBAS REAL ESTATE

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2020

Analysis of Site Allocation 2 Car Giant Testing Results

Residual Land Values

20% Profit on Cost
£160,974,139

Viability Analysis

Benchmark land value based on value of investment land and AUV of owner occupied sites	**£161,000,000**

20% Profit on Cost
-£25,861

N.B. this is 0.02% less than the Benchmark Land Value and is therefore considered viable as this is a deminimus amount

BNP PARIBAS REAL ESTATE

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2020

Analysis of EMR Site Allocation 3 Sc1 with Waste - Testing Results

Residual Land Values

20% Profit on Cost
£29,072,856

Viability Analysis

Benchmark land value based on existing buildings and open storage	**£22,210,000**

20% Profit on Cost
£6,862,856

BNP PARIBAS REAL ESTATE

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2020

Analysis of EMR Site Allocation 3 Sc2 no Waste - Testing Results

Residual Land Values

20% Profit on Cost
£26,632,330

Viability Analysis

Benchmark land value based on existing buildings and open storage	**£22,210,000**

20% Profit on Cost
£4,422,330

BNP PARIBAS REAL ESTATE

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2020

Analysis of Site Allocation 26 Channel Gate Testing Results

Grant Assumption:	No Grant

Residual Land Values

AH proportion	£750psf starting values	£800psf starting values	£850psf starting values
0%	£219,137,431	£265,929,084	£312,475,959
5%	£195,119,637	£239,854,028	£284,295,108
10%	£168,229,126	£210,247,234	£251,904,032
15%	£144,491,380	£184,089,304	£223,240,111
20%	£119,243,822	£156,295,324	£192,804,677
25%	£94,698,646	£129,260,651	£163,198,420
30%	£70,854,622	£102,992,816	£134,444,406
35%	£47,703,335	£77,497,746	£106,535,981
40%	£27,765,014	£55,478,121	£82,289,054
45%	£6,212,157	£31,693,826	£56,176,896
50%	-£15,131,649	£8,626,941	£30,798,269

Benchmark land value	£92,845,000

Viability Analysis

AH proportion	£750psf starting values	£800psf starting values	£850psf starting values
0%	£126,292,431	£173,084,084	£219,630,959
5%	£102,274,637	£147,009,028	£191,450,108
10%	£75,384,126	£117,402,234	£159,059,032
15%	£51,646,380	£91,244,304	£130,395,111
20%	£26,398,822	£63,450,324	£99,959,677
25%	£1,853,646	£36,415,651	£70,353,420
30%	-£21,990,378	£10,147,816	£41,599,406
35%	-£45,141,665	-£15,347,254	£13,690,981
40%	-£65,079,986	-£37,366,879	-£10,555,946
45%	-£86,632,843	-£61,151,174	-£36,668,104
50%	-£107,976,649	-£84,218,059	-£62,046,731

BNP PARIBAS REAL ESTATE

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2020

Analysis of Site Allocation 26 Channel Gate Testing Results

Grant Assumption:	Grant @ 2016-2023 Programme figures i.e. £60k for Rented tenures and £28k for Intermediate tenures

Residual Land Values

AH proportion	£750psf starting values Grant @ 2016-2023 figures on additional AH units	£800psf starting values Grant @ 2016-2023 figures on additional AH units	£850psf starting values Grant @ 2016-2023 figures on additional AH units
0%	£219,137,431	£265,929,084	£312,475,959
5%	£196,565,879	£241,196,799	£285,536,518
10%	£171,106,492	£212,921,043	£254,376,765
15%	£148,798,119	£188,083,719	£226,935,267
20%	£124,964,178	£161,606,917	£197,731,552
25%	£101,831,530	£135,892,983	£169,335,730
30%	£79,381,906	£110,924,108	£141,809,178
35%	£57,617,451	£86,750,920	£115,101,112
40%	£39,095,431	£66,050,834	£92,077,774
45%	£18,958,296	£43,553,237	£67,165,766
50%	-£561,678	£21,771,324	£42,999,244

Benchmark land value	£92,845,000

Viability Analysis

AH proportion	£750psf starting values Grant @ 2016-2023 figures on additional AH units	£800psf starting values Grant @ 2016-2023 figures on additional AH units	£850psf starting values Grant @ 2016-2023 figures on additional AH units
0%	£126,292,431	£173,084,084	£219,630,959
5%	£103,720,879	£148,351,799	£192,691,518
10%	£78,261,492	£120,076,043	£161,531,765
15%	£55,953,119	£95,238,719	£134,090,267
20%	£32,119,178	£68,761,917	£104,886,552
25%	£8,986,530	£43,047,983	£76,490,730
30%	-£13,463,094	£18,079,108	£48,964,178
35%	-£35,227,549	-£6,094,080	£22,256,112
40%	-£53,749,569	-£26,794,166	-£767,226
45%	-£73,886,704	-£49,291,763	-£25,679,234
50%	-£93,406,678	-£71,073,676	-£49,845,756

BNP PARIBAS REAL ESTATE

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2020

Analysis of Site Allocation 26 Channel Gate Testing Results

Grant Assumption:	Grant @ 2021-2026 Programme figures i.e. bespoke negotiated figure of £100k for all tenures

Residual Land Values

AH proportion	£750psf starting values Grant @ £100k per additional AH unit	£800psf starting values Grant @ £100k per additional AH unit	£850psf starting values Grant @ £100k per additional AH unit
0%	£219,137,431	£265,929,084	£312,475,959
5%	£198,964,696	£243,425,227	£287,593,167
10%	£175,881,696	£217,358,428	£258,480,450
15%	£155,929,630	£194,712,748	£233,067,655
20%	£134,434,220	£170,412,396	£205,882,128
25%	£113,625,655	£146,869,434	£179,521,052
30%	£93,500,454	£124,086,679	£154,031,564
35%	£74,070,664	£102,100,815	£129,315,583
40%	£57,899,103	£83,545,570	£108,322,886
45%	£40,045,699	£63,218,361	£85,389,350
50%	£22,844,491	£43,577,322	£63,236,895

Benchmark land value	£92,845,000

Viability Analysis

AH proportion	£750psf starting values Grant @ £100k per additional AH unit	£800psf starting values Grant @ £100k per additional AH unit	£850psf starting values Grant @ £100k per additional AH unit
0%	£126,292,431	£173,084,084	£219,630,959
5%	£106,119,696	£150,580,227	£194,748,167
10%	£83,036,696	£124,513,428	£165,635,450
15%	£63,084,630	£101,867,748	£140,222,655
20%	£41,589,220	£77,567,396	£113,037,128
25%	£20,780,655	£54,024,434	£86,676,052
30%	£655,454	£31,241,679	£61,186,564
35%	-£18,774,336	£9,255,815	£36,470,583
40%	-£34,945,897	-£9,299,430	£15,477,886
45%	-£52,799,301	-£29,626,639	-£7,455,650
50%	-£70,000,509	-£49,267,678	-£29,608,105

BNP PARIBAS REAL ESTATE

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2020

Analysis of North Pole East Depot Testing Results

Grant Assumption:	No Grant

Residual Land Values

AH proportion	£750psf starting values	£800psf starting values	£850psf starting values
0%	£37,953,716	£53,227,108	£68,463,331
5%	£31,864,501	£46,380,804	£60,831,160
10%	£25,671,868	£39,441,196	£53,122,805
15%	£20,947,215	£34,090,992	£47,103,191
20%	£15,590,523	£28,066,613	£40,367,268
25%	£10,194,329	£22,000,100	£33,586,574
30%	£4,745,464	£15,861,637	£26,685,963
35%	£165,653	£10,679,851	£20,847,093
40%	-£5,379,392	£4,498,495	£13,946,181
45%	-£10,246,045	-£857,075	£7,936,354
50%	-£14,929,783	-£6,027,138	£2,209,576

Benchmark land value	£30,343,000

Viability Analysis

AH proportion	£750psf starting values	£800psf starting values	£850psf starting values
0%	£7,610,716	£22,884,108	£38,120,331
5%	£1,521,501	£16,037,804	£30,488,160
10%	-£4,671,132	£9,098,196	£22,779,805
15%	-£9,395,785	£3,747,992	£16,760,191
20%	-£14,752,477	-£2,276,387	£10,024,268
25%	-£20,148,671	-£8,342,900	£3,243,574
30%	-£25,597,536	-£14,481,363	-£3,657,037
35%	-£30,177,347	-£19,663,149	-£9,495,907
40%	-£35,722,392	-£25,844,505	-£16,396,819
45%	-£40,589,045	-£31,200,075	-£22,406,646
50%	-£45,272,783	-£36,370,138	-£28,133,424

BNP PARIBAS REAL ESTATE

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2020

Analysis of North Pole East Depot Testing Results

Grant Assumption:	Grant @ 2016-2023 Programme figures i.e. £60k for Rented tenures and £28k for Intermediate tenures

Residual Land Values

AH proportion	£750psf starting values Grant @ 2016-2023 figures on additional AH units	£800psf starting values Grant @ 2016-2023 figures on additional AH units	£850psf starting values Grant @ 2016-2023 figures on additional AH units
0%	£37,953,716	£53,227,108	£68,463,331
5%	£32,604,284	£47,039,429	£61,412,299
10%	£27,144,090	£40,758,447	£54,285,085
15%	£23,155,547	£36,066,868	£48,846,611
20%	£18,534,965	£30,701,115	£42,691,828
25%	£13,874,882	£25,293,226	£36,479,990
30%	£9,162,129	£19,796,275	£30,157,701
35%	£5,318,427	£15,270,262	£24,897,455
40%	£564,836	£9,744,678	£18,575,166
45%	-£3,473,666	£5,057,763	£13,143,962
50%	-£7,306,378	£637,248	£7,995,808

Benchmark land value	£30,343,000

Viability Analysis

AH proportion	£750psf starting values Grant @ 2016-2023 figures on additional AH units	£800psf starting values Grant @ 2016-2023 figures on additional AH units	£850psf starting values Grant @ 2016-2023 figures on additional AH units
0%	£7,610,716	£22,884,108	£38,120,331
5%	£2,261,284	£16,696,429	£31,069,299
10%	-£3,198,910	£10,415,447	£23,942,085
15%	-£7,187,453	£5,723,868	£18,503,611
20%	-£11,808,035	£358,115	£12,348,828
25%	-£16,468,118	-£5,049,774	£6,136,990
30%	-£21,180,871	-£10,546,725	-£185,299
35%	-£25,024,573	-£15,072,738	-£5,445,545
40%	-£29,778,164	-£20,598,322	-£11,767,834
45%	-£33,816,666	-£25,285,237	-£17,199,038
50%	-£37,649,378	-£29,705,752	-£22,347,192

BNP PARIBAS REAL ESTATE

OLD OAK AND PARK ROYAL DEVELOPMENT CORPORATION
Local Plan Strategic Site Viability Testing 2020

Analysis of North Pole East Depot Testing Results

Grant Assumption:	Grant @ 2021-2026 Programme figures i.e. bespoke negotiated figure of £100k for all tenures

Residual Land Values

AH proportion	£750psf starting values Grant @ £100k per additional AH unit	£800psf starting values Grant @ £100k per additional AH unit	£850psf starting values Grant @ £100k per additional AH unit
0%	£37,953,716	£53,227,108	£68,463,331
5%	£33,832,007	£48,132,466	£62,376,745
10%	£29,587,350	£42,944,522	£56,213,975
15%	£26,820,438	£39,345,981	£51,739,946
20%	£23,421,487	£35,073,265	£46,549,608
25%	£19,983,033	£30,758,414	£41,281,331
30%	£16,470,872	£26,326,099	£35,919,311
35%	£13,851,761	£22,888,390	£31,619,333
40%	£10,295,554	£18,451,110	£26,257,312
45%	£7,525,598	£14,852,499	£21,786,377
50%	£5,005,393	£11,520,287	£17,598,491

Benchmark land value	£30,343,000

Viability Analysis

AH proportion	£750psf starting values Grant @ £100k per additional AH unit	£800psf starting values Grant @ £100k per additional AH unit	£850psf starting values Grant @ £100k per additional AH unit
0%	£7,610,716	£22,884,108	£38,120,331
5%	£3,489,007	£17,789,466	£32,033,745
10%	-£755,650	£12,601,522	£25,870,975
15%	-£3,522,562	£9,002,981	£21,396,946
20%	-£6,921,513	£4,730,265	£16,206,608
25%	-£10,359,967	£415,414	£10,938,331
30%	-£13,872,128	-£4,016,901	£5,576,311
35%	-£16,491,239	-£7,454,610	£1,276,333
40%	-£20,047,446	-£11,891,890	-£4,085,688
45%	-£22,817,402	-£15,490,501	-£8,556,623
50%	-£25,337,607	-£18,822,713	-£12,744,509