Teviot Estate

Financial Viability Assessment

Gerald Eve

June 2024

Teviot Estate Developments LLP

SITE SPECIFIC
Financial Viability Assessment (FVA)

Teviot Estate

On behalf of:

Teviot Estate Developments LLP

Date: **June 2024**

Prepared by: Alex Vaughan- Jones MRICS
Sarah Bolitho MRICS
Lucy Hytner MRICS

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RICS MANDATORY REQUIREMENTS

Requirement	**This assessment has been produced having regard to and abiding to the requirements of RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019) (reissued as a Professional Standard in April 2023).**
Impartiality	In preparing this financial viability assessment, we confirm that we have acted with reasonableness, impartiality and without interference. We have also complied with the requirements of PS2 Ethics, competency, objectivity, and disclosures in the RICS Valuation – Global Standards 2022 in connection with valuation reports.
Terms & Conflicts	This document sets out our terms of engagement for undertaking this viability assessment. We declare that to the best of our knowledge there is no conflict of interest (paragraph 1.1 of the Conflict-of-Interest Professional Statement of January 2018), Other than, if necessary, where stated in the report circumstances which fall under Informed Consent (as per the Conflict-of-Interest Professional Statement).
Fee	We confirm that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.
Commercial Sensitivity	We confirm that this viability assessment has been prepared in the full knowledge that it may be made publicly at some point in the future. Where we believe there to be information, which is commercially sensitive, that we have relied upon in arriving at our opinion we have stated so in our report. We request that permission is sought by the instructing/applicant prior to being made public to ensure commercially sensitive or personal information does not infringe other statutory regulatory requirements.
Area Wide	We confirm that we have not undertaken an area-wide viability assessment concerning existing and future policies against which the scheme will in due course be considered. We have confirmed with the instructing party that no conflict exists in undertaking the viability assessment. Should this position change, we will immediately notify the parties involved. We understand that if any of the parties identified in this report consider there to be a conflict that we would immediately stand down from the instruction.
Evidence	Throughout this viability assessment we have set out a full justification of the evidence and have also supported our opinions where they differ from the Council's advisor with a reasoned justification. We note in due course the emphasis within the RICS Professional Statement on conduct and reporting in Financial Viability in Planning the need to see to resolve differences of opinion wherever possible.
Benchmark Land Value	In determining Benchmark Land Value (if required) we have followed National Planning Guidance (Viability) (2019) setting out this in detail within the Benchmark Land Value section.
Purpose	We make a clear distinction in our report between preparation/review of a viability assessment and subsequent negotiations. Such negotiations may be identified as part of an addendum documents and may relate to S106 agreements.
Sensitivity Analysis	Sensitivity analysis and accompanying explanation and interpretation of the results is undertaken for the purposes of a viability assessment. This enables the reader to consider the impact on the result of changes to key variables in the appraisal having regard to the risk and return of the Proposed Scheme.
Transparency	We confirm we advocate transparent and appropriate engagement between the Applicant and Council's viability advisors.
Summary	This report includes a non-technical summary at the commencement of the report which includes all key figures and issues relating to the assessment.
Reporting	We confirm this report has been formally reviewed and signed off by the individuals who have carried out the assessment and confirm that this FVA [as above] has been prepared in accordance with the need for objectivity, impartiality and without interference. Subject to the completion of any discussion and resolution or note of differences, we will be retained to then subsequently advise upon and negotiate the Section 106 Agreement.
Contributions	All contributors to this report have been considered competent and are aware of the RICS requirements and as such understand they must comply with the mandatory requirements.
Time	We were provided an adequate time to produce this report, proportionate to the scale of the project and degree of complexity of the project.

SIGN OFF

This report has been prepared by Lucy Hytner MRICS, Sarah Bolitho MRICS and Alex Vaughan-Jones MRICS.

AUTHORISED	**AUTHORISED**	**AUTHORISED**
Lucy Hytner MRICS Surveyor	**Sarah Bolitho** MRICS Associate	**Alex Vaughan-Jones** MRICS Partner
For and on behalf of Gerald Eve LLP	For and on behalf of Gerald Eve LLP	For and on behalf of Gerald Eve LLP

NOTE: This report has been produced in accordance with National Planning Policy Framework (2023) and Planning Policy Guidance (as amended). Gerald Eve LLP can confirm that the report has been produced by suitably qualified Practitioners of the Royal Institution of the Chartered Surveyors (RICS) and that the report has been produced in accordance with RICS Practitioner guidance on viability in planning matters.

The contents of this report are specific to the circumstance of the Proposed Scheme and date of publication; and it together with any further information supplied shall not be copied, reproduced, or distributed to any third parties for any purpose other than determining the application for which it is intended. Furthermore, the information is being supplied to the client on the express understanding that it shall be used only to assist in the financial assessment in relation to the Application. The information contained within this report is believed to be correct as at the date of publication, but Gerald Eve LLP give notice that:

I. All statements contained within this report are made without acceptance of any liability in negligence or otherwise by Gerald Eve LLP. The information contained in this report has not been independently verified by Gerald Eve LLP.
II. None of the statements contained within this report are to be relied upon as statements or representations of fact or warranty whatsoever without referring to Gerald Eve LLP in the first instance and taking appropriate legal advice.
III. References to national and local government legislation and regulations should be verified with Gerald Eve LLP and legal opinion sought as appropriate.
IV. Gerald Eve LLP does not accept any liability, nor should any of the statements or representations be relied upon, in respect of intending lenders or otherwise providing or raising finance to which this report as a whole or in part may be referred to.
V. Any estimates of values or similar, other than specifically referred to otherwise, are subject to and for the purposes of discussion and are therefore only draft and excluded from the provisions of the RICS Valuation – Professional Standards 2020; and
VI. Information in this report should not be relied upon or used as evidence in relation to other viability assessments without the agreement of Gerald Eve LLP.

CONTENTS

EXECUTIVE SUMMARY (NON-TECHNICAL)

Instruction	1.	This Financial Viability Assessment has been prepared by Gerald Eve LLP ("GE") to accompany a hybrid planning application for the redevelopment of Teviot Estate. The application is submitted on behalf of Teviot Estate Developments LLP Limited ("the Applicant").
	2.	GE has been instructed to undertake an objective and impartial viability assessment of the Proposed Scheme, to assess the amount of affordable housing the proposed Scheme can viably provide.
Site	3.	The Site comprises Teviot Estate, London, E14 6QP, London ("the Site") and is located within the administrative boundary of London Borough of Tower Hamlets ("LBTH" or "the Council"). The estate is located in north Poplar, to the south of Bromley-by-Bow and west of Canning Town. The Site comprises approximately 8.29 ha (20.0 acres) in size.
	4.	The existing estate comprises an occupied residential estate known as Teviot Estate. It currently contains 535 homes in several low-mid rise brick blocks up to c. 5 storeys. The estate is low density and represents an inefficient and unsustainable use of urban land. The Site also contains a public park (Langdon Park) and part of Poplar Works (the Makery) employment space in former garages along Teviot Street . There are also retail and commercial businesses, as well as the Teviot British Bangladeshi Association and other community uses.
Proposed Scheme	5.	The Proposed Scheme is a hybrid planning application seeking Full Planning Permission for: 1 Phased site-wide demolition of all existing buildings and structures, site preparation and enabling works (including excavation); and 2 Phased construction of buildings comprising residential units (Use Class C3); flexible commercial business and service floorspace (Use Class E); Hard and soft landscaping works including public open space, access and highway alterations, car and cycle parking provision, and all other associated ancillary works (the "detailed element"); Outline planning permission (with all matters reserved) for: 3 Phased construction of buildings (including basements) comprising residential units (Use Class C3); flexible commercial, business and service floorspace (Use Class E); place of worship (Class F1); local community floorspace (Use Class F2); Public House (Sui Generis); hard and soft landscaping works including public open space, access and highway alterations, car and cycle parking provision, and all other associated ancillary works (the "outline element").
	6.	For the purpose of this FVA we have been provided with detailed information for Phase 1a and an indicative max parameters scheme for the later phases, which comprises up to 1,928 residential units and commercial floor space. This scheme is the basis for the assessment.
	7.	As detailed scheme information is not available for the Outline phases of the Scheme (phases 2 – 4), we have made assumptions to determine inputs for areas, costs and values. This is explained in the relevant sections of this report. For the purpose of this FVA, the approach has been to adopt cost and value inputs which are at the end of acceptable ranges which promote the viability of the Scheme, being low costs and higher values. Should planning permission be granted, the Applicant is willing to enter a S106 legal agreement to secure Early Stage, Mid Stage and Late Stage reviews which would allow an opportunity to revisit the viability position throughout the lifetime of the development.
GLA Grant Funding	8.	We have undertaken our assessment on a dual basis and reviewing the viability of the Scheme with and without grant funding. While no formal application has been made to the GLA for the first phase allocation, the GLA are aware that the application is forthcoming. Therefore, it is important to assess the viability of the Site both with and without this grant included, which is explained in the relevant sections of this report.

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Approach	9.	We have considered the Scheme against the minimum return at which it is considered a reasonable landowner would be willing to sell their land, known as the Benchmark Land Value (BLV) as at the date of the report. We have input a fixed land value, being the benchmark land value ('BLV'), with the residual profit being the output. This is measured against a target profit return level.
	10.	This report has been prepared having regard to relevant planning policy applicable to the Site at the date of writing and generally accepted principals of undertaking (site specific FVAs). It has also been written adhering to the RICS Professional Statement: Financial viability in planning: conduct and reporting 2019 (reissued in April 2023 as a professional standard); the RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2023 (for England); and generally accepted principals of undertaking FVAs.
Standardised Inputs	11.	In undertaking this FVA, GE has had regard to planning documents and cost reports provided by the Applicant; and has undertaken financial analysis in accordance with the standardised approach set out in viability guidance.
	12.	Furthermore, in accordance with NPG, where possible and appropriate, the report applies standardised inputs and has regard to the specifics of the Site and proposed development. Standardised evidence means it is sourced from primary, secondary, or tertiary data sources, including evidence from other relevant viability assessments in the Local Authority. These are set out in the summary of inputs tables overleaf.
GDV	13.	The Gross Development Value ('GDV') of the Proposed Scheme is estimated to be approximately £819m.
Costs	14.	The total construction costs for the Proposed Scheme is estimated to be approximately £556m.
Decant & Leaseholder Buyback Costs	15.	For the scenario including GLA grant funding, we have been provided information from Poplar HARCA. These grant rates are broadly benchmarked against recent allocations by the GLA under the 21/26 programme. A rate of £220,000 per unit has been applied to the affordable units and £50,000 to the Shared Ownership units. This totals c. £95m.
Existing Use Value (EUV)	16.	In the instance of an affordable housing regeneration scheme, social housing can be valued on the basis of EUV-SH having regard to the existing tenants and use of the property. We have not been provided with the book value for the affordable housing at the existing estate for the purpose of this FVA.
Benchmark Land Value (BLV)	17.	For the purpose of estate regeneration viability assessments, it is common practise to adopt a BLV of £0 (or a nominal figure of £1). This follows government guidance on estate regeneration which looks to encourage deliverability.
Target Return	18.	In accordance with NPG (2019) the FVA also includes a return to the developer to reflect potential risk of development. In this instance, the Scheme is an estate regeneration with a development programme of c. 16 years, as opposed to a speculative development. We have allowed for a target return of 17.5% on GDV for the private residential, 6.0% on GDV for the affordable housing and 15% on GDV for the commercial.
Appraisal Results	19.	The appraisal results indicate that in overall terms, the Proposed Scheme achieves a profit return of **-19.1%** of the GDV which is below the blended target rate of return of 16.0%.
Sensitivity Testing	20.	In accordance with Guidance, the FVA includes sensitivity testing. This has been undertaken on the basis of variations in build costs and private residential sales values.
Deliverability	21.	Our FVA is undertaken on a present-day basis. Inputs include current residential sales values and costs within the appraisal. Sensitivity analysis tests variances around key input variables. The sensitivity analysis results demonstrate that with reasonable increases to private sales values and decreases in costs that the

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		Scheme reaches the target profit return. For the scenario which includes grant funding a 10% decrease in construction costs would result in a viable position. Therefore, the Scheme is considered to be deliverable with the inclusion of grant funding and with reasonable movements in construction costs and/ or values.
Conclusions	22.	The Proposed Scheme with S106 obligations of c. £3.4m and CIL contributions of c.13.1m and 35% affordable housing by habitable room, includes the maximum reasonable level of affordable housing. This has been determined in accordance with the London Plan's requirement of achieving the maximum viable level of affordable housing, having regard to economic viability and individual circumstances. Any further contributions would diminish the return of the Proposed Scheme and threaten its overall viability and therefore deliverability.
FVA	23.	This FVA should not be considered a financial certainty. It is an assessment of the Scheme having regard to the best available evidence at the time of this report.
Commercial Sensitivity	24.	It is anticipated this report will be published and contains no confidential information which has not been reasonably identified and addressed (aggregated) to enable the report to be shared.
	25.	We consider that all inputs into our appraisal have been reasonably justified. We have clearly set out supporting and reasonable justification for all inputs considered and have undertaken appropriate sensitivity to demonstrate the impact of variance.

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SUMMARY OF INPUTS

THE PROPOSED SCHEME AREAS

Use	No. of Units	NIA (Sq. m)	NIA (Sq. ft)
Residential	1,419	126,815	1,365,020
Affordable	509		
Commercial	N/A	4,274	46,007
Scheme Total	**1,928**	**131,067**	**1,410,792**

GROSS DEVELOPMENT VALUE

Use	GDV	Assumption per sq.ft.
Private	£704,101,131	£749
Affordable (Social Rent/ THLR)	£74,049,431	£203/ £297
Shared Ownership	£29,625,304	£428
Commercial	£11,023,395	£245
SCHEME GDV	**£818,799,262**	

COST INPUTS

Cost	GE Assumption	GE Justification and Source
Construction Costs	£556,028,730	Bailey Garner
Professional Fees	10.0%	GE
Contingency	5.0%	GE
S106	£3.46m	Lichfields
LBTH CIL	£5.80m	Lichfields
MCIL2	£7.35m	Lichfields
Infrastructure Costs	£10,952,261	The Applicant
Decant & Leaseholder Buybacks	£93,343,755	Poplar Harca
Marketing Fees	1.0%	GE
Sales Agent Fees	1.0%	
Sales Legal Fees	0.5%	
Letting Agent Fees	10.0%	
Letting Legal Fees	5.0%	
Finance	7.5%	GE

CONSTRUCTION PROGRAMME

Period	Duration (months)	Commencement Period	Completion Period
Phase 1	60	April 2025	Mar 2030
Phase 2	51	Mar 2030	May 2034
Phase 3	49	May 2034	May 2038
Phase 4	39	May 2038	Jul 2041

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APPRAISAL OUTPUTS & BENCHMARK

Element	Appraisal Outcome
BLV	£1
Target Blended Profit on GDV	16.0%
Profit on GDV – Base Appraisal	-19.1%
Profit on GDV – Scenario Test incl. Grant	6.3%

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1. INTRODUCTION

Introduction	1.1.	This section sets out the important factors and requirements of undertaking an FVA and the purpose of the report.
Instruction	1.2.	This Financial Viability Assessment has been prepared by Gerald Eve LLP ("GE") to accompany a hybrid planning application for the redevelopment of Teviot Estate. The application is submitted on behalf of Teviot Estate Developments LLP Limited ("the Applicant").
	1.3.	GE has been instructed to undertake an objective and impartial viability assessment of the Proposed Scheme, to assess the amount of affordable housing the proposed Scheme can viably provide.
Site	1.4.	The Site comprises Teviot Estate, London, E14 6QP, London ("the Site") and is located within the administrative boundary of London Borough of Tower Hamlets ("LBTH" or "the Council"). The estate is located in north Poplar, to the south of Bromley-by-Bow and west of Canning Town. The Site comprises approximately 8.29 ha (20.0 acres) in size.
	1.5.	The existing estate comprises an occupied residential estate known as Teviot Estate. It currently contains 535 homes in several low-mid rise brick blocks up to c. 5 storeys. The estate is low density and represents an inefficient and unsustainable use of urban land. The Site also contains a public park (Langdon Park) and part of Poplar Works (the Makery) employment space in former garages along Teviot Street. There are also retail and commercial businesses, as well as the Teviot British Bangladeshi Association and other community uses.
Proposed Scheme	1.6.	The Proposed Scheme is a hybrid planning application seeking Full Planning Permission for: 1 Phased site-wide demolition of all existing buildings and structures, site preparation and enabling works (including excavation); and 2 Phased construction of buildings comprising residential units (Use Class C3); flexible commercial business and service floorspace (Use Class E); Hard and soft landscaping works including public open space, access and highway alterations, car and cycle parking provision, and all other associated ancillary works (the "detailed element"); Outline planning permission (with all matters reserved) for: 3 Phased construction of buildings (including basements) comprising residential units (Use Class C3); flexible commercial, business and service floorspace (Use Class E); place of worship (Class F1); local community floorspace (Use Class F2); Public House (Sui Generis); hard and soft landscaping works including public open space, access and highway alterations, car and cycle parking provision, and all other associated ancillary works (the "outline element").
	1.7.	For the purpose of this FVA we have been provided with detailed information for Phase 1a and an indicative max parameters scheme for the later phases to assess, which comprises up to 1,928 residential units and commercial floor space. This scheme is the basis for the assessment.
	1.8.	As detailed scheme information is not available for the Outline phases of the Scheme (phases 2 – 4). Therefore, we have made assumptions to determine inputs for areas, costs and values. This is explained in the relevant sections of this report. For the purpose of this FVA, the approach has been to adopt cost and value inputs which are at the end of acceptable ranges and promote the viability of the Scheme, being low costs and higher values.
GLA Grant Funding	1.9.	We have undertaken our assessment on a dual basis and reviewing the viability of the scheme with and without grant funding. While no formal application has been made to the GLA for the first phase allocation, the GLA are aware that the application is forthcoming. Therefore, it is important to assess the viability of the Site both with and without this grant included, which is explained in the relevant sections of this report.

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Relevant Guidance and Policy	1.10.	This report has been prepared reflecting National Planning Guidance (NPG) (2019), with reference to all relevant planning policy applicable to the Site at the date of writing. It has also been written adhering to the RICS Guidance Note Financial Viability in Planning: Conduct and Reporting (2021) and the RICS Professional Statement on Assessing Viability in Planning Under the National Planning Policy Framework for England 2019. Both of these RICS documents were reissued in April 2023 as Professional Standards.
	1.11.	The purpose of this FVA is to determine as to whether the proposed level of S106 contributions (including affordable housing) can be viably delivered. To do this, we have input a fixed land value, being the benchmark land value ('BLV'), with the residual profit being the output. This is measured against a target profit return level.
Structure	1.12.	This report includes the following sections: • Requirement for an FVA and Viability Guidance; • The Site and Planning Context • The Proposed Scheme • Gross Development Value ('GDV') • Development Costs and Programme • Planning Obligations • Return to the Developer • Benchmark Land Value ('BLV') • Financial Appraisal Review • Sensitivity Testing • Conclusions
Conflict of Interest Declaration	1.13.	We declare that to the best of our knowledge there is no conflict of interest (paragraph 1.1 of the Conflict-of-Interest Professional Statement of January 2018); and that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.
Transparency and Confidentiality	1.14.	We confirm that this viability assessment has been prepared in the full knowledge that it may be made publicly available at some point in the future. We are of the view that there is information which is commercially sensitive that we have relied upon in arriving at our opinion, we have stated so in our report. We request that permission is sought by the instructing/ applicant prior to being made public to ensure commercially sensitive or personal information does not infringe other statutory regulatory requirements.
Area-wide Assessment	1.15.	We confirm that we have not undertaken an area-wide viability assessment concerning existing and future policies against which the Scheme will in due course be considered.
Information Reliance	1.16.	We have not undertaken a measurement of the Applicant's planning application drawings and have relied upon the information provided by the Applicant and associated planning documentation. Whilst we have relied on the information that has been provided, we have also had regard to our own market knowledge and research and experience.
Timeframe	1.17.	GE confirms that it has had enough time to complete this instruction.
Professional Judgment	1.18.	As outlined in the RICS GN, in undertaking this exercise, GE is formulating an appropriate judgement based upon information provided by the Applicant as to the viability of the Scheme and the maximum viable level of affordable housing the Scheme can afford in terms of planning obligations.
Viability Model	1.19.	A financial appraisal has been compiled using an industry standard licensed Argus development appraisal to assess the viability of the Scheme. Whilst this report does have regard to current day costs and values, sensitivities have been made for purposes of the financial modelling and resultant conclusions. These are explained further within the report and results are provided via a present-day appraisal.

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Sensitivity	1.20.	A sensitivity analysis has been provided to test the sensitivity and robustness of the scheme return (output) having regard to changes in inputs. This is in accordance with RICS Guidance Viability in Planning (2021) and normal practice when undertaking financial viability assessments in respect of schemes of this nature about scale and programme.
Economic Climate and Influencing Factors	1.21.	This report has been prepared as of June 2024 in the context of the prevailing economic climate and reflects the market and proposed development now. Should these circumstances change, it may be necessary to revise and update the inputs to the financial appraisal, and therefore resulting outturns, prior to the application being determined by the Council.

2. REQUIREMENT FOR THE FVA AND VIABILITY GUIDANCE

Introduction	2.1.	This section addresses the need to undertake an FVA in accordance with the National Planning Policy Framework.
Relevant Guidance and Policy	2.2.	This report has been prepared having regard to the NPPF (2023); National Planning Guidance (NPG); the Mayor's Affordable Housing and Viability SPG (August 2017); Tower Hamlets' Local Plan 2031 (2020); LBTH Planning Obligations SPD (2021); LBTH Development Viability SPD (2017); London Plan (March 2021); the RICS Professional Statement: Financial viability in planning: conduct and reporting 2019 (reissued in April 2023 as a Professional Standard); the RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 (for England) (reissued in April 2023 as a Professional Standard); and generally accepted principles of undertaking (site specific) FVAs.
NPPF	2.3.	Viability in planning has its locus in the National Planning Policy Framework (NPPF) originally published in March 2012 and revised in 2021 and 2023, which sets out the Government's planning policies for England and how these are expected to be applied. The NPPF recognises the place of viability testing, in both plan-making and decision-making.
	2.4.	Paragraph 58 of the National Planning Policy Framework states: *"Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable.* *<u>It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.</u>* *The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force.* *All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance [NPG], including standardised inputs, and should be made publicly available."*
NPG - Viability	2.5.	Further viability guidance is set out in the NPG on Viability. Paragraph 007 sets outs examples of where circumstances may require a site-specific viability assessment; for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.
	2.6.	Paragraph 010 of the NPG states: *"Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return…"*
	2.7.	As set out in the NPG, it is an expectation that any viability assessment is prepared with professional integrity by a suitably qualified practitioner and presented in accordance with the NPG.
RICS Guidance	2.8.	The RICS have produced viability Professional Standards to enable the viability policy contained in the NPPF and PPG. These standards include mandatory and best practice guidance that Chartered Surveyors must observe when carrying out viability assessments.

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FVA Justification	2.9.	In this circumstance, the Applicant considers that the associated additional planning policy contributions that are being sought for the site, when considered against market forces, result in the proposed scheme not being deemed viable or deliverable. This FVA seeks to provide the justification to amend the provisions to ensure the delivery of the proposed scheme is not unreasonably compromised.
	2.10.	The regeneration of the estate follows a positive ballot outcome and represents an opportunity to deliver multiple benefits for residents and change for the area. It delivers a material uplift in housing, including affordable housing, and improvements to the quality of the housing and its ability to meet the housing need. The scheme also include community uses and public realm improvements.

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3. SITE BACKGROUND AND PLANNING CONTEXT

Introduction	3.1.	This section provides background information about the subject site, including geography and use.
Location	3.2.	The Site is in the London Borough of Tower Hamlets. The Site is located in Poplar and bounded by the A12 (Blackwall Tunnel Northern Approach) to the east, Dewberry Street and St Leonard's Road to the southeast, Limehouse Cut and Mallory Close to the north and northwest, Bright Street and Hay Currie Street to the southwest and DLR trainlines, Chadbourn Street, Zetland Street and residences along Teviot Street to the west.
Site Description	3.3.	The existing estate comprises an occupied residential estate known as Teviot Estate. It currently contains 535 homes in several low-mid rise brick blocks up to c. 5 storeys. The estate is low density and represents an inefficient and unsustainable use of urban land. The Site also contains a public park (Langdon Park) and part of Poplar Works (the Makery) employment space in former garages along Teviot Street. There are also retail and commercial businesses, as well as the Teviot British Bangladeshi Association and other community uses.
Proposals	3.4.	As described previously, the Applicant is submitting a hybrid application seeking Full planning permission for Phase 1a of the Scheme and Outline planning permission for Phases 1b-4 of the Scheme. The proposed development is for a comprehensive estate regeneration of the Teviot Estate.
	3.5.	The regeneration of the Teviot Estate presents a unique opportunity to deliver multiple benefits for residents and the area. The proposals deliver a material uplift in housing including affordable housing, improvements in housing stock, accommodation suited to residents' needs and enhancement of the area's townscape and public realm. The proposed development is for a comprehensive estate regeneration of the Teviot Estate. A number of sites across the estate have been identified for redevelopment and overall, the scheme is set to include: • Up to 1,928 new homes (a mix of flats, maisonettes and houses to meet Teviot residents' housing need) in buildings ranging from 1-30 storeys; • New public open spaces and play spaces; • Improvements to the existing Langdon Park; • New retail and café uses; • New workspaces, including affordable workspaces; • Community and faith facilities; • Improved infrastructure and connectivity.
Connectivity	3.6.	The Site is in a reasonably accessible location with a PTAL rating of 3 across the majority of the Site, with a rating of 2 on the northern tip. It is in close proximity to a range of public transport including London Underground, DLR and bus services. The PTAL rating for the site is forecast to improve with transport improvements in the local area, with more of the site to be within PTAL 4.
Existing Use	3.7.	The Site currently contains 535 homes in several low-midrise blocks. The Site also contains a public park, additional public realm space and both retail and commercial accommodation.
Phases	3.8.	The scheme will be developed over four phases, outlined as follows: • Phase 1a: Teviot Central, Teviot Green, Chadbourne Street, Zetland Street St Leonards Road • Phase 1b: Langdon Park (the improvements to Langdon Park are part of the outline element of the scheme but are intended to be delivered as part of Phase 1, following an early Reserved Matters application.) • Phase 2: Jolly's avenue, Dewberry Square, New Teviot Street (South Teviot) and Teviot Central • Phase 3: Venue Street, Everest Place, middle section of Teviot Street north of Duncan Court • Phase 4: Northernmost part of Teviot Street, Canal Square and Canal Walk

Planning Policy and Related Matters	3.9.	The application is situated within the London Borough of Tower Hamlets ('LBTH') and therefore assessment of planning obligations must have regard to Tower Hamlets' Local Plan 2031; the London Plan (March 2021); the LBTH Planning Obligations SPD (2021) and the Mayor of London Development Viability Supplementary Planning Document (adopted 2nd October 2017) and addendum 2019.
Site Specific Planning Policy	3.10.	The Teviot Estate does not have its own Site Allocation in the LBTH Local Plan (2020), although it has a draft allocation and site specific policy and guidance is being developed as part of the New Local Plan (Site 3.9 – Teviot Estate)
	3.11.	The Council has started early engagement on a New Local Plan with consultation having taken place on Regulation 18 version in late 2023. The draft New Local Plan identifies the Teviot Estate as draft Site Allocation 3.9 in the Leaside Sub-Area. The New Local Plan is at an early stage of the process and is expected to be adopted in Autumn / Winter 2025.
	3.12.	The site has the following designations and policy items as per the London Plan and LBTH Local Plan: • LBTH Local Plan (2020) Sub Area 3: Lower Lea Valley' • Poplar Riverside Housing Zone • Poplar Riverside Opportunity Area (formally the Lower Lea Valley Opportunity Area) • Parts of the site within Langdon Park and Limehouse Cut Conservation Areas

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4. PROPOSED SCHEME

Introduction

4.1. This section addresses the design of the Proposed Scheme, setting out proposed use, quantum and mix of uses.

Proposed Scheme

4.2. The Proposed Scheme is for a comprehensive estate regeneration of the Teviot Estate, comprising an uplift to the number of residential units (including affordable housing), as well as commercial and community floorspace. The Applicant is submitting a hybrid planning application, seeking Full planning permission for Phase 1a and Outline planning permission for Phases 1b-4.

4.3. For the purpose of this FVA we have been provided with detailed information for Phase 1a and an indicative max parameters scheme for the later phases to assess, which comprises up to 1,928 residential units and of commercial floor space. This scheme is the basis for the assessment.

4.4. As detailed scheme information is not available for the built development within the Outline phases of the Scheme (phases 2 – 4). Therefore, we have made assumptions to determine inputs for areas, costs and values. This is explained in the relevant sections of this report.

Phase 1

4.5. Phase 1a will provide 475 units across three blocks, with 311 private units and 164 affordable units. We have been provided with a unit and tenure mix, as well as floor areas and a detailed breakdown is outlined in **Appendix 1.** A summary of the unit sizes and tenures is outlined below:

Table 1 – Residential Units (Phase 1a)

Phase	NIA sq. m	NIA sq. ft	Units
Private	19,483	209,709	311
Social Rent	11,029	118,716	140
Shared Ownership	1,491	16,049	24
Total	**32,003**	**344,474**	**475**

Source: The Applicant

Phases 2 – 4

4.6. We have been provided with a unit and tenure mix for Phases 2 – 4 which is at **Appendix 1**, however, we understand that floor areas are not available for Phases 2 – 4. We have therefore applied average unit sizes from Phase 1 to the mix for the outline phases (Phases 2 – 4), These areas are summarised in the table below:

Table 2 – Private Residential Units (Phase 1 – 4)

Phase	NIA sq. m	NIA sq. ft	Units	Hab Rooms
Phase 1a	19,483	209,711	311	773
Phase 2	27,262 *	293,443 *	451	1,074
Phase 3	23,519 *	253,158 *	391	952
Phase 4	16,976 *	182,731 *	266	672
Total	**87,239**	**939,043**	**1,419**	**3,471**

** estimated areas*

Affordable Housing

4.7. The Applicant is proposing an affordable housing provision at 35% by habitable room. The Scheme proposes to replace the existing affordable housing onsite, providing an uplift of 19% habitable rooms. The estate currently comprises 535 units of which 359 are existing social rent homes. All existing social

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rented homes (359) will be re-provided across the masterplan through a mix that meets resident's housing needs and is in accordance with modern space standards.

4.8. The unit mix and floor areas for the affordable housing units is summarised in the below tables:

Table 3 – Shared Ownership

Phase	NIA sq. m	NIA sq. ft	Units	Hab Rooms
Phase 1a	1,491	16,049	24	59
Phase 2	1,570 *	16,901 *	25	66
Phase 3	2,419 *	26,039 *	37	100
Phase 4	950 *	10,230 *	12	39
Total	**6,431**	**69,219**	**98**	**264**

** estimated areas*

Table 4 – Social Rent / Tower Hamlets Living Rent

Phase	NIA sq. m	NIA sq. ft	Units	Hab Rooms
Phase 1a	11,267	121,280	140	542
Phase 2	8,056 *	86,714 *	99	399
Phase 3	6,054 *	65,168 *	69	309
Phase 4	8,006 *	86,171 *	103	394
Total	**33,383**	**359,333**	**411**	**1,644**

** estimated areas*

4.9. The Scheme will replace the existing affordable housing on the estate, which is to be demolished, as well as providing an uplift on the existing. The affordable units within Phase 1a will be provided as Social Rent units, which meets the needs of rehousing households.

4.10. Within the outline element, there is greater flexibility within the tenure split and full details of the tenure split would come forward as part of reserved matters applications. The units would be subject to LBTH's future policy requirements for these units at the time the reserved matters applications come forward, but it is anticipated units would be split between Tower Hamlets Living Rent and Social Rent.

Car Parking

4.11. The Scheme is to be delivered car free, with the exception of accessible wheelchair parking.

Commercial Floorspace

4.12. The Scheme proposes flexible workspace units (Class E- part G- i, ii & iii) and flexible commercial, business and service floorspace (Class E – Parts a, b, c, d, e, f & g); We have provided a breakdown of the commercial units that are income generating in the table below:

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Table 5: Proposed Commercial Areas for Phase 1 – 4

Phase	Type	Sq. M	Sq. Ft
Phase 1	Workspace Units	123	1,324
	Commercial Units	1,075	11,571
Phase 2	Workspace Units	943	10,150
	Commercial Units	111	1,195
Phase 3	Workspace Units	510	5,490
	Commercial Units	333	3,584
Phase 4	Workspace Units	297	3,197
	Commercial Units	882	9,494
Total		**4,274**	**46,006**

Source: The Applicant

4.13. The Outline Element of the application also proposes up to 1,688sqm (GEA) flexible community floorspace (Class F2/Class E (part F)) alongside up to 1,133 (GEA) sq. m of Class F1 floorspace for a Mosque.

5. GROSS DEVELOPMENT VALUE

Introduction

5.1. This section identifies the Gross Development Value of the Scheme in accordance with the NPG (2019) paragraphs 10 and 11. Gross Development Value is an assessment of the value of the development proposed. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development a broad assessment of value in line with industry practice may be necessary.

Private GDV

5.2. Gerald Eve have priced the private residential units within the Scheme based on comparable developments as well as their understanding on the current market, as set out in **Appendix 2**. Phase 1 has been priced on a unit-by-unit basis as detailed scheme information is available.

Phase 1 Pricing

5.3. To undertake the pricing exercise for Phase 1 we have collated comparable evidence related to similar new build schemes in the area, these are set out in **Appendix 2.**

5.4. We have priced the units in Phase 1 on a block-by-block basis and in accordance with the area schedule provided by the Applicant. As the unit types are the same on each floor, with analysis of the comparable evidence, we have priced the 1st floor accommodation and then applied the relevant adjustments on a floor-by-floor basis. We have priced the ground floor separately. This comes to an average of **£752psf** across the private units in Block 02 and 03.

5.5. A summary of the private sales values for Phase 1 is set out in the below table:

Table 6 – Phase 1 – Summary of Pricing for Private Residential Units

Block	No. of Units	NIA (sq. ft)	Average £psf	GDV
Block 02	115	76,803	£724	£55,635,000
Block 03	196	132,906	£768	£102,132,500
Total	**311**	**209,709**	**£752**	**£157,767,500**

Source: *Gerald Eve*

Phases 2-4 Pricing

5.6. The average price on a £/psf basis for each unit size determined from Phase 1 has been applied to units of the respective types and assumed areas in Phases 2 – 4. The price on a £psf for each unit size following the unit-by-unit pricing of Phase 1 is summarised below:

Table 7 – Phase 1 Average Unit Pricing

Unit Type	Units	Total NSA (sq ft)	Average Price £/psf	GDV (Phase 1)
Studio	11	5,162	£810	£4,180,000
1bed	148	82,750	£788	£65,193,000
2-bed	142	111,679	£731	£81,665,000
3 bed	10	10,118	£675	£6,825,000
Total	**311**	**209,709**	**£753**	**£157,863,000**

Source: Gerald Eve

5.7. When applied to phases 2-4, the GDV of the private residential units is summarised below.

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Table 8 – Phases 2-4 Pricing

Block	No. of Units	NIA (sq. ft)	GDV	Average £psf
Phase 2	451	293,441	£220,537,253	£752
Phase 3	391	253,155	£190,064,022	£751
Phase 4	266	182,730	£135,732,357	£743
Total	**1,108**	**729,326**	**£546,333,632**	**£749**

Source: Gerald Eve

Affordable GDV

5.8. Within the Proposed Scheme there will be 509 affordable units located across the proposed blocks. The affordable units will be delivered as Shared Ownership, Social Rent and Tower Hamlets Living Rent. Our specialist Affordable Housing team have provided values for these units in line with national and local policy.

5.9. The Scheme will replace the existing affordable housing on the estate, which is to be demolished, as well as providing an uplift on the existing. The affordable units within Phase 1a would be provided as Social Rent units, which meets the needs of rehousing households.

5.10. Within the outline element, there is greater flexibility within the tenure split and full details of the tenure split would come forward as part of reserved matters applications. The units would be subject to LBTH's future policy requirements for these units at the time the reserved matters applications come forward, but it is anticipated units would be split between Tower Hamlets Living Rent and Social Rent.

5.11. A summary of adopted affordable sales values are set out in the below table:

Table 9 – Summary of Pricing for Affordable Residential Units

Type	No. of Units	NIA (sq. ft)	GDV	Average £psf
Social Rent	382	339,472	£68,912,816	£202
Tower Hamlets Living Rent	29	17,295	£5,136,615	£242
Shared Ownership	98	69,218	£29,625,304	£428
Total Units	**509**	**420,070**	**£103,674,735**	

Source: Gerald Eve

Commercial Accommodation

5.12. The commercial uses within the Proposed Scheme include Class E (parts a, b, c, d, e, & g) and Class E (parts g – i ,ii & iii). We have been provided with a breakdown of the commercial values note prepared by NIEK. We have adopted the higher range that has been provided to us by NEIK due to the location of the site. The pricing exercise on a unit-by-unit breakdown is outlined in **Appendix 3.**

5.13. The proposed use classes of the commercial units and the respective values are set out in the table below:

Table 10 – Summary of Commercial Values

Property Type	Rent (£ per sq ft)	Yield	Rent Free (months)
Food store	£12	6%	12
Amenity Retail	£15	7.5%	12
Small F&B (Local Independents)	£15	7.5%	12
Gym	£12	7%	18
Large F&B	£15	7.5%	18
Workspace (Small)	£25	7%	6
Workspace (Large)	-£15	6%	18

Source – NIEK

GLA Grant Funding

5.14. For the purpose of this assessment, we have evaluated the schemes viability both with and without receiving GLA grant funding. Whilst no formal grant application has been made to the GLA as yet for the first phase allocation, the GLA are aware that the application is forthcoming, they however need more elements of certainty of delivery before the application can be formally considered.

5.15. The application for grant funding for Phase 1a will be made once there is more certainty with regard to the planning program and the ability to commence phase 1 works within the current constraints of the 21/26 program.

GLA Grant Assumptions

5.16. For the scenario including GLA grant funding, we have been provided information from Poplar HARCA. These grant rates are broadly benchmarked against recent allocations by the GLA under the 21/26 program.

Table 11: GLA Grant Funding Assumptions (across Phases 1 – 4)

Tenure	Grant	Units	Total Grant
Social Rent/ THLR	£220,000 per unit	411	£90,420,000
Shared Ownership	£50,000 per unit	98	£4,900,000
SCHEME TOTAL		**509**	**£95,320,000**

Source – Poplar HARCA

5.17. The application for grant funding for Phase 1a will be made once there is more certainty regarding the planning program and the ability to commence phase 1 works within the current constraints of the 21/26 program. The scenario including grant assumes that grant will be payable on a block-by-block basis, with 75% received at the start of construction of the block and 25% at PC of the block.

Total GDV (excl. grant)

Table 12: Total GDV (excl. grant)

Accommodation	GDV
Private	£704,101,132
Affordable	£103,674,735
Commercial	£11,023,395
SCHEME TOTAL	**£818,799,262**

Source: GE/NIEK/ Poplar HARCA

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Total GDV (incl. grant)

Table 13: Total GDV (incl. grant)

Accommodation	GDV
Private	£704,101,132
Affordable	£103,674,735
Commercial	£11,023,395
GLA Grant Funding	£95,320,000
SCHEME TOTAL	**£914,119,262**

Source: GE/NIEK/ Poplar HARCA

6. COSTS AND PROGRAMME

Introduction

6.1. This section provides further detail on the headline costs and development programme associated with the Proposed Scheme. The Applicant has commissioned Stace to produce a detailed construction cost plan. Costs associated with planning obligations, Benchmark Land Value, development returns and financing are addressed in later sections.

Construction Costs

6.2. The Applicant has undertaken a cost assessment of the detailed element of the Proposed Scheme. Due to the outline nature of the later phases of the Proposed Scheme, detailed cost estimates are not available at this stage. The costs for Phase 1 have been checked and verified by Bailey Garner, with their peer review document included at **Appendix 4.** This provides a cost estimate to use for the Scheme, which is summarised below:

Table 14: Construction Cost Summary

Residential Construction Costs	£psf	GIA (sq. ft)	Cost Plan
Phase 1	£285	494,536	£140,942,760
Phase 2	£285	567,505	£161,738,925
Phase 3	£285	494,763	£141,007,455
Phase 4	£285	394,174	£112,339,590
Total		**1,950,965**	**£556,028,730**

Source: The Applicant/Bailey Garner

Transport & Infrastructure Costs

6.3. The Scheme also proposes transport infrastructure improvements and we have been provided with cost estimates for these works totalling £10.95m. These costs are explained in more detail in Section 7.

Decant and Leaseholder Buyback Costs

6.4. We have been provided with estimated costs for decant and leaseholder buybacks to achieve vacant possession across the Site by Poplar Harca. These costs include estimated buyback costs, decant, commercial decant and CPO. Other expenditure associated with achieving vacant possession has also been included. These are summarised below and at **Appendix 5.**

6.5. **Table 15: Decant/ Leaseholder Buyback Costs**

Phase	Estimated Cost
1	£23,932,803
2	£33,160,030
3	£15,413,205
4	£20,837,717
Total	**£93,343,755**

Source: Poplar Harca

Contingency

6.6. We have applied a 5.0% contingency to the build and external works costs. This assumption has regard to the nature and risk associated with a development of this nature.

Professional Fees

6.7. In addition to the above, our appraisals take account of professional fees that are likely to be incurred as part of the development process. In this instance, having regard to the mix of uses proposed, the complexity and design of the Proposed Scheme, we consider it reasonable to assume that the developer will bear an allowance of 10% of total construction costs for professional fees.

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Marketing, Agent and Legal Fees

6.8. As part of our assumptions, it is correct to allow for fees associated with the sale of the private residential units, the letting of the commercial accommodation and for the sale of the completed building. We have not included disposal costs on affordable residential values. Our assumptions in respect of these fees are set out below:

Table 16: Marketing, Legal and Disposal Fees

Item	Fee Rate
Commercial Letting Agent Fee	10% of commercial rent
Commercial Letting Legal Fee	5% of commercial rent
Marketing Fee	1.0% of private residential and commercial GDV
Sales Agent Fee	2.0% of private residential and commercial GDV
Sales Legal Fee	0.5% of private residential and commercial GDV

Source: GE

Finance Costs

6.9. We have adopted a rate of 7.5%, reflective of the current market conditions and as evidenced by GE's specialist debt funding and finance team who have provided comparable data and evidence supporting this rate of interest. This evidence is set out at **Appendix 6**.

Construction Programme

6.10. The development programme for the Proposed Scheme has been advised by the Applicant. The financial appraisals have been prepared in accordance with this programme. This is set out in **Appendix 7** and summarised below.

Table 17: Development Programme - Phase

Phase	Commencement Period	Completion Period	Duration (months)
1	April 2025	Mar 2030	60
2	Mar 2030	May 2034	51
3	May 2034	May 2038	49
4	May 2038	Jul 2041	39

Source: The Applicant

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Table 18: Programme Assumptions by Block

Block	Start date	End date
B01	Jul-25	Mar-28
B02	Dec-25	May-28
B03	Jan-27	Nov-29
B04	Oct-30	Feb-34
B05	Oct-30	Apr-34
B06	Feb-31	Jan-34
B07	Oct-30	Jun-32
B08	Feb-32	May-34
B09	Dec-34	Apr-38
B11	Jan-35	Jan-38
B12	Jan-35	May-38
T06	Mar-35	Mar-36
B13	Nov-38	Apr-41
B14	Nov-38	Jul-41
B15	Nov-38	Jul-41

Source – The Applicant

Private Sales Rate

6.11. We have assumed a sales rate for the private units of 60% off plan with the remaining units sold at an average rate of 8 per month thereafter. The units will be sold on the completion of construction of each block.

Affordable Sales Rate

6.12. We have assumed that the Affordable and Shared Ownership units will be cash flowed assuming a 'golden brick' arrangement, with 30% of revenue received at the start of construction followed by quarterly payments over the construction period of each block.

Grant Funding

6.13. The scenario including grant assumes that grant will be payable on a block-by-block basis, with 75% received at the start of construction of the block and 25% at PC of the block.

Summary

6.14. This section summarises the development costs that will be incurred in order to deliver the Proposed Scheme. The Proposed Scheme includes a number of site-specific abnormal costs, which have been allowed for.

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7. PLANNING OBLIGATIONS (NOTIONAL)

Introduction	7.1.	This section sets out the level of planning obligations in respect of the Proposed Scheme. We present this prior to the following sections showing the Proposed Scheme returns for the sake of clarity. The resultant overall level of the total planning obligations is the output that the appraisals seek to test as being financially viable having regard to the target rate of return.
	7.2.	One of the requirements of the FVA and corresponding appraisals is to determine the financial contribution and planning obligations as an aggregated "pot". In other words, to assess what the Proposed Scheme can afford considering the financial impact of these items as a whole. This FVA assesses the Proposed Scheme in accordance with LBTH target policies on affordable housing. If the plan has a target and a specific scheme does not meet the strategic target, it does not mean that the specific scheme is not "policy compliant".
Affordable Housing Contribution	7.3.	The London Plan states that Boroughs should seek the maximum reasonable amount of affordable housing when negotiating residential schemes. In achieving this, Boroughs should consider economic viability together with individual circumstances of the Site and Scheme. It follows it is necessary for a developer to seek to obtain a planning permission capable of implementation that provides a return reflecting the risks associated with the overall investment. This will determine what is reasonable in respect of affordable housing levels as well as potential obligation payments.
	7.4.	The Proposed Scheme includes 35% affordable housing by habitable room to be delivered on site. The Affordable Housing uplift, as the scheme is an estate regeneration scheme, is 19% by hab rooms.
	7.5.	As part of the planning application, the development has committed to providing both on-site and off-site infrastructure.
Onsite Infrastructure Commitment	7.6.	Access & Connectivity • A12 Toucan Crossing. • A12 Foot tunnel improvements • Safeguarded land for Limehouse Cut bridge landing zone • New Zebra Crossings on St Leonards Road and Teviot Street on site to improve local pedestrian links • Open Space & Public Realm • Improvements to Langdon Park New Public Open Space within the development • Green Street along Teviot Street • Network of smaller green spaces and planting across the site. • Canal Square public realm enhancement Community Facilities • Community Centre • Purpose built mosque
Offsite Infrastructure Commitment	7.7.	Access & Connectivity • Limehouse Cut Tow Path Improvements • Fawe Street DLR Crossing Improvements
S106 Package and CIL estimates	7.8.	We have been provided with an estimated allowance for S106 and CIL from Lichfields. An estimated Section 106 financial contributions package has been allowed for totaling c.£3.46m as well as a total Mayoral CIL of £7.35m and Borough CIL liability of c.£5.8m. These are estimates for the purpose of assessing the Scheme. The precise s106 contributions and CIL liabilities will be confirmed in due course. We have assumed these figures are correct and have adopted them within our appraisal, though it should be noted that these estimates may be subject to change following negotiations regarding the viability of the Proposed Scheme and following a detailed site survey of the existing buildings.

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7.9. We understand that the primary S106 costs will relate to the following:

- Employment and Training
- Transport Measures
- Carbon off-setting
- S106 Monitoring
- Construction Management Plan Monitoring.

Package

7.10. A summary of the estimated planning obligations and CIL liability for the Proposed Scheme is set out in the table below. These are indicative estimates for the purposes of this FVA and have been adopted on a without prejudice basis.

Table 19: Planning Obligations/CIL Liability Summary

Planning Obligation	Amount
Affordable Housing	35% by habitable room/ 19% uplift by habitable room
Carbon Offset	£990,762
LBTH CIL	£5,798,684
MCIL	£7,350,197
Section 106 Costs	£3,455,056
Total planning contributions liability (financial)	**£17,594,699**
Infrastructure works	**£10,952,261**

Source: Lichfields

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8. RETURN TO THE DEVELOPER

Introduction	8.1.	A significant factor in undertaking viability assessments for development purposes is the level of return that a developer might reasonably require from undertaking the development and in turn on what basis the Scheme could be funded and financed. This will depend on several factors including the size of the development, the perceived risks involved, the degree of competition between funding and finance institutions for the Scheme, the state of the market in terms of demand for and lot size of the completed development and the anticipated timescales for development and for receiving a return.
Return	8.2.	Development profit is usually necessary to attain investment to implement and deliver any given project. The level of profit is essentially the reward to the developer for the time, expertise and risk involved in carrying out the process of development.
	8.3.	The NPG (paragraph 018 (Ref 10-018-20190509) indicates that for the purpose of planning assuming of 15-20% of Gross Development Value (GDV) may be considered a suitable return to developers in order to establish the viability of plan polices. This is not a direct guidance for Scheme specific applications and that specific development returns need to account for type, scale, and risk profile of the planned development. Furthermore, it is recognised that lower returns are considered more appropriate for affordable housing where risk to receipt of income are lower and alternative figures may also be appropriate for other types of development.
	8.4.	Measurements of return such as "profit on cost", "profit on value", "development yield", or "internal rates of return" (IRR) ratios are commonly used as comparable benchmark ratios. The return (profitability) of a scheme should be tested against a target benchmark return based on the risks of the proposed Scheme.
	8.5.	It is, however, more common for standard development opportunities to be considered on a return on gross revenue (GDV) basis as indicated in the NPG (2019). The NPG (2019) indicates that potential risk to development is accounted for in the assumed return for developers and is regarded as the role the developers, not plan makers or decision makers, to mitigate these risks, not for obligations to maintain them.
	8.6.	Determination of an appropriate target rate of return can depend on several factors, but it is predicated on the risk associated with developing out the proposed Site. The more risk involved, the higher return the developer will require.
	8.7.	We have adopted the residual profit approach and assessed the output against a target development return.
	8.8.	The target development return adopted in this instance considers the following factors, which are specific to the Site and the Scheme: • The Proposed Scheme comprises a significant development project that incorporates a mix of uses and therefore risk profiles; • Local market conditions and competing schemes within the vicinity; • Continued cost inflation; • National Planning Guidance on viability • The scheme includes significant transport infrastructure costs.

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8.9. We have considered the target rate of return for the proposed Scheme having regard to the type of use and blended these in order to get an overall benchmark return as outlined in Table 21 below.

8.10 **Table 20: Target Rate of Return**

Element	Profit
Private	17.5%
Affordable	6%
Commercial	15%
Blended	**16.0%**

Source: GE

9. BENCHMARK LAND VALUE

Introduction	9.1.	To define the viability of a Proposed Scheme a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. This value is compared to the RLV of the Scheme, thus informing if deviation from planning policy requirements is justifiable.
NPG	9.2.	This section sets out the underlying basis for the adopted Benchmark Land Value (BLV). It has been prepared having regard to the NPG; the NPPF; "Financial Viability in Planning: conduct and reporting" and further guidance set out in the RICS Professional Standard "Assessing Viability in Planning Under the National Planning Policy Framework 2019 for England."
	9.3.	The basis for establishing the Benchmark Land Value (BLV) is set out in the NPG (September 2019) and in particular paragraphs 13 to 17. It is recognised that the NPG expects that viability is determined with regard to a BLV which reflects the aggregate of the site's existing use value ('EUV') (component 1) and a premium for incentivising the landowner to release the land for development (component 2). In accordance with NPG the Benchmark Land Value (BLV) should reflect a combination of these two elements. or an alternative use value ('AUV'), having regard to planning policy.
EUV	9.4.	However, we also note DCLG guidance in relation to Estate Regeneration, which highlights that Estate Regeneration is a long-term process that often requires significant investment to support a wide range of activities. In many cases the risk profile of investment changes over time and can present challenges to ensure viable and sustainable delivery.
	9.5.	In the instance of an affordable housing regeneration scheme, the RICS Valuation Standards (Red Book) sets an appropriate methodology for the valuation of social housing. The RICS indicates that social housing can be valued based on EUV-SH having regard to the existing tenants and use of the property.
Book Value	9.6.	We have not been provided with the Council's book value for the existing buildings calculated upon an EUV-SH basis for the purpose of this FVA.
Premium to the Landowner (Component 2)	9.7.	The Premium for the landowner should reflect the minimum return that it is considered reasonable that the landowner would be willing to sell the land for development, while allowing sufficient contribution to comply with planning policy. In this instance, however, the release of the land is for the redevelopment to deliver an estate regeneration and therefore GE do not consider the minimum premium to exceed EUV.
Estate Regeneration	9.8.	Historically, estate regeneration schemes have almost always relied upon some government investment in the form of grant. Therefore, the Department for Levelling Up, Housing and Communities (DLHC) encourages estate regeneration strategies to explore and promote innovative methods of financing estate regeneration, in ways that deploy limited public finance more effectively and ultimately reduce the need for such significant recourse to the public purse. A key element is often the promotion of a mix of tenures on previously single tenure estates to generate more value; another is project delivery methods such as Joint Venture over a land sale.
	9.9.	Furthermore, DCLG Estate Regeneration guidance encourages landowners to explore options available to create the best possible chances of a viable scheme – namely that revenues are likely to be in excess of project costs; and this includes the potential contribution of land and property assets to assist with viability and phasing of delivery.
	9.10.	Therefore, the objective of Estate Regeneration for the landowner is not necessarily a financial return for the disposal of their land. Instead, it could be that the minimum return at which it is considered a reasonable landowner would be willing to sell their land for the regeneration of the Estate itself. This effectively means the assessment would not require the inclusion of a land value within the viability or that

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		an appropriate return would reflect £1. Albeit identifying land value may provide some indication of the level of investment to the regeneration project by the Landowner.
Applied BLV having regard to regeneration project	9.11.	We have arrived at an opinion of BLV at which a reasonable landowner would be willing to sell for development by: • Applying a reasonable valuation judgement; • Informed by the relevant available facts; • Regard to the obligations and considerations related to the Site; • With a realistic understanding of the local area and the operation of the market; • Reflect all policy requirements; • Delivering a reasonable return to the landowner; and • Assuming the Site is free of any encumbrances, or restrictions on title which would adversely affect the value.
	9.12.	Government guidance on estate regeneration indicates development should look to de-risk delivery of estate regeneration and consider contribution of land to assist with viability. In this instance therefore we feel it is unnecessary and counter-intuitive to add a significant monetarised incentive to the landowner to release the land for development.
Applied BLV	9.13.	Taking all the above into account, we have adopted a BLV for viability testing in planning of: **£1** **(One Pound)**

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10. FINANCIAL APPRAISAL REVIEW

Introduction

10.1. This section sets out the viability outcome of applying the assumptions presented in earlier sections.

10.2. We have applied the inputs as set out in the previous sections of this report to determine the financial appraisal output. A copy of the Scheme appraisal is included at **Appendix 8.** We summarise below the Scheme appraisal outcome:

Appraisal Summary (excl. grant funding)

Table 21: Appraisal Summary (excl. grant)

Appraisal Output	Assumption
Private Residential GDV	£704,101,132
Affordable Residential GDV	£103,674,735
Commercial	£11,023,395
Total GDV	**£818,799,262**
Build Cost	£556,028,730
BLV/ Fixed Land Cost	£1
Return on GDV (target)	16.0%
Return on GDV (output)	-19.1%

Source: GE

10.3. The appraisal output shows that the profit output of the Scheme is below the target profit and therefore that the Scheme is showing a deficit. Therefore, the output of our viability assessment indicates that the maximum level of affordable housing that can be viably justified appears to have been included.

GLA Grant Funding

10.4. As outlined in the report, we have also examined the viability of the scheme to include grant funding from the GLA. A breakdown of the assumptions we applied are outlined in Section 5 (GDV). The appraisal is at **Appendix 9.**

Appraisal Summary (incl. grant funding)

Table 22: Appraisal Summary (incl. grant)

Appraisal Output	Assumption
Private Residential GDV	£704,101,132
Affordable Residential GDV	£103,674,735
Commercial	£11,023,395
GLA Grant Funding	£95,320,000
Total GDV	**£914,119,262**
Build Cost	£556,028,730
BLV/ Fixed Land Cost	£1
Return on GDV (target)	16.0%
Return on GDV (output)	6.3%

Source: GE

10.5. With the inclusion of grant funding, the Scheme generates a profit on GDV of 6.3%, which is below the target rate of return.

10.6. In the next section, we have undertaken sensitivity testing to assess this overall conclusion and the robustness of applied assumptions to understand the deliverability of the Scheme.

11. SENSITIVITY ANALYSIS

RICS

11.1. The RICS requires that all FVAs and subsequent reviews must provide a sensitivity analysis of the results and an accompanying explanation and interpretation of respective calculations on viability, having regard to risks and an appropriate return(s). This is to:

- allow the applicant, decision- and plan-makers to consider how changes in inputs to a financial appraisal affect viability, and;
- understand the extent of these results to arrive at an appropriate conclusion on the viability of the application scheme (or of an area-wide assessment).

This also forms part of an exercise to 'stand back' and apply a viability judgement to the outcome of a report.

Sensitivity Analysis

11.2. A sensitivity analysis is a simplistic, but widely used, approach for testing viability and the robustness of the Scheme. Uncertainties can be identified in respect of the inputs and their effects can then be looked at in terms of the development return and then the level of planning payment. In short, this is a straightforward deterministic approach from which a judgement needs to be made as to the appropriateness of the outcome. Benchmarks can be used as performance measures. A prudent developer will also consider the sensitivities of a development and assess the risks of the project.

11.3. GE has undertaken sensitivity testing, varying construction costs and private residential values, adopting a variation of ±10% to the private and shared ownership residential sales values and ±5% to the construction costs. The impact on the scheme return (profit on GDV) has been tested and is presented in the following tables, tested on both the base Scheme appraisal and the scenario including grant funding.

Sensitivity

11.4. The sensitivity analysis on the base appraisal is set out below:

Table 23: Base Sensitivity Analysis – Residential Values and Construction Costs – Profit on GDV

		Sales Rate				
		-10%	**-5%**	**0%**	**+5%**	**+10%**
Construction Cost	**-10%**	-20.5%	-11.6%	-3.6%	3.6%	9.6%
	-5%	-29.1%	-19.8%	-11.3%	-3.6%	3.3%
	0%	-37.6%	-27.9%	**-19.1%**	-11.1%	-3.7%
	+5%	-46.1%	-36.0%	-26.9%	-18.5%	-10.8%
	+10%	-54.6%	-44.2%	-34.6%	-25.9%	-17.9%

Source: GE

11.5. The sensitivity analysis results demonstrate that with a 10% increase in private and shared ownership values, the Scheme achieves a return of -3.7%, which is below the target return.

11.6. The sensitivity analysis on the scenario including grant funding is set out below:

Table 24: Scenario Incl. Grant Sensitivity Analysis – Residential Values and Construction Costs – Profit on GDV

		Sales Rate				
		-10%	**-5%**	**0%**	**+5%**	**+10%**
Construction Cost	**-10%**	7.2%	13.2%	17.9%	22.0%	25.6%
	-5%	-0.4%	6.8%	12.5%	17.1%	21.1%
	0%	-9.0%	-0.7%	**6.3%**	11.9%	16.4%
	+5%	-17.5%	-8.8%	-0.9%	5.8%%	11.3%
	+10%	-26.0%	-16.9%	-8.6%	-1.0%	5.4%

Source: GE

11.7. The sensitivity analysis results demonstrate that with reasonable increases to private sales values and decreases in costs that the Scheme reaches a viable position. The Scheme reaches the target return of 16.0% with a 10% decrease in construction costs and exceeds this return with coupled with increases in values.

12. CONCLUDING STATEMENT

Instruction	12.1.	This Financial Viability Assessment has been prepared by Gerald Eve LLP ("GE") to accompany a hybrid planning application for the redevelopment of Teviot Estate. The application is submitted on behalf of Teviot Estate Developments LLP Limited ("the Applicant").
	12.2.	GE has been instructed to undertake an objective and impartial viability assessment of the Proposed Scheme, to assess the amount of affordable housing the proposed Scheme can viably provide.
The Scheme	12.3.	The Proposed Scheme is a hybrid planning application seeking Full Planning Permission for: 1 Phased site-wide demolition of all existing buildings and structures, site preparation and enabling works (including excavation); and 2 Phased construction of buildings comprising residential units (Use Class C3); flexible commercial business and service floorspace (Use Class E); Hard and soft landscaping works including public open space, access and highway alterations, car and cycle parking provision, and all other associated ancillary works (the "detailed element"); Outline planning permission (with all matters reserved) for: 3 Phased construction of buildings (including basements) comprising residential units (Use Class C3); flexible commercial, business and service floorspace (Use Class E); place of worship (Class F1); local community floorspace (Use Class F2); Public House (Sui Generis); hard and soft landscaping works including public open space, access and highway alterations, car and cycle parking provision, and all other associated ancillary works (the "outline element").
	12.4.	For the purpose of this FVA we have been provided with detailed information for Phase 1 and an indicative scheme for the later phases to assess, which comprises up to 1,928 residential units and commercial floor space. This scheme is the basis for the assessment.
	12.5.	As detailed scheme information is not available for the Outline phases of the Scheme (phases 2 – 4), we have made assumptions to determine inputs for areas, costs and values. This is explained in the relevant sections of this report. For the purpose of this FVA, the approach has been to adopt cost and value inputs which are at the end of acceptable ranges which promote the viability of the Scheme, being low costs and higher values. Should planning permission be granted, the Applicant is willing to enter a S106 legal agreement to secure Early Stage, Mid Stage and Late Stage reviews which would allow an opportunity to revisit the viability position throughout the lifetime of the development.
	12.6.	The Scheme will replace the existing affordable housing on the estate which is to be demolished, as well as providing an uplift on the existing. The affordable units within Phase 1a would be provided as Social Rent units, which meets the needs of rehousing households.
	12.7.	Within the outline element, there is greater flexibility within the tenure split and full details of the tenure split would come forward as part of reserved matters applications. The units would be subject to LBTH's future policy requirements for these units at the time the reserved matters applications come forward, but it is anticipated units would be split between Tower Hamlets Living Rent and Social Rent.
	12.8.	We have undertaken our assessment on a dual basis and reviewing the viability of the Scheme with and without grant funding. While no formal application has been made to the GLA for the first phase allocation, the GLA are aware that the application is forthcoming. Therefore, it is important to assess the viability of the Site both with and without this grant included, which is explained in the relevant sections of this report.
Appropriate Evidence	12.9.	Sales and market data have been used to establish the overall value of the Proposed Scheme and a cost estimate has been prepared in order to understand the costs associated with the development. Estimates have also been provided regarding abnormal costs.

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BLV	12.10.	For the purposes of estate regeneration viability assessments, it is common practice to adopt a BLV of £0 (or a nominal figure of £1). This follows government guidance on estate regeneration, which looks to encourage deliverability.
Viability Output	12.11.	Based upon our assessment, using the BLV of £1 as a fixed land value, we conclude the developer's return to be -19.1% on GDV, below the target rate of return of 16.0% on GDV. Therefore, the Scheme is in a deficit. Based on our analysis, there is no surplus which could be put towards the provision of additional affordable housing over and above the level already provided.
	12.12.	It follows that the Proposed Scheme with planning obligations and CIL contributions of c. £13.1 million combined and 35% affordable housing by habitable room, is the maximum reasonable level, and therefore is 'policy compliant' in the context of viability.
Scenario Test – incl. Grant Funding	12.13.	We have also tested the Scheme including grant funding, applied to all affordable units. This generates a profit output of 6.3%, compared to the target profit return of 16.0%.
Sensitivity Testing & Deliverability	12.14.	Our FVA is undertaken on a present-day basis. Inputs include current residential sales values and costs within the appraisal. Sensitivity analysis tests variances around key input variables. The sensitivity analysis results demonstrate that with reasonable increases to private sales values and decreases in costs that the Scheme reaches the target profit return. For the scenario which includes grant funding a 10% decrease in construction costs would result in a viable position. Therefore, the Scheme is considered to be deliverable with the inclusion of grant funding and with reasonable movements in construction costs and/ or values.
	12.15.	The Scheme should be considered in the context of the estate regeneration, which given its complex nature, is a long-term undertaking and the risk profile is typically different to that of a standard housing scheme due to the complexities of existing tenants, quantum of affordable housing and the limitation on revenue generation as a result.
	12.16.	Furthermore, Government Guidance recognises that estate regeneration is a long-term process that often requires significant investment to support a wide range of activities. In many cases the risk profile of the investment changes over time and can present challenges to ensure viability and sustainable delivery, particularly when assessed on a current day basis.

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Appendices

APPENDIX 1

Site Accommodation Schedule - Tenure & Housing Mix - Submission Version

Site	Phase	Block	Type	Tenure	Size	'Detailed' Phase 1a Total Homes	Hab Rooms
Phase 01							
Park View	Phase 01	B01 - Core A	Flat	Private	1B2P	21	42
Park View	Phase 01	B01 - Core A	Flat	Private	2B4P	37	111
						58	153
Park View	Phase 01	B01 - Core B	Flat	Private	1B2P	39	78
Park View	Phase 01	B01 - Core B	Flat	Private	2B4P	18	54
						57	132
PV - B01:						**115**	**285**
Park View	Phase 01	B02 - Core A	Duplex	Affordable Rent	3B5P	3	15
Park View	Phase 01	B02 - Core A	Duplex/flats	Affordable Rent	4B6P	11	66
Park View	Phase 01	B02 - Core A	WCH Flat	Affordable Rent	1B2P	3	6
Park View	Phase 01	B02 - Core A	Flat	Affordable Rent	1B2P	16	32
Park View	Phase 01	B02 - Core A	Flat	Affordable Rent	2B4P	16	48
Park View	Phase 01	B02 - Core A	WCH Flat	Affordable Rent	3B5P	10	50
						59	217
Park View	Phase 01	B02 - Core B	Flat	Affordable Rent	1B2P	13	26
Park View	Phase 01	B02 - Core B	Flat	Affordable Rent	2B4P	24	72
Park View	Phase 01	B02 - Core B	Flat	Affordable Rent	3B5P	39	195
Park View	Phase 01	B02 - Core B	WCH Flat	Affordable Rent	5B9P	1	7
						77	300
PV - B02:						**136**	**517**
Park View	Phase 01	B03 - Core A	Flat	Private	Studio	11	11
Park View	Phase 01	B03 - Core A	Flat	Private	1B2P	44	88
Park View	Phase 01	B03 - Core A	Flat	Private	2B4P	23	69
Park View	Phase 01	B03 - Core A	Flat	Private	3B5P	10	40
Private:						88	208
Park View	Phase 01	B03 - Core B	Flat	Private	1B2P	44	88
Park View	Phase 01	B03 - Core B	Flat	Private	2B4P	64	192
Private:						108	280
Park View	Phase 01	B03 - Core B	Flat	Shared Ownership	1B2P	13	26
Park View	Phase 01	B03 - Core B	Flat	Shared Ownership	2B4P	9	27
Park View	Phase 01	B03 - Core B	WCH Flat	Shared Ownership	2B4P	2	6
Shared ownership						24	59
PV - B03:						**220**	**547**
Park View houses	Phase 01	PV - T01	House	Affordable Rent	4B7P	3	18
Park View houses	Phase 01	PV - T01	House	Affordable Rent	5B8P	1	7
Affordable Rent:						4	25
PV - T01:						**4**	**25**
Phase 01:						**475**	**1374**

Detailed' Element - Phase 01a Summary

Summary	Studio	1B2P	2B	3B	4B	5B	hab rooms	Total homes	Tenure Mix (homes)	Overall Mix (homes)	Tenure Mix (Hab rooms)	Overall Mix (hab rooms)
Rent		32	40	52	14	2	542	140	29%	35%	39%	44%
Shared Ownership		13	11				59	24	5%		4%	
Private	11	148	142	10			773	311	65%	65%	56%	56%
Total	**11**	**193**	**193**	**62**	**14**	**2**	**1374**	**475**	**100%**		**100%**	

Indicative Max Parameters Scheme - Phase 02 Summary

Summary	Studio	1B2P	2B	3B	4B6P	5B8P	6B9P	hab rooms	Total homes	Tenure Mix (homes)	Overall Mix (homes)	Tenure Mix (Hab rooms)	Overall Mix (hab rooms)
Rent		22	30	27	14	4	2	399	99	17%	22%	26%	30%
Shared Ownership		12	8	4				66	25	4%		4%	
Private	49	203	176	23				1074	451	78%	78%	70%	70%
Total	**49**	**237**	**214**	**54**	**14**	**4**	**2**	**1539**	**575**	**100%**		**100%**	

Indicative Max Parameters Scheme - Phase 03 Summary

Summary	Studio	1B2P	2B	3B	4B	5B	6B	hab rooms	Total homes	Tenure Mix (homes)	Overall Mix (homes)	Tenure Mix (Hab rooms)	Overall Mix (hab rooms)
Rent		10	19	16	18	4	2	309	69	14%	21%	23%	30%
Shared Ownership		19	11	7				100	37	7%		7%	
Private	25	182	175	9				952	391	79%	79%	70%	70%
Total	**1**	**211**	**205**	**33**	**18**	**4**	**2**	**1361**	**497**	**100%**		**100%**	

Indicative Max Parameters Scheme - Phase 4 Summary

Summary	Studio	1B2P	2B	3B	4B	5B	6B	hab rooms	Total homes	Tenure Mix (homes)	Overall Mix (homes)	Tenure Mix (Hab rooms)	Overall Mix (hab rooms)
Rent		26	30	37	6	2	2	394	103	27%	30%	36%	39%
Shared Ownership		2	6	4				39	12	3%		4%	
Private	26	104	106	30				672	266	70%	70%	61%	61%
Total	**26**	**131**	**142**	**71**	**6**	**2**	**2**	**1105**	**381**	**100%**		**100%**	

Indicative Max Parameters Scheme (outline element) - Phases 2- 4 Summary

Summary	Studio	1B2P	2B	3B	4B	5B	6B	hab rooms	Total homes	Tenure Mix (homes)	Overall Mix (homes)	Tenure Mix (Hab rooms)	Overall Mix (hab rooms)
Rent	0	58	79	80	39	10	6	1102	272	19%	24%	28%	33%
Shared Ownership	0	32	26	15	0	0	0	205	73	5%		5%	
Private	100	489	457	62	0	0	0	2698	1108	76%	76%	67%	67%
Total	**100**	**579**	**562**	**157**	**39**	**10**	**6**	**4005**	**1453**	**100%**		**100%**	

Detailed Element Plus Indicative Max Parameters Scheme - Overall Summary

Summary	Studio	1B2P	2B	3B	4B	5B	6B	hab rooms	Total homes	Tenure Mix (homes)	Overall Mix (homes)	Tenure Mix (Hab rooms)	Overall Mix (hab rooms)
Rent		90	118	132	52	12	6	1644	411	21%	26%	31%	35%
Shared Ownership		45	37	15	0			264	98	5%		5%	
Private	111	637	599	72	0			3471	1419	74%	74%	65%	65%
Total	**111**	**772**	**754**	**220**	**52**			**5379**	**1928**	**100%**		**100%**	

Rent		22%	29%	32%	13%	1%	2%
S/O		47%	38%	16%	0%	0%	0%
Private	8%	45%	42%	5%	0%	0%	0%

APPENDIX 2

Residential Sales Value Market Report

Phase 1, Teviot Estate, E14

Date: June **2024**

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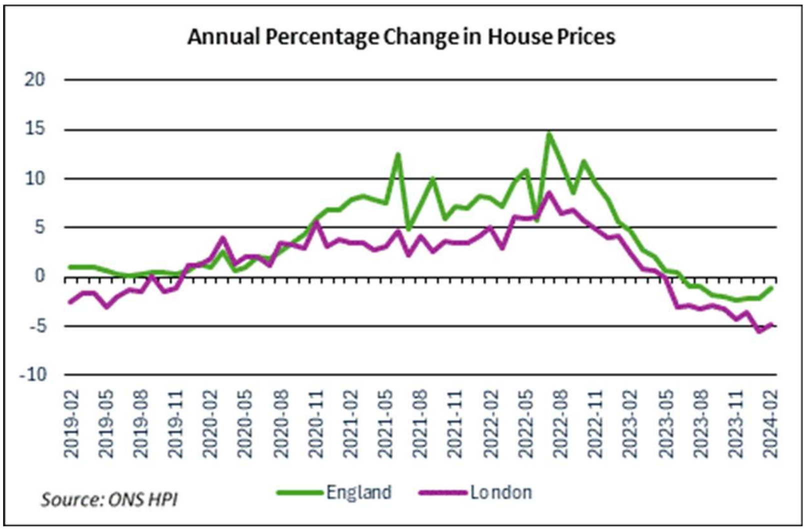
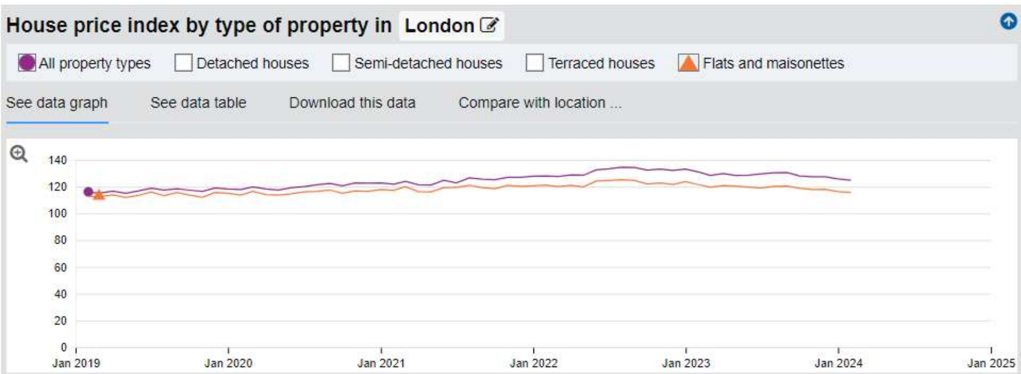
1. MARKET OVERVIEW

The Economy and Property Industry	1.1.	All Property annual total return improved very gradually to 0.7% in February after drifting into positive territory in January for the first time since October 2022. Similarly, the quarterly return was running at just under zero in February. These headline data ostensibly suggest a broad stabilisation after the periods of relative volatility during the pandemic and the more recent sharp rise in interest rates, but there is varied activity within and across the sectors that underlie them.
	1.2.	The outlook for annual returns across all sectors is more positive but the current yield drift and low rental growth means they will remain relatively subdued in 2024. There is potentially more scope for stronger returns in 2025 if interest rates are cut as anticipated and if occupier markets at that point are expected to meaningfully benefit from the wider economic recovery in 2026/27.
London Residential Market	1.3.	Graph 1 below illustrates the rate of annual house price growth in London and England over the past 5 years. A convergence lead to London outperforming England for six months of 2020, however, a fluctuating divergence, with England outperforming London, has returned since. The 2021 summer 'spikes' reflect activity flurries ahead of Stamp Duty 'Holiday' deadlines. The rate of house price growth has declined since 3Q22, dipping into negative territory for London in June 2023 and has since continued to decline to -4.8% by February 2024, albeit higher than the low of -5.6% in January 2024.

Graph 1: Annual Percentage Change in House Prices (ONS) – England and London



Graph 2: Annual Percentage Change by Type of Property (HPI) – London



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1.4. According to the property sales database Lonres, the year to date as at July 2023 saw a circa 28% annual increase in the number of price reductions across all Prime London, while the market at £5M+ saw an increase of circa 98% over the same period. This may be explained, in part, by the 30.3% annual increase in new stock coming to market at this level, which is 78% above the pre-COVID average, providing purchasers at the top end of the market with greater choice and bargaining power.

1.5. The RICS Residential Market Survey April 2024, which measures sentiment amongst residential property professionals, has suggested the recent recovery in buyer demand is stuttering slightly, with the market seemingly impacted by the slight upward movement in mortgage rates through April. New Buyer enquiries had been increasing in the three months prior to April, but this looks to have softened. Financial Markets have revised expectations of monetary policy loosening this year, with an adverse effect for near term sales expectations: net balance for sales expectations over the coming three months recorded the weakest reading since October 2023, signalling a broadly stagnant picture in the near term.

The Site

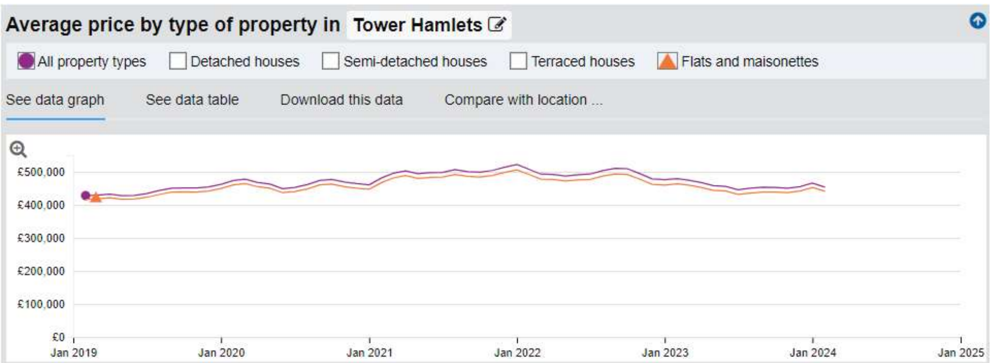
1.6. The Teviot Estate sits on the fringe of Poplar, close to Bromley by Bow. This is a predominantly residential area of East London characterised by its residential streets of low-rise apartment buildings and mid-century terraced houses. The area benefits from outside green space such as Bartlett Park and the Limehouse Cut canal.

1.7. The local property market in Tower Hamlets has been relatively flat over the past 5 years, with property prices up 6.07% over the period February 2019 to February 2024 (the last month for which data is available). Notably, flats and maisonette prices in Tower Hamlets are closely pegged to the overall average, reflecting the extent to which this property type forms the predominant market in the borough. in that same time period. Over the last 12 months there has been substantial change in the local market, with a downward trend in average achieved prices observed from September 2022 onwards, hitting a recent low of £446,037 (All Types) in July 2023. The average of £453,598 in February 2024 reflects a 5.63% fall on the previous year, and a 12.59% reduction on the most recent peak of the market, September 2022.

1.8. Average House prices in Tower Hamlets had been in line with the London average through H2 2021 and into February 2022, with the London average continuing on an upwards trend before dropping, compared to the earlier starting and more severe downwards tend in Tower Hamlets. The interest rate rises look to have impacted the borough more extensively than London overall, with the widest divergence starting in late 2022 and into summer 2023 but narrowing by 2024.

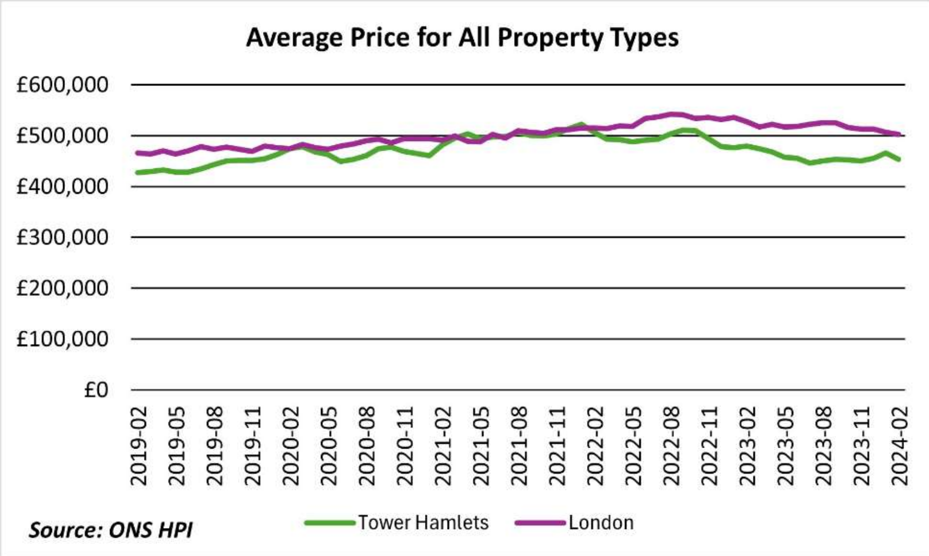
1.9. Graph 3 (below) illustrates average property price in Tower Hamlets over the past 5 years.

Graph 3: Average Price by Type of Property (HPI) – LB Tower Hamlets



1.10. Graph 4 compares average property price (All Types) in Tower Hamlets versus the London average.

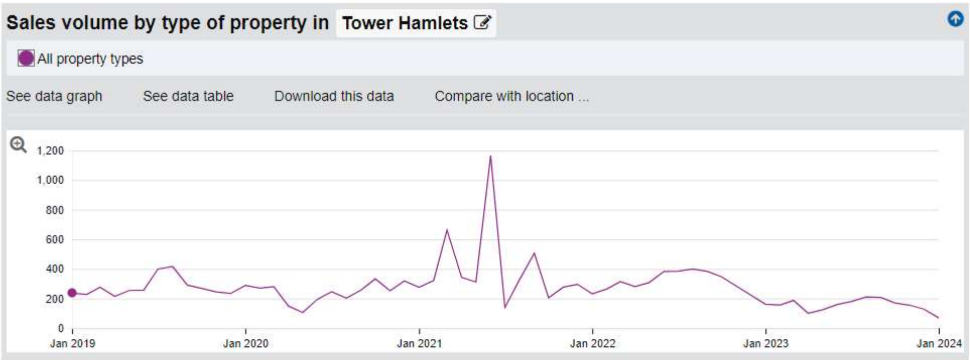
Graph 4: Average Price, All Property Types (HPI) – LB Tower Hamlets versus London Average



1.11. Graphs 5 below illustrates sales volumes and percentage change in property prices in Tower Hamlets in the past 5 years.

1.12. Over a 5 year period, transaction volumes have been on a downwards trend. Transaction volumes fell to a low in both July 2021 and March 2020, and peaked in June 2021. These fluctuations in activity are likely due to the impact of varying COVID-19 restriction on movement and the subsequent changes to Stamp Duty Land Tax policy effecting a rush of purchases in the first half of 2021 and a subsequent drop off into 2022, with a larger drop the 'mini budget' and subsequent mortgage rate rises in Q4 2022.

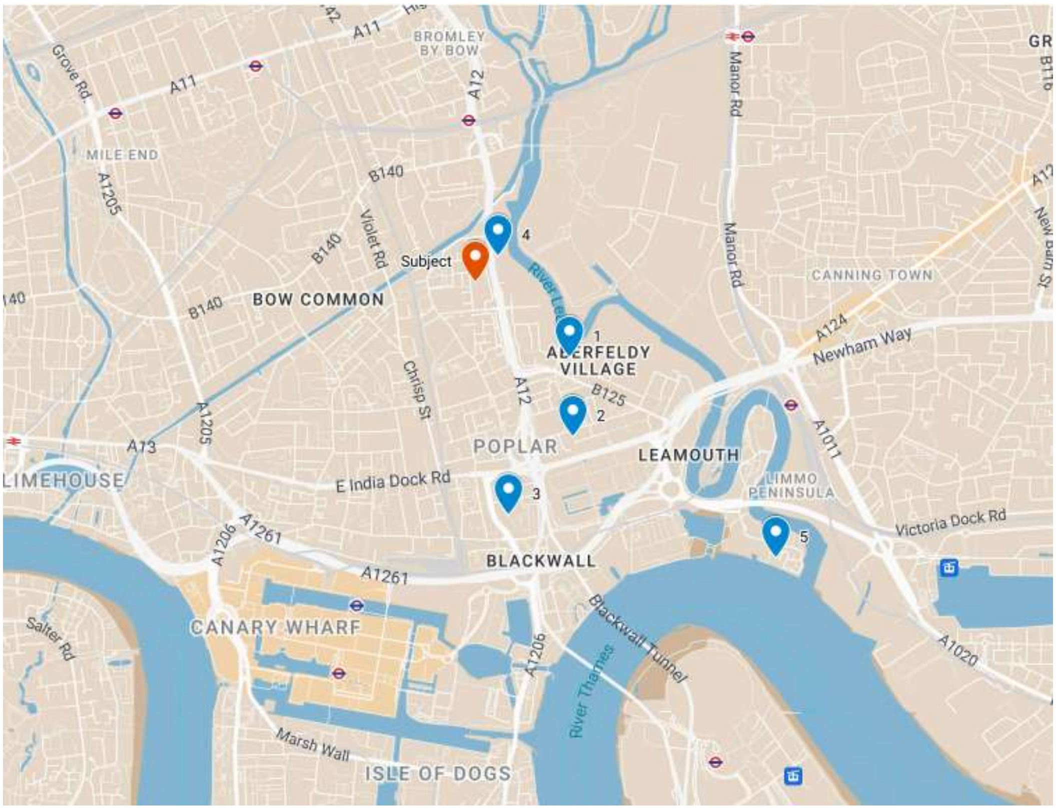
Graph 5: Summary of Private Residential Sales Volumes



2. COMPARABLE EVIDENCE

Introduction	2.1.	In arriving at our opinion of the sales values for the proposed scheme at Teviot Estate, we have considered a range of evidence consisting of new-build schemes locally that share similar attributes to the proposed scheme.
	2.2.	In preparing this schedule, we have had reference to databases such as Molior London (residential market research). While there is a lack of recent market evidence in the immediate vicinity of the subject scheme, we have looked in nearby location such as Poplar, Bromley by Bow and Leamouth, which provide wider context of market evidence in this part of London.
Comparables Map	2.3.	In figure 1 below we provide a map of the location of the comparable evidence we have considered to provide a view on the value of the private units within the Proposed Scheme. The Proposed Scheme is shown by the orange pin drop, and the comparable schemes have the following map references: 1. Poplar Riverside 2. Aberfeldy New Village (Phase 3) 3. Parkside West 4. Three Waters 5. Leamouth – Goodluck Hope

Figure 1: Map of Residential Comparable Evidence



1.

Scheme	**Poplar Riverside**
Address	Leven Road, E14 0LL
Developer	St Williams (Berkeley Group)
Number of units	1820
Units Sold	254
Units remaining	94 on the market, with 92 yet to launch.
Average £ per sqft (Achieved)	£796
Asking prices	(Source – Molior)

	Max	Avg	Min
Studio:	£0	£0	£0
1 Bedroom	£499,000	£446,000	£362,000
2 Bedroom	£767,000	£657,094	£568,000
3 Bedroom	£1,060,000	£1,005,250	£949,000

Launch Date	September 2020

Comments

- There are four blocks in Phase 1, all of which are under construction with completions phased from Q3 2023 to Q4 2025.
- Block A contains 176 private units set for completion Q3 to Q4 2025, of which 89 units had sold by the end of Q1 2024, buyers include both UK and overseas.
- Block B is 92 private units, completing Q4 2026 and launching in Q4 2024.
- Block C1&2 is 172 units, of which 55% completed in Q4 2023, with the rest expected to complete in August 2024, seven units remain unsold.
- Block D is 205 affordable units, which have been sold to Poplar HARCA.
- The most recent data outlines that 28 units were sold in Q3 2023 but the sales rate has since slowed in recent months, with approx. 2 units per month sold in Q1 2024.

Comparison

- Located in Poplar to the southeast of the subject development, adjacent to the River Lea and with some units benefitting from river views.
- The transport connections are slightly inferior to those of the subject, with the nearest station 15 minutes away walk away.
- The scheme is of significantly larger quantum than the subject but benefits from superior amenities/facilities and we would expect a premium for the Berkeley brand. Reflecting these factors, and particularly the waterside location of the scheme, we understand the scheme is achieving £796 per sqft on average, we would expect a lower average to be achieved at the subject scheme in comparison.

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<table>
<tr><td rowspan="11">2.</td><td>Scheme</td><td>Aberfeldy New Village (Phase 3)</td></tr>
<tr><td>Address</td><td>East India Dock Road, E14 0GP</td></tr>
<tr><td>Developer</td><td>Ecoworld London</td></tr>
<tr><td>Number of units</td><td>262</td></tr>
<tr><td>Units Sold</td><td>Sold out Q1 2023</td></tr>
<tr><td>Units remaining</td><td>0</td></tr>
<tr><td>Average £ per sqft (Achieved)</td><td>£749 (sales in last two years)</td></tr>
<tr><td>Achieved prices (Average)</td><td>1 Bed: £429,780
2 Bed: £586,779
3 bed: £595,855

(Unit types reflect a reasonable assumption based on typical floor areas)</td></tr>
<tr><td>Asking £ per sqft</td><td>
<table>
<tr><th></th><th>Max</th><th>Avg</th><th>Min</th></tr>
<tr><td>Price:</td><td>£670,000</td><td>£515,204</td><td>£314,950</td></tr>
<tr><td>£psf</td><td>£841</td><td>£691</td><td>£561</td></tr>
<tr><td>Sq. ft</td><td>990</td><td>754</td><td>411</td></tr>
</table>
<table>
<tr><th></th><th>Max</th><th>Avg</th><th>Min</th></tr>
<tr><td>Studio:</td><td>£340,000</td><td>£326,633</td><td>£314,950</td></tr>
<tr><td>1 Bedroom</td><td>£461,000</td><td>£435,158</td><td>£389,950</td></tr>
<tr><td>2 Bedroom</td><td>£670,000</td><td>£552,320</td><td>£437,000</td></tr>
</table>
(Source – Molior)</td></tr>
<tr><td>Launch Date</td><td>July 2017</td></tr>
<tr><td>Comments</td><td>- The scheme is located to the southeast of the subject, slightly closer to Poplar. The site benefits from reasonable transport connections, with All Saints, Blackwall and East India DLR stations all within 15 minutes walk.
- The latest data for this scheme reflects that Block F, Block H and Block 6 are complete and sold. Block J completed in Q3 2022 and the most latest data (in Q4 2022) reflects that there were seven remain unsold. We assume that these have now been sold and Block J has sold out.
- The unit types are not available for the achieved data, hence we have made a reasonable assumption based on typical unit sizes and marketing information, notably the assumed 3 bed units are all 926 sqft which is relatively small, and may have been oversized 2 bed units, we have therefore placed limited reliance on this unit type analysis.</td></tr>
<tr><td></td><td>Comparison</td><td>- Reasonable connectivity via DLR network.
- Provision of amenities within the scheme is comparable to that at the subject.
- The scheme does not benefit from any notable views.
- The later phases of the scheme are benefitting from the regeneration effect, and prices have been growing since the schemes launch.
- We expect the subject to achieve similar values to Aberfeldy, albeit consideration should be given to overall market sentiment and expectations of improved mortgage rates through 2024/2025, suggesting marginally higher average values for the subject.</td></tr>
</table>

3.

Scheme	**Parkside West, Blackwall Reach**
Address	Robin Hood Gardens, E14 0EW
Developer	Countryside Partnerships
Number of units	154
Units Sold	87
Units remaining	3 for sale, 64 unlaunched
Average £ per sqft (Achieved)	£764

Asking £ per sqft

	Max	Avg	Min
Price:	£812,500	£622,608	£427,500
£psf	£840	£729	£612
Sq. ft	1,108	867	560

	Max	Avg	Min
Studio:	£0	£0	£0
1 Bedroom	£520,000	£473,833	£427,500
2 Bedroom	£715,000	£621,828	£499,995
3 Bedroom	£812,500	£735,750	£652,500

(Source – Molior)

Launch Date: June 2021

Comments

- Located 1km to the south of the subject scheme, forming part of the Blackwall Reach Estate regeneration. The Scheme is close to the A1261, with a commercial character to the south, though the immediate surroundings have reasonable provision of green space.
- At the end of Q1 2024, Wayfare House which has 69 private units, is complete and sold out, Gosnold House has 21 private units, completed during Q3 2023, with 3 units remaining on the market.
- Quest House contains 64 units and is expected to complete May 2024. We understand that this block is subject to ongoing negotiations for a bulk deal.
- Average Asking prices (average size): 1 Bed £473,883 (1026 sqft), 2 bed £621,827(875 sqft), 2 bed £735,750 (603)

Comparison

- The scheme is more centrally located within Poplar and closer to Canary Wharf, making it less comparable. The scheme benefits from close proximity to the DLR, with Blackwall Station located a 5 minute walk to the south and All Saints to the north west.
- Asking prices reflect an average unit size of 867 sqft, in contrast to the subject scheme's average of 674, which has been accounted for in our analysis.
- The scheme ranges from 8 to 10 storeys, reflecting lower floor levels than at the subject.
- Reflecting the scheme's more central location but lesser connectivity, we expect the subject to achieve slightly higher values than £729 psf average that Parkside West is currently achieving, particularly where the units at the subject are on higher floors and of a smaller size.

4.

Scheme	**Three waters**
Address	20 Gillender Street
Developer	Mount Anvil
Number of units	204 (private)
Units Sold	204
Units remaining	0
Average £ per sqft (Achieved)	£726
Achieved Prices £	Studio: £300,000 to £385,000 (£358,143) 1 bed: £347,225 to £420,000 (£407,843) 2 bed: £488,888 to £579,000 (£519,614) 3 bed: £540,795 to £570,000 (£552,348) *we have made reasonable assumptions as to the unit types, based on floor areas and marketing particulars. (Source – Molior)
Launch Date	Q3 2020
Comments	- The scheme is located approx. 115m to the north of the subject scheme's northern end. The scheme benefits from marginally closer proximity to transport connections, with Bromley by Bow underground station 8 minutes walk to the north and Devons Road DLR station 11 minutes to the northwest. - The final scheme was varied from the initial planning permission, but now comprising three apartment blocks with a maximum height of 20 storeys. The scheme contains 327 units, of which 204 are private. - The scheme completed during Q2 2022 having sold out during Q3 2022. - The sales transacted from June 2021 to September 2022, with the 2022 completions achieving an average of £733 per sqft.
Comparison	- This evidence is relatively historic, so we have not attributed as substantial weight to it in our final analysis, we have however included it due the schemes highly comparable location. - Market averages would suggest an upwards adjustment for new build values in Tower Hamlets since 2019/2020. - The scheme is of lower quantum and benefits from views over the River Lea, and has greater residential amenity provisions compared to the subject. - Overall, we expect higher values for the subject scheme than the £726 psf average that was achieved at Three Waters, predominantly reflecting average price growth since completion at the scheme.

5.

Scheme	**Leamouth Peninsula South, Goodluck Hope**
Address	Orchard Place, E14 0JW
Developer	Ballymore
Number of units	651 (private units)
Units Sold	573
Units remaining	78
Average £ per sqft (Achieved)	£862 (sales in last two years)
Asking £ per sqft	

	Max	Avg	Min
Price:	£1,850,000	£777,299	£408,000
£psf	£1,344	£937	£612
Sq. ft	1,829	842	399

	Max	Avg	Min
Studio:	£499,500	£448,737	£408,000
1 Bedroom	£653,500	£551,321	£485,000
2 Bedroom	£1,105,000	£793,346	£544,000
3 Bedroom	£1,850,000	£1,293,725	£865,000

(Source – Molior)

Launch Date	September 2017
Comments	- Goodluck Hope is a neighbourhood regeneration scheme surrounding Orchard Dry Dock on the River Thames, at Leamouth Peninsula. Formed of 834 residential units over 6 blocks, ranging in height from three storey terraces and towers of up to 30 storeys. - Achieved prices from May 2022 to October 2023 range from £395,000 (441 sqft) to £1,780,000 (1,249 sqft), reflecting square foot rates ranging from £432 to £1,425, reflecting a blended average of £862. - The scheme was 88% sold at the end of Q1 2024; this reflects a lull in sales since 2022, with only 22 sales reported from 2023 to now. We understand that the most recent sales have been from UK buyers. - The current price list shows Studios from £430,000, a 1-bed at £592,200, 2-beds from £699,000, 3-beds from £1.045m and an average of £835 per sqft.
Comparison	- The scheme is of a higher specification than the subject, with high quality, spa style residents' facilities. The scheme is relatively isolated, though the development does include commercial space to which looks to have been curated to provide amenity – the nearest existing town centre would be Canning Town, approx. 25 minutes walk. - In terms of transport the scheme is reasonably connected, with Canning town Underground/DLR station approx. 15 minute walk to the north. - The scheme is Thames Adjacent, benefitting from views of the river, O2 arena and Canary Wharf – the views are superior to those of the subject, and benefit from greater building heights. This will add substantial value relative to the subject. - A number of three bed units have achieved extremely high values (outperforming much smaller units on a £ per sqft basis), reflecting a premium for luxury, penthouse style properties on the upper levels of the towers. - Accounting for the higher specification and high-quality facilities provided onsite, we would expect the subject scheme to achieve lower values than the £862 psf average achieved at Leamouth Peninsula South.

3. APPLICATION TO THE PROPOSED SCHEME AND CONCLUSION

Evidence Review Summary

3.1. When considering the end values of the residential units at the proposed Teviot Estate scheme, we have given due regard to a variety of local evidence as detailed in the schedule above.

3.2. In our opinion, the most appropriate market evidence is the Aberfeldy Village scheme by Ecoworld London, Poplar Riverside by St Williams (Berkeley Group) and Parkside West by Countryside. These schemes provide a valuation range of £749 to £796 per sqft for the average achieved sqft rate. In our view, Aberfeldy Village (£749 per sqft) is the most comparable in terms of location and specification hence we have placed the greatest weight to this evidence, Poplar Riverside (£796 per sqft) is considered a superior scheme overall and thus have reflected this in our final analysis. Accounting for this, we expect the values achieved at the subject scheme to be at the lower end of this range.

Application to the Proposed Scheme

3.3. The Proposed Scheme benefits from its vicinity to both the Devons Road DLR station, providing connections to Canary Wharf within 7 minutes, and Bromley By Bow underground station, which is located on the Circle, Hammersmith & City, and District Line provides service to the City of London in 15 minutes. The scheme benefits from a residential surround and a reasonable provision of green space in the form of Langdon Park and Bartlett Park. The proposed units are to be finished to a good standard and layout, particularly the units on the upper floors which will benefit from a reasonable view of the surrounding area, albeit not a considered a significant value add compared to riverside or more centrally located schemes within London.

3.4. Block B1 is 9 Storeys in height over both cores A and B. Block B3 Core A is 9 storeys in height and Core B is 19 Storeys in height. As is typical in the market, we expect a premium for higher floor positions and we would expect the scheme to benefit from reasonable view, however not to the same extent as a Thames adjacent scheme. We have thus accounted for this in our opinion of value and made adjustments on a floor-by-floor basis.

3.5. All units benefit from a balcony, for the purposes of our pricing the private amenity space is assumed to be identical for all units. We have considered the aspect of the individual units in our pricing.

Conclusion

3.6. Having considered all of the above, we have applied capital values to each of the proposed units and arrive at a Gross Development Value for Phase 1 the private element of the Proposed Scheme of **£157,767,500,** which reflects a blended average achievable price of **£752** per sqft. The table below sets out the average pricing for each unit type.

Table 1: Private Residential Sales Values by Unit Type

			NIA (sq ft)		Achievable Price (£)	
Beds	**# Units**	**% Mix**	**Total**	**Average**	**Total**	**£psf**
Studio	11	4%	5,163	469	4,180,000	£810
1B2P	147	47%	82,752	563	65,610,000	£793
2B4P	142	46%	111,682	786	81,152,500	£727
3B5P	10	3%	10,118	1,012	6,825,000	£675
Summary:	**310**	**100%**	**209,715**	**676**	**£157,767,500**	**£752**

APPENDIX 3

Non residential Uses schedule May 2024

Commercial Unit Schedule Phases 1-4 (GIA)					
Phase 1: New					
New		**Use**	**Rent**	**Rent-Free**	**Yield**
Workspace B02	123.00	Workspace	£25	6 months	7%
Commercial Unit B02	376.00	Foodstore	£12	12 months	6%
Commercial Unit B03	176.00	Amenity Retail	£15	12 - 18 months	7.5%
Commercial Unit B03	188.00	Amenity Retail	£15	12 - 18 months	7.5%
Commercial Unit B03	230.00	F&B/Café	£15	12 - 18 months	7.5%
Commercial Unit B03	105.00	Amenity Retail	£15-20	12 - 18 months	7.5%
Phase total	**1,198.00**				
Phase 2					
New		**Use**			
Workspace B06	528.33	Workspace	£15	18 months	6%
Workspace B05	62.59	Workspace	£25	6 months	7%
Workspace B05	74.26	Workspace	£25	6 months	7%
Workspace B05	80.63	Workspace	£25	6 months	7%
New Total	**745.81**				
Re-provision of existing					
Commercial Unit B08	111.24	F&B	£15-20	12 - 18 months	7.5%
Workspace B05	197.25	Workspace	£25	6 months	7%
Re provision total	**308.49**				
Phase total	**1,054.30**				
Phase 3					
New		**Use**			
Workspace (Everest Place B1/F)	85.49	Workspace	£25	6 months	7%
Workspace (Everest Place G/F)	131.84	Workspace	£25	6 months	7%
Workspace B12	83.43	Workspace	£25	6 months	7%
Workspace B12	66.95	Workspace	£25	6 months	7%
Workspace B12	67.98	Workspace	£25	6 months	7%
Workspace B12	74.16	Workspace	£25	6 months	7%
New Total	**509.85**				
Re-provision of existing		**Use**			
Commercial Unit B09 (B1/F)	46.35	Amenity Retail	£15	12 - 18 months	7.5%
Commercial Unit B09	187.46	F&B	£15	12 - 18 months	7.5%
Commercial Unit B09	98.88	Amenity Retail	£15	12 - 18 months	7.5%
Re provision total	**332.69**				
Phase total	**842.54**				
Phase 4					
New		**Use**			
Workspace B13	81.37	Workspace	£25	6 months	7%
Workspace B13	67.98	Workspace	£25	6 months	7%
Commercial Unit B13	64.89	Fitness	£12	18 months	7%
Commercial Unit B13	201.88	Fitness	£12	18 months	7%
Commercial Unit B13	73.13	Fitness	£12	18 months	7%
Commercial Unit B13	197.76	Fitness	£12	18 months	7%
Workspace B15	69.01	Workspace	£25	6 months	7%
Workspace B15	78.28	Workspace	£25	6 months	7%
Commercial Unit B15	345.05	F&B	£12-£15	18 - 24 months	7.5%
New Total	**1,179.35**				
Grand Total	**4,274.19**				

APPENDIX 4

VALUE FOR MONEY REPORT

Teviot Estate Phase 1
London E14 6QP

Demolition of the existing blocks and construction of 475 units in three blocks of flats and one terrace of houses with mixed tenure and extensive external works.

Prepared on behalf of:
Teviot Estate Developments Limited
The Power House
Gunpowder Mill
Powder Mill Lane
Waltham Abbey
Essex
EN9 1BN

Job No: 33297
Date: 29 May 2024

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VALUE FOR MONEY REPORT

Teviot Estate Phase 1
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Prepared on behalf of:
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Prepared By: Louise Green, Joe Ames & Bhavik Pindoria

Authorised for Issue: Neil Hope

For and on behalf of Baily Garner LLP

May 29, 2024

Version	Issue Date	Reason for Issue
-	21 May 2024	
A	29 May 2024	

CONTENTS

1.0 Introduction

1.1 The purpose of this report is to comment on the competitiveness of the costs to design and construct the project known as Teviot Phase 1.

1.2 A Budget Estimate Summary for the project was provided on Wednesday 29 May 2024 by Hill Partnerships as a member of the Joint Venture with Poplar HARCA for the development of Teviot Phase 1.

1.3 Baily Garner have been briefed by Poplar HARCA to accept the measurements and scope of works as being correct and to appraise the cost summary as provided. Further to this, comment on the competitiveness of the costs against the current tender market by using benchmarking analysis of recently tendered projects.

1.4 The analysis in this report includes commentary on the cost allowances for various elements considering site specific constraints and scheme abnormals.

2.0 Location and Description of the Works

2.1 The site is in the Poplar region of the London Borough of Tower Hamlets. The project comprises the development of existing blocks and construction of 475 units in three blocks of flats and one terrace of houses with mixed tenure and extensive external works.

2.2 The schedule of accommodation is as detailed in **Appendix 1.**

2.3 A summary of the accommodation schedule is as indicated in **Table 1** below:-

Unit Type	No. of Units	Tenure	Total m^2 GIA
Block B1	115	Private	10,818
Block B2	136	Affordable Rent	16,015
Block B3	220	Private	20,574
Terrace 1	4	Affordable Rent	476
Total	**475**		**47,883**

Table 1: Accommodation Summary

3.0 Key Project Features, Constraints and Risks

3.1 Hill Partnership cost plan includes the following abnormals.

- Contaminated land measures - £50,000.00
- Langdon Park - £2,389,954.00

4.0 Hill Partnerships Cost Plan

4.1 The cost plan was received on the 29 May 2024 and the summary is contained within **Appendix 2**.

4.2 The programme for development includes a construction period of 260 weeks.

4.3 The cost provided by Hill Partnerships are broken down into several headings including:

- Site Clearance & Demolition
- Substructure
- Superstructures
- External Works
- Drainage
- BWIC Services
- Abnormals
- Prelims
- Management Costs
- Pre-Planning Design Fees
- Post-Planning Design Development Fees
- Planning, Inspection Fees and Insurances
- Statutory Authorities
- Provisional Sums
- Overhead Recovery
- Profit

4.4 Whilst some of these are recognisable element headings, they are not directly comparable with New Rules of Measurement suggested headings. Headings that we use as a base for cost comparison.

4.5 The total value of the cost plan is £146,834,563.53.

4.6 The Gross Internal Floor Area (GIFA) of the project is 47,883 m2.

4.7 The Net Internal Area (NIA) of the project is 32,253 m2.

4.8 The cost per square metre of the project based on the GIFA is £3,066/m2.

4.9 Preliminaries (£17,758,080.35) equate to a weekly cost (based on 260 weeks on site construction build period) to £ 68,300.31 per week.

4.10 Overheads and profit are included at the rate of:

- Overheads 7.5%
- Profit 3%

4.11 There are no declared Provisional Sums or PC Sums within the Cost Plan.

5.0 Comparison with other schemes

5.1 In Table 2 below we compare the cost plan with costs of similar schemes extracted from our own tender database and from the BCIS. All costs have been re-based to reflect the tender base date and location for this project.

Project Title	Location	Cost	GIFA (m^2)	Cost/m^2
Guildford Cathedral	Guildford	£55,082,515	12,904	£4,268.64
Wickway Community Centre	LB Southwark	£37,774,412	8,718	£4,332.92
Alma Estate	LB Enfield	£40,839,500	13,332	£3,063.38
Pontoon Docks	LB Newham	£82,510,278	23,744	£3,475.04
AV4 Phase a	Poplar HARCA	£133,399,703	29,166	£4,573.81
South Thamesmead Phase 2	LB Bexley	£97,922,950	30,621	£3,197.90
Clapham Park B-01 & C-01	Metropolitan Thames Valley Housing	£63,194,484	21,344	£2,960.76
Average		£72,960,549	19,975	£3,696
Teviot Phase 1		£146,834,564	47,883	£3,067

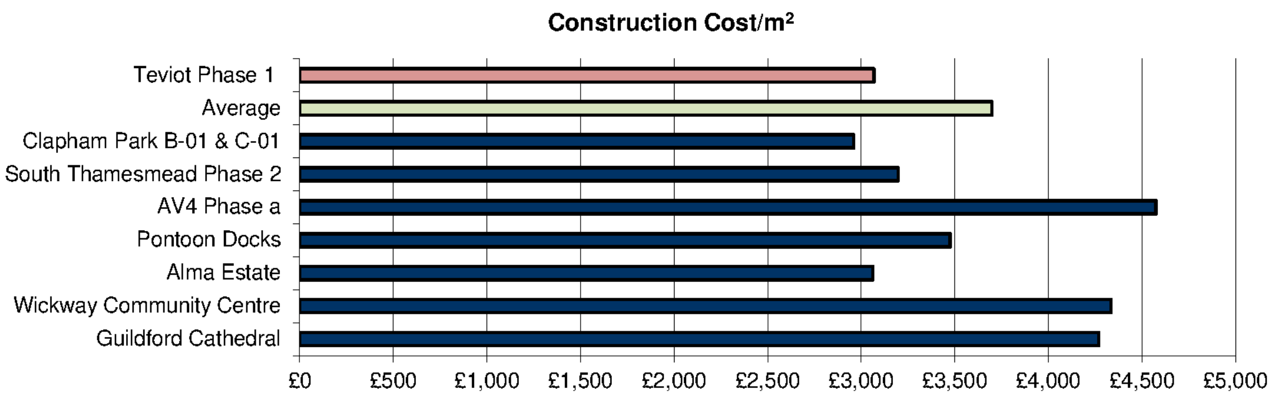


Table 2: Cost Comparison with Similar Schemes

5.2 From the analysis in Tables 2, 3 and 4, the proposed price put forward by Hill Partnerships compares favourably with those received from current market and tenders. The full tables can be seen in **Appendix 3.**

5.3 The element headings for each cost plan have been converted to those as used in New Rules of Measurement for ease and accuracy of comparison. The Abnormals are currently situated under the Provisional Sums heading.

5.4 The levels of preliminaries per week is consistent with the levels anticipated on a project of this size and complexity and scope.

5.5 The allowance for overheads and profit appears higher than other framework and joint venture opportunities that we are currently working on.

5.6 The proposed contract period appears consistent with a project of this size, complexity and scale.

Project Title/Location	Sub-structure	Super-structure	FF&E	M&E Services	Complete Buildings	Work to Existing Buildings	Demos & Ext. Works	Prelims, Design Fees & OH&P
Guildford Cathedral	£896	£1,340	£276	£298	£6	£0	£665	£728
Wickway Community Centre	£210	£1,617	£365	£670	£0	£0	£216	£1,153
Alma Estate	£397	£994	£406	£408	£0	£0	£0	£708
Pontoon Docks	£140	£873	£451	£751	£0	£0	£150	£803
AV4 Phase a	£200	£1,676	£523	£754	£0	£0	£291	£992
South Thamesmead Phase 2	£132	£2,015	£0	£0	£0	£0	£196	£708
Clapham Park B-01 & C-01	£238	£1,113	£426	£548	£0	£0	£108	£513
Average of Comparable Projects	£329	£1,419	£337	£480	£1	£0	£253	£849
Teviot Phase 1	£101	£2,006	£0	£0	£0	£0	£92	£798

Table 3 - Elemental comparison per m2 GIFA

Value for Money Report

Teviot Phase 1

Element	Guildford Cathedral		Wickway Community Centre		Alma Estate		Pontoon Docks		AV4 Phase A		South Thamesmead Phase 2		Clapham B-01 & C-01		Teviot		Average Element % Split
	£	%			£	%	£	%	£	%	£	%	£	%	£	%	
Facilitating Works	£ 759,198.36	1.4%	£ 51,546.25	0.1%	£ 2,010,857.31	4.9%	£ 3,278,379.84	4.0%	£ 1,954,093.68	1.5%	£ 294,541.04	0.3%	£ 314,913.21	0.5%	£ 866,000.00	0.6%	1.66%
Substructure	£ 11,566,129.50	21.0%	£ 1,829,916.77	4.8%	£ 5,297,667.53	13.0%	£ 3,322,546.56	4.0%	£ 5,834,900.02	4.4%	£ 4,044,057.14	4.1%	£ 5,070,219.57	8.0%	£ 4,847,850.00	3.3%	7.83%
Superstructure	£ 17,295,738.47	31.4%	£ 14,098,100.56	37.3%	£ 13,249,577.85	32.4%	£ 20,736,832.23	25.1%	£ 48,888,572.18	36.6%	£61,710,623.64	63.0%	£23,762,898.60	37.6%	£ 96,072,467.50	65.4%	41.12%
Internal Finishes	£ 2,960,526.09	5.4%	£ 2,235,149.71	5.9%	£ 4,659,804.05	11.4%	£ 8,182,444.82	9.9%	£ 10,704,047.89	8.0%	£ -		£ 5,765,377.93	9.1%	£ -		6.22%
FFE	£ 595,170.69	1.1%	£ 950,077.88	2.5%	£ 751,659.79	1.8%	£ 2,531,313.80	3.1%	£ 4,556,823.28	3.4%	£ -		£ 3,319,420.21	5.3%	£ -		2.15%
Services	£ 3,842,998.06	7.0%	£ 5,844,202.97	15.5%	£ 5,432,887.19	13.3%	£ 17,840,475.23	21.6%	£ 21,987,484.01	16.5%	£ -		£11,701,425.98	18.5%	£ -		11.55%
Prefabricated Buildings	£ 83,069.54	0.2%	£ -		£ -		£ -		£ -		£ -		£ -		£ -		0.02%
Works to existing buildings	£ -		£ -		£ -		£ -		£ -		£ -		£ -		£ -		
External works	£ 8,582,256.53	15.6%	£ 1,885,413.53	5.0%	£ -		£ 3,572,190.83	4.3%	£ 8,489,947.37	6.4%	£ 5,991,139.13	6.1%	£ 2,314,956.04	3.7%	£ 4,415,688.00	3.0%	5.51%
Prelims	£ 5,163,588.32	9.4%	£ 5,740,853.77	15.2%	£ 6,829,214.38	16.7%	£ 13,852,582.79	16.8%	£ 17,411,704.21	13.1%	£12,576,519.22	12.8%	£ 8,136,538.78	12.9%	£ 17,758,080.35	12.1%	13.62%
OH&P	£ 3,410,362.09	6.2%	£ 2,635,423.90	7.0%	£ -		£ -		£ 7,434,984.12	5.6%	£ 3,817,964.00	3.9%	£ -		£ 15,417,629.17	10.5%	4.14%
Design Team Fees	£ 823,477.35	1.5%	£ 1,671,892.45	4.4%	£ 2,607,831.89	6.4%	£ 5,202,819.99	6.3%	£ 4,088,829.36	3.1%	£ 5,281,248.80	5.4%	£ 2,808,733.19	4.4%	£ 5,016,894.52	3.4%	4.37%
Other Development Costs	£ -		£ 483,922.42	1.3%	£ -		£ -		£ -		£ -		£ -		£ -		0.16%
Risks	£ -		£ 347,911.44	0.9%	£ -		£ 3,990,691.68	4.8%	£ 2,048,317.37	1.5%	£ 1,867,659.24	1.9%	£ -		£ -		1.15%
Provisional Sums	£ -		£ -		£ -		£ -		£ -		£ 2,339,198.08	2.4%	£ -		£ 2,439,954.00	1.7%	0.51%
Market Conditions	£ -		£ -		£ -		£ -		£ -		£ -		£ -		£ -		
Inflation	£ -		£ -		£ -		£ -		£ -		£ -		£ -		£ -		
TOTAL	**£ 55,082,515.00**		**£ 37,774,411.66**		**£ 40,839,500.00**		**£ 82,510,277.78**		**£ 133,399,703.49**		**£97,922,950.28**		**£63,194,483.52**		**£ 146,834,563.53**		

Table 4: Elemental Cost Comparison with Similar Schemes

6.0 Commentary on Rates

6.1 Facilitating works

6.1.1 The facilitating works came in at 0.6% of the overall Teviot cost plan. This equates to £866,000 which is in alignment with South Thamesmead Phase 2 and Clapham Park B-01 & C-01. The average across all the benchmark comparisons and Teviot's cost plan is 1.66% which is slightly above what Hill Partnership has assumed. This could be because there are only three high rise blocks and one terrace of houses, whereas the other benchmarks were inclusive of more lower rise blocks.

6.1.2 It is not uncommon to find deviation in this element.

6.2 Substructure

6.2.1 The substructure element of the Teviot cost plan equates to 3.3% of overall cost and is a total of £4,847,850.00.

6.2.2 It can be seen in the breakdown of substructure that the costs have been produced using area rates based on the number of stories of each building. Whilst we cannot provide commentary on the rates themselves, we can analyse the overall cost of this section.

6.2.3 The element percentage against total cost is below the average of 7.8%.

6.2.4 Similarly, the cost per m2 GIFA of £101 is lower than the average in the benchmark of £329. Substructure works are very dependent on-site conditions and it may be very plausible for this rate to be low. It does seem quite low despite the overall spread of substructure rates and my need further review for suitability.

6.3 Superstructure

6.3.1 Hill Partnerships have provided a superstructure cost which is based on a m2 GIFA rate for specific tenures and levels of accommodation. When we look at this in isolation the percentage of overall cost at 65.4% and m2 GIFA rate of £2,006 is very high compared to our other projects.

6.3.2 We understand (by looking at the breakdowns provided) that this section includes costs for finishes, fittings and services. On this basis we can compare the combined costs of superstructure, finishes, fittings and M&E services for a fair analysis. See Table 5 below:

Project Title/Location	Superstructure, Finishes, Fittings & Services
Guildford Cathedral	£1,914
Wickway Community Centre	£2,653
Alma Estate	£1,807
Pontoon Docks	£2,076
AV4 Phase a	£2,953
South Thamesmead Phase 2	£2,015
Clapham Park B-01 & C-01	£2,087
Average of Comparable Projects	£2,236
Teviot Phase 1	£2,006

Table 5 – Comparison of superstructure, finishes, fittings and services.

6.3.3 The information in Table 5 shows the average cost for these combined elements are very reasonable in the Teviot cost plan.

6.4 External Works

6.4.1 The external works portion is a total of £4,415,688.00 which is 3% of the overall cost. When comparing this to the average of 5.5% we can see that the apportionment of this element is reasonable.

6.4.2 Interestingly the cost per m2 GIFA is £92/m2 which is more than half the cost of the average which is £253/m2. In this benchmark comparison there is one anomaly which is Guildford Cathedral which has a cost of £665/m2 which is nearly three times the cost of other projects. When we compare individual rates, Teviot is the lowest but is still compatible to others.

6.4.3 A breakdown of quantities and rates for defined work has been provided in the cost plan however we have not been briefed to provide commentary on these.

6.5 Preliminaries

6.5.1 Unlike other cost items, a breakdown of the preliminaries has not been provided.

6.5.2 The preliminary costs total £17,758,080.35 which is 12.1% of the overall cost. This is fairly consistent across similar projects we have experienced and in this case the average across the benchmarked projects is 13.62%.

6.6 OH&P

6.6.1 Both overheads and profit have been measured as a percentage of the build cost. Overheads are 7.5% addition and profit is a 3% addition. The overall additions seem reasonable albeit the overheads are slightly higher than we might expect for similar sized schemes.

6.6.2 Combined the cost is £15,417,629.17 which represents 10.5% of the overall cost.

6.6.3 The average percentage across the benchmarked projects is 4.14% which is quite far below the allocation in the Teviot cost plan. We can see across the comparisons in Table 4 that there are a few projects where the percentage was not declared which may skew the average percentage.

6.6.4 In Table 3 we have combined preliminaries, overheads and profit which displays a m2 GIFA rate of £798. The average across the schemes is £849.

6.6.5 Overall, we feel these sections are slightly high but reasonable.

6.7 Design Team Fees

6.7.1 Design Fees are excluded from this cost plan as these will be dealt with elsewhere in the viability model.

6.8 Risks

6.8.1 Design and Build Risks have been excluded from the Cost plan as these will be dealt with elsewhere in the viability model.

6.9 Abnormals

6.9.1 Langdon Park is being refurbished as part of the infrastructure offer for the scheme and a cost of £2,389,954 is allowed for in the cost plan to complete these works.

6.9.2 This cost has calculated using a measured schedule of works and includes additional percentage uplifts. There is 9% allowed for inspections, 4% allowed for bonds and 20% allowed as a contingency. Without further details and insight from the wider team we are unable to provide comment.

6.9.3 The rates themselves appear reasonable. We would suggest further analysis on the rates themselves as the design develops as in their current state, they are budgetary in nature and do not provide enough detail for us to analyse.

6.9.4 There is one further abnormal sum included. This is £50,000.00 for contaminated land measures. This is a budget figure that we may assume is a provisional allowance. Further details would need to be provided to enable us to comment on the suitability of this sum.

7.0 Conclusion

7.1 Any advice on value for money made must be read in conjunction with the above as it highlights residual risks.

7.2 With reference to the analysis included in this report and taking into account the size, scope, complexity and abnormals specific to this project we can conclude that the build cost submitted by Hill Partnerships to Teviot Estate Developments Limited in the sum of £146,834,563.53 is highly competitive in the current market.

7.3 We recommend further analysis be undertaken in certain areas during the next viability stages. It would be useful to review substructure costs and their suitability, also to review superstructure costs to further understand the specification at allowances within the m2 rate.

7.4 The advice contained herein is in relation to value for money and does not consider any legal due diligence.

7.5 Baily Garner LLP are not qualified to comment on the financial stability of Hill Partnerships or Teviot Estate Developments and you are advised to seek specialist advice on this matter.

7.6 We confirm that Baily Garner LLP does not have an interest in Hill Partnerships.

APPENDIX

1

Accommodation Schedule

Index Sheet

Site Name:	Teviot Estate Developments LLP	**Initials**	**Drawing Ref / Schedule**
Town/City:	LB Tower Hamlets, Poplar		
Description:	Estate Regeneration Project		
Prepared by:	JS		
Revision no:	1-Jan-24		

Private Sale

Quantity	Plot Number(s)	Flat/House 1 = Flat	Tenure	Dwelling description	Total NSA Sqft	NSA Sqm Ground Floor	NSA Sqm Upper Floors Floor	NSA Sqm Per Unit	Total NSA Sqm	Circulation %	Total Residential Construction GIA Sqft	Total Residential Construction GIA Sqm
								-	-	0%	-	-
60	B1	1	Private	1B2P		52.4		52.4	3,141.9	40%	47,258	4,390.4
	B1	1	Private	2B3P				-	-	40%	-	-
55	B1	1	Private	2B4P		72.3		72.3	3,974.6	40%	59,783	5,553.9
								-	-	0%	-	-
11	B3	1	Private	Studio		42.3		42.3	465.3	40%	6,999	650.2
101	B3	1	Private	1B2P		53.3		53.3	5,382.0	40%	80,952	7,520.7
98	B3	1	Private	2B4P		72.3		72.3	7,088.7	40%	106,623	9,905.5
10	B3	1	Private	3B6P		93.2		93.2	932.0	40%	14,018	1,302.4
					-			-	-	0%	-	-
					-			-	-	0%	-	-
335					**-**				**20,984.4**		**315,633**	**29323.0**

Affordable

Quantity	Plot Number(s)	Flat/House 1 = Flat	Tenure	Dwelling description	Total NSA Sqft	NSA Sqm Ground Floor	NSA Sqm Upper Floors Floor	NSA Sqm Per Unit	Total NSA Sqm	Circulation %	Total Residential Construction GIA Sqft	Total Residential Construction GIA Sqm
29	B2	1	Affordable Rent	1B2P		52.4		52.4	1,519.6		16,357	1,519.6
3	B2	1	Affordable Rent	1B2PW		53.6		53.6	160.8			
40	B2	1	Affordable Rent	2B4P		71.7		71.7	2,866.4		30,854	2,866.4
42	B2	1	Affordable Rent	3B5P		90.1		90.1	3,784.6		40,738	3,784.6
10	B2	1	Affordable Rent	3B5PW		110.0		110.0	1,100.0			
9	B2	1	Affordable Rent	4B6P		107.0		107.0	963.0		10,366	963.0
2	B2	1	Affordable Rent	5B7P		126.5		126.5	253.0		2,723	253.0
1	B2		Affordable Rent	5B9PW		145.0		145.0	145.0		1,561	145.0
											-	-
											-	-
								-	-		-	-
3	T1	1	Affordable Rent	4B7P		116.0		116.0	348.0		3,746	348.0
1	T1	1	Affordable Rent	5B8P		128.0		128.0	128.0		1,378	128.0
					-			-	-		-	-
140					**-**				**11,268.42**		**107,722.02**	**10,007.62**

PRS

Quantity	Plot Number(s)	Flat/House 1 = Flat	Tenure	Dwelling description	Total NSA Sqft	NSA Sqm Ground Floor	NSA Sqm Upper Floors Floor	NSA Sqm Per Unit	Total NSA Sqm	Circulation %	Total Residential Construction GIA Sqft	Total Residential Construction GIA Sqm
-					**-**				**-**		**-**	**-**

Commercial

Quantity	Description	Notes	Tenure	Notes	NSA Total Sqft	Net Sales Area Sqm			Total NSA Sqm	Circulation %	Construction GIA Sqft	Construction GIA Sqm
1	Workshop	B2				132.0			132.0		1,421	132.0
1	Commercial	B2				394.0			394.0		4,241	394.0
											-	-
1	Commercial	B3				103.2			103.2			
1	Commercial	B3				222.6			222.6			
1	Commercial	B3				179.3			179.3		1,930	179.3
1	Commercial	B3				174.1			174.1		1,874	174.1
											-	-
6					**0.0**				**1205.2**		**9,466**	**879.4**

APPENDIX

2

PRE01 Budget Estimate Summary

		Author:	NCB/ARH
Project Name:	Teviott Estate Phase 1	Date:	01/05/2024
Region	Special	Revision:	Rev D Viability
Site Location:	Teviot Estate in Poplar region of the London Borough of Tower Hamlets	Budget Ref:	T20 062
Brief Description of Project:	Demolition of the existing blocks and construction of 475 units in three blocks of flats and one terrace of houses with mixed tenure and extensive external works.	Plots	475
		Net Area	32,253
		Gross Area	47,883

Number of Dwellings / net m2 / gross m2		475	32,252.85	Budget Totals	47,883.00	515,408.30	Final Totals
		per plot	per m2 net		per m2 gross	per ft2 gross	
Site clearance & demolition	a	1,823.16	26.85	866,000.00	18.09	1.68	£ 866,000.00
Substructures	b	10,206.00	150.31	4,847,850.00	101.24	9.41	£ 4,847,850.00
Superstructures	c	202,257.83	2,978.73	96,072,467.50	2,006.40	186.40	£ 96,072,467.50
External works	d	6,462.31	95.17	3,069,598.00	64.11	5.96	£ 3,069,598.00
Drainage	e	2,266.84	33.38	1,076,750.00	22.49	2.09	£ 1,076,750.00
BWIC services	f	567.03	8.35	269,340.00	5.62	0.52	£ 269,340.00
Abnormals	g	5,136.75	75.65	2,439,954.00	50.96	4.73	£ 2,439,954.00
Prelims	h	37,385.43	550.59	17,758,080.35	370.86	34.45	£ 17,758,080.35
Management Costs	i	-	-		-	-	£ -
Pre-planning design fees	j	-	-	-	-	-	£ -
Post planning design development fees	k	-	-	-	-	-	£ -
Planning, Inspection fees and insurances	l	5,530.13	81.44	2,626,812.52	54.86	5.10	£ 2,626,812.52
Statutory authorities	m	5,031.75	74.10	2,390,082.00	49.92	4.64	£ 2,390,082.00
Provisional sums	n	-	-	-	-	-	£ -
Construction prime cost		276,667.23	4,074.58	131,416,934.36	2,744.54	254.98	£ 131,416,934.36

				SUB TOTAL	£ 131,416,934.36
Fixed Price Addition	0.00%				£ -
				SUB TOTAL	£ 131,416,934.36
Design and Build Risk	0.00%	12,569,492.00	Ground Risk incl Abnormals	-	
	0.00%	96,072,467.50	Design Development Risk	-	
	0.00%	108,641,959.50	Quantities Risk a-d	-	
			Total Risk	-	£ -
				SUB TOTAL	£ 131,416,934.36
Overhead Recovery	7.50%				£ 11,012,592.26
Subtotal				SUB TOTAL	£ 142,429,526.63
Profit	3.00%				£ 4,405,036.91
Subtotal				SUB TOTAL	£ 146,834,563.53
Bond	0.00%				£ -
Project Insurances	0.00%				
Development Management Fee	0.00%		GDV		£ -
Budget Estimate					£ 146,834,563.53

Site Statistics:

No. of Units:		475	Anticipated Start Date:		
Bed Spaces			First Completion:		
Bed Rooms			Last Completion:		
Hectare: Gross		1.00	Planning Status:		
			Planning Date:		
Hectare: Net		1.00	Specification Notes:		House Range:
Dwelling Structure Sq.m Net		32,252.85	Market Sale Shared Ownership		City City
Dwelling Structure £/Sq.m Net		3,129.04			
Units/Net Hectare		475.00			
Land Cost Including Stamp Duty & All Fee's		1.00	Sign off: CEO/DMD		
d Cost Per Hectare Including stamp Duty & All Fees		1.00	Date of sign off:		
Clean Land Cost /Net Hectare		2,439,955.00	Abnormals:	Per Net Hectare	2,439,954.00
				Per Plot	5,136.75
Developed Land Cost/Net Hectare				Per M2	75.65
All In Build Cost/Plot		309,125.40	Superstructure cost m2 gross		2,006.40
	sqft	m2	*(Excludes substructure and basement)*		
All In Build Cost/Sqft &Sq.m net	£ 422.95	4,552.61	Excl Abnormals Net		4,476.96
All In Build Cost/Sqft & Sq.m gross	£ 284.89	3,066.53	Excl Abnormals Gross		3,015.57
All In Build Cost Excl Pre-Planning Fees/Plot		309,125.40	Excl Pre-Planning Fees Net		4,552.61
Construction prime cost excluding management cost Sqft & Sq.m gross	£ 254.98	2,744.54	Excl Pre-Planning Fees Gross		3,066.53

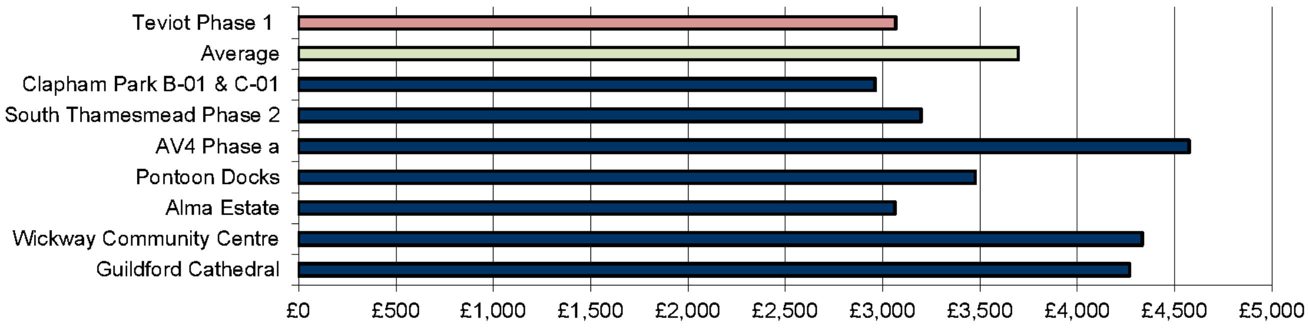
APPENDIX

Teviot Phase 1

Benchmark Comparison 1

Project Title	Location	Cost	GIFA (m²)	Cost/m²
Guildford Cathedral	Guildford	£55,082,515	12,904	£4,268.64
Wickway Community Centre	LB Southwark	£37,774,412	8,718	£4,332.92
Alma Estate	LB Enfield	£40,839,500	13,332	£3,063.38
Pontoon Docks	LB Newham	£82,510,278	23,744	£3,475.04
AV4 Phase a	Poplar HARCA	£133,399,703	29,166	£4,573.81
South Thamesmead Phase 2	LB Bexley	£97,922,950	30,621	£3,197.90
Clapham Park B-01 & C-01	Metropolitan Thames Valley Housing	£63,194,484	21,344	£2,960.76
Average		£72,960,549	19,975	£3,696
Teviot Phase 1		£146,834,564	47,883	£3,067

Construction Cost/m²

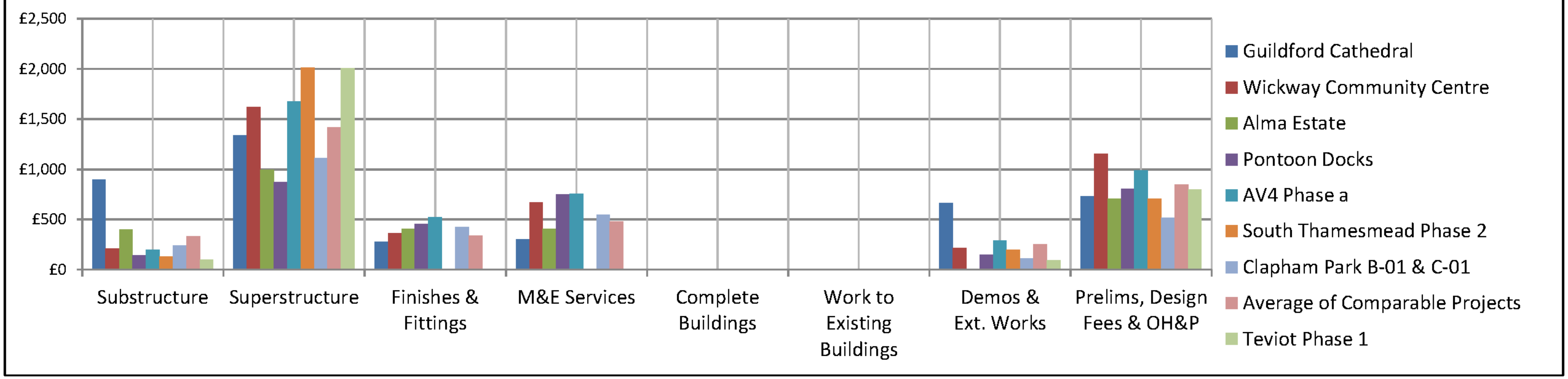


Teviot Phase 1

Benchmark Comparisons 2

Elemental Costs per m2 GIFA

Project Title/Location	Substructure	Superstructure	Finishes & Fittings	M&E Services	Complete Buildings	Work to Existing Buildings	Demos & Ext. Works	Prelims, Design Fees & OH&P
Guildford Cathedral	£896	£1,340	£276	£298	£6	£0	£665	£728
Wickway Community Centre	£210	£1,617	£365	£670	£0	£0	£216	£1,153
Alma Estate	£397	£994	£406	£408	£0	£0	£0	£708
Pontoon Docks	£140	£873	£451	£751	£0	£0	£150	£803
AV4 Phase a	£200	£1,676	£523	£754	£0	£0	£291	£992
South Thamesmead Phase 2	£132	£2,015	£0	£0	£0	£0	£196	£708
Clapham Park B-01 & C-01	£238	£1,113	£426	£548	£0	£0	£108	£513
Average of Comparable Projects	£329	£1,419	£337	£480	£1	£0	£253	£849
Teviot Phase 1	£101	£2,006	£0	£0	£0	£0	£92	£798



Teviot Phase 1

CSA Comparisons

Element	Guildford Cathedral		Wickway Community Centre		Alma Estate		Pontoon Docks		AV4 Phase A	
	£	%			£	%	£	%	£	%
Facilitating Works	£ 759,198.36	1.4%	£ 51,546.25	0.1%	£ 2,010,857.31	4.9%	£ 3,278,379.84	4.0%	£ 1,954,093.68	1.5%
Substructure	£ 11,566,129.50	21.0%	£ 1,829,916.77	4.8%	£ 5,297,667.53	13.0%	£ 3,322,546.56	4.0%	£ 5,834,900.02	4.4%
Superstructure	£ 17,295,738.47	31.4%	£ 14,098,100.56	37.3%	£ 13,249,577.85	32.4%	£ 20,736,832.23	25.1%	£ 48,888,572.18	36.6%
Internal Finishes	£ 2,960,526.09	5.4%	£ 2,235,149.71	5.9%	£ 4,659,804.05	11.4%	£ 8,182,444.82	9.9%	£ 10,704,047.89	8.0%
FFE	£ 595,170.69	1.1%	£ 950,077.88	2.5%	£ 751,659.79	1.8%	£ 2,531,313.80	3.1%	£ 4,556,823.28	3.4%
Services	£ 3,842,998.06	7.0%	£ 5,844,202.97	15.5%	£ 5,432,887.19	13.3%	£ 17,840,475.23	21.6%	£ 21,987,484.01	16.5%
Prefabricated Buildings	£ 83,069.54	0.2%	£ -		£ -		£ -		£ -	
Works to existing buildings	£ -		£ -		£ -		£ -		£ -	
External works	£ 8,582,256.53	15.6%	£ 1,885,413.53	5.0%	£ -		£ 3,572,190.83	4.3%	£ 8,489,947.37	6.4%
Prelims	£ 5,163,588.32	9.4%	£ 5,740,853.77	15.2%	£ 6,829,214.38	16.7%	£ 13,852,582.79	16.8%	£ 17,411,704.21	13.1%
OH&P	£ 3,410,362.09	6.2%	£ 2,635,423.90	7.0%	£ -		£ -		£ 7,434,984.12	5.6%
Design Team Fees	£ 823,477.35	1.5%	£ 1,671,892.45	4.4%	£ 2,607,831.89	6.4%	£ 5,202,819.99	6.3%	£ 4,088,829.36	3.1%
Other Development Costs	£ -		£ 483,922.42	1.3%	£ -		£ -		£ -	
Risks	£ -		£ 347,911.44	0.9%	£ -		£ 3,990,691.68	4.8%	£ 2,048,317.37	1.5%
Provisional Sums	£ -		£ -		£ -		£ -		£ -	
Market Conditions	£ -		£ -		£ -		£ -		£ -	
Inflation	£ -		£ -		£ -		£ -		£ -	
TOTAL	**£ 55,082,515.00**		**£ 37,774,411.66**		**£ 40,839,500.00**		**£ 82,510,277.78**		**£ 133,399,703.49**	

Teviot Phase 1

CSA Comparisons

Element	South Thamesmead Phase 2		Clapham B-01 & C-01		Teviot		Average Element % Split
	£	%	£	%	£	%	
Facilitating Works	£ 294,541.04	0.3%	£ 314,913.21	0.5%	£ 866,000.00	0.6%	1.66%
Substructure	£ 4,044,057.14	4.1%	£ 5,070,219.57	8.0%	£ 4,847,850.00	3.3%	7.83%
Superstructure	£ 61,710,623.64	63.0%	£ 23,762,898.60	37.6%	£ 96,072,467.50	65.4%	41.12%
Internal Finishes	£ -		£ 5,765,377.93	9.1%	£ -		6.22%
FFE	£ -		£ 3,319,420.21	5.3%	£ -		2.15%
Services	£ -		£ 11,701,425.98	18.5%	£ -		11.55%
Prefabricated Buildings	£ -		£ -		£ -		0.02%
Works to existing buildings	£ -		£ -		£ -		
External works	£ 5,991,139.13	6.1%	£ 2,314,956.04	3.7%	£ 4,415,688.00	3.0%	5.51%
Prelims	£ 12,576,519.22	12.8%	£ 8,136,538.78	12.9%	£ 17,758,080.35	12.1%	13.62%
OH&P	£ 3,817,964.00	3.9%	£ -		£ 15,417,629.17	10.5%	4.14%
Design Team Fees	£ 5,281,248.80	5.4%	£ 2,808,733.19	4.4%	£ 5,016,894.52	3.4%	4.37%
Other Development Costs	£ -		£ -		£ -		0.16%
Risks	£ 1,867,659.24	1.9%	£ -		£ -		1.15%
Provisional Sums	£ 2,339,198.08	2.4%	£ -		£ 2,439,954.00	1.7%	0.51%
Market Conditions	£ -		£ -		£ -		
Inflation	£ -		£ -		£ -		
TOTAL	**£ 97,922,950.28**		**£ 63,194,483.52**		**£ 146,834,563.53**		

APPENDIX 5

	Phase 1	Phase 2	Phase 3	Phase 4
Direct VP Expenditure				
Estimated buyback costs	16,990,063	25,093,513	11,013,252	15,691,454
Decant costs	2,244,000	1,768,000	1,309,000	1,190,000
Commercial	200,000	-	200,000	-
	19,434,063	26,861,513	12,522,252	16,881,454
Other VP Associated Expenditure				
On-costs: Buyback @ 15%	2,548,509	3,764,027	1,651,988	2,353,718
On-costs: Decant @ 12.5%	280,500	221,000	163,625	148,750
Interest holding costs during VP period (3 year @ 5%)	1,669,730	2,313,490	1,075,340	1,453,794
Total cost to achieve VP	23,932,803	33,160,030	15,413,205	20,837,717

Total
68,788,282
6,511,000
400,000
75,699,282
10,318,242
813,875
6,512,355
93,343,755

APPENDIX 6

Development Finance Rates

May2024

GERALDEVE

1. FINANCE COSTS

1.1. The finance rate applied in the appraisals represents a total cost of capital in financing the Scheme. The rate adopted represents the combined cost of both debt and equity financing. When broken down, the debt element of the cost of finance includes a margin and risk premium above a 5-year swap rate. The equity element should in theory reflect an equity return which when combined with the debt element sums to the weighted average cost of capital (WACC). The equity element of the finance cost is also considered in view of the development return, which is the amount of profit a scheme is producing. It follows that to avoid double-counting, the finance cost should broadly consist of debt finance plus a margin to reflect the more costly equity whilst the developer return is reflected in the development profit.

1.2. Bayes Business School (formerly Cass) Commercial Real Estate (CRE) Lending Report Year End 2023 collates a sample of the conditions under which lenders offer development finance.

1.3. The survey which has been running for over twenty years comments on the changes in the commercial real estate lending cycle over the period since 1999 as follows:

- Throughout the history of the survey there has been a strong correlation of 2:1 between real estate transactions and loan origination. In other words, for every £1 in real estate transactions 50p is generated in loan origination.
- The survey notes that there appears to be no enduring connection between transaction volumes and the “health” of the market, measured in terms of movements in capital values.
- The exception to this norm is seen in the years leading up to and even through the start of the market crisis during which loan origination significantly exceeded the level that could be expected from market activity and continued even whilst capital values fell.
- The result of the extreme lending market was a wave of loan defaults which peaked in 2012 and only returned to normal levels by 2016 approximately ten years after capital values reached their highest levels.
- The Year End 2023 survey reports that 2023 has been the most difficult year for lenders since the GFC,with total debt origination dropping by 33% y-o-y. The second half of the year the market remained particularly quiet, with very little origination activity.
- Development funding pipeline reduced during 2023 with £22.8bn at year end.

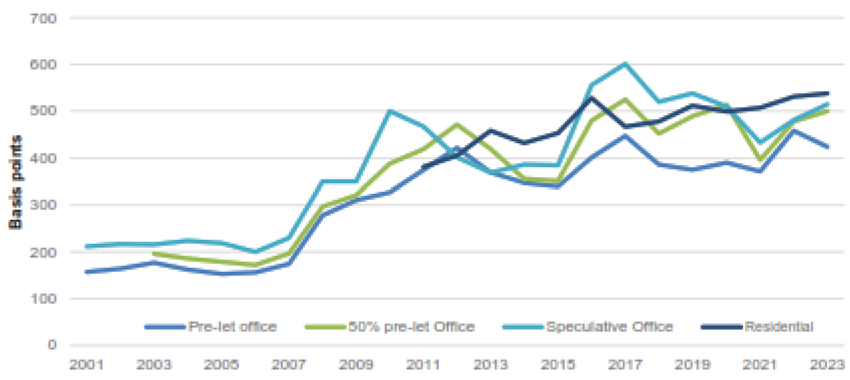
1.4. UK banks and debt funds are the largest lenders for residential development, while other lenders concentrate upon commercial property. Only a minority of lenders surveyed in the Bayes Report are active in or targeting development lending, even fewer in speculative schemes.

1.5. Development lending margins remain high, with year-end 2023 margins for development increasing across all sectors compared to 2022. Margins for residential developments and pre-let commercial developments are at their highest levels in 20 years.

1.6. For pre-let commercial development was on average 424bps, slightly lower than end of 2022 with 458bps and partially pre-let was available and an average of 500bps (a 22bps increase) Residential development margins were at 538bps, with arrangement fees comprising a further 112bps cost.

1.7. Fewer lenders provide development finance on speculative development even when 50% pre-let.

Figure 40. Target senior lending margins for development loans bps, 2001–2023



Source: Bayes Business School Commercial Real Estate (CRE) Lending Report

Table 11. Average senior lending terms for development loans, December 2023

	Lending margin bps	Arrangement Fee bps	Loan to Cost Ratio %	Lenders quoting Dec 2022	Lenders quoting Dec 2023
Commercial pre-let	424	128	58%	22	19
Commercial 50% Pre-let	500	129	61%	12	12
Commercial Speculative	515	136	57%	12	10
Residential	538	112	62%	29	33

Source: Bayes Business School Commercial Real Estate (CRE) Lending Report

1.8. Junior loans provide a useful benchmark for required returns for originating loans. This is because lenders will use a combination of lending margin, arrangement fee, exit fees and some form of participation in profit. For senior development finance, target IRR's on pre-let commercial schemes stand at 9% to 18%, for residential development at 10% to 18%.

1.9. Given that senior debt is generally offered at 50% to 90% of cost of development projects, the remainder of project financing will, in most cases, be comprised of equity and in some cases varying levels of junior debt, mezzanine debt.

1.10. Arrangement fees range from 100bps to 150bps upfront, with another 100bps to 200 bps exit fee.

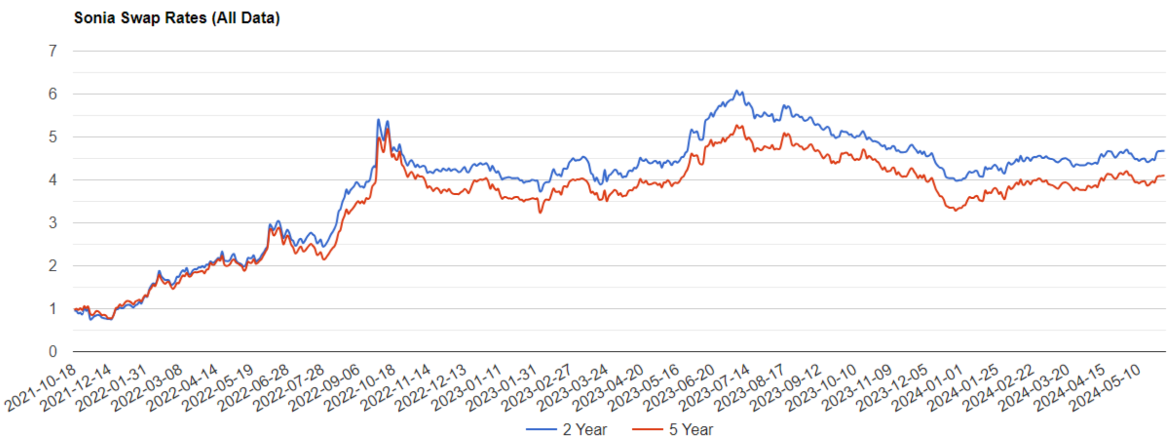
1.11. Junior debt and particularly mezzanine debt are typically provided by specialist platforms, and a lack of available research exists as to average lending criteria. The IPF, for example, states that "mezzanine finance is not a product that many banks provide" and "this type of finance is typically associated with projects funded on a profit share basis".

1.12. Given the lack of available research and idiosyncratic nature of subordinate debt arrangements for real estate development funding, we have omitted this from our assessment of the market rate for development finance. The remaining project cost not provided by senior debt is therefore assumed to be equity financed.

1.13. In response to the COVID-19 pandemic, the Bank of England cut interest rates to 0.1%. Since December 2021, in response to rising inflation, the bank has raised interest rate 14 times, most recently setting the rate in August 2023 at 5.25%, the highest rate in since October 2008. The Bank of England has since maintained this rate at the latest Monetary Policy Committee meeting, and is continuing to monitor closely the impact of the significant increases in Bank Rate so far.

1.14. Five year SONIA swap rates remain around 4%, having peaked in excess of 5.25% in July 2023.

Chart 2: Historic Rates



1.15. Considering the market uncertainty and combined with development finance margins of 538bps according to the latest Bayes report, this suggests base finance rates well in excess of 8%. The total cost of capital for financing a scheme would be in excess of this figure, in the order of 9%. This figure also takes into account arrangement, monitoring and related fees.

1.16. The finance rate we have adopted here is therefore conservative, and is subject to a higher degree of uncertainty than usual and therefore we recommend that this is kept under review. We also reserve the right to revise this figure should more evidence come to light.

Table 1: Finance rate adopted

Description	Spot Allowance Appraisals /Valuations
Finance Rate	**7.5%**

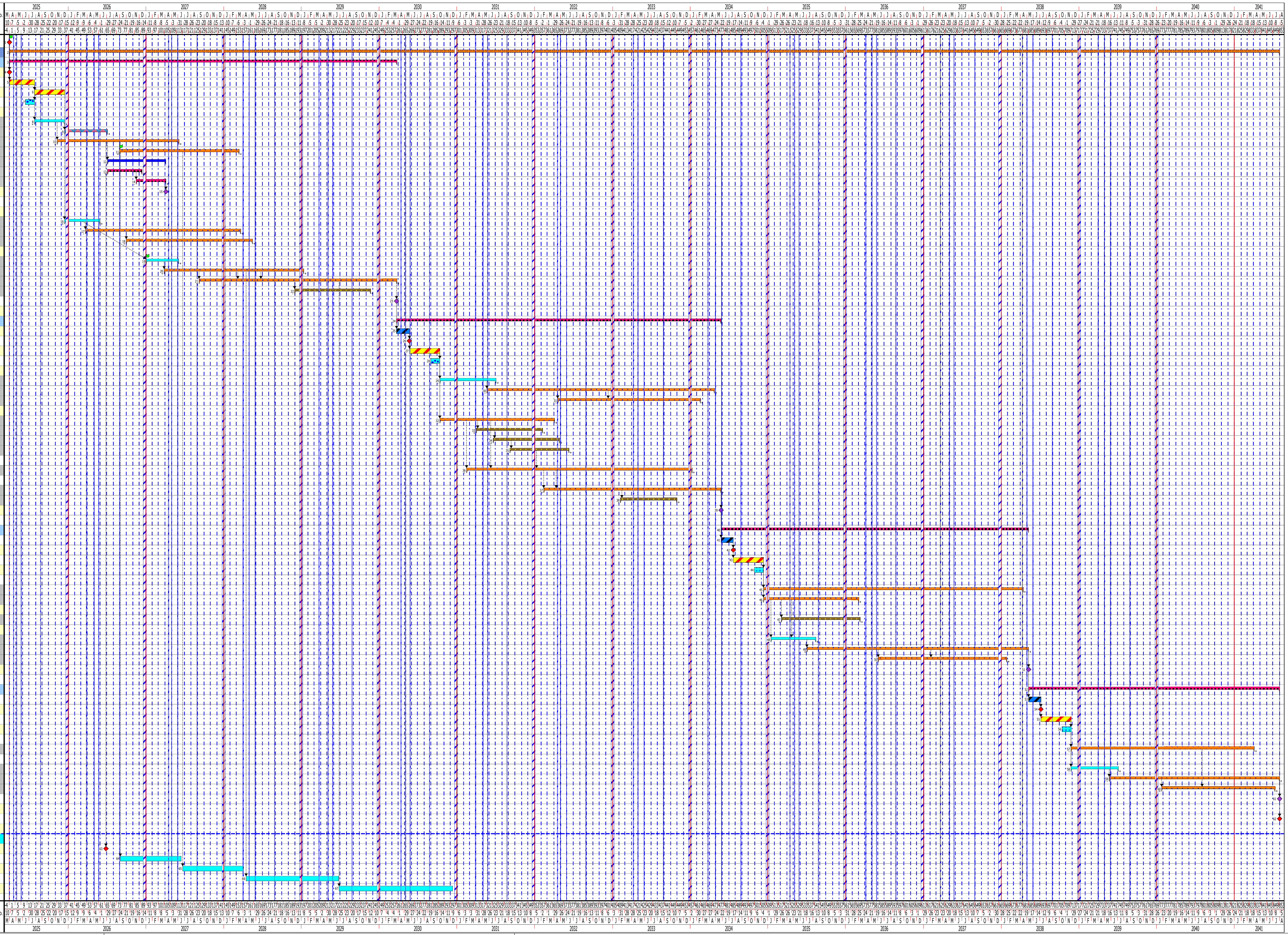
Source: Gerald Eve

APPENDIX 7

Teviot Estate
Cost Plan Programme

Created for Living

Line	Name	Working Duration	Start	Finish	Calendar Duration	Week No. Start	Week No. Finish
1	Start on Site		01 Apr 25 *			01 *	
2	Construction Stage (1,840 Homes)	808w 3d	01 Apr 25	31 Jul 41	852w 2d	01	853
3	Phase 1 - 475 Homes	246w 1d	01 Apr 25	25 Mar 30	260w	01	261
4	Vacant Possession		01 Apr 25	01 Apr 25	0w	01	1
5	Demolition Works B01 Area	16w	01 Apr 25	25 Jul 25	16w 4d	01	17
6	Demolition Works B02, B03 & T01 Area	20w	28 Jul 25	15 Dec 25	20w 1d	18	38
7	Site Set Up	6w	16 Jun 25	25 Jul 25	6w	12	17
8	Block B1 - Podium - 1,865m2	20w	28 Jul 25	15 Dec 25	20w 1d	18	38
9	Block B1 - Energy Room Fit Out	26w	16 Dec 25	03 Jul 26	28w 4d	38	66
10	Block B1-A - 57 Homes, 10st (P)	76w	11 Nov 25	04 Jun 27	81w 4d	33	114
11	Block B1-B - 58 Homes, 10st (P)	76w	01 Sep 26 *	14 Mar 28	80w 1d	75 *	155
12	Langdon Park Landscaping	37w	06 Jul 26	05 Apr 27	39w 1d	67	106
13	Southern Area - 8,800m2	23w	06 Jul 26	14 Dec 26	23w 1d	67	90
14	Northern Area - 4,637m2	18w	17 Nov 26	05 Apr 27	20w	86	106
15	Opening of Whole Langdon Park Back to the Community		05 Apr 27	05 Apr 27	0w	106	106
16	Block B2 - Podium - 2,188m2	21w	16 Dec 25	29 May 26	23w 4d	38	61
17	Block B2-B - 77 Homes, 14st (A)	99w	24 Mar 26	21 Mar 28	104w 1d	52	156
18	Block B2-A - 59 Homes, 10st (A)	80w	01 Oct 26	16 May 28	84w 4d	79	164
19	Block B3 - Podium - 2,251m2	21w	04 Jan 27 *	03 Jun 27	21w 4d	93 *	114
20	Block B3-A - 88 Homes, 12st (P)	89w	29 Mar 27	11 Jan 29	93w 4d	105	198
21	Block B3-B - 132 Homes, 20st (108 x P & 24 x S/O)	126w	08 Sep 27	25 Mar 30	132w 4d	128	261
22	Houses T01 - 4 Homes, 3st (A)	48w 2d	30 Nov 28	21 Nov 29	51w	192	243
23	Phase 1 Complete			25 Mar 30			261
24	Phase 2 - 551 Homes	205w 1d	25 Mar 30	25 May 34	217w 4d	261	478
25	Decant Phase 2 Area	8w	25 Mar 30	22 May 30	8w 3d	261	269
26	Vacant Possession		23 May 30			269	
27	Demolition Works	20w	23 May 30	11 Oct 30	20w 2d	269	289
28	Site Set Up	6w	02 Sep 30	11 Oct 30	6w	284	289
29	Block B04& B05 - Podium - 4,711m2	35w	14 Oct 30	03 Jul 31	37w 4d	290	327
30	Block B05 - 180 Homes, 22st	144w	22 May 31	25 Apr 34	152w 4d	321	474
31	Block B04 - 92 Homes, 10st	90w 1d	20 Apr 32	17 Feb 34	95w 4d	369	464
32	Block B07 - 9 Homes, 5st	72w	14 Oct 30	02 Apr 32	77w	290	366
33	Houses T02 - 6 Homes, 3st	42w	02 Apr 31	06 Feb 32	44w 3d	314	358
34	Houses T04 - 6 Homes, 3st	42w	20 Jun 31	27 Apr 32	44w 3d	325	370
35	Houses T05 - 5 Homes, 2st	37w	08 Sep 31	10 Jun 32	39w 4d	337	376
36	Block B06 - 128 Homes, 16st	142w 2d	17 Feb 31	10 Jan 34	151w 2d	308	459
37	Block B08 - 122 Homes, 7st	112w 2d	13 Feb 32	25 May 34	119w	359	478
38	Houses T03 - 3 Homes, 2st	37w	08 Feb 33	31 Oct 33	38w	411	449
39	Phase 2 Complete		25 May 34	25 May 34	0w	478	478
40	Phase 3 - 460 Homes	194w 2d	26 May 34	10 May 38	206w 2d	478	685
41	Decant Phase 3 Area	8w	26 May 34	21 Jul 34	8w 1d	478	486
42	Vacant Possession		24 Jul 34	24 Jul 34	0w	487	487
43	Demolition Works	20w	24 Jul 34	11 Dec 34	20w 1d	487	507
44	Site Set Up	6w	31 Oct 34	11 Dec 34	6w	501	507
45	Block B09 - 208 Homes, 27st	163w	12 Dec 34	14 Apr 38	174w 2d	507	681
46	Block B10 - Commercial?, 3st	59w	12 Dec 34	03 Mar 36	64w	507	571
47	Houses T06 - 8 Homes, 3st	50w	06 Mar 35	10 Mar 36	53w	519	572
48	Block B11& B12 - Podium - 3,635m2	29w 2d	16 Jan 35	14 Aug 35	30w 1d	512	542
49	Block B12 - 179 Homes, 22st	140w	04 Jul 35	10 May 38	148w 4d	536	685
50	Block B11 - 65 Homes, 8st	81w 1d	03 Jun 36	27 Jan 38	86w 2d	584	670
51	Phase 3 Complete		10 May 38	10 May 38	0w	685	685
52	Phase 4 - 354 Homes	163w	11 May 38	31 Jul 41	168w 2d	685	853
53	Decant Phase 4 Area	8w	11 May 38	06 Jul 38	8w 1d	685	693
54	Vacant Possession		07 Jul 38	07 Jul 38	0w	693	693
55	Demolition Works	20w	07 Jul 38	24 Nov 38	20w 1d	693	713
56	Site Set Up	6w	14 Oct 38	24 Nov 38	6w	707	713
57	Block B13 - 145 Homes, 15st	118w	25 Nov 38	03 Apr 41	123w	713	836
58	Block B14& B15 - Podium - 3,600m2	29w	25 Nov 38	05 Jul 39	31w 4d	713	745
59	Block B15 - 141 Homes, 16st	112w	24 May 39	31 Jul 41	114w 2d	739	853
60	Block B14 - 68 Homes, 8st	76w 1d	25 Jan 40	10 Jul 41	76w 1d	774	850
61	Phase 4 Complete			31 Jul 41			853
62	Project Complete			31 Jul 41			853
	Sales						
63	Block B1-A - Marketing Suite Complete		26 Jun 26	26 Jun 26	0w	65	65
64	Block B1-A - 57 x Sales @ 6pm (starting 9m Prior H/O) 0 Overseas	38w	03 Sep 26	16 Jun 27	40w 4d	75	116
65	Block B1-B - 58 x Sales @ 6pm (starting 9m Prior H/O) 0 Overseas	39w	23 Jun 27	04 Apr 28	40w 4d	117	158
66	Block B3-A - 88 x Sales @ 6pm (starting 9m Prior H/O) 0 Overseas	59w	April 2028	June 2029	62w	160	222
67	Block B3-B - 108 x Sales @ 6pm (starting 9m Prior H/O) 0 Overseas	73w	27 Jun 29	12 Dec 30	76w 1d	222	298



Prog. Number: 1	Issue Date: 05/04/2024	Prog.Status:
Revision: A	Revision Date:	Rev. Comment:

The Hill Group

05/04/2024

APPENDIX 8

Teviot Estate
Proposed Scheme

Development Appraisal
ARGUS Software
June 12, 2024

Teviot Estate
Proposed Scheme

Appraisal Summary for Merged Phases 1 2 3 4

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Phase 1 - B01 - Private	115	76,803	724.39	483,783	55,635,000
Phase 1 - B02 - Social Rent	136	113,183	203.00	168,942	22,976,149
Phase 1 - B03 - Private	196	132,906	768.46	521,084	102,132,500
Phase 1 - B03 - Shared Ownership	24	16,049	428.00	286,207	6,868,972
Phase 1 - B03 - Social Rent (Houses)	4	5,533	203.00	280,800	1,123,199
Phase 2 - B04 - Private	62	44,054	739.03	525,113	32,557,008
Phase 2 - B04 - Social Rent	33	25,974	203.00	159,779	5,272,722
Phase 2 - B05 - Private	185	112,556	763.64	464,606	85,952,132
Phase 2 - B08 - Social Rent	40	33,055	203.00	167,754	6,710,165
Phase 2 - B08 - Private	80	53,666	744.17	499,207	39,936,580
Phase 2 - B06 - Private	124	83,165	746.61	500,738	62,091,533
Phase 2 - B06 - Shared Ownership	25	16,901	428.00	289,345	7,233,628
Phase 2 - B07 & T02-T05 - Social Rent	26	27,684	203.00	216,148	5,619,852
Phase 3 - B09 - Private	239	154,256	749.13	483,508	115,558,391
Phase 3 - B11 - Social Rent	62	55,910	203.00	183,060	11,349,730
Phase 3 - B12 - Shared Ownership	37	26,039	428.00	301,208	11,144,692
Phase 3 - B12 - Private	152	98,899	753.35	490,169	74,505,631
Phase 3 - T06 - Social Rent (Houses)	7	9,257	203.00	268,453	1,879,171
Phase 4 - B13 - Private	100	67,434	746.14	503,154	50,315,350
Phase 4 - B13 - Social Rent	56	50,279	203.00	182,261	10,206,637
Phase 4 - B14 - Shared Ownership	12	10,229	428.00	364,834	4,378,012
Phase 4 - B14 - Private	30	23,131	723.03	557,482	16,724,450
Phase 4 - B14 - Social Rent	18	18,597	203.00	209,733	3,775,191
Phase 4 - B15 - Private	136	92,165	745.32	505,092	68,692,557
Phase 4 - B13 - TH Living Rent	29	17,295	297.00	177,125	5,136,615
Totals	**1,928**	**1,365,020**			**807,775,867**

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase 1 - B02 - Workspace	1	1,324	25.00	33,100	33,100	33,100
Phase 1 - B02 - Commercial Unit	1	4,047	12.00	48,564	48,564	48,564
Phase 1 - B03 - Commercial Units	4	7,524	15.00	28,215	112,860	112,860
Phase 2 - B05 - Workspace (inc. reprovision)	4	4,464	25.00	27,900	111,600	111,600
Phase 2 - B06 - Workspace	1	5,687	15.00	85,305	85,305	85,305
Phase 2 - B08 - Commercial Unit	1	1,197	20.00	23,940	23,940	23,940
Phase 3 - Everest Place - Workspace	1	2,339	25.00	58,475	58,475	58,475
Phase 3 - B12 - Workspace	4	3,149	25.00	19,681	78,725	78,725
Phase 3 - B09 - Commercial Unit (Reprovision)	3	3,581	15.00	17,905	53,715	53,715
Phase 4 - B13 - Workspace	2	1,608	25.00	20,100	40,200	40,200
Phase 4 - B13 - Commercial Unit	4	5,787	12.00	17,361	69,444	69,444
Phase 4 - B15 - Workspace	2	1,585	25.00	19,813	39,625	39,625
Phase 4 - B15 - Commercial Unit	2	3,714	15.00	27,855	55,710	55,710
Totals	**30**	**46,006**			**811,263**	**811,263**

Investment Valuation

Phase 1 - B02 - Workspace

Market Rent	33,100	YP @	6.5000%	15.3846	
		PV 2yrs 5mths @	6.5000%	0.8588	437,341

Phase 1 - B02 - Commercial Unit

Market Rent	48,564	YP @	6.0000%	16.6667

		PV 2yrs 11mths @	6.0000%	0.8437	682,896
Phase 1 - B03 - Commercial Units					
Market Rent	112,860	YP @	7.5000%	13.3333	
		PV 1yr 1mth @	7.5000%	0.9246	1,391,403
Phase 2 - B05 - Workspace (inc. reprovision)					
Market Rent	111,600	YP @	7.0000%	14.2857	
		PV 8mths @	7.0000%	0.9559	1,523,972
Phase 2 - B06 - Workspace					
Market Rent	85,305	YP @	6.0000%	16.6667	
		PV 1yr 11mths @	6.0000%	0.8943	1,271,512
Phase 2 - B08 - Commercial Unit					
Market Rent	23,940	YP @	7.5000%	13.3333	
		PV 1yr 1mth @	7.5000%	0.9246	295,146
Phase 3 - Everest Place - Workspace					
Market Rent	58,475	YP @	7.0000%	14.2857	
(6mths Rent Free)		PV 6mths @	7.0000%	0.9667	807,570
Phase 3 - B12 - Workspace					
Market Rent	78,725	YP @	6.0000%	16.6667	
		PV 7mths @	6.0000%	0.9666	1,268,235
Phase 3 - B09 - Commercial Unit (Reprovision)					
Market Rent	53,715	YP @	7.5000%	13.3333	
		PV 1yr 2mths @	7.5000%	0.9191	658,250
Phase 4 - B13 - Workspace					
Market Rent	40,200	YP @	7.0000%	14.2857	
		PV 10mths @	7.0000%	0.9452	542,802
Phase 4 - B13 - Commercial Unit					
Market Rent	69,444	YP @	7.0000%	14.2857	
		PV 10mths @	7.0000%	0.9452	937,670
Phase 4 - B15 - Workspace					
Market Rent	39,625	YP @	7.0000%	14.2857	
		PV 7mths @	7.0000%	0.9613	544,165
Phase 4 - B15 - Commercial Unit					
Market Rent	55,710	YP @	7.5000%	13.3333	
		PV 1yr 7mths @	7.5000%	0.8918	662,433
Total Investment Valuation					**11,023,395**
GROSS DEVELOPMENT VALUE				**818,799,262**	
Purchaser's Costs			(749,591)		
Effective Purchaser's Costs Rate		6.80%			
				(749,591)	
NET DEVELOPMENT VALUE				**818,049,671**	
NET REALISATION				**818,049,671**	

OUTLAY

Teviot Estate
Proposed Scheme

ACQUISITION COSTS

Fixed Price		1		
Fixed Price			1	
				1
Stamp Duty			0	
Effective Stamp Duty Rate		2.00%		
Agent Fee		1.00%	0	
Legal Fee		0.80%	0	
Decant + Leasehold Buybacks			93,343,755	
				93,343,755

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
B01	116,056	285.00	33,075,960	
B02	159,941	285.00	45,583,185	
B03	218,539	285.00	62,283,615	
B04	111,266	285.00	31,710,810	
B05	164,322	285.00	46,831,770	
B06	140,630	285.00	40,079,550	
B07	36,382	285.00	10,368,870	
B08	114,905	285.00	32,747,925	
B09	245,718	285.00	70,029,630	
B11	77,425	285.00	22,066,125	
B12	171,620	285.00	48,911,700	
B13	184,665	285.00	52,629,525	
B14	78,017	285.00	22,234,845	
B15	131,492	285.00	37,475,220	
Totals	**1,950,978 ft²**		**556,028,730**	
Contingency		5.00%	28,349,050	
				584,377,780

Other Construction Costs

Third Party Costs	800,000	
Infrastructure Costs	3,863,372	
Third Party Costs	400,000	
Infrastructure Costs	2,800,000	
Third Party Costs	600,000	
Infrstructure Costs	3,888,889	
Third Party Costs	600,000	
Infrastructure Costs	400,000	
		13,352,261

Section 106 Costs

Carbon Offset	251,420	
LBTH CIL	1,509,159	
Section 106 Costs	881,199	
MCIL	1,848,012	
Section 106 Costs	968,895	
LBTH CIL	1,650,122	
Carbon Offset	246,791	
MCIL	2,102,382	
Section 106 Costs	864,168	
LBTH CIL	1,681,334	
Carbon Offset	245,760	
MCIL	2,140,287	
Section 106 Costs	740,794	
LBTH CIL	958,069	
Carbon Offset	246,791	
MCIL	1,259,516	
		17,594,699

Teviot Estate
Proposed Scheme

PROFESSIONAL FEES			
Professional Fees	10.00%	56,698,099	
			56,698,099
MARKETING & LETTING			
Marketing	1.00%	7,151,245	
Letting Agent Fee	10.00%	5,848	
Letting Legal Fee	5.00%	2,924	
			7,160,017
DISPOSAL FEES			
Sales Agent Fee	2.00%	14,287,499	
Sales Legal Fee	0.50%	4,090,248	
			18,377,747
TOTAL COSTS BEFORE FINANCE			**790,904,358**
FINANCE			
Debit Rate 7.50%, Credit Rate 0.00% (Nominal)			
Land		0	
Construction		99,643,182	
Other		83,953,829	
Total Finance Cost			183,597,012
TOTAL COSTS			**974,501,370**
PROFIT			
			(156,451,699)
Performance Measures			
Profit on Cost%	-16.05%		
Profit on GDV%	-19.11%		
Development Yield% (on Rent)	0.08%		
IRR% (without Interest)	1.84%		
Profit Erosion (finance rate 7.500)	N/A		

APPENDIX 9

Teviot Estate
Proposed Scheme inc. Grant

Development Appraisal
ARGUS Software
June 12, 2024

Teviot Estate
Proposed Scheme inc. Grant

Appraisal Summary for Merged Phases 1 2 3 4

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Phase 1 - B01 - Private	115	76,803	724.39	483,783	55,635,000
Phase 1 - B02 - Social Rent	136	113,183	203.00	168,942	22,976,149
Phase 1 - B03 - Private	196	132,906	768.46	521,084	102,132,500
Phase 1 - B03 - Shared Ownership	24	16,049	428.00	286,207	6,868,972
Phase 1 - B03 - Social Rent (Houses)	4	5,533	203.00	280,800	1,123,199
Phase 2 - B04 - Private	62	44,054	739.03	525,113	32,557,008
Phase 2 - B04 - Social Rent	33	25,974	203.00	159,779	5,272,722
Phase 2 - B05 - Private	185	112,556	763.64	464,606	85,952,132
Phase 2 - B08 - Social Rent	40	33,055	203.00	167,754	6,710,165
Phase 2 - B08 - Private	80	53,666	744.17	499,207	39,936,580
Phase 2 - B06 - Private	124	83,165	746.61	500,738	62,091,533
Phase 2 - B06 - Shared Ownership	25	16,901	428.00	289,345	7,233,628
Phase 2 - B07 & T02-T05 - Social Rent	26	27,684	203.00	216,148	5,619,852
Phase 3 - B09 - Private	239	154,256	749.13	483,508	115,558,391
Phase 3 - B11 - Social Rent	62	55,910	203.00	183,060	11,349,730
Phase 3 - B12 - Shared Ownership	37	26,039	428.00	301,208	11,144,692
Phase 3 - B12 - Private	152	98,899	753.35	490,169	74,505,631
Phase 3 - T06 - Social Rent (Houses)	7	9,257	203.00	268,453	1,879,171
Phase 4 - B13 - Private	100	67,434	746.14	503,154	50,315,350
Phase 4 - B13 - Social Rent	56	50,279	203.00	182,261	10,206,637
Phase 4 - B14 - Shared Ownership	12	10,229	428.00	364,834	4,378,012
Phase 4 - B14 - Private	30	23,131	723.03	557,482	16,724,450
Phase 4 - B14 - Social Rent	18	18,597	203.00	209,733	3,775,191
Phase 4 - B15 - Private	136	92,165	745.32	505,092	68,692,557
Phase 4 - B13 - TH Living Rent	29	17,295	297.00	177,125	5,136,615
Totals	**1,928**	**1,365,020**			**807,775,867**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Phase 1 - B02 - Workspace	1	1,324	25.00	33,100	33,100	33,100
Phase 1 - B02 - Commercial Unit	1	4,047	12.00	48,564	48,564	48,564
Phase 1 - B03 - Commercial Units	4	7,524	15.00	28,215	112,860	112,860
Phase 2 - B05 - Workspace (inc. reprovision)	4	4,464	25.00	27,900	111,600	111,600
Phase 2 - B06 - Workspace	1	5,687	15.00	85,305	85,305	85,305
Phase 2 - B08 - Commercial Unit	1	1,197	20.00	23,940	23,940	23,940
Phase 3 - Everest Place - Workspace	1	2,339	25.00	58,475	58,475	58,475
Phase 3 - B12 - Workspace	4	3,149	25.00	19,681	78,725	78,725
Phase 3 - B09 - Commercial Unit (Reprovision)	3	3,581	15.00	17,905	53,715	53,715
Phase 4 - B13 - Workspace	2	1,608	25.00	20,100	40,200	40,200
Phase 4 - B13 - Commercial Unit	4	5,787	12.00	17,361	69,444	69,444
Phase 4 - B15 - Workspace	2	1,585	25.00	19,813	39,625	39,625
Phase 4 - B15 - Commercial Unit	2	3,714	15.00	27,855	55,710	55,710
Totals	**30**	**46,006**			**811,263**	**811,263**

Investment Valuation

Phase 1 - B02 - Workspace

Market Rent	33,100	YP @	6.5000%	15.3846	
		PV 2yrs 5mths @	6.5000%	0.8588	437,341

Phase 1 - B02 - Commercial Unit

Market Rent	48,564	YP @	6.0000%	16.6667

		PV 2yrs 11mths @	6.0000%	0.8437	682,896
Phase 1 - B03 - Commercial Units					
Market Rent	112,860	YP @	7.5000%	13.3333	
		PV 1yr 1mth @	7.5000%	0.9246	1,391,403
Phase 2 - B05 - Workspace (inc. reprovision)					
Market Rent	111,600	YP @	7.0000%	14.2857	
		PV 8mths @	7.0000%	0.9559	1,523,972
Phase 2 - B06 - Workspace					
Market Rent	85,305	YP @	6.0000%	16.6667	
		PV 1yr 11mths @	6.0000%	0.8943	1,271,512
Phase 2 - B08 - Commercial Unit					
Market Rent	23,940	YP @	7.5000%	13.3333	
		PV 1yr 1mth @	7.5000%	0.9246	295,146
Phase 3 - Everest Place - Workspace					
Market Rent	58,475	YP @	7.0000%	14.2857	
(6mths Rent Free)		PV 6mths @	7.0000%	0.9667	807,570
Phase 3 - B12 - Workspace					
Market Rent	78,725	YP @	6.0000%	16.6667	
		PV 7mths @	6.0000%	0.9666	1,268,235
Phase 3 - B09 - Commercial Unit (Reprovision)					
Market Rent	53,715	YP @	7.5000%	13.3333	
		PV 1yr 2mths @	7.5000%	0.9191	658,250
Phase 4 - B13 - Workspace					
Market Rent	40,200	YP @	7.0000%	14.2857	
		PV 10mths @	7.0000%	0.9452	542,802
Phase 4 - B13 - Commercial Unit					
Market Rent	69,444	YP @	7.0000%	14.2857	
		PV 10mths @	7.0000%	0.9452	937,670
Phase 4 - B15 - Workspace					
Market Rent	39,625	YP @	7.0000%	14.2857	
		PV 7mths @	7.0000%	0.9613	544,165
Phase 4 - B15 - Commercial Unit					
Market Rent	55,710	YP @	7.5000%	13.3333	
		PV 1yr 7mths @	7.5000%	0.8918	662,433
Total Investment Valuation					**11,023,395**
GROSS DEVELOPMENT VALUE				**818,799,262**	
Purchaser's Costs			(749,591)		
Effective Purchaser's Costs Rate		6.80%			
				(749,591)	
NET DEVELOPMENT VALUE				**818,049,671**	
Additional Revenue					
Phase 1 - B02 AR Grant	136 un	220,000.00 /un	29,920,000		
Phase 1 - B03 SO Grant	24 un	50,000.00 /un	1,200,000		

Teviot Estate
Proposed Scheme inc. Grant

Phase 1 - B03 AR Grant	4 un	220,000.00 /un	880,000	
Phase 2 - B04 AR Grant	33 un	220,000.00 /un	7,260,000	
Phase 2 - B08 AR Grant	40 un	220,000.00 /un	8,800,000	
Phase 2 - B06 SO Grant	25 un	50,000.00 /un	1,250,000	
Phase 2 - B07 AR Grant	26 un	220,000.00 /un	5,720,000	
Phase 3 - B11 AR Grant	62 un	220,000.00 /un	13,640,000	
Phase 3 - B12 SO Grant	37 un	50,000.00 /un	1,850,000	
Phase 3 - T06 AR Grant	7 un	220,000.00 /un	1,540,000	
Phase 4 - B13 AR Grant	56 un	220,000.00 /un	12,320,000	
Phase 4 - B14 SO Grant	12 un	50,000.00 /un	600,000	
Phase 4 - B14 AR Grant	18 un	220,000.00 /un	3,960,000	
Phase 4 - B13 THLR Grant	29 un	220,000.00 /un	6,380,000	
				95,320,000

NET REALISATION	**913,369,671**

OUTLAY

ACQUISITION COSTS

Fixed Price	1		
Fixed Price		1	
			1
Stamp Duty		0	
Effective Stamp Duty Rate	2.00%		
Agent Fee	1.00%	0	
Legal Fee	0.80%	0	
Decant + Leasehold Buybacks		93,343,755	
			93,343,755

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
B01	116,056	285.00	33,075,960	
B02	159,941	285.00	45,583,185	
B03	218,539	285.00	62,283,615	
B04	111,266	285.00	31,710,810	
B05	164,322	285.00	46,831,770	
B06	140,630	285.00	40,079,550	
B07	36,382	285.00	10,368,870	
B08	114,905	285.00	32,747,925	
B09	245,718	285.00	70,029,630	
B11	77,425	285.00	22,066,125	
B12	171,620	285.00	48,911,700	
B13	184,665	285.00	52,629,525	
B14	78,017	285.00	22,234,845	
B15	131,492	285.00	37,475,220	
Totals	**1,950,978 ft²**		**556,028,730**	
Contingency		5.00%	28,349,050	
				584,377,780

Other Construction Costs

Third Party Costs	800,000	
Infrastructure Costs	3,863,372	
Third Party Costs	400,000	
Infrastructure Costs	2,800,000	
Third Party Costs	600,000	
Infrstructure Costs	3,888,889	
Third Party Costs	600,000	
Infrastructure Costs	400,000	
		13,352,261

Section 106 Costs

Teviot Estate
Proposed Scheme inc. Grant

Carbon Offset		251,420	
LBTH CIL		1,509,159	
Section 106 Costs		881,199	
MCIL		1,848,012	
Section 106 Costs		968,895	
LBTH CIL		1,650,122	
Carbon Offset		246,791	
MCIL		2,102,382	
Section 106 Costs		864,168	
LBTH CIL		1,681,334	
Carbon Offset		245,760	
MCIL		2,140,287	
Section 106 Costs		740,794	
LBTH CIL		958,069	
Carbon Offset		246,791	
MCIL		1,259,516	
			17,594,699
PROFESSIONAL FEES			
Professional Fees	10.00%	56,698,099	
			56,698,099
MARKETING & LETTING			
Marketing	1.00%	7,151,245	
Letting Agent Fee	10.00%	5,848	
Letting Legal Fee	5.00%	2,924	
			7,160,017
DISPOSAL FEES			
Sales Agent Fee	2.00%	14,287,499	
Sales Legal Fee	0.50%	4,090,248	
			18,377,747
TOTAL COSTS BEFORE FINANCE			**790,904,358**
FINANCE			
Debit Rate 7.50%, Credit Rate 0.00% (Nominal)			
Total Finance Cost			71,008,962
TOTAL COSTS			**861,913,320**
PROFIT			
			51,456,351
Performance Measures			
Profit on Cost%	5.97%		
Profit on GDV%	6.28%		
Development Yield% (on Rent)	0.09%		
IRR% (without Interest)	9.69%		
Profit Erosion (finance rate 7.500)	9 mths		

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