



Our Ref: JGK/EH17/02B706695

24 May 2018

London Borough of Southwark
160 Tooley Street
London
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Dear Sirs

Property: Burgess Business Park, Parkhouse Street, London, SE5 7TJ

Further to our meetings with planning officers and representatives for the applicant we set out below an indication as to the current viability position of the above scheme.

The current viability discussions centre around four different 'scenarios' whereby the density and the mix of use for the scheme are varied. These scenarios are;

1. 505 Residential Units with 41,529 Sq. Ft (NIA) of commercial floorspace – this represents the applicants preferred option.
2. 453 Residential Units with 43,275 Sq. Ft (NIA) of commercial floorspace.
3. 425 Residential Units with 67,962 Sq. Ft (NIA) of commercial floorspace.
4. 390 Residential Units with 105,609 Sq. Ft (NIA) of commercial floorspace

We have tested these scenarios on an appraisal basis in order to test whether a policy compliant level of affordable housing could be provided on-site. If a policy compliant level of affordable could not viably be provided on-site we provide indication as to the maximum reasonable level of affordable housing.

It should be noted that we have assumed an additional 6 months' rent free/void on the commercial space in option 3 and an additional 12 months in option 4. In addition to this, following discussions with Gerald Eve, we have assumed a reduction in headline rent for the commercial element for scenarios 3 and 4 at £1.25 per Sq. Ft and £2.50 per Sq. Ft respectively. This is to account for the increase in commercial floorspace.

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Appraisal Results

We have firstly sought to analyse the various scenarios on an appraisal basis. Table 1 shows the profit output on gross development value (GDV) of the various scenarios when making an assumption of 35% affordable housing on-site.

Table 1

Scenario	Scheme	Total Habitable Rooms	Affordable Habitable Rooms	Affordable Units	Profit on GDV
1	505 units / 41,680 sq ft commercial (updated areas to achieve 35% AH)	1,578	552	181	7.70%
2	453 units / 43,275 sq ft commercial	1,411	491	157	4.44%
3	425 units / 67,962 sq ft commercial	1,318	463	147	4.04%
4	390 units / 105,609 sq ft commercial	1,220	427	135	5.87%

The table above indicates that on an appraisal basis there is a detrimental impact on the profit output as the density of the scheme decreases, or the subsequent level of commercial increases.

We have tested the maximum reasonable level of affordable housing on an appraisal basis assuming an agreed blended profit target of 15.70%. The results are as follows;

Table 2

Scenario	Scheme	Max Reasonable Affordable Provision	Affordable Habitable Rooms	Affordable Units
1	505 units / 41,680 sq ft commercial (updated areas to achieve 35% AH)	24.5% by Habitable Room	388	109
2	453 units / 43,275 sq ft commercial	17.15% by Habitable Room	242	73
3	425 units / 67,962 sq ft commercial	16.84% by Habitable Room	222	67
4	390 units / 105,609 sq ft commercial	14.41% by Habitable Room	177	52

This demonstrates that on an appraisal basis scenario 1 would provide the greatest proportion of affordable housing both in percentage and quantum terms.

Conclusions

Scenario 1 would produce the highest quantum of on-site affordable housing on an appraisal basis in quantum in percentage terms and total unit terms. The level of viable on-site affordable provision would reduce as the scale of the scheme decreases and commercial floorspace levels increase, as outlined in tables 1 and 2.

Yours faithfully

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