
The Bermondsey Project, London, SE16

Financial Viability Assessment - Executive Summary

1. A Financial Viability Assessment (“FVA”) has been prepared by DS2 to accompany the Masterplan planning application being submitted by the Applicant Southwark GP Nominee 1 Limited and Southwark GP Nominee 2 Limited, hereafter referred to as Grosvenor Britain and Ireland (“Grosvenor”).
2. The Masterplan planning application concerns the Biscuit Factory and the Bermondsey Campus Sites (the “Site”) located in Bermondsey in the London Borough of Southwark (“LBS”).
3. The purpose of the FVA is to robustly test the maximum reasonable amount of affordable housing and other financial obligations the Proposed Development can viably support.
4. The description of the Proposed Development for the Site is as follows:

“A hybrid planning application comprising:

Full planning permission for demolition, alterations and extension of existing buildings and erection of new buildings comprising a mixed use scheme providing up to 1,218 residential units, up to 3,795 sqm GEA of flexible Class A1/A3/A4 floorspace, up to 12,023 sqm GEA of flexible Class B1/B2, up to 922 sqm GEA of flexible Class D1/D2 and up to 3,882 sqm GEA of multi-use floorspace (A1/A3/A4/D1) within Building BF-F, a new secondary school, in buildings ranging from 4 to 28 storeys in height as well as the creation of a single storey basement. The development also includes communal amenity space, landscaping, children’s play space, car and cycle parking, installation of plant, new pedestrian, vehicular and servicing routes, the creation of two new pedestrian routes through the Railway Arches and other associated works; and

Outline planning permission (with all matters reserved) for the part demolition and part retention of existing buildings and erection of two new buildings comprising a mixed-use scheme providing up to 125 residential units and up to 781 sqm GEA of flexible A1/A3/A4/D1/Sui Generis Uses and other associated works”

5. The FVA has been collated in accordance with planning policy and best practice guidance, including the Greater London Authority’s Affordable Housing and Viability SPG (August 2017), the Royal Institution of Chartered Surveyors Guidance Note, Financial Viability in Planning (94/2012), and LBS’s Development Viability SPD.
6. The assumptions used in the FVA can be summarised below:

APPRAISAL INPUTS	
Assumption	Amount
Gross Development Value	£1,050,434,646
Benchmark Land Value	£38,000,000
Construction Costs, Acquisition Costs (on BLV), Professional Fees, Other Development Costs	£755,716,709
S106 and CIL	£37,424,702
Marketing and Letting	£6,150,840
Disposal Fees	£14,314,488
Finance	£137,006,283
Developer Profit (IRR)	7%

7. As is evident from the results above, the profit for the Proposed Development falls below a reasonable return of 12% IRR demonstrating that, whilst the Proposed Development can support both Mayoral and Borough CIL payments, the delivery of a new school and public realm enhancements, the proposals are not able to support the provision of affordable housing.
8. Grosvenor's aspiration for the Proposed Development is to deliver a scheme which can meet the housing needs of a broad-ranging community with a focus on providing the maximum number of affordable homes for local people.
9. Grosvenor has concluded that notwithstanding the overall scheme viability, it would be willing to offer 27.5% affordable housing, delivered as discount market rented (“DMR”) homes (“Grosvenor’s Offer”).
10. Grosvenor’s Offer proposes 27.5% DMR by habitable room, delivered at an average discount from market rent of 25%.
11. Grosvenor’s Offer assumes the DMR units will be offered across a range of unit types, will be integrated across the scheme and will be delivered tenure blind.

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12. The FVA submitted in support of the Masterplan planning application demonstrates that the Proposed Development does not achieve the benchmark profit return and therefore cannot afford to deliver any affordable housing.
 13. Nevertheless, Grosvenor's commitment to the delivery of a scheme which can meet the housing needs of a broad ranging community has resulted in a meaningful offer being made in the form of DMR units.
 14. In doing so, Grosvenor has sought to adhere to the terms of the GLA's recently adopted Affordable Housing and Viability SPG as well as having regard to Government Guidance, London Plan and emerging New Southwark Plan policy.
 15. Grosvenor is also voluntarily proposing a post completion, fixed point viability review mechanism, to be secured through the S106 Agreement.
 16. The FVA concludes that Grosvenor's Offer exceeds the policy requirement to secure delivery of the maximum reasonable amount of affordable housing.

DS2
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