15th April 2016

Dulwich Hamlet Football Club, Edgar Kail Way, London SE22 8BD

Viability Assessment Executive Summary

This Viability Assessment has been prepared on behalf of:

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Executive Summary

The Subject is located on Edgar Kail Way in the London Borough of Southwark.

The application site extends to 4.7ha and currently comprises:

- Dulwich Hamlet Football Club (DHFC) stadium (including grassed pitch, 3,000 person capacity stand, club house, gym and squash courts);
- Green Dale Artificial Pitch (providing three 5-a-side football pitches); and
- Green Dale Playing Fields (an area of green space plus disused tennis courts).

The Applicant owns 1.9ha comprising the DHFC ground and stadium and leases Green Dale Artificial Pitch and Green Dale Playing Fields.

The proposed development includes the relocation and redevelopment of the DHFC stadium to the west of the existing facilities. The new stadium will provide a 3G all-weather artificial playing pitch, located on the site of the Green Dale Artificial Pitch, plus 4,000 person capacity stand, club house and gym on the western end of the existing stadium. 155 residential units will also be built on the site of the existing DHFC stadium, together with a linear park providing open space and serving as a green link between St Francis Park and Green Dale Playing Fields. A Multi-Use-Games-Area will be provided on the site of the current DHFC pitch, whilst Green Dale Playing Fields will undergo a number of improvements to enhance biodiversity and provide play equipment.

In line with the Greater London Authority's (GLA's) strategic planning guidance for London, site-specific financial viabilities are a material consideration in determining how much and what type of affordable housing should be required in residential and mixed-use developments.

As such, viability appraisals can and should be used to analyse and justify planning applications to ensure that Section 106 requirements do not make a scheme unviable. If a scheme is being rendered unviable because of Section 106 requirements, it may be appropriate to look at reducing the burden of those requirements in order to facilitate delivery.

We have assessed the development economics of the proposed scheme in order to identify the level of planning obligations the scheme can sustain. We have appraised the scheme using Argus Developer (Version 6) and provide a summary table below.

We provide a summary of all of the value inputs and sources, followed by all of the cost inputs and sources, we then include the adopted timings and finally the results of the appraisal.

Inputs		Source/ Comments	Amount
Gross Development Value	Private Residential	We have assessed a number of comparable transactions in the area to form an opinion of value for the proposed units. We have also been provided with a unit by unit pricing schedule by CBRE, averaging £708psf.	£71,142,000
	Affordable Residential	We have appraised 10 Shared Ownership units and 15 Affordable Rent units using Savills Discounted Cash Flow appraisal. The GDV equates to £195psf.	£3,721,380
	Car Parking	The scheme will provide 62 car parking spaces, to which we have attributed £20,000 per space, as advised by the Savills Greater London team.	£1,240,000
	Ground Rents	We have assumed £200pa per studio, £250pa per 1-bedroom, £300pa per 2-bedroom, and £350pa per 3-bedroom, totalling £35,900pa, capitalised at 5%.	£718,000
	Total		**£76,821,380**
Costs	Acquisition Costs	SDLT at 4%, Agent Fee at 1%, Legal Fee at 0.35%	-£323,246
	Construction Costs	We have adopted the build costs provided by Woodbridge Construction Consultants. The cost plan includes an allowance for demolition, preliminaries, contingencies, and contractor's OH&P.	-£43,701,950
	Contingency	The cost plan includes a contractor's contingency of 5%. We have not applied a separate developer's contingency.	-£2,185,098
	Planning Obligations	We have included the following payments as advised by Bilfinger GVA: • Borough CIL: £2,893,608 • Mayoral CIL: £617,511	-£3,511,119
	Professional Fees	We have adopted professional fees of 12%.	-£5,244,234
	Marketing/ Disposal	• Residential sales agent: 1% • Residential sales legal: 0.35% • Residential marketing: 1.5% (only on the private units)	-£2,113,126
	Finance	We have adopted a finance rate of 7%.	-£3,648,301
	Total		**-£66,769,057**
Timescales		• Purchase, planning and pre-construction: 9 months, as advised by Bilfinger GVA • Construction: 30 months (10 months for the Football Club and 20 months for the residential), as advised by the Applicant • Sales: 10 months. We have assumed that 60% of the private units will be sold off plan with receipt at PC, and that 6 private units will be sold per month thereafter as advised by Savills Greater London team. We have cash flowed the affordable revenue as golden brick, assuming 30% after 3 months of construction and the rest distributed evenly over the remainder of the construction period.	
Results	Developer Profit	We have consulted with specialist colleagues within the Loan Security Valuation and Capital Markets departments of Savills, as well as applied our own development experience. In the current market if a developer was buying a site such as the Subject they would normally seek a return of at least 25% Profit on Cost in order to justify the risk of delivering the scheme. We have therefore adopted 25% Profit on Cost in the appraisal.	£17,699,993
	Residual Land Value	**-£1,605,686**	

We have compared the resulting Residual Land Value to our Site Value Benchmark to ascertain whether there is a deficit or surplus against our Benchmark. The scheme would only be considered commercially viable in development viability terms, if the Residual Land Value was in excess of the viability benchmark.

In identifying an appropriate viability benchmark sum, we have given consideration to policy guidance, recent appeal evidence, and our own professional experience. We have given consideration to the Purchase Price and Market Value of the Subject. We have not given consideration to the Existing Use Value or an Alternative Use Value in this instance.

In determining the Market Value applicable to the Subject site we have given consideration to sales of comparable sites. We have then applied the comparable values to the area of the Subject site that is to be developed and have deducted the cost of re-providing the football club from this value to generate the Market Value of the part of the site that will be used for residential development.

Based on the comparable analysis, we consider the Market Value of the Subject is £16m. As we have included the area of the site that will comprise the new football club, we have deducted the cost of providing it from the Market Value. The cost of re-providing the football club is £7.6m, and so we consider the Benchmark Land Value of the site to be £8.4m.

We provide the results of the Viability Assessment below:

Scenario	Residential Units	Residual Land Value	Site Value Benchmark		Surplus/Deficit Against Benchmark
Submitted Scheme (16% Affordable)	155	-£1.6m	MV (less Enabling Cost)	£8.4m	-£10m

Given that the Residual Land Value generates a deficit against the Site Value Benchmark, the scheme is not considered commercially viable in development viability terms.

Notwithstanding the result of the assessment, we understand that the Applicant is prepared to provide 25 affordable units on an ex-gratia basis as per the submitted planning application as they are keen to work with the Local Planning Authority and provide a balanced scheme that serves local housing needs.

We would comment that, were they not re-providing the Football Club and carrying out improvements to Green Dale Playing Fields, the Applicant would be prepared to provide more affordable housing on-site.