Elephant and Castle: SPD/OAPF: S106 Tariff Development Viability Study

Prepared for:

Southwark Council

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1 Executive Summary

This report tests the ability of a range of development sites throughout the 122 hectare Elephant and Castle Opportunity Area to yield a Section 106 tariff that will be used to fund infrastructure requirements. For residential development (including mixed use development with an element of residential floor space, and student accommodation), due regard has also been given to the Borough's policy requirement that such developments should also contribute towards the provision of affordable housing and Mayoral Community Infrastructure Levy (CIL).

1.1 Methodology

The study methodology compares the residual land values of a range of actual developments to the sites' current use values, plus a margin to incentivise landowners to release their sites for development. If a development incorporating a given level of S106 tariff generates a higher value than the current use value (plus appropriate landowner's margin), then it can be judged that the proposed level of S106 will be viable.

The study utilises the residual land value method of calculating the value of each development. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (including construction, fees, finance) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and equates to the amount that a developer would normally pay for the site.

1.2 Sample sites selected

Sites were selected in consultation with the Council to reflect a range of areas and mix of uses across the Opportunity Area. The site references above correspond with the Elephant and Castle Opportunity Area sites plan and schedule.

Site name	Proposed use	Existing use	Area (Ha)	Location
Erlang House and Car Park	Residential, retail and office	Office Vacant land	0.64	Blackfriars Road, St George's Circus
Heygate Estate	Residential led, retail, hotel, leisure, office, community, sui generis	Largely vacant purpose built residential estate, limited secondary retail.	9.90	Heygate Street, New Kent Road, Walworth Road, Wansey Street, Rodney Road
Surdaw House	Residential led, retail and office	Kwik Fit garage and ancillary offices	0.22	New Kent Road
2-10 Steedman Street	Student housing led, retail/office	Car wash and ancillary warehouse/ office space	0.14	Steedman Street, Hampton Street
Sorting Office, 31 Amelia Street	Residential and ground floor retail	Mail sorting office and ancillary accommodation	0.21	Amelia Street, Crampton Street

1.3 Tariff levels tested

Erlang House does not offer a viable development opportunity against existing use, unless the balance of commercial and residential sought within the scheme proposals is substantially amended or some form of subsidy made available. The Heygate Estate would therefore set the minimum viable levels, because it has the lowest surplus made available of the four other sites tested. Splitting out the various uses for the Heygate estate has been used to determine appropriate base tariff levels to test. This detail is included in **Appendix 1**. The Heygate Estate, being the most significant development scheme by a long margin in the Opportunity Area is also likely to be the most important site in raising tariff revenue.

Figure 1.3.1 – Tariff levels selected

Use	Base - Tariffs per sq m	35% uplift in tariffs	50% uplift in tariffs
Residential	£175.00	£236.25	£262.50
Student	£175.00	£236.25	£262.50
Hotel	£175.00	£236.25	£262.50
Retail	£100.00	£135.00	£150.00
Office	£5.00	£6.75	£7.50
Community	£0.00	£0.00	£0.00
Leisure	£100.00	£135.00	£150.00

The tariff levels selected are exclusive of Mayoral CIL, which is factored into the assessment separately. Community uses includes, for example, schools and health facilities which do not generate a financial return.

1.4 Key findings

Figure 1.4.1 – Viability testing of selected tariff levels

	VIABILITY TEST				
	Erlang	Heygate	Surdaw	Steedman	Sorting office
Base Tariff					
Net surplus after Tariff	-£8,811,392	£11,408,604	£4,003,408	£1,164,004	£2,733,598
	UNVIABLE	VIABLE	VIABLE	VIABLE	VIABLE
35% uplift in Tariffs					
Net surplus after Tariff	-£8,953,138	£2,823,666	£3,774,382	£895,484	£2,538,657
	UNVIABLE	VIABLE	VIABLE	VIABLE	VIABLE
50% uplift in Tariffs					
Net surplus after Tariff	-£9,013,886	-£855,594	£3,676,228	£780,404	£2,455,111
	UNVIABLE	UNVIABLE	VIABLE	VIABLE	VIABLE

Figure 1.4.1 above demonstrates viability of the four sites (excluding Erlang) under the base tariff and 35% uplift tariff levels tested. This is at current costs and values. The Heygate becomes unviable where there is a 50% increase in tariff from the base assumption. The above appraisals assumed 25% affordable housing on the Heygate Estate, but on the other sites 35% affordable housing is potentially viable at the base tariff levels.

The housing and commercial property markets are inherently cyclical and the Council is testing the viability of these sites at a time when values - although they have held up well in Elephant and Castle - are considered low for Central London. It is anticipated that the wider regeneration will improve the area significantly, resulting in a substantial increase in real sales values over the life of the regeneration program. Whilst we have also undertaken sensitivity analysis, rather than try to second guess exact price and cost changes over the life of the development, we have adopted a conservative long term view that the tariff could comfortably increase over time in proportion to the long term trend real increase in residential and student values (3%), with no increase for Hotel, Retail, Community and Office uses, again in line with long term trends.

This analysis will enable the Council to determine levels of tariff that might become viable both in today's terms but also in the future following a period of growth in sales values. Taking the base level tariffs and the 35% tariff increases, the results, split into five year periods identify total tariff raised as follows:

Figure 1.4.2 – Total tariff raised under base and 35% tariff uplift scenarios

Base tariffs						
	Tariff (£ /	Tariff Raised				
Use	sqm)	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031	TOTAL
Resi	£175.00	£ 16,491,956	£ 32,379,793	£ 19,511,674	£ 16,561,115	**£ 84,944,538**
Student	£175.00	£ 465,188	£ 1,761,140	£ 525,405	£ 558,376	**£ 3,310,108**
Hotel	£175.00	£ 218,750	£ 218,750	£ 218,750	£ 218,750	**£ 875,000**
Retail	£100.00	£ 425,700	£ 1,580,460	£ 679,211	£ 301,403	**£ 2,986,773**
Office	£5.00	£ 4,660	£ -	£ -	£ 2,075	**£ 6,735**
Community	£0.00	£ -	£ -	£ -	£ -	**£ -**
Leisure	£100.00	£ 68,750	£ 68,750	£ 68,750	£ 152,390	**£ 358,640**
	Totals:	**£ 17,675,003**	**£ 36,008,892**	**£ 21,003,789**	**£ 17,794,109**	**£ 92,123,153**

35% uplift in tariffs						
	Tariff (£ /	Tariff Raised				
Use	sqm)	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031	TOTAL
Resi	£236.25	£ 22,264,140	£ 43,712,720	£ 26,340,760	£ 22,357,505	**£ 114,675,126**
Student	£236.25	£ 628,003	£ 2,377,538	£ 709,296	£ 753,808	**£ 4,468,645**
Hotel	£236.25	£ 295,313	£ 295,313	£ 295,313	£ 295,313	**£ 1,181,250**
Retail	£135.00	£ 574,695	£ 2,133,621	£ 916,934	£ 406,894	**£ 4,032,144**
Office	£6.75	£ 6,291	£ -	£ -	£ 2,801	**£ 9,092**
Community	£0.00	£ -	£ -	£ -	£ -	**£ -**
Leisure	£135.00	£ 92,813	£ 92,813	£ 92,813	£ 205,726	**£ 484,164**
	Totals:	**£ 23,861,254**	**£ 48,612,004**	**£ 28,355,115**	**£ 24,022,047**	**£ 124,366,257**

Due to an overall reduction in office space in two of the periods, no tariff is generated. The above assumes that all the sites within the Opportunity Area come forward during this period, within the five year periods identified.

A significant infrastructure funding requirement for transport and public realm related improvements has been identified by Transport for London to provide capacity enhancements to the Northern Line underground station as well as a cost to reconfigure the northern roundabout including subway removal and changes to London Road. Further improvements are required to help meet other needs including for open spaces, school places and employment support and training. Under the base tariff levels it is likely that there will be a funding gap.

1.5 Conclusions and recommendations

The viability of development varies across the Opportunity Area and with different uses. Overall, we consider that the Council has a number of options at its disposal as follows:

1. The Council could set a fixed single Tariff and apply it globally across all uses. An overall tariff applied in this way would be likely to discourage certain uses within the opportunity area, in particular offices, leisure and potentially retail and may therefore influence developer's scheme proposals.
2. The Council could reflect these variations by adopting differential levels of Tariff by area and according to density and existing use of site. However, multiple variations (i.e. area, density and existing use) could be complex to enforce and might fail to achieve the certainty that developers require. Furthermore, within each development, uses vary significantly in viability as identified as part of this study.
3. The Council could adopt base tariff levels depending on use type. This would have the benefit of encouraging the less viable uses to come forward.

The third option would be the preferred approach identified above. Any likely shortfall in total tariff generated for infrastructure would need to be sought from other sources of funding. Our recommendation is to use the base tariff level set out in Fig 1.3.1. The Council could vary the tariff over time as residential sales prices in the area improve, and more funding would potentially be generated by raising the tariff level by 35%. However, at this level, development viability becomes marginal, particularly for the Heygate Estate, generating just £2.8m surplus, which is minimal for a scheme of this size. This would start to reduce the amount of affordable housing that schemes can deliver. We have assumed 25%

affordable on the Heygate Estate, but 35% is potentially deliverable on the other sites. There is potential for significant abnormal costs to reduce the level of affordable housing that can be delivered. Furthermore, our appraisal work, whilst it incorporates a contingency, does not make any allowances for any abnormal costs that might be incurred on some sites, and therefore cannot be relied upon.

1.6 Applying a Borough wide CIL

The Council will be commencing work on a Borough wide CIL in 2012. The findings from the Elephant and Castle OA tariff work indicates that viable tariff levels vary significantly with site and also use.

In terms of residential sales values, there is greater variation at a Borough wide level (from c£3,000 per sq m in Peckham to over £10,000 per sq m in parts of Bankside). This means that applying a single CIL level across the Borough would need to be set at the lowest common level.

More tariff would potentially be raised by applying a different rate to different areas, although this will need to be carefully considered and a robust evidence base put forward for the different charging levels.

2 Introduction

This study has been commissioned to provide an evidence base to inform an assessment of the impact of varying levels of Section 106 tariff on the viability of sites in the 122 ha Elephant and Castle Opportunity Area. The results of this study will contribute towards the preparation of a Supplementary Planning Document and Opportunity Area planning framework for the area. The tariff will need to be tested alongside other planning requirements, including affordable housing.

The objectives of the study are to:

- Assess the impact of potential s106 tariff rates including the proposed Mayoral CIL on the viability of development and the provision of affordable housing on development sites in the opportunity area.
- Assess the build up of s106 tariff contributions over the life of the plan, variations in these, financing costs and sensitivities.
- Assess the extent to which it is viable for developments within the Opportunity Area to meet the costs of the infrastructure requirements and the implications for the provision of affordable housing; and
- Make recommendations on how the approach could be taken forward under a borough wide CIL.

BNP Paribas Real Estate has extensive experience in Southwark, acting for the council on the following viability assessments:

- Affordable Housing Viability Assessment;
- Student Housing Viability Assessment;
- Payment in lieu Viability Assessment.

In terms of methodology, we adopted standard residual valuation approaches to make appropriate comparisons and evaluations. However, due to the extent and range of financial variables involved in the residual approach, they can only ever serve as a guide. Individual site characteristics (which are unique), mean that blanket requirements and conclusions must always be tempered by a level of flexibility in application of policy requirements on a site by site basis.

2.1 Policy Context

In setting a S106 tariff charge, local authorities must aim to strike an appropriate balance between revenue maximisation on the one hand and the potentially adverse impact upon the viability of development on the other. Local authorities may also take account of other sources of available funding for infrastructure when setting any such rates. This report deals with viability only and does not consider other sources of funding.

Local Development Framework (LDF)

The London Plan (2011) designates the Elephant and Castle as an Opportunity Area and identifies that is has capacity to provide at least 4,000 new homes and around 5,000 new jobs. This designation and the targets are reflected in Southwark's adopted Core Strategy (2011).

In 2004 Southwark adopted the Elephant and Castle Development Framework Supplementary Planning Guidance to set out guidance for the core part of the opportunity area. This document highlights the Council's ambition to comprehensively redevelop the core area to create a new mixed use town centre. As well as meeting London Plan housing and jobs targets, the centre would provide a major new shopping and leisure destination in south London.

The council has recently taken a decision to refresh the planning framework for the Elephant and Castle. This will provide an opportunity to (amongst others):

- Update the policy context, vision, objectives to reflect the adopted Core Strategy and the 2011 London Plan;
- Review infrastructure needs, particularly around transport;
- Refresh policies in the light of updated evidence and current economic conditions e.g. around retail, open space etc;
- Review the framework for s106 and its role in helping secure necessary infrastructure;
- Provide robust guidance for planning application work; and
- The document will be prepared jointly with the GLA and will comprise a supplementary planning document (SPD) and opportunity area planning framework (OAPF) and will replace the 2004 SPG, as well as the 2008 SPDs (Elephant and Castle Enterprise Quarter SPD and Walworth Road SPD).

Infrastructure delivery

The council, together with the GLA, TfL and other providers are assessing the infrastructure needed to help accommodate and deliver growth in the opportunity area. The SPD will seek to identify key priorities for infrastructure, the timing of provision, responsible agents and costs, where these are known. A significant infrastructure funding requirement for transport and public realm related improvements has been identified by Transport for London to provide capacity enhancements to the Northern Line underground station as well as a cost to reconfigure the northern roundabout including subway removal and changes to London Road. Further improvements are required to help meet other needs including for open spaces, school places and employment support and training.

Additional policy considerations

In addition to financing infrastructure, the Council expects residential developments to provide a mix of affordable housing tenures, sizes and types to help meet identified housing needs and contribute to the creation of mixed, balanced and inclusive communities.

The study takes into account the London Plan (2011) and the Mayor's CIL and other proposals, the saved Southwark Plan policies and the adopted Core Strategy standards and other considerations. These include, but are not limited to:

- 50/50 split between intermediate and social rented affordable housing;
- Impact of Affordable Housing regime;
- The Code for Sustainable Homes (Level 4);
- 10% of units on every site to be accessible by disabled people and the mobility impaired;
- 10% of units on every site to be 3 bedroom or more in size;
- Residential space standards as set out in Southwark's Residential Design Standards SPD; and
- Car parking spaces – 10% provision for disabled use only, and additional scenario of 25% provision on the Heygate Estate.

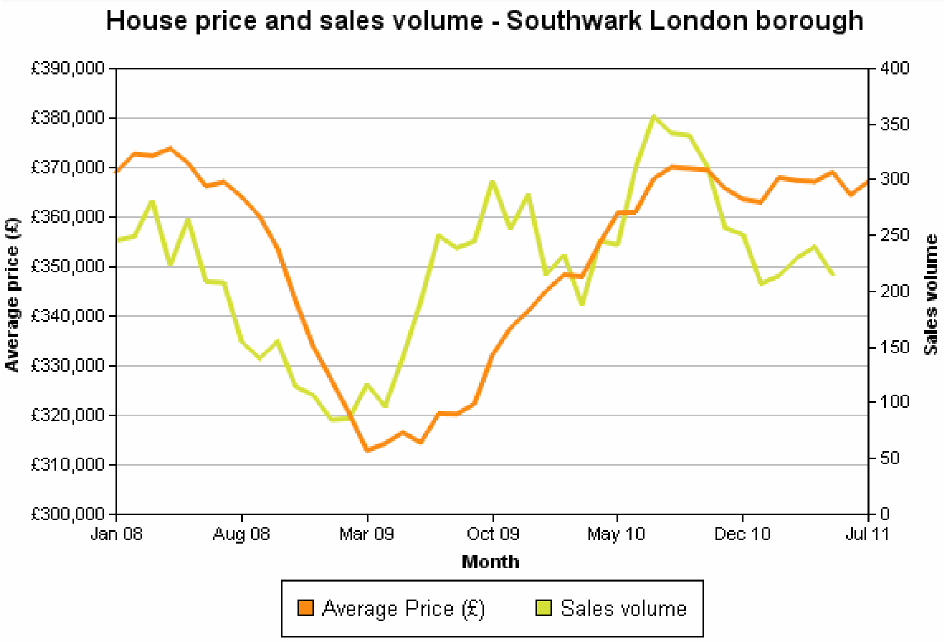
2.2 Economic and housing market context

The historic highs achieved in the UK housing market by mid 2007 followed a prolonged period of real house price growth. However, a period of 'readjustment' began in the second half of 2007, triggered initially by rising interest rates and the emergence of the US sub prime lending problems in the last quarter of 2007. The subsequent reduction in inter-bank lending led to a general "credit crunch" including a tightening of mortgage availability. The real crisis of confidence, however, followed the collapse of Lehman Brothers in September 2008, which forced the government and the Bank of England to intervene in the market to relieve a liquidity crisis.

The combination of successive shocks to consumer confidence and the difficulties in obtaining finance led to a sharp reduction in transactions and a significant correction in house prices in the UK, which fell to a level some 21% lower than at their peak in August 2007 according to the Halifax House Price Index. Consequently, residential land values fell by some 50% from peak levels. One element of government intervention involved successive interest rate cuts and as the cost of servicing many people's mortgages is linked to the base rate, this financial burden has progressively eased for those still in employment.

Throughout the first half of 2010 there were some tentative indications that improved consumer confidence was feeding through into more positive interest from potential house purchasers. Against the background of a much reduced supply of new housing, this would lead one to expect some recovery in prices. However it is evident that this brief resurgence has abated, with almost all the main indices, including the FT House Price Index, Halifax, Nationwide, Land Registry, Rightmove and Hometrack indices all showing a year on year decline to June – August 2011.

The balance of opinion is that house prices will remain flat in the short term, with continuing high levels of unemployment likely to result in increased repossessions and increased supply of homes into the market. At the same time, demand is expected to remain subdued, due to the continuing difficulties consumers face in securing mortgages.



Source: **Land Registry**

According to Land Registry data residential sale prices in Southwark have recovered all of their losses, with prices climbing over 15% between March 2009 (their lowest point in the recession) to November 2010. However, since November 2010, values have stagnated or fallen back marginally, indicating that the recovery is not fully established. Recent turmoil in the financial markets is resulting in a significant amount of uncertainty.

Medium term predictions are that properties in mainstream markets (i.e. non-prime) will return to growth in 2012. For example, Savills Research[1] predicts that non-

[1] *Savills Research: Residential Property Focus, May 2011*

prime values in London will fall by 1% in 2011, but increase by 6% in 2012, 8% in 2013, 7.5% in 2014 and 6% in 2015. This equates to cumulative growth of 29.1% between 2011-2015 inclusive.

As a micro-location, Elephant and Castle has fared marginally better than the wider Southwark and London picture. This is resulting from the recognition of physical improvements in the area, and in particular the support that various new build schemes such as Strata, that have already come forward have provided to the perception of the area. This step change has started to gain traction, particularly over the last year as the south roundabout removal has been completed.

The Heygate Estate is largely vacated, and whilst demolition has started at the Rodney Road part of the Estate, this is less visible to the public and in particular to those that regularly pass through the area. As construction gets underway at the Oakmayne Plaza scheme and the more visible parts of the Heygate Estate are demolished, a perception that the Elephant and Castle area will be transformed will be cemented in people's minds. This is likely to boost interest and investment in the area, further supporting sales values, which will be further boosted when the shopping centre comes forward for development. We are aware that many developers are anticipating significant increases in sales values, in line with increases in other fringe Zone 1 locations that have come forward for regeneration such as Kings Cross.

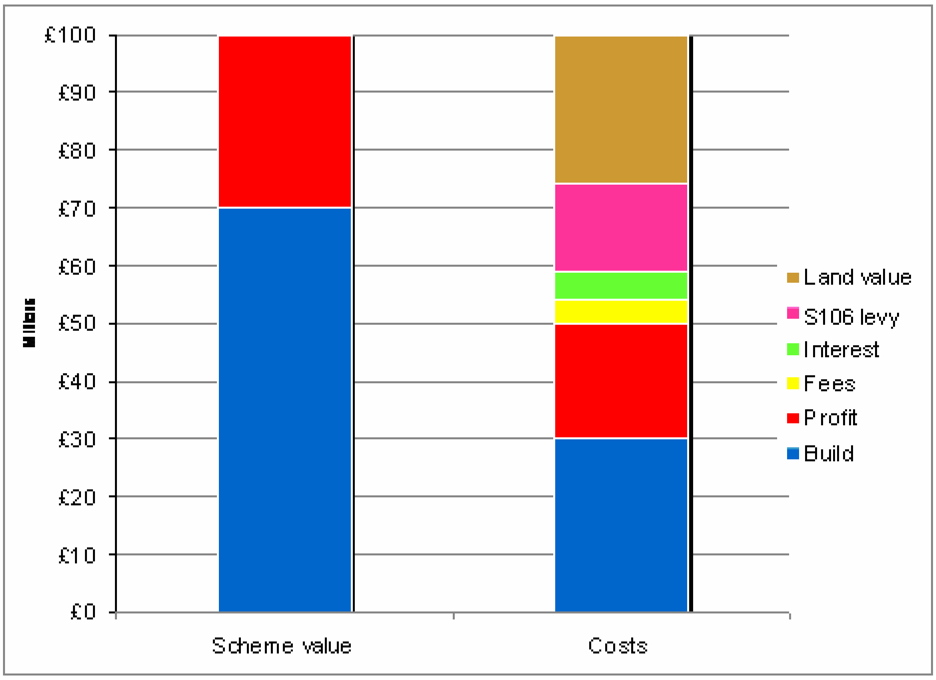
This is a difficult context within which the Council is testing the ability of sites to generate funding for infrastructure or other S106 requirements. After the adoption of any charging schedule the Council may seek to review the schedule in the future to reflect improvements in market conditions.

3 Methodology

Our methodology follows standard development appraisal conventions, using assumptions that reflect local market and planning policy circumstances. The study is therefore specific to Southwark and reflects the policy requirements set out in the Core Strategy.

3.1 Approach to testing development viability

Appraisal models can be summarised via the following diagram. The total scheme value is calculated, as represented by the left hand bar. This includes the sales receipts from the private housing and private commercial accommodation and the payment from a Registered Social Landlord ('RSL') for the affordable housing units. The model then deducts the build costs, fees, interest, CIL & S106 levy and developer's profit. A 'residual' amount is left after all these costs are deducted – this is the land value that the Developer would pay to the landowner. The residual land value is represented by the brown portion of the right hand bar in the diagram.



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

When running a development appraisal, it is necessary to identify the key variables – sales values, costs etc – with some degree of accuracy in advance of implementation of a scheme. Even on the basis of the standard convention that current values and costs are adopted (not values and costs on completion), this can be very difficult. Problems with key appraisal variables can be summarised as follows:

- development costs are subject to national and local monitoring and can be reasonably accurately assessed in 'normal' circumstances. In boroughs like Southwark, many sites will be previously developed. These sites can sometimes encounter 'exceptional' costs such as decontamination. Such costs can be very difficult to anticipate before detailed site surveys are undertaken;
- development value and costs will also be significantly affected by assumptions about the nature and type of affordable housing provision and other Planning Obligations. In addition, on major projects, assumptions about development

phasing; and infrastructure required to facilitate each phase of the development will affect residual values. Where the delivery of the obligations are deferred, the less the real cost to the applicant (and the greater the scope for increased affordable housing and other planning obligations). This is because the interest cost is reduced if the costs are incurred later in the development cashflow; and

- While Developer's Profit has to be assumed in any appraisal, its level is closely correlated with risk. The greater the risk, the higher the profit level required by lenders. While profit levels were typically up to around 15% of completed development value at the peak of the market in 2007, banks now require schemes to show a higher profit to reflect the current risk. Typically developers and banks are targeting 20-25% Internal Rate of Return on a development scheme. IRR is used as a key hurdle rate in determining viability, since it accounts for the length of time a development takes, with a higher IRR reflecting a shorter period to realise a return on an investment. Although IRR is readily comparable with other investment opportunities, other measures of profitability can include profit on cost or profit on Gross Development Value (GDV). Our appraisal summaries provide reference to all three measures, although IRR is targeted at 20%.

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

Developers will seek to mitigate the impact of 'unknown' development issues through the following strategies:

- When negotiating with the landowner, the developer will either attempt to reflect planning requirements in the offer for the land, or seek to negotiate an option, or complete a deal 'subject to planning' which will enable any additional unknown costs to be passed on to the landowner. It should be noted that such arrangements are not always possible. Ultimately, the landowner meets the cost through reduced land value, providing the basic condition for Residual Land Value to exceed existing use value (plus landowners' margin) or other appropriate benchmark is met; and/or,
- The developer will seek to build in sufficient tolerance into the development appraisal to offset risks including, for example, design development where costs might be incurred to satisfy planning and design requirements etc. It would also be normal to have a contingency allowance which would generally equate to 2% to 5% of build costs.
- The extent to which developers can successfully mitigate against all risks depends largely on the degree to which developers have to compete to purchase sites. In a competitive land market, the developer who is prepared to build in less contingency to mitigate against planning and development risks will be more competitive, although there will be a limit to these risks.

Clearly, however, landowners have expectations of the value of their land which often exceed the value of the existing use. A S106 levy will be a cost to the scheme and will impact on the residual land value. Ultimately, if landowners' expectations are not met, they will not voluntarily sell their land and (unless a Local Authority is prepared to use its compulsory purchase powers) some may simply hold on to their sites, in the hope that policy may change at some future point with reduced requirements. It is within the scope of those expectations that developers have to formulate their offers for sites. The task of formulating an offer for a site is complicated further still during buoyant land markets, where developers have to compete with other developers to secure a site, often speculating on continued rises in value.

3.2 Viability benchmark

The CIL Regulations provide no specific guidance on how local authorities should test the viability of their proposed charges. However, there is a range of good practice generated by both the Homes and Communities Agency and appeal decisions that assist in guiding planning authorities on how they should approach viability testing for planning policy purposes.

In 2009, the Homes and Communities Agency published a good practice guidance manual 'Investment and Planning Obligations: Responding to the Downturn'. This defines viability as follows: "*a viable development will support a residual land value at level sufficiently above the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner*".

A number of planning appeal decisions provide guidance on the extent to which the residual land value should exceed existing use value to be considered viable:

- **Barnet & Chase Farm: APP/Q5300/A/07/2043798/NWF**
  "the appropriate test is that the value generated by the scheme should exceed the value of the site in its current use. The logic is that, if the converse were the case, then sites would not come forward for development"

- **Bath Road, Bristol: APP/P0119/A/08/2069226**
  "The difference between the RLV and the existing site value provides a basis for ascertaining the viability of contributing towards affordable housing."

- **Beckenham: APP/G5180/A/08/2084559**
  "without an affordable housing contribution, the scheme will only yield less than 12% above the existing use value, 8% below the generally accepted margin necessary to induce such development to proceed."

- **Oxford Street, Woodstock: APP/D3125/A/09/2104658**
  "The main parties' valuations of the current existing value of the land are not dissimilar but the Appellant has sought to add a 10% premium. Though the site is owned by the Appellants it must be assumed, for valuation purposes, that the land is being acquired now. It is unreasonable to assume that an existing owner and user of the land would not require a premium over the actual value of the land to offset inconvenience and assist with relocation. The Appellants addition of the 10% premium is not unreasonable in these circumstances."

It is clear from the planning appeal decisions above and HCA good practice publication that the most appropriate test of viability for planning policy purposes is to consider the residual value of schemes compared to the existing use value plus a premium. As discussed later in this report, our study adopts a premium above EUV as a viability benchmark.

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

4 The Appraisal Exercise

4.1 Sample sites

The Council selected five sample sites, comprising various existing and proposed uses (residential; residential institution; retail; leisure; offices; student accommodation). The sites selected represent the full range of uses and site values across the opportunity area (Erlang House, for example, is proposed to comprise 75% commercial accommodation).

The sample sites are listed in table 4.1.1 below.

Table 4.1.1: Sample sites

Site name	Proposed use	Existing use	Area (Ha)	Location
Erlang House and Car Park	Residential, retail and office	Office Vacant land	0.64	Blackfriars Road, St George's Circus
Heygate Estate	Residential led, retail, hotel, leisure, office, community, sui generis	Largely vacant purpose built residential estate, limited secondary retail.	9.90	Heygate Street, New Kent Road, Walworth Road, Wansey Street, Rodney Road
Surdaw House	Residential led, retail and office	Kwik Fit garage and ancillary offices	0.22	New Kent Road
2-10 Steedman Street	Student housing led, retail/office	Car wash and ancillary warehouse/ office space	0.14	Steedman Street, Hampton Street
Sorting Office, 31 Amelia Street	Residential led and ground floor retail	Mail sorting office and ancillary accommodation	0.21	Amelia Street, Crampton Street

The site references above correspond with the Elephant and Castle Opportunity Area sites plan and schedule.

4.2 Overview of key appraisal variables

The key variables in any development appraisal are as follows:

Sales values: Sales values for residential and the investment value of commercial rents vary between areas of the Elephant and Castle OA and are constantly changing. Developers will try to complete schemes in a rising or stable market, but movements in sales values are a development 'risk'. During times of falling house prices, local authorities may need to apply their policy requirements flexibly, or developers may cease bringing sites forward.

Density: Density is an important determinant of development value. Higher density development results in a higher quantum of units than a lower density development on the same site, resulting in an increase in gross development value. However, high density development often results in higher development costs, as a result of the need to develop taller buildings, which are more expensive to build than lower rise buildings and the need to often provide basements for car parking and plant. It should therefore not *automatically* be assumed that higher density development results in higher residual land values; while the gross development value of such schemes may be higher, this can be partially offset by increased build costs and a more challenging cashflow, particularly for tower schemes.

Gross to net floor space: The gross to net ratio measures the ratio of saleable space (i.e.the area inside residential units) compared to the total area of the building (i.e.including the communal spaces, such as entrance lobbies and stair and lift cores). The higher the density, the lower the gross to net floor space ratio; in taller flatted schemes, more floor space is taken up by common areas and stair and lift cores, and thus less space is available for renting or sale.

Base construction costs: While base construction costs will be affected by density and may be affected by other factors, such as flood risk, ground conditions etc., they are well documented and can be reasonably accurately determined in advance by the developer.

Exceptional costs: Exceptional costs can be an issue for development viability on previously developed land. Exceptional costs relate to works that are 'atypical', such as remediation of sites in former industrial use and that are over and above standard build costs. However, for the purposes of this exercise, it is not possible to provide a reliable estimate of what exceptional costs would be, as they will differ significantly from site to site. Our analysis therefore excludes exceptional costs, as to apply a blanket allowance would generate misleading results. An 'average' level of costs for decontamination, flood risk mitigation and other 'abnormal' costs is already reflected in BCIS data, as such costs are frequently encountered on sites that form the basis of the BCIS data sample.

Developer's Profit: Following standard practice, developer profits are based on an assumed percentage of gross development value. While developer profit ranged from 15% to 17% of private housing gross development value in 2007 (and 6% on the affordable housing), banks currently require a scheme to show higher profits, typically reaching an Internal Rate of Return hurdle rate in the order of 20%. Higher profits reflect levels of perceived and actual risk. The higher the potential risk, the higher the profit margin in order to offset those risks. At the current time, development risk is relatively high, however, to counter balance this sites in and around Elephant and Castle are highly sought after by developers. This has been bourn out by marketing exercises conducted by BNP Paribas Real Estate on sites in the local area. If, for example, bank lending conditions improve substantially and developer's appetite for risk increases, this should be reviewed. Over the life of the regeneration project (15 years) at least one further business cycle is likely.

4.3 Existing Use Value

Existing Use Value ("EUV") Alternative Use Value ("AUV") and acquisition costs are key considerations in the assessment of development economics. Clearly, there is a point where the Residual Land Value (what the landowner receives from a developer) that results from a scheme may be less than the land's existing use value. Existing use values can vary significantly, depending on the demand for the type of building relative to other areas. Similarly, subject to planning permission, the potential development site may be capable of being used in different ways – as a hotel rather than residential for example; or at least a different mix of uses. EUV / AUV is effectively a 'bottom line' in a financial sense and a therefore a key factor in this study.

We have arrived at a broad judgement on the likely existing use value of the five sample sites, having regard to VOA data on internal accommodation as well as market based evidence on capital values for existing uses. This is purely a desktop exercise, and although the sites are well known to us, none have been internally inspected by BNPPRE. In each case, the calculations assume that the landowner has made a judgement that the current use does not yield an optimum use of the site; for example, it has many fewer storeys than neighbouring buildings;

or there is a general lack of demand for the type of space, resulting in low rentals, high yields and high vacancies (or in some cases no occupation at all over a lengthy period). We would not expect a building which makes optimum use of a site and that is attracting a reasonable rent to come forward for development, as residual value may not exceed existing use value in these circumstances.

In considering the value of commercial property, it is necessary to understand the concept of 'yields'. Yields form the basis of the calculation of a building's capital value, based on the net rental income that it generates. Yields are used to calculate the capital value of any building type which is rented, including both commercial and residential uses. Yields are used to calculate the number of times that the annual rental income will be multiplied to arrive at a capital value. Yields reflect the confidence of a potential purchaser of a building in the income stream (i.e. the rent) that the occupant will pay. They also reflect the quality of the building and its location, as well as general demand for property of that type. The lower the likely covenant strength of the occupier (or potential occupiers if the building is currently vacant), and the poorer the location of the building, the greater the risk that the tenant may not pay the rent. If this risk is perceived as being high, the yield will be high, resulting in a lower number of years rent purchased (i.e. a lower capital value). We have also incorporated allowances for empty rates liability and where 'permanent' letting voids on a proportion of the space within Sites 1&2, since large secondary office buildings of this nature are likely to be let in parts and suffer a permanent void.

Over the past three years, yields for secondary commercial property have 'moved out' (i.e. increased), signalling lower confidence in the ability of existing tenants to pay their rent and in future demand for commercial space. This has the effect of depressing the capital value of commercial space. However, as the economy recovers, we would expect yields to improve (i.e. decrease), which will result in increased capital values. Consequently, EUVs might increase, increasing the base value of sites that might come forward, which may have implications for the amounts of S106 and other contributions that developments can yield.

Redevelopment proposals that generate residual land values below EUV plus an appropriate margin to the landowner are unlikely to be delivered. While any such thresholds are only a guide in 'normal' development circumstances, it does not imply that individual landowners, in particular financial circumstances, will not bring sites forward at a lower return or indeed require a higher return. It is simply indicative. If proven existing use value justifies a higher EUV than those assumed, then appropriate adjustments may be necessary. Similarly, the margin above EUV that individual landowners may require will inevitably vary. As such, Existing Use Values should be regarded as benchmarks rather than definitive fixed variables on a site by site basis. Landowners may also have been already approached by developers and have a view or offer that reflects 'full' site value.

The EUVs used in this study therefore give a broad indication of likely land values across the sites, but it is important to recognise that other site uses and values may exist on the ground. There can never be a single threshold land value at which we can say definitively that land will come forward for development.

4.4 Specific Modelling Variables

This section summarises the individual assumptions used in the appraisals. These assumptions are based on specific research and knowledge of the local markets. This ensures that the Council's affordable housing, S106 and Mayoral CIL requirements have been tested on a consistent basis. As part of this project key stakeholders were consulted on the key variables.

4.5 Residential Sales Values

Residential values in the Borough reflect national trends in recent years but do of course vary significantly within the Borough. Sales values adopted in this Study range from £4,843 to £6,997 per square metre, as show in table 4.5.1. It should be noted that these are blended averages that are anticipated to apply to the mid point values within each site, for each range of floor levels. There is a floor premium in the Elephant and Castle area which can add between £10,000 and £20,000 for every incremental increase in floor level.

Table 4.5.1: Sales values

Site name	Values (Average blended rates per sq m)
Erlang House and Car Park	**Floors 1-5: £5,812** **Floors 6 +: £6,997**
Heygate Estate	**Overall blended average: £5,607** Student accommodation based on 'market' rental values of c£190 - £230 per week, capitalised at 6%. Affordable housing incorporated in accordance with LB Southwark Core Strategy.
Surdaw House	**Floors 1-5: £5,651**
2-10 Steedman Street	Student Accommodation reduced to £150 - £190 per week to reflect University of the Arts tie in, less running costs, capitalised at 6%. No affordable housing requirement assumed.
Sorting Office, 31 Amelia Street	**Floors 1-5: £4,843**

4.6 Commercial Capital Values

All of the sites incorporate some proposed commercial floorspace, ranging from some ground floor space on site 29, to nearly 75% of the scheme for Sites 1&2. Commercial capital values will vary depending on use, site and micro location within that site (in the case of the Heygate Estate). However, commercial capital values have been adopted broadly as follows:

Table 4.6.1: Commercial capital values

Site name	Values (Average blended rates per sq m)
Erlang House and Car Park	Retail value £2,800 Office value £3,200
Heygate Estate	Retail value £3,159 Office value £2,960 Community / D1 value: £2,018 Leisure & entertainment value: £2,397 Hotel residual land value: £65,000 per bed
Surdaw House	Retail value £2,800 Office value £2,800
2-10 Steedman Street	B1 - incubator units: £1,800 A1 – shop: £2,018
Sorting Office, 31 Amelia Street	Retail value £2,018 Office value £2,691

More detail in terms of comparable evidence considered is attached at **Appendix 3**

4.7 Uses commentary

The Council is anticipating that in terms of community uses, schools and health facilities will be exempt, similar to the Mayor's Crossrail Levy. Other D1 or leisure classes, where viable, may support a contribution. It is anticipated that affordable retail space would be exempt, whilst commercially driven retail space would support a levy.

4.8 Gross to Net Floor space

The higher the density of a development, the greater the amount of communal space which has to be provided, but generates no value. This is because flatted schemes require common areas and stair cores, whereas houses provide 100% 'saleable space'. In our model, we have assumed an overall gross to net ratio for the residential of 83%, in accordance with the indicative capacity studies provided by the Council. This is likely to mask a significant range from 100% on the houses to 70% on the taller buildings. For the student, hotel and other commercial accommodation we have assumed 75%.

4.9 Base Construction Costs

The modelling exercise plots a range of base construction costs reflecting scheme density and type of uses. This data was sourced from BCIS with an additional allowance for external works, in line with the assumptions considered appropriate. As highlighted earlier there is no allowance for abnormal costs. The specific cost assumptions for each site are shown in Table 4.9.1.

Table 4.9.1. : Build Cost assumptions

Build costs (identified for each building type)	
Build costs (identified for each building type)	Based on BCIS Data, rebased to Greater London, as well as estimates from comparable scheme appraisals. ***Residential:*** Low (Up to 6 storeys): *£1,240 per sq m (£1,143 – £1,335 per sq m)* Med (6-12 storeys): *£1,650 per sq m (£1,473 - £1,827 per sq m)* High (12-22 storeys): *£2,250 per sq m (£2,152 - £2,368 per sq m)* Tower (23-35 storeys): *£2,960 per sq m* ***Offices***: £1,506 per sq m ***Retail/leisure/community***: £1,000 per sq m ***Student***: £1,505 per sq m ***Underground parking:*** £542 per sq m ***Undercroft parking:*** £393 per sq m We have sensitivity tested each development scenario with increases in build costs of 5%, 10% and 15%.
Other build costs	Contingency – 5% Demolition – site specific assumptions, broadly £54 per sq m Base site servicing and landscaping costs - £250,000 / hectare Site remediation – all appraisal work gross of site remediation costs.
Costs associated with CSH	Assumed BCIS / averages above reflect CSH level 3 DCLG estimates to bring an average 2 bed flat from Code 3 to Code 4: £4,290 - £6,360, *say* ***£5,000 per unit.*** The life of the development, particularly the Heygate Estate is likely to mean that developments will need to meet higher code levels in the future. The average unit cost of renewable technologies is reducing as the take up increases, and developers have been 'learning' – undertaking research and engineering costs down. Also, for example, the cost of PV cells is expected to more than halve over this decade. Assuming that a code 5 or 6 home built in 10 years time will cost the same as it does now would be misleading. Furthermore, the government has indicated it may relax the zero carbon target, and has already relaxed the requirement for zero carbon to include all appliances, which is significant. We have assumed that the additional cost will remain broadly in line for any future increase in requirements.
Professional fees	Levels of professional fees reflect the complexity of developments. It is possible to establish a hierarchy of complexity and the level of fees associated with each type of scheme. We would anticipate total professional fees in the order of **8-10%** on base construction costs for these sites.
Interest rates	**6.5%** across all development schemes.
Marketing and sales costs	**3.5-4.5%** (depending on scheme size).

It is important to note that build costs could increase further should additional 'exceptional costs' arise. As a result, costs need to be treated with caution and where normal levels are exceeded, the capacity of the site concerned to meet the

Council's requirements for S106 and affordable housing will be affected. However, with many sites coming forward on previously developed sites, the build costs, which are based on BCIS tender price data, rebased to Greater London, includes an 'average' cost for decontamination and site clearance, with some sites in the sample including such costs.

4.10 Developer's profit

As noted in Section 4.2, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. In 2007, profit levels were at around 15-17% of Gross Development Value. However, following the impact of the credit crunch and the collapse in interbank lending and the various government bailouts of the banking sector, profit margins have increased. It is important to emphasise that the level of minimum profit is not necessarily determined by developers (although they will have their own view and the Boards of the major housebuilders will set targets for minimum profit).

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

The near collapse of the global banking system in the final quarter of 2008 is resulting in a much tighter regulatory system, with UK banks having to take a much more cautious approach to all lending. In this context, the banks may not allow profit levels to decrease much lower than their current level, if at all.

The minimum generally acceptable profit level is currently around 20% Internal Rate of Return. That is the return from a development reflecting the time period taken to complete it and makes this measure more easily comparable to other forms of investment. This is a typical hurdle rate for a Bank to consider lending on a project at the current time. Within our appraisals this would generally reflect a return on private GDV in the order of 20-25% and a lower return on the affordable housing GDV. A lower return on the affordable housing is appropriate as there is very limited sales risk on these units for the developer; there is often a pre-sale of the units to an RSL prior to commencement. Any risk associated with take up of intermediate housing is borne by the acquiring RSL, not by the developer. A reduced profit level on the affordable housing reflects the Homes and Communities Agency's guidelines in its Economic Appraisal Tool and the benchmark level in the GLA's Development Control Toolkit.

4.11 Affordable housing tenure and values

We have calculated the value of the social rented affordable housing by capitalising the net rents, which are set at appropriate target rents for this location, without grant, before deductions for management and maintenance, having regard to offers received from Registered Social Landlords for schemes currently at planning application stage.

As intermediate housing is linked to market values, the values will be determined in part by varying market values. The values adopted for this tenure are based on the assumption that 50% of the equity is sold to the occupier and the RSL charges a rent of 2.75% on the retained equity. This is a cautious approach as the price paid will in reality move with the market changes and also RSL ability to fund acquisitions and their business plan assumptions.

The CLG/HCA '*2011-2015 Affordable Homes Programme – Framework*' (February 2011) document clearly states that RSLs will not receive grant funding for any affordable housing provided through planning obligations. Consequently, all our appraisals assume nil grant.

4.12 Existing use values

This study relies on Valuation Office Agency data in relation to existing uses and make up of each site. We have added a premium of 15% above the existing use value as an incentive to the landowner to bring the site forward for development, except for the Heygate, which is treated differently. Given its size we have also staged the 'EUV' measure for the Heygate over the life of the development proposals. This premium has been included as a benchmark for policy testing elsewhere and has been widely accepted at examinations in public[2]. The site areas, description of existing use and existing use values are shown in table 4.12.1

Table 4.12.1 Existing use values

Site name	Existing use	Site area – ha	Existing use value
Erlang House and Car Park	Office Vacant land	0.64	£14.7m (£110 per sq ft)
Heygate Estate	Largely vacant purpose built residential estate, limited secondary retail.	9.90	N/A
Surdaw House	Kwik Fit garage and ancillary offices	0.22	£0.6m (£76 per sq ft)
2-10 Steedman Street	Car wash and ancillary warehouse/ office space	0.14	£0.4m (£69.50 per sq ft)
Sorting Office, 31 Amelia Street	Mail sorting office and ancillary accommodation	0.21	£0.75m (£45 per sq ft)

4.13 On-site planning obligations

We have been supplied with a charging schedule in relation to site specific S106 requirements that are being sought for each site. No additional S106 payments are factored into the appraisal work beyond the tariff levels tested.

4.14 Other Influential Factors

Variability of landowner attitudes: Land markets need time to adapt to changing policy circumstances and landowners may have the choice to hold sites back and hope that policies change. Up until the recent housing market recession, a more common circumstance in areas of sharp price inflation has been fierce competition between developers. This resulted in some developers buying sites without consent on the expectation that rising capital values would offset risk. When the

[2] See for example inspectors' reports at Islington, Hackney, Lambeth, Brent Wandsworth and Bristol

market turns, these developers find that they are unable to implement their schemes and cannot afford their infrastructure and affordable housing obligations.

Site specific circumstances may arise where the authority is obliged to weigh up perhaps conflicting policy requirements. On sites with an extensive requirement for decontamination (i.e.above average levels), not all the Council's planning requirements may be affordable. For example, an employment protection policy may require commercial space to be provided in a predominantly residential scheme. The commercial space is likely to have a negative or low residual land value, which requires a cross subsidy from the private housing. This is likely to reduce the amount of subsidy available to provide for S106 tariffs and affordable housing.

5 Appraisal Outputs

The full outputs from our appraisals of residential development are attached as appendices 1 and 2. The results are provided site by site.

For each development scenario, we have tested the following levels of affordable housing (all assumed to be 50% Social Rented at Target Rents or equivalent; 50% Intermediate):

- 25% affordable housing; and
- 35% affordable housing;

In relation to the Heygate Estate (site 21) we have also been requested to consider two parking provision scenarios. One assuming a minimum 10% parking provided (1 space for every 10 units, the minimum disabled parking allowance). Under an alternative scenario we have also been requested to consider 25% parking. We have assumed that of this parking, 50% parking would be provided under podium level with landscaping over and 50% at basement level and applied BCIS costs levels accordingly.

The Residual Land Values (RLV) from each of the scenarios above for each site are then compared to the Existing Use Value (EUV) benchmark for that site to determine whether or not there is any surplus to fund the Mayoral Crossrail Levy and S106 Tariff. If the equation RLV less EUV (including landowner premium) results in a negative number, we can conclude that any additional S106 infrastructure levy would not be viable. If RLV is equal to or greater than EUV (including landowner premium), we can conclude that some level of S106 tariff may be viable.

This approach has been used to determine overall viability as well as a maximum levy that would theoretically be possible for each site, at a global overall rate (i.e. not discriminating between uses).

For each of the five developments there are two sets of RLVs, which are then compared to the sites' EUVs, one providing 25% and one providing 35% affordable housing, and within Heygate estate two parking scenarios as described above. This exercise is repeated under the various sensitivity scenarios outlined. The existing use value benchmark is then deducted from each residual land value to determine whether or not, in each of the specific circumstances, a level of Tariff could be viably provided. The results of this exercise are included at **Appendix 1**.

However, these overall maximum tariff rates are unlikely to be viable for all uses, and if imposed on all uses globally would discourage the viability of some of those uses. We have therefore undertaken an appraisal exercise to split up the tariff based on use. We have considered the potential tariff under each use type, by splitting the use types out for the Heygate Estate, being the 'next least' viable site after Erlang House and two other sites as an exercise to determine potential tariff values for each use under each scenario. This has been used to determine appropriate base tariff levels to test as follows:

Use	Base tariffs	35% uplift in tariffs	50% uplift in tariffs
Residential	£175.00	£236.25	£262.50
Student	£175.00	£236.25	£262.50
Hotel	£175.00	£236.25	£262.50
Retail	£100.00	£135.00	£150.00
Office	£5.00	£6.75	£7.50
Community	£0.00	£0.00	£0.00
Leisure	£100.00	£135.00	£150.00

The £175 / sq m base figure for the more viable uses (residential, student and hotel) is set as a result of being the maximum tariff figure established for the Heygate (the least viable site) where residential use is stripped out and assessed separately. The table above also illustrates two other sets of tariff levels identified, increasing the tariff levels by 35% and 50%, to test the sensitivity of increases to the tariff on viability of the five selected sites.

The level of potential tariff is improved where 25% car parking provision is assumed. This is due to the significant negative impact on the cash flow as a result of the additional time it would take to sell the larger units without offering sufficient parking. In particular, for the units with three bedrooms or more that would appeal to families, would require parking.

We would highlight that separating out the uses and assessing the contribution they could make toward a tariff on an individual basis is a difficult exercise as a result of the need to apportion certain costs, such as infrastructure and professional fees. Whilst we have done this on a pro-rata basis on taking into account relative floor space, in reality, all the sites offer a mix of uses. These uses would be built in combined blocks and therefore viability is interlinked. Nevertheless, the Council considers that it is important that any one use is not discouraged, an approach to viability which we would agree with.

The viability of retail and leisure uses is particularly variable by location. To determine the potential retail and leisure tariff we have therefore also undertaken a discreet exercise adopting values at the higher end of our range and at the lower end of our range for the Amelia Street site, in addition to separating out the retail on the Heygate estate as an exercise. This demonstrated the potential for retail to generate a higher tariff level as follows:

- **Low value retail**: £138.90 per sq m
- **Medium value retail**: £411.68 per sq m
- **High value retail**: £1,561.82 per sq m

However, in consultation with the Council, for the purposes of this exercise, we have set the base retail and leisure tariff to test at £100 per sq m, with the 35% uplift illustrating £135 per sq m. This ensures that all retail uses and types should potentially be viable. The Council may seek to set a higher retail tariff to, for example, generate more tariff income where the retail is more viable, such as larger format units fronting Walworth Road, or at the Shopping Centre site. Indicatively this might apply to, for example, larger format stores of 2,500 sq m and above.

6 Assessment of Results

This section should be read in conjunction with the full results attached at Appendices 1 and 2. In these tables, the residual land values are calculated for scenarios with sales values reflective of market conditions for each area and then compared to existing use values. The tables show the outputs of our appraisals using the variables set out in Section 4.

In addition to testing levels of Mayoral CIL as an input (at £35 per sq m), we have used the residual appraisal and EUV data described above as well as the levels of additional S106 Tariff identified for the various uses, to determine the impact on viability. Below this exercise is described in further detail, along with the results.

6.1 Assessment – Viability of identified tariff levels

Adopting the base case scenario, all of the sites with the exception of Sites 1&2, Erlang House / Hill House and car park generate a surplus that could be made available for a tariff. The reason Erlang House does not generate a surplus is due to the Existing Use Value being relatively high when compared to the value generated by the development identified in the capacity study.

The next stage is to then test the levels of tariff identified under Section 5 on the sites selected in order to determine the total tariff liability for each site under each scenario and whether they are viable, as well as what level of total tariff receipt would be generated under each scenario, and also the timing of this receipt.

The table below illustrates the total net uplift in floor area to which the tariff would be applicable for each of the sites. This is calculated by subtracting the existing accommodation from the indicative capacity. This is done on a Gross Internal Area basis, in accordance with CIL regulations (2010).

Figure 6.1.1 – Net uplift in Gross Internal Area

Total net uplift in floor area (sqm)				
Erlang	Heygate	Surdaw	Steedman	Sorting office
7,471	146,860	6,122	5,489	3,812

Since we have sought to apply varying tariff rates to each use class due to be promoted at the tested sites, it has been necessary to apportion the net uplift in total gross floor area to each of the uses promoted.

In order to do so, we have calculated the proportion of each use class promoted at each site and then multiplied this by the total net uplift in gross floor area, thus providing an apportioned net uplift in floor area for each use. For example, if the total net increase in gross floor area at a site is 10,000 square metres and 75% of the gross floor area in the proposed scheme is promoted as residential, then it is assumed that the net increase in residential floor area is 10,000 x 75% = 7,500 square metres. The varying tariff rates can then be applied to the apportioned net increase in floor area for each use.

The above formula is what we consider to be an appropriate solution, and accords with a worked example of CIL applied to different uses within a mixed use scheme that has been presented by the Planning Advisory Service[3]. However, the Council will need to carefully consider the methodology of applying a different tariff to an uplift of different uses.

[3] http://www.pas.gov.uk/pas/aio/1346049

The Council may consider offering relief on affordable housing to ensure consistency with the CIL regulations. However, based on our appraisal work, this adopts a tariff level that works on a blended overall basis and is therefore unnecessary. Where this is the case, then the tariff on the private housing would need to increase to compensate but the overall 'take' would remain the same.

If the RLV less EUV calculation is positive, this indicates a positive result and a viable development scenario. However, where the RLV less EUV calculation is highlighted in red, the development does not generate an excess.

Figure 6.1.2 – Total tariff liability for each site under each scenario and whether they are viable – Base Tariff

Base Tariff						
		Total tariff rasied				
Use	Tariff (£ / sqm)	Erlang	Heygate	Surdaw	Steedman	Sorting office
Resi	£175.00	£326,864	£22,300,262	£589,260	£0	£533,635
Student	£175.00	£0	£883,179	£0	£752,064	£0
Hotel	£175.00	£0	£441,589	£0	£0	£0
Retail	£100.00	£52,746	£757,010	£54,027	£9,659	£20,556
Office	£5.00	£25,380	£7,570	£11,074	£5,477	£2,784
Community	£0.00	£0	£0	£0	£0	£0
Leisure	£100.00	£0	£138,785	£0	£0	£0
Total		**£404,989**	**£24,528,396**	**£654,361**	**£767,200**	**£556,976**
Surplus against benchmark at 25% AH (& 10% parking for Heygate)		-£8,406,403	£35,937,000	£4,657,769	£1,931,204	£3,290,574
Net surplus after Tariff		**-£8,811,392**	**£11,408,604**	**£4,003,408**	**£1,164,004**	**£2,733,598**
		UNVIABLE	VIABLE	VIABLE	VIABLE	VIABLE

The table above demonstrates that the base tariff levels would be viable, as at today's date, for four out of the five sites tested. Sites 1&2, Erlang House, are not viable at the base tariff level as a result of not generating a positive return against EUV. Sites 1&2 would not be viable under any tariff scenario.

The next stage is to test the tariff levels at the 35% uplift and 50% uplift against the base figures selected. The results of this exercise are as follows:

Figure 6.1.3 – Total tariff liability for each site under each scenario and whether they are viable – 35% uplift on base tariff levels

35% uplift in Tariffs						
		Total tariff rasied				
Use	Tariff (£ / sqm)	Erlang	Heygate	Surdaw	Steedman	Sorting office
Resi	£236.25	£441,266	£30,105,354	£795,501	£0	£720,408
Student	£236.25	£0	£1,192,291	£0	£1,015,287	£0
Hotel	£236.25	£0	£596,146	£0	£0	£0
Retail	£135.00	£71,207	£1,021,964	£72,937	£13,040	£27,751
Office	£6.75	£34,262	£10,220	£14,949	£7,394	£3,758
Community	£0.00	£0	£0	£0	£0	£0
Leisure	£135.00	£0	£187,360	£0	£0	£0
Total		**£546,735**	**£33,113,334**	**£883,387**	**£1,035,720**	**£751,917**
Surplus agasint benchmark at 25% AH (& 10% parking for		£8,406,403	£35,937,000	£4,657,769	£1,931,204	£3,290,574
Net surplus after Tariff		**£8,953,138**	**£2,823,666**	**£3,774,382**	**£895,484**	**£2,538,657**
		UNVIABLE	VIABLE	VIABLE	VIABLE	VIABLE

Figure 6.1.4 – Total tariff liability for each site under each scenario and whether they are viable – 50% uplift on base tariff levels

50% uplift in Tariffs						
		Total tariff rasied				
Use	Tariff (£ / sqm)	Erlang	Heygate	Surdaw	Steedman	Sorting office
Resi	£262.50	£490,295	£33,450,393	£883,889	£0	£800,453
Student	£262.50	£0	£1,324,768	£0	£1,128,096	£0
Hotel	£262.50	£0	£662,384	£0	£0	£0
Retail	£150.00	£79,119	£1,135,515	£81,041	£14,489	£30,834
Office	£7.50	£38,069	£11,355	£16,610	£8,215	£4,176
Community	£0.00	£0	£0	£0	£0	£0
Leisure	£150.00	£0	£208,178	£0	£0	£0
Total		**£607,483**	**£36,792,594**	**£981,541**	**£1,150,800**	**£835,463**
Surplus agasint benchmark at 25% AH (& 10% parking for Heygate)		£8,406,403	£35,937,000	£4,657,769	£1,931,204	£3,290,574
Net surplus after Tariff		**£9,013,886**	**£855,594**	**£3,676,228**	**£780,404**	**£2,455,111**
		UNVIABLE	**UNVIABLE**	**VIABLE**	**VIABLE**	**VIABLE**

At 50% uplift in Tariff against the base assumption, excluding Erlang House, the Heygate is the critical scheme that is the first to become unviable, and does so only at this level. This demonstrates that a 50% uplift adopted to the base tariff levels identified would not be viable.

Although a surplus of c£11.4m is shown for the Heygate under the base tariff assumption, the Council should be cautious in setting a rate significantly higher than this level, due to the (unknown) abnormal costs that are likely to be associated with this site in particular.

Based on our appraisal work £11.4m would reflect just a c2% increase in costs. At the 35% increased tariff scenario, whilst there is still a surplus against the benchmark, this surplus falls to £2.8m, an even narrower margin. Therefore we would recommend that the base rate tariffs are set at or closer to at the base level, being the most appropriate level with a degree of 'margin for unknowns'.

6.2 Assessment – Long term growth assumptions

The above tables adopt todays values and costs. Whilst we have undertaken sensitivity modelling under a range of scenarios, in consultation with the Council and our in house research team, we have considered suitable base growth assumptions that might be made in relation to the change in values for the various uses over the course of the development proposals. These value changes and the logic behind them are examined in the table below.

Explanation of growth assumptions	
Residential:	Long term average real growth in residential values of 3% pa. Calculation shows average growth over each 5 years period would be 6.28%
Student:	Shortage of student accommodation in London. Therefore assumed that values grow in line with residential values.
Hotel:	Limited evidence with respect to historic or future direction of hotel values. We have assumed nil growth
Retail:	Long term average capital growth in retail values is -0.9%. We have assumed nil growth
Office:	Long term average capital growth in office values is -2.9%. We have assumed nil growth
Community:	Assumed comparable rate of growth to office values - B1 and D2 values commonly linked
Leisure:	Assumed comparable rate of growth to retail values - commonly linked

The above table might be considered relatively conservative, since it does not take account of the potential step change in values, particularly for residential use, that we consider Elephant and Castle is likely to experience over the life of the regeneration program.

The specifics of any tariff indexing can be determined at a later date, although three main options are available to the Council that might be considered appropriate as follows:

- The Council could set a fixed indexed increase of, say 3% applied to the residential and student tariff, based on historic norms.
- Indexing the tariff to Land Registry house price data for Southwark, adjusted for inflation, might be a suitable alternative measure. This would be more complicated to calculate. However, if market conditions markedly improved then additional tariff could be viably generated and secured.
- Indexing based on some other measure, such as Retail Price Index or another cost index.

6.3 Total tariff raised

The tables on the following page draw on total net change in capacity data, as supplied by the Council to determine the total potential tariff raised under various scenarios.

A significant infrastructure funding requirement for transport and public realm related improvements has been identified by Transport for London to provide capacity enhancements to the Northern Line underground station as well as a cost to reconfigure the northern roundabout including subway removal and changes to London Road.

Figure 6.3.1 Total tariff raised under the three Tariff Levels tested:

Base tariffs		Real growth factor				Tariff Level				Tariff Raised			
Use	Tariff (£ / sqr	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031
Residential	£175.00	6.28%	6.28%	6.28%	6.28%	£ 185.98	£ 197.65	£ 210.06	£ 223.24	£ 16,491,956	£ 32,379,793	£ 19,511,674	£ 16,561,115
Student	£175.00	6.28%	6.28%	6.28%	6.28%	£ 185.98	£ 197.65	£ 210.06	£ 223.24	£ 465,188	£ 1,761,140	£ 525,405	£ 558,376
Hotel	£175.00	0.00%	0.00%	0.00%	0.00%	£ 175.00	£ 175.00	£ 175.00	£ 175.00	£ 218,750	£ 218,750	£ 218,750	£ 218,750
Retail	£100.00	0.00%	0.00%	0.00%	0.00%	£ 100.00	£ 100.00	£ 100.00	£ 100.00	£ 425,700	£ 1,580,460	£ 679,211	£ 301,403
Office	£5.00	0.00%	0.00%	0.00%	0.00%	£ 5.00	£ 5.00	£ 5.00	£ 5.00	£ 4,660	-£ 26,943	-£ 11,128	2074.71185
Community	£0.00	0.00%	0.00%	0.00%	0.00%	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Leisure	£100.00	0.00%	0.00%	0.00%	0.00%	£ 100.00	£ 100.00	£ 100.00	£ 100.00	£ 68,750	£ 68,750	£ 68,750	£ 152,390

35% uplift in tariffs		Real growth factor				Tariff Level				Tariff Raised			
Use	Tariff (£ / sqr	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031
Residential	£236.25	6.28%	6.28%	6.28%	6.28%	£ 251.08	£ 266.83	£ 283.58	£ 301.37	£ 22,264,140	£ 43,712,720	£ 26,340,760	£ 22,357,505
Student	£236.25	6.28%	6.28%	6.28%	6.28%	£ 251.08	£ 266.83	£ 283.58	£ 301.37	£ 628,003	£ 2,377,538	£ 709,296	£ 753,808
Hotel	£236.25	0.00%	0.00%	0.00%	0.00%	£ 236.25	£ 236.25	£ 236.25	£ 236.25	£ 295,313	£ 295,313	£ 295,313	£ 295,313
Retail	£135.00	0.00%	0.00%	0.00%	0.00%	£ 135.00	£ 135.00	£ 135.00	£ 135.00	£ 574,695	£ 2,133,621	£ 916,934	£ 406,894
Office	£6.75	0.00%	0.00%	0.00%	0.00%	£ 6.75	£ 6.75	£ 6.75	£ 6.75	£ 6,291	-£ 36,373	-£ 15,022	2800.860998
Community	£0.00	0.00%	0.00%	0.00%	0.00%	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Leisure	£135.00	0.00%	0.00%	0.00%	0.00%	£ 135.00	£ 135.00	£ 135.00	£ 135.00	£ 92,813	£ 92,813	£ 92,813	£ 205,726

50% uplift in tariffs		Real growth factor				Tariff Level				Tariff Raised			
Use	Tariff (£ / sqr	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031	2011 - 2016	2016 - 2021	2021 - 2026	2026 - 2031
Residential	£262.50	6.28%	6.28%	6.28%	6.28%	£ 278.97	£ 296.48	£ 315.09	£ 334.86	£ 24,737,934	£ 48,569,689	£ 29,267,511	£ 24,841,673
Student	£262.50	6.28%	6.28%	6.28%	6.28%	£ 278.97	£ 296.48	£ 315.09	£ 334.86	£ 697,781	£ 2,641,709	£ 788,107	£ 837,564
Hotel	£262.50	0.00%	0.00%	0.00%	0.00%	£ 262.50	£ 262.50	£ 262.50	£ 262.50	£ 328,125	£ 328,125	£ 328,125	£ 328,125
Retail	£150.00	0.00%	0.00%	0.00%	0.00%	£ 150.00	£ 150.00	£ 150.00	£ 150.00	£ 638,550	£ 2,370,690	£ 1,018,816	£ 452,105
Office	£7.50	0.00%	0.00%	0.00%	0.00%	£ 7.50	£ 7.50	£ 7.50	£ 7.50	£ 6,990	-£ 40,414	-£ 16,691	3112.067775
Community	£0.00	0.00%	0.00%	0.00%	0.00%	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -
Leisure	£150.00	0.00%	0.00%	0.00%	0.00%	£ 150.00	£ 150.00	£ 150.00	£ 150.00	£ 103,125	£ 103,125	£ 103,125	£ 228,585

Note: All figures are in today's prices. Growth of 3% per annum in real terms applied to residential and student tariff. This works out at an average of 6.28% growth within each 5 year period.

7 Conclusions and recommendations

The results of our analysis indicate a degree of variation in viability of development across the sites tested.

Erlang House does not offer a viable development opportunity against existing use value and therefore is unlikely to be a suitable site to bring forward at the current time, unless the balance of commercial and residential sought within the scheme proposals is amended.

The Heygate Estate would set the minimum viable tariff levels, because it has the lowest surplus made available for all the sites tested, with the exception of Erlang House. The Heygate Estate, being the most significant development scheme by a long margin in the Opportunity Area is also likely to be the most important site in raising tariff revenue.

Adopting 35% affordable housing and / or requiring parking spaces to be minimised on site at 10% of units is likely to negatively impact on the viability of the Heygate Estate, and is unlikely to be viable without any grant funding and assuming the base tariff levels identified. The high affordable housing requirement significantly reduces the Gross Development Value (GDV), to the point that if 35% is adopted then as at today's values and costs, the proposals are unlikely to generate a surplus that would facilitate any level of tariff. The reduced parking allowance at 10% of units will restrict the saleability of many of the larger units, having a negative impact on cash flow.

Under the base assumption, the viability of floorspace varies significantly depending on site and scheme. The Council will need to be mindful of the need to foster appropriate conditions for growth of the various uses sought within the Opportunity Area. Outside the Opportunity Area, retail space struggles to generate positive residual land values. Application of a tariff in these areas would worsen the viability position and may prevent developments coming forward.

Our appraisals indicate that based on current values and costs, residential (which forms the main proposed use within the Opportunity Area) could absorb a tariff of up to £175 per square metre across the majority of the sites tested (with the exception of sites 1&2).

Student and Hotel uses could also absorb the same tariff level. Indeed, of the sites tested, when these uses are separated out, it would appear that they could potentially offer more. However, this is arrived at as a result of splitting out the uses, which as a result of the sites tested being an integrated mixed use offering, might be considered an unrealistic assumption. Our market knowledge would indicate that relative viability should be broadly comparable between Residential, Student and Hotel uses in the area. Therefore we would recommend that any tariff applied to these uses should be comparable to the residential tariff. Offices and Community uses cannot support a tariff level of any substance. Although we have allowed a tariff of £5 per sq m for office uses, it does not generate a significant level of tariff to be worth pursuing. This is partly as a result of the loss of existing office accommodation, and therefore minimal or no uplift in Gross Internal Floor area for most of the sites tested.

Building in growth assumptions, the tariff could potentially increase, up to £236.25 per sq m for the more valuable uses. However, at this level, development viability becomes marginal. Furthermore, our appraisal work, whilst it incorporates a contingency, does not take account of the likely significant abnormal costs on many of the sites.

Retail and leisure space generates positive surpluses available for a tariff. However, our appraisal work adopts an overall blended rate under these uses for each site.

The Council has a number of options at its disposal:

1. The Council could set a fixed single tariff at the lowest indicative level and apply it globally across all uses. A global tariff would likely discourage certain uses within the Opportunity Area, in particular offices, leisure and potentially retail and may therefore influence developer's scheme proposals.

2. The Council could reflect variations in viability by adopting differential levels of Tariff by area and according to density and existing use of site. However, multiple variations (i.e. area, density and existing use) could be complex to enforce and might fail to achieve the certainty that developers require.

3. The Council could adopt base tariff levels depending on use type. This would have the benefit of encouraging the less viable uses.

Any likely shortfall in total tariff generated for infrastructure would need to be sought from other sources of funding. The results of this study are reflective of current market conditions, which may improve over the medium term, as demonstrated by our sensitivity testing. It is therefore important that the Council keeps the viability situation under review so that levels of tariff can be adjusted to reflect any future improvements. To support receipts, while maintaining viability, the Council could vary the tariff over time as residential sales prices in the area improve. Our modelling has index linked the tariff based on long term averages, which we consider should be appropriate, particularly given the likely step change to perception and therefore values in the Opportunity Area.

Subject to further discussion with the Council, the results of our study point towards the third option as our recommended route. This option would encourage early development within the Elephant and Castle Opportunity Area, which would likely speed up the improvements that will result in real value increases that will support the adoption of a higher index linked tariff rate during the later phases of development.

We have also referred to the results of development appraisals as being highly dependent upon the inputs, which will vary significantly between individual developments. The appraisals in our study demonstrate that Mayoral CIL was not a critical factor in determining whether a scheme was viable or not (with the relationship between scheme value, costs and existing use values being far more important).

7.1 Applying a Borough wide CIL

We understand that the Council will be commencing work on a Borough wide CIL in 2012. The findings from the Elephant and Castle Opportunity Area tariff work indicates that viable tariff levels vary significantly with site and also use. In terms of residential sales values, there is greater variation at a Borough wide level (from c£3,000 per sq m in Peckham to over £10,000 per sq m at Bankside). This means that applying a single CIL level across the Borough would need to be set at the lowest common level.

Furthermore, our study indicates that a tariff on office (B1) or D1 uses is unlikely to be viable across much of the Borough, although B1 use may be viable in London Bridge, for example. This provides further support to splitting a tariff by use and by location.

More tariff would be raised by applying a different rate to different areas, although this will need to be carefully considered and a robust evidence base put forward for the different charging levels.

Appendix 1 - Residual Land Values and maximum viable rates of Tariff

EUV Summary

Name	Est EUV
Erlang House and Car Park	£14,710,000
Heygate Estate	
Surdaw House	£600,000
2-10 Steedman Street	£400,000
Sorting Office + 31 Amelia Street	£750,000

MAXIMUM TARIFFS SUMMARY - OVERALL BLENDED BY USE (PER SQ M)

	25% Affordable BASE CASE
Erlang House and Car Park	-£1,163.68
Heygate Estate - 10% CPS	£206.20
Heygate Estate - 25% CPS	£260.69
Surdaw House	£722.30
2-10 Steedman Street (Tied to UofArts - No affordable	£313.30
Sorting Office + 31 Amelia Street	£824.79

	35% Affordable BASE CASE
Erlang House and Car Park	-£1,238.65
Heygate Estate - 10% CPS	£130.08
Heygate Estate - 25% CPS	£168.47
Surdaw House	£610.25
2-10 Steedman Street (Tied to UofArts - No affordable	£328.16
Sorting Office + 31 Amelia Street	£672.62

BASE SCENARIO

25% Affordable Housing

Site name	Base residual land value	EUV (+ 15% - excl. Heygate)	Surplus / deficit	Existing Sq m	Proposed Sq m (GIA)	Net increase across all uses* (sq m)	Mayoral CIL @ £35 per sq m + 10% finance allowance	Net amount available for S106 Tariff	*Maximum Tariff (per sq m net additional)*
Erlang House and Car Park	£8,510,097	£16,916,500	-£8,406,403	12,472	19,944	7,471	£287,640	-£8,694,043	*-£1,163.68*
Heygate Estate - 10% CPS	£35,937,000		£35,937,000	105,640	252,500	146,860	£5,654,110	£30,282,890	£206.20
Heygate Estate - 25% CPS	£43,939,000		£43,939,000	105,640	252,500	146,860	£5,654,110	£38,284,890	£260.69
Surdaw House	£5,347,769	£690,000	£4,657,769	733	6,856	6,122	£235,704	£4,422,065	*£722.30*
2-10 Steedman Street (Tied to UofArts - No affordable	£2,391,204	£460,000	£1,931,204	535	6,024	5,489	£211,343	£1,719,861	*£313.30*
Sorting Office + 31 Amelia Street	£4,153,074	£862,500	£3,290,574	1,543	5,354	3,812	£146,750	£3,143,824	*£824.79*

*the gross internal area of the part of the chargeable development chargeable at £35psm, less an amount equal to the aggregate of the gross internal area of all buildings (excluding any new build) on completion of the chargeable

35% Affordable Housing

Site name	Base residual land value	EUV (+ 15% - excl. Heygate)	Surplus / deficit	Existing Sq m	Proposed Sq m (GIA)	Net increase across all uses (sq m)	Mayoral CIL @ £35 per sq m + 10% finance allowance	Net amount available for S106 Tariff	*Maximum Tariff (per sq m net additional)*
Erlang House and Car Park	£7,949,981	£16,916,500	-£8,966,519	12,472	19,944	7,471	£287,640	-£9,254,159	*-£1,238.65*
Heygate Estate - 10% CPS	£24,757,000		£24,757,000	105,640	252,500	146,860	£5,654,110	£19,102,890	*£130.08*
Heygate Estate - 25% CPS	£30,395,000		£30,395,000	105,640	252,500	146,860	£5,654,110	£24,740,890	*£168.47*
Surdaw House	£4,661,779	£690,000	£3,971,779	733	6,856	6,122	£235,704	£3,736,075	*£610.25*
tied to UofArts - Higer rents + 35% AH)	£2,472,758	£460,000	£2,012,758	535	6,024	5,489	£211,343	£1,801,415	*£328.16*
Sorting Office + 31 Amelia Street	£3,573,050	£862,500	£2,710,550	1,543	5,354	3,812	£146,750	£2,563,800	*£672.62*

Appendix 2 - Appraisal results

BASE SCENARIO BY USE WITHIN HEYGATE & OTHERS

Site name	Base residual land value	EUV (+ 15% - excl. Heygate)	Surplus / deficit	Existing Sq m	Proposed Sq m (GIA)	Net increase across use (sq m)	Mayoral CIL @ £35 per sq m + 10% finance allowance	Net amount available for S106 Tariff	*Maximum Tariff (per sq m net additional)*
Heygate - resi - 25% AH 1	£ 34,472,000	£ -	£ 34,472,000	91,664	252500	160,836	£ 6,192,202	£ 28,279,798	**£ 175.83**
Heygate - resi - 25% AH 2	£ 40,364,000	£ -	£ 40,364,000	91,664	252500	160,836	£ 6,192,202	£ 34,171,798	£ 212.46
Heygate - resi - 35% AH 1	£ 21,174,000	£ -	£ 21,174,000	91,664	252500	160,836	£ 6,192,202	£ 14,981,798	£ 93.15
Heygate - resi - 35% AH 2	£ 24,369,000	£ -	£ 24,369,000	91,664	252500	160,836	£ 6,192,202	£ 18,176,798	£ 113.01
Heygate - student - 25% A	£ 3,688,000	£ -	£ 3,688,000	3630	10,000	6,370	£ 245,236	£ 3,442,764	£ 344.28
Heygate - student - 35% A	£ 1,847,000	£ -	£ 1,847,000	3630	10,000	6,370	£ 245,236	£ 1,601,764	£ 160.18
Heygate - hotel	£ 7,060,000	£ -	£ 7,060,000	1815	5,000	3,185	£ 122,618	£ 6,937,382	£ 1,387.48
Heygate - retail	£ 6,543,000	£ -	£ 6,543,000	5445	15,000	9,555	£ 367,854	£ 6,175,146	£ 411.68
Heygate - office	£ 127,000	£ -	£ 127,000	1089	3,000	1,911	£ 73,571	£ 53,429	£ 17.81
Heygate - community	£ 110,000	£ -	£ 110,000	998	2,750	1,752	£ 67,440	£ 42,560	£ 15.48
Heygate - leisure	£ 723,000	£ -	£ 723,000	998	2,750	1,752	£ 67,440	£ 655,560	£ 238.39
Steedman St - student linl	£ 2,041,000	£ 360,120	£ 1,680,880	418	4,716	4,298	£ 165,454	£ 1,515,426	£ 321.34
Sorting office - low value r	£ 94,536	£ 46,514	£ 48,022	83	289	206	£ 7,914	£ 40,107	£ 138.90
Sorting office - high value	£ 505,404	£ 46,514	£ 458,890	83	289	206	£ 7,914	£ 450,975	£ 1,561.82

NET CHANGE IN CAPACITY AND TOTAL TARIFF DELIVERY

Net change in capacity - E&C Opportunity Area								
Years	Office	Gross retail	Education	Other non-resi (health, community etc)	Leisure	Hotel	Student bedspaces	Residential units
2011 - 2026 (Heygate)	3,000	15,000		-	2,750	5,000	345	2,600
2011 - 2016	182	507	-	-	-	-	-	350
2016 - 2021	- 6,139	12,055	167	- 259	-	-	221	1,379
2021 - 2026	- 2,976	3,042	-	-	-	-	-	408
2026 - 2031	- 335	- 736	-	-	836	-	-	152
Total	**- 6,267**	**29,868**	**167**	**- 259**	**3,586**	**5,000**	**566**	**4,889**

Total Net Change in capacity(Estimate): **468,078** Assumes average of 73sq m / apartment outside of Heygate plus total Heygate resi floorspace and 29sq m / student bedspace

Note: we have added 345 student bedspaces under Heygate (Sui Generis) although these do not feature in the capacity summary sheet

As above but with Heygate delivery spread over 4 year periods and student and resi expressed as floor area									
Years	Office	Gross retail	Education	Other non-resi (health, community etc)	Leisure	Hotel	Student floor area	Residential floor area	Total
2011 - 2016	932	4,257	-	-	688	1,250	2,501	88,675	
2016 - 2021	- 5,389	15,805	167	- 259	688	1,250	8,910	163,821	
2021 - 2026	- 2,226	6,792	-	-	688	1,250	2,501	92,888	
2026 - 2031	415	3,014	-	-	1,524	1,250	2,501	74,186	
Total	**- 6,267**	**29,868**	**167**	**- 259**	**3,586**	**5,000**	**16,414**	**419,569**	**468,078**

Explanation of growth assumptions				
Resi:	Long term average real growth in resi values of 3% pa. Calculation shows average growth over each 5 years period would be 6.28%	0.03	1.00	
		0.03	1.03	
		0.03	1.06	
		0.03	1.09	
		0.03	1.13	6.28% average growth over 5 year period at 3% pa
Student:	Shortage of student accommodation in London. Therefore assumed that values grow at higher rate than resi values			
Hotel:	Limited evidence with respect to historic or future direction of hotel values. We have assumed nil growth			
Retail:	Long term average capital growth in retail values is -0.9%. We have assumed nil growth			
Office:	Long term average capital growth in office values is -2.9%. We have assumed nil growth			
Community:	Assumed comparable rate of growth to office values - B1 and D2 values commonly linked			
Leisure:	Assumed comparable rate of growth to retail values - commonly linked			

Base tariffs

		Real growth factor				Tariff Level				Tariff Raised				
Use	**Tariff (£ / sqm)**	**2011 - 2016**	**2016 - 2021**	**2021 - 2026**	**2026 - 2031**	**2011 - 2016**	**2016 - 2021**	**2021 - 2026**	**2026 - 2031**	**2011 - 2016**	**2016 - 2021**	**2021 - 2026**	**2026 - 2031**	**TOTAL**
Resi	£175.00	6.28%	6.28%	6.28%	6.28%	£ 185.98	£ 197.65	£ 210.06	£ 223.24	£ 16,491,956	£ 32,379,793	£ 19,511,674	£ 16,561,115	**£ 84,944,538**
Student	£175.00	6.28%	6.28%	6.28%	6.28%	£ 185.98	£ 197.65	£ 210.06	£ 223.24	£ 465,188	£ 1,761,140	£ 525,405	£ 558,376	**£ 3,310,108**
Hotel	£175.00	0.00%	0.00%	0.00%	0.00%	£ 175.00	£ 175.00	£ 175.00	£ 175.00	£ 218,750	£ 218,750	£ 218,750	£ 218,750	**£ 875,000**
Retail	£100.00	0.00%	0.00%	0.00%	0.00%	£ 100.00	£ 100.00	£ 100.00	£ 100.00	£ 425,700	£ 1,580,460	£ 679,211	£ 301,403	**£ 2,986,773**
Office	£5.00	0.00%	0.00%	0.00%	0.00%	£ 5.00	£ 5.00	£ 5.00	£ 5.00	£ 4,660	-£ 26,943	-£ 11,128	2074.71185	**-£ 31,336**
Community	£0.00	0.00%	0.00%	0.00%	0.00%	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	**£ -**
Leisure	£100.00	0.00%	0.00%	0.00%	0.00%	£ 100.00	£ 100.00	£ 100.00	£ 100.00	£ 68,750	£ 68,750	£ 68,750	£ 152,390	**£ 358,640**
	Totals:									**£ 17,675,003**	**£ 35,981,950**	**£ 20,992,661**	**£ 17,794,109**	**£ 92,085,083**

35% uplift in tariffs

		Real growth factor				Tariff Level				Tariff Raised				
Use	**Tariff (£ / sqm)**	**2011 - 2016**	**2016 - 2021**	**2021 - 2026**	**2026 - 2031**	**2011 - 2016**	**2016 - 2021**	**2021 - 2026**	**2026 - 2031**	**2011 - 2016**	**2016 - 2021**	**2021 - 2026**	**2026 - 2031**	**TOTAL**
Resi	£236.25	6.28%	6.28%	6.28%	6.28%	£ 251.08	£ 266.83	£ 283.58	£ 301.37	£ 22,264,140	£ 43,712,720	£ 26,340,760	£ 22,357,505	**£ 114,675,126**
Student	£236.25	6.28%	6.28%	6.28%	6.28%	£ 251.08	£ 266.83	£ 283.58	£ 301.37	£ 628,003	£ 2,377,538	£ 709,296	£ 753,808	**£ 4,468,645**
Hotel	£236.25	0.00%	0.00%	0.00%	0.00%	£ 236.25	£ 236.25	£ 236.25	£ 236.25	£ 295,313	£ 295,313	£ 295,313	£ 295,313	**£ 1,181,250**
Retail	£135.00	0.00%	0.00%	0.00%	0.00%	£ 135.00	£ 135.00	£ 135.00	£ 135.00	£ 574,695	£ 2,133,621	£ 916,934	£ 406,894	**£ 4,032,144**
Office	£6.75	0.00%	0.00%	0.00%	0.00%	£ 6.75	£ 6.75	£ 6.75	£ 6.75	£ 6,291	-£ 36,373	-£ 15,022	2800.860998	**-£ 42,303**
Community	£0.00	0.00%	0.00%	0.00%	0.00%	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	**£ -**
Leisure	£135.00	0.00%	0.00%	0.00%	0.00%	£ 135.00	£ 135.00	£ 135.00	£ 135.00	£ 92,813	£ 92,813	£ 92,813	£ 205,726	**£ 484,164**
	Totals:									**£ 23,861,254**	**£ 48,575,632**	**£ 28,340,093**	**£ 24,022,047**	**£ 124,314,862**

50% uplift in tariffs

		Real growth factor				Tariff Level				Tariff Raised				
Use	**Tariff (£ / sqm)**	**2011 - 2016**	**2016 - 2021**	**2021 - 2026**	**2026 - 2031**	**2011 - 2016**	**2016 - 2021**	**2021 - 2026**	**2026 - 2031**	**2011 - 2016**	**2016 - 2021**	**2021 - 2026**	**2026 - 2031**	**TOTAL**
Resi	£262.50	6.28%	6.28%	6.28%	6.28%	£ 278.97	£ 296.48	£ 315.09	£ 334.86	£ 24,737,934	£ 48,569,689	£ 29,267,511	£ 24,841,673	**£ 127,416,806**
Student	£262.50	6.28%	6.28%	6.28%	6.28%	£ 278.97	£ 296.48	£ 315.09	£ 334.86	£ 697,781	£ 2,641,709	£ 788,107	£ 837,564	**£ 4,965,162**
Hotel	£262.50	0.00%	0.00%	0.00%	0.00%	£ 262.50	£ 262.50	£ 262.50	£ 262.50	£ 328,125	£ 328,125	£ 328,125	£ 328,125	**£ 1,312,500**
Retail	£150.00	0.00%	0.00%	0.00%	0.00%	£ 150.00	£ 150.00	£ 150.00	£ 150.00	£ 638,550	£ 2,370,690	£ 1,018,816	£ 452,105	**£ 4,480,160**
Office	£7.50	0.00%	0.00%	0.00%	0.00%	£ 7.50	£ 7.50	£ 7.50	£ 7.50	£ 6,990	-£ 40,414	-£ 16,691	3112.067775	**-£ 47,003**
Community	£0.00	0.00%	0.00%	0.00%	0.00%	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	**£ -**
Leisure	£150.00	0.00%	0.00%	0.00%	0.00%	£ 150.00	£ 150.00	£ 150.00	£ 150.00	£ 103,125	£ 103,125	£ 103,125	£ 228,585	**£ 537,960**
														£ 138,665,585

CHECK THAT TARIFF IS VIABLE AT TESTED SITES

Use	Sites 1&2: Erlang	Site 21: Heygate	Site 24: Surdaw	Site 29: Steedman	Site 35: Sorting office
	Total net uplift in floor area (sqm)				
Net uplift in floor area	7,471	146,860	6,122	5,489	3,812

Use	Erlang	Heygate	Surdaw	Steedman	Sorting office
	Proportion of net floor area provided under each use (%)				
Resi	25%	87%	55%		80%
Student		3%		78%	
Hotel		2%			
Retail	7%	5%	9%	2%	5%
Office	68%	1%	36%	20%	15%
Community		1%			
Leisure		1%			

Use	Erlang	Heygate	Surdaw	Steedman	Sorting office
	Net uplift in floor area by use (sqm)				
Resi	1,868	127,430	3,367	-	3,049
Student	-	5,047	-	4,298	-
Hotel	-	2,523	-	-	-
Retail	527	7,570	540	97	206
Office	5,076	1,514	2,215	1,095	557
Community	-	1,388	-	-	-
Leisure	-	1,388	-	-	-

Base Tariff

Use	Tariff (£ / sqm)	Sites 1&2: Erlang	Site 21: Heygate	Site 24: Surdaw	Site 29: Steedman	Site 35: Sorting office
		Total tariff rasied				
Resi	£175.00	£326,864	£22,300,262	£589,260	£0	£533,635
Student	£175.00	£0	£883,179	£0	£752,064	£0
Hotel	£175.00	£0	£441,589	£0	£0	£0
Retail	£100.00	£52,746	£757,010	£54,027	£9,659	£20,556
Office	£5.00	£25,380	£7,570	£11,074	£5,477	£2,784
Community	£0.00	£0	£0	£0	£0	£0
Leisure	£100.00	£0	£138,785	£0	£0	£0
Total		**£404,989**	**£24,528,396**	**£654,361**	**£767,200**	**£556,976**
Surplus agasint benchmark at 25% AH (& 10% parking for Heygate)		£8,406,403	£35,937,000	£4,657,769	£1,931,204	£3,290,574
Net surplus after Tariff		**£8,811,392**	**£11,408,604**	**£4,003,408**	**£1,164,004**	**£2,733,598**
		UNVIABLE	VIABLE	VIABLE	VIABLE	VIABLE

25% uplift in Tariffs

Use	Tariff (£ / sqm)	Sites 1&2: Erlang	Site 21: Heygate	Site 24: Surdaw	Site 29: Steedman	Site 35: Sorting office
		Total tariff rasied				
Resi	£218.75	£408,579	£27,875,328	£736,575	£0	£667,044
Student	£218.75	£0	£1,103,973	£0	£940,080	£0
Hotel	£218.75	£0	£551,987	£0	£0	£0
Retail	£125.00	£65,932	£946,263	£67,534	£12,074	£25,695
Office	£6.25	£31,724	£9,463	£13,842	£6,846	£3,480
Community	£0.00	£0	£0	£0	£0	£0
Leisure	£125.00	£0	£173,482	£0	£0	£0
Total		**£506,236**	**£30,660,495**	**£817,951**	**£959,000**	**£696,219**
Surplus agasint benchmark at 25% AH (& 10% parking for Heygate)		£8,406,403	£35,937,000	£4,657,769	£1,931,204	£3,290,574
Net surplus after Tariff		**£8,912,639**	**£5,276,505**	**£3,839,818**	**£972,204**	**£2,594,355**
		UNVIABLE	VIABLE	VIABLE	VIABLE	VIABLE

35% uplift in Tariffs

Use	Tariff (£ / sqm)	Sites 1&2: Erlang	Site 21: Heygate	Site 24: Surdaw	Site 29: Steedman	Site 35: Sorting office
		Total tariff rasied				
Resi	£236.25	£441,266	£30,105,354	£795,501	£0	£720,408
Student	£236.25	£0	£1,192,291	£0	£1,015,287	£0
Hotel	£236.25	£0	£596,146	£0	£0	£0
Retail	£135.00	£71,207	£1,021,964	£72,937	£13,040	£27,751
Office	£6.75	£34,262	£10,220	£14,949	£7,394	£3,758
Community	£0.00	£0	£0	£0	£0	£0
Leisure	£135.00	£0	£187,360	£0	£0	£0
Total		**£546,735**	**£33,113,334**	**£883,387**	**£1,035,720**	**£751,917**
Surplus agasint benchmark at 25% AH (& 10% parking for Heygate)		£8,406,403	£35,937,000	£4,657,769	£1,931,204	£3,290,574
Net surplus after Tariff		**£8,953,138**	**£2,823,666**	**£3,774,382**	**£895,484**	**£2,538,657**
		UNVIABLE	VIABLE	VIABLE	VIABLE	VIABLE

45% uplift in Tariffs

Use	Tariff (£ / sqm)	Sites 1&2: Erlang	Site 21: Heygate	Site 24: Surdaw	Site 29: Steedman	Site 35: Sorting office
		Total tariff rasied				
Resi	£253.75	£473,952	£32,335,380	£854,426	£0	£773,771
Student	£253.75	£0	£1,280,609	£0	£1,090,493	£0
Hotel	£253.75	£0	£640,305	£0	£0	£0
Retail	£145.00	£76,481	£1,097,665	£78,340	£14,006	£29,807
Office	£7.25	£36,800	£10,977	£16,057	£7,941	£4,037
Community	£0.00	£0	£0	£0	£0	£0
Leisure	£145.00	£0	£201,239	£0	£0	£0
Total		**£587,234**	**£35,566,174**	**£948,823**	**£1,112,440**	**£807,615**
Surplus agasint benchmark at 25% AH (& 10% parking for Heygate)		£8,406,403	£35,937,000	£4,657,769	£1,931,204	£3,290,574
Net surplus after Tariff		**£8,993,637**	**£370,826**	**£3,708,946**	**£818,764**	**£2,482,959**
		UNVIABLE	VIABLE	VIABLE	VIABLE	VIABLE

50% uplift in Tariffs

Use	Tariff (£ / sqm)	Sites 1&2: Erlang	Site 21: Heygate	Site 24: Surdaw	Site 29: Steedman	Site 35: Sorting office
		Total tariff rasied				
Resi	£262.50	£490,295	£33,450,393	£883,889	£0	£800,453
Student	£262.50	£0	£1,324,768	£0	£1,128,096	£0
Hotel	£262.50	£0	£662,384	£0	£0	£0
Retail	£150.00	£79,119	£1,135,515	£81,041	£14,489	£30,834
Office	£7.50	£38,069	£11,355	£16,610	£8,215	£4,176
Community	£0.00	£0	£0	£0	£0	£0
Leisure	£150.00	£0	£208,178	£0	£0	£0
Total		**£607,483**	**£36,792,594**	**£981,541**	**£1,150,800**	**£835,463**
Surplus agasint benchmark at 25% AH (& 10% parking for Heygate)		£8,406,403	£35,937,000	£4,657,769	£1,931,204	£3,290,574
Net surplus after Tariff		**£9,013,886**	**£855,594**	**£3,676,228**	**£780,404**	**£2,455,111**
		UNVIABLE	UNVIABLE	VIABLE	VIABLE	VIABLE

Appendix 3 - Comparable evidence

Elephant and Castle Comparables

Property Address	Photo	SIZE SQ M GIA	PRICE	Price per sq m	DETAILS / SPECIFICATION	Contact
Printworks, Amelia Street, Elephant and Castle, SE17 3PY		70 sq m (2 bed, 1st fl with balcony) 70 sq m (2 bed, 4th fl with balcony) 46 sq m (1 bed, 8th fl) 92 sq m (3 bed, 8th fl with balcony) 45 sq m (1 bed with balcony)	£295,000 (achieved) £329,595 (achieved) £285,500 (achieved) £517,000 (achieved) £280,000 (asking)	£4,223 psm (£392 psf) £4,709 psm (£437 psf) £6,196 psm (£576 psf) £5,621 psm (£522 psf) £6,222 psm (£578 psf)	Printworks on Amelia Street is a nine storey development by First Base providing 97 private units and 43 London Wide Initiative residential units. The scheme completed in August 2010 and is approximately 10 mins walk from Elephant and Castle transport hub. Average achieved sale price is £44 per sq m (£476 per sq ft) which is within approximately 5-10% of asking prices. 15% of the scheme remains unsold.	Printworks marketing suite: 020 7613 1888
The Strata, 80-82 Walworth Road, Elephant and Castle		43 sq m (1 bed, 34th fl) 43 sq m (1 bed, 37th fl) 44 sq m (1 bed, 38th fl) 99 sq m (1 bed penthouse, 41st fl)	£310,000 (under offer) £305,000 (under offer) £310,000 (under offer) £510,000 - (Under Offer)	£7,209 psm (£670 psf) £7,093 psm (£659 psf) £7,209 psm (£670 psf) £5,151 psm (£479 psf)	Of the re-sales, selling prices are on average 15% lower than asking prices with the exception of the 41st floor penthouse which is currently under offer at 40% of the asking price. This is due to the fact that the apartment has a less desirable south facing aspect. The agents dealing with the re-sales has advised that the average sales value are in the region of £650 psf. However, pricing is dependent upon level, aspect and finish; apartments over level 36 have a premium finish, whilst penthouses have a further step up in finish In general terms, they have risen by 5% from their 2007 values. The agents further indicated that the cheaper, units on the lower floors are more popular than units on the upper floors.	Savills – Tami Carrington – 020 7701 2455

Elephant and Castle Comparables

Property Address	Photo	SIZE SQ M GIA	PRICE	Price per sq m	DETAILS / SPECIFICATION	Contact
O Central, Crampton Street, SE17		60 sq m (2 bed, balcony) 60 sq m (2 bed apartment with balcony)	£355,000 (achieved) £340,000 (asking)	£5,952 psm (£553 psf) £5,666 psm (£526 psf)	O central is an eight storey development undertaken by Oakmayne Properties Limited comprising 136 private and 44 affordable units across three buildings. The scheme completed in 2007. Sales from new achieved average values of £519 per sq ft and recent sales indicate that a similar level is still being achieved.	Atkinson McLeod 020 7840 3206
Metro Central Heights		65 sq m (2 bed, outside space, car parking) 64 sq m (2 bed)	£285,000 (achieved) £299,950 (achieved)	£4,384 psm (£407 psf) £4,652 psm (£432 psf)	This scheme was developed by St George in the late nineties and comprises 422 private units across three buildings. Although the buildings are now quite dated, it marks the first of the new generation of modern residential buildings in Elephant and Castle and still achieves reasonable sales values.	Chesterton Humberts 020 7357 7999
Vantage		60 sq m (2 bed, 9^{th} fl)	£389,950 (asking)	£6,500 psm (£604 psf)	Vantage Metro Central, a 15 storey tower built in the car park of Metro Central Heights, was developed again by St George and was completed in 2008. Values are higher than in the original metro central buildings. There have been very few re-sales and identifying an indicative value is difficult. Properties currently on the market are quoting values in the region of £600 per sq ft.	DTZ – David Mendel – 020 7701 2668

Elephant and Castle Comparables

Property Address	Photo	SIZE SQ M GIA	PRICE	Price per sq m	DETAILS / SPECIFICATION	Contact
South Central		70 sq m (2 bed, balcony, car parking 70 sq m (2 bed)	£291,000 (achieved) £315,000 (achieved)	£4,165 psm (£387 psf) £4,500 psm (418 psf)	South Central, completed by Oakmayne in 2006, offers private and affordable units across two buildings. The private residential units in South Central are complete with balconies, roof terraces and underground parking. The scheme completed in late 2006. Values for South Central units are in the region of £380 - £400 per sq ft.	DTZ – David Mendel – 020 7701 2668

Address	Grade / Type	Date	Total Size	Quoted / Achieved Rent	Value (£/psf)	Lease End / Rent Free Period
Unit 190-207 Railway Arches, Carlisle Lane, London, SE1 7LH	Light Industrial	3/6/2011	140 sq m (1,506 sq ft)	£17,000.00 (Achieved)	£11.29	
10-20 Steedman Street, London, SE17 3AF	Industrial / Warehouse	1/5/2011	316 sq m (3,401 sq ft)	£12,000.00 (Achieved)	£3.53	
18-21 Rushworth Street, London, SE1 0RB	Light Industrial	18/3/2011	422 sq m (4,545 sq ft)	£79,538.00	£17.50	
Bricklayers Arms, Units 1-5 Mandela Way, London, SE1 5SP	Industrial / Warehouse	1/2/2011	1,371 sq m (14,753 sq ft)	£163,770.00	£11.10	13/12/2015
Unit 190-207 Railway Arches, Carlisle Lane, London, SE1 7LH	Light Industrial	1/2/2011	142 sq m (1,592 sq ft)	£20,700.00	£13.00	
Unit 178-187 Hercules Road, Railway Arches, London, SE1 7LD	Light Industrial	1/2/2011	186 sq m (2,000 sq ft)	£23,000.00	£11.50	
27-31 Webber Street, London, SE1 8QW	Industrial / Warehouse	11/12/2009	894 sq m (9,618 sq ft)	£75,000.00 (Achieved)	£7.80	
Sir John Mills House, 12 Whitehorse Mews, London, SE1 7QD	Industrial / Warehouse	1/8/2009	256 sq m (2,760 sq ft)	£13,800.00	£5.00	
Units G1 & G2 Europa Trading Estate, Stoneclough Road, Radcliffe, M26 1GG	Industrial / Warehouse	6/5/2008	827 sq m (8,904 sq ft)	£40,068.00	£4.50	

Address	Grade / Type	Date	Total Size	Quoted / Achieved Rent	Value (£/psf)	Lease End / Rent Free Period
35-37 East Street, London, SE17 2DJ	Retail High Street Unit	25/7/2011	72 sq m (774 sq ft)	£27,000.00	£34.88	24/5/2013 / 4 months Rent Free Period
24 Harper Road, London, SE1 6AD	Retail Out of Town	13/7/2011	35 sq m (378 sq ft)	£6,000	£15.87	10/7/2021 / 6 months Rent Free Period
20 Harper Road, London, SE1 6AD	Retail High Street Unit	11/7/2011	38 sq m (408 sq ft)	£6,150.00	£15.07	10/7/2010 / 6 months Rent Free Period
263-265 Walworth Road, London, SE17 1RL	Retail High Street Unit	15/06/2011	60 sq m (647 sq ft)	£35,000.00 (Achieved)	£54.10	14/6/2026 / 3 months Rent Free Period
155-157 New Kent Road, London, SE1 4AG	Retail High Street Unit	1/6/2011	387 sq m (4,168 sq ft)	£57,000.00 (Achieved)	£13.68	31/05/2031
78-80 Tower Bridge Road, London, SE1 4TP	Retail High Street Unit	1/6/2011	105 sq m (1,135 sq ft)	£32,000.00 (Achieved)	£28.19	31/05/2023 / 1 month Rent Free Period
308 Walworth Road, London, SE17 2NA	Retail High Street Unit	10/4/2011	71 sq m (763 sq ft)	£30,000.00 (Achieved)	£39.32	9/4/2019
326 Walworth Road, London, SE17 2NA	Retail High Street Unit	10/2/2011	74 sq m (800 sq ft)	£40,000.00	£50.00	
The Beaten Path, 267 Walworth Road, London, SE17 1RL	Retail High Street Unit	25/01/2011	210 sq m (2,256 sq ft)	£60,000.00	£26.60	24/01/2026

Address	Grade / Type	Date	Total Size	Quoted / Achieved Rent	Value (£/psf)	Lease End / Rent Free Period
134-144 Southwark Bridge Road, London, SE1 0DG	B1 Office / Business / Letting	11/2/2011	93 sq m	£22,500 (Achieved)	£22.50	10/2/2016
44-46 Borough Road, London, SE1 0AJ	B1 Office / Business / Letting	13/12/2010	220 sq m	£59,175	£25.00	
96-108 Great Suffolk Street, London, SE1 0BE	B1 Office / Business / Letting	1/12/2010	2,085 sq m	£	£	
Newington House, 235-237 Southwark Bridge Road, SE1 6NP	B1 Office / Business / Letting	18/10/2010	1,662 sq m	£328,000	£18.33	17/10/2020
44-46 Borough Road, SE1 0AJ	B1 Office / Business / Letting	23/09/2010	292 sq m	£78,550	£25.00	
82 Great Suffolk Street, London, SE1 0BE	B1 Office / Business / Letting	1/8/2010	295 sq m	£78,450 (Achieved)	£24.69	31/07/2015
90-94 Great Suffolk Street, SE1 0BE	B1 Office / Business / Letting	8/7/2010	665 sq m	£92,437 (Achieved)	£12.90	30/06/2013
1-3 Westminster Bridge Road, London, SE1 7PL	B1 Office / Business / Letting	25/06/2010	247 sq m	£63,888 (Achieved)	£24.00	24/06/2015
Friars House, 157-168 Blackfriars Road, SE1 8EZ	B1 Office / Business / Letting	20/05/2010	258 sq m	£54,113	£19.50	
73-75 Newington Causeway, London, SE1 6BD	B1 Office / Business / Letting	12/3/2010	336 sq m	£39,987 (Achieved)	£11.04	11/3/2020
65 Glasshill Street, London, SE1 0QR	B1 Office / Business / Letting	28/08/2009	109 sq m	£21,998 (Achieved)	£18.77	24/08/2014

41-43 Westminster Bridge Road, SE1 7JB	B1 Office / Business / Letting	8/1/2009	114 sq m	£23,995 (Achieved)	£19.54	7/1/2014
Chatelain House, 186 Walworth Road, SE17 1JJ	B1 Office / Business / Letting	9/6/2011	750 sq m	£60,000 (Achieved)	£7.43	8/6/2016
1-14 Peacock Yard, SE17 3LH	B1 Office / Business / Letting	21/04/2011	47 sq m	£7,500 (Achieved)	£14.94	20/04/2014
12 Bishops Terrace, SE11 4UE	B1 Office / Business / Letting	1/3/2011	86 sq m	£10,000 (Achieved)	£10.75	29/2/2016
1-8 Wigton Place, SE11 4AN	B1 Office / Business / Letting	7/1/2011	85 sq m	£13,725	£15.00	
1-12 Iliffe Yard, SE17 3QA	B1 Office / Business / Letting	24/11/2010	29 sq m	£4,750	£14.98	
Bowden House, 14-16 Bowden Street, SE11 4DS	B1 Office / Business / Letting	17/11/2010	116 sq m	£12,500	£10.00	
33 Stannary Street, SE11 4AA	B1 Office / Business / Letting	30/10/2010	94 sq m	£15,120 (Achieved)	£15.00	29/10/2013

Property Address	Photo	SIZE	Rental Value per week	DETAILS / SPECIFICATION	Contact
IES London Resident Hall, King's Road and Manresa Road, London, SW3 6NA		Twin Shared Standard Single Large Singles or Accessible Room	From £191 From £278 From £326	300-bed student residence near South Kensington and Sloane Square tube stations and on main bus routes. Twins & singles, all en-suite and include free, unlimited internet access. Nigh security staff and CCTV. Fully serviced front desk with permanent resident staff onsite. Common rooms w/TV/DVD, shared kitchens that are full-equipped.	www.accommodationforstudents.com
Dashwood Studios, 120-138 Walworth Road, London, SE17 1JL		Studios	From £220	Brand new student accommodation in Zone 1. Features: • Inclusive of all bills • All ensuite • Communal roof terrace • Secure bike storage • On site coinless laundry • Social spaces with flat screen TV's on each floor • 4Mb Broadband in all studios.	www.accommodationforstudents.com

Property Address	Photo	SIZE	Rental Value per week	DETAILS / SPECIFICATION	Contact
Liberty Fields, 10 Halsmere Road, London, SE5 9LN		Studios	From £229.50	A small, managed student resident, in a residential road in South London. The residence has recently been refurbished to a high specification. Includes a range of studio apartments ideal for single or double occupancy. Only 67 apartments.	www.accommodationforstudents.com
168-188 Fulham Palace Road, London, W6 9PA		Studio A (17 sq m) Studio B (18 sq m) Studio C (18 sq m) Studio D (20 sq m) Studio E (22 sq m) Studio F (26 sq m)	From £260 From £265 From £265 From £270 From £270 From £285	Fulham Palace Road offers student accommodation across a range of 74 studios. • All studios self-contained. • Quiet study room • Free broadband • On-site laundry • All inclusive rents • 24-hour security and on-site management	www.accommodationforstudents.com

Property Address	Photo	SIZE	Rental Value per week	DETAILS / SPECIFICATION	Contact
Mansion Hive, 41-65 Three Colts Lane, Bethnal Green, London, E2 6JL		Studios	From £260	Luxury studio apartments include double sized beds, en suite shower room, flat screen TV, fridge-freezer, and study desk with ergonomic chair. Common room, and garden terrace are also available. • Communal laundry facilities • Bike storage	www.accommodationforstudents.com
IQ Hoxton, 57 Kingsland Road, London, E2 8AG		Studios	From £199	• 10MB Broadband connection • Contents insurance • All utility bills • 24/7 onsite staff presence • Security including CCTV and key-fob access • A 4ft or double bed • Rooftop Terrace	www.accommodationforstudents.com

Property Address	Photo	SIZE	Rental Value per week	DETAILS / SPECIFICATION	Contact
9 Frying Pan Alley, Spitalfields, London, E1 7HS		Single Studios Twin Studios Two bedroom apartments 4-5 bedroom apartments 6 bedroom apartments Accessible Studios	From £280 pp From £225 pp From £250 pp From £295 pp From £305 pp From £285 pp	The residence offers a range of modern, all-inclusive studios and share-apartments. • 24-hr security • Live-in Residence Life Manager • Live-in Resident Assistants • Reception team • In-house gym and fitness classes • Laundry • Games facilities • Screening room • Study lounges	www.accommodationforstudents.com
Woodland Court, 32-34 Market Road, Islington, London, N7 9AW		Ensuite rooms	From £215	Opened in 2010, Woodland Court offers a range of ensuite rooms in 4, 5, 6, 7, 8, and 9 bed flats in addition to studios. The property has an onsite laundry, bike storage, common room and outside courtyard seating.	www.accommodationforstudents.com