

West Ham Football Club, Boleyn Ground, Upton Park

Report looking at key aspects of viability: May 2015

1 Objectives

I have been requested by Mr Fred Nugent, Investment Team Manager at the London Borough of Newham, to provide expertise and viewpoints on the viability issues relating to the scheme proposed for the West Ham United FC ground at Upton Park.

Specifically advice is required in relation to the profit margin being required, the Land Value Benchmark and other related viability issues.

I comment on these items below. I also provide a GLA Toolkit appraisal which may assist the Council in coming to a conclusion on viability matters. This is a draft at this stage and requires corroboration with others involved in the viability assessment process.

2 Generally

I note the general approach adopted by Strutt and Parker with respect to viability assessment. This relies to a significant extent on the RICS Planning and Viability Guidance which I regard as unworkable and unhelpful to dispute resolution on viability matters. I am happy to expand on this issue at the planned meeting on 26th May.

I further regard the use of the Argus model as being unhelpful in resolving viability matters, not least because of its inflexibility with respect to Affordable Housing and development mix computations.

With these reservations, I make the following (hopefully more positive) comments.

3 Profit margin

3.1 Generally

The standard approach at the current time is for 20% return on gross development value for the market units and a 6% return on development cost for the Affordable units. This has found its way into a number of appeal decisions. The BNP review of the GLA Toolkit supported these figures.

The way that this is structured is such that a scheme with a high percentage of market units will have a significant effect on residual value since profit is

taken at a higher percentage on the bulk of the scheme, whereas for a scheme that is more tenure balanced, a lower profit margin requirement is generated (because there is a greater percentage of Affordable units).

This is shown using the example of one unit:

	Market	Affordable								
Rate per sq m	£4,700	£3,000								
Unit sizes	80	80								
Value	£376,000									
Cost		£150,000								
Profit Margin (%)	20	6								
Tenure split (%)	Market element					Affordable element				
Market	Affordable	Value	Value at %	20%	Profit	6%	Cost		Total Margin	
100	0	£376,000	£376,000	0.2	£75,200	0.06	£150,000	£0	£75,200	
90	10	£376,000	£338,400	0.2	£67,680	0.06	£150,000	£15,000	£68,580	
80	20	£376,000	£300,800	0.2	£60,160	0.06	£150,000	£30,000	£1,800	£61,960
70	30	£376,000	£263,200	0.2	£52,640	0.06	£150,000	£45,000	£2,700	£55,340
60	40	£376,000	£225,600	0.2	£45,120	0.06	£150,000	£60,000	£3,600	£48,720
50	50	£376,000	£188,000	0.2	£37,600	0.06	£150,000	£75,000	£4,500	£42,100

The analysis however, whilst it shows that increasing the Affordable housing percentage decreases the profit ‘take’, does not usually reflect in the overall residual since the fundamentals (overall revenue and costs) will have themselves changed in response to assumptions about the tenure split.

The BNP report has looked at the impacts of residual value when the profit margin is varied. However, probably because of the relatively high LVB adopted (see also below) the baseline appraisal has been run only (as far as I can see) at 6% Affordable housing.

I think what needs to be done, given the paucity of the Affordable offer made by the applicants, is for analysis to be sensitive to both tenure split and profit margin, although this would probably only make practical sense once a (significantly lower) LVB is established.

3.2 Profit margin and direction of travel

The profit margin in the GLA Toolkit has generally moved upwards since its initial inception at 15% in 2001. At the time, it was set as a ‘textbook’ figure reflecting development margins over the longer term. It was adjusted upwards around 2009/10 to 17% in response to the down turn when GLA were concerned about the effect on development. I personally

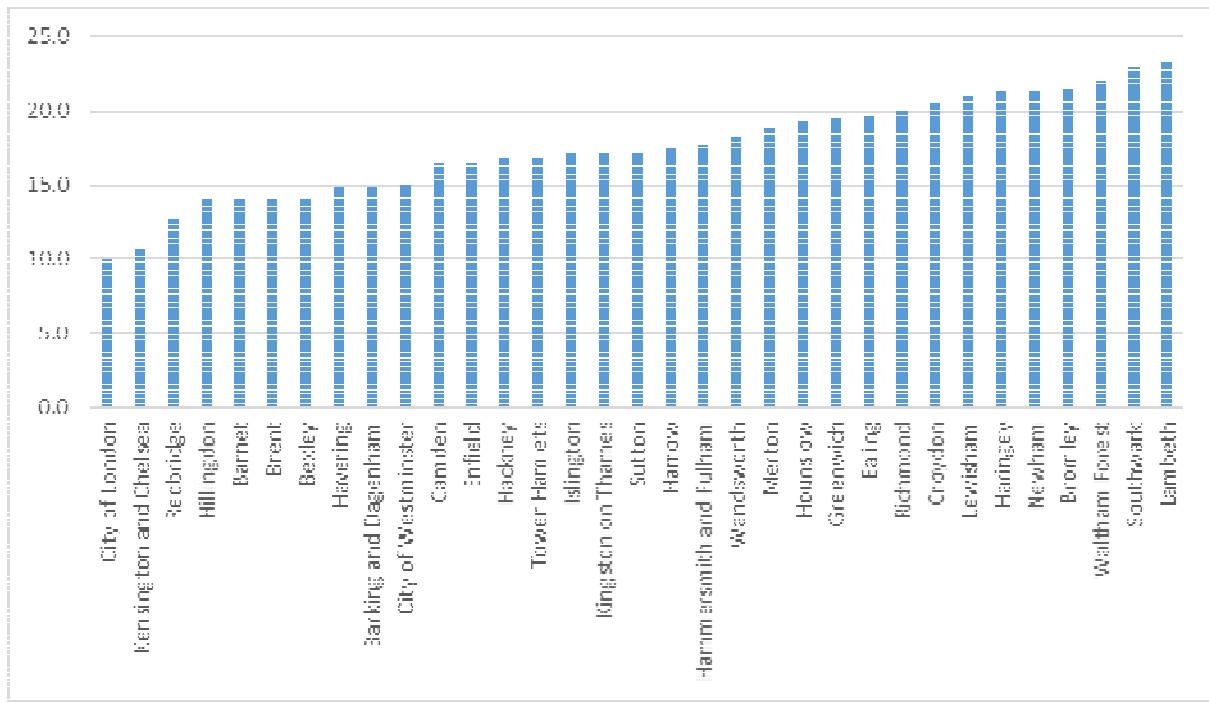
opposed this move on the grounds that supply problems would soon have a pressuring effect in the capital.

The margin was further increased in 2012, following the review by BNP to 20%, although at the same time, the overhead allowance (5% on costs) was taken out, so the overall effect was balancing.

The chart shows long term house prices for Greater London, and demonstrates the case for an adjustment to the margin made in the late 2000s.



There is however a good argument that could be made with respect to London, to suggest that the margin should be cut back, given the tremendous price growth achieved both over the long, and in the short term. The chart below shows (HM Land Registry) price increases for the year 2014. It will be seen that Newham has seem increases of around 20%.



These price increases make development less risky and with this, provide an argument for a lower, or falling profit margin.

3.3 Profit margins from around the country

From my experience the profit margin varies from one part of the country to another and from one developer to another. I was instructed for example by a Yorkshire authority (2012) to run policy development work at a 15% margin (on GDV). I have also seen schemes in the East Midlands being developed at less than 10%, although this is often to play 'catch up' with a historically high land acquisition cost.

That being stated, there is no reason why the same principles might not be applied in this case, should land acquisition cost become agreed as a relevant consideration.

Margins will also vary from developer to developer. It is fair to say that larger developers usually look to the range 20% to 25% on GDV, net of other costs, although at appeal the lower end of the scale is usually adopted.

3.4 IRR and the West Ham appraisals

The Internal Rate of Return on a scheme (IRR) is the discount rate applied to a scheme a Net Present Value (NPV) of zero.

The BNP report suggests that the applicants require a 25% return on cost in order to achieve an IRR of 20%. BNP state that ungeared IRRs are between 12% and 14% typically.

In my experience IRR can only be applied to development appraisal negotiations where land costs are used as an input. Under these circumstances, I believe it is only possible to look at a measure of profit (here IRR) as an output to the appraisal which doesn't allow for an objective assessment of what Section 106 is viable, and what not.

I am not clear how Argus (which both BNP and S and P) deals with this problem but if it doesn't fully then a different model should be used.

The GLA Toolkit has a cash flow, which effectively measures 'work in progress' (in terms of timed values and costs) and then applies a discount rate to arrive at a NPV, which is then the discounted residual and the amount that the scheme generates.

4 Land Value Benchmark (LVB)

The LVB is critical in determining whether a land owner has sufficient incentive to bring a site forward. The NPPF suggests that land owner return should be 'competitive'.

4.1 Unusual nature of the assessment of LVB

Normally the LVB is assessed by reference to a site which has a relatively easily defined Existing Use Value (EUV), or Alternative Use Value (AUV).

The case for using EUV (or 'EUV Plus') is extensively made in appeals and in the development of Core Strategies and related policies. AUV can be expressed by reference to a range of alternative possible uses, which may or may not have planning consent. In this case, it is likely that the highest possible AUV is for a redevelopment of the site for residential.

The Strutt and Parker Viability Report states that the site has a value as a football stadium although accepts that a purchaser would have to be a 'special' one to take the stadium on. This situation is supported in the BNP Viability Report, as is the potential use of the stadium by another football club.

The Strutt and Parker report states however that 'the value of the site is mainly driven by the re-development hope value and the prospect of development land value growth over time. The report is this quite clear in

stating that the LVB should include an element of hope value. The S and P report then lists a number of transactions which it deems relevant to the consideration of site value.

The S and P report places significant emphasis on the RICS guidance which in turn relies to a significant extent on the concept of market value. The (RICS) guidance in my view has little practical application due to the inherent circularity of definition between residual (land) value and site value.

The BNP report rejects the use of the land acquisition costs as the LVB and I agree wholeheartedly with this approach. The BNP report highlights that the comparable evidence submitted by S and P is relatively weak in nature and generally does not support the applicants' position.

BNP have, I believe, adopted an EUV approach and have used rateable value as a basis for their assessment of the LVB. This they put at £20 million. This means that to bring the scheme forward, a residual value for the new (housing and commercial scheme) in excess of £20 million will be needed.

4.2 Towards the LVB

Whilst I understand the logic of the approach adopted by BNP in using rateable value, I believe that the figure of £20 million is excessive for the following reasons:

- The rateable value will be based on the assumption of the unit (here a football club) being capable to being rented on a commercial basis (from freeholder to a notional leaseholder). I believe that in practice this is very unlikely to happen;
- This is a significant stadium (with a potential capacity of some 36,000 people) and which begins to rank alongside the other major London clubs. The problem is that once West Ham United have moved on (to the Olympic Stadium) the Upton Park ground then presents a real challenge as a commercial operation – with commensurate effects on rateability;
- It is very unlikely that any of the major London clubs would like to take on the ground; it would then fall to smaller clubs to look at the Boleyn Ground. But I can't see who this would be. Football is a dying game (if it is measured by attendances versus population growth) and this combined with the fact that major London teams are either stuck with their locations (i.e. Chelsea) or have built or improved stadia (i.e.

Arsenal and Tottenham) then the demand for this stadium looks pretty thin.

- In addition there will be the side effects of the potential expansion of the West Ham fan base at the Olympic stadium for other smaller clubs, again further ‘narrowing’ the market for a new occupier at Upton Park (Orient here are one candidate);

4.3 Upton Park as a ‘white elephant’

The aggregate effect is that the stadium would be unlikely to command anything other than a derisory rental, and hence rateable value. The actual level of rent – and hence capital value – is difficult to assess and should be subject to further, more specialist assessment.

In all however there is I believe a real possibility that the current ground could sit as a ‘white elephant’ in the absence of any real interest from other clubs.

Under these circumstances only a very nominal EUV should be applied for the purposes of setting a LVB.

4.4 The bigger picture – is even a nominal EUV correct?

Arguably, because the situation here is complex, and brings two sites (Upton Park and the Olympic Stadium) into the frame, even a nominally positive LVB might be considered too generous.

An article (22nd November 2014) in the Spectator states that £189.9 million of state funds will be spent converting the Olympic stadium to the purposes of a football stadium. This cost excludes the additional cost of retractable seating (estimated at £20 million) and the cost of providing bars and restaurants which football stadia demand.

If the question is then asked, would the football club still have re-located even if they had had to give their current Upton Park ground away for free (or even paid a third party to take it off their hands), I believe, given the huge financial incentives to move, it would be difficult to argue that they would have stayed put. S and P argue that £35 million is needed for the move to take place. However, the asset, and the volume of public funds being put into the new stadium dwarfs the payment made by the club and could probably be loan funded as part of the new business venture.

4.5 Conclusion and recommendation

There are several cases supporting an ‘EUV Plus’ approach. These are via appeals, core strategy development. My experience in holding developer workshops across England and Wales suggests that this approach is both understood and supported, albeit developers can argue about the extent of the uplift from EUV.

The ethos of the Section 106 process is about the sharing of uplift and this is explicit in a range of land and property valuation situations: from CPO (Stokes versus Cambridge) right up to the Shinfield case which suggests a 50% split in the uplift between EUV and RV. This is not necessarily to follow ‘to the letter’, but one which clearly demonstrates that negotiations on Section 106 are implicitly about betterment and the principle that this should be shared between land owner and the public sector.

5 General review of appraisals: Toolkit model completed

5.1 Overview

I have looked at the appraisals and inputted the data to the GLA Toolkit. I set out in the table below the main assumptions. I have not carried out independent sales value assessment but have taken BNP’s figures.

I have assumed a 50%:50% split within the Affordable element with an £80,000 payment for Social Rented units and a payment of £220,000 for the Affordable Rent units.

Construction costs have been calculated from ‘first principles’ using BCIS, along with usual location adjustment factor. For the 3-5 storey construction I arrive at a cost of £1,605 per square metre (net of external works) and for the 6 storey and above, £2,038 per square metre. The source information for BCIS is in the appendix.

I have taken the external works and CIL figures provided by BNP and Allisters.

Revenue	Source			
Market	As for BNP - at £440 per Sq Ft (£4,736 per Sq M)			
Affordable	Going Rate' - £80,000 per SR and £220,000 per AR			
Ground rents	BNP report - £4.2 million			
Costs				
Construction	From BCIS (First Principles)			
BCIS		Newham Factor at 7%		Gross to Net
				Increase by 30%
3-5 Storey	£1,154	£81	£1,235	£1,605
6 Stories	£1,465	£103	£1,568	£2,038
Externals	From Allisters - £5,037,897			
CIL	Total £2.7 million			

The BCIS Contract Sum analysis would seem to suggest significantly lower costs than those shown above. This suggests costs of greater than 10% discounted from the above.

5.2 Results

My Toolkit appraisal suggests a residual value of £15.3 million at a 40% Affordable Housing contribution.

Whilst the difference (with the S and P and BNP results) here may be attributable in some measure to the use of different models, the bulk of the explanation lies in the different assumptions made on build costs.

I believe the Council should require further explanations from Allisters as to how they have arrived at the BCIS driven figures.

I attach my Toolkit appraisal.

6 Process and things that don't add up

A couple of key issues of concern are:

- Offer by the applicants of 6% affordable housing, when the scheme is some £60 million adrift of viability; what is this about? A scheme cannot be made viable by trying to conclude a deal that no overage be levied!

- Neither S and P, nor BNP have reconciled the price paid by Galliard with their own RVs. There is either massive overpayment for the land, or under statement of viability by the consultants.

Appendix – BCIS Source information



Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
3-storey (15)	980	630	800	919	1,037	1,989	58
Flats (apartments)							
Generally (15)	1,172	583	976	1,126	1,329	3,112	795
1-2 storey (15)	1,107	653	958	1,073	1,233	2,134	191
3-5 storey (15)	1,154	583	974	1,117	1,323	2,308	528
6+ storey (15)	1,465	866	1,188	1,432	1,587	3,112	72
Housing with shops, offices, workshops or the like (15)	1,366	680	1,025	1,213	1,553	3,490	63

Location	Index	90% confidence interval	Standard deviation	Range	Sample
• North East	104	103 - 105	13	78 - 185	456
• North West	91	91 - 92	10	61 - 150	980
• Yorkshire and the Humber	92	91 - 93	11	70 - 174	630
• East Midlands	105	105 - 106	12	69 - 150	632
• West Midlands	93	93 - 94	10	65 - 159	895
• East of England	100	100 - 101	11	66 - 149	971
• London	112	111 - 112	15	74 - 181	1001
• Inner London Boroughs	115	114 - 117	17	84 - 181	478
Camden	118	113 - 122	19	87 - 160	49
City of London	110	106 - 114	14	84 - 143	36
Hackney	114	109 - 119	18	92 - 168	34
Hammersmith and Fulham	116	112 - 121	14	97 - 146	28
Haringey	117	110 - 123	17	93 - 165	18
Islington	115	111 - 119	13	97 - 148	30
Kensington and Chelsea	122	116 - 128	22	86 - 181	31
Lambeth	116	112 - 120	14	90 - 167	33
Lewisham	109	104 - 114	12	87 - 133	19
Newham	107	101 - 113	17	84 - 156	23
Southwark	116	112 - 119	15	93 - 158	40
Tower Hamlets	114	109 - 120	21	85 - 181	32
Wandsworth	117	114 - 122	14	91 - 146	38
Westminster	116	115 - 121	17	91 - 175	68

Appendix 2.2: BNP Paribas Development Appraisal 1

BNP Paribas Real Estate
Development Appraisal

West Ham Football Stadium
Boleyn Ground

Report Date: 10 August 2015
Prepared by BNPPRE

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE**

**West Ham Football Stadium
Boleyn Ground**

Summary Appraisal for Phase 1**Currency in £****REVENUE**

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales
Phase 1 Private Residential	1	181,527	440.00	79,871,880	79,871,880
Phase 1 intermediate affordable	1	24,204	272.00	6,583,488	6,583,488
Phase 2 Private Residential	1	181,527	462.00	83,865,474	83,865,474
Phase 2 Intermediate Affordable	1	24,204	272.00	6,583,488	6,583,488
Phase 3 Private Residential	1	181,527	484.00	87,859,068	87,859,068
Phase 3 Intermediate Affordable	1	24,204	272.00	6,583,488	6,583,488
Car Parking Spaces	332	0	0.00	15,000	4,980,000
Phase 1 Affordable Rent Units	1	36,305	170.00	6,171,850	6,171,850
Phase 2 Affordable Rent Units	1	36,305	170.00	6,171,850	6,171,850
Phase 3 Affordable Rent Units	1	36,305	170.00	6,171,850	6,171,850
Totals	341	726,108			294,842,436

Rental Area Summary

	Units	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground Rents - one bedroom apartments	220	200	44,000	44,000
Ground Rents - two bedroom apartments	208	250	52,000	52,000
Ground Rents - three bedroom apartments	170	300	51,000	51,000
Ground Rents - four bedroom apartments	31	350	10,850	10,850
Totals	629		157,850	157,850

Investment Valuation

Ground Rents - one bedroom apartments	44,000	YP @	5.0000%	20.0000	880,000
Ground Rents - two bedroom apartments	52,000	YP @	5.0000%	20.0000	1,040,000
Ground Rents - three bedroom apartments	51,000	YP @	5.0000%	20.0000	1,020,000
Ground Rents - four bedroom apartments	10,850	YP @	5.0000%	20.0000	217,000
Current Rent					3,157,000

GROSS DEVELOPMENT VALUE**297,999,436**

Purchaser's Costs	5.80%	(183,106)	(183,106)
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NET DEVELOPMENT VALUE**297,816,330**

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****West Ham Football Stadium****Boleyn Ground****Income from Tenants**

Ground Rents - one bedroom apartments	40,333
Ground Rents - two bedroom apartments	47,667
Ground Rents - three bedroom apartments	46,750
Ground Rents - four bedroom apartments	9,946
	144,696

NET REALISATION**297,961,026****OUTLAY****ACQUISITION COSTS**

Residualised Price	1,799,363
Stamp Duty	71,975
Agent Fee	17,994
Legal Fee	8,997
	1,898,328

CONSTRUCTION COSTS

Borough and Mayoral CIL	2,702,765	2,702,765
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Other Construction

Construction Costs	184,220,000	184,220,000
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PROFESSIONAL FEES

Professional Fees	10.00%	18,422,000	18,422,000
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MARKETING & LETTING

Marketing	1.75%	4,545,335
Letting Agent Fee	15.00%	23,678
Letting Legal Fee	10.00%	15,785
		4,584,797

DISPOSAL FEES

Sales Agent Fee	1.75%	5,211,786
Sales Legal Fee		1,250,000
		6,461,786

Additional Costs

Profit on Affordable	6.00%	2,295,961
Profit on Private	17.00%	44,154,682
		46,450,643

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)		
Land		741,370
Construction		30,603,634

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****West Ham Football Stadium****Boleyn Ground**

Other 1,875,703

Total Finance Cost 33,220,707

TOTAL COSTS**297,961,026****PROFIT****0****Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.05%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%

IRR	7.70%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	0 yrs 0 mths

Appendix 2.3: BNP Paribas Development Appraisal 2

BNP Paribas Real Estate
Development Appraisal

West Ham Football Stadium
Boleyn Ground

Report Date: 10 August 2015
Prepared by BNPPRE

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE**

**West Ham Football Stadium
Boleyn Ground**

Summary Appraisal for Phase 1**Currency in £****REVENUE**

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales
Phase 1 Private Residential	1	181,527	440.00	79,871,880	79,871,880
Phase 1 intermediate affordable	1	24,204	272.00	6,583,488	6,583,488
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Phase 2 Intermediate Affordable	1	24,204	272.00	6,583,488	6,583,488
Phase 3 Private Residential	1	181,527	484.00	87,859,068	87,859,068
Phase 3 Intermediate Affordable	1	24,204	272.00	6,583,488	6,583,488
Car Parking Spaces	332	0	0.00	15,000	4,980,000
Phase 1 Affordable Rent Units	1	36,305	170.00	6,171,850	6,171,850
Phase 2 Affordable Rent Units	1	36,305	170.00	6,171,850	6,171,850
Phase 3 Affordable Rent Units	1	36,305	170.00	6,171,850	6,171,850
GLA Grant @ £75,000 per AR unit	1	0	0.00	9,375,000	9,375,000
GLA Grant @ £35,000 per SO unit	1	0	0.00	2,940,000	2,940,000
Totals	343	726,108			307,157,436

Rental Area Summary

	Initial	Net Rent	Initial
	Units	MRV/Unit	MRV
Ground Rents - one bedroom apartments	220	200	44,000
Ground Rents - two bedroom apartments	208	250	52,000
Ground Rents - three bedroom apartments	170	300	51,000
Ground Rents - four bedroom apartments	31	350	10,850
Totals	629	157,850	157,850

Investment Valuation

Ground Rents - one bedroom apartments					
Current Rent	44,000	YP @	5.0000%	20,0000	880,000
Ground Rents - two bedroom apartments					
Current Rent	52,000	YP @	5.0000%	20,0000	1,040,000
Ground Rents - three bedroom apartments					
Current Rent	51,000	YP @	5.0000%	20,0000	1,020,000
Ground Rents - four bedroom apartments					
Current Rent	10,850	YP @	5.0000%	20,0000	217,000
					3,157,000

GROSS DEVELOPMENT VALUE**310,314,436**

Purchaser's Costs	5.80%	(183,106)	(183,106)
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APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE**

West Ham Football Stadium

Boleyn Ground

NET DEVELOPMENT VALUE**310,131,330****Income from Tenants**

Ground Rents - one bedroom apartments	40,333
Ground Rents - two bedroom apartments	47,667
Ground Rents - three bedroom apartments	46,750
Ground Rents - four bedroom apartments	9,946
	144,696

NET REALISATION**310,276,026****OUTLAY****ACQUISITION COSTS**

Residualised Price	13,139,286
Stamp Duty	525,571
Agent Fee	131,393
Legal Fee	65,696
	13,861,947

CONSTRUCTION COSTS

Borough and Mayoral CIL	2,702,765
	2,702,765

Other Construction

Construction Costs	184,220,000
	184,220,000

PROFESSIONAL FEES

Professional Fees	10.00%	18,422,000
		18,422,000

MARKETING & LETTING

Marketing	1.75%	4,545,335
Letting Agent Fee	15.00%	23,678
Letting Legal Fee	10.00%	15,785
		4,584,797

DISPOSAL FEES

Sales Agent Fee	1.75%	5,211,786
Sales Legal Fee		1,250,000
		6,461,786

Additional Costs

Profit on Affordable	6.00%	2,295,961
Profit on Private	17.00%	44,154,682
		46,450,643

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****West Ham Football Stadium****Boleyn Ground**

Land	5,211,743
Construction	26,484,643
Other	1,875,703
Total Finance Cost	33,572,089

TOTAL COSTS**310,276,026****PROFIT****(1)****Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.05%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%
IRR	7.67%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	N/A

Appendix 2.4: BNP Paribas Development Appraisal 3

BNP Paribas Real Estate
Development Appraisal

West Ham Football Stadium
Boleyn Ground

Report Date: 10 August 2015
Prepared by BNPPRE

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE**

**West Ham Football Stadium
Boleyn Ground**

Summary Appraisal for Phase 1**Currency in £****REVENUE**

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales
Phase 1 Private Residential	1	157,323	440.00	69,222,120	69,222,120
Phase 1 intermediate affordable	1	33,885	272.00	9,216,720	9,216,720
Phase 2 Private Residential	1	157,323	462.00	72,683,226	72,683,226
Phase 2 Intermediate Affordable	1	33,885	272.00	9,216,720	9,216,720
Phase 3 Private Residential	1	157,323	484.00	76,144,332	76,144,332
Phase 3 Intermediate Affordable	1	33,885	272.00	9,216,720	9,216,720
Car Parking Spaces	332	0	0.00	15,000	4,980,000
Phase 1 Affordable Rent Units	1	50,828	170.00	8,640,760	8,640,760
Phase 2 Affordable Rent Units	1	50,828	170.00	8,640,760	8,640,760
Phase 3 Affordable Rent Units	1	50,828	170.00	8,640,760	8,640,760
GLA Grant @ £75,000 per AR unit	1	0	0.00	13,200,000	13,200,000
GLA Grant @ £35,000 per SO unit	1	0	0.00	4,095,000	4,095,000
Totals	343	726,108			293,897,118

Rental Area Summary

	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground Rents - one bedroom apartments	191	200	38,200
Ground Rents - two bedroom apartments	180	250	45,000
Ground Rents - three bedroom apartments	147	300	44,100
Ground Rents - four bedroom apartments	27	350	9,450
Totals	545	136,750	136,750

Investment Valuation

Ground Rents - one bedroom apartments					
Current Rent	38,200	YP @	5.0000%	20.0000	764,000
Ground Rents - two bedroom apartments					
Current Rent	45,000	YP @	5.0000%	20.0000	900,000
Ground Rents - three bedroom apartments					
Current Rent	44,100	YP @	5.0000%	20.0000	882,000
Ground Rents - four bedroom apartments					
Current Rent	9,450	YP @	5.0000%	20.0000	189,000
					2,735,000

GROSS DEVELOPMENT VALUE**296,632,118**

Purchaser's Costs	5.80%	(158,630)	(158,630)
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APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE**

West Ham Football Stadium

Boleyn Ground

NET DEVELOPMENT VALUE**296,473,488****Income from Tenants**

Ground Rents - one bedroom apartments	35,017
Ground Rents - two bedroom apartments	41,250
Ground Rents - three bedroom apartments	40,425
Ground Rents - four bedroom apartments	8,663
	125,354

NET REALISATION**296,598,842****OUTLAY****ACQUISITION COSTS**

Residualised Price	12,439,098
Stamp Duty	497,564
Agent Fee	124,391
Legal Fee	62,195
	13,123,248

CONSTRUCTION COSTS

Borough and Mayoral CIL	2,702,765
	2,702,765

Other Construction

Construction Costs	184,220,000
	184,220,000

PROFESSIONAL FEES

Professional Fees	10.00%	18,422,000
		18,422,000

MARKETING & LETTING

Marketing	1.75%	3,950,882
Letting Agent Fee	15.00%	20,513
Letting Legal Fee	10.00%	13,675
		3,985,069

DISPOSAL FEES

Sales Agent Fee	1.75%	4,885,624
Sales Legal Fee		1,250,000
		6,135,624

Additional Costs

Profit on Affordable	6.00%	3,214,346
Profit on Private	17.00%	38,379,995
		41,594,342

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE**

West Ham Football Stadium

Boleyn Ground

Land	4,326,228
Construction	20,507,333
Other	1,582,197
Total Finance Cost	26,415,758

TOTAL COSTS**296,598,806****PROFIT****36****Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.05%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%
IRR	9.42%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	0 yrs 0 mths

Appendix 2.5: BNP Paribas Report May 2015



**BNP PARIBAS
REAL ESTATE**

| Real Estate for a changing world

Review of “Viability Report”

**West Ham Football Club Stadium, Boleyn
Ground, Green Street, Upton Park, E13 9AZ**

Prepared for
London Borough of Newham

May 2015

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- Appendix 1 - Allisters Ltd Construction Cost Review
Appendix 2 - Residential Comparable Evidence
Appendix 3 - Argus Appraisal 6% affordable housing

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1 Introduction

BNP Paribas Real Estate was commissioned by the London Borough of Newham (“the Council”) to advise on the redevelopment (“the Development”) of West Ham Football Stadium, Boleyn Ground, Green Street, Upton Park, E13 9AZ (“the Site”) submitted by Strutt and Parker (“SP”) on behalf of Boleyn Phoenix Limited (“the Applicant”).

This report provides an independent assessment of SP’s Affordable Housing Viability Statement to determine whether the affordable housing offer and Section 106 contributions as proposed have been optimised.

1.1 BNP Paribas Real Estate

BNP Paribas Real Estate is a leading firm of chartered surveyors, town planning and international property consultants. The practice offers an integrated service from nine offices in eight cities within the United Kingdom and over 150 offices, across 30 countries in Europe, Middle East, India and the United States of America, including 15 wholly owned and 15 alliances.

BNP Paribas Real Estate has a wide ranging client base, acting for international companies and individuals, banks and financial institutions, private companies, public sector corporations, government departments, local authorities and registered social landlords.

The full range of property services includes:

- Planning and development consultancy;
- Affordable housing consultancy;
- Valuation and real estate appraisal;
- Property investment;
- Agency and Brokerage;
- Property management;
- Building and project consultancy; and
- Corporate real estate consultancy.

This report has been prepared by Nicholas Pell MRICS, RICS Registered Valuer under the supervision of Anthony Lee MRTPI, MRICS, RICS Registered Valuer.

The Affordable Housing Consultancy of BNP Paribas Real Estate advises landowners, developers, local authorities and registered social landlords (“RSLs”) on the provision of affordable housing.

In 2007, we were appointed by the Greater London Authority (“GLA”) to review its ‘Development Control Toolkit Model’ (commonly referred to as the ‘Three Dragons’ model). This review included testing the validity of the Three Dragons’ approach to appraising the value of residential and mixed use developments; reviewing the variables used in the model and advising on areas that required amendment in the re-worked toolkit and other available appraisal models and submitted our report in February 2012.

Anthony Lee is a member of the RICS ‘*Experts in Planning Service*’ panel, which was established in March 2009 to support the Planning Inspectorate on major casework and local development plan work submitted for independent examination. He has assisted the inspectors examining the economic viability of housing policies within the Core Strategies of Stockton Borough Council; Hinckley and Bosworth Council; and East North Hants District Council.

In addition, we are retained by the Homes and Communities Agency ("HCA") to advise on better management of procurement of affordable housing through planning obligations.

The firm has extensive experience of advising landowners, developers, local authorities and RSLs on the value of affordable housing and economically and socially sustainable residential developments.

1.2 Report structure

This report is structured as follows:

- **Section two** provides a brief description of the Development and planning history;
- **Section three** describes the methodology that has been adopted;
- **Section four** outlines the inputs adopted within our appraisals;
- **Section five** sets out the results of the appraisals;
- Finally, in **Section six**, we draw conclusions from the analysis.

1.3 The Status of our advice

In accordance with PS 1.6 of the RICS Valuation – Professional Standards (January 2014 Edition) (the 'Red Book'), the provision of VPS1 to VPS4 are not of mandatory application and accordingly this report should not be relied upon as a Red Book valuation.

The report is addressed to the London Borough of Newham only and should not be reproduced without our consent.

2 Background and description of the Development

2.1 The Site and proposed Development

The 8.15 acre (3.3 hectare) Site is located on Green Street to the north of Barking Road. Upton Park Station is within 0.2 miles providing access to the District Line and Hammersmith and City Line and the wider London Underground Network. The Site currently comprises a football stadium with ancillary amenity space and car parking. The surrounding properties are primarily used for residential and commercial purposes.

According to the planning application, the proposed Development is for:

"Demolition of the West Ham United Football Ground and ancillary outbuildings to enable a comprehensive redevelopment of the site; including the erection of 15 new buildings, rising to 3 to 13 storeys, (including a basement on part of the site), to deliver 838 new residential homes (use class C3) in a mix of unit sizes, 476 sqm (Gross Internal Area) of use class D1 floor space and 402 sqm (Gross Internal Area) of flexible use class A1 and/or A2 and/or A3 and/or A4 and/or B1 and/or D1 and/or D2 floor space, together with associated cycle parking, car parking, highways, landscaping, and infrastructure works."

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3 Methodology

We have undertaken our assessment using Argus Developer ("Argus"). Argus is a commercially available development appraisal package in widespread use throughout the industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com.

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

The difference between the total development value and total costs equates to the residual land value ("RLV"). The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable it is necessary to compare the RLV that is produced with a benchmark land value. If the Development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing additional affordable housing. However, if the Development generates a RLV that is lower than the benchmark it should be deemed economically unviable and the quantum of affordable housing should be reduced until viability is achieved.

We are of the opinion that Argus provides an accurate reflection of the economics of the Development. Therefore we have adopted this tool for the purposes of our assessment.

4 Review of Assumptions

In this section, we review the assumptions adopted by SP for the purposes of running their appraisal of the Development.

4.1 Gross Development Value (“GDV”)

4.1.1 Private sale residential values

SP has assumed a value of £400 per square foot for the private residential units within their appraisal. SP correctly identify that there is a dearth of residential comparable evidence within the surrounding area of similar size and specification. As a result they have used their judgement to arrive at assumed residential values.

SP have relied upon 4 residential units currently on the market in addition to the CIL Viability Study undertaken for the Council by BNP Paribas Real Estate in March 2013. We would like to draw attention to the date of the CIL Study and consider that values assumed in March 2013 are now very outdated when considering what the proposed Development would be able to achieve two years later. The Land Registry House Price Index indicates that values across the Borough have increased by 28% over the period. In addition, Borough wide studies should not be used to identify site specific residential unit valuations.

We have undertaken research into the local market through discussions with active local agents in addition to online research facilities. We have also sought advice from our New Homes team. Due to the lack of new build housing in the immediate area surrounding the subject Site, we have analysed the impact of other developments that have taken place in surrounding areas within the London Borough of Newham.

We have analysed new build developments that have taken place in the London Borough of Newham and the premiums that have been commanded in comparison to “second hand” properties within the same areas. Our analysis identifies the following average increases from “second hand” to “new build” properties:

Area	Second hand property average value (£)	New build property average value (£)	Percentage increase (%)
Stratford	£374	£674	45%
Canning Town	£391	£563	31%
Royal Wharf	£490	£652	25%

We have then undertaken research into the local market in close proximity to the Application Site. We have analysed the percentage uplifts for each area and have considered the respective areas when forming a view of the appropriate percentage uplift for the subject Site. We have applied an uplift of 22% to the second hand residential values, resulting in an expected achievable value of £440 per square foot.

We note that in a scheme of this nature, once it has achieved maturity and ‘bedded down’ it is common to see an uplift in prices. This increase is not related to the market but is more as a result of the scheme having become established. Given the wider regeneration in the proposed Development in particular, it is considered that the Development will create a sense of place. The intention to create a sense of place in the proposed Development is clearly

identified in the commentary set out in the Design and Access Statement by BUJ Architects. Paragraph 7.3 states:

"The design ethos of the development is to create a high quality scheme, to benefit not only local residents, but also local businesses and the wider community as a whole, as it will create a positive effect on the neighbourhood, and act as a catalyst for further urban improvement."

The document goes on to state in paragraph 7.6:

"Central to the benefits of the proposal scheme is a coherent sense of place, which is currently lacking, coupled with an appropriate acknowledgement of the varied and rich heritage and legacy of the site."

As a result we consider that it would be reasonable to assume an additional 5% and 10% uplift in sales values in the scheme for Phase 2 and 3 respectively of the Development. This position is also supported by advice from our New Homes team who advised that this factor should always be taken into consideration for a scheme of this scale and nature.

Canning Town and Royal Wharf are just two examples already present in the London Borough of Newham that have demonstrated the impact of the maturity factor. Whilst we do not consider the values achievable at these example developments to be directly comparable, we have assessed the uplift on existing values in initial and later phases as a result of their existence.

For the avoidance of doubt, as a result of the justification provided above, we have adopted the following residential values within our appraisal:

- Phase 1: £440;
- Phase 2: £462; and
- Phase 3: £484.

4.1.2 Affordable Housing Revenue

SP have assumed all of the affordable housing to be of shared ownership tenure generating a value of £265 per square foot within their appraisal. For the avoidance of doubt, the Applicant has offered approximately 6% affordable housing within the proposed Development.

To value the affordable housing units, we have used a bespoke model specifically created for this purpose. This model takes into account factors such as standard levels for individual RPs management and maintenance costs; finance rates currently obtainable in the sector, and a view on the amount of grant that may be obtainable.

The 'Affordable Homes Programme 2015-18 Prospectus' document provides a clear indication that Section 106 schemes are unlikely to be allocated Grant funding, except in exceptional circumstances. It is therefore considered imprudent to assume that Grant will be secured. Therefore our assessment relies upon the assumption that none is provided.

We have adopted the following values within our appraisal:

Tenure	Value (£ per square foot)
Shared Ownership Units	£272

4.1.3 Commercial Revenue and Yields

There is no revenue generating commercial space included within the proposed Development. We note the provision of community space within Blocks A, C, and D in Phase 1 at a cost to the scheme. At present, we understand that this space would not command any rental value; however, if this situation changes, we reserve the right to revisit this assumption.

4.1.4 Ground Rents

SP have included ground rents at £200 per unit per annum, capitalised at a 6% yield. We do not consider this to be reflective of the current market. We have assumed the following ground rents within our appraisal:

- One bedroom apartments: £200 per annum;
- Two bedroom apartments: £250 per annum;
- Three bedroom apartments: £300 per annum; and
- Four bedroom apartments: £350 per annum.

We have capitalised the rental values at a 5% yield. We have then deducted purchasers' costs at 5.8%.

4.1.5 Car Parking

The proposed Development comprises 332 car parking spaces. 10 of these spaces are considered to be 'surface parking bays' with the remainder found in the basement. SP have not included any additional revenue for these spaces as they consider their value to be included within the prices assumed for the residential units.

Due to the ratio of car parking spaces to the number of flats, we would consider these spaces to be offered to the residential apartments at a cost.

We have included a value of £15,000 per space within our appraisal.

4.2 Development Costs

4.2.1 Construction Costs

SP have relied upon a construction cost plan provided by Rider Levett Bucknall ("RLB"). The total cost assumed is £194,470,000 reflecting a base build cost rate of £1,579 per square metre (£147 per square foot).

We note that SP have increased the total cost by £1,750,000 to reflect the reduced inclusion of affordable housing in the scheme in comparison to the quantum assumed by RLB within their cost plan. We have not been provided with any explanation as to how this increase has been calculated by SP. We do not consider an unsubstantiated cost added to the construction cost plan to be acceptable and have not adopted this cost within our appraisal.

The Council have instructed Allisters Ltd ("Allisters") to undertake a review of the proposed construction cost plan. Allisters have concluded that the total cost can be reduced from £194,470,000 to £184,220,000. A copy of the cost plan review can be found in Appendix 1.

For the avoidance of doubt, we have adopted the construction cost of £184,220,000 proposed by Allisters within our appraisal.

4.2.2 Extraordinary Costs

SP state that they have not accounted for any extraordinary costs at this stage. We strongly recommend the Council instruct a cost consultant to undertake a review of any costs that are proposed.

We have concerns as to why these costs have not been accounted for in the appraisal already, if any are to be included.

4.2.3 Contingency

SP have assumed a contingency equating to 5% of construction costs that has been included within the construction cost plan provided by RLB. Upon advice received from Allisters who have reviewed the construction cost plan, we have reduced this allowance to 4% of construction costs.

It should be noted that this allowance has not been included separately within the appraisal, as it is included within the overall construction costs.

4.2.4 Professional Fees

SP has assumed professional fees equating to 12% of construction costs. We consider this allowance to be above current market expectations for a scheme of this nature and have reduced this allowance to 10% of construction costs within our appraisal.

4.2.5 Interest

SP have assumed a debit rate of 6.5% and a credit rate of 0.5% within their appraisal. They have also assumed a development finance facility fee of 1.5%. We consider this to be above current market expectations and have adopted a 7% all inclusive rate within our appraisals.

Although a bank would not provide 100% of the funding required for the proposed Development it is conventional to assume finance on all costs in order to reflect the opportunity (or in some cases the actual cost) of committing equity to the project.

4.2.6 Marketing Costs

SP have assumed the following costs for sales and marketing:

- Marketing allowance: 1.75% of GDV;
- Sales agent fees: 1.75% of GDV; and
- Sales legal fees totalling £1,250,000.

We consider this assumption to be reasonable in the current market.

4.2.7 Planning Obligations

SP have stated two different assumptions for Borough and Mayoral CIL dependent on whether it is accepted to offset all existing floor-space (albeit excluding uncovered tiers and the field of play) or whether one just off-sets the existing hotel and club shop floor-space.

The two levels of CIL have been listed as Option A and Option B. We have detailed the total amounts assumed below:

- Option A: £2,702,765.41; and
- Option B: £5,090,810.39

We have adopted these total costs within our appraisal on a ‘subject to confirmation’ basis pending discussions with the Council.

SP have also referred to the provision of community space within the proposed Development for nil value return. In addition, SP refer to a commitment to provide £2,000,000 for the provision of a further off-site space in the form of a community hall. We would welcome confirmation from the Council as to whether this provision is a planning requirement and reserve our right to revisit this inclusion.

4.2.8 Developer's Return

SP have assumed a profit level of 25% on cost within their appraisal. This has been influenced by a requirement to achieve an Internal Rate of Return (“IRR”) of 20%. We consider this IRR requirement to be above current market expectations and therefore hold concerns over the influence this has had on the profit assumption. Ungrown and ungeared IRRs are typically between 12%-14%.

We have adopted a profit level of 20% on GDV for the private elements of the proposed Development.

Where applicable, we have assumed a profit of 6% on revenue for the affordable housing units. The reduced profit on affordable housing reflects the risk of delivery. The developer will contract with an RSL prior to commencement of construction and they are – in effect – acting as a contractor, with their risk limited to cost only. After contracting with the RSL, there is no sales risk. In contrast, the private housing construction will typically commence before any units are sold and sales risk is present well into the development period.

4.3 Project Timetable

SP have adopted the following timescales for development:

- Pre-construction period: 6 months;
- Construction period: 108 months;
- Sale (private units): 12 months starting after construction.

We have adopted the following timescales for development after comparing the proposed Development to schemes of similar size within the London Borough of Newham:

- Pre-construction: 6 months;
- Construction period: 72 months;
- Sale (private units): private sales are sold 50% at practical completion and the remaining 50% split equally over the next 12 months.
- Affordable housing is assumed to be sold to a registered provider (Golden Brick).

5 Appraisal Results

In this section, we consider the outputs of the appraisals and the implications for the provision of affordable housing at the proposed Development.

5.1 Viability Benchmark

The Site currently comprises a football stadium with associated space and car parking. SP have correctly identified the difficulties in assuming a Market Value on the assumption that the Site is to continue in its current use. The value of the stadium to each club would be driven by a forecast profit and loss account / going concern basis with each potential purchaser having significantly different forecasts in this regard.

SP have confirmed that the Applicant purchased the Site for circa £35,000,000 (in NPV terms), however Purchase Price should not be taken into account when establishing the viability of the proposed Development. Therefore, we have disregarded this assertion.

SP have assumed that the Market Value ("MV") of the Site would be based upon the ability to redevelop the Site. In accordance with the RICS Financial Viability in Planning, MV must have regard to development plan policies. SP have referred to 5 comparable Sites that they consider to be similar to the Application Site.

MV is typically based on transactions of other sites in an area, which are used as a proxy to indicate how much developers might pay for an application site. This pre-supposes that the other sites were transacted at an appropriate value and that the sites are comparable to the application site. There are considerable variations in the way developers arrive at their offer for sites and also variations between sites themselves. There is a significant risk that MV over-states the value of sites for the following reasons:

- Developers often build assumptions of growth in sales values into their appraisals, which provides a higher gross development value than would actually be achieved today. Our appraisals are based on current values, so relying upon prices paid for sites would result in an inconsistent comparison (i.e. current values against the developer's assumed future values). Using these transactions would produce unreliable and misleading results.
- There would be a need to determine whether the developer who built out the comparator sites actually achieved a profit at the equivalent level to the profit adopted in the viability testing. If the developer achieved a sub-optimal level of profit, then any benchmarking using these transactions would produce unreliable and misleading results.
- Development densities can vary considerably and this would impact upon site value. This may not be fully reflected in an analysis of MV.
- Transactions are often based on bids that 'take a view' on squeezing planning policy requirements below target levels. This results in prices paid being too high to allow for policy targets to be met. If these transactions are used to form a view of 'MV', the outcome would be unreliable and build in an inherent inability for sites to meet the Council's policy requirements.
- Historic transactions of housing sites were often based on the receipt of grant funding, which is no longer available. The value of the affordable housing is now considerably lower, which would normally result in a lower site value.
- There are various site specific circumstances that might result in a lower value on an application site. Unless the other sites relied upon for MV are similarly affected by these costs, they will over-state the value of the application site.

- Most recent changes in planning policy requirements are unlikely to be reflected in historic transactions (e.g. CIL, sustainability etc).

We have reviewed the business rates of a number of different stadiums and after due consideration have capitalised an appropriate rate to establish a capital value. We acknowledge that there is a high level of difficulty in establishing a value for a football stadium. Whilst we do not agree with the method undertaken by SP, we do not consider the value of £20,000,000 to be unreasonable in the current market and have adopted it as our viability benchmark in our assessment.

5.2 Appraisal Results

In our review of SP's assumptions we recommend the following amendments:

- Increase private residential values to reflect current market expectations;
- Increase ground rents to reflect current market expectations;
- Ground rent yield changed from 6% to 5%;
- Construction costs reduced upon advice from Allisters Ltd;
- Contingency allowance reduced from 5% to 4% of construction costs as advised by Allisters Ltd;
- Interest rate changed to 7% all-inclusive to reflect current market expectations; and
- Profit assumption to be 20% of GDV for the private units and 6% on revenue for the affordable housing units.

We have undertaken an appraisal of the proposed Development with the Applicant's offer of 6% affordable housing (all shared ownership units) generating a Residual Land Value ("RLV") of £3,131,325. This appraisal includes Mayoral and Borough CIL of £2,702,765. We have concluded that the proposed Development generates a deficit of £16,868,675 against the viability benchmark. This is in comparison to the deficit identified by the Applicant of £62,000,409.

5.2.1 Sensitivity Analysis - Growth

We have also undertaken an assessment of the proposed Development assuming varying levels of real growth for the residential units within the appraisal. The results can be found in the following table:

Scenario	RLV (£)	Viability Benchmark (£ million)	Surplus / deficit (£)
5% growth	£10.38	£20	-£9.62
10% growth	£17.55	£20	-£2.45
15% growth	£24.70	£20	£4.70

5.2.2 Sensitivity Analysis – Profit levels

At the request of the Council, we have undertaken a sensitivity analysis on the assumed profit levels within the appraisal. The affordable housing profit level will remain at 6% on revenue. The profit on the private element of the scheme is subject to the sensitivity test. It should be noted that the test is conducted without growth on the residential values:

Profit level (% of GDV)	RLV (£ million)	Viability Benchmark (£ million)	Surplus / deficit (£ million)
20%	£3.13	£20	-£16.87
18%	£6.96	£20	-£13.04
16%	£10.69	£20	-£9.31
15%	£12.54	£20	-£7.46
14%	£14.40	£20	-£5.6
13%	£16.24	£20	-£3.76
12%	£18.08	£20	-£1.92
11%	£19.93	£20	-£0.07
10%	£21.77	£20	£1.77

The Council have also requested that we undertake an appraisal assuming a profit level of 15% on cost. We have concluded that the proposed Development generates a RLV of £15,723,468 providing a deficit of £4,276,532 against the viability benchmark.

5.2.3 Sensitivity Analysis – combination of growth and profit

We have also undertaken an assessment of the proposed Development assuming varying combinations of growth and profit levels. We have summarised our findings in the following table:

Scenario	RLV (£ million)	Viability Benchmark (£ million)	Surplus / deficit (£ million)
5% growth and 18% profit on GDV	£14.29	£20	-£5.71
5% growth and 15% profit on GDV	£20.12	£20	£0.12
10% growth and 18% profit on GDV	£21.67	£20	£1.67
10% growth and 15% profit on GDV	£27.77	£20	£7.77

5.2.4 Sensitivity Analysis – 100% private housing

Upon request of the Council, we have also undertaken an appraisal of the proposed Development with 100% private housing. In this scenario, we have concluded that the proposed Development generates a RLV of £5,453,127. This generates a deficit of £14,546,873 against the viability benchmark.

6 Conclusion

SP have concluded in their assessment of the proposed Development that the scheme is unviable generating a deficit of £62,000,409 against the viability benchmark.

We have reviewed the assumptions proposed by SP and have recommended a number of alterations that have been stated in paragraph 5.2. We have concluded that the proposed Development is unviable against the viability benchmark generating a deficit of £16,868,675. This is a difference of £45,131,734 in comparison to the Applicant's submission.

However, with a reduced profit level of 18% on GDV for the private element whilst maintaining the 6% on revenue for the affordable housing in addition to a 10% growth in residential values, the proposed Development generates a surplus of £1,670,000.

Due to the lack of new build properties in the area surrounding the proposed Development, we recommend the Council request a review mechanism for the scheme.

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Appendix 1 - Allisters Ltd Construction Cost Review

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Upton Park

Cost Appraisal

for the

London Borough of Newham

by

Allisters Ltd

- April 2015 -

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1 – Upton Park – Appraisal Cost Summary

GIFA 83,949m ²		Rider Leventt Bucknall		BCIS					
Units: 838	GIFA m ²	Rate m ² (£)	Cost £	GIFA m ²	Allisters Limited	GIFA m ²	Rate m ² (£)	Cost £	
Residential									
Block A	476	1,383	658,305	476	1,400	665,400	476	637,284	
Block B	3,910	1,516	5,929,128	3,910	1,500	5,865,000	3,910	6,877,690	
Block C	18,745	1,696	31,782,483	18,745	1,650	30,929,250	18,745	32,972,455	
Block D	6,309	1,617	10,200,186	6,309	1,650	10,403,850	6,309	11,097,531	
Block E	544	1,740	946,339	544	1,650	897,600	544	956,896	
Block F	13,990	1,642	22,970,511	13,990	1,650	23,083,500	13,990	24,606,410	
Block G	7,886	1,708	13,435,366	7,886	1,650	12,978,900	7,886	13,636,294	
Block H, I & J	8,670	1,432	12,419,357	8,670	1,500	13,005,000	8,670	15,250,530	
Block K	2,985	1,465	4,373,336	2,985	1,550	4,626,750	2,985	5,250,615	
Block L	8,925	1,562	16,617,177	8,925	1,700	15,172,500	8,925	15,694,075	
Block M	10,295	1,825	18,785,549	10,295	1,700	17,501,500	10,285	18,106,805	
Block N	1,234	1,905	2,350,670	1,234	1,750	2,159,500	1,234	2,170,608	
Sub-total	83,949	1,673	140,468,405	83,949	1,635	137,295,750	83,949	147,668,291	
Basement Car Park		11,875	911	10,512,385	11,875	850	10,093,750	11,875	9,262,500
Sub-total		95,824	1,579	151,280,790	95,824	1,538	147,389,500	95,824	156,928,791
Preliminaries	16.00%			24,204,926	14.00%		20,634,530	included	
O&P	4.00%			175,485,716	1,753	168,024,030	1,638	156,928,791	
Contingency	5.00%			7,019,429	4.00%		6,720,961	included	
Affordable Units Adjustment				102,505,145	1,824	174,744,891	1,638	156,928,791	
Construction Cost Total				9,125,257	4.00%		6,989,800	Excluded	
External Works				191,630,402	1,697	181,734,791	1,638	156,928,791	
Total Built Budget, say				-2,201,576		-2,562,500			
				169,428,826	1,870	178,172,291	1,638	156,928,791	
				5,037,897		-	5,037,897		
						5,037,897			
							184,220,000		
								161,970,000	

2 – Report Commentary / Conclusion

- 1** Upton Park/Boleyn Ground is to be redeveloped to allow for a scheme offering 12nr residential apartments (838 units) blocks varying in height from 3 storey to 12 storey offering a total GIFA of 83,949m² (exc. Basement Car Parking)
- 2** Rider Levett Bucknall (RLB) give a total construction cost of £194,470,000 including preliminaries and design contingency. Using the same basis of cost calculation (as shown within the Appraisal Cost Summary) Allisters give an expected construction cost of £184,220,000. A further analysis was carried out using BCIS data, giving an expected construction cost of £161,970,000 excluding contingencies.
- 3** The cost difference between RLB and Allisters is circa. £10,000,000 (5%) which comprises circa. £3.2M within build rates, £0.7M within Parking, £3.7M within prelims, £2.1M within contingency and £0.3M other.
- 4** RLB schedule of areas gives an GIFA of £86,148m² which allows 2,200m² for basement. However, the Summary of cost breakdown gives a basement car park cost based on 11,879m².
- 5** Allisters are unable to verify costs regarding external works due to the lack of suggestive design and/or breakdown. Value engineering an allowance of £6,012 per unit by say £1,000 per unit would give a reduced cost of £838,000.00
- 6** Allisters have used build rates which are comparable to similar residential developments appraised by Allisters for Newham, crossed referenced to actual build costs as the developments have been completed. To date, Allisters have appraised circa £720M of development for Newham with circa £280M of construction complete.

3 – BCIS Graph of Comparables

Analyses summary

• Based to Greater London

Graphs

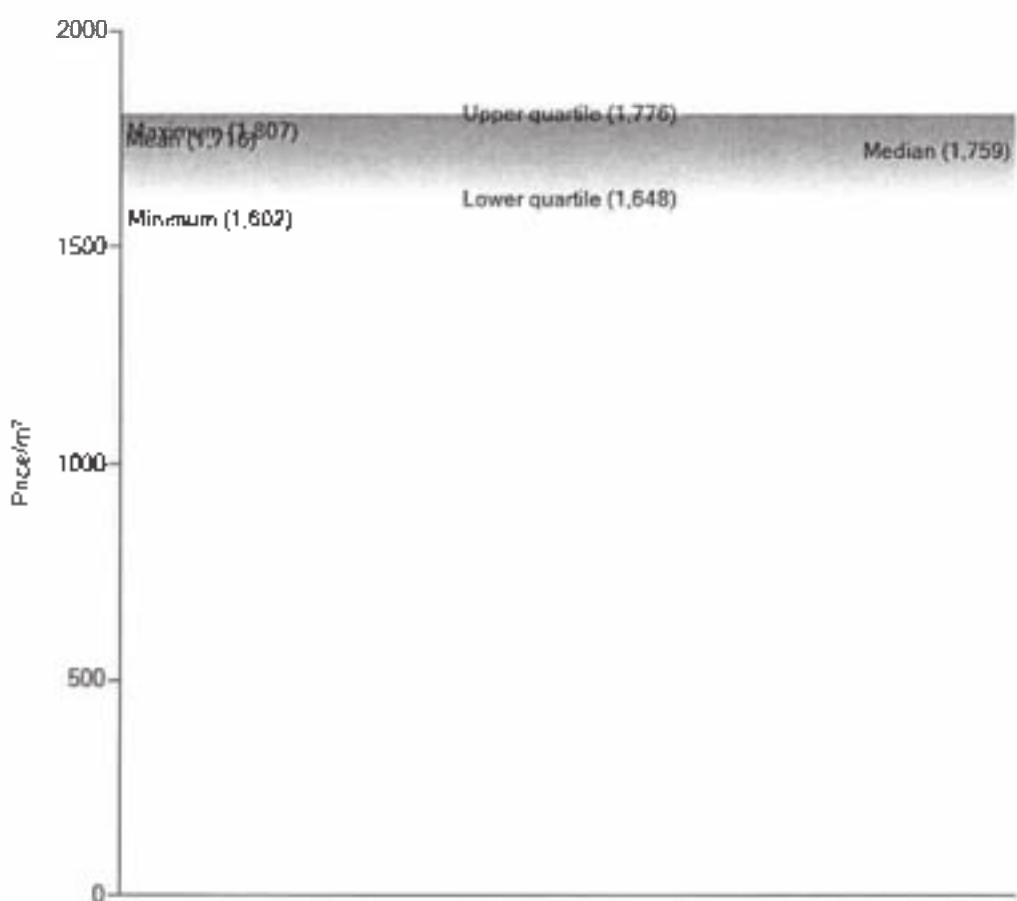
Rate per m² gross internal floor area for the building cost including prelims

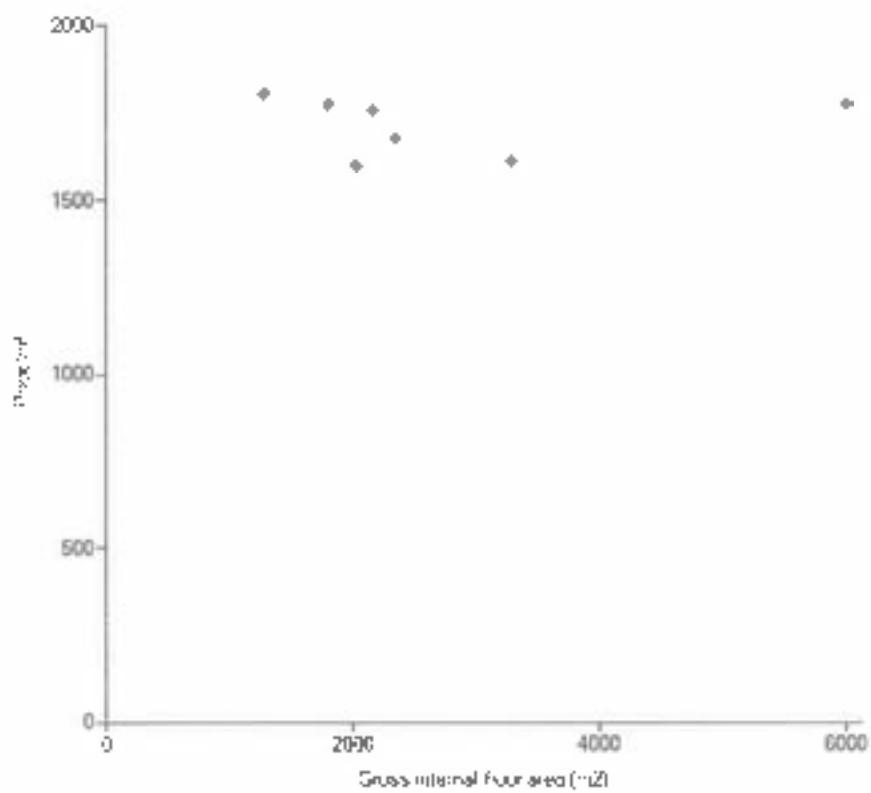
Sample: 7

Mean: 1,719

Standard deviation: 83

	Min	1	2	3	4	5	6	7	8	9	Max
Range	1,602										1,807
Deciles										1,758	
Quartiles				1,648						1,776	
Median						1,759					





4 – BCIS Summary of Comparables

Analyses

Results

Rebased to Greater London - Ed1

Show 50 results per page

Sort by Date of tender

Show only:

Cost/m ²	Analysis type
£/m ²	<input checked="" type="checkbox"/> All
From 1400	<input type="checkbox"/> Total building cost
To	<input type="checkbox"/> Group
0m ²	<input type="checkbox"/> Elemental
	<input type="checkbox"/> With drawings
	<input type="checkbox"/> With element quantities

- Analysis type All
- Total building cost
- Group
- Elemental
- With drawings
- With element quantities

- Display options
- Spread preliminaries
 - Display as SFCA version
 - As submitted

Show advanced options

[Change building specification](#)



Showing page 1 of 1
19 results found

Selected 0

[7 Houses and 33 Flats, Portobello Riverside - 40 Flats](#)

#31284

Date: 15-Aug-2014 Building cost: Cost/m²: Floor area:
£2,953,639 rebased £1,464 rebased 3,322m²

Benchmark

[17 Flats, Leytonstone High Road](#)

#31236

New build
Location: Leytonstone, London E11
Date: 01-Dec-2013
Building cost: £2,976,007 rebased
Cost/m²: £1,466 rebased
Floor area: 2,031m²
Storeys: 5

[28 Flats, Kingfisher Drive](#)

#30116

New build
Location: Smith's Wood, Birmingham, West Midlands
Date: 29-Nov-2013
Building cost: £2,243,636 rebased
Cost/m²: £1,416 rebased
Floor area: 1,585m²
Storeys: 3

[50 Flats for People Over 55, Lyon Street](#)

#31187

New build
Location: Barnsbury, London, N1
Date: 25-Jun-2013
Building cost: £2,093,204 rebased
Cost/m²: £1,605 rebased
Floor area: 1,453m²
Storeys: 4

[3 Houses and 30 Flats, Underwood Road](#)

#31238

New build
Location: Spitalfields, London E1
Date: 01-Mar-2013

Building cost: £4,764,257 rebased

Cost/m²: £1,448 rebased

Floor area: 3,280m²

Storeys: 5

[Redevelopment Pier Street, E14 - 29 Flats](#)

[View details](#)

[View map](#)



[Get price](#)

New build

Location: Cubitt Town, Isle of Dogs, London E14

Date: 08 Oct 2012

Building cost: £3,262,602 rebased

Cost/m²: £1,010 rebased

Floor area: 2,161m²

Storeys: 7

[Redevelopment Pier Street, E14 - 27 Flats](#)

[View details](#)

[View map](#)



[Get price](#)

New build

Location: Cubitt Town, Isle of Dogs, London E14

Date: 08 Oct 2012

Building cost: £3,377,585 rebased

Cost/m²: £1,442 rebased

Floor area: 2,343m²

Storeys: 7

[13 Flats - John Fisher Street](#)

[View details](#)

[View map](#)



[Get price](#)

New build

Location: Whitechapel, London

Date: 01 Mar 2012

Building cost: £1,910,544 rebased

Cost/m²: £1,428 rebased

Floor area: 1,284m²

Storeys: 5

[27 Flats, 31 Three Colts Lane](#)

[View details](#)

[View map](#)



[Get price](#)

New build

Location: Brixton, London

Date: 15 Jan 2012

Building cost: £9,094,723 rebased

Cost/m²: £1,017 rebased

Floor area: 5,995m²

Storeys: 7

5 – Basis

- 1 Strutt and Parker Viability Report Dated November 2014
- 2 Rider Levett Bucknall Preliminary Cost Model Nr 02 Dated December 2014

Appendix 2 - Residential Comparable Evidence

DRAFT



Residential Comparable Evidence

**West Ham Football Club Stadium, Boleyn Ground, Green Street,
Upton Park, E13 9AZ**

Prepared for

London Borough of Newham

May 2015





Contents

- 1 Residential Comparable Evidence - Stratford
- 2 Residential Comparable Evidence – Canning Town
- 3 Residential Comparable Evidence – Royal Wharf



1 Residential Comparable Evidence - Stratford

1.1 New Build Developments

Stratosphere (Broadway Chambers / Central House)

Demolition of existing building and erection of two buildings 35+ storeys and 10+ storeys to provide 342 residential units and mixed-led development.

Plot Ref	Floor	Bed	Sq ft	Most Recent Price (£)	£PSF	Date of Price
174	21	2	780	£550,000	£705	Dec 2014
187	22	2	782	£577,500	£738	Dec 2014
190	23	2	780	£560,000	£718	Dec 2014
191	23	2	780	£560,000	£718	Dec 2014
195	23	2	782	£582,500	£745	Dec 2014
198	24	2	792	£565,000	£713	Dec 2014
199	24	2	792	£565,000	£713	Dec 2014
206	25	2	792	£570,000	£720	Dec 2014
207	25	2	792	£570,000	£720	Dec 2014
215	26	2	792	£575,000	£726	Dec 2014
222	27	2	792	£580,000	£732	Dec 2014
223	27	2	792	£580,000	£732	Dec 2014
230	28	2	792	£585,000	£739	Dec 2014
231	28	2	792	£585,000	£739	Dec 2014
238	29	2	792	£590,000	£745	Dec 2014
239	29	2	792	£590,000	£745	Dec 2014

Stratford Riverside (Stratford Edge)

Development to provide a 27 storey tower comprising 202 residential units

Plot Ref	Floor	Bed	Sq ft	Most Recent Price (£)	£PSF	Date of Price
003	G	3	1283	£650,000	£507	Mar 2014
004	G	2	844	£435,000	£515	Mar 2014
006	2	2	753	£375,000	£498	Mar 2014
011	2	2	753	£395,000	£525	Mar 2014
032	5	1	595	£302,500	£508	Mar 2014
033	5	2	753	£390,000	£518	Mar 2014
038	5	2	753	£410,000	£544	Mar 2014
041	6	1	595	£305,000	£513	Mar 2014
042	6	2	753	£395,000	£525	Mar 2014
047	6	2	753	£415,000	£551	Mar 2014
059	8	2	753	£425,000	£564	Mar 2014
098	15	2	797	£425,000	£533	Mar 2014
101	15	2	753	£445,000	£591	Mar 2014
102	15	1	552	£307,500	£557	Mar 2014
103	15	1	547	£302,500	£553	Mar 2014
116	18	2	797	£425,000	£533	Mar 2014
132	21	2	797	£440,000	£552	Mar 2014
133	21	2	764	£465,000	£609	Mar 2014



Capital Towers

Development comprising 15 and 35 storey buildings to provide 795 square metres of commercial floor space and 191 residential units.

Plot Ref	Floor	Bed	Sq ft	Most Recent Price (£)	£PSF	Date of Price
0401	4	2	759	£400,000	£527	Dec 2014
0402	4	2	759	£400,000	£527	Dec 2014
2501	25	2	753	£449,000	£596	Dec 2014
2702	27	3	818	£492,000	£601	Jun 2014
2802	28	3	818	£497,000	£608	Jun 2014
2902	29	3	818	£504,000	£616	Jun 2014

Stratford City – Stratford Central

Planning permission for the erection of a building of up to 33 storeys to provide 181 residential units.

Plot Ref	Floor	Bed	Sq ft	Most Recent Price (£)	£PSF	Date of Price
025	5	2	863	£515,000	£597	Mar 2014
026	5	2	921	£540,000	£586	Mar 2014
027	5	1	541	£335,000	£619	Mar 2014
028	5	2	769	£455,000	£592	Mar 2014
029	5	2	893	£515,000	£577	Mar 2014
030	5	1	539	£335,000	£622	Mar 2014
037	7	2	863	£525,000	£608	Mar 2014
038	7	2	921	£550,000	£597	Mar 2014
039	7	1	541	£340,000	£628	Mar 2014

040	7	1	659	£402,500	£611	Mar 2014
041	7	3	1039	£602,500	£580	Mar 2014
042	7	1	539	£340,000	£631	Mar 2014
049	9	3	933	£610,000	£654	Mar 2014
050	9	3	952	£620,000	£651	Mar 2014
051	9	3	929	£600,000	£646	Mar 2014
052	9	3	999	£630,000	£631	Mar 2014
056	10	Studio	498	£330,000	£663	Mar 2014
057	10	Studio	491	£327,500	£667	Mar 2014
075	13	2	905	£565,000	£624	Mar 2014
076	13	2	921	£580,000	£630	Mar 2014
077	13	1	541	£355,000	£656	Mar 2014
078	13	2	769	£495,000	£644	Mar 2014
079	13	2	893	£555,000	£622	Mar 2014
080	13	1	539	£355,000	£659	Mar 2014
090	15	1	659	£422,500	£641	Mar 2014
091	15	3	1039	£622,500	£638	Mar 2014
092	15	1	539	£360,000	£668	Mar 2014
100	17	2	921	£605,000	£657	Mar 2014
101	17	1	541	£365,000	£675	Mar 2014
102	17	1	659	£427,500	£649	Mar 2014
103	17	3	1039	£677,500	£652	Mar 2014
104	17	1	539	£365,000	£677	Mar 2014
107	18	3	929	£750,000	£807	Jun 2014
125	21	2	905	£605,000	£669	Mar 2014



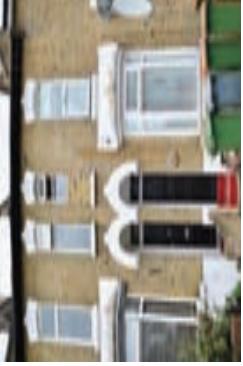
126	21	2	921	£625,000	£679	Mar 2014
127	21	1	541	£375,000	£693	Mar 2014

Stratford City – International Quarter – Glasshouse Gardens

Plot Ref	Floor	Beds	Sq ft	Most Recent Price (£)	£ PSF	Date of Price
S07 00.02	G	2	829	£590,000	£712	Dec 2014
S07 19.02	19	2	786	£560,000	£712	Sept 2014
S07 19.03	19	2	710	£520,000	£732	Sept 2014
S07 19.04	19	1	549	£450,000	£820	Sept 2014
S07 19.05	19	1	460	£455,000	£989	Sept 2014
S07 19.06	19	2	797	£590,000	£740	Sept 2014
S07 19.08	19	1	538	£445,000	£827	Sept 2014
S08 06.02	6	2	850	£620,000	£729	Mar 2015
S08 07.02	7	2	850	£625,000	£735	Mar 2015
S08 12.02	12	2	850	£650,000	£765	Mar 2015
S08 13.02	13	2	850	£655,000	£771	Mar 2015
S08 14.02	14	2	850	£660,000	£776	Mar 2015
S08 15.01	15	2	840	£650,000	£774	Sept 2014
S08 15.03	15	2	797	£575,000	£721	Sept 2014
S08 15.04	15	2	840	£597,500	£711	Sept 2014
S08 15.05	15	3	1023	£760,000	£743	Mar 2015
S08 16.02	16	3	1141	£860,000	£754	Jun 2014
S08 16.05	16	3	1023	£775,000	£758	Mar 2015



1.2 Second Hand Property Comparable Evidence

Address	Bed	Sq ft	Achieved Price (£)	£PSF	Date	Image
9 West Road E15 3PX	1	527	£250,000	£474	22 Jan 15	
58 Windmill Lane, E15 1PH	3	893	£294,995	£330	09 Jan 15	
110 Romford Road, Manor Park E15 4EH	3	980	£375,000	£382	09 Jan 15	
Flat 3, 24 Grove Crescent Road E15 1AG	2	797	£360,000	£452	05 Jan 15	



	22 Manbey Park Road E15 1EY	3	902	£365,000	£405	22 Dec 2014	
	Flat 4 Edge Apartments, 1 Lett Road, E15 2HP	1	495	£235,000	£475	23 May 14	
	Flat 1, Edge Apartments, 1 Lett Road E15 2HP	1	581	£270,000	£465	26 Mar 14	
	12 Victoria Mills Studios, 10 Burford Road E15 2SW	2	1011	£335,000	£331	20 Aug 2014	
	72 Burford Wharf Apartments	2	915	£221,000	£242	10 Dec 2014	
	68 Burford Wharf Apartments	2	818	£120,000	£147	30 Oct 14	
	63 Burford Wharf Apartments	2	829	£114,000	£137	01 Aug 2014	



	33 Hallings Wharf Studios, 1 Channelsea Road E15 2SX	2	807	£295,000	£363	12 Dec 2014
	51 Hallings Wharf Studios, 1 Channelsea Road E15 2SX	2	850	£335,000	£394	
	21 Hallings Wharf Studios, 1 Channelsea Road E15 2SX	2	743	£285,000	£383	11 Jun 2014
	20 Hallings Wharf Studios, 1 Channelsea Road E15 2SX	2	872	£270,000	£309	30 May 2014
	21 Kerrison Road E15 2TH	2	517	£295,000		
	8 Saturn House, 1a Wise Road E15 2TG	2	721	£275,000	£381	24 Jun 2014
	7 Saturn House		517	£260,000	£503	18 Jun 2014

2 Residential Comparable Evidence – Canning Town

2.1 New Build Developments

Rathbone Market – Phase 2 - Aurelia

Plot Ref:	Floor	Bed	Sq Ft	Most Recent Price (£)	£PSF	Date
F.01.05	1	1	539	£285,000	£524	Mar 14
F.01.07	1	1	544	£275,000	£506	Mar 14
F.05.07	5	1	544	£285,000	£524	Mar 14
F.06.05	6	1	539	£290,000	£538	Mar 14
F.07.04	7	1	539	£290,000	£538	Mar 14
F01.01	1	2	764	£355,000	£465	Mar 14
F01.02	1	2	641	£340,000	£530	Mar 14
F01.08	1	2	976	£460,000	£471	Mar 14
F02.01	2	2	764	£360,000	£471	Mar 14
F03.01	2	2	764	£365,000	£478	Mar 14
F03.06	3	2	757	£365,000	£482	Mar 14
F05.01	5	2	764	£375,000	£491	Jun 14
F06.01	6	2	764	£380,000	£497	Jun 14
F07.06	7	2	757	£395,000	£522	Jun 14
F08.01	8	2	816	£430,000	£527	Jun 14
F08.02	8	2	783	£425,000	£543	Sept 14
F08.06	8	2	757	£400,000	£528	Sept 14
F09.01	9	2	816	£425,000	£521	Mar 14
F09.02	9	2	783	£425,000	£543	Sept 14



F09.06	9	2	757	£405,000	£535	Sept 14
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Royal Gateway

Plot Ref	Floor	Bed	Sq ft	Most Recent Price (£)	£PSF	Date of Price
Custom Tower 2-1001	10	2	904	£600,000	£664	Dec 2014
Custom Tower 2 - 1004	10	2	904	£600,000	£664	Dec 2014
Custom Tower 2 - 1005	10	2	904	£600,000	£664	Dec 2014
Prince Square 5-0103	1	3	1023	£530,000	£518	Dec 2014
Prince Square 5-0203	2	3	1023	£535,000	£523	Dec 2014
Prince Square 5-0204	2	3	1023	£535,000	£523	Dec 2014
Prince Square 5-0303	3	3	1023	£540,000	£528	Dec 2014
Prince Square 5-0403	4	3	1023	£545,000	£533	Dec 2014
Silver Tower 1-0204	2	2	754	£430,000	£570	Mar 2014
Silver Tower 1-0307	3	1	538	£292,500	£544	Mar 2014
Silver Tower 1-0310	3	2	807	£460,000	£570	Dec 2014
Silver Tower 1-0407	4	1	538	£297,500	£553	Mar 2014
Silver Tower 1-0411	4	1	538	£297,500	£553	Mar 2014
Silver Tower 1-0508	5	1	538	£299,750	£557	Mar 2014
Silver Tower 1-0510	5	2	807	£470,000	£582	Dec 2014
Silver Tower 1-0703	7	1	549	£312,500	£569	Mar 2014
Silver Tower 1-0709	7	2	797	£470,000	£590	Dec 2014
Silver Tower 1-0711	7	1	538	£315,000	£586	Mar 2014
Silver Tower 1-0803	8	1	549	£317,500	£578	Mar 2014
Silver Tower 1-0804	8	2	754	£500,000	£663	Dec 2014
Silver Tower 1-0908	9	1	538	£317,500	£590	Mar 2014



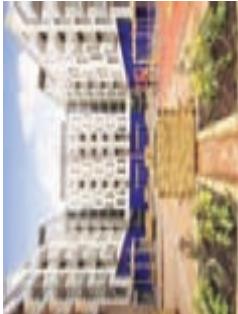
Silver Tower 1-1104	11	2	754	£550,000	£729	Dec 2014
Silver Tower 1-0508	5	1	538	£299,750	£557	Mar 2014
Silver Tower 0703	7	1	549	£312,500	£568	Mar 2014
Silver Tower - 0510	5	2	807	£470,000	£582	Dec 2014
1-0709	7	2	797	£470,000	£590	Dec 2014
1-07011	7	1	538	£315,000	£586	Mar 2014
1-0803	8	1	549	£317,500	£578	Mar 2014
1-0804	8	2	754	£500,000	£663	Dec 2014
Thames Tower 4-0204	2	2	754	£435,000	£577	Mar 2014
Thames Tower 4-0206	2	2	754	£435,000	£577	Mar 2014
Thames Tower 4-0208	2	2	786	£435,000	£553	Dec 2014
Thames Tower 4-0301	3	1	560	£292,500	£522	Mar 2014
Thames Tower 4-0304	3	2	754	£440,000	£584	Mar 2014
Thames Tower 4-0406	4	2	754	£445,000	£590	Mar 2014
Thames Tower 4-0408	4	2	786	£420,000	£534	Mar 2014
Thames Tower 4-0502	5	1	549	£300,000	£546	Mar 2014
Thames Tower 4-0508	5	2	786	£425,000	£541	Mar 2014
Thames Tower 4-0602	6	1	549	£305,000	£556	Mar 2014
Thames Tower 4-0606	6	2	754	£455,000	£603	Mar 2014
Thames Tower 4-0702	7	1	549	£310,000	£565	Mar 2014
Thames Tower 4-0708	7	2	786	£435,000	£553	Mar 2014
4-0803	8	1	549	£320,000	£583	Mar 2014
4-0808	8	2	786	£440,000	£560	Mar 2014
4-0902	9	1	549	£320,000	£583	Mar 2014
4-0904	9	2	754	£477,500	£633	Mar 2014

4-1008	10	2	786	£450,000	£573	Mar 2014
4-1101	11	2	1174	£650,000	£554	Mar 2014
4-1203	12	1	570	£340,000	£596	Mar 2014
4-1204	12	2	786	£460,000	£585	Mar 2014
4-1301	13	3	1227	£799,000	£651	Mar 2014
4-1302	13	2	904	£655,000	£725	Mar 2014



2.2 Second Hand Property Evidence

Address	Bed	Sq ft	Achieved Price (£)	£PSF	Date	Image
The Grainstore, 4 Western Gateway E16 1BA	2	958	£450,000	£470	23 Jan 2015	
Flat 204, Mercury House, 2 Jude Street E16 1FF	2	721	£345,000	£478	21 Jan 2015	
Flat 42, The Oxygen, 17 Seagull Lane, E16 1BH	2	657	£134,000	£204	09 Jan 2015	
Flat 36, Oceanis Apartments, 19 Seagull Lane, E16 1BY	2	635	£136,000	£214	19 Dec 2014	

	M03, New Century House, 8 Jude Street, E16 1FG	2	689	£250,000	£363	17 Dec 2014	
	88 Martindale Avenue E16 3AB	3	721	£249,999	£347	26 Nov 14	
	Flat 10, Ross Apartments, 23 Seagull Lane, E16 1DE	1	700	£347,000	£495	21 Nov 2014	
	10 Briary Court, Turner Street, E16 1AN	2	614	£285,000	£464	20 Nov 14	



	Flat 28, The Sphere, 1 Hallsville Road E16 1BE	2	796	£370,000	£464	07 Nov 14
	12 Briary Court, Turner Street, E16 1AN	1	538	£260,000	£483	03 Oct 2014
	Flat 44, McCabe Court, 99 Barking Road, E16 4HE	2	764	£280,000	£366	29 Sept 2014
	15 Beaconsfield Road E16 4HS	3	829	£255,000	£308	31 Jul 2014
	Flat 53 Rowland Court, Beaconsfield Road, E16 4HY	1	527	£121,000	£229	17 Jul 2014



3 Residential Comparable Evidence – Royal Wharf

3.1 New Build Developments

Waterside Park – Kingfisher Heights

A mixed use development comprising 193 residential dwellings with retail / commercial units.

Plot Ref	Floor	Bed	Sq ft	Most Recent Price (£)	£PSF	Date of Price
001	Ground	2	1057	£555,000	£525	Dec 2014
002	Ground	2	725	£447,000	£617	Dec 2014
005	Ground	2	786	£467,000	£594	Dec 2014
009	Ground	2	693	£437,000	£631	Dec 2014
011	Ground	2	773	£452,000	£585	Dec 2014
012	Ground	2	725	£450,000	£621	Dec 2014
094	Ground	1	489	£320,000	£654	Dec 2014
099	Ground	1	489	£320,000	£654	Dec 2014
100	Ground	1	555	£328,000	£591	Dec 2014
102	Ground	1	489	£323,000	£661	Dec 2014
103	Ground	1	489	£323,000	£661	Dec 2014
104	Ground	1	476	£323,000	£679	Dec 2014
147	1	2	737	£452,000	£613	Dec 2014
149	G	2	755	£420,000	£556	Sept 2014
150	2	2	758	£423,000	£558	Sept 2014
152	2	2	656	£405,000	£617	Sept 2014
164	3	2	656	£415,000	£633	Sept 2014
170	4	2	758	£429,000	£566	Sept 2014



172	4	2	656	£418,000	£637	Sept 2014
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Royal Wharf (Minoco Wharf)

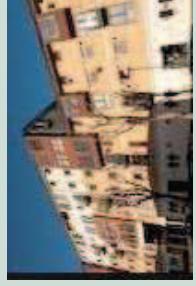
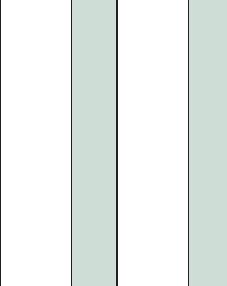
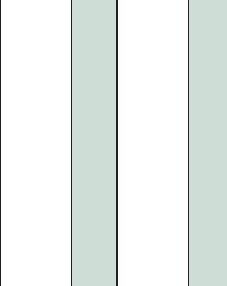
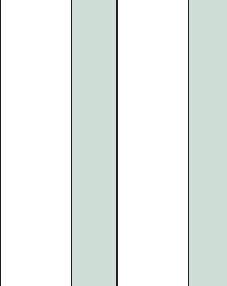
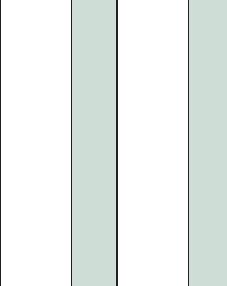
Plot Ref	Floor	Bed	Sq ft	Most Recent Price (£)	£PSF	Date of Price
09B.04.12	4	1	573	£372,500	£650	Dec 2014
09B.06.10	6	2	791	£510,000	£645	Dec 2014
09C.04.16	4	1	661	£440,000	£666	Dec 2014
09D.04.27	4	2	758	£480,000	£633	Dec 2014
11A.02.03	2	1	596	£420,000	£705	Dec 2014
11A.02.05	2	3	1041	£655,000	£629	Dec 2014
11A.04.06	4	3	1038	£630,000	£607	Dec 2014
11B.07.12	7	2	811	£560,000	£691	Dec 2014
11C.07.18	7	1	570	£395,000	£693	Dec 2014
12.02.01	2	1	659	£422,500	£641	Dec 2014
12.03.02	3	2	795	£600,000	£755	Dec 2014
12.12.05	12	3	1055	£845,000	£801	Dec 2014
15B.02.09	2	2	869	£580,000	£667	Dec 2014
15B.06.10	6	1	560	£435,000	£777	Dec 2014
15B.09.03	9	2	842	£610,000	£724	Dec 2014
15B.11.02	11	2	832	£600,000	£721	Dec 2014
16C.05.01	5	3	1059	£750,000	£708	Dec 2014
15B.11.07	11	3	1144	£905,000	£791	Dec 2014

3.2 Second Hand Property Evidence

Address	Bed	Sq ft	Achieved Price (£)	£PSF	Date	Image
37 Barrier Point Road E16 2SB	2	775	£335,000	£432	14 March 14	
98 Barrier Point Road	2	657	£295,000	£449	11 Aug 2014	
114 Barrier Point Road	2	732	£340,000	£464	08 Aug 14	
95 Barrier Point Road	2	743	£315,000	£424	07 Jul 14	
169 Barrier Point Road	2	980	£345,000	£352	12 Sept 2014	
126 Barrier Point Road	2	775	£365,000	£471	29 Aug	

195 Barrier Point Road	3	915	£467,000	£510	08 Aug 2014
10 Boxley Street E16 2AN	1	581	£205,000	£353	24 Oct 14
Flat 7 Malcolm Sargeant House, 117 Evelyn Road E16 1UU	1	581	£315,000	£542	15 Oct 2014
Jane Austen Hall, 21 Wesley Avenue, E16 1UL	2	678	£325,000	£479	12 Jan 14
Drake Hall, 14 Wesley Avenue E16 1TG	2	570	£332,100	£582	12 Sept 14
Drake Hall	1	581	£279,995	£481	21 March 14



	Flat 9 Caernarvon House, 8 Audley Drive E16 1TP	2	624	£320,000	£513	29 Jul 14
	Flat 20, Windsor Hall, 13 Wesley Avenue E16 1SZ	1	700	£349,995	£500	03 Oct 14
	Flat 29 Windsor Hall	1	614	£330,000	£537	11 Apr 2014
	4 Blenheim House, 11 Constable Avenue E16 1TZ	1	473	£320,000	£677	19 Sept 2014
	Flat 3 Magdalen House, 8 Keats Avenue E16 1TW	1	560	£337,500	£603	11 Nov 14
	2 Keats Avenue E16 1TW	3	1464	£472,500	£323	11 Jul 14
	Victoria Hall, 7 Wesley Avenue E16 1SR	1	635	£265,000	£417	11 Mar 14
	Bowes Lyon Hall, 1 Wesley Avenue	1	420	£290,000	£690	21 Oct 14

Appendix 3 - Argus Appraisal 6% affordable housing

DRAFT

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Development Appraisal

West Ham Football Stadium

Boleyn Ground

Report Date: 12 May 2015

Prepared by BNPPRE

APPRAISAL SUMMARY

West Ham Football Stadium
Boleyn Ground

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Summary Appraisal for Phase 1

Currency in £

REVENUE		Units	ft ²	Rate ft ²	Gross Sales
Sales Valuation					
Phase 1 Private Residential		1	224,180	440.00	98,639,200
Phase 1 Intermediate affordable		1	13,294	272.00	3,615,968
Phase 2 Private Residential		1	224,180	462.00	103,571,160
Phase 2 Intermediate Affordable		1	13,294	272.00	3,615,968
Phase 3 Private Residential		1	224,180	484.00	108,503,120
Phase 3 Intermediate Affordable		1	13,294	272.00	3,615,968
Car Parking Spaces		<u>332</u>	<u>0</u>	0.00	15,000
Totals		338	712,422		326,541,384

Rental Area Summary

	Units	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground Rents - one bedroom apartments	297	200	59,400	59,400
Ground Rents - two bedroom apartments	273	250	68,250	68,250
Ground Rents - three bedroom apartments	226	300	67,800	67,800
Ground Rents - four bedroom apartments	<u>42</u>	350	<u>14,700</u>	<u>14,700</u>
Totals	838		210,150	

Investment Valuation

Ground Rents - one bedroom apartments

Current Rent	59,400	YP @	5.0000%	20,0000
Ground Rents - two bedroom apartments				1,188,000

Current Rent	68,250	YP @	5.0000%	20,0000
Ground Rents - three bedroom apartments				1,365,000

Current Rent	67,800	YP @	5.0000%	20,0000
Ground Rents - four bedroom apartments				1,356,000

Current Rent	14,700	YP @	5.0000%	20,0000
GROSS DEVELOPMENT VALUE				330,744,384

Purchaser's Costs	5.80%	(243,774)	(243,774)	
NET DEVELOPMENT VALUE				330,500,610

Income from Tenants

Ground Rents - one bedroom apartments	54,450
Ground Rents - two bedroom apartments	62,563

APPRAISAL SUMMARY

West Ham Football Stadium

Boleyn Ground

Ground Rents - three bedroom apartments
Ground Rents - four bedroom apartments

62,150
13,475
192,638

NET REALISATION

OUTLAY

ACQUISITION COSTS

Residualised Price
Stamp Duty
Agent Fee
Legal Fee

4.00%
1.00%
0.50%

3,131,325
125,253
31,313
15,657

3,303,548

CONSTRUCTION COSTS

Borough and Mayoral CIL

Other Construction
Construction Costs

184,220,000

PROFESSIONAL FEES

Professional Fees
10.00%
18,422,000

MARKETING & LETTING

Marketing
Letting Agent Fee
Letting Legal Fee

1.75%
15.00%
10.00%

5,598,188
31,523
21,015

5,650,726

DISPOSAL FEES

Sales Agent Fee
Sales Legal Fee

1.75%
1.75%

5,783,761
1,250,000

7,033,761

Additional Costs

Profit on Affordable
Profit on Private

6.00%
20.00%

650,874
63,979,296

64,630,170

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)
Land
Construction
Other
Total Finance Cost

1,623,928
41,106,934
1,999,416
44,730,278

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APPRAISAL SUMMARY

LICENSED COPY

West Ham Football Stadium
Boleyn Ground
TOTAL COSTS

330,693,248

PROFIT

0

Performance Measures

Profit on Cost%

Profit on GDV%

Profit on NDV%

Development Yield% (on Rent)

Equivalent Yield% (Nominal)

Equivalent Yield% (True)

IRR

7.07%

Rent Cover
Profit Erosion (finance rate 7.0000%)

0 yrs 0 mths
N/A

Appendix 2.6: Offer Letter 15 October 2015

15th October 2015



Deirdra Armsby
Head of Planning and Regeneration
London Borough of Newham
Newham Dockside
1000 Dockside Road
London
E16 2QU

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Without Prejudice Basis

Dear Ms Armsby,

West Ham Football Stadium, Boleyn Ground, Green Street, Upton Park, London Planning Application Ref: 14/02893/FUL

Further to our letter dated 13th October 2015 and subsequent discussions with Mr Nugent, as agreed, we write to outline an updated affordable housing offer. The offer has been discussed, and agreed, with Mr Nugent, as in his view it represents the maximum reasonable amount of affordable housing that the project can viably deliver. The applicants' view on viability has already been set out in our previous submissions so we do not repeat our position in this letter; however, we do reiterate that the updated offer is generous and will deliver significant planning benefits.

It is understood that the agreed offer (set out below) will enable Officers to report the application to Strategic Development Committee (SDC) with a recommendation that planning permission is granted, subject to further discussions between the applicant and Officers about the s106 Heads of Terms and draft planning conditions. Work will also need to commence on the drafting of the s106 agreement so that the application can be promptly referred to the GLA following a SDC resolution (whatever that may be).

The updated affordable housing offer is set out below.

Affordable Housing Offer

- Onsite provision of 25% affordable housing, equating to 209 units;



- 60% of the affordable housing to be provided in the affordable rent tenure, and 40% in the shared ownership tenure, with the following mix proposed:

	1 Bed Flat	2 Bed Flat	3 Bed Flat	Total
Intermediate	40	30	14	84
Affordable Rent	53	34	38	125
Total	93	64	52	209

- The affordable rents to be provided up to a maximum of 70% of market rent for the 1 and 2 bed units, and up to a maximum of 50% of market rent for 3 bed units; and
- In the event, that GLA Grant Funding or Newham Payment in Lieu for affordable housing is secured prior to 31st October 2016, the affordable housing provision shall increase by 1% or 6,590 square feet of Net Internal Area (whichever is greater) for every £1.8 million of public funding secured by or proffered to the development. This additional affordable housing mix shall be in accordance with the above affordable housing offer in terms of unit sizes, tenures and rent levels.

Review Mechanism

- The applicant to pay 60% of all monies above a £700 per square foot of average private residential sales values until the point at which 50% affordable housing has been achieved. The contribution to be capped at the point of financial neutrality, which equates to the difference between affordable blended values and private market values.

The conversion rate to be:

£462 per square foot (market value) - £210 per square foot (blended affordable value) = £252 per square foot of Net Internal Area (NIA) of units not delivered.

This would equate to a cap of £41,519,268 if no GLA Grant Funding or Newham Payment in Lieu is secured. This would equate to a cap of £24,911,712 if £18 million of GLA Grant Funding or Newham Payment in Lieu is secured.

The above affordable housing offer is subject to the following conditions:

- The S106 Heads of Terms to be limited to the terms listed in the enclosed updated Heads of Terms, subject to further discussions with Officers. Should the Council require any other Heads of Terms, our client reserves the right to review this offer. As such, we would welcome early discussion about this; and



- Mayoral and Borough CIL capped at the equivalent of £2,702,765 based upon 6% affordable housing and reduced accordingly to take account of 25% affordable housing. For the purposes of CIL, this will be a phased planning permission and Officers have agreed that this will expressly be stated on the decision notice, with a planning condition attached requiring a CIL phasing plan to be submitted.

We trust that the above accurately reflects the discussions held with Mr Nugent and we look forward to working with Officers to take this application forward over the coming weeks.

Yours sincerely

A handwritten signature in black ink, appearing to read "Patel".

Samruti Patel
Associate Director

cc. (by Email only)

- Christopher Paggi, LB Newham
- Fred Nugent, LB Newham
- Councillor Ken Clark, LB Newham Chair of Strategic Development Committee

Draft Section 106 Heads of Terms

West Ham Football Stadium, Boleyn Ground, Green Street, Upton Park, London - Planning Application Ref: 14/02893/FUL

(Without Prejudice Basis)

Proposal: Demolition of the West Ham United Football Ground and ancillary outbuildings to enable a comprehensive redevelopment of the site; including the erection of 15 new buildings, rising to 3 to 13 storeys, (including a basement on part of the site), to deliver 838 new residential homes (use class C3) in a mix of unit sizes, 476 sqm (Gross Internal Area) of use class D1 floor space and 402 sqm (Gross Internal Area) of flexible use class A1 and/or A2 and/or A3 and/or A4 and/or B1 and/or D1 and/or D2 floor space, together with associated cycle parking, car parking, highways, landscaping, and infrastructure works.

Draft s106 Heads of Terms

- Provision of Affordable Housing.
- Submission of a Framework Travel Plan (if necessary as an obligation rather than a planning condition).
- Travel Plan Monitoring.
- Remove the rights of future residents of the development to apply for resident parking permits in the surrounding area.
- The provision and funding of 9 Car Club spaces, including membership for future residents for one year.
- Submission of a Delivery and Service Plan.
- Submission of a Construction and Logistics Plan.
- Submission of a Car Parking Management Plan.
- Commitment to Council's Local Labour Clause.

- Commitment to Council's Local Goods and Services clause.
- Public Access – 24 hr access through legacy route.
- 750 sqm of non-residential floorspace to be transferred to the Council following completion of the shell and core works to be used for community use. (Subject to further discussion about the detailed terms of this obligation).
- Council's reasonable fees¹ in relation to preparing, monitoring and implementing the s106.

The above draft s106 Heads of Terms takes account of the confirmation provided by Fred Nugent and Christopher Paggi on 30th June 2015 and in subsequent discussions that no financial contributions would be sought, other than a monitoring fee for which an assumption has been made at this stage (see footnote below).

Should the Council consider that other non-financial obligations are necessary, we request confirmation of this as soon as possible so that the applicant can reconsider the overall package of draft s106 head of terms (including affordable housing), having regard to the tests outlined in the Community Infrastructure Levy Regulations (2010, as amended) and policies contained within the National Planning Policy Framework and Planning Practice Guidance.

¹ The overall S106 package proposed has been made on the basis of the following assumption: Payment of up to £10,000 on completion of the Deed and payment of up to £20,000 on implementation of the development to facilitate compliance monitoring with the terms of the Deed by the Local Planning Authority.