



Financial Viability Assessment

Newmark Properties (SN) LLP

Land at Wilmer Place,
193-201 Stoke Newington High Street
London
N16 0LH

June 2012

Prepared by

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1. INTRODUCTION

- 1.1. GL Hearn has been instructed to provide a Financial Viability Assessment (FVA) on behalf of the Applicant, Newmark Properties (SN) LLP.
- 1.2. The purpose of the FVA is to demonstrate that the affordable housing being offered is the maximum which can reasonably be provided in accordance with planning policy due to the viability of the scheme.
- 1.3. This report should be read in conjunction with the Planning Statement and Affordable Housing Statement which have been submitted as part of the planning application.
- 1.4. This report does not constitute a valuation and it therefore is exempt from the current RICS Professional Standards (the 'Red Book').
- 1.5. The Applicant proposes to redevelop the existing properties on the site to provide a mixed use development comprising a foodstore, 68no. residential units, and associated disabled car parking and servicing.

2. DETAILS OF PROPOSED DEVELOPMENT

2.1. The subject site is located in Stoke Newington, North London, close to the junction with Stoke Newington Church Street.

2.2. The site has an area of 0.511 hectares (1.263 acres).

2.3. The current proposals are for a foodstore at ground floor level with additional plant areas at part lower ground and part mezzanine. Above this, a podium will be constructed providing access to 68no. residential units with the following mix:-

Beds	Private	Affordable Rent	Shared Ownership	Total
1	12	1	1	14
2	27	3	3	33
3	10	7	3	20
4	-	1	-	1
Total	49	12	7	68

2.4. The scheme will therefore comprise 28% affordable housing based on unit numbers (32% based on habitable rooms).

2.5. The residential units will be built over first to fifth floors.

2.6. The northern block will be 100% private accessed through a single core.

2.7. The southern block will have two cores. One core will provide access to the affordable rented units on the first and second floors. A second core will provide access to the shared ownership units on the third floor, with private units on the fourth and fifth floors.

2.8. A 4 bed affordable rented unit will be created over mezzanine and first floor levels, accessible from Stoke Newington High Street.

2.9. An individual unit schedule is attached as Appendix A. There will be 7no. disabled car parking spaces for residential occupiers accessible from Stoke Newington Church Street/Wilmer Place.

2.10. The foodstore will have a NIA of 2,722sqm (29,300sqft). There will be no car parking for the foodstore.

2.11. The following sections of this report detail our approach to assessing the viability of the proposed development.

3. VIABILITY METHODOLOGY

3.1. In accordance with established viability methodology, we have undertaken a residual appraisal of the proposed development. This involves making an assessment of the completed development value (Gross Development Value) and then deducting the costs of development, including profit and other Section 106 contributions, in order to arrive at a residual land value.

3.2. The residual land value is then compared to a benchmark figure.

Private Residential Values

3.3. We have spoken to all active estate agents in Stoke Newington in order to form an opinion of the likely achievable sales values for the completed residential units. Our full schedule of comparable evidence is included as **Appendix B** together with our market commentary. In summary our opinion of value of the private sale units is as follows:-

Beds	sqm	sqft	Private MV June 2012	MV psf
1	57.8	622	£306,667	£493
2	74.3	799	£403,426	£505
3	100.2	1,079	£533,750	£495

3.4. Due to the over-sized nature of many of the units, the average sales value is around £500psf, however standard sized units have been valued closer to £550psf.

3.5. As commented above, a full unit schedule is attached as **Appendix A**.

3.6. Based on the above values, our GDV for the private sale units is £19,910,000. In addition we have included private ground rental income at an average rate of £350 per unit per annum which we have capitalised at a yield of 6%.

Affordable Housing Values

3.7. The value of affordable housing is determined by a number of factors including the tenure, rent policy and the availability (or not) of grant funding.

3.8. The proposed affordable housing units will be secured under a Section 106 Agreement. The Homes & Communities Agency (HCA) has stated that affordable housing units being provided under a Section 106 Agreement will not be eligible for grant funding as the subsidy should be coming from the developer. We have therefore not included any grant funding within our appraisals.

3.9. The scheme will include 12no. affordable rent units comprising 1 to 4 bedrooms. The scheme has been heavily weighted towards meeting the Council's priority need for family-sized units. In addition the scheme provides units which are larger than normal and indeed larger than the sizes required by the London Plan. This has a consequent detrimental effect on the value of these units.

3.10. We have liaised with the Council's Housing Department (Stephen Kersley) over several months with regard to the scheme and we have been provided with a copy of the Council's updated interim position statement on the Affordable Homes Programme 2011-2015 (updated January 2012).

3.11. In respect of the affordable rent units we have assumed that an RP would let the units to occupiers based on the following rent policy:-

Beds	% of Market Rent	Gross Market Rent pw	Adjusted Gross Rent pw	LHA June 2012 pw
1	70%	£325	£228	£240
2	60%	£425	£255	£290
3	50%	£475	£238	£340
4	50%	£525	£263	£400

3.12. Rents at this level are well below the Local Housing Allowance levels as detailed above.

3.13. Lower rents would of course adversely affect the scheme viability.

3.14. The completed affordable housing units will be transferred to a Registered Provider (RP) in the usual manner. We have previously market-tested the affordable housing element of the development with the following local RPs:-

A2Dominion Housing Group

Family Mosaic

Islington & Shoreditch Housing Association

Network Housing Group

One Housing Group

3.15. Four offers were received, all subject to various caveats and conditions, ranged from £114psf to £223psf on a blended 'package price' basis (i.e. the amount an RP can afford to pay for the completed affordable housing units).

3.16. The most recent offer received equates to a blended rate across both tenures of £226psf which we have analysed equates to c£160psf on the affordable rented units and c£300psf on the shared ownership units.

3.17. Although these represent the top end of the range of offers received, we have included these figures within our model.

Foodstore Value

3.18. The value of the foodstore has been considered by GL Hearn's retail team who specialise in foodstore professional and agency work. Their analysis of the foodstore value is included at **Appendix C**.

3.19. In summary the foodstore has a completed value of £10,000,000, which after deduction of standard purchaser's costs gives a net value of £9,450,000.

3.20. The total GDV of the development (net of standard purchaser's costs) is c£33.4million.

Build Costs

3.21. We have been provided with a Cost Plan by our client's Quantity Surveyor, Davis Langdon. This is attached as **Appendix D**.

3.22. The total build cost is £18,815,000 as at Quarter 2 2012. No allowance has been made for inflation from this point to start on site. The figures do not include a contingency or professional fees so these have been added separately.

Other Costs

- 3.23. In addition to the base build costs we have allowed for the following at standard market rates:-

Item	Rate	Comment
Professional Fees	10%	
Contingency	3%	
Finance	7%	
Profit	20% on private sale; 6% on affordable housing; 15% on foodstore	In line with market practice and Three Dragons toolkit benchmark for affordable housing. Reduced profit on foodstore to reflect pre-let to Sainsbury's.
Sales Agent & Legal	Standard market rates	

Section 106 Contributions & Mayoral CIL

- 3.24. We have been advised by our client's Planning Consultant to include an allowance of £625,000 for Section 106 contributions at this time however these are still to be negotiated between the parties.
- 3.25. The Mayor of London has introduced a Community Infrastructure Levy (CIL) to help fund Crossrail.
- 3.26. CIL came into effect at the beginning of April 2012 and in LB Hackney it applies at a flat rate of £35psm. CIL is not payable on affordable housing units.
- 3.27. At this stage we have not deducted the cost of CIL in our appraisals, however this will adversely impact on the scheme viability.

Development Appraisal Summary

- 3.28. We have undertaken our development appraisal using Argus (Circle) Developer which is an industry standard development appraisal package which is commonly used for viability studies such as this.
- 3.29. A copy of our development appraisal is attached as **Appendix E**.
- 3.30. This shows that the residual land value of the proposed development is £2,880,000.
- 3.31. As mentioned earlier in this report, it is standard practice to compare the residual land value of the proposed development to a benchmark figure and this is normally the Existing Use Value.

Existing Use Value (EUV)

- 3.32. Our client has provided us with a copy of their Existing Use Valuation prepared by Colliers CRE. This gives an Existing Use Value for the current accommodation on the site of £3,525,000.
- 3.33. It should be noted that some of the existing units on the site have been used as residential for several years albeit these have not been regularised with a Certificate of Lawfulness as of yet.

- 3.34. Colliers CRE also prepared an EUV on the basis of these units being valued as residential and the EUV on that basis is £5,000,000.
- 3.35. Notwithstanding the established residential use at the site, we have relied upon the appraisal on the basis of the current accommodation as employment use.
- 3.36. The Colliers CRE valuation summary is attached as Appendix F.
- 3.37. It is acknowledged in standard viability methodology that there is a difference between scheme viability and site viability. In other words a just because a scheme's end value is sufficiently high to enable the developer to make a reasonable profit, the residual land value also needs to be high enough to encourage the land owner to bring the site forward for development.
- 3.38. There is no hard and fast rule as to the level of uplift required from an Existing Use Value to encourage a landowner to sell however the previous version of the toolkit guidance notes to the Three Dragons model considered a range of 20-30% was normally appropriate.
- 3.39. If the demands placed on a development are too great (in the form of Section 106 contributions, affordable housing requirements etc), then the development will not come forward.
- 3.40. In the case of the subject development, the residual land value of £2,880,000 is £645,000 lower than the Existing Use Value. It would therefore be justifiable in viability terms for a lower affordable housing provision to be offered and still remain policy compliant.
- 3.41. Nevertheless our client recognises the importance of affordable housing to the Council and in the interests of promoting a mixed and sustainable community, they are prepared to make their affordable housing offer of 28% as set out within this report.

4. CONCLUSIONS

- 4.1.** The scheme will comprise 28% affordable housing based on unit numbers (32% based on habitable rooms), with 12no. affordable rented units and 7no. shared ownership units.
- 4.2.** As commented on in the Affordable Housing Statement, although the overall affordable housing provision is below the boroughwide target of 50% affordable housing, the scheme has prioritised the need for rented family accommodation and at 67% this is well in excess of planning policy requirements.
- 4.3.** Furthermore the site currently contains residential accommodation and therefore calculating the affordable housing provision in respect of the net increase in residential units, the proportion of affordable housing is much higher.
- 4.4.** The preceding sections of this report have demonstrated that our client's affordable housing offer is the maximum level of affordable housing that the scheme can sustain; indeed a lower offer is justifiable in viability terms
- 4.5.** We have adopted standard viability methodology in our approach and provided a fully evidenced report to back up our assumptions. In our opinion the development proposals are therefore policy compliant in terms of affordable housing level as planning policy requires viability to be taken into account as part of the decision making process.

APPENDIX A
UNIT SCHEDULE

WILMER PLACE, STOKE NEWINGTON, N16 0LH

Tenure	Floor	Plot	Beds	Pers	sqm	sqft	MV June 12	MV psf	HabRms	W/C?	Aspect	Amenity
Aff. Rent	1	1	3	5	89.2	960	£460,000	£479	4		South	Balcony
Aff. Rent	1	2	3	5	110.75	1,192	£497,500	£417	4	W/C	South	Balcony
Aff. Rent	1	3	3	5	89.35	962	£470,000	£489	4		South/Cemetery	Balcony
Aff. Rent	1	4	3	5	89.38	962	£470,000	£489	4		Cemetery/Internal	Balcony
Aff. Rent	G-1	5	4	6	138.12	1,487	£600,000	£404	5		High Street/Internal	Balcony
Aff. Rent	2	6	3	5	89.19	960	£462,500	£482	4		South	Balcony
Aff. Rent	2	7	3	5	110.77	1,192	£500,000	£419	4	W/C	South	Balcony
Aff. Rent	2	8	3	5	89.35	962	£472,500	£491	4		South/Cemetery	Balcony
Aff. Rent	2	9	2	4	76.81	827	£382,500	£463	3		Cemetery/Internal	Balcony
Aff. Rent	2	10	2	4	75.86	817	£382,500	£468	3		Cemetery/Internal	Balcony
Aff. Rent	2	11	2	4	75.86	817	£375,000	£459	3		Internal	Balcony
Aff. Rent	2	12	1	2	58.3	628	£292,500	£466	2		Internal	Balcony
S/O	3	13	3	5	89.21	960	£472,500	£492	4		South	Balcony
S/O	3	14	3	5	110.77	1,192	£510,000	£428	4	W/C	South	Balcony
S/O	3	15	3	5	89.35	962	£480,000	£499	4		South/Cemetery	Balcony
S/O	3	16	2	4	76.82	827	£390,000	£472	3		Cemetery/Internal	Balcony
S/O	3	17	2	4	76.72	826	£390,000	£472	3		Cemetery/Internal	Balcony
S/O	3	18	2	4	76.75	826	£382,500	£463	3		Internal	Balcony
S/O	3	19	1	2	58.3	628	£300,000	£478	2		Internal	Balcony
Private	4	20	2	3	67.76	729	£387,500	£531	3		South	Balcony
Private	4	21	1	2	55.99	603	£307,500	£510	2		South	Balcony
Private	4	22	2	4	76.81	827	£407,500	£493	3		South/Cemetery	Balcony
Private	4	23	2	4	76.36	822	£407,500	£496	3		South/Cemetery	Balcony
Private	4	24	2	4	75.86	817	£407,500	£499	3		Cemetery/Internal	Balcony
Private	4	25	2	3	67.75	729	£387,500	£531	3		Internal	Balcony
Private	5	26	2	3	64.9	699	£387,500	£555	3		South	Balcony
Pnvate	5	27	3	5	107.77	1,160	£562,500	£485	4		South/Cemetery	Wraparound balcony
Private	5	28	3	5	108.85	1,172	£562,500	£480	4		Cemetery/Internal	Wraparound balcony
Private	5	29	2	3	69.29	746	£407,500	£546	3		Cemetery/Internal	Balcony & Terrace
Pnvate	5	30	1	2	53.5	576	£305,000	£530	2		Internal	Balcony
Private	1	31	3	5	89.34	962	£500,000	£520	4		Cemetery/Internal	Balcony
Private	1	32	2	4	77.11	830	£405,000	£488	3		Cemetery	Balcony
Private	1	33	2	4	74.58	803	£405,000	£504	3		Cemetery	Balcony
Private	1	34	2	3	66.73	718	£397,500	£553	3		Cemetery	Balcony x2
Private	1	35	3	5	86.61	932	£495,000	£531	4		Cemetery/Internal	Balcony
Private	1	36	2	4	76.78	826	£392,500	£475	3		Internal	Balcony
Private	1	37	1	2	76.01	818	£330,000	£403	2	W/C	Internal	Balcony
Private	2	38	2	4	80.63	868	£410,000	£472	3		Cemetery/Internal	Balcony
Private	2	39	2	4	76.82	827	£402,500	£487	3		Cemetery/Internal	Balcony
Private	2	40	2	4	77.11	830	£407,500	£491	3		Cemetery	Balcony
Private	2	41	2	4	74.58	803	£407,500	£508	3		Cemetery	Balcony

WILMER PLACE, STOKE NEWINGTON, N16 0LH

Tenure	Floor	Plot	Beds	Pers	sqm	sqft	MV June 12	MV psf	HabRms	W/C?	Aspect	Amenity
Private	2	42	2	3	66.73	718	£400,000	£557	3		Cemetery	Balcony x2
Private	2	43	3	5	86.61	932	£497,500	£534	4		Cemetery/Internal	Balcony
Private	2	44	2	4	76.94	828	£395,000	£477	3		Internal	Balcony
Private	2	45	1	2	75.36	811	£332,500	£410	2	W/C	Internal	Balcony
Private	2	46	1	2	54.1	582	£297,500	£511	2		Internal	Balcony
Private	3	47	1	2	51.05	550	£302,500	£550	2		Cemetery	Balcony
Private	3	48	2	4	76.43	823	£405,000	£492	3		Cemetery/Internal	Balcony
Private	3	49	2	4	76.82	827	£405,000	£490	3		Cemetery/Internal	Balcony
Private	3	50	2	4	77.09	830	£410,000	£494	3		Cemetery	Balcony
Private	3	51	2	4	74.58	803	£410,000	£511	3		Cemetery	Balcony
Private	3	52	2	3	66.73	718	£402,500	£560	3		Cemetery	Balcony x2
Private	3	53	3	5	86.61	932	£500,000	£536	4		Cemetery/Internal	Balcony
Private	3	54	2	4	76.77	826	£397,500	£481	3		Internal	Balcony
Private	3	55	1	2	75.36	811	£335,000	£413	2	W/C	Internal	Balcony
Private	3	56	1	2	49.89	537	£290,000	£540	2		Internal	Balcony
Private	3	57	1	2	51.05	550	£290,000	£528	2		Internal	Balcony
Private	4	58	1	2	50.87	548	£305,000	£557	2		Cemetery	Balcony
Private	4	59	2	4	76.72	826	£407,500	£493	3		Cemetery/Internal	Balcony
Private	4	60	2	4	76.81	827	£407,500	£493	3		Cemetery/Internal	Balcony
Private	4	61	3	4	129.27	1,391	£575,000	£413	4	W/C	Cemetery	Balcony
Private	4	62	2	4	80.24	864	£415,000	£480	3		Cemetery/Internal	Balcony
Private	4	63	1	2	49.56	533	£292,500	£548	2		Internal	Balcony
Private	4	64	1	2	51.05	550	£292,500	£532	2		Internal	Balcony
Private	5	65	2	3	76.13	819	£417,500	£509	3		Cemetery/Internal	Balcony & Terrace
Private	5	66	3	5	109.03	1,174	£562,500	£479	4		Cemetery/Internal	Wraparound balcony
Private	5	67	3	5	107.97	1,162	£567,500	£488	4		Cemetery	Wraparound balcony
Private	5	68	3	5	90.02	969	£515,000	£531	4		Cemetery/Internal	Balcony x2
					5371.79	57,822	£28,200,000			212		

APPENDIX B
RESIDENTIAL COMPARABLES &
MARKET COMMENTARY

Stoke Newington High Street - Residential Comparables and Commentary

Address	Description	Sale Price	Agent
1 Bed Flats			
Flat 2, 2a Victorian Grove, N16	1 bed 1 st floor flat in 2005 built development close to subject site. Above Tesco's. 532 sq ft.	£220,000 (£414psf) March 2012	KFH
Flat 5, 2a Victorian Grove, N16	1 bed 1 st floor flat in 2005 built development close to subject site. Above Tesco's. 495 sq ft.	£230,000 (£465psf) March 2012	KFH
Flat 14, 2a Victorian Grove, N16	1 bed 1 st floor flat in 2005 built development close to subject site. Above Tesco's. 476 sq ft.	£225,000 (£473psf) October 2011	Location Location
Abney Park Court, N16	1 bed flats in modern block directly opposite subject site. Retail on ground floor.	£210,000 (Flat 8) £227,000 (Flat 25 – exchanged June 2012) £240,000 (Flat 7 – very large) Sales during 2012	Location Location
Abney Park Court, N16	1 bed flat in modern block directly opposite subject site. Retail on ground floor.	£239,950 (£508psf) Asking- June 2012. Been on market since April with no offers – over-priced.	Foxtons
58A Brooke Road, N16	1 bed period conversion close to subject site. South facing balcony. 550sqft	£230,000 (£418psf) June 2012	Location Location
Downs View, Downs Road, E5	1 bed flat in new Walbury Estates development. Good specification. No parking. 506 sq ft.	£250,000 (£494psf) Under offer – June 2012	Stirling Ackroyd
Flat 5, Harmony House, Piano Lane, N16	1 bed flat in warehouse conversion. High specification. 568 sq ft.	£285,000 (£502psf) October 2011	Next Move
Flat 15, Latitude, Manor Road, Stoke Newington	1 bed flat in 4 year old development. Good specification. Car parking. 492 sq ft	£245,000 (£498psf) September 2011	Julian Reid

East Plaza, Geldeston Road, E5	New shared ownership flats in development to east of site, towards Clapton. 1 bed flat with garden. 491sqft	£250,000 (£509psf) Asking – June 2012	One Housing Group/Site Sales
Latitude, Manor Road, Stoke Newington	1 bed 2 nd floor flat in 4 year old development. Good specification. Juliet balcony. Car parking. 512sqft	£275,000 (£537psf including car parking) Asking – June 2012. No offers – over-priced.	Next Move
Flat 13, Latitude, Manor Road, Stoke Newington	1 bed 2 nd floor flat in 4 year old development. Good specification. Juliet balcony. Car parking. 521sqft	£279,950 (£537psf including car parking) Asking – June 2012. Been on market since February with no offers and few viewings – over-priced.	Foxtons
2 Bed Flats			
14 Abney Park Court, N16	2 bed flat in modern block directly opposite subject site. Retail on ground floor. 587sqft	£270,000 (£460psf) Under offer – June 2012	Oakwood
Queen Elizabeth Close, N16	2 bed flat on 3 rd floor of purpose built block overlooking Clissold Park. Balcony. 661sqft	£275,000 (£416psf) Asking – June 2012	Julian Reid
9 Abney Park Court, N16	2 bed flat in modern block directly opposite subject site. Retail on ground floor. 2 nd floor. Car parking space. 631sqft	£295,000 (£468psf including parking) Under offer – June 2012	Next Move
East Plaza, Geldeston Road, E5	New shared ownership flats in development to east of site, towards Clapton. 2 bed flat with garden. 722sqft	£300,000 (£416psf) Asking – June 2012	One Housing Group/Site Sales
Walford Road, N16	Small 2 bed ground floor flat in purpose built 4-storey block in Stoke Newington. In need of some minor refurbishment. Parking space. 543sqft	£300,000 (£552psf including parking) Under offer – June 2012	Hunters
Yoakley Road, N16	2 bed flats in purpose built block to west of cemetery off Church Street. Unallocated parking. Share of freehold.	£310,000 (£432psf, 718sqft); & £325,000 (£477psf, 682sqft) Asking prices – June 2012	Next Move

Downs View, Downs Road, E5	2 bed flats in new Walbury Estates development. Good specification. No parking. 707 to 792 sq ft.	£330,000 to £350,000 (£442 to £467psf) Under offer – June 2012	Stirling Ackroyd
2a Victorian Grove, N16	2 bed, 2 bath 1 st floor flat in 2005 built development close to subject site. Above Tesco's. 759 sq ft.	£359,000 (£473psf) Asking price – property subsequently let.	Next Move
Flat 22, Flanders House, Defoe Road, N16	2 bed, 2 bath 2 nd floor flat in 2007 built development off Church Street. No parking. 721sqft	£332,000 (£461psf) February 2012	Julian Reid
33 Latitude, Manor Road, N16	2 bed flat in c 4 year old development off Church Street. Split level. Terrace. Over looks cemetery. Parking. 697sqft	£360,000 (£517psf including car parking) Under offer – June 2012	Julian Reid
32 Latitude, Manor Road, N16	2 bed flat in c 4 year old development off Church Street. Split level. Terrace. Over looks cemetery. Parking. 671sqft	£360,000 (£537psf including car parking) Under offer – June 2012	Next Move
Latitude, Manor Road, N16	2 bed flat in c 4 year old development off Church Street. Split level. Terrace. Over looks cemetery. Underground car parking. 685sqft	£385,000 (£562psf including car parking) Asking – June 2012. No interest. Agent feels £360,000 achievable (£526psf including car parking)	Felicity J Lord
Flat 6, Harmony House, Piano Lane, N16	2 bed, 2 bath flat in warehouse conversion. High specification. 717 sq ft.	£370,000 (£516psf) November 2011	Next Move
Cazenove Road, N16	2 bed 1 st floor period flat to east of subject site. Large reception room with period features, high ceilings, marble fireplace etc. South facing balcony. Good condition. 1,002sqft	£460,000 (£459psf) Under offer – June 2012	Julian Reid
42 Indigo Mews, Carysfort Road, N16	Large 2 bed flat in warehouse development close to Clissold Park. Car parking. Share of freehold.	Just under £500,000 Under offer – June 2012	Felicity J Lord
Flat 3 Harmony House, Piano Lane, N16	2 bed, 2 bath duplex flat in warehouse conversion. High specification. Terrace. 884 sq ft	£500,000 (£566psf) August 2011	Bridge

Bouverie Road, N16	2 bed period maisonette to rear of cemetery. Wood floors, character reception room with fireplace. Landscaped garden, good condition. 1,197sqft	£550,000 (£459psf) Under offer – June 2012	Julian Reid
3 Bed Flats			
Kyverdale Road, N16	3 bed, 2 bath maisonette in new period conversion. Own entrance. Good specification. No outside space. 1,410sqft	£400,000 (£284sqft) Under offer - June 2012	Hunters
13 Milton House Mansions, Shacklewell Lane, E8	3 bed garden flat in Edwardian house conversion with period features. Own front door. Shared garden. Share of Freehold. 763sqft	£405,000 (£531psf) Under offer - June 2012	Keatons
Manse Road, N16	Refurbished top floor 3 bed flat with roof terrace close to subject site. 122 year lease. High specification. 605sqft	£415,000 (£516psf) Asking – June 2012. No offers as yet.	Living Space
Flat 2 Harmony House, Piano Lane, N16	2 bed/3 bed duplex flat in warehouse conversion. High specification. Split level. 1,239 sq ft	£590,000 (£476psf) Asking - June 2012. Been on market for a while, no offers.	Bridge
Flat 1 Harmony House, Piano Lane, N16	3 bed penthouse in warehouse conversion. 1,239sqft	£625,000 (£504psf)	Next Move
4 Bed Flats			
Church Street, N16	4 bed flat on Church Street above retail and arranged over 4 floors. 2 bathrooms. Good specification. 1,900sqft.	£625,000 (£329psf) Under offer – June 2012	Next Move
Houses			
Batley Place, N16	New in-fill development of 3no. 3 bed houses to south of subject site close to High Street. Terraces. Good specification. c1,500sqft	£495,000 (£330psf) Asking – June 2012	Davey Stone
Downs View, Downs Road, E5	4 bed houses in new Walbury Estates development. Good specification. 1,227sqft	£575,000 (£469psf) Asking price – June 2012	Stirling Ackroyd

Lavers Road, N16	3 bed Victorian terraced house south of Church Street. Needs some updating. Freehold. c1,100sqft	£600,000 (c£545psf) Asking - June 2012	Location Location
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There are relatively few modern developments in Stoke Newington and the majority of flat stock comprises period house conversions. Local agents report high demand for period housing stock and buyers often prefer character properties on quiet residential streets with gardens rather than purpose built flats. Nonetheless, local agents would expect a new development of good quality, modern design to sell well in this location, particularly a scheme which makes the most of the favourable aspect over Abney Park Cemetery.

Latitude on Manor Road is located to the west of the site. The development comprises 58no. private sale flats, 25no. affordable housing units and a 52no. bed care home backing onto Abney Park Cemetery. The development completed in 2007.

Julian Reid sold a 1 bed flat with car parking for £245,000 in September 2011. Other agents have got similar flats on the market at present with asking prices of around £275,000 including car parking however they are not selling as they are over-priced.

Julian Reid have just put a typically-sized 2 bed flat under offer for £360,000 (£517psf including car parking). The flat has a terrace over-looking the cemetery. An almost identical units is under offer at the same price through Next Move. Felicity J Lord are marketing another unit at £385,000 but this is sticking as it is over-priced and the agent again expects to achieve £360,000 (£526psf including car parking).

Flanders House on Defoe Road which runs south of Church Street was cited by many agents as being a good comparable for the subject development. Julian Reid sold a 2 bed flat at Flanders House in February 2012. This 721sqft 2 bed, 2 bath flat sold for £332,000 (£461psf). There was no car parking. There have been no other recent sales in the block.

Julian Reid commented that although new build schemes can be popular, they do not achieve the same price levels as period stock which is favoured by local buyers. Examples of higher priced 2 bed properties include their recent sales at Cazenove Road and Bouverie Road, both of which are close by.

Abney Park Court is a c15 year old development opposite the subject site on Stoke Newington High Street. The site is above retail and although many of the flats overlook the entrance to the cemetery, the busy high street location is not popular with buyers. As a result, flats at the development tend to sell considerably below period conversion stock in the area. Local agents report that 1 bed flats tend to sell at £200,000 to £240,000 and there have been a number of transactions at this price in last four years or so. Location Location have sold several of these with values varying hugely in terms of size (some are small). Oakwood have just put a small 2 bed flat under offer at £270,000 (£460psf) and commented that there will be a ceiling price for 2 bed flats in the area around £350,000.

Next Move have put Flat 9, Abney Park Court under offer at £295,000 including a car parking space. The price equates to £468psf including car parking.

2a Victorian Grove is a 2005 built development located less than half a mile to the south of the subject site on the corner with Stoke Newington High Street. The development comprises 1 and 2 bed flats located above a Tesco supermarket. There have been a number of recent 1 bed flat sales at the development. 1 bed flats have recently sold from £220,000 (£414psf) to £230,000 (£465psf). Next Move was recently marketing a 2 bed flat for £359,000 (£473psf); we understand this property has subsequently been let.

East Plaza is a new shared ownership development being marketed by Site Sales on behalf of One Housing Group. A 1 bed flat with garden is on the market at £250,000 (£509psf); a 2 bed flat with garden is on the market at £300,000 (£416psf).

Downs View is a new Walbury Estates development located to the south-east of the subject site on Hackney Downs. The development comprises 9no. 1 and 2 bed flats and 4 bed houses. Selling agent Stirling Ackroyd reports that following a recent launch all the flats have now been reserved at asking prices. A 1 bed flat was reserved for £250,000 (£494psf). 2 bed flats have been reserved from £330,000 to £350,000 (£442 to £467psf). 4 bed houses are asking £575,000 (£469psf). There is no parking at the development.

Harmony House is a new conversion development of a warehouse building on Piano Lane close to popular Clissold Park. The development comprises 9no. large flats developed to a high specification. The development was released in late May 2011. Selling agent Next Move sold a good sized 1 bed flat for £285,000 (£502psf) and a small 2 bed flat for £370,000 (£516psf). Bridge recently sold a large 2 bed, 2 bath duplex for £500,000 (£566psf). There is no car parking available. Next Move sold a 1,200sqft 3 bed penthouse at the scheme for £625,000 (£521psf) but commented that a warehouse conversion could obtain a £50,000-£100,000 premium over purpose built stock of the same size. This mirrors comments from the other agents.

Scholars Place is a conversion of a Victorian School located off Oldfield Road, south of Church Street. Units are typically large and come with allocated car parking. Hunters are marketing a 2 bed flat of just under 1,000sqft with parking at £595,000 and have had offers around £550,000 (c£550psf). The flat has a share of the freehold. Agents commented that Scholars Place is not comparable to the subject development, being a period, gated development which will achieve much higher values.

Capital Value Summary

Agents were broadly consistent with regard to their views on achievable values for the subject scheme. Due to the amount of pre-application consultation which has taken place, they were well-versed in the location and design of the scheme.

As is evidenced above, 1 bed flats even with car parking generally do not breach the stamp duty threshold of £250,000 unless they are period properties with outside space or warehouse units which achieve a substantial premium.

Modern 2 bed flats are available from around £270,000 upwards (e.g. Abney Park Court). Good sized 2 beds in modern developments will achieve around £360,000, often with car parking included. Certainly flats at Latitude on Manor Road seem to hit a ceiling price at this level even for the top floor flats with terraces. The very large 2 bed warehouses or period stock with character features will transcend this level, especially if they have gardens.

There are few 3 bed flat comparables though standard sized units should achieve over £400,000; again, more for very large properties with gardens. Nevertheless they will then start to compete with houses (e.g. Batley Place 3 bed houses are asking £495,000, £330psf).

Based on the above comparable evidence we have valued each of the private flats at the subject development on a unit by unit basis, taking into account floor level, aspect and provision of amenity space.

Due to the over-sized nature of many of the units, the average sales value is around £500psf, however standard sized units have been valued closer to £550psf. This equates to the following average private sales values:-

1 bed flats – 622sqft £306,667 (£493psf)
2 bed flats - 799sqft £403,426 (£505psf)
3 bed flats – 1,079sqft £533,750 (£495psf)

Market Rents

Next Move have recently let a 2 bed, 2 bath flat at 185 Stoke Newington High Street (Flat 8) for £385 per week. They also let a top floor, penthouse-style flat at 181 Stoke Newington High Street (Flat 11) for £475 per week; the flat had a roof terrace. Their view of achievable rents at the subject development was £325 per week for 1 bed flats and £425 per week for 2 bed flats.

Location Location are active in the area and their view on achievable rents was around £300 per week for 1 bed flats and around £430 per week for large, 2 bed, 4 person flats.

Edmund Cole are letting a 1 bed flat in Abney Park Court opposite the site with an asking rent of £275 per week. The flat has a car parking space.

Mega Homes have let a 1 bed flat with balcony on the High Street for £290 per week in fair condition. They have let one of the new mews houses on Batley Place for £385 per week.

At 2a Victorian Grove just down the High Street 1 bed flats typically achieve from £1,250 to £1,300 per calendar month (c£290 to £300 per week), 2 bed flats from £1,500 to £1,550 per calendar month (c£345 to £360 per week).

Hunters have recently let a 2 bed, 2 bath flat at Flanders House for £390 per week.

Felicity J Lord have let a 1 bed flat in Flanders House, Defoe Road for £330 per week on a part furnished basis. A part-furnished 2 bed flat on the High Street has let for £420 per week (large flat). They have also let a 3 bed flat with garden on Manor Road for £480 per week on an unfurnished basis.

Living Space are marketing a top floor, refurbished 3 bed flat with roof terrace at £500 per week.

There are few 4 bed properties on the rental market in the area but they range from a 4 bed house on Smalley Close asking £495 per week to over £700 per week.

Local agents report that rental properties in Stock Newington are evenly split between unfurnished and furnished. There is no premium attached to furnished properties.

Rental Value Summary

Based on the above comparable evidence we are of the opinion that achievable Market Rents at the subject development are at the following average levels (in respect of the affordable rent units):-

1 bed flats - £325 per week
2 bed flats - £425 per week
3 bed flats - £475 per week
4 bed flat - £525 per week

Prepared by GL Hearn – June 2012

APPENDIX C
FOODSTORE VALUATION
COMMENTARY

Stoke Newington High Street – Foodstore Valuation Commentary

David Slatter, Retail Director in GL Hearn's Corporate Department has provided the following valuation and commentary in respect of the proposed foodstore:-

This view is provided to give an indication of value of the proposed Sainsbury's store as at today's date assuming the store was built and trading.

Current Situation

The information that we are basing this view on is as follows:

- J Sainsbury Store of the following areas:

Ground floor NIA	27,255 sq ft
Mezzanine	2,045 sq ft
Loading area	183 sq ft
Plant	<u>3,660 sq ft</u>
Total area	33,143 sq ft

- No car parking spaces
- Tenant – Sainsbury's Supermarkets Ltd
- Rent - £500,000 pax - £15.08 psf overall although we would devalue as follows:

Ground floor NIA	27,255	@ £17.00 =	£463,335
Mezzanine	2,045	@ ½ rate =	£17,382.5
Loading area	183	@ ½ rate =	£1,555.5
Plant	3,660	@ ¼ rate =	<u>£15,555</u>
Total			£497,828
Say			£500,000 pax

- Reviews – 5 yrly compounded to RPI collar & cap at 1.00% & 3.00%
- Alienation – Standard assignation and underletting provisions
- User – Standard user provisions
- Lease – Effective FRI for 25 yrs

Assessment

In assessing this store the main property fundamentals come into play such as location, competition / dominance, and store make up; considering each of these individually our views are as follows:-

Location – The proposed store is located to the south of Stoke Newington railway station, with access onto the A10, Stoke Newington High Street.

Competition / Dominance – Stoke Newington is not particularly well served by foodstores. The proposed store will be the main store in the town once constructed although Morrisons are located further north on Stamford Hill comprising a net sales area of 37,500 sq ft. We are not aware of any other planning proposals for foodstores in the area.

Store Make up – the store is situated on land abutting the Abney Park Cemetery and which will be accessed off Stoke Newington High Street. The store has a shoppers' entrance on to the High Street. Servicing will be from Stoke Newington Church Street (B104). There is no customer car parking which is poor, most operators' ideal is a ratio of 1:150 sqft but in this day and age this is rarely achieved due to site constraints and in particular in London this is rarely achievable.

In considering the "Investor criteria" we would comment as follows:-

Covenant – Sainsbury's Supermarkets Ltd – no issue, institutionally acceptable.

Lease Length – 25 yrs – good, in certain situations the operators are now trying to impose breaks at year 10 for tax reasons.

Rent - £500,000 pax – £17.00 psf on the main store – at such a rent level we believe the rent is reversionary as a market rent is likely to be in the region of £22.00 psf. If a growth rate of 2% pa is applied to this rent it will take circa 15 years to achieve this ERV level.

Rent review – 5 yearly to RPI collar & cap at 1.00% & 3.00% - most transactions seem to have RPI capped at 4.00% now so perception is this is low and will impact upon value

Lease clauses – From our initial assessment there does not seem to be anything that would severely impact upon value.

Current Market

We believe the opportunity will present itself well due to the lack of investment product in the market place, however there are some negatives particularly when considering the rent review structure compared to other opportunities that are available in the market place.

The current sale & leaseback transactions being concluded by Tesco and Sainsbury's on existing stores are concluding at circa NIY 4.5% generally for leases with annual reviews to RPI collar and capped at 0.0% & 5.00%, assuming rack rented stores, a term of 25 years. If the leases have a break at year 5 or year 10 the NIY tends to be 4.9%; these stores tend to be purpose built standalone foodstore investments.

Two good examples of foodstore investments which are comparable to Stoke Newington in so much as they are mixed use developments are as follows:

Tooting J Sainsbury – Sainsbury's have recently put this store on the market on a sale & leaseback basis letting potential investors determine the rent review structure. The store is comparable in so much as it has upper parts let on a long leasehold basis. TSB / Lloyds Pension Fund purchased the store in June for a NIY 4.45% on the basis of 25 years, annual RPI collar & cap of 2.0% & 4.0%.

Welling Tesco – This was developed by Albourne Developments and is very similar in so much as the development comprises a foodstore with residential above, in this instance the residential is let on a long leasehold basis to Hyde Housing Association. The lease structure is similar to Stoke Newington in so much as the reviews are 5 yearly and are reviewed to RPI capped at 3.5%. Commencing rent equated to £21.52 psf for a term of 25 years. The quoting price was £30.76m (NIY 4.75%), and sold in June 2011 to Aviva at £29.22m (NIY 5.00%) – we believe that the price achieved is the result of four factors:

- i) Covenant of Tesco – common place – a lot of institutional investors are full of Tesco stores at present
- ii) Mixed use – residential over
- iii) Cap on RPI at 3.5% on 5 yearly reviews
- iv) Competition from surrounding area

Foodstore Capital Value

Considering the above we believe, that if the store was built and trading today, then in the investment market place this could command a Net Capital Value of circa £9.45m, which shows a Net Initial Yield of 5.00% assuming full costs at 5.8%.

There is an argument to say as the property fundamentals are less attractive than Welling (i.e. no car parking, capped RPI at 3.0%) the NIY could be as low as 5.25% which would produce a NCV of circa £9.00m.

Prepared by GL Hearn – June 2012

APPENDIX D
DAVIS LANGDON COST PLAN