



**Former Walthamstow Stadium site**

**1 July 2011**

**Applicant: L&Q**

**VIABILITY ASSESSMENT FOR APPLICANT SCHEME PROPOSALS**

**No: n/a**

**JONES LANG LASALLE**



# Contents

<b>1</b>	<b>Introduction .....</b>	<b>2</b>
1.1	L&Q’s Planning Application.....	2
1.2	Economic Viability in the context of planning policy.....	2
1.3	2011-2015 Affordable Homes Programme .....	3
<b>2</b>	<b>Project Details .....</b>	<b>4</b>
2.1	Background.....	4
2.2	Planning Application Scheme .....	4
2.3	Non Residential Uses - Leisure and Community .....	5
<b>3</b>	<b>Cost Assumptions .....</b>	<b>6</b>
3.1	Introduction .....	6
3.2	Construction Costs.....	6
3.3	Other Costs.....	6
3.4	Section 106 Financial Contributions .....	7
3.5	Land Costs.....	7
<b>4</b>	<b>Income Analysis.....</b>	<b>8</b>
4.1	Private Residential Income .....	8
4.2	Affordable Housing Income.....	8
4.3	Income for Shared Ownership Housing .....	9
4.4	Commercial Uses/ Non residential uses .....	10
4.5	Car parking .....	10
<b>5</b>	<b>Benchmark Viability Assessment of the Site .....</b>	<b>11</b>
<b>6</b>	<b>Affordable Housing and Affordability Assumptions.....</b>	<b>12</b>
6.1	Affordable Housing .....	12
6.2	Affordability Assumptions.....	12
<b>7</b>	<b>Analysis of the appraisals.....</b>	<b>13</b>
7.1	L&Q Scheme Appraisal.....	13
7.2	Development Appraisal Assumptions .....	13
<b>8</b>	<b>Summary of Key Points.....</b>	<b>15</b>
<b>9</b>	<b>Confidentiality .....</b>	<b>16</b>
<b>APPENDIX 1</b>	<b>Viability Assessment for Applicant Scheme .....</b>	<b>17</b>
<b>APPENDIX 2</b>	<b>Budget Cost Estimate for Applicant Scheme.....</b>	<b>22</b>

# 1 Introduction

## 1.1 L&Q's Planning Application

L&Q has submitted a full planning to the London Borough of Waltham Forest (LBWF) on 3<sup>rd</sup> June in respect of the former Walthamstow Stadium, Walthamstow. The application seeks consent for:

Non residential uses	27,000 sq ft
Residential	291,000 sq ft

As part of the application, L&Q has instructed Jones Lang LaSalle to report on the economic viability of providing the development, including affordable housing and Section 106 contributions. Reference is made to the Council's Local Development Framework policies and the London Plan.

## 1.2 Economic Viability in the context of planning policy

### 1.2.1 Current Policy

The Council's Unitary Development Plan (UDP, adopted February 2007) seeks to negotiate the maximum reasonable amount of affordable housing in new housing developments, aiming to achieve the Mayor's overall target of 50% (Policy HSG6). UDP Policy HSG7 indicates that "the indicative target for affordable housing from private development is 40% for individual schemes of 0.5 hectares and above or of 15 units or greater". The council indicates that this target can be applied sensitively depending on individual site costs, economic viability including the availability of public subsidy and other planning objectives.

Of the affordable housing element, the Council will generally seek to achieve a split of 70% social rented and 30% intermediate housing.

Whilst it would be preferable to deliver affordable housing on site, a commuted payment towards off-site provision may be exceptionally accepted if it can be demonstrated that it would benefit the Council's overall housing provision in general and affordable housing in particular. The Council will normally expect the affordable housing to be delivered through a Section 106 Agreement.

The London Plan (February 2008, consolidated with alterations since 2004) states in Policy 3A.10 that "Boroughs should seek the maximum reasonable amount of affordable housing when negotiating on individual private residential and mixed-use schemes, having regard to the need to encourage rather than restrain residential development and the individual circumstances of the site. Targets should be applied flexibly taking account of individual site costs, the availability of public subsidy and other scheme requirements". Policy 3A.9 indicates that "In setting targets boroughs should take account of regional and local assessments of need, the Mayor's strategic target for affordable housing provision that 50 per cent of provision should be affordable and, within that, the London wide objective of 70 per cent social housing and 30 per cent intermediate provision".

### 1.2.2 Emerging Policy

The Council has published its Core Strategy Submission Document and the Development Management Policies Preferred Options Document which was the subject of public consultation in January 2011.

The Core Strategy Submission Document has not been through an Examination in Public, but nevertheless it carries some weight when deciding planning applications.

Policy CS2 of the Submission Core Strategy will replace UDP Policy HSG6. Policy CS2 states that the Council aims to provide at least 50% of homes as affordable over the plan period: 2011-2026. It is expected that 60% should be social rented and 40% intermediate housing. UDP Policy HSG7 will not be superseded by the Core Strategy.

The Development Management Policies Document is still at an early stage of its preparation and although it does not carry the full legal status of a development plan, it offers a useful insight into the Council's housing aspirations. Policy DM3 of the Development Management Policies Preferred Options Document will, together with Policy CS2, replace UDP Policy HSG6.

Policy DM3 indicates that all residential development with a capacity for 10 or more dwellings should make a contribution to the supply of affordable housing, and that applicants who offer less than 50% affordable housing provision should "provide an 'open book' financial appraisal/viability assessment and such other evidence as is necessary to justify a reduced level of provision". This policy also reiterates that the off-site provision, or payment-in-lieu, can be accepted only in exceptional circumstances.

The London Plan is being revised and the contents of the Replacement London Plan (published in October 2009) has now been found sound after the Examination in Public (EIP). Policy 3.12 states that Boroughs should set out affordable housing targets in consultation with the Mayor and taking into account local needs. At least 13,200 more affordable homes should be delivered in London during the plan period, of which 60% should be social rented and 40% intermediate housing.

The EIP Inspectors have recommended that the policy should "aspire towards securing 50% of all new housing as affordable housing across London as a whole", in addition to the minimum 13,200 new affordable housing target. Discussion is currently taking place between the Mayor and the Secretary of State on whether to include the Inspectors' recommendations in the new London Plan.

### **1.3 2011-2015 Affordable Homes Programme**

The provision of affordable housing is subject to substantial change following the Government's Comprehensive Spending Review in October 2010. The Homes and Communities Agency (HCA) has invited Registered Providers (RPs) to present their new affordable housing programmes assuming higher rents than the previously established 'Target Rents'. RPs will be expected to charge, on new developments, rents up to 80% of the local market rent. At the same time, the Department for Communities and Local Government is consulting on an amendment to Planning Policy Statement 3 which enables the new rent regime to fall within the definition of affordable rents for planning purposes. The term used for the new rent regime is 'Affordable Rent'.

## 2 Project Details

### 2.1 Background

The Walthamstow Stadium was opened in 1933 and was operated as a greyhound racing venue until 2008. In addition, the venue has operated a nightclub for a number of years up until its closure. The previous owners had operated the property for many years but we understand that due to reducing levels of profitability and their outlook for the business they closed the business and sold the property.

During their ownership L&Q has invested in preparation for a planning application which has been informed by statutory and public consultation with the local community and other key stakeholders. This includes a survey of residents to establish their preferences for the development of the site and has resulted in significant design evolution in the scheme to reflect feedback from a range of stakeholders.

The 'Tote' building which occupies the main frontage to the property is Listed and a local land mark. The dog kennels to the rear of the site are also Listed. The race track and grandstands remain in situ but are in poor condition. All buildings on the site, save as to the Listed structures, will be demolished to facilitate the proposed scheme.

### 2.2 Planning Application Scheme

#### 2.2.1 Overview of the Application Scheme

The Application scheme will provide 301 new homes of mixed tenure together with new leisure and community facilities including:

- Multi-use Studios
- Crèche
- Gym
- Café
- Allotments

These additional uses are intended to ensure the continued economic use of the Listed buildings structures on the site.

In addition, the scheme design has been subject to significant emphasis on excellence in order to address the various design challenges posed by physical constraints within and around the site including:

- Listed building structures of significant scale in two locations at the western and eastern ends of the site;
- Ensuring viable and sustainable uses for such structures; and
- River Ching within the southern boundary of the site;

## 2.2.2 Details of the Application Scheme

The drawings for the proposed development form part of the planning application. In summary, the scheme comprises:

**Table 1: Scheme Housing by Type**

	Studio	1 Bed	2 Bed	3 Bed	4 bed	Total Units	Floor area
Private Sale		26	131	28	11	<b>196</b>	177,229 sq ft
Affordable		5	55	20	25	<b>105</b>	113,616 sq ft
<b>Totals</b>		<b>31</b>	<b>186</b>	<b>48</b>	<b>36</b>	<b>301</b>	<b>290,845sq ft</b>

The affordable housing represents:

- 35% of all units;
- 42% by habitable rooms; and
- 39% by floor area (GIA).

L&Q will deliver both the affordable and private housing assuming sales risk in relation to the private housing.

The affordable housing is presented in more detail in Table 5 at Section 6.

## 2.3 Non Residential Uses - Leisure and Community

The scheme contains the following non-residential – leisure and community uses:

**Table 2: Non-Residential Uses**

	Area (GIA)
Café	1,377 sq ft
Tote building	17,631 sq ft
Kennel building	3,100 sq ft
Nursery	5,228 sq ft
<b>Totals</b>	<b>27,336</b>

## 3 Cost Assumptions

### 3.1 Introduction

We include at Appendix 2 a schedule detailing the Budget Cost Estimate (BCE) for the scheme prepared by the applicant's cost consultants, Martin Associates. The BCE shows the respective costs for both the residential and commercial elements of the scheme and has been prepared by the Applicant's cost consultant, Martin Associates as at 9<sup>th</sup> June 2011.

### 3.2 Construction Costs

The costs included in the BCE have been applied in the viability assessment appraisal in relation to pages x and x at appendix 1 in regard to the residential and commercial elements respectively on a phased basis in accordance with the Martin Associates development programme.

### 3.3 Other Costs

#### 3.3.1 Abnormal Development Costs

There are a number of abnormal costs associated with the development as follows:

**Table 3: Abnormal Development Costs**

Abnormal Item	Description	Cost (£)
Asbestos		550,000
Listed structures:		
- Tote		1,500,420.92
- Dog Kennels		258,695.27
- Demolition		100,000
Special foundations		
River Ching Deculverting		350,000
Code for Sustainable Homes		1,655,500
<b>Total</b>		<b>4,464,116</b>

#### 3.3.2 Developers Profit

We have had regard to both market levels of developer profit (as driven by developer risk return requirements and lending institution requirements for scheme viability). In the current market, developers and funders are seeking to bring forward for development schemes which can generate a level of profit appropriate to the perceived risk given uncertain market conditions. In particular debt providers will select schemes in the current market where the development profit margins provide them with sufficient security in the event of scheme financial performance at below projected levels.

The developer profit for the scheme has been assumed at 20% on GDV of private for sale units only. This reflects a return on cost (across all tenures of 18.51%). This approach reflects the market level of return a developer would seek for a development of this quantum in such location.

#### 3.3.3 Internal Overheads Costs

Internal overhead costs are included at £2,800 per unit which is an established cost based on evidence across the L&Q development portfolio.

### **3.3.4 Sinking Fund Endowment for Listed Buildings**

The nature of the substantial Listed buildings creates not only abnormal development cost in relation to the initial costs of refurbishing and change of use for such structures but also an abnormal future maintenance costs associated with their upkeep since the character of these structures will be less efficient to maintain. We have therefore assumed that there is an additional cost which will be borne by the Applicant as the manager of the estate.

### **3.4 Section 106 Financial Contributions**

Section 106 Financial contributions have been regarded as an output of the appraisal being at a level which the development can sustain. The applicant scheme demonstrates that scheme viability is not able to generate a project surplus to create a Section 106 contribution based on the current estimated project values.

### **3.5 Land Costs**

Land Costs have been applied on the basis of the actual price paid by applicant for site, namely. £18m (net of acquisition costs).



## 4 Income Analysis

We identify in this section the income relative to each use class.

### 4.1 Private Residential Income

We have analysed the local market and have applied market pricing to the residential accommodation. We have assessed the costs of units individually and the resulting average price is approximately £322 per sq ft. The prices have been applied to the appraisal at page 18 of Appendix 1.

Our assessment is based on a medium to good level specification to reflect the location and overall design of the scheme. The total income generated for the private residential element at today's values is £51,917,000.

The average value attributed to each private unit type is as follows:

1 bed	£185,000
2 bed 3 person	£244,000
2 bed 4 person	£275,000
3 bed	£335,000
4 bed	£410,000

We have assumed that the value of the residential units includes the car parking space, were provided. Parking spaces are restricted on this scheme and while we do not consider that this will adversely impact capital values, we do consider that this may have an impact on sales rates (in respect of which we have assumed one unit per week for the private for sale units).

The main comparables for the applicant scheme are the Vellum and Uber schemes in Walthamstow, E17. Both schemes are located closer to Walthamstow Town Centre and to Walthamstow's two tube stations, Walthamstow Central and Blackhorse Road (both Victoria Line). Uber was completed and sold in 2009 with average sales values for the private units of £321 psf and Vellum has been completing since 2010 with sales values recorded in 2011 in the order of £350 psf for the units sold to date. We would expect a discount to the prices achieved at Uber and Vellum, principally in relation to their superior location and after allowing for the period of completion and sales of the former.

### 4.2 Affordable Housing Income

The values reflect advice received on the method most likely to be adopted by the borough at the time of this report. We have assumed a split between Affordable Rented LCHO of 50% : 50% in accordance with the applicant's scheme.

We have identified capital values for the affordable rented and LCHO elements of the scheme. However, it is important to note that due to the level of uncertainty and flux within the current affordable housing market these assumptions reflect a number of caveats.

We have calculated the values based on new proposals for affordable housing rents for Waltham Forest, as shown in Table 4 below.

The shared ownership values are based on a purchaser buying and obtaining a mortgage for a % share, with the unsold equity being let to them by an RSL at 2.5%-2.75% of the capital value.

**Table 4: Affordable Rented Housing Values**

	LBWF guidance rent (per week)	Service Charge (per week)	Total Rent (per week)	Sale Value (Low)
1bed flat	£129	£15	£144	£78,000
2bed 3P flat	£145	£15	£160	£88,000
2bed 4P flat	£147	£15	£162	£90,000
3bed flat/mais	£173	£15	£188	£105,000
3bed 4P Hse	£208	£7	£215	£127,000
3bed 5P Hse	£208	£7	£215	£127,000
4bed 6P Hse	£205	£7	£212	£125,000
4bed 7P Hse	£208	£7	£215	£127,000

In addition to the sales values above we also included an additional grant of £20,000 per unit for the affordable rented units only.

#### 4.3 Income for Shared Ownership Housing

We outline below the basis of calculation of values for the shared ownership housing by unit type for the applicant scheme.

##### **1 bed**

538 sq m, at £329 psf = £177,000

50% share sold; 2.75% rent on unsold equity.

= £123,000 = £229 psf.

##### **2 beds 3 person**

673 sq m = £222,000

40% share sold; 2.75% rent on unsold equity.

= £141,000 = £210 psf

##### **2 beds 4 person**

825 sq m = £265,000

35% share sold; 2.5% rent on unsold equity.

£155,000 = £188 psf

### **3 beds**

1,043 sq ft = £325,000

30% share sold; 2.5% rent on unsold equity

£179,000 = £172 psf

All the unit sizes are taken as a rough guide, using the unit schedule for the units on the lower floors.

It is possible LBWF will have further affordability criteria in their policies. However for the values above we have taken a realistic view on affordability, within the London Plan income levels, and assuming maximum monthly outgoings of £1,000 pcm, plus service charges.

There is no Grant assumed in our pricing opinion.

#### **4.4 Commercial Uses/ Non residential uses**

We consider that the Café, Nursery and Tote Building will be cost neutral. However, the construction costs for the Kennel building have been included but no income is attributed to this use.

This assessment reflects:

- The attitude of prospective occupiers to this location and their estimates of the rental level necessary to trade economically;
- The potential future costs of maintenance associated with Listed structures and therefore the level of total occupational costs.

#### **4.5 Car parking**

As indicated, car parking values have been reflected within the scheme appraisal.

## 5 Benchmark Viability Assessment of the Site

### **Section needs to be reviewed in light of the changes made to the numbers**

The Council's Viability Assessment Guidelines require that the subject scheme is compared to a Benchmark Viability Assessment: However, the previous use of the site was as a greyhound racing stadium which ceased operation in 2007 and has been vacant since and this would not be relevant to the alternative or Existing Use assessment.

No alternative or Benchmark scheme has therefore been appraised as it has been indicated the application should be appraised on the basis of the applicant scheme and assuming the actual site price paid by the applicant with the potential for deferred Section 106 contributions dependent on scheme outturn viability.

## 6 Affordable Housing and Affordability Assumptions

### 6.1 Affordable Housing

The affordable housing has been designed to reflect the housing needs of the Borough, and the Application scheme will reflect the experience and track record of delivery by one of the leading Registered Providers of affordable housing.

The mix below indicates a predominance of family housing: approximately 5% of units are 1 beds; 52% are 2 beds; 19% are 3 beds and 24% are 4 bed units.

All units are designed to comply with the L&Q Design Standards, including Lifetime Homes and Code for Sustainable Homes Level 4. The following tables represent the mix of affordable housing:

**Table 5: Affordable Housing by Unit Type**

Unit No.	1 Bed	2 Bed	3 Bed	4 bed	Total Units
Affordable Rented Housing	1	15	11	25	52
Intermediate Low Cost Housing	4	40	9	0	53
<b>Total affordable housing Units</b>	<b>5</b>	<b>55</b>	<b>20</b>	<b>25</b>	<b>105</b>
<i>Total %</i>	<i>5%</i>	<i>52%</i>	<i>19%</i>	<i>24%</i>	<i>100%</i>

### 6.2 Affordability Assumptions

In terms of affordability, the social rented units are assumed to be let under the new Affordable Rents. The regime under which this operates is in its infancy and Registered Providers are addressing the Homes and Communities Agency's agenda in a somewhat uncertain environment. In this instance L&Q has worked closely with the Council to agree this provision.

The intermediate housing is assumed for the purposes of the appraisal to be shared ownership.

The shared ownership represents approximately 50% of the affordable housing units. In the interests of affordability, the initial share to be sold is assumed to be between 35%-50%. The annual rent on unsold equity is assumed to be 2.5%-2.75% of value of the retained equity.

## 7 Analysis of the appraisals

Here we have provided a summary of the two appraisals which represent the viability of the Applicant's affordable housing and Section 106 contributions.

### 7.1 L&Q Scheme Appraisal

#### Walthamstow Stadium Summary Appraisal

Submission	APPRAISAL	
301 units, with car parking	Costs £	£
Residential build cost	32,962,000	
Kennel Building build cost	259,000	
Other Construction cost	10,885,000	
Marketing	1,038,000	
Disposal Fees	779,000	
Contingency (5% on Build Costs)	1,661,000	
Acquisition costs (5.8%)	1,044,000	
Finance	3,990,000	
Developers return (20% on GDV)	10,383,000	
Site Price	18,000,000	
<b>Total costs</b>		<b>81,001,000</b>
	Income £	
Private GDV	51,917,000	
Affordable housing	13,169,000	
Grant Funding	1,400,000	
<b>Total Income</b>		<b>66,486,000</b>
<b>Site Surplus</b>		<b>-14,515,000</b>

### 7.2 Development Appraisal Assumptions

- We have adopted a finance rate of 7%. (This includes an allowance for bank loan commitment and arrangement fees)
- Developer's profit is included at 20% on GDV for private residential units only.
- Marketing fees are included at 2%.
- Disposal Fees (Private Residential only) included are:

- Sales Agent Fees            1%
- Sales Legal Fees            0.5%
- The model does not include cost inflation or value growth.
- All construction costs are as provided by Martin Associates schedule dated 09.06.2011. (See Appendix 2)
- Contingency is included at 5% of total build costs.
- A development allowance cost of £2,800 per residential unit is included to reflect the applicant's overhead costs.
- Jones Lang LaSalle has provided the estimated residential values. Another third party adviser has proposed lower private for sales values. The values stated in the appraisal are not intended as a formal valuation and should not be relied upon as such and they are given in the course of our estate agency role. They have been compiled using information provided by third parties.
- We have assumed a 65% private: 35% affordable split based on number of units.
- The affordable units have been split 50% affordable rented: 50% LCHO by number of units
- We have assumed £20,000 grant per unit only for affordable rented housing units.
- A sales rate of 4 units per month is applied for private residential units.
- We have assumed Tote building, Nursery and Café as cost / value neutral.
- Construction costs for Kennel Building have been included however no value has been attributed to this facility.

## 8 Summary of Key Points

We summarise the key points of this Report as follows:

- The primary purpose of this report is to demonstrate the level of economic viability of providing both the proposed level of affordable housing within the application scheme and the potential for generating a Section 106 contribution.
- Values for both the private for sale and affordable housing for the scheme have been prepared by Jones Lang LaSalle. (A second agent has also advised on the private for sales housing values but at lower values than Jones Lang LaSalle).
- Grant has been assumed for the scheme at £20,000 per unit in respect of the Affordable Rent units. However, in the current fiscal environment there is a material risk that this would not be achieved.
- The applicant had full regard to the planning policy for the site and for the provision of affordable housing. The applicant has sought to maximise the level of affordable housing and design excellence.
- The Design of the affordable housing reflects the L&Q Design Standards, including Lifetime Homes and Code for Sustainable Homes Level 4.
- We have employed Argus Developer in the financial viability assessment appraisal in support of this report.
- It is proposed by the Council and L&Q that an appropriate approach to the viability assessment of the site and any potential deferred Section 106 contribution as to assume the applicant scheme and price paid for the site by the applicant i.e £18m.
- Based on current estimated values for the scheme it is not possible to generate a project surplus able to support a Section 106 contribution.



## 9 Confidentiality

This report is subject to confidentiality provisions to be provided under separate cover by the applicant's legal advisers, Devonshires Solicitors.

# APPENDIX 1

## RESIDUAL FINANCIAL APPRAISAL OF BENCHMARK AND APPLICANT SCHEME

# Jones Lang LaSalle Ltd

## Development Appraisal

Former Walthamstow Stadium

Benchmark and Applicant Scheme

Report Date: 01 July 2011

**APPRAISAL SUMMARY****JONES LANG LASALLE LTD****Walthamstow Stadium  
Scenario 2****Summary Appraisal for Merged Parts 1 2 3 4 5 6 7****REVENUE**

<b>Sales Valuation</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Gross Sales</b>	
Aff Rent BC	44,509	£85.15	3,790,000	
Private Residential Rushcroft	1,561	£272.26	425,000	
Aff Rent D	1,044	£121.65	127,000	
Private Residential Rushcroft	1,152	£303.82	350,000	
Aff Rent FGH	34,810	£105.72	3,680,000	
LCHO E	5,285	£226.60	1,197,587	
LCHO FGH	22,922	£190.81	4,373,803	
Private Residential FGH	5,748	£338.03	1,943,000	
Private Residential IJK	60,342	£319.00	19,249,000	
Private Residential R	28,901	£337.70	9,760,000	
Private Residential OPQ	45,564	£334.58	15,245,000	
Private Residential LMN	17,642	£280.30	4,945,000	
<b>Totals</b>	<b>269,480</b>		<b>65,085,390</b>	<b>65,085,390</b>

**Additional Revenue**

Grant BC	600,000	
Grant D	20,000	
Grant FGH	780,000	

1,400,000

**NET REALISATION****66,485,390****OUTLAY****ACQUISITION COSTS**

Site Surplus	(14,516,181)	(14,516,181)
--------------	--------------	--------------

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Cost</b>	
Kennel Building	3,100	£83.45	258,695	
Aff Rent BC	44,509	£96.05	4,275,288	
Private Residential Rushcroft	1,561	£96.54	150,699	
Aff Rent D	1,044	£109.86	114,694	
Private Residential Rushcroft	1,152	£110.89	127,745	
Aff Rent FGH	37,538	£113.99	4,279,025	
LCHO E	5,285	£114.71	606,265	
LCHO FGH	25,240	£119.02	3,003,962	
Private Residential FGH	6,389	£122.32	781,502	
Private Residential IJK	65,866	£116.55	7,676,775	
Private Residential R	32,842	£121.24	3,981,880	
Private Residential OPQ	51,777	£120.72	6,250,588	
Private Residential LMN	17,642	£97.17	1,714,269	
<b>Totals</b>	<b>293,945</b>		<b>33,221,388</b>	<b>33,221,388</b>

Contingency	5.00%	1,661,069	1,661,069
-------------	-------	-----------	-----------

**Other Construction**

Demolition	100,000
Asbestos	550,000
Hard LS Ph1	611,845

File: appraisals\Scenario 2 20611 RWJ.wcf

ARGUS Developer Version: 4.05.000

Date: 01/07/2011

**APPRAISAL SUMMARY****JONES LANG LASALLE LTD****Walthamstow Stadium****Scenario 2**

Soft LS Ph1	125,683
Road	624,400
CfSH uplift Ph1	261,938
Fees Ph1	38,765
Party Wall Consideration	25,000
Sp Foundation Ph 1	117,588
Pre uplift Ph1	111,747
Wheel Chair Ph 1	32,941
Consultant + Survey	329,422
Dvt Allow Ph 1	133,350
Sp Foundations Ph 2	5,605
Soft LS Ph 2	5,990
CfsH uplift Ph2	12,485
Pre uplift Ph 2	5,326
Fees Ph 2	1,848
Dvt Allow Ph 2	6,355
Sp Foundation Ph 3	190,860
Soft LS Ph 3	203,998
Sunken Gardens Ph 3	36,960
CfSH Uplift Ph3	425,157
Pre Uplift Ph3	181,378
Fees Ph3	62,920
Basement EO	107,423
Lift Ph 3	207,795
Balconies Ph 3	283,370
CHP	300,000
Wheel Chair Ph 3	7,663
Car Parking	1,002,300
Dvt Allow Ph 3	216,443
Sp Foundation Ph 4	168,116
Soft LS Ph 4	179,689
Sunken Gardens Ph 4	36,960
CfSH uplift Ph4	374,494
Pre Uplift Ph 4	159,765
Fees Ph 4	55,422
Basement EO	107,425
Lifts Ph 4	183,034
Balconies Ph 4	249,603
Wheel Chair Ph 4	20,107
Dvt Allow Ph 4	190,651
Sp Foundations Ph 5	83,827
Soft LS Ph 5	89,597
CfSH uplift Ph 5	186,731
Pre uplift Ph 5	79,662
Fees Ph 5	27,635
River Ching	175,000
Lifts Ph 5	49,025
Balconies Ph 5	66,856
Wheel Chair Ph 5	32,756
Dvt Allow Ph 5	95,063
Sp Foundations Ph 6	132,156
Soft LS Ph 6	141,253
CfSH uplift Ph 6	294,388
Pre uplift Ph 6	125,590

File: appraisals\Scenario 2 20611 RWJ.wcf

ARGUS Developer Version: 4.05.000

- -

Date: 01/07/2011

**APPRAISAL SUMMARY****JONES LANG LASALLE LTD****Walthamstow Stadium****Scenario 2**

Fees Ph 6		43,567	
River Ching		175,000	
Lift Ph 6		143,882	
Balconies Ph 6		196,212	
Wheel Chair Ph 6		12,906	
Dvt Allow Ph 6		149,870	
Sp foundations Ph 7		45,030	
Soft LS Ph 6		48,129	
CfSH uplift Ph 7		100,308	
Pre uplift Ph 7		42,793	
Fees Ph 7		14,845	
Lift Ph 7		91,265	
Balconies Ph 7		124,458	
Wheel Chair Ph 7		14,028	
Dvt Allow Ph 7		51,065	
			10,884,718

**MARKETING & LETTING**

Marketing	2.00%	1,038,340	
			1,038,340

**DISPOSAL FEES**

Sales Agent Fee	1.00%	519,170	
Sales Legal Fee	0.50%	259,585	
			778,755

**Additional Costs**

Site Price		18,000,000	
			18,000,000

**MISCELLANEOUS FEES**

Additional Related	5.80%	1,044,000	
			1,044,000

**FINANCE**

Multiple Finance Rates Used (See Assumptions)			
Land		(1,365,687)	
Construction		4,612,370	
Other		743,207	
Total Finance Cost			3,989,889

**TOTAL COSTS****56,101,978****PROFIT****10,383,412****Performance Measures**

Profit on Cost%	18.51%
Profit on GDV%	15.95%
Profit on NDV%	15.95%
IRR	19.53%
Profit Erosion (finance rate 7.000%)	2 yrs 5 mths

File: appraisals\Scenario 2 20611 RWJ.wcf

ARGUS Developer Version: 4.05.000

- 4 -

Date: 01/07/2011

## APPENDIX 2

### BUDGET COST ESTIMATE PREPARED BY MARTIN ASSOCIATES

BUDGET COST ESTIMATE											
Budget Costing Based on						Name of Scheme			Date		
						Walthamstow Redevelopment			09/06/2011		
Block	Unit Type	No. of Units	Flat/ House	Total No of Hab Rooms	Unit Size Sq Ft	Tenure	Net Floor Area (sq ft)	Net/Gross Ratio	Gross Floor Area (sq ft)	Build Rate	Build Cost
<b>Commercial</b>											
	Cafe	1	NA		1,377.78		1,377.78	100.0%	1,377.78	£ 99.95	£ 137,709.03
	Tote Building	1	NA		17,631.27		17,631.27	100.0%	17,631.27	£ 85.10	£ 1,500,420.92
	Kennel Building	2	NA		1,550.00		3,100.00	100.0%	3,100.00	£ 83.45	£ 258,695.27
	Nursery	1	NA		5,228.74		5,228.74	100.0%	5,228.74	£ 86.75	£ 453,593.09
<b>Residential</b>											
B	4B 7P House	15	House	90	1,539.24	Affordable	23,088.57	100.0%	23,088.57	£ 95.00	£ 2,193,413.72
B	4B 6P House (wheelchair)	4	House	24	1,959.03	Affordable	7,836.12	100.0%	7,836.12	£ 86.75	£ 679,783.34
C	4B 6P House	6	House	36	1,420.83	Affordable	8,525.01	100.0%	8,525.01	£ 98.30	£ 838,008.57
D	3B 4P House	5	House	25	1,011.81	Affordable	5,059.03	100.0%	5,059.03	£ 111.50	£ 564,082.18
D	3B 5P House	1	House	5	1,044.10	Affordable	1,044.10	100.0%	1,044.10	£ 109.85	£ 114,694.20
E	1B 2P House	1	House	3	678.13	Affordable	678.13	100.0%	678.13	£ 121.40	£ 82,324.46
E	1B 2P House	1	House	3	807.29	Affordable	807.29	100.0%	807.29	£ 116.45	£ 94,009.21
E	2B 3P House	3	House	12	947.22	Affordable	2,841.67	100.0%	2,841.67	£ 113.15	£ 321,534.92
E	2B 3P House	1	House	4	957.99	Affordable	957.99	100.0%	957.99	£ 113.15	£ 108,396.24
FGH	3B 5P Maisonette	11	Maisonette	55	1,044.10	Affordable	11,485.08	100.0%	11,485.08	£ 109.85	£ 1,261,636.18
FGH	3B 5P Maisonette	2	Maisonette	10	1,108.68	Affordable	2,217.36	100.0%	2,217.36	£ 108.20	£ 239,918.72
FGH	3B 5P Maisonette (Wheelch)	1	Maisonette	5	1,108.68	Affordable	1,108.68	100.0%	1,108.68	£ 108.20	£ 119,959.36
FGH	1B 2P Flat	2	Flat	6	538.20	Affordable	1,076.39	88.0%	1,223.17	£ 124.70	£ 152,529.36
FGH	2B 3P Flat	1	Flat	4	861.11	Affordable	861.11	88.0%	978.54	£ 114.80	£ 112,335.97
FGH	1B 2P Flat (Wheelchair)	1	Flat	3	656.60	Affordable	656.60	88.0%	746.13	£ 121.40	£ 90,580.66
FGH	2B 3P Flat (Wheelchair)	1	Flat	4	947.22	Affordable	947.22	88.0%	1,076.39	£ 113.15	£ 121,793.53
FGH	2B 4P Flat	5	Flat	20	785.76	Affordable	3,928.82	88.0%	4,464.57	£ 118.10	£ 527,265.97
FGH	2B 4P Flat	3	Flat	12	807.29	Affordable	2,421.88	88.0%	2,752.13	£ 116.45	£ 320,485.95
FGH	2B 4P Flat	13	Flat	52	818.06	Affordable	10,634.73	88.0%	12,084.92	£ 116.45	£ 1,407,289.41
FGH	2B 4P Flat	9	Flat	36	828.82	Affordable	7,459.38	88.0%	8,476.57	£ 116.45	£ 987,096.72
FGH	2B 4P Flat	3	Flat	12	882.64	Affordable	2,647.92	88.0%	3,009.00	£ 114.80	£ 345,433.12
FGH	2B 4P Flat	6	Flat	24	882.64	Affordable	5,295.84	88.0%	6,018.00	£ 114.80	£ 690,866.24
FGH	2B 3P Flat	10	Flat	40	656.60	Affordable	6,565.98	88.0%	7,461.34	£ 121.40	£ 905,806.65
FGH	1B 2P Flat	1	Flat	3	538.20	Private	538.20	88.0%	611.59	£ 124.70	£ 81,264.68
FGH	2B 3P Flat	3	Flat	12	656.60	Private	1,969.79	88.0%	2,238.40	£ 121.40	£ 276,741.99
FGH	2B 3P Flat	3	Flat	12	731.95	Private	2,195.84	88.0%	2,495.27	£ 119.75	£ 303,808.31
FGH	3B 5P Maisonette	1	Maisonette	5	1,044.10	Private	1,044.10	100.0%	1,044.10	£ 109.85	£ 119,694.20
LJK	2B 3P Flat	1	Flat	4	818.06	Private	818.06	88.0%	929.61	£ 116.45	£ 113,253.03
LJK	1B 2P Flat	1	Flat	3	656.60	Private	656.60	88.0%	746.13	£ 121.40	£ 95,580.66
LJK	3B 5P Maisonette	19	Maisonette	95	1,044.10	Private	19,837.87	100.0%	19,837.87	£ 109.85	£ 2,184,189.77
LJK	1B 2P Flat	1	Flat	3	548.96	Private	548.96	88.0%	623.82	£ 124.70	£ 82,789.97
LJK	3B 5P (Wheelchair)	1	Flat	5	1,216.32	Private	1,216.32	88.0%	1,382.18	£ 104.90	£ 149,990.96
LJK	2B 4P Flat	1	Flat	4	861.11	Private	861.11	88.0%	978.54	£ 114.80	£ 117,335.97
LJK	2B 4P Flat	1	Flat	4	775.00	Private	775.00	88.0%	880.68	£ 118.10	£ 109,008.63
LJK	2B 3P Flat	1	Flat	4	721.18	Private	721.18	88.0%	819.52	£ 119.75	£ 103,138.02
LJK	1B 2P Flat	4	Flat	12	538.20	Private	2,152.78	88.0%	2,446.34	£ 124.70	£ 310,058.71
LJK	2B 4P Flat	4	Flat	16	828.82	Private	3,315.28	88.0%	3,767.37	£ 116.45	£ 443,709.63
LJK	2B 3P (Wheelchair)	2	Flat	8	893.40	Private	1,786.81	88.0%	2,030.46	£ 114.80	£ 238,097.15
LJK	2B 3P Flat	3	Flat	12	731.95	Private	2,195.84	88.0%	2,495.27	£ 119.75	£ 303,808.31
LJK	2B 3P Flat	12	Flat	48	678.13	Private	8,137.51	88.0%	9,247.17	£ 121.40	£ 1,127,606.27
LJK	1B 2P Flat	1	Flat	3	688.89	Private	688.89	88.0%	782.83	£ 121.40	£ 100,035.45
LJK	2B 3P Duplex	18	Duplex	72	807.29	Private	14,531.27	88.0%	16,512.80	£ 116.45	£ 1,927,915.69
LJK	2B 4P Duplex (Wheelchair)	1	Duplex	4	1,205.56	Private	1,205.56	88.0%	1,369.95	£ 104.90	£ 148,707.85
LJK	2B 4P Flat	1	Flat	4	893.40	Private	893.40	88.0%	1,015.23	£ 114.80	£ 121,548.57
LMN	3B 5P House (Wheelchair)	1	House	5	1,668.40	Private	1,668.40	100.0%	1,668.40	£ 90.05	£ 155,239.83
LMN	3B 6P House (Wheelchair)	1	House	5	1,668.40	Private	1,668.40	100.0%	1,668.40	£ 90.05	£ 155,239.83
LMN	4B 6P House	9	House	54	1,463.89	Private	13,175.01	100.0%	13,175.01	£ 96.65	£ 1,278,365.06
LMN	4B 6P House	1	House	6	1,130.21	Private	1,130.21	100.0%	1,130.21	£ 106.55	£ 125,423.82
OPQ	2B 4P Flat (Wheelchair)	1	Flat	4	979.51	Private	979.51	88.0%	1,113.09	£ 111.50	£ 129,108.99
OPQ	2B 3P Flat (Wheelchair)	2	Flat	8	861.11	Private	1,722.22	88.0%	1,957.07	£ 114.80	£ 229,671.95
OPQ	1B 2P Flat	2	Flat	6	495.14	Private	990.28	88.0%	1,125.32	£ 126.35	£ 147,183.78
OPQ	3B 5P Flat	1	Flat	5	1,227.08	Private	1,227.08	88.0%	1,394.41	£ 104.90	£ 151,274.06
OPQ	2B 4P Flat	5	Flat	20	785.76	Private	3,928.82	88.0%	4,464.57	£ 118.10	£ 527,265.97
OPQ	2B 3P Flat	10	Flat	40	667.36	Private	6,673.62	88.0%	7,583.66	£ 121.40	£ 925,655.94
OPQ	2B 3P Flat	5	Flat	20	764.24	Private	3,821.18	88.0%	4,342.26	£ 118.10	£ 517,820.33
OPQ	2B 3P Flat	5	Flat	20	742.71	Private	3,713.55	88.0%	4,219.94	£ 119.75	£ 510,337.58
OPQ	1B 2P Flat	1	Flat	3	559.72	Private	559.72	88.0%	636.05	£ 124.70	£ 84,315.26
OPQ	1B 2P Flat	1	Flat	3	570.49	Private	570.49	88.0%	648.28	£ 124.70	£ 85,840.56
OPQ	3B 5P Flat	1	Flat	5	957.99	Private	957.99	88.0%	1,088.62	£ 113.15	£ 128,177.55
OPQ	2B 4P Flat	1	Flat	4	936.46	Private	936.46	88.0%	1,064.16	£ 113.15	£ 125,409.51
OPQ	2B 3P Flat	4	Flat	16	624.31	Private	2,497.22	88.0%	2,837.76	£ 123.05	£ 354,185.81
OPQ	2B 3P Flat	4	Flat	16	688.89	Private	2,755.56	88.0%	3,131.32	£ 121.40	£ 385,141.81
OPQ	2B 4P Flat	4	Flat	16	796.53	Private	3,186.11	88.0%	3,620.58	£ 118.10	£ 432,591.03
OPQ	2B 3P Flat	4	Flat	16	678.13	Private	2,712.50	88.0%	3,082.39	£ 121.40	£ 379,202.09
OPQ	2B 4P Flat	4	Flat	16	936.46	Private	3,745.84	88.0%	4,256.63	£ 113.15	£ 486,638.04
OPQ	2B 4P Flat	1	Flat	4	904.17	Private	904.17	88.0%	1,027.46	£ 114.80	£ 122,952.77
OPQ	2B 4P Flat	1	Flat	4	775.00	Private	775.00	88.0%	880.68	£ 118.10	£ 109,008.63
OPQ	2B 3P Flat	1	Flat	4	699.65	Private	699.65	88.0%	795.06	£ 119.75	£ 100,208.53
OPQ	2B 4P Flat	1	Flat	4	796.53	Private	796.53	88.0%	905.15	£ 118.10	£ 111,897.76
OPQ	2B 4P Flat	1	Flat	4	656.60	Private	656.60	88.0%	746.13	£ 121.40	£ 95,580.66
OPQ	2B 4P Flat	1	Flat	4	753.47	Private	753.47	88.0%	856.22	£ 118.10	£ 106,119.50
R	3B 5P Flat (Wheelchair)	1	Flat	5	1,130.21	Private	1,130.21	88.0%	1,284.33	£ 106.55	£ 141,845.25
R	2B 3P Flat	1	Flat	4	753.47	Private	753.47	88.0%	856.22	£ 118.10	£ 106,119.50
R	2B 4P Flat	5	Flat	20	796.53	Private	3,982.64	88.0%	4,525.73	£ 118.10	£ 539,488.79
R	1B 2P Flat	4	Flat	12	516.67	Private	2,066.67	88.0%	2,348.49	£ 126.35	£ 301,731.37
R	2B 3P Flat (Wheelchair)	7	Flat	28	818.06	Private	5,726.39	88.0%	6,507.27	£ 116.45	£ 762,771.22
R	1B 2P Flat	5	Flat	15	538.20	Private	2,690.98	88.0%	3,057.93	£ 124.70	£ 386,323.39
R	2B 4P Flat	4	Flat	16	839.58	Private	3,358.34	88.0%	3,816.29	£ 116.45	£ 449,407.18
R	2B 3P Flat	4	Flat	16	699.65	Private	2,798.61	88.0%	3,180.24	£ 119.75	£ 385,834.12
R	2B 4P Flat	2	Flat	8	785.76	Private	1,571.53	88.0%	1,785.83	£ 118.10	£ 215,906.39
R	1B 2P Flat	3	Flat	9	505.90	Private	1,517.71	88.0%	1,724.67	£ 126.35	£ 222,912.10
R	2B 3P Flat	2	Flat	8	710.42	Private	1,420.83	88.0%	1,614.59	£ 119.75	£ 198,346.55
R	2B 4P Flat	1	Flat	4	764.24	Private	764.24	88.0%	868.45	£ 118.10	£ 107,564.07
R	1B 2P Flat	2	Flat	6	559.72	Private	1,119.45	88.0%	1,272.		



			Site Area	Ha	OTHER COSTS	
					Demolition	100,000.00
					Asbestos	550,000.00
Private	196	65%	160,909.54	177,228.59	Special Foundations	743,181.08
Affordable	105	35%	108,144.90	113,939.80	Basement Construction EO	214,847.44
					Party Wall consideration	25,000.00
					Cycle Storage	90,300.00
					Hard Landscaping	611,845.00
					Soft Landscaping	794,340.00
					Sunken Gardens	73,920.00
					Road	624,400.00
					Parking	912,000.00
					Wheelchair uplift	120,400.00
					Lifts	675,000.00
					Balconies	920,500.00
No contingency included					CFSH uplift	1,655,500.00
No costs allowed for Section 106 items					CHP	300,000.00
The costs are based upon Coded for sustainability Level 4					River Ching	350,000.00
					Preliminaries uplift	706,261.98
					Fees @ 6.5%	245,000.00
					<b>Total Costs</b>	<b>£ 45,025,594.36</b>



*Real value in a changing world*

---

COPYRIGHT © JONES LANG LASALLE IP, INC. 2011.

This publication is the sole property of Jones Lang LaSalle IP, Inc. and must not be copied, reproduced or transmitted in any form or by any means, either in whole or in part, without the prior written consent of Jones Lang LaSalle IP, Inc.

The information contained in this publication has been obtained from sources generally regarded to be reliable. However, no representation is made, or warranty given, in respect of the accuracy of this information. We would like to be informed of any inaccuracies so that we may correct them.

Jones Lang LaSalle does not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance on this publication.