

LONDON BOROUGH OF HARROW

Development Viability Assessment

Major Development Panel: 08 November 2010



INTRODUCTIONS

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STRUCTURE

- Development Assumptions
- Typology Summary
- Market Review
- Interim Findings
 - Affordable Housing
 - Tenure split
 - S.106/tariff/CIL Contributions
- Questions

Development Assumptions

DEVELOPMENT ASSUMPTIONS

In undertaking our appraisals we have agreed with the Council that we establish the consequences of varying a number of the base assumptions. These are to be tested both individually and in combination.

Market Conditions:

Test WEAK (circa 2009) and STRONG (circa 2007) market conditions

Affordable Housing:

Test affordable housing contributions at 30%, 40% & 50%

Test social rent : intermediate housing at 80:20, 60:40, 50:50 & new tenure split equivalent to 100% intermediate housing

Appraisals assuming NAHP grant and no grant scenarios

Typologies

Residential & Mixed Use Typologies: SUMMARY

Residential

	Unit Mix
Scheme 1	2 flats
Scheme 2	4 houses
Scheme 3	10 flats
Scheme 4	10 houses
Scheme 5	35 flats
Scheme 6	50 mixed
Scheme 7	50 houses
Scheme 8	100 mixed
Scheme 9	200 mixed
Scheme 10	200 flats
Scheme 11	400 flats

Mixed Use

	Unit Mix	Retail Sq m (GIA)	Office Sq m (GIA)
Scheme 12	15 flats	600	0
Scheme 13	96 mixed	4,047	1,470
Scheme 14	400 flats	11,375	3,750

Commercial Typologies: SUMMARY

Commercial*

	Use	Sq m (GIA)	Sq m (NIA)	Site Area (Ha)
Scheme 15	Office	1,250	1,000	0.1
Scheme 16	Retail	360	306	t.b.c.
Scheme 17	Retail	4,645	3,950	t.b.c.
Scheme 18	Industrial Estate (B2/B8 use)	4,645 (units 140 – 465 sq m)	n/a	1.29

*(Retail Site Areas to be confirmed)

Market Review

MARKET REVIEW – Residential

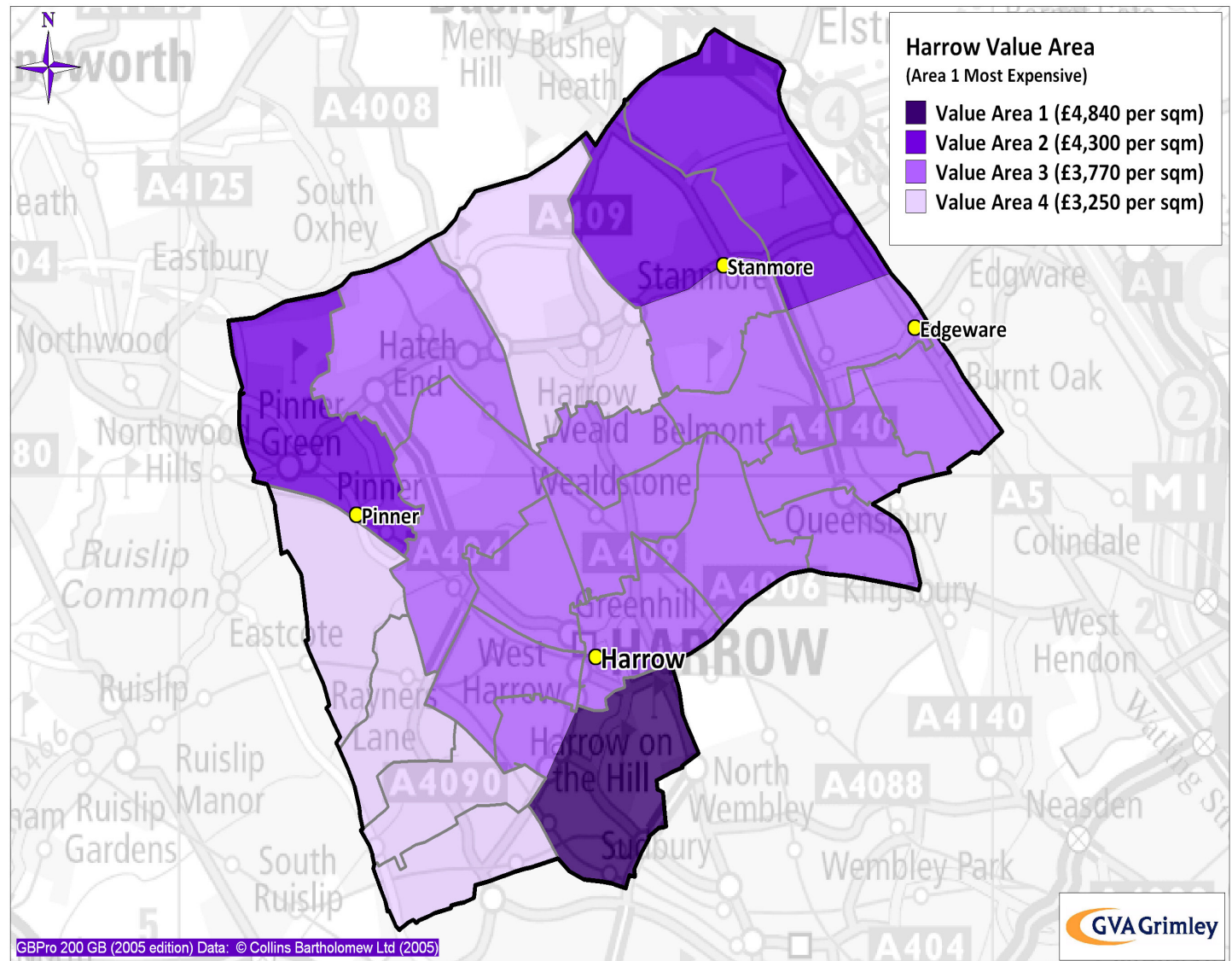
4 broad Market Value areas across the Borough:

Value Area 1:
Harrow on the Hill

Value Area 2:
Pinner & Stanmore

Value Area 3:
Central, West And North Harrow

Value Area 4:
Harrow Weald & south east



MARKET REVIEW – Residential

RESIDENTIAL BENCHMARKS

Residual land values generated by the appraisals are compared to a number of benchmarks;

- Industrial and Office Existing Use Values
- Community and low value uses
- Existing Residential land values
- A premium on industrial and office EUVs

Value Area 1: £1.5m
Value Area 2: £1.25m
Value Area 3: £1m
Value Area 4: £0.85m

MARKET REVIEW – Office

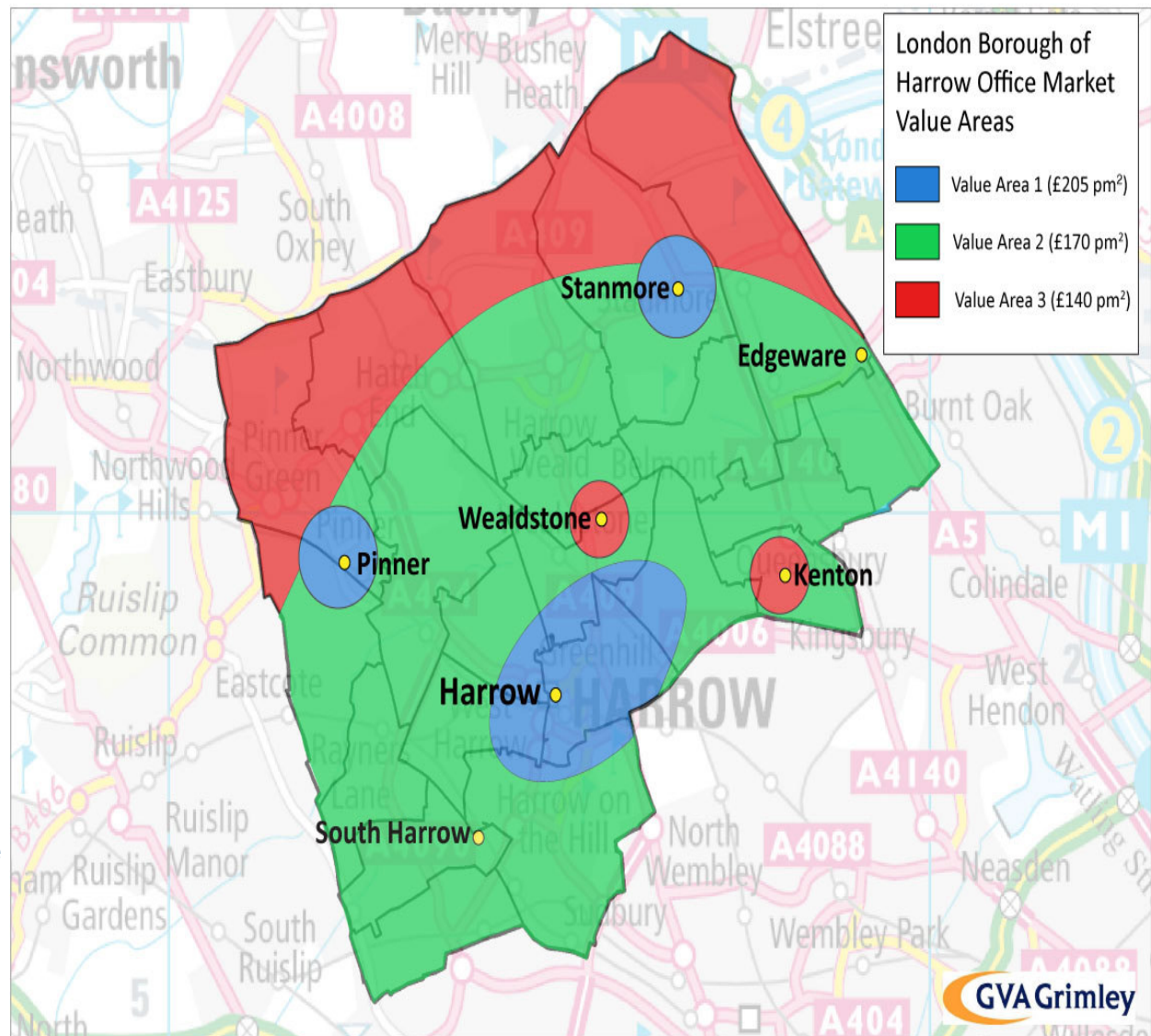
We have concluded that there are three main Market Value Areas for office development in Harrow:

1. Central Harrow, Stanmore & Pinner
2. Inner Harrow
3. Outer Harrow, Wealdstone & Kenton

The large majority of office accommodation is located in Central Harrow;

Weakest values are in the north of the Borough as competition starts to increase with centres such as Watford.

BENCHMARK: £400 - £600k



MARKET REVIEW – Industrial

Relatively little
Industrial accommodation in
Harrow;

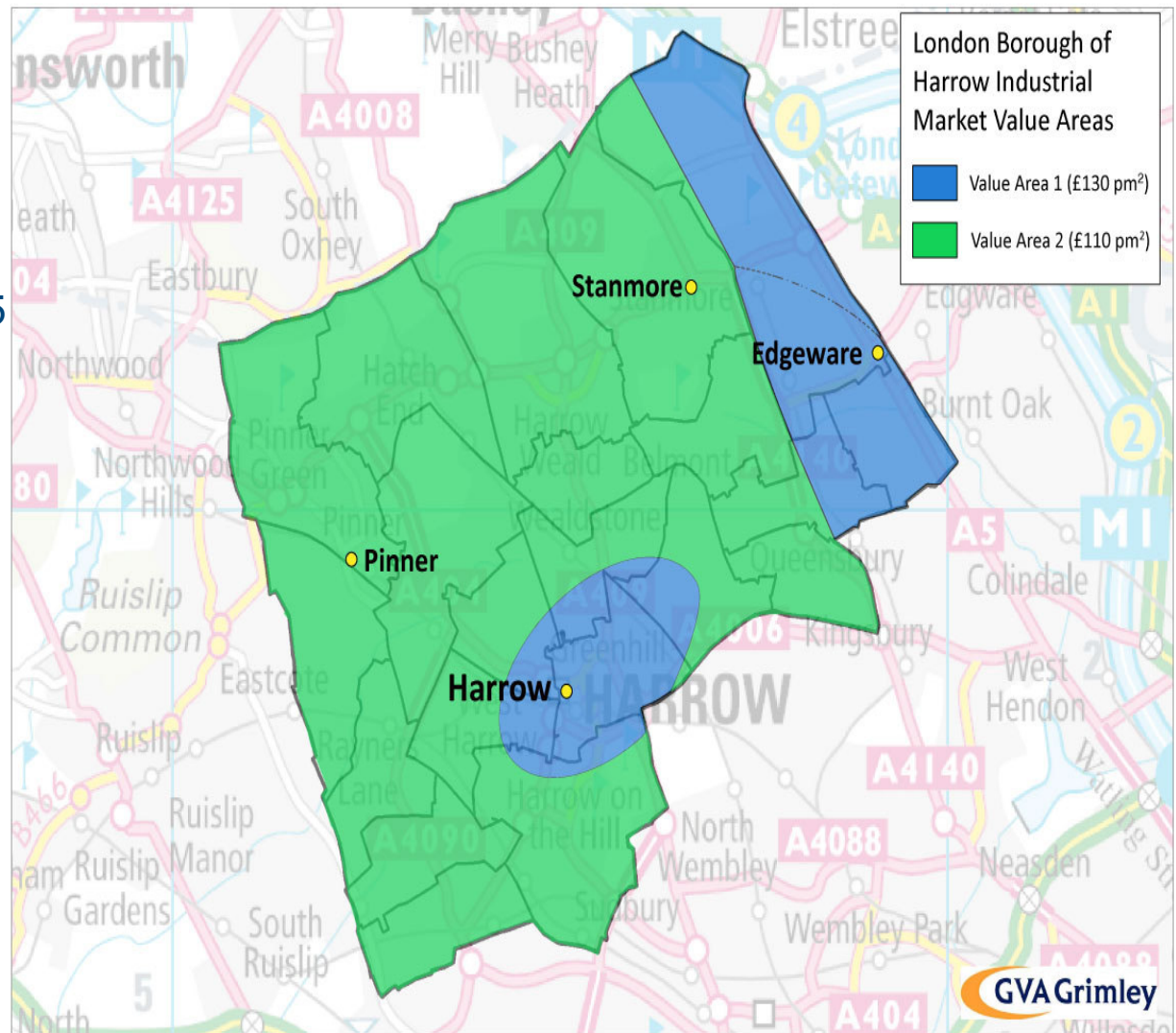
Highest values achieved for 185
sq m (c.2,000 sq ft units);

Borough can be divided into 2
Market Value Areas:

**1. Central Harrow &
M1/North
Circular**

2. Rest of Harrow

BENCHMARK: £350 - £500 k



Interim Findings

Residential – INTERIM FINDINGS (Affordable Housing)

AFFORDABLE HOUSING

Our calculations show that, adopting current values and costs, a S106 contribution of **£5,000** per dwelling, and assuming **No Grant** that:

- Value Area 1 can afford 50% affordable housing;
- Value Areas 2 & 3 can afford 40% affordable housing depending on the tenure split;
- Viability in Value Area 4 is challenged even if no affordable housing is provided.

Please Note:

We have not yet assessed the results on the basis of the new model for affordable housing, and we will report these results separately.

The outcome of the modelling is particularly dependent on the choice of the benchmark adopted against which the residual land values are to be compared. As noted in the previous Section, we have used a figure that shows a premium to Existing Use Values for industrial and office land values, but a discount to existing residential land values.

We will provide the results of the modelling when compared to other benchmarks separately.

Residential – INTERIM FINDINGS (Affordable Housing)

Ability of Development to Provide Affordable Housing : No Grant Scenario (blended between value areas 2 &3); Current Market

	Affordable Housing Tenure		
	80% Social Rent 20% Intermediate	60% Social Rent 40% Intermediate	50% Social Rent 50% Intermediate
Scheme 3	≤ 30%	≤ 30%	≤ 30%
Scheme 4	≤ 50%	≤ 50%	≤ 50%
Scheme 5	≤ 30%	≤ 40%	≤ 50%
Scheme 6	≤ 30%	≤ 40%	≤ 40%
Scheme 7	≤ 40%	≤ 50%	≤ 50%
Scheme 8	≤ 40%	≤ 40%	≤ 40%
Scheme 9	≤ 40%	≤ 40%	≤ 50%
Scheme 10	≤ 40%	≤ 40%	≤ 50%
Scheme 11	≤ 40%	≤ 40%	≤ 50%

Residential – INTERIM FINDINGS (S.106/Tariff/CIL)

S.106 Payments for Development Across Value Areas at Different Levels of Affordable Housing / Different Tenure Split: No Grant Scenario (blended between value areas 2 &3); Current Market

•The results presented are blend of the outcomes for each Value Area, but principally adopting a combination of Value Areas 2 and 3

Aff. Housing	50%			40%			30%		
	80:20	60:40	50:50	80:20	60:40	50:50	80:20	60:40	50:50
Scheme 3	X	X	X	X	X	X	£5,000	£5,000	£5,000
Scheme 4	£5,000	£5,000	£5,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000
Scheme 5	X	X	£5,000	X	£5,000	£10,000	£5,000	£10,000	£10,000
Scheme 6	X	X	X	X	£5,000	£5,000	£5,000	£5,000	£10,000
Scheme 7	X	£5,000	£10,000	£5,000	£10,000	£10,000	£10,000	£15,000	£15,000
Scheme 8	X	X	X	£5,000	£5,000	£10,000	£10,000	£10,000	£10,000
Scheme 9	X	X	£5,000	£5,000	£10,000	£10,000	£10,000	£10,000	£10,000
Scheme 10	X	X	£5,000	£5,000	£5,000	£10,000	£5,000	£10,000	£10,000
Scheme 11	X	X	£5,000	£5,000	£5,000	£10,000	£5,000	£10,000	£10,000

- An X in the box represents indicates that the residual land value of the scheme has fallen below the benchmark and the scheme is therefore deemed to be 'unviable'.

Commercial – INTERIM FINDINGS: S.106/Tariff/CIL

OFFICE

- Our appraisals show that in the current economic climate office development is not viable and is therefore not able to contribute towards a S.106 tariff;
- Our appraisals also show that, on the assumptions we have made, an increase in values for office schemes does not translate into an ability to contribute to a S.106 tariff.

INDUSTRIAL

- Our initial industrial calculations show that new build industrial development in Harrow could contribute £5-10 per sq m towards a S.106 Tariff.
- This could potentially increase to c. £7.50 - £10 per sq m assuming more advantageous economic conditions.

RETAIL

- We have recently adjusted the typologies for the retail element of this study in order that we may reflect both food related and convenience type retail.
- We have appraised convenience type retail only, and these figures may be subject to change.
- Our retail development appraisals indicate that the amount of S.106 monies which could viably be collected from retail development across the Borough is currently £10 - £20 per sq m.
- This could increase depending on improving market conditions to c. £25 per sq m (N.B. BREEAM)

Commercial – INTERIM FINDINGS: S.106/Tariff/CIL

Commercial Appraisals, Summary Table: Current Market

	Use	S106 Tariff (Per Sq M GIA)
Scheme 15	Office	Nil
Scheme 16	Retail (convenience only)	£10 – 20
Scheme 17	Retail (convenience only)	£10 – 20
Scheme 18	Industrial Estate (B2/B8 use)	£5 – 10

Questions

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