

TOOLKIT REPORT - ORCHARD ROAD, RICHMOND, TW9 4NY

APPENDIX 5

emailed 7/18/09



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4 August 2009

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Our Ref:
Your Ref:

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

Thanks for your emails and apologies for my delay in responding. As you are aware CLG does not have specific guidance on the method for assessing the viability of development schemes. Essentially, this is a matter for Local Authorities and developers, but we do encourage open-book discussions to resolve issues on viability. We are however currently working with the HCA on a toolkit for assessing economic viability on an area basis, which is to be piloted with Local Authorities shortly.

While it would not be appropriate for me to comment on individual cases or practitioners, we are aware that many LAs currently do use standard toolkits for assessing the viability of specific proposals, which allow for consideration of the actual cost paid for the site. We are facilitating the development of regional section 106 practitioners groups to assist in sharing of knowledge and best practice among local authority practitioners. This will seek to provide support for practitioners to deal with the current economic conditions.

Furthermore, PINS now has a contract in place with RICS Dispute Resolution Services (DRS) for the provision of specialist advisers where appropriate and it would have the option, subject to cost, to engage an advisor to assist with a local inquiry where a very technical economic / financial viability issue needed more detailed scoping. It is also worth noting that DRS may also have a role to play in offering mediation services at pre-application stage.

I am grateful for your views on this matter and as we take the discussion forward when appropriate I will have regard to your kind offer to assist in any such debate.

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

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TOOLKIT REPORT - ORCHARD ROAD, RICHMOND, TW9 4NY

APPENDIX 6

The Dairy, Orchard Road,
Richmond, TW9 4NY

COMPARABLES REPORT



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1. Introduction

1.1 This statement has been prepared by the specialist Affordable Housing team within the London Residential Development Department of Savills (L&P). It is by way of an addendum to the Toolkit report provided for the development scheme at The Dairy, Orchard Road, Richmond (the Subject) and focuses on establishing the value of proposed residential and commercial accommodation in the Subject area in order to support the redevelopment value.

1.2 Area Analysis

Richmond is a town in southwest London, England and is part of the London Borough of Richmond upon Thames. It is located 8.2 miles (13.2 km) west-southwest of Charing Cross. Located on a meander of the River Thames, Richmond now forms a significant local commercial centre with a number of parks and open spaces and has a developed retail and night-time economy.

1.3 Subject Site

The site, on Orchard Road, runs south off Lower Richmond Road (A316). Garden Road runs east off Orchard Road. A fire station is situated to the north of the site and a Sainsbury's supermarket is located immediately to the west of Orchard Road, but is accessed from Lower Richmond. The site extends to 0.3 hectares (0.74 acres).

1.4 Site Location

Orchard Road is situated within the postcode district TW9, within the London Borough of Richmond upon Thames. The area is a mixture of residential; commercial and light industrial units. The site is located to the east of central Richmond centre, in the area of North Sheen.

North Sheen Rail Station (100 metres to the south of the site) provides over-ground services on South West Trains via the Waterloo to Reading line with services running via Clapham Junction and Richmond. The nearest underground stations are Richmond to the west and Kew Gardens to the north, both are approximately 1.2km away. Both stations are served by the district line.

There are several bus routes along Lower Richmond Road, including routes 33, 337 and 493, which offer services to Tooting, Clapham, Putney and Charing Cross to the east.

1.5 Methodology

In undertaking our comparable research for the residential and commercial units we have had consideration to recent market transactions, historic land registry data and the expert opinion of local agents. The results of this research are set out below with Residential at Section 2 and Commercial at Section 3. We go on to summarise our findings at Section 4 and residential and commercial comparables maps are included at Annex A.

2. Residential Comparables

2.1 Eminence, 76 Lower Mortlake Road, Richmond, TW9



Eminence is a new-build development by Heronsbrook on Lower Mortlake Road, approximately 0.6 miles to the west of the Subject site. It is a development of twelve apartments arranged up to fifth floor, and ground floor commercial space, all with the benefit of underground car parking. The apartments are arranged as 6 x 1 bedroom flats, 5 x 2 bedroom flats, 1 x 2 bedroom Penthouse. The development is in a superior location to the Subject scheme being closer to Richmond centre, and therefore prices achieved here will be higher than could be expected at the Subject site. Each property had an underground parking space, which the agents commented would have added circa 15% onto the overall capital value of the flats.

12 Eminence – a two bed penthouse apartment on the fourth floor sold in April 2011 for £950,000. The unit extends to 1,700 sq ft which equates to **£559 psf**.

9 Eminence – a two bed apartment on the second floor sold in April 2011 for £550,000. The unit extends to 950 sq ft which equates to **£579 psf**.

2 Eminence – a two bed apartment on the first floor sold in April 2011 for £450,000. The unit extends to 834 sq ft which equates to **£540 psf**.

6 Eminence – a two bed apartment on the first floor sold in April 2011 for £439,800. The unit extends to 834 sq ft which equates to **£527 psf**.

8 Eminence – a one bed apartment on the second floor sold in April 2011 for £325,000. The unit extends to 505 sq ft which equates to **£644 psf**.

3 Eminence – a one bed apartment on the first floor sold in February 2011 for £330,000. The unit extends to 628 sq ft which equates to **£525 psf**.

1 Eminence – a two bed apartment on the first floor sold in January 2011 for £540,000. The unit extends to 1,022 sq ft which equates to **£528 psf**.

5 Eminence – a two bed apartment on the second floor sold in September 2010 for £550,000. The unit extends to 1,020 sq ft which equates to **£539 psf**.

7 Eminence – a one bed apartment on the third floor sold in August 2010 for £340,000. The unit extends to 604 sq ft which equates to **£563 psf**.

We have spoken to agents at Jackson Stops who marketed the scheme and they have confirmed the figures listed above and that all units are now sold. They stated that all the flats sold well and were met by a strong level of demand, with one third of the flats purchased by rental investors. However, they were limited in value by the lack of outside space. They also commented that Eminence is in much more desirable location to the site on Orchard Road, being within walking distance of central Richmond, and therefore an appropriate discount should be applied to these values when establishing predicted values at the Subject site.

2.2 Lichfield Court, Sheen Road, TW9



Lichfield Court is an Art Deco building in central Richmond very close to the station. The apartments are in a superior location to the Subject site and this should be taken into account when analysing the sales for comparable purposes. However, there will be a new build premium at the Subject scheme over values achieved in this scheme.

82 Lichfield Court – a two bed flat on the second floor sold for £322,500 in July 2011. The unit extends to 746 sqft which equates to **£432 psf**.

137 Lichfield Court – a studio flat on the fifth floor sold for £175,000 in May 2011. The unit extends to 388 sqft which equates to **£451 psf**.

5 Lichfield Court – a studio flat on the ground floor sold for £187,250 in March 2011. The unit extends to 411 sqft which equates to **£456 psf**.

33 Lichfield Court – a studio flat on the first floor sold for £202,500 in March 2011. The unit extends to 461 sqft which equates to **£439 psf**.

7 Lichfield Court – a two bed flat on the ground floor sold for £362,500 in November 2010.

51 Lichfield Court – a studio flat on the first floor sold for £225,000 in October 2010. The unit extends to 456 sqft which equates to **£493 psf**.

75 Lichfield Court – a one bed flat on the second floor sold for £230,000 June 2010. The unit extends to 452 sqft which equates to **£509 psf**.

2.3 Cafe Matthiae, 76-88 Kew Road, Blue Anchor Alley, Richmond, TW9



This development is located on the south side of Kew Road, on the approach into Richmond town centre. The scheme is not a new build per se, but it is a refurbishment of the former Cafe Matthiae building, a conversion of The Blue Anchor Public House and a new-built section on the corner of Blue Anchor Alley. There is ground floor commercial.

The agents confirmed that there was no parking with the properties, nor residents' parking. However the developer offered one year free parking at Richmond Athletic Ground.

Agents (Anthony Roberts) sold 15 of the 17 flats. The agents confirmed the following transactions:

No. 2 – A large one bedroom flat, with no terrace sold for £300,000 in August 2010. The unit extends to 650sq ft which equates to **£462 psf**. This was the last unit to sell in the development.

No. 3 - A one bedroom flat with a terrace sold in March 2010 for £294,500. The unit extends to 490sq ft which equates to **£601 psf**.

No. 4 – A one bedroom flat with a terrace sold in March 2010 for £325,000. The unit extends to 521sq ft which equates to **£624 psf**.

Flat 5 – A two bedroom, two bathroom flat with balcony sold in March 2010 for £469,000. The unit extends to 893sq ft which equates to **£525 psf**.

Flat 6 – A two bedroom, two bathroom flat sold for circa £470,000 in August 2010. There was no official terrace, although there was a skylight that provided access to unofficial roof space. The unit extends to 862sq ft which equates to **£545 psf**.

Flat 8 – A one bedroom flat (the same layout as flat 3) sold for £287,000 in July 2010. The unit extends to 498sq ft which equates to **£576 psf**.

Flat 9 – A one bedroom flat with no terrace sold in March 2010 for £300,000. The unit extends to 514sq ft which equates to **£584 psf**.

The Cafe Matthiae development is located in a more central and desirable location than the subject site. However, it is a less attractive building, and lacks long term parking and outside space. However, we still would anticipate that this site would achieve values in excess of those achievable at the subject scheme, due to location.

2.4 **35 Robinson Court, Townsend Terrace, TW9 1YE**

A first floor, two bed apartment within what appears from the marketing material to be an ex-local authority purpose built block sold in October 2010 for £280,000. The property appears to be in fair interior condition, benefits from off street parking, and extends to 796 sqft which equates to **£352 psf**. This property is in close proximity to Garden Road and is therefore highly comparable in terms of location. However, a premium should be applied to reflect the higher quality of proposed new build accommodation at the subject site.

2.5 Beverley Lodge, Paradise Road TW9 1LL



Beverley Lodge is a five storey purpose built block to the south of Richmond Station, with views over Richmond Hill.

7 Beverley Lodge, a third floor, three bed apartment with balcony sold for £412,500 in April 2011. The unit extends to 847 sqft which equates to **£487 psf**. From the marketing material it appears that the unit was in need of modernisation.

10 Beverley Lodge, a top floor, three bed apartment with balcony sold for £387,000 in December 2010. The unit extends to 847 sqft which equates to **£457 psf**. From the marketing material it appears that the unit was in need of modernisation.

Despite being a second hand sale, we consider that Beverley Lodge could achieve values in excess of those achievable at the Subject scheme due to the superior location and the views.

2.6 Lichfield Gardens, Richmond TW9 1AP

Lichfield Gardens is a modern development built by St George in 1990 close to Richmond town centre. The apartments are in a superior location to the Subject site and this should be taken into account when analysing the sales for comparable purposes.

22 Lichfield Gardens – a two bed apartment sold for £360,000 in July 2010.

36 Lichfield Gardens – a one bed apartment on the first floor sold for £280,000 in May 2010. The unit extends to 452 sqft which equates to **£619 psf**.

2.7 32 Finucane Court, Lower Mortlake Road, Richmond TW9

This third floor 1 bedroom flat sold in August 2011 for £207,500. The flat extends to 477 sq ft, which equates to **£435psf**. The flat is in what appears to be a modern, ex-local authority style block with communal garden. We would anticipate the subject scheme achieving in excess of this value.

2.8 108 Deanhill Court, Upper Richmond Road West, SW14

This two bed third floor flat in a 1930s mansion block sold for £325,000 in September 2010. The flat extends to 786 sqft which equates to **£413 psf**. The flat has a balcony and off street parking, and is located c. 0.5 miles to the south east of the Subject property, between Mortlake and North Sheen, and has an SW14 postcode

2.9 43 St Leonards Court, St Leonards Road, SW14

This two bed ground floor mansion flat sold for £285,000 in December 2010. The flat extends to 712 sqft which equates to **£400 psf**. The flat is in need of modernisation and has direct access to the communal gardens. It is located c. 1 mile to the east of the Subject property, close to Mortlake railway station, and has an SW14 postcode.

2.10 Summary

We have had a number of discussions with local agents including Jackson Stops, Chesterton and Humberts and the Savills Richmond office, regarding unit values and local demand. We believe that the flat market is performing well and that there would be a good level of demand for the flats from both local purchasers and rental investors (although limited First Time Buyers).

In prime Richmond, agents consider that the strongest level of demand is for 3 bedroom properties, driven by demand from the 'Downsizer' market, who want easy pedestrian access to the shopping and leisure amenities of Richmond town. However, the Subject scheme is in a more secondary location and therefore is unlikely to attract this kind of purchaser. It is anticipated that the demand will be strongest for 1 and 2 bedroom properties in this location, from both rental investors and owner occupiers.

There have been a limited number of comparable new build transactions of 1, 2 and 3 bedroom flats within the immediate vicinity of the Subject Site within the last 12 months. The new build comparables in prime Richmond will be in excess of values achievable at the Subject Site.

The scheme benefits from 28 underground parking spaces, but will also link with the underground parking at the adjacent scheme, providing 85% provision across both schemes. These spaces will be available on a first come first served basis. There is therefore a good level of parking provision available to potential purchasers, which will increase saleability given the more secondary location of the scheme.

The scheme also provides ground floor amenity space and childrens play area, which is available for access by all residents. In addition, 17 of the units (38%) at ground and first floors have private amenity space in the form of either a front or rear garden. This will increase both value and saleability in these units.

3. Commercial

2.11 Commercial Overview

It is our understanding from our research and conversations with local commercial agents that the Subject is in a tertiary office location. As such we have had regard to transactions and availability within the immediate vicinity as well as comparable areas further afield such as Richmond, Putney and Mortlake. A map of comparable locations is at Annex B.

OFFICE - OCCUPATIONS

2.12 52-54, Putney High Street London SW15 1SQ

52-54 Putney High Street comprises a corner building with retail accommodation on the ground floor and basement. There are three floors of office accommodation above which is newly refurbished.



In July 2011 Rockshore Ltd took 1,580 sq ft of first floor office space on a five-year lease at £28,440 pa, equating to **£18.00 psf**, subject to a tenant only break in year two. No incentives were agreed.

In August 2010 Shipley Ltd took 1,440 sqft of third floor office space on a sublease expiring in August 2011 at £25,000 pa equating to **£17.50psf**.

2.13 162-164 Upper Richmond Road, London, SW15 2SL

In May 2011, Dolphin Dynamics took 3,550 sq ft of office space on the second and third floor on a five-year lease at £62,125 pa, equating to **£17.50 psf**, subject to an option to break in year three. A one month rent-free period was agreed. The property is newly refurbished and comprises a 1970s four-storey building with car parking.



2.14 13 Blades Court, London, SW15 2NU

In March 2011, Emmi took 2,499 sq ft of ground, first and second-floor office space from on a five-year lease at £48,731 pa, equating to **£19.50 psf**. The property is a



modern build and includes one parking space.

2.15 1-8 Crescent Stables, 139 Upper Richmond Road, London. SW15 2TN

In January 2011, SJS Law took 1,020 sq ft of ground, first and second floor office space on a six year lease at £20,000 pa, equating to **£19.61 psf**, subject to a rent review in years three, four and five and an option to break in year three. Three months rent-free period was agreed. The property comprises eight office units within a terrace and includes car parking.



2.16 Boat Race House, 61-69 Mortlake High Street, SW14 8HL

Simpson Travel took 2,369 sqft of second floor office space in October 2010 on a five year lease at £35,535 pa equating to **£15psf**. The office is within a four storey converted office building refurbished in 2009.



OFFICE - TO LET

2.17 St Patricks House, 24A Grove Road, London, SW13 0HH

A 1,411sqft office building is currently being advertised for rent by Michael Rogers. We understand from the agents that although their quoting rent equates to £22.50 psf they do not expect to achieve this and that they would anticipate an agreed rent of **£18-19psf**. The agent also commented that they were quoting £475,000 for the freehold which, at the quoting rent, represents a yield of 6.7%. However they expect to achieve c.£300 psf freehold which at an achievable rent of £19psf represents a 6.3% yield. We understand that the accommodation is new with cat 5 cabling.

2.18 Unit 65 Boat Race House, 61-69 Mortlake High Street, SW14 8HL

The available space comprises a four-storey office building providing open plan accommodation on the ground floor. Unit 65 offers 792 sq ft office space and is available to let at **£17.00psf**.

OFFICE - FREEHOLD SALES

2.20 26 Blades Court, 121 Deodar Road, SW15 2NU

In March 2010 the freehold interest in 1,383 sqft of office space was purchased for £500,000. The quoted rent was £27,660 pa which equates to

£20psf producing a **6.9%** yield on the purchase price. The property comprises a modern self-contained brickwork office building arranged over ground and two upper floors. The unit is not in prime Putney and is comparable to the Subject.

2.21 116 Putney Bridge Road, SW15 2NQ

In August 2010 Hermes Property Unit Trust purchases the freehold interest in 46,306 sqft of office space from a private vendor for £11.015m as an investment reflecting a net initial yield of **8.50%**. The property comprises a 3 storey office building of modern construction.

2.22 The Printworks, Blake Mews, Richmond, TW9 3GA

The property comprises a two storey terraced office building totalling 1,000 sq ft, constructed in the 1990s. In December 2010 The Printworks was sold for £275,000.

2.23 Printworks House, Dunstable Road, Richmond, TW9 1UH

The property comprises 1,665 sq ft of office accommodation over 3 floors. In May 2010 the property was purchased on a long-leasehold interest for £570,000.

2.24 St Georges House, 15 St Georges Road, Richmond, TW9 2LE

St Georges House is a modern 4 storey office building constructed in 2003. In May 2010 the 1st floor totalling 3,014sq ft was purchased on a long leasehold interest for £400,000

2.25 Summary

The Subject site is in a secondary location in Richmond. Whilst prime rents for B1 space in Richmond can achieve in excess of £35psf, this value drops off sharply as you move out of the town centre.

In addition, there is no associated parking for the commercial element of the scheme, and the site is located over 1 mile from the town centre and mainline and London Underground transport links which will deter potential occupiers.

A full Commercial Marketing report has been undertaken by the Client's commercial advisor and is attached at **Appendix 8**.

4. Summary

4.1 Residential

We have spoken to several agents in the area including Savills who have extensive knowledge of the local housing dynamics. The agents' view of the Subject site is that it does not sit within 'Prime' Richmond and that the main demand for the units may be from investors rather than owner occupiers. Having considered this and reviewed our own comparable evidence, we consider that an optimistic opinion of value for the residential component of the scheme would be in the region of **£430 - £450 psf**. On a capital value per unit type basis this equates to the following:

Unit Type	Value
1 bed	£245,000 - £295,000
2 bed	£330,000 - £360,000
3 bed	£400,000 - £425,000

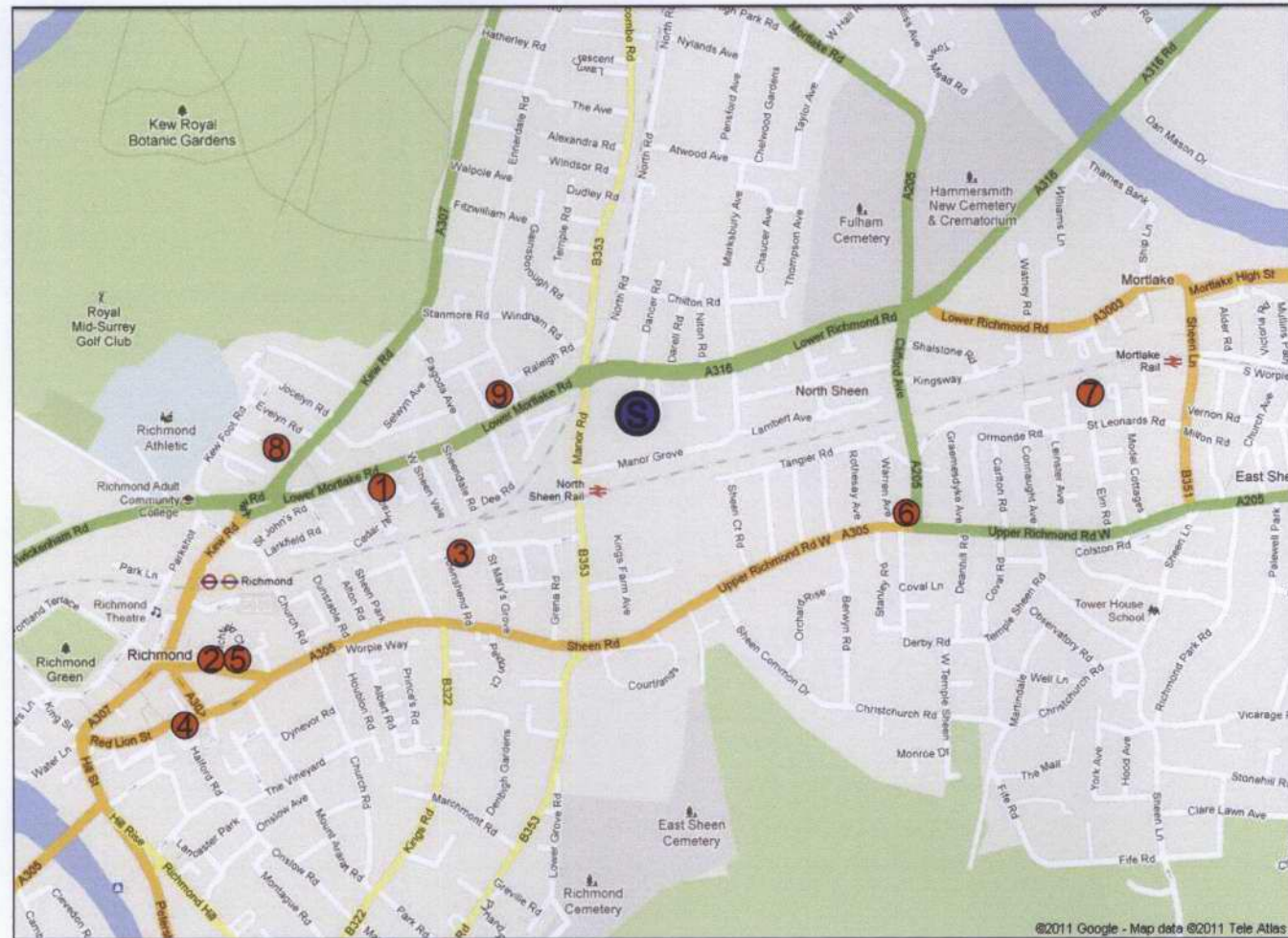
4.2 Commercial

During the course of our investigations we have spoken to several commercial agents who have been involved in transactions in the area. Their opinion of the office market in the location is that it is very much a tertiary area. The overall consensus was that an optimistic rental level would be in the region of **£15psf** for Grade A specification. In terms of investment yield, agents felt that the Subject could achieve in the region of **8%**.

The Dairy, Orchard Road, TW9 Residential Comparables Map

ANNEX 1

1. Eminence
2. Lichfield Court
3. Robinson Court
4. Beverley Lodge
5. Lichfield Gardens
6. Deanhill Court
7. St Leonards Court
8. Café Matthiae
9. Finucane Court



The Dairy, Orchard Road, TW9 Commercial Comparables Map

ANNEX 2

1. St Georges House
2. Printworks House
3. The Printworks
4. Unit 65 Boat Race House
5. Boat Race House
6. St Patricks House
7. 52-54, Putney High Street
8. 1-8 Crescent Stables
9. 162-164 Upper Richmond Road
10. 26 Blades Court
11. 116 Putney Bridge Road
12. 13 Blades Court

