

Comments on the Viability Update of the Development of Teddington Riverside

On behalf of
London Borough of Richmond upon
Thames

Author

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Bespoke Property Consultants

maximising development potential

1 Introduction

- 1.1 Bespoke Property Consultants provided a draft report to Savills, as the applicant's viability consultants, in May 2014 reviewing their viability appraisal for the Teddington Riverside development. The intention of the draft report was to clearly identify the areas of difference and to set the basis for discussions to explore whether a mutually agreed position with regard to affordable housing could be achieved.
- 1.2 Within our draft review we identified sales values, build costs and benchmark Land Value, as the areas of contention.
- 1.3 We were also instructed that the Council's Housing Department had concerns that the small number of units proposed as affordable housing on site did not include rented accommodation.
- 1.4 Our draft review of the Savills report concluded that the scheme submitted generated a significant surplus and that there was scope for a significantly improved provision of affordable housing.
- 1.5 In response to our draft report Savills produced a Viability Update dated 8th July 2014.

2 Review of the Viability Update

2.1 Sales Values

- 2.1.1 In their original report Savills proposed average sales value rates were

1 Beds £8,674 /m²

2 Beds £7,477 /m²

3 Beds £8,210 /m²

They also stated that in their view that the units at Teddington Waterside would attract values higher than the scheme at Kingston Waterside and the same as the Kew Bridge development

- 2.1.2 In our draft report we commented that Savills pricing had been compiled using data that was up to a year and a half old and given the increases of prices over that time this could not be relied on to reflect current market conditions.

2.1.3 Our pricing was based upon properties that were currently offered for sale within the Kingston Waterside and Kew Bridge developments as these were highlighted as comparators by Savills within their report.

2.1.4 Based on our research we adopted the following value rates:

1 Beds £9,924/m²

2 Beds £9,012/m²

3 Beds £9,927/m²

2.1.5 Following the receipt of our draft report Savills, undertook a review of their estimate of values and as a result have proposed values increased by 8.3%. They suggest that this is ahead of the Land Registry House Price Index for the period since their original pricing was undertaken. However, our understanding is that the figures they used were compiled in December 2013 and the Price Index for Richmond increased 8.98% from December to May (noting that the figure for June has not been published and would also need to be added to obtain the correct comparator.)

2.1.6 In response to the Savills submission we have undertaken a pricing review of units currently offered for sale at both Kingston Riverside and the Kew Bridge developments. We have also been able to obtain information about some recently completed units at Kew Bridge where the asking price for units has been obtained. This information is included as Appendix B.

2.1.7 As a result of this new market research our conclusions are –

1 Beds – no relevant information found at Kingston. A small sample at Kew shows sold prices average £9,705 /m² which at 95% of average asking prices to allow for negotiation is £9,779/m². In light of this information we have reduced our estimate of value to £9,740 /m².

2 Beds –Kingston 95% of asking prices is £8,707 /m²; Kew average sold price is £9,181/m² and 95% of asking price is £9,171 /m². Noting Savills expressed view that Kingston would achieve lower returns and Kew similar returns to Teddington we have increased our estimate of value to £9,171.

3 Beds – Kingston 95% of asking prices is £11,038 /m²; Kew no information on sold prices, 95% of asking prices £13,299 /m². On the basis of this information our previous estimate of value was clearly low and we have increased our estimate to the Kingston figure of £11,038.

For the purposes of this update other values have been increased in line with the House Price Index December 2013 to May 2014

2.2 Benchmark Land Value

2.2.1 In our draft report we set out our acceptance of Savills proposed Existing Use Value but that we did not at this stage accept the proposed market value. Savills have provided no further information. As such if we were to produce a report for publication at this juncture we would use the Existing Use Value plus a premium of 25% not Savills' proposed Market Value for the Benchmark Land Value

2.3 Build Costs

2.3.1 In our draft report we outlined a number of areas where our Cost Consultant raised issues with the build costs. Further detailed comments were provided at the end of June. There has been no response from Savills on these matters but Savills have submitted an updated cost plan. Our concern at this juncture in the absence of a response to the specific points originally raised by Anderson Bourne that reviewing this cost plan with areas that are currently not agreed could compound the degree of disagreement.

2.3.2 In our independent appraisal we have adjusted the build programme to four and a half years as we believe this better reflects the original intention of the applicant to build new office premises to decant the staff currently in Teddington to. This has a significant impact on the landholding costs and reduces the land value surplus. However, we now understand that new offices will not be built. If this is confirmed the development period would be adjusted downwards, the land holding costs decrease and the surplus increase.

2.4 Review Mechanism

2.4.1 The Savills Update proposes a possible review mechanism. However, they suggest a review that is only triggered if the planning permission is not implemented by a given date. In our judgement this gives to little protection to the council's position. As things stand it is our view that the scheme as proposed will make a large surplus. Normally, this would result in the requirement for more affordable housing on-site in accordance with both the London Plan and the Council's Affordable Housing Policy. A rationale from the applicant as to the benefits that

might be achieved by this scheme being developed with minimal on-site housing is alluded to within the Savills Update but as yet has not been provided.

2.4.2 Were the council minded to grant permission the only means by which their position with regard to the benefits foregone can be protected would be to have a post implementation review when the majority of units (say 70%) have been sold.

2.4.3 Furthermore, we would recommend that if such a mechanism is adopted the split of surplus should be 60% to the developer and 40% to the council in accordance with normal industry practice and that the cap is calculated based on the subsidy requirement required to deliver provision that is compliant with policy in terms of number, tenure and mix of units.

3 Conclusion

3.1 We have undertaken fresh market research and have adjusted our appraisal pricing in accordance with this. Our view of the appropriate pricing remains substantially in excess of that proposed by Savills.

3.2 We have increased the development period albeit this would need to be readjusted if the applicant is not to provide new office accommodation as was originally suggested.

3.3 We have maintained the figures for the build cost we used in our original appraisal albeit we noted that a possible £3.8m savings had been provisionally identified. Savills have used an updated cost plan that is as yet to be verified as they have not answered the original queries.

3.4 We have used the Existing Use Value plus a premium of 25% to establish the Benchmark Land Value which we believe is appropriate in this case.

3.5 Based on these figures we calculate the surplus to have increased marginally above that stated in our initial draft report. This is as a result of the increase in unit values despite the increased interest costs as a result of the extended development period. The current estimated surplus is £40.18M (Appendix A).

← ----- Results -----

Site	Teddington Riverside - Update July 14
Address	
Scheme	220 units (12 shared ownership)
Description	

Site Reference Number	Appendix A
Application Number	
NLUD Ref. Number	
UPRN or Grid Ref.	

View Results

RESIDUAL before land finance	£75,895,000
RESIDUAL after land finance	£68,305,000
Per hectare	£36,723,000
Per dwelling	£310,000
Per market dwelling	£328,000
Per habitable room	£97,000
Per bedspace	£144,000

SCHEME UNITS		per ha.
No. of Dwellings	220	118
No. of Habitable rooms	702	377
No. of Bedrooms	475	255
Total floorspace (m2)	20,695	11126
% Wheelchair Units		

Discounting Function

Floor Space Analysis

Costs Analysis

Child Occupancy & Bedrooms

SCHEME REVENUE	£202,952,000
Contribution to revenue from:	
Market housing	£195,654,000
Affordable Housing	£3,433,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	£3,433,000
- Intermediate Rent	
- Affordable Rent	
- Social Rent	
Grant	
Capital Contribution	£3,865,000
Commercial Elements	

LAND FINANCE	
Total land finance	£7,590,000

AFFORDABLE UNITS							
	Low Cost	Equity Share	Shared	Intermediate	Affordable	Social Rent	Total
Units			12				12
Units %			5%				5%
Hab rooms			5%				5%
Bedrooms							
Persons			5%				5%
Floorspace			4%				4%

SCHEME COSTS	£127,057,000
Contribution to costs from:	
Market housing	£111,066,000
Affordable Housing	£3,193,000
- Low Cost Sale	
- Equity Share	
- Shared Ownership	£3,193,000
- Intermediate Rent	
- Affordable Rent	
- Social Rent	
Planning Obligations	£2,721,000
Community Infrastructure Levy	£337,000
Exceptional Development Costs	£9,740,000
Commercial Elements	

PUBLIC SUBSIDY (GRANT)	
Whole scheme	£ -
Per Social Rent dwelling	£ -
Per Shared Ownership dwelling	£ -
Per Intermediate Rent dwellings	£ -
Per Affordable Rent dwelling	£ -

Alternative Site Values		Against residual
Existing Use Value	£ 28,125,000	£40,180,000
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative	£ -	

Teddington Riverside Market Research July 2014

St Georges Kew Bridge

Sold Properties

1 beds

Plot	Price	M2	£/M2
202	550,000	56.67	9,705
402	550,000	56.67	9,705
Average			9,705

2 beds

Plot	Price	M2	£/M2
140	979,950	121.42	8,071
233	704,950	73.3	9,617
206	1,100,000	130.62	8,421
227	749,950	80.08	9,365
272	884,950	84.82	10,433
Average			9,181

Properties Available

1beds

Plot	Price	M2	£/M2
502	560,000	56.67	9,882
602	580,000	56.67	10,235
802	610,000	56.67	10,764
Average			10,294

95% of Average asking price = £9,779/m2

2 beds

Plot	Price	M2	£/M2
203	924,950	90.49	10,222
278	894,950	84.82	10,551
291	704,950	69.21	10,186
234	762,950	77.68	9,822
184	919,950	82.4	11,164
185	914,950	81.01	11,294
191	929,950	81.01	11,479
155	1,000,000	121.42	8,236
203	650,000	85.84	7,572
301	665,000	85.84	7,747
403	680,000	85.84	7,922
Average			9,654

95% of average asking price = £9,171

3 beds

Plot	Price	M2	£/M2
129	2,999,950	214.88	13,961
175	2,249,950	160.72	13,999
176	2,499,950	174.29	14,344
178	245.45	3,500,000	14,260
324	111.67	1,500,000	13,432
Average			13,999

95% of average asking price = £13,299

Kingston Riverside Asking Prices

2 beds

Plot –(Floor)	Price	M2	£/M2
20 (8)	925,000	100.89	9,168
16 (9)	895,000	88.72	10,088
8 (11)	885,000	77.95	11,353
32 (6)	795,000	83.24	9,551
124 (7)	750,000	92.44	8,113
26 (7)	740,000	76.64	9,656
12 (10)	735,000	75.81	9,695
122 (7)	725,000	82.78	8,758
	675,000	76.92	8,775
138 (5)	595,000	68.28	8,714
195 (G)	550,000	79.25	6,940
Average			9,165

95 % of average asking price = £8,707

3 beds

Plot –(Floor)	Price	M2	£/M2
3 (13)	1,575,000	114.27	13,783
15 (9)	1,525,000	132.48	11,511
7 (11)	1,475,000	123	11,992
97 (5)	1,450,000	129.41	11,205
96 (5)	1,450,000	136.57	10,617
6 (110)	1,400,000	119.94	11,673
(10)	1,350,000	106.46	12,681
2 (13)	1,325,000	96.43	13,741
103 (3)	1,300,000	123	10,569
95 (6)	1,260,000	114.83	10,973
(8)	1,199,950	98.57	12,174
94 (6)	1,225,000	110.55	11,081
25 (7)	1,000,000	108.6	9,208
90 (4)	1,000,000	87.24	11,463
Average			11,619

95% of average asking price = £11,038