

12 August 2019

672 Hanworth Road, Hounslow, TW4 5NP

Viability Assessment Report

This Viability Assessment has been prepared on behalf of:

Linden Hill – Capital Homes – KUPG Prop Limited

Instructions

This Viability Assessment is submitted to the London Borough of Richmond to accompany a detailed planning application for the proposed mixed use development at 672 Hanworth Road ('the Subject'). The application is made on behalf of Linden Hill – Capital Homes – KUPG Prop Limited ('the Applicant').

Confidentiality

We understand that the report will be submitted to the London Borough of Richmond as a supporting document to the planning application. The report must not be recited or referred to in any document (save the consultants instructed by the Council to review the report) without our express prior written consent.

Report Limitations

Please note that the advice provided on values is informal and given purely as guidance. Our views on price are not intended as a formal valuation and should not be relied upon as such. No liability is given to any third party and the figures suggested are not in accordance with Valuation Practice Statement 1.2 of RICS Valuation – Global Standards 2017. Any advice attached is not a formal ("Red Book") Valuation, and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such

Date of Appraisal

The Date of Appraisal is the date of this report.

For and on behalf of:

Savills (UK) Limited
33 Margaret Street
London
W1G 0JD

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1. Executive Summary

- 1.1 672 Hanworth Road currently comprises a substantial detached property arranged over basement, ground and one upper floor. It is of brick construction, rendered and painted with a steeply sloping pitched-tiled roof. There is a flat roof extension to the side and rear.
- 1.2 The Subject is situated within the London Borough of Richmond upon Thames. It is situated one mile south of Hounslow and one mile to the west of Whitton on the outskirts of Twickenham, which is a residential suburb of London that benefits from local services and amenities.
- 1.3 We have assessed the development economics of the proposed scheme in order to identify the level of planning obligations the scheme can sustain. We have appraised the scheme using Argus Developer (Version 6) and have based our appraisal upon the plans and schedule of accommodation shown in **Appendix 1**.
- 1.4 We have compared the resulting Residual Land Value to our Site Value Benchmark to ascertain whether there is a deficit or surplus against our Benchmark. In this case our Site Value Benchmark has been determined by giving consideration to the Existing Use Value of the Subject.
- 1.5 We have appraised the proposed scheme on the basis set out in the table below. Please see **Appendix 4** for the full appraisal.

Table 1 – Viability Appraisal Results

Residual Land Value	Site Value Benchmark	Deficit Against Benchmark
-£206,365	£578,500	-£784,865

- 1.6 Given that the Residual Land Value generates a deficit against the Site Value Benchmark, the scheme is therefore not able to contribute towards affordable housing whilst remaining commercially viable.

2. Introduction

2.1. Client Instruction

- 2.1.1. We have been instructed by the Applicant to examine the economic viability of this mixed use scheme, to determine the level of planning obligations that the proposed development can support whilst remaining viable.

2.2. Information Provided

- 2.2.1. We have been provided with, and have relied upon, the following information from the Applicant:
- Floorplans (dated 31/01/19) produced by Bowman Riley Architects as attached at **Appendix 1**
 - Existing Use Valuation Letter as attached in **Appendix 2**;
 - Build costs as advised by My Project Estimating Ltd.

3. Subject Description

3.1. Subject Location

- 1.7 The Subject is situated within the London Borough of Richmond upon Thames. It is situated 1.7 miles south of Hounslow and 1 mile to the west of Whitton on the outskirts of Twickenham, which is a residential suburb of London that benefits from local services and amenities.
- 3.1.1. The Property is situated on the A3400 which connects Hounslow town centre to the north and the A316 to the south. Whitton National Rail station is located approximately 1.1 miles east of the Subject and Feltham National Rail station is located approximately 1.8 miles to the west.
- 3.1.2. The Property is predominately a residential area with a number of retail properties being located on Hanworth road. Hanworth Cemetery is located opposite the Subject along with the service road Godfrey Way Industrial Estate which is occupied by Royal Mail and CEVA Logistics.
- 3.1.3. A location plan is attached at **Appendix 1**.

3.2. Subject Description

- 1.8 672 Hanworth Road currently comprises a substantial detached property arranged over basement, ground and one upper floor. It is of brick construction, rendered and painted with a steeply sloping pitched-tiled roof. There is a flat roof extension to the side and rear.
- 1.9 The site is approximately 0.122 hectares with the existing pub extends to c.4,300 sq ft GIA.

3.3. Proposed Development

- 3.3.1. A planning application has been submitted which seeks full planning permission for:
- 'Demolition of existing structures and construction of 2 blocks comprising 16 self-contained flats, 339sqm of A1/A2/A3 commercial space and a 239sqm of D1/D2 commercial space with associated amenity space, parking and landscaping'*
- 3.3.2. A detailed accommodation schedule and plans are provided at **Appendix 1**, and further detail of the proposals is contained within our Residential Comparables report, attached at **Appendix 3**.

4. Methodology

4.1. Financial Viability Assessments

4.1.1. In line with the NPPF, and the Greater London Authority's (GLA's) strategic planning guidance for London, site-specific financial viabilities maybe a material consideration in determining how much and what type of affordable housing should be required in residential and mixed-use developments.

4.1.2. As such, viability appraisals can and should be used to analyse and justify planning obligations to ensure that Section 106 requirements do not make a scheme unviable.

4.1.3. The RICS define financial appraisals for planning purposes as:

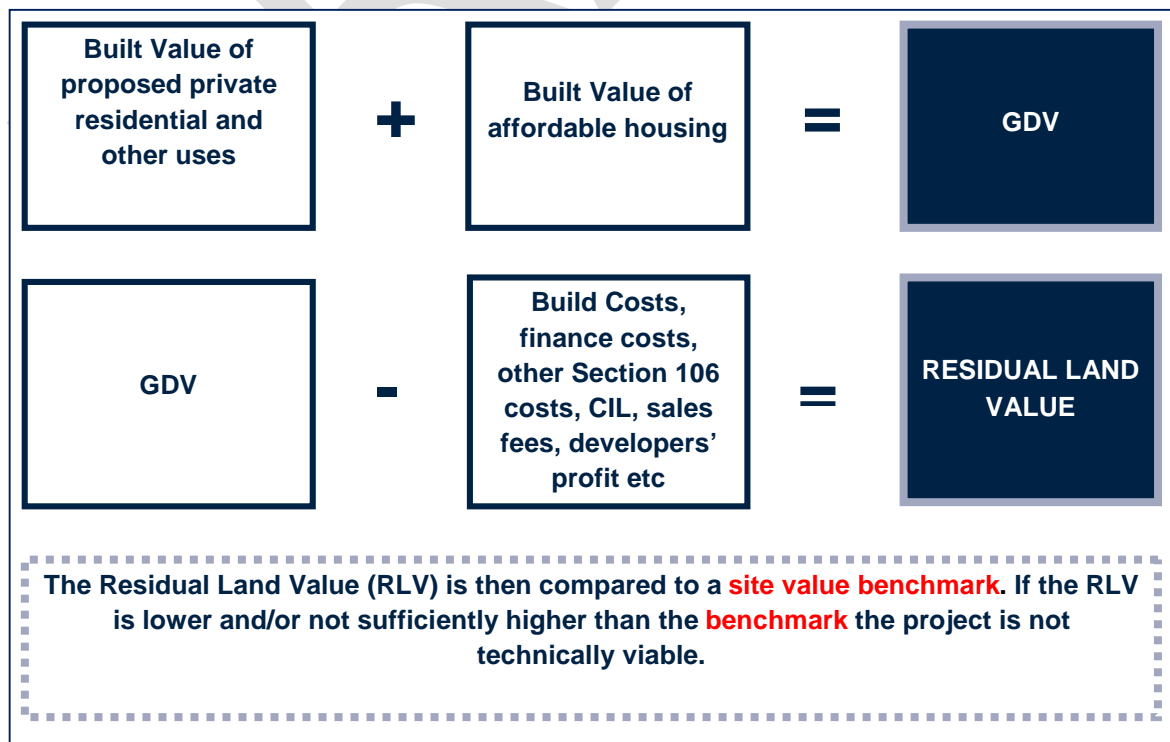
'An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to a developer in delivering a project.'

4.1.4. The GLA's logic is that, if the residual value of a proposed scheme is reduced to significantly below an appropriate viability benchmark sum, it follows that it is unviable to pursue such a scheme, and the scheme is unlikely to proceed.

4.1.5. If a scheme is being rendered unviable because of Section 106 requirements, it may be appropriate to look at reducing the burden of those requirements in order to facilitate viability.

4.2. Residual Land Valuation

4.2.1. The financial viability of development proposals is determined using the residual land valuation method. A summary of this valuation process can be seen below:



5. Site Value Benchmark

5.1. Introduction

- 5.1.1. Identifying an appropriate viability benchmark sum requires judgement bearing in mind that national planning guidance indicates that appropriate land for housing should be 'encouraged' to come forward for development. The GLA provides guidance on viability benchmarks for planning purposes and we are also aware that the Royal Institution of Chartered Surveyors (RICS) issued a guidance note on 'Financial Viability in Planning' in August 2012.

5.2. Adopted Site Value Benchmark

- 5.2.1. In this instance, we have considered the Existing Use Value of the current building on site to establish the Site Value Benchmark.
- 5.2.2. The Savills Licensed Leisure team were instructed by the Applicant to conduct a valuation of the existing use of the site, attached in **Appendix 2**. They considered the EUV of the Subject to be **£445,000**.
- 5.2.3. In line with NPPF, RICS and Mayoral guidance we consider it appropriate to apply a premium to reflect a competitive return for a landowner. In considering the appropriate premium to apply in this instance we have given consideration to the existing use being a public house in London, we have not attributed value to the income producing pay and display car park to the rear of the site, but reserve the right to do so. Therefore in this instance we have applied a premium of 30%, which is within the Mayor's range of 10% - 30%, generating an EUV plus premium of **£578,500**.
- 5.2.4. Therefore we consider the Site Value Benchmark to be **£578,500**.

6. Appraisal Modelling Assumptions – GDV

6.1. Residential Values

- 6.1.1. We have assessed a number of comparable transactions in the area to form an opinion of value for the proposed apartments at the Subject, taking into account the location, size, aspect, provision of outside space, proposed accommodation and parking provision.
- 6.1.2. Based on our research (attached at **Appendix 2**) and we have adopted a Gross Development Value (GDV) for the proposed scheme of **£5,177,000** equating to **£492/sq ft**.

6.2. Ground Rents

- 6.2.1. In light of the news published on 27th June 2019 that the Government has confirmed all new-build houses will be sold on a freehold basis and ground rents on new flats will be removed, we have not included ground rents in our appraisal.
- 6.2.2. It was announced by the communities secretary, James Brokenshire, that the government is pushing ahead with axing leaseholds for all new houses, which would in future be sold as freehold unless there were 'exceptional circumstances.' Ministers said they would reduce ground rents on future leases to zero, as opposed to an earlier proposal to cap them at a nominal £10 per year. The announcement follows an official consultation held in the wake of widespread outrage about unfair abuses of the leasehold system.

6.3. Commercial Values

- 6.3.1. Commercial values have been assessed based on recent comparable transactions and views of agents active in the market.
- 6.3.2. A copy of our research is attached at **Appendix 3**.
- 6.3.3. Based on the findings of our report we have adopted the following assumptions:

Table 2 – Commercial Assumptions

Use	Rent/Sq ft	Rent/Annum	Rent Free Period	Void Period	Yield
Retail	£13.09	£45,000	6	6	8.25%
D1	£15.55	£40,000	6	-	6.5%

- 6.3.4. A commercial investor is highly unlikely to take on any letting risk within the proposed development due to its location and all of the commercial comparables highlighted in **Appendix 4** comprise of fully let assets. Due to this we have assumed that the sale of the commercial units is completed once fully occupied 6 months post practical completion.

6.4. Car Parking

- 6.4.1. The proposed scheme looks to provide 9 parking space in between the two blocks, 2 of which are to be for residents.
- 6.4.2. After speaking to Savills New Homes team and gathering information from comparable scheme, we consider £10,000 per space to be reasonable assumption.

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7. Appraisal Modelling Assumptions – Costs

7.1. Introduction

7.1.1. The following assumptions have been adopted in assessing the costs of the proposed scheme.

7.2. Build Costs

7.2.1. We have adopted the build costs as advised by My Project Estimating Ltd. The costs include an allowance for demolition, preliminaries and contractor's OH&P.

7.3. Contingencies

7.3.1. The advised costs don't include a contractor's contingency of 5%. We have applied a separate developer's contingency at this stage but reserve the right to review.

7.4. Professional Fees

7.4.1. In this instance we have adopted professional fees of 12%. We have not been provided with a detailed breakdown of anticipated professional fees and therefore reserve the right to review our approach.

7.5. Sales/Letting Fees

- Residential sales agent: 2% of sales value
- Commercial sales agent: 1% of sales value
- Residential/Commercial sales legal: 0.8% of sales value
- Commercial letting agent: 10% of rental value
- Commercial letting legal: 5% of rental value
- Residential marketing: 1.5% of sales value

7.6. Purchaser's Costs

7.6.1. We have deducted acquisition costs at a rate of 5.82%

7.7. Planning Obligations

7.7.1. We have included the following estimated payments as advised by the Applicant :

- Mayoral and Borough CIL - £408,624

7.8. Profit

7.8.1. In assessing what constitutes an acceptable level of developer's return in the current market we have consulted with specialist colleagues within the Loan Security Valuation and Capital Markets departments of Savills, as well as applied our own development experience. In the current market if a developer was buying a site such as the Subject they would normally seek a return of at least 20% Profit on GDV (broadly equivalent to 25% Profit on Cost) in order to justify the risk of delivering the scheme.

7.8.2. Based on our experience and research we have included a developer's return of 19.11% on GDV.

7.8.2.1. The blended profit on GDV is broken down as follows;

- Private Residential: 20%
- Commercial: 15%

7.9. Finance

7.9.1. In accordance with RICS guidance, we have assumed that the development will be 100% debt financed, at a debit rate of 7% and a credit rate of 1%.

7.10. Timescales

7.10.1. A detailed development programme has been provided for appraising the scheme on the following basis:

- Purchase, planning and pre-construction: 6 months
- Construction: 18 months – as advised by My Project Estimating Ltd
- Sales: We have allowed a 7 month sales period. We have assumed that 10% of the units will be sold off plan with receipt at PC, and that 2 units will be sold per month thereafter.

8. Conclusion

8.1. Results

- 8.1.1. We have appraised the proposed scheme against our Site Value Benchmark in order to fully understand the economics of the development and to establish the maximum level of planning obligations, including affordable housing, that the scheme can reasonably support.
- 8.1.2. A summary of our appraisal results is set out below.

Table 3 – Viability Appraisal Results

Residual Land Value	Site Value Benchmark	Deficit Against Benchmark
-£206,365	£578,500	-£784,865

8.2. Conclusions

- 8.2.1. Given that the Residual Land Value generates a deficit against the Site Value Benchmark, the scheme is therefore not able to contribute towards affordable housing whilst remaining commercially viable.

Appendix 1: Proposed Schedule and Plans

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PROPOSED SITE PLAN

1 : 500

Construction staff and operatives must ensure the principle contractor has provided thorough and accurate information on all health and safety aspects relating to the designs identified on this drawing include the review of:

- Designers/contractors risk assessments
- Method statement
- Permit to work
- Pre construction information

The designers note that the following health and safety risk relating to this drawing have not been eliminated during the design process:



All dimensions to be verified on site, and the Architect informed of any discrepancy. All drawings and specifications should be read in conjunction with the Health and Safety Plan; all conflicts should be reported to the CDM Co-ordinator.

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| <input type="checkbox"/> preliminary | <input type="checkbox"/> comment | <input type="checkbox"/> construction |
| <input checked="" type="checkbox"/> planning | <input type="checkbox"/> tender | <input type="checkbox"/> record |

0	Issued for planning	12/08/19	SM	-
	revision	date	by	chk
DM	-	31/01/19		
drawn by	checked by	date	scale @	A3
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HANWORTH ROAD WHITTON				

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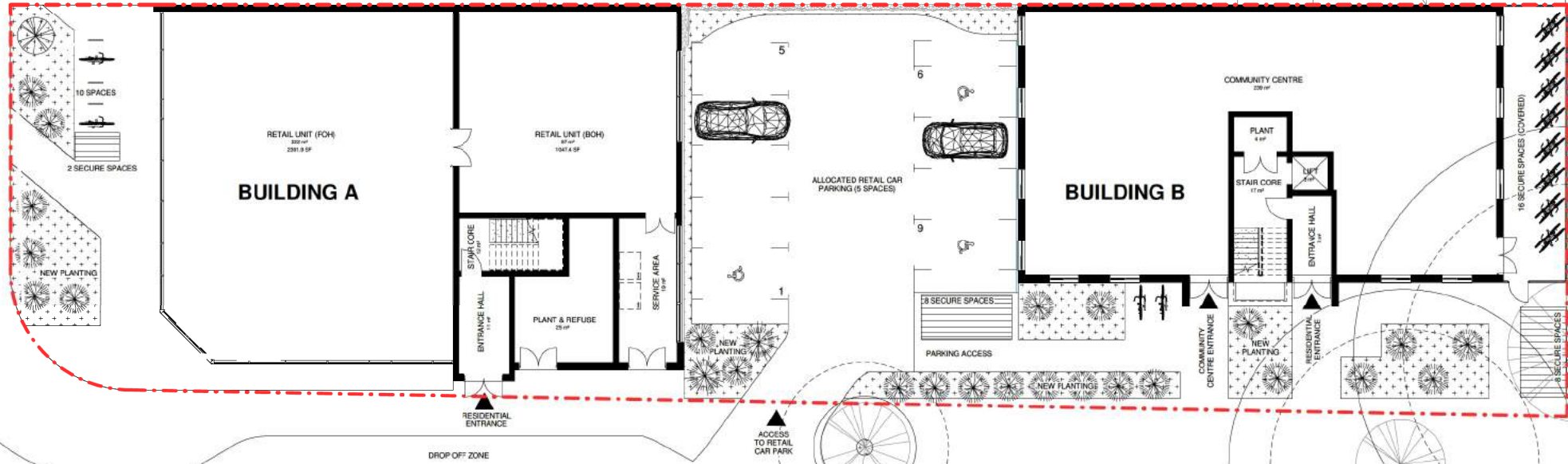
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PROPOSED SITE PLAN		
project number	drawing number	revision
8129	(000) 000	0

file reference: L:\8129 - Hanworth Road Whitton, Hounslow\8129 - 07 Revit\8129 - Hanworth Road Whitton, Hounslow 050819.rvt

PROPOSED GROUND FLOOR
1 : 100

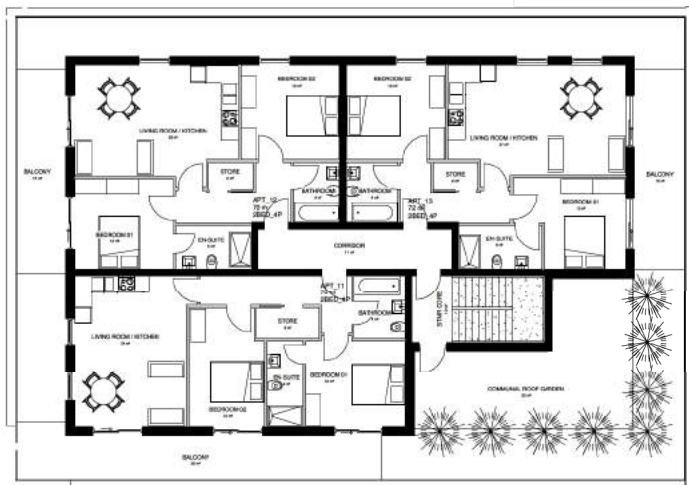


SCHEDULE OF ACCOMMODATION

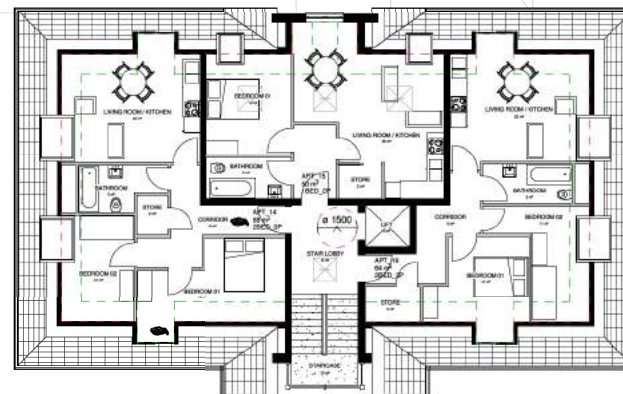
No.	TYPE	AREA
Apt_01	2BED_3P	64 m ²
Apt_02	1BED_2P	51 m ²
Apt_03	2BED_3P	62 m ²
Apt_04	2BED_3P	63 m ²
Apt_05	1BED_2P	51 m ²
Apt_06	2BED_3P	61 m ²
Apt_07	2BED_4P	70 m ²
Apt_08	2BED_3P	61 m ²
Apt_09	1BED_2P	50 m ²
Apt_10	1BED_2P	50 m ²
Apt_11	2BED_4P	70 m ²
Apt_12	2BED_4P	70 m ²
Apt_13	2BED_4P	72 m ²
Apt_14	2BED_3P	68 m ²
Apt_15	1BED_2P	50 m ²
Apt_16	2BED_3P	64 m ²

5 X 1BED_2P
7 X 2BED_3P
4 X 2BED_4P
16 APARTMENTS

<p>SCALE BAR 0 1 2 3 4 5m</p>		<p>Construction staff and operatives must ensure the principle contractor has provided thorough and accurate information on all health and safety aspects relating to the design identified on this drawing include the review of: • Design and construction risk assessment • Method statement • Permit to work • The construction information The designers note that the following health and safety risk relating to this drawing have not been eliminated during the design process:</p>		<p>18/05/18 SM</p>		<p>LINDEN HILL</p>		<p>BOWMAN RILEY ARCHITECTS 3rd Floor · 2 Sycamore Street · London · EC1Y 0SF · 0203 7288500 LEEDS · LONDON · SKIPTON www.bowmanriley.com</p>	
<p>ref residual risk</p>		<p>revision</p>		<p>date by chk</p>		<p>drawn by checked by date scale @ A1</p>		<p>PROPOSED GROUND FLOOR</p>	
<p>All dimensions to be verified on site, and the Architect informed of any discrepancy. All drawing and specifications should be read in conjunction with the Health and Safety Plan; all conflicts should be reported to the CDM Co-ordinator. This drawing is the copyright of Bowman Riley Architects Limited. © DO NOT SCALE THIS DRAWING</p>		<p><input type="checkbox"/> preliminary <input type="checkbox"/> comment <input type="checkbox"/> construction</p>		<p><input checked="" type="checkbox"/> planning <input type="checkbox"/> tender <input type="checkbox"/> record</p>		<p>DM TP 18/05/18 As indicated</p>		<p>HANWORTH ROAD WHITTON</p>	
<p>project number</p>		<p>drawing number</p>		<p>revision</p>		<p>8129</p>		<p>(000) 002 P</p>	



BUILDING A



BUILDING B

PROPOSED SECOND FLOOR
1 : 100

SCHEDULE OF ACCOMMODATION

No.	TYPE	AREA
Apt_01	2BED_3P	64 m ²
Apt_02	1BED_2P	51 m ²
Apt_03	2BED_3P	62 m ²
Apt_04	2BED_3P	63 m ²
Apt_05	1BED_2P	51 m ²
Apt_06	2BED_3P	61 m ²
Apt_07	2BED_4P	70 m ²
Apt_08	2BED_3P	61 m ²
Apt_09	1BED_2P	50 m ²
Apt_10	1BED_2P	50 m ²
Apt_11	2BED_4P	70 m ²
Apt_12	2BED_4P	70 m ²
Apt_13	2BED_4P	72 m ²
Apt_14	2BED_3P	68 m ²
Apt_15	1BED_2P	50 m ²
Apt_16	2BED_3P	64 m ²

5 X 1BED_2P
7 X 2BED_3P
4 X 2BED_4P
16 APARTMENTS



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--- INDICATES 2.4m FROM FF TO UNDERSIDE OF SLOPED ROOF

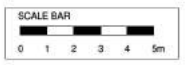
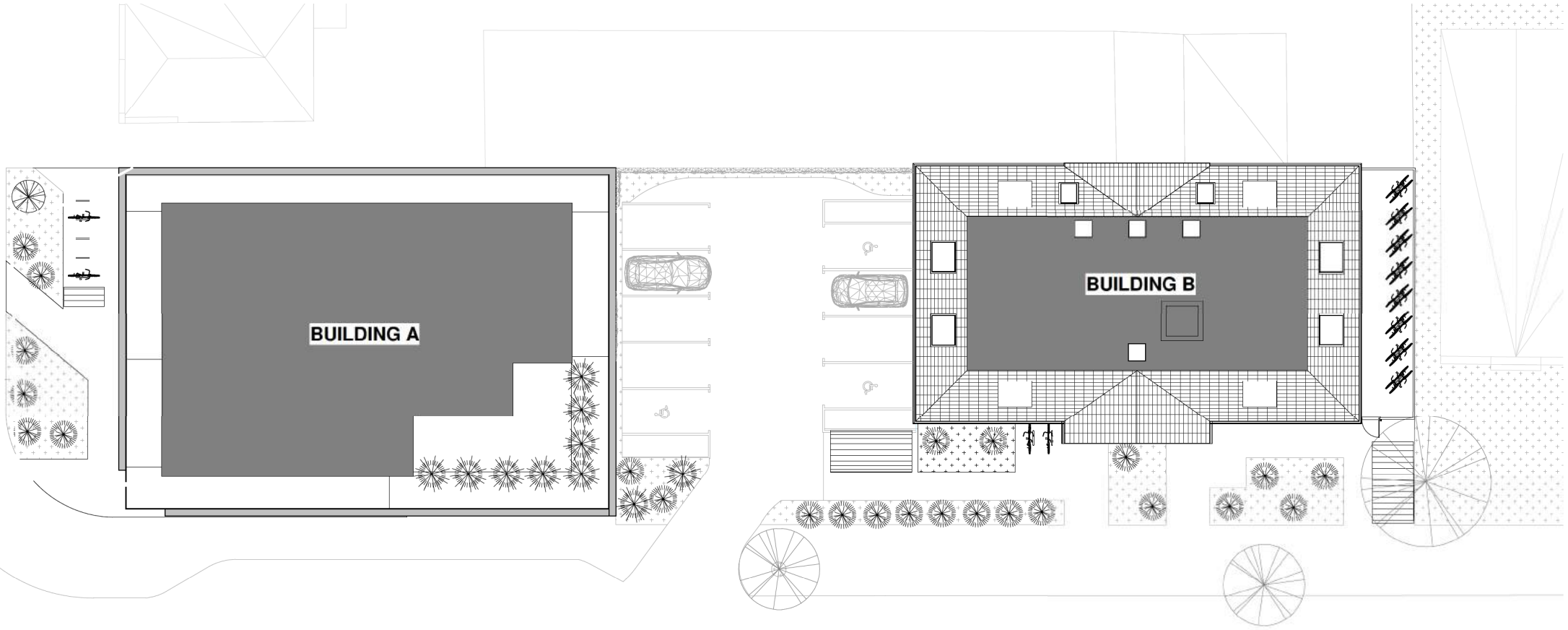
<p>Construction staff and operatives must ensure the principle contractor has provided thorough and accurate information on all health and safety matters relating to the design identified on this drawing include the review of:</p> <ul style="list-style-type: none"> Design and construction risk assessments Method statement Permit to work The construction information <p>The designers note that the following health and safety risk relating to this drawing have not been eliminated during the design process:</p>		<p>SI issued for planning</p> <p>12/08/18 SM</p>		
ref	revision	date	by	chk

LINDEN HILL				
drawn by	checked by	date	scale @ A1	
DM	TP	18/05/18	As indicated	
HANWORTH ROAD WHITTON				

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PROPOSED SECOND FLOOR		
project number	drawing number	revision
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Construction staff and operatives must ensure the principle contractor has provided thorough and accurate information on all health and safety aspects relating to the design identified on this drawing include the review of:

- Design and construction risk assessments
- Method statement
- Permit to work
- The construction information

The designers note that the following health and safety risk relating to this drawing have not been eliminated during the design process:

ref	residual risk	revision	date	by	chk

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preliminary comment construction
 planning tender record

LINDEN HILL

**HANWORTH ROAD
WHITTON**

drawn by	checked by	date	scale @ A1
DM	TP	18/05/18	1 : 100

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PROPOSED ROOF PLAN

project number	drawing number	revision
8129	(000) 005	K

Appendix 2: Existing Use Valuation Letter

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2 August 2019

The Savills logo consists of the word "savills" in a lowercase, sans-serif font, colored red, set against a solid yellow rectangular background.

Linden Hill - Capital Homes - KUPG PROP Limited
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Dear Mr Sheikh

RE: DUKE OF YORK 672 HANWORTH ROAD TW4 5NP

We write as requested to provide our view on the existing use value of the Duke Of York, 672 Hanworth Road, TW4 5NP (the Property).

Instructions and Basis of Assessment

You have asked for our informal views, not in accordance with the RICS Red Book, of the Existing Use Value (EUV) of the Property. We would confirm, in accordance with Savills' standard procedures, that this advice is not a substitute for a valuation undertaken in accordance with the RICS Red Book. This initial report, therefore, will be subject to a formal RICS compliant report, to follow, if reliance is required. EUV, sometimes known as the Current Use Value (CUV) for viability purposes, refers to the value of the Property in the adopted planning use as at the date of this letter. It refers to the Market Value of the Property on the special assumption of the current use only of the property disregarding any prospect of development other than for continuation/expansion of the current use.

This is a departure from reality where it is the case that the hypothetical purchaser of an asset of this nature will have regard to the possible future development potential when considering a bid.

The existing use of the Property is as a public house.

The property is known to us, and we have undertaken a formal inspection.

The Property

The property is situated within the London Borough of Richmond upon Thames. It is situated one mile south of Hounslow and 2.4 miles to the west of Twickenham on the outskirts of Whitton, which is a residential suburb with its own local shops and amenities. The High Street of Whitton is some one mile distant.

The property is situated on the A3400 which connects Hounslow town centre to the north and the A316 to the south.

The property is surrounded by residential and local convenience shops on Powder Mill Lane and Hanworth Road. Almost immediately opposite is Hanworth Cemetery and a small light industrial complex housing a Post Office distribution unit.

The Duke of York comprises a substantial detached property arranged over basement, ground and one upper floor. It is of brick construction, rendered and painted with a steeply sloping pitched-tiled roof. There is a flat roof extension to the side and rear.

The ground floor comprises the former public house which was essentially one large 'L' shape trading area with central bar servery that could have accommodated 100 customers seated. Ladies and gentlemen's customer WC's are situated adjacent the bar servery. A commercial kitchen and office are situated to the rear of the ground floor with access to the rear yard. There is a further set of customer WC's in the flat roof extension on Powder Mill Lane elevation.

The basement is accessed from a staircase to the rear of the bar servery and adjacent to the trade kitchen. This comprises essentially three rooms, one being a former thermostatically controlled beer cellar with a hatch to pavement level on Powder Mill Lane. The cellar is a traditional pub cellar with a ceiling height of approximately six foot.

The first floor is accessed from the same stairwell and comprises four rooms, kitchen and bathroom.

Externally, there is a large trade patio to the front which is enclosed within a metal fence.

To the rear there is an enclosed courtyard surrounded by flat roofed outbuildings. These were simply used for storage. This courtyard has direct access leading onto Powder Mill Lane.

From the Powder Mill Lane elevation there is also a large tarmac surfaced car park.

Condition

At the time of my inspection the main trading areas at ground floor level had been partitioned off with demountable stud walling to create two self-contained bedrooms for live in guardians: one large room to the front, the main bar servery left as existing providing the main access to the property and a rear room which also incorporated the former customer WC's. These partitions are easily demountable. The trade kitchen had been completely stripped of all fixtures and fittings and extraction, as had the office. It was noted that there was severe water ingress within the office to the rear. At first floor level the property was in average condition, although again I noted a leak in the roof. The outbuildings were in a dilapidated state. The car park was adequately surfaced.



Front Elevation



Front Patio

Tenure

We understand that the property is held freehold.

The property is currently vacant as such there is no tenancy in place.

Assessment of Value

In considering the value of the Property, on the basis of assessment required, we have had regard only to the existing use, with no consideration as to the potential future development potential. This is a departure from reality, as freehold pubs trade at prices which reflect not only their existing use, but any increased value which could be derived from future development potential. This is especially the case within the London area.

As the property is closed, we have had to make assumptions as to the trading potential of the business. We are aware of similar businesses nearby that trade in the region of £4,000 to £5,000 per week, such as the Coach and Horses, TW3 and the Cross Lances, TW4.


Given our knowledge of the area we have assumed the business is capable of achieving an annual net turnover of £215,000.

This consideration of value is therefore entirely hypothetical and there is no direct comparable evidence available of transactions on this basis. We have considered the value of the Property in the event that the hypothetical purchaser would only ever receive an income in the region of £25,500 per annum in perpetuity from a short term letting, based on my profits method rent calculation, a short form of which is set out below.

	£ pa
Total Turnover	£ 215,000
Gross Profit Margin	£ 138,750
Operating Costs	£ 85,525
Profit Before Rent	£ 53,225
Rent per annum	£ 25,548

Given the low level of rent, the purchaser would regard this income as secure and would compare it to other very secure streams of income he could acquire. More traditional pub investments within the London area where there is less development potential trade at Net Initial Yield's (NIY's) in the region of 5%. Outside of the M25, yields rise and are on average achieve in the region of 7%.

Set out below are three examples of the more relevant transactions to which we have had regard. Each of the transaction requires adjustment when applying the evidence to the assessment of the Property:

	<p>Heathcote and Star 344 Grove Green Rd, Leytonstone, London E11 4EA</p> <p>The Heathcote and Star is let to a small multiple operator for a term of 25 years at an initial rent of £155,000 per annum subject to fixed increased and annual indexation.</p> <p>The property was sold in August 2018 for £2.88M which reflected a NIY of 5.23%.</p> <p>The quantum of this deal is much greater than the subject property, however the Heathcote and Star is a more sustainable business which makes it more attractive than the subject property to the investment market.</p>
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	<p>Leyton Star, Leyton E15 2BX</p> <p>The Leyton Star is let to a small multiple operator for a term of 20 years at a rent of £110,000 pa, subject to annual indexation and 5 yearly open market reviews.</p> <p>The property was sold in August 2018 for £2.15M which reflected a NIY of 4.38%.</p> <p>The quantum of this deal is much greater than the subject property which would ordinarily lead to a higher NIY by comparison, however the annual RPI nature of the rent is far more attractive to the market than the shorter term certain which exists at the subject property.</p>
	<p>Butchers Arms, 148 High Street, Barnet, EN5 5XP</p> <p>The Butchers Arms is a former J D Wetherspoon and now let to a multiple operator for a term expiring in December 2032 at rent of £45,000 per annum subject to open market 5 year reviews.</p> <p>The property was sold in October 2017 for £810,000 which reflected a NIY of 5.27%.</p> <p>This is a solid, high volume business which makes it more attractive than the subject property to the investment market.</p>
	<p>Auld Shillelagh, Stoke Newington N16 0UD</p> <p>The Auld Shillelagh is let for a term of 20 years from July 2016 at a rent of £69,454 pa. subject to annual RPI reviews and 5 yearly open market reviews.</p> <p>The property was sold for £1.2M in August 2017 which reflected a NIY of 5.46%.</p> <p>This is a much smaller property than the subject property but the lease terms would be regarded as more attractive. We are of the view that although the lease terms are far more preferable, the higher quantum of value would mean the NIY would be lower for the subject property.</p>

	<p>Chesham Arms, Hackney E9 6DU</p> <p>The Chesham Arms is let to a small multiple operator for a term of 15 years from 2 April 2015 at a rent of £60,000 pa to be reviewed 5 yearly.</p> <p>The property sold in February 2016 for £1.1M at a price reflecting 5.15%. The investment is currently on the market with a guide price of £1.125M, which would reflect a sub 5% NIY.</p> <p>This is a better located and presented property with rent at a higher level than the subject property. When considering this transaction against the subject property we would apply a higher NIY to reflect the nature of the property and location but would then adjust that downwards to reflect the much lower lot size.</p>
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When assessing the value of the Property we have assumed it will be let for a short term with very little security for the landlord. The income will be variable and there may be void periods given that the likely tenant will always be an individual of poor covenant strength. There would however in our view be no difficulty in securing a tenant for the Property given the rent is at a low level. Given the above we are of the view that the income from the Property would be regarded as secure, but not as secure as a ground rent from a tenant with better covenant strength or the comparable evidence to which we have regard, examples of which are set out above. We have therefore applied a NIY of 5.75%, reflecting the uncertainty of trade, rent and location to the rent of £25,500 per annum, to arrive at a gross value of £443,000 (rounded) based upon the assumptions set out above, and a rounded value, having deducted purchasers costs of 4.43% of, £425,000.

We should stress that this is an assessment of the existing use value only and should not be regarded as a valuation in accordance with the RICS Valuation – Global Standards 2017 (The Red Book) as the assumptions made depart from reality. In reality a pub of this nature would not trade at a value which only reflected the level of current income. We do however hope that given the confines of the planning framework it is helpful in assisting in your consideration of the value of the Property only for its current use.

Yours sincerely



Daniel Mackernan BSc (Hons) MRICS
Director

Appendix 3: Residential Comparables Report

DRAFT

August 2019

672 Hanworth Road, Hounslow TW4 5NP

Residential Comparables Report



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1. Introduction

1.1. Overview

1.1.1. This statement has been prepared by the specialist Development Viability Team within the London Residential Development Department of Savills (UK) Ltd. It is by way of an addendum to the viability report provided for the development of 672 Hanworth Road (the Subject), and focuses on establishing the value of the proposed residential accommodation.

1.2. Statement Limitations

1.2.1. This statement does not constitute part of a formal valuation report, therefore the opinions and values provided herein should not be relied upon for RICS 'Red Book' purposes.

1.2.2. Our advice is based on market evidence which has come into our possession from numerous sources. We cannot accept liability for any errors or omissions in third party information. That from other agents and valuers is given in good faith but without liability; it is often provided in verbal form, or taken from databases such as the Land Registry or to organisations to which we subscribe. In all cases, other than where we have had a direct involvement in the transaction, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.

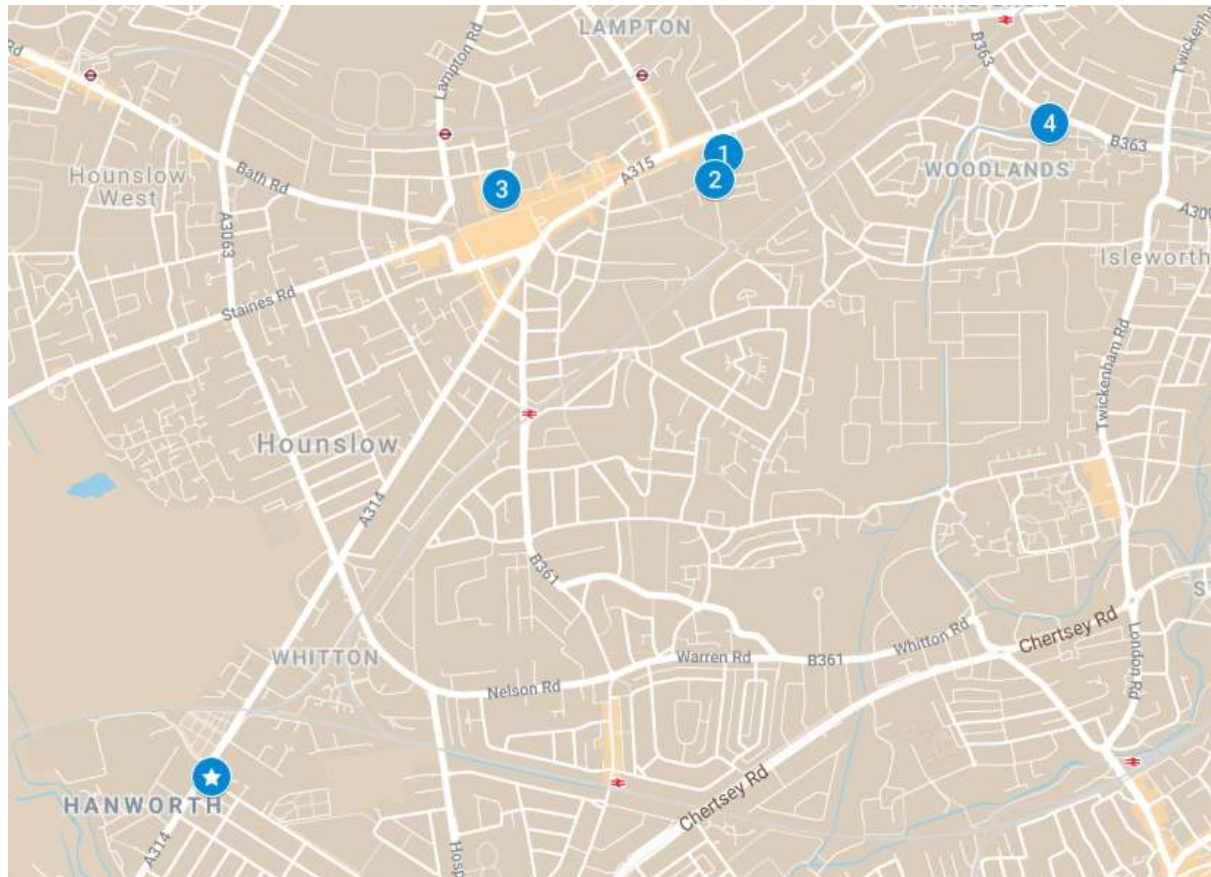
1.3. Methodology

1.3.1. In undertaking our comparable research for the residential units, we have given consideration to recent market transactions. The results of this research are set out within this report, and for ease we have highlighted the key new build and second hand comparables on a map in Section 2.1 and Section 3.1 respectively. We have also sought advice from Savills department team who have provided a detailed schedule of values.

2. New Build Comparables

2.1. Map of New Build Residential Comparables

2.1.1. The map below illustrates the locations of the comparable new build residential schemes detailed within this report.



- ★ The Subject
- 1 Dominion Court
- 2 The Assembly
- 3 High Street Quarter
- 4 Nomadic House

- 2.1.2. In addition to the comparables highlighted above we are aware that Bishops Gate House has very recently been launched to the market. We have been unable to ascertain a full schedule of asking prices and unit sizes but understand that one bedroom units are currently being advertised for £307,000 and two bedroom units are being advertised for £345,000.
- 2.1.3. We would normally expect achieved prices to reflect a 5% to 10% discount from asking prices.
- 2.1.4. Bishops Gate House is situated in a superior location to that of the Subject being located 0.8 miles from Hounslow West London Underground station and 1.5 miles from Hounslow National Rail station which provide frequent services into central London via the Piccadilly line and South Western Rail. Bishops Gate House is positioned within a predominately residential area with only a few local services and shops being located within the immediate vicinity. However, Hounslow town centre is located 1.2 miles to the east of the comparable and can be easily reached through regular bus services that run along the A315. The comparable offers residents access to an extensive roof garden whilst also being located opposite the entrance to Hounslow Heath.
- 2.1.5. Due to these reasons we would expect the Subject to achieve lower capital values than this comparable.

2.2. Dominion Court, TW3



Developer: Mizen Homes Properties Ltd

Total No. of Units: 34

No. of Private Units: 34

Status: Complete and Unsold

Distance from Subject: 2 miles

2.2.1. Scheme Description

2.2.1.1. Dominion Court is located approximately 2 miles north east of the Subject, 0.3 miles south east of Hounslow East London Underground station and 0.8 miles south west of Isleworth National Rail station. The immediate vicinity is similar to the Subject with predominately residential and retail use in the area. The site is situated in a convenient location being approximately 0.4 miles from Hounslow town centre, as well as being equidistant from Thornbury Park and Inwood Park.

2.2.1.2. The scheme comprises 1, 2 and 3 bedroom flats extending over 4 storeys. All units benefit from either a balcony or terrace and landscape communal gardens. At the end of Q1 2019 the scheme had six units remaining unsold and construction completed in Q3 2018.

2.2.2. Achieved Prices

2.2.2.1. The table below provides a summary of the achieved sale prices that we have been able to identify:

ACHIEVED PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Achieved Price	Price/Sq ft	Date
6	Flat	G	1	50	540	£300,000	£556	Dec-18
8	Flat	G	1	54	583	£310,000	£532	Nov-18
12	Flat	1	1	50	538	£320,000	£595	Nov-18
17	Flat	1	1	54	583	£315,000	£540	Oct-18
27	Flat	2	1	54	583	£310,000	£532	Dec-18
Average 1 Bed				53	565	£311,000	£550	
1	Flat	G	2	64	692	£405,000	£585	Feb-19
5	Flat	G	2	67	716	£405,000	£566	Nov-18
14	Flat	1	2	66	710	£390,000	£549	Mar-19
25	Flat	2	2	68	727	£380,000	£523	Feb-19
26	Flat	2	2	67	720	£383,000	£532	Mar-19
15	Flat	1	2	68	727	£385,000	£530	Feb-19
33	Flat	3	2	68	734	£395,000	£538	Dec-18

31	Flat	3	2	64	690	£390,000	£565	Nov-18
Average 2 Bed				66	715	£391,625	£548	

2.2.2.2. Asking Prices

2.2.2.3. The table below provides a summary of the asking prices that we have been able to identify:

ASKING PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Asking Price	Price/Sq ft	Date
19	Flat	1	1	47	507	£300,000	£592	Sep-18
29	Flat	2	1	47	507	£305,000	£602	Sep-18
30	Flat	3	1	51	552	£335,000	£607	Sep-18
32	Flat	3	1	52	556	£335,000	£603	Sep-18
Average 1 Bed				49	531	£318,750	£601	
16	Flat	1	2	67	720	£415,000	£576	Mar-19
22	Flat	2	2	64	688	£400,000	£581	Mar-19
24	Flat	2	2	66	710	£415,000	£585	Mar-19
2	Flat	G	2	66	710	£405,000	£570	Dec-18
21	Flat	2	2	66	710	£420,000	£592	Dec-18
23	Flat	2	2	66	714	£415,000	£581	Dec-18
28	Flat	2	2	63	678	£395,000	£583	Dec-18
10	Flat	1	2	64	692	£400,000	£578	Sep-18
11	Flat	1	2	66	710	£410,000	£577	Sep-18
18	Flat	1	2	63	678	£375,000	£553	Sep-18
20	Flat	2	2	64	692	£405,000	£585	Sep-18
34	Flat	3	2	65	699	£425,000	£608	Sep-18
Average 2 Bed				65	700	£406,667	£581	
9	Flat	G	3	80	863	£485,000	£562	Mar-19
13	Flat	1	3	81	874	£490,000	£561	Mar-19
4	Flat	G	3	81	874	£485,000	£555	Dec-18
7	Flat	G	3	84	902	£500,000	£554	Sep-18
Average 3 Bed				82	878	£490,000	£558	

2.3. Comparison to the Subject

- 2.3.1. Dominion Court is located approximately 2 miles from the Subject and is within 0.3 miles of East Hounslow London Underground station, therefore due to its proximity to local transport hub, we consider it to hold a superior location than that of the Subject. The scheme completed construction during Q3 2018 and has delivered 34 units consisting of 1, 2 and 3 bedroom flats including a balcony or a terrace along with communal landscaped gardens.
- 2.3.2. The achieved values for 1 bedroom flats range between £300,000 - £320,000, equating to £532 - £595psf, reflecting an average discount of 4.28% from the asking prices. The achieved values for 2 bedroom flats range between £380,000 - £405,000, equating to £523 - £585psf, reflecting an average discount of 6.84% from the asking prices.
- 2.3.3. We consider the Subject will achieve inferior capital values due to lack of proximity to public transport, convenience stores and inferior outside amenity space.

2.4. The Assembly, TW3



Developer: Countryside

Total No. of Units: 284

No. of Private Units: 171

Status: Phase 1 completed & sold out

Distance from Subject: 1.9 miles

2.4.1. Scheme Description

2.4.1.1. The Assembly is located approximately 1.9 miles north east of the Subject, 0.4 miles south east of Hounslow East London Underground station and 0.8 miles east of Hounslow Central London Underground station. The immediate vicinity is predominately residential with Hounslow primary school immediately to the west of the comparable, Inwood park is within 100 metres and it is located approximately 0.4 miles from Hounslow town centre.

2.4.1.2. The scheme consists of 1, 2 and 3 bedrooms flats extending over 4 storeys. Residents benefit from a communal garden in the centre of the scheme. Phase 1 (containing 30 private units) completed at the end of Q1 2019, having sold out during Q3 2018. Phase 2 (142 units) commenced construction in Q1 2019 with practical completion scheduled for 2021.

2.4.2. Achieved Prices

2.4.2.1. The table below provides a summary of the achieved sale prices that we have been able to identify:

ACHIEVED PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Achieved Price	Price/Sq ft	Date
5	Flat	1	1	51	552	£299,950	£534	Jun-18
9	Flat	NKN	1	51	552	£300,000	£543	Jun-18
10	Flat	2	1	51	552	£300,000	£534	Mar-18
13	Flat	3	1	51	552	£305,000	£543	Mar-18
14	Flat	NKN	1	51	552	£305,000	£553	Jun-18
Average 1 Bed				51	552	£301,990	£547	
4	Flat	1	2	81	873	£400,000	£458	Sep-18
12	Flat	3	2	81	873	£405,000	£464	Aug-18
7	Flat	1	2	81	876	£400,000	£457	Jul-18
8	Flat	2	2	81	873	£400,000	£458	Jul-18
11	Flat	NKN	2	81	873	£390,000	£447	Jul-18
15	Flat	3	2	81	876	£405,000	£462	Jul-18

Average 2 Bed			81	874	£400,000	£458	
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2.4.3. Asking Prices

2.4.3.1. The table below provides a summary of the asking prices that we have been able to identify:

ASKING PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Asking Price	Price/Sq ft	Date
22	Flat	G	1	53	567	£342,500	£610	Mar-18
6	Flat	1	1	51	552	£335,000	£597	Mar-18
48	Flat	3	1	55	593	£350,000	£624	Mar-18
Average 1 Bed				53	571	£342,500	£600	
1	Flat	G	2	94	1,016	£480,000	£472	May-19
21	Flat	G	2	71	763	£435,000	£570	Mar-18
36	Flat	2	2	70	751	£415,000	£553	Mar-18
Average 2 Bed				78	841	£443,333	£526	

2.4.4. Comparison to the Subject

2.4.5. Assembly is located approximately 1.9 miles north west of the Subject and within 0.4 miles of a tube station and Hounslow town centre, therefore due to its proximity to local transport hub, services and amenities, we consider it to hold a superior location than that of the Subject.

2.4.6. The scheme is split into two phases. Phase 1 has sold out and completed and Phase 2 commenced construction in Q1 2019. The achieved values for 1 bedroom flats range between £299,950 - £305,000, equating to £526 - £553psf, reflecting an average discount of 11.7% from the asking prices. The achieved values for 2 bedroom flats range between £390,000 - £405,000, equating to £447 - £464psf, reflecting an average discount of 13.9% from the asking prices. The one bedroom units are of similar size to the Subject, however the 2 bedroom units are large at the comparable, therefore the rate per sq ft deflates.

2.4.7. We consider the Subject will achieve lower capital values due to its proximity to public transport, lack of quality on-site amenities and due to it providing smaller sized units.

2.5. High Street Quarter, TW3



Developer: Barratt London

Total No. of Units: 527

No. of Private Units: 311

Status: Selling & Under Construction

Distance from Subject: 1.7 miles

2.5.1. Scheme Description

2.5.1.1. High Street Quarter is located approximately 1.7 miles north east of the Subject in Hounslow town centre. The comparable is situated 0.3 miles south east of Hounslow Central London Underground station and 0.5 miles south west of East Hounslow London Underground station. The immediate vicinity is predominately retail with the site bound between Blenheim Shopping Centre to the north and Hounslow High Street to the south.

2.5.1.2. The scheme is a mixed use development comprising five blocks with 311 private units, a multiscreen cinema with retail, restaurants and café uses in addition to a multi storey car park that will provide 513 spaces.

2.5.2. Asking Prices

2.5.2.1. The table below provides a summary of the asking prices that we have been able to identify:

ASKING PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Asking Price	Price/Sq ft	Date
474	Flat	1	1	49	528	£343,500	£651	Sep-18
476	Flat	1	1	49	531	£335,000	£631	Sep-18
482	Flat	2	1	49	529	£348,000	£658	Sep-18
498	Flat	4	1	49	529	£353,000	£667	Sep-18
Average 1 Bed			4	49	529	£344,875	£652	
478	Flat	1	2	76	815	£421,500	£517	Sep-18
486	Flat	2	2	75	812	£426,000	£525	Sep-18
489	Flat	3	2	72	778	£430,500	£553	Sep-18
497	Flat	4	2	72	778	£435,000	£559	Sep-18
499	Flat	4	2	75	806	£437,500	£543	Sep-18
473	Flat	1	2	72	778	£421,500	£542	Jun-18
481	Flat	2	2	72	778	£426,000	£548	Jun-18
Average 2 Bed			7	74	792	£428,286	£541	

2.5.2.2. We would generally expect achieved prices to reflect a 5% to 10% discount to asking.

2.5.3. Comparison to the Subject

2.5.4. High Street Quarter is a regeneration scheme within the Hounslow town centre and is being delivered by Barratt Homes, a high quality developer. The comparable is located in a more desirable residential area and will be benefitting from the additional amenities and services being provided by the development. Due to the scale of the development the comparable will benefit from a sense of place making improving the achievable values. Additionally, the scheme is within close proximity to public transport links to central London.

2.5.5. Therefore, we consider the Subject will achieve lower capital values than this comparable.

2.6. Nomadic House, TW7



Developer: FRT Developments

Total No. of Units: 28

No. of Private Units: 28

Status: Under Construction due to complete Q3 2019

Distance from Subject: 2.9 miles

2.6.1. Scheme Description

2.6.1.1. Nomadic House is located approximately 2.9 miles north east of the Subject and 0.3 miles south of Isleworth National Rail station and Isleworth High Street. It comprises of a comprehensive permitted development refurbishment with a two storey extension being added to the existing office building. The immediate vicinity is predominately residential although a small light industrial estate is situated adjacent to the comparable. The Duke of Northumberland River is located to the rear of the site.

2.6.1.2. The site is situated opposite St John's Gardens and is a 0.8 mile riverside walk away from the tourist location of Syon Park, as well as being closer to more desirable areas such as Twickenham and Brentford.

2.6.1.3. The scheme consists of 1 and 2 bedroom apartments extending over 4 storeys with landscape riverside gardens, with number of units also benefitting from private balconies and roof terraces. 3 units had sold by the end of March, however we have not been able to identify the achieved prices, and construction is due to complete in Q3 2019.

2.6.2. Asking Prices

2.6.2.1. The table below provides a summary of the asking prices that we have been able to identify:

ASKING PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Asking Price	Price/Sq ft	Date
2	Flat	G	1	48	517	£360,000	£696	Mar-19
4	Flat	G	1	48	517	£360,000	£696	Mar-19
8	Flat	G	1	39	425	£320,000	£753	Mar-19
13	Flat	G	1	41	441	£325,000	£737	Mar-19
20	Flat	1	1	48	517	£370,000	£716	Mar-19
26	Flat	1	1	39	425	£330,000	£776	Mar-19
33	Flat	2	1	50	538	£380,000	£706	Mar-19
34	Flat	2	1	50	538	£380,000	£706	Mar-19
42	Flat	2	1	50	538	£375,000	£697	Mar-19

47	Flat	3	1	50	538	£385,000	£716	Mar-19
Average 1 Bed			10	46	499	£358,500	£718	
17	Flat	1	2	70	753	£475,000	£631	Mar-19
23	Flat	1	2	71	764	£510,000	£668	Mar-19
43	Flat	2	2	73	786	£525,000	£668	Mar-19
51	Flat	3	2	70	753	£525,000	£697	Mar-19
Average 2 Bed			4	71	764	£508,750	£666	

2.6.2.2. We would generally expect to see a 5% to 10% discount between the asking and achieved sales values.

2.6.3. Comparison to the Subject

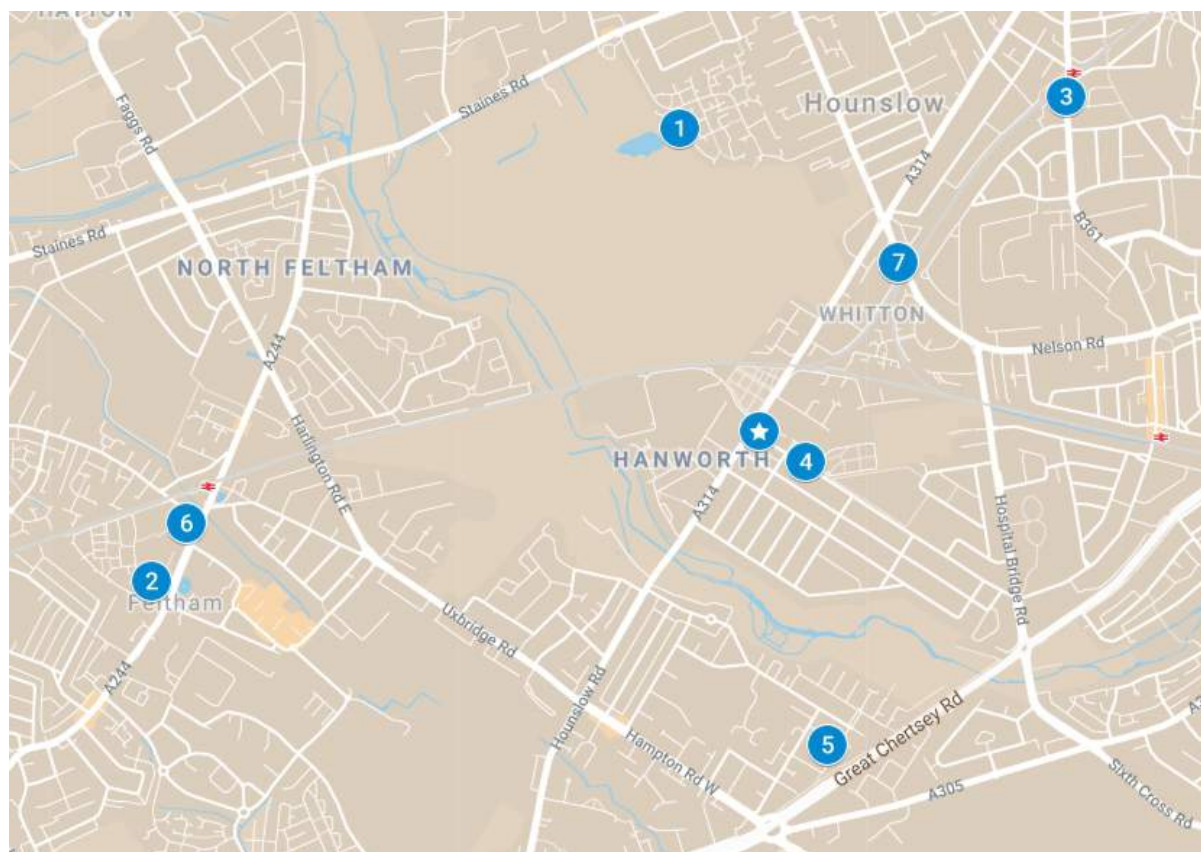
2.6.4. Nomadic House holds a superior location being located closer to local transport hubs, services and amenities whilst also being situated in a higher value residential area than that of the Subject. Additionally, the comparable offers a greater level of onsite external communal space as well as also being positioned closer to local parks and extensive outdoor spaces such as St John's Gardens.

2.6.5. Due to the above we would expect the Subject to achieve a lower capital value than this comparable.

3. Second Hand Comparables

3.1. Map of Second Hand Residential Comparables

3.1.1. The map below illustrates the locations of the comparable second hand transactions that are detailed within this report.



- ★ The Subject
- 1 13 Dorney Way
- 2 Berberis House
- 3 Kingfisher Court
- 4 196 Powder Mill Ln
- 5 16 Fountains Avenue
- 6 Azalea House
- 7 135 Conway Road

3.2. Second Hand Comparables

3.2.1. As illustrated in the map above, we have identified the following recent transactions of apartments in the vicinity of the Subject:

Photo	Address	Type	Beds	Sqft	Price	£/Sq ft	Date	Comments
	13 Dorney Way, TW4	Flat	1	465	£269,950	£581	Apr-19	A ground floor flat with a private rear garden. It is in good condition and recently modernised.
	Flat 31, Berberis House, TW13	Flat	1	463	£233,000	£503	Apr-19	A second floor flat within a modern development with a balcony.
	Flat 34 Kingfisher Court, TW7	Flat	1	553	£210,000	£380	Oct-18	A third floor flat in a purpose built block. It is in an average and dated condition with communal gardens.
	Flat 66, Berberis House, TW13	Flat	1	477	£233,000	£488	Mar-18	A sixth floor flat within a modern development, with a balcony.
Average 1 Bed				490	£236,488	£483		
	16 Fountains Avenue, TW13	Flat	2	724	£277,000	£383	Feb-19	A ground floor flat with a private rear garden. It is in good condition, but in need of a modernisation.
	196 Powder Mill Lane, TW2	Flat	2	538	£295,000	£548	Nov-18	A ground floor flat with a communal rear garden. It is in good condition and recently modernised.

	Flat 68, Azalea House, TW13	Flat	2	646	£275,000	£426	Nov- 18	A seventh floor flat within a purpose built block with a private balcony. It is in an average condition and in need of a modernisation.
	Flat 18, Azalea House, TW13	Flat	2	793	£285,000	£359	Oct-18	A third floor flat within a purpose built block. It is in an average condition and in need of a modernisation.
	135 Conway Road, TW4	Flat	2	768	£184,950	£241	May- 18	A ground floor flat with a private rear patio. It is in a good condition.
	Flat 41, Berberis House, TW13	Flat	2	642	£300,000	£467	Mar- 18	A flat within a modern development situated within close proximity to the station.
Average 2 Bed				685	£269,492	£393		

3.3. Comparison to the Subject

- 3.3.1. The second hand comparables show an accurate representation of achievable values within a closer proximity to the Subject. These prices must be taken into consideration when analysing the achievable values at the Subject as they are representative of nearby competing stock that will be available to any potential purchasers.
- 3.3.2. Berberis House and Azalea House are two modern developments built within the past 13 years. They are located in close proximity to Feltham High Street, which offers superior access to a greater range of local amenities and services. Feltham National Rail station, which provides frequent services into central London is within 0.5 miles of both comparables. We would deem these two comparables to be better located than the Subject however, this is offset by the fact that they do not comprise of new build accommodation. The 1 bedroom units in Berberis House sold for an average of £233,000, equating £495psf and the 2 bedroom unit sold for £300,000, equating to £467psf. These achieved values have been taken into account when determining the residential values at the proposed development of the Subject.

4. Conclusion and Pricing

4.1. Conclusions

- 4.1.1. The Subject is delivering a 16 unit scheme extending over 2 storey's in a location with limited access to public transport links and amenity hubs. The nearest station is Whitton South Western Rail station (1.1miles) and the nearest London Underground station is Hounslow Central station (1.7 miles).
- 4.1.2. The nearest new build comparable is located approximately 1.7 miles away in Hounslow town centre. All the new build comps are within 0.4 miles of a London Underground station or National Rail station, as well as having significantly more local amenities than the Subject.
- 4.1.3. Since the Subject is already located in an inferior location to the new build comparables due to proximity to transport with no direct bus route to the nearest station and the lack of local amenities, this is enhanced with the limited amount of allocated parking spaces for residents.
- 4.1.4. Other than High Street Quarter, which is a mixed use development, the new build comparables are residential-led schemes that extend to 4 storeys and are located within close proximity to public transport, local amenities and public parks. The Subject is 2 storeys and due to the surrounding properties extending to the same height, this restricts the premium you can apply for a floor uplift resulting in a lower average Market Value.
- 4.1.5. Therefore given the lack of appropriate new build comparables, the tone of value is better represented by the second hand comparables.
- 4.1.6. Whilst we have allowed for a slight premium above the second-hand comps, this premium is limited by what purchasers are willing to pay based on the prices of second hand competing stock in nearby locations with superior access to transport hubs and amenities.

4.2. Pricing

- 4.2.1. Based on the comparable evidence contained within this report, we have adopted a Gross Development Value of **£5,177,000**, equating to **£492psf**.

Appendix 4: Commercial Comparables Report

DRAFT

12 August 2019

672 Hanworth Road, Hounslow, TW4 5NP

Commercial Comparables Report



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1. Introduction

1.1. Overview

1.1.1. This statement has been prepared by the specialist Development Viability Team within the London Residential Development Department of Savills (UK) Ltd. It is by way of an appendix to the viability report provided for the proposed development at 672 Hanworth Road (the Subject), and focuses on establishing the value of the proposed commercial accommodation.

1.2. Statement Limitations

1.2.1. This statement does not constitute part of a formal valuation report, therefore the opinions and values provided herein should not be relied upon for RICS 'Red Book' purposes.

1.2.2. Our advice is based on market evidence which has come into our possession from numerous sources. We cannot accept liability for any errors or omissions in third party information. That from other agents and valuers is given in good faith but without liability; it is often provided in verbal form, or taken from data bases such as the Land Registry or to organisations to which we subscribe. In all cases, other than where we have had a direct involvement in the transaction, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.

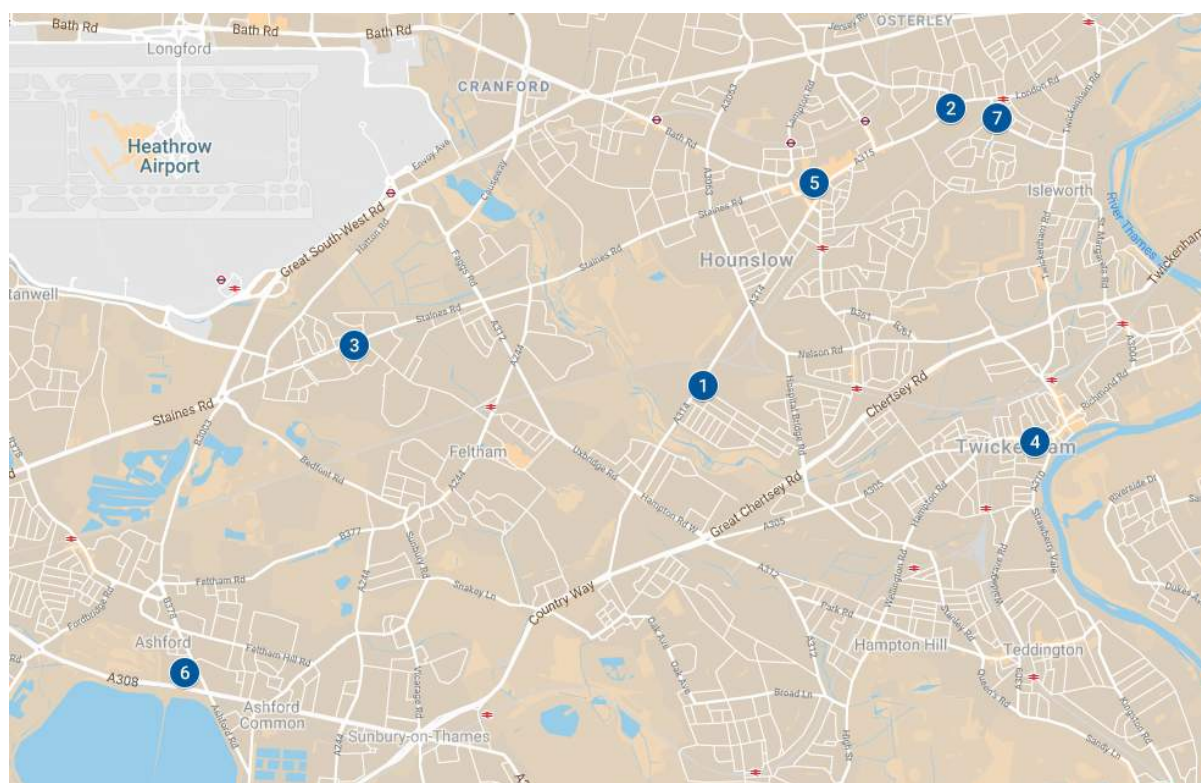
1.3. Methodology

1.3.1. In undertaking our comparable research for the commercial units, we have given consideration to recent market transactions and agents comments. The results of this research are set out within this report, and for ease we have highlighted the key rental/investment comparables for each use on maps in Sections 2.1 and 2.3. We have also sought advice from Savills departments & local agents.

2. A1 Comparables

2.1. A1 Rental Comparables

2.1.1. The map below illustrates the locations of the A1 rental comparables detailed within this report



- 1 The Subject
- 2 560 London Road
- 3 487 Staines Road
- 4 55-61 Heath Road
- 5 Suite 13 & 20, Treaty Centre
- 6 13A Denman Drive
- 7 25 St John's Road

Detailed below are the comparables that we deem to be of the most relevance to the proposed A1 unit at the Subject:

Address	Date	Term (yrs)	Rent (p.a.)	Rent Free (mths)	Size	Rent/ Sq ft	Tenant
560 London Road	Apr-19	10	£22,000	0	1,000	£22.00	Subway
487 Staines Road	Jan-19	10	£21,000	1	1,012	£20.75	Independent Retailer
55-61 Heath Road	Mar-18	10	£59,500	-	2,872	£20.72	-
Unit 13, Treaty Centre	Jan-18	10	£60,000	-	2,106	£28.49	Bodyshop
Unit 20, Treaty Centre	Sep-18	5	£60,000	6	1,678	£35.76	H.Samuel
13a Denman Dr	Jun-18	10	*£10,800	-	1,280	£8.40	-
25 St. Johns Road	May-18	-	*£25,000	-	1,523	£16.40	Bakers Cafe

* Note that these are asking prices. We have been unable to confirm the lease details.

- 2.1.2. 560 London Road is located approximately 2.3 miles north east of the Subject, 0.3 miles east from Isleworth National Rail station and 0.7 miles north west of Hounslow East London Underground station. The immediate vicinity is predominantly high street retail with residential/office use on the upper floors. The accommodation let in April 2019 on a 10 year lease for £22,000 per annum, equating to £22psf.
- 2.1.3. 487 Staines Road is located approximately 2.8 miles to the west of the Subject and 1.3 miles to the south east of Feltham Station. The immediate surrounding area is primarily mixed use retail and residential units. The unit comprises a retail restaurant built in the 1950's. The current tenant is an independent retailer with a lease term of 10 years. The unit was let in January 2019 and achieved rent of £21,000 per annum, equating to £20.75psf.
- 2.1.4. 55-61 Heath Road is located approximately 2.5 miles to the west of the Subject and 0.6 miles north of Twickenham Station. The comparable is located just off the A305 with the immediate surrounding area being predominantly commercial units on both sides of the road, creating the capacity for a large footfall. The comparable comprises a large retail unit arranged over the ground floor of a two storey building, the upper floor is let as offices. The unit was let in March 2018 for an achieved rent of £59,500 per annum, equating to £20.72psf.
- 2.1.5. Units 20 & 13, Treaty Centre are located approximately 1.7 miles south west of the Subject and 0.6 miles south west of Hounslow East London Underground station and 0.4 south east of Hounslow Central London Underground station. The units sit within the a prime position within the principal covered shopping centre in Hounslow. Suite 20 let in September 2018 on a 5 year lease for £60,000, equating to £35.76psf. Suite 13 let in January 2018 on a 5 year lease for £60,000, equating to £28.49psf.
- 2.1.6. 13a Denman Drive is located approximately 4.2 miles to the south west and 1.6 miles to the south east of Ashford Station. The immediate surrounding area is predominantly residential units. The comparable let in June 2018 for an undisclosed price, however was on the market for £10,800, equating to £8.43psf. The lease was agreed for a term of 10 years.

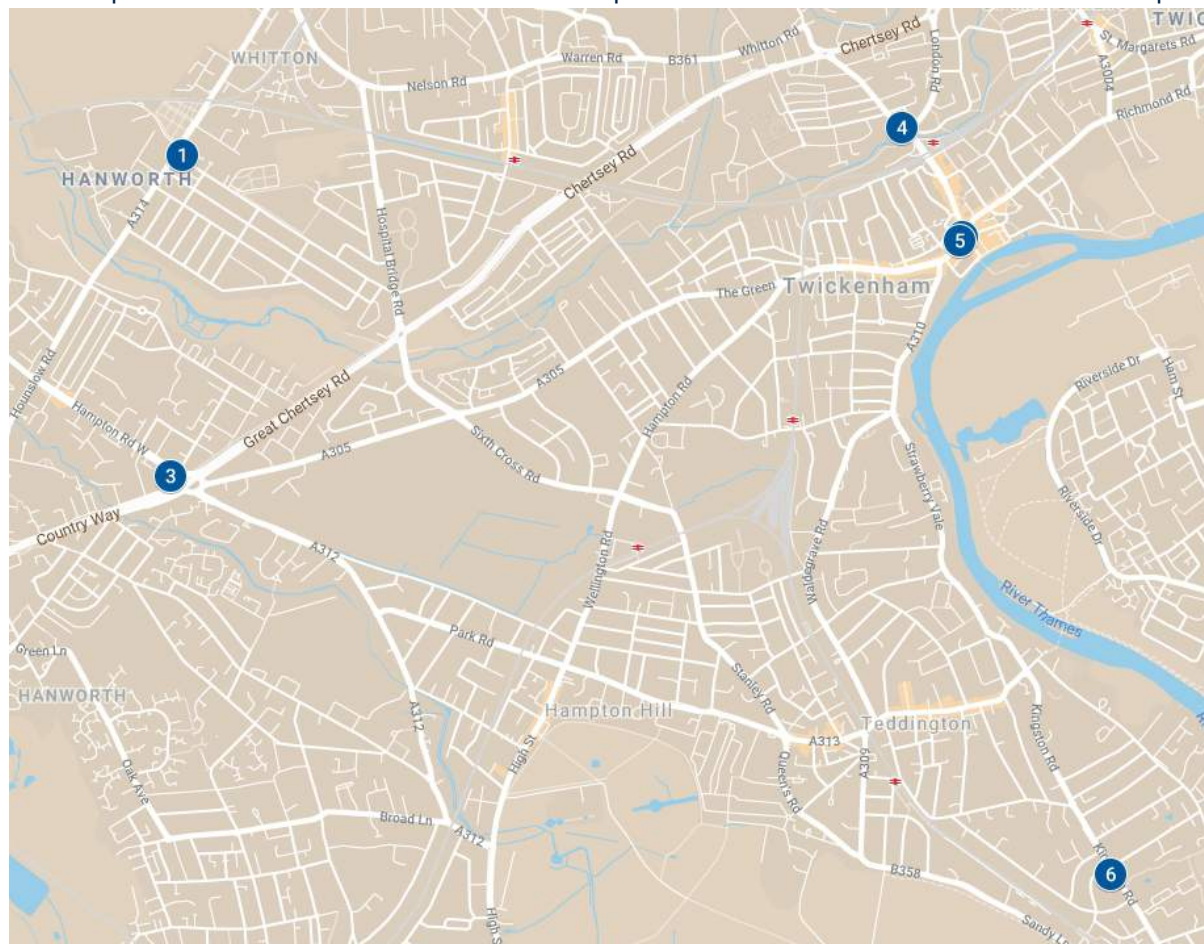
- 2.1.7. 25 St. Johns Road is located approximately 3 miles to the north east of the Subject and 0.1 miles to the south of Isleworth Station. The immediate surrounding area is predominantly mixed use high street retail with residential on the upper floors, an office block and residential units. The comparable let in May 2018 for an undisclosed sale price, however was on the market for £25,000, equating to £16.4psf.

2.2. Comparison to the Subject

- 2.2.1. The Subject is located along Hanworth Road, approximately 1.7 miles south east of Hounslow town centre. This area is regarded as a tertiary pitch for retail with a lack of footfall and proximity to public transport.
- 2.2.2. Our evidence indicates different achievable rate per sq ft in primary, secondary and tertiary locations around Hounslow, Feltham and Twickenham.
- 2.2.3. Units 13 & 20, Treaty Centre are located on a primary pitch within the principal covered shopping centre in Hounslow and therefore hold a vastly superior retailing location to that of the Subject. The units achieved £60,000 per annum each, equating to £28.49psf and £35.76psf respectively. These rents are reflective of prime rents within the established retailing destination of Hounslow.
- 2.2.4. 55-61 Heath Road is located to the east of the Subject in the established retailing market of Twickenham. The comparable holds a fringe primary retailing pitch that benefits from good levels of footfall that is helped by it being situated close to convenience retailers such as M&S Simply Food and Lloyds bank and destinational retailers such as Screwfix. Additionally, the comparable is located in a more established and affluent retailing market and due to this holds a superior location. Even though the units are of similar size we would expect the Subject to achieve a lower rent than that achieved at this comparable.
- 2.2.5. 560 London Road is located to the east of Hounslow town centre close to West Thames College and Isleworth Nation rail station. The comparable holds a central position within a parade of retail shops with nearby occupiers consisting of Tesco Express, Dominoes and Dexters and benefits from a superior level of footfall in comparison to that of the Subject. The unit extends 1,000 sq ft and let in April 2019 for £22,000 per annum, equating to £22psf. The proposed retail unit at the development is larger than this comparable and therefore will attract a discount in the £psf achievable. This quantum discount is exacerbated within lower quality retailing locations as occupiers focus on the overall monthly rent with larger rents much harder to achieve irrespective of the size of the retailing unit. This rent is reflective of secondary rents achievable within semi established retailing locations.
- 2.2.6. 13a Denman Street is located in a tertiary retailing location, that is exposed to low levels of passing trade and footfall which negatively affect the maximum income a potential occupier can afford to pay in rent. The comparable is located on a parade of only three units and is positioned within a the centre of a housing estate with the three retailing units serving the immediate residents. The comparable were let in Q2 2018 with an asking prices showing £10,800 per annum, equating to £8.40. Due to the Subject being situated closer to a larger number of local services and shops that attracts a higher level of footfall and passing trade we would expect it to achieve a higher rent that this comparable.
- 2.2.7. After analysing the comparables and speaking to retail agents, we consider the retail element of the proposed development will achieve **£45,000 per annum**, equating to **£13.09psf**.

2.3. A1 Investment Comparables

2.3.1. The map below illustrates the locations of the comparable D1/D2 use units detailed within this report



- 1 The Subject
- 2 6-7 King Street
- 3 224-226 Hampton Road
- 4 8-12 Whitton Road
- 5 14 King Street
- 6 216 Kingston Road

2.3.2. Detailed below are the investment comparables that we deem to be of the most relevance to the proposed A1 unit at the Subject:

Table 2 – A1 Investment Comparables

Address	Date	Tenant	Sale Price	NEY	Comment
6-7 King Street, TW1	May-19	Si Belle Beauty & Seven London	£1,230,000	5.89%	Two retail units of c.1,586 sq ft arranged over basement, ground and first floor. Freehold. RPI linked to rent review. Both units let to private individuals.
224-226 Hampton Road, TW2	Feb-19	Co-Operative & Private Individual	£2,175,000	4.75%	Well configured multi-let building comprising of a 3,500 sq ft super market, a second retail unit of 796 sq ft and residential uppers sold off on long leaseholds. Freehold. Co-op has RPI linked rent reviews.
8-12 Whitton Road	Sept-18	Pizza Pollo & Foodland	£615,000	8.2%	Three retail units (No.8 & No.10-12) of c.2,689 sq ft (1,114.6 sq ft & 1,574.8 sq ft) all based on the ground floor. Freehold. Both units let to private individuals on long leases.
14 King Street, TW1	Feb-18	Phones 4 All	£265,000	6.42%	One retail unit arranged on ground floor only. RPI linked to rent reviews. Residential upper with development potential.
216 Kingston Road	Oct-17	Moore's Cycles	£188,000	7.05%	End of terrace property arranged over ground floor and basement (tenant also trades from adjoining shop which interconnect with No.216). Freehold. Rent review 2020. Unit let to private individuals.

2.3.3. 6-7 King Street suggests a yield of 5.89% based solely on the retail income. The unit is positioned in a superior location than that of the Subject in the affluent suburb of Richmond. The comparable is situated in a central position on King Street, surrounded by an array of retail units, including House of Fraser and Jo Malone. The comparable was sold as a freehold with development potential subject to planning permission, therefore attracting a yield that is unrepresentative of a stand-alone retail investment. We consider due to the reasons above that the unit would achieve a higher yield than this comparable.

- 2.3.4. 224-226 Hampton Road is located approximately 1.8 miles to the south east of the Subject, 0.3 miles to the south of Fulwell Station and 0.6 miles to the east of Strawberry Hill Station. The property was sold for £2,175,000, equating to £312.32psf in February 2019 which represents a net initial yield of 4.75%. The property comprises a two retail stores with an NIA of 4,296 sq ft, arranged over 2 floors. The majority of the rental income is secured against The Co-operative, who hold a much stronger covenant strength that what we envisage to be achievable at the Subject. The Co-Operative lease is Subject to RPI linked rent reviews with the purchase price reflecting a reversionary yield of c.6.45% We expect the Subject to command a higher net initial yield, due to it being in a less affluent location and likely to attract tenants with a much weaker covenant strength.
- 2.3.5. 8-12 Whitton Road is a useful comparable as the yield derives solely on the ground floor retail income. The unit is located within 100 metres from Twickenham station and is regarded as a superior retail pitch in comparison to the Subject. Additionally, the comparable is let to local tenants who are likely to hold a similar covenant strength to that of the potentially occupier at the Subject. It sold in September 2018 for £615,000 reflecting a net initial yield of 8.2%. Therefore we consider the Subject will achieve a higher yield, due to it being positioned in an inferior location.
- 2.3.6. 14 King Street is located along a prime street in Twickenham and reflects a yield of 6.42%, based solely on the £17,000 per annum retail income. This unit is in a prominent town centre location surrounded by an array of retail units benefiting from a greater level of passing trade and footfall in comparison to the Subject. This location of the comparable is more preferable and on this basis we would expect the Subject to achieve a higher net initial yield.
- 2.3.7. 216 Kingston Road comparable reflects a net initial yield of 7.05%. The comparable is located in a more affluent area than the Subject, on a well-established parade amongst a host of local retailers serving the surrounding residential area. We therefore expect the Subject to achieve a higher net initial yield that this comparable.

2.4. Comparison to the Subject

- 2.4.1. The Subject is located along Hanworth Road, approximately 1.7 miles south east of Hounslow town centre. This area is not an established retailing location with the small number of shops serving the local residents it therefore suffers from a lack of footfall which is exacerbated by its remoteness in relation to public transport. Furthermore, we would assume that the retail unit would be occupied by a tenant with a weak covenant strength, thus effecting the investor demand.
- 2.4.2. After analysing the comparable and speaking to Savills Retail Agency team, we consider the retail unit to achieve a yield of **8.25%**, equating to a gross capital value of **£524,500**.
- 2.4.3. We have incorporated a 6 month void period and a 6 month rent free period within our appraisal.

3. D1/D2 Comparables

3.1. D1/D2 Rental Comparables

3.1.1. Detailed below are the comparables that we deem to be of the most relevance to the proposed D1/D2 unit at the Subject:

Table 1 – D1/D2 Rental Comparables

Address	Date	Term (yrs)	Rent (p.a.)	Rent Free (mths)	Size	Rent/ Sq ft	Tenant
10a St Georges Estate, E1W	Jan-19	15	£31,807	3	2,605	£12.21	Buttercup Nursery
23 Eastlake Road, SE5	Jan-19	15	£30,000	6	2,200	£13.63	Armadillos Nursery
St Laurence Church Hall, UB8	Aug-18	10	£63,783	-	3,357	£19.00	St Laurence Church Hall
12 The Fairway, W3	Apr-18	10	£44,000	-	2,500	£17.60	BlossomPatch Nursery
Suite Front, 12-14 Station Road	Aug-17	15	£35,994	12	1,400	£25.71	Laser Care Clinic Ltd
First Floor Suite, 12-14 Station Road	Aug-17	20	£100,386	4	4,563	£21.39	Central North West London NHS Foundation Trust

3.1.2. The above comparables suggest a range of £30,000 - £100,386 per annum, equating to £12.21 - £25.71psf. The evidence shows nursery tenants are achieving a rent towards the lower end of the range and a private practise laser care clinic at the top end of the range.

3.1.3. 10a St Georges Estate is located approximately 15.6 miles north east of the Subject and 0.3 miles south west of Shadwell Overground and DLR station. The immediate proximity is predominately industrial and residential. The comparable is part of a mixed use development and comprises the ground floor of the Hawksmoore estate redevelopment. The comparable let in January 2019 to Buttercup Nursery for £31,807per annum, equating to £12.21psf.

3.1.4. 23 Eastlake Road is located approximately 13.2 miles east of the Subject, 0.2 miles north east of Loughborough Junction and 0.9 miles north east of Brixton London Underground station. The immediate proximity is predominately residential. The comparable is in an unmodernised condition and let to a nursery provider in January 2019 for £30,000 per annum, equating to £13.63psf.

3.1.5. St Laurence Church Hall is located approximately 8.3 miles north west of the Subject and 1.4 miles north of West Drayton National Rail station. The immediate proximity is predominately residential. The comparable let to a religious group in August 2018 for £63,783 per annum, equating to £19psf.

- 3.1.6. 12 The Fairway is located approximately 8.1 miles north east of the Subject, 0.3 miles from East Acton London Underground station and Acton Main Line National Rail station. The immediate proximity is predominately residential and is in a similarly area to the Subject. The comparable let to a child care provider in April 2018 for £44,000 per annum, equating to £17.60psf.
- 3.1.7. 12-14 Station Road is located approximately 10.8 miles north of the Subject, 0.2 mile to the south east of Harrow and Wealdstone London Underground station. The immediate proximity is a car park, office, residential and community use facilities such as a nursery and a mosque. The comparable is let on a 15 year lease to a private practise laser care clinic ltd in August 2017 for £35,994 per annum, equating to £25.71psf.
- 3.1.8. First Floor Suite, 12-14 Station Road is located in the same location as the comparable above. The comparable is let on a 20 year lease to a Central North West London NHS Foundation Trust in August 2017 for £100,386 per annum, equating to £21.39.

3.2. Comparison to the Subject

- 3.2.1. After our comparable research, we discovered a lack of D1 use space that had recently let on the open market within a close proximity to the Subject. Therefore, we expanded our search to cover areas across London and with similar proximity to residential areas and transport links.
- 3.2.2. We consider the Subject to be an efficient space for a nursery or a non-profit tenant due its size and location. Due to the lack of major convenience retail within the local vicinity the Subject doesn't lend itself to medical or clinical uses.
- 3.2.3. After analysing these comparables we consider the Subject to achieve a rental income of **£40,000** per annum, equating to **£15.55psf**.

3.3. D1/D2 Investment Comparables

3.3.1. Detailed below are the comparables that we deem to be of the most relevance to the proposed scheme at the Subject:

Table 2 – D1/D2 Investment Comparables

Address	Date	Price	NIY	Tenant	Comments
622 Lea Bridge Road	Jul-19	£570,000	5.81%	N/A	Let to a single occupant tenancy for £69,454pa, Subject to annual RPI.
64 Park Way, HA4	May-19	£382,500	7.19%	Explore Learning Ltd	A multi-let period conversion achieving £34,750pa.
The Halo, Warton Road, E15	Oct-17	£405,000	6.28%	Dentaprime Terminal plc	Let to a single occupant in a residential-led development for £26,500pa on a 10 year lease.

3.3.2. 622 Lea Bridge Road is located approximately 19.6 miles north east of the Subject, 0.5 miles north of Leyton Midland Road National Rail station and 0.5 miles from Walthamstow Central London Underground station. The comparable sold for £570,000 at auction as a freehold building with a retail unit on the ground floor and a self-contained dental surgery on the first and second floor, it is positioned along a busy retailing street and benefits from being located close to lots of convenience retailers such as Tesco, Iceland and Halifax. There is an existing tenancy that produces £34,750 per annum, reflecting a net initial yield of 5.81%. There is clear development potential associated to the comparable. Due to the above we consider that the Subject would achieve a higher yield than this comparable.

3.3.3. 64 Park Way is located approximately 11.1 miles north of the Subject and 0.1 mile from Ruislip Manor London Underground station. The comparable benefits from being located on a busy retailing junction next to Tesco Express. 64 Park Way sold for £382,500 at auction with an existing tenancy producing an income of £28,619 per annum, reflecting a net initial yield of 7.19%. The tenant, Explore Learning, had a net worth of c.£16m as of April 2019 and so hold a superior covenant strength to that of potential tenants at the Subject. We consider the Subject would achieve a higher yield than this comparable as we expect a tenant of poorer financial strength to occupy the space.

3.3.4. The Halo, Warton Road is located approximately 16.5 miles north east of the Subject, 0.6 miles north east of Pudding Mill Lane Docklands Light Railway (DLR) station and 0.3 miles south west from Stratford High Street DLR station. The comparable was sold for £405,000 at auction as a long leasehold ground floor dental practise with an existing tenancy till June 2026, reflecting a net initial yield of 6.28%. We consider that the Subject would achieve a higher yield due its inferior location and the fact that potential tenants at the Subject are likely to hold an inferior covenant strength.

3.4. Comparison to the Subject

3.4.1. After analysing the comparables, we discovered a lack of D1 space that had recently let on the open market within a close proximity to the Subject. Therefore, we expanded our search to cover areas across London and with similar proximity to residential areas and transport links.

- 3.4.2. The yield applied is very dependent on the covenant strength. As stated in section 3.2.2, the space would be suited for us by a local child care provider or a non-profit tenant, and therefore likely to hold a weaker financial covenant.
- 3.4.3. We anticipate that the Subject will achieve an all risk yield of **7%**, equating to a capital value of **£615,000**.
- 3.4.4. We have assumed that the unit is pre-let and that an ingoing tenant would receive a 6 month rent free incentive.

4. Summary

4.1. Proposed Development Value Assumptions

4.1.1. Based on the evidence contained within this report, we have adopted the following assumptions for our Residual Land Value appraisal of the proposed development:

Table – Proposed Development Value Assumptions

Use/Unit	Rent/Sq ft	Rent/Annum	Rent Free Period	Void Period	Yield
Retail	£13.09	£45,000	6	6	8.25%
D1	£15.55	£40,000	6	0	6.5%

Appendix 5: Residual Land Value Appraisal

DRAFT

Savills

Development Appraisal

672 Hanworth Road

Report Date: 05 August 2019

672 Hanworth Road

Project Timescale Summary	
Project Start Date	Aug 2019
Project End Date	Feb 2022
Project Duration (Inc Exit Period)	31 months

Phase Phase 1



APPRAISAL SUMMARY**SAVILLS****672 Hanworth Road****Summary Appraisal for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Residential	16	10,516	492.30	323,563	5,177,000
Car Parking	<u>2</u>	<u>0</u>	0.00	10,000	<u>20,000</u>
Totals	18	10,516			5,197,000

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Retail use	1	3,439	13.09	45,000	45,000	45,000
Community use	<u>1</u>	<u>2,573</u>	15.55	40,000	<u>40,000</u>	<u>40,000</u>
Totals	2	6,012			85,000	85,000

Investment Valuation

Retail use						
Market Rent	45,000	YP @	8.2500%	12.1212		
(0yrs 6mths Unexpired Rent Free)		PV 0yrs 6mths @	8.2500%	0.9611	524,257	
Community use						
Current Rent	40,000	YP @	6.5000%	15.3846	615,385	
					1,139,642	

GROSS DEVELOPMENT VALUE**6,336,642**

Purchaser's Costs	5.82%	(66,327)	(66,327)
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NET DEVELOPMENT VALUE**6,270,315****NET REALISATION****6,270,315****OUTLAY****ACQUISITION COSTS**

Residualised Price (Negative land)		(206,365)	(206,365)
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CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost
Construction Costs	19,205 ft ²	191.67 pft ²	3,681,000
Contingency		5.00%	184,050
CIL			408,624
			592,674

PROFESSIONAL FEES

Professional fees	12.00%	441,720	441,720
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MARKETING & LETTING

Marketing	1.50%	77,655	
Letting Agent Fee	10.00%	8,500	
Letting Legal Fee	5.00%	4,250	
			90,405

DISPOSAL FEES

Residential Sales Agent Fee	2.00%	103,940	
Commercial Sales Agent Fee	1.00%	11,396	
Sales Legal Fee	0.80%	50,163	
			165,499

FINANCE

Debit Rate 7.00% Credit Rate 1.00% (Nominal)			
Total Finance Cost			294,450

TOTAL COSTS**5,059,383****PROFIT**

672 Hanworth Road**1,210,932****Performance Measures**

Profit on GDV%

19.11%