



VALUATION REPORT

LAND AT ALBION PRIMARY SCHOOL, ALBION
STREET, ROTHERHITHE, LONDON SE16 7JD

Prepared for London Borough of Southwark

OCTOBER 2014





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PRIVATE AND CONFIDENTIAL

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Our Ref: SDB/SNR/KLM/141733

29 October 2014

Dear Sirs

1 BACKGROUND AND TERMS OF REFERENCE

The Property comprises part of the Albion Primary School, and is situated to the south of the school site. Albion Primary School site is identified for redevelopment, which will consolidate the educational use on the north of the current site and release the Property as surplus.

The freehold of the Property is currently owned by Southwark Council ("the Council"). The Property is not required for the redevelopment of the Albion Primary School, and the Council is therefore considering options for bringing the subject site forward for an alternative use. The Council has appointed BNP Paribas Real Estate to provide an opinion of the Market Value of the Property in order to inform your internal strategy for the site.

We have been instructed to provide our opinion of the Market Value of the freehold interest in the Property.

All valuations are provided in accordance with the current RICS Valuation – Professional Standards (the "Red Book"). The extent of our investigations and the sources of information on which we have relied are described in the document entitled Valuation Procedure and Assumptions. These are attached along with our Terms of Engagement in **Appendix 1**.

1.1 Valuer details

This valuation has been prepared by Samuel Blake MRICS with the assistance of Kimberley McGowan MRICS and Will Callander MSc. Both Samuel and Kim are RICS Registered Valuers, and we confirm that the individuals involved with this task have the appropriate knowledge, skills and understanding to undertake the valuation work competently.



1.2 Status of valuer

We can confirm that we have had no material involvement with any other party connected with the Property, no other current interest in the Property and that we are not aware of any involvements that would prevent us from undertaking this valuation exercise in the capacity of External Valuers.

1.3 Inspection

The property was inspected by Samuel Blake. The weather on the day of inspection was clear. We did not measure the site and have relied upon measurements checked against Ordnance Survey data. We have relied on the inspection in the preparation of our report.

1.4 Date of valuation

The valuation date is as at the date of this report. The importance of the valuation date must be stressed as property values may change over a relatively short time period.



2 PROPERTY DETAILS

2.1 Location

The Property is located on Albion Street in the London Borough of Southwark. The site is in close proximity to the River Thames and Southwark Park. In the immediate vicinity of the site is a building known as the Finish Seaman's Mission which is located opposite the northern boundary to the site, and a Norwegian Church (St Olav's Church) to the west on Albion Street, both these properties are understood to be Grade II listed. Opposite the front of the site is a four storey residential apartment block and the former Rotherhithe Library, which is currently vacant but occupied by Guardians.

The surrounding area is predominantly residential with a substantial amount of accommodation provided by the neighbouring local authority housing estates to the south, east and west. St Olavs Court City Business Centre is located to the west of the site and provides 35 self contained commercial units ranging in size from 45 sq m (484 sq ft) to 109 sq m (1,178 sq ft). The Property is located 300m (0.2 miles) from Canada Water Underground station, which is undergoing significant residential led regeneration and approximately 800m (0.5 miles) from Surrey Quays Shopping Centre. Key retailers at the Centre include a large Tesco, River Island, New Look and WH Smith. There is also an Odeon Cinema.

In terms of transport links, Albion Street runs parallel to the A101 to the north which leads directly to the Rotherhithe tunnel providing access to the Limehouse area of the London Borough of Tower Hamlets. Canada Water is the closest London Underground station, approximately 300m south east of the Property and provides a direct service to both Waterloo and Canary Wharf on the Jubilee Line. Bermondsey (Jubilee Line), Surrey Quays (East London Line) and Rotherhithe (East London Line) stations are all within 1.5km of the property. There are also many regular bus services into Central London from the nearby Lower Road.

A location and site plan are attached at **Appendix 2**.

2.2 Description

2.1.1 The Site

The whole school site extends to a total of 0.797 hectare (1.97 acres) and is broadly rectangular in shape, with a frontage of approximately 78.9m onto Albion Street. The topography is broadly flat on the site itself, however, there is a significant gradient behind the site that steps up to the adjacent Albion Estate. We were not able to inspect the school internally or go onto the site itself, therefore our observations are based on an external inspection from the site boundaries only.

The site is currently developed as a primary school, with the buildings set close to the middle of the site. We understand the school was developed in the 1960s with later extensions. The main entrance faces and is set back from Albion Street. There is a car park between the main entrance and the street. To the west of the main entrance is a single storey caretaker's house. The main school is formed from interlinked blocks, with a main hall and kitchen to the north and eight classrooms arranged over two storeys to the south. There are also several portacabins on site. To the east of the main block is a Multi-Use Games Area (MUGA).

There are several grassed and tarmac play areas across the site, and there are a number of mature trees located to the northeast and west of the site as well as some smaller trees



near the centre of the site. We understand that there are no Tree Preservation Orders on site. The boundaries are generally demarked by metal fencing.

The part of the site that forms the subject of this valuation forms the southern section of the school site and is outlined in the context of the school site in red below, and red on the site plan attached at **Appendix 2**. It includes areas of hardstanding and landscaping, as well as a two storey classroom building. We have measured the extent of the site using Ordnance Survey data and identify that it extends to a total of approximately 0.28 ha (0.70 acre).



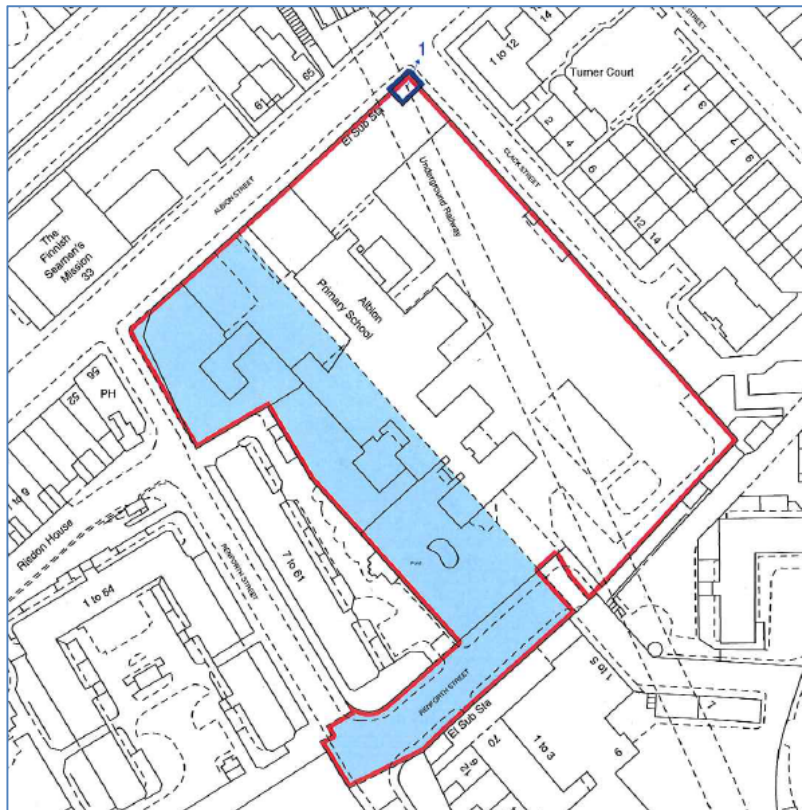
The London Underground has a route that runs under the school site in an intersecting diagonal line. We understand that its depth varies from 5 to 12 metres below the site, and it is considered a risk to build over.

Photographs of the Property are attached at **Appendix 3**.



3 TITLE AND TENANCIES

The whole site is held freehold by the Council under title number TLG267467. The plan attached to the title is as follows:



The title register indicates that the land tinted blue on the plan is subject to rights granted by a deed dated 10 November 1964 between the London County Council and The London Hydraulic Power Company (the Company). The rights include easements to construct a line or lines or pipes (mains) in a position marked on a plan attached to the deed with a double firm black line, as well as rights of support for the mains from the land. There are also rights subject to 14 days notice (or as soon as reasonably practical in an emergency) for them to enter on the land in connection with enjoyment of the easement whilst doing as little damage possible to the site. The Land Registry have informed us that they do not hold a copy of this deed or plan, we are therefore unable to confirm where this sits. The Council will need to check if it holds a copy and confirm that there would be no material impact on development. For the purposes of this exercise we have assumed that these rights could be managed appropriately.

The title register also highlights covenants attached to this deed including one that says that the council shall bind whomever it transfers the land to respect the same rights. There are also restrictions to be observed by the Council including:

1. Not raising the surface of the land by more than one foot above the existing level otherwise than with the consent in writing of the Company, not to be unreasonably refused.
2. The subsoil of the land shall not be disturbed so as to interfere with the right of support granted.



3. Nothing shall be built, erected, constructed laid placed planted or grown in under or upon the land which would render the exercise of the easement substantially more difficult or costly or which may in any way diminish, interfere with or damage the flow of hydraulic power coming to or carried by the said pipes.

There was a lease of a Transformer Chamber in the northeast of the site (outlined blue and marked '1'), however, this was for 20 years from 24 June 1978 (expiring 1998). It is unclear whether this lease has been renewed and therefore remains in place, however, we noted that the Chamber was on site at the point of inspection, we have therefore assumed the lease remains in place, but incorporates standard provisions to facilitate re-development of the site.

We have not had sight of a full report on title, and are therefore unable to confirm that other than those identified above, that there are no other easements, restrictive covenants or other title matters that would have an impact on the value of the Property.

For the purposes of this report, we have therefore assumed that the title is good and marketable, and that there are no matters relating to the title that would have a material impact on value. We recommend that this is confirmed with your solicitors.



4 ABNORMALS

4.1 Contamination

This valuation has been carried out on the assumption that there is no contamination over and above what one would expect for a brownfield site in this area of London.

The current use of the Property as a school would tend to present a low risk of contamination. We note that the portion of the wider site that forms the subject of this valuation would likely be developed for a flatted scheme albeit with some limited outside soft landscaping, and therefore that decontamination would be relatively limited unless a significant historic contaminative use or ground issue is identified.

We have not had sight of any desktop or intrusive contamination or historic land use surveys relating to the Property. For the purposes of this report we have assumed that there are no significant ground issues that would prevent the continuation of the existing use at the Property, or that would give rise to abnormal costs in relation to the redevelopment of the site for residential flatted development. If substantial contamination or ground issues are found to affect the site then this could have a material impact on the value of the Property.

4.2 Rights of Light / Daylight and Sunlight

This valuation has been carried out on the assumption that any right of light issues encountered would be compensable and not result in an injunction against development.

We consider that the design of a scheme would need to be carefully considered to minimise rights of light impacts to the housing along Clack Street and Renforth Street as well as the existing Albion Estate to the south of the site. We note that the most likely affected Properties would include the detached house as well as 12-14 Clacton Street, particularly under Option 3 for the site within the Architype proposals for the site. We have further assumed that any transfer of school land would include extinguishment of Rights of Light in favour of the School to facilitate development of the Property.

In addition to the legal consideration of rights of light, development of the property for residential would have to have regard to the planning standards relating to daylight and sunlight conditions. We consider that the level change to the south of the site would mean that any building would need to step back from the boundary for all units to enjoy adequate daylight and sunlight. We consider that this could also be managed via the inclusion of dual aspect units within a scheme, as sought in planning policy.

4.3 Asbestos and noise

We have not had site of any Asbestos Surveys for the site, nor have we been provided with copies of the asbestos register. For the purposes of this valuation we have assumed there will be no abnormal development costs relating to the presence or removal of Asbestos.

We would recommend that the Asbestos Register or survey is consulted in order to check this assumption, as the presence of any asbestos on the Property may materially affect our valuation.

We were not able to get onto the site itself to identify the ground level presence of noise from the underground line, and have therefore assumed that this is minimal and/or could be mitigated within a residential scheme through appropriate sound attenuation measures.



5 RATING

The Valuation Office Agency rating list includes the following records in relation to the subject Property:

Ref: 10600600020006, Albion Primary School, Albion Street, LONDON SE16 JD – School and Premises – £33,000

This entry relates to the main school site, of which the Property forms only part.

6 SERVICES

We have not had sight of a services survey for the Property. However, we understand that the Property is currently connected to mains services, including electricity and water. We have assumed that the site could be redeveloped for an increased density without the requirement for any upgrade of services above normal servicing costs, and that there would therefore be no abnormal costs associated with service provision. We would comment that any significant costs arising from this may have a material impact on our valuation.

7 TOWN PLANNING

7.1 Policy framework

The site is located within the administrative boundary of the London Borough of Southwark. The development plan for the site therefore comprises the following:

- **The London Plan** Spatial Development Strategy for Greater London (adopted July 2011);
- **Southwark Plan (SP)** (saved policies, July 2010);
- **Southwark Core Strategy (CS)** (adopted April 2011); and
- **Southwark Adopted Policies Map** (adopted March 2012).

In addition to the above, regard should be given to the following supplementary planning documents:

- Southwark Residential Design Standards Supplementary Planning Document (SPD) (adopted October 2011); and
- Southwark Section 106 Planning Obligations SPD (adopted July 2007);
- Affordable Housing SPD (adopted 2008) and the draft Affordable Housing SPD (2011);
- Sustainable Design and Construction SDP (adopted 2009);
- Sustainability Assessment SPD (adopted 2009);
- Sustainable Transport SPD (adopted 2010).

We also note here the National Planning Policy Framework (NPPF) (published March 2012) which “*provides a presumption in favour of sustainable development*” and that *plan-making should “positively seek opportunities to meet the development needs of their area... with sufficient flexibility to adapt [to] rapid change”*. Further we note that, the NPPF states that local planning authorities should “*encourage the effective use of land by reusing land that has been previously developed (brownfield land) ...*” and “*promote mixed use developments ...*”



Southwark have revised their Local Development Scheme which sets out the timetable for preparing policy documents. The National Planning Policy Framework suggests local planning authorities should consider reducing the number of Development Plan Documents they prepare and there is no longer a legal requirement for a separate Core Strategy DPD to be prepared (under the Town and Country Planning (Local Planning) (England) Regulations 2012). This has led to the decision to amalgamate the review of the adopted Core Strategy, the saved Southwark Plan policies and proposed Development Management and Site Allocations documents into a 'Local Plan' which commenced development in 2013.

7.2 Planning history and planning use

We believe that the existing planning use as defined in the Use Cases Order 1987 is D1 as 'non-residential institution' as a state primary school.

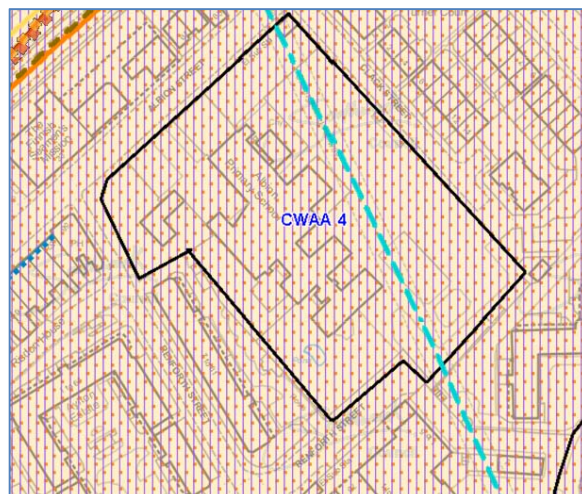
We have undertaken a review of Southwark's online planning history records in respect of the subject site. We note that there are three applications (ref: 12-AP-1164, 13-AP-0998 and 14-AP-1564) which appear to relate to construction of temporary classrooms and additional accommodation. There is also a more historic record (ref: 01-CO-0693) which relates to elevational alterations and a new roof covering. All were granted consent.

In terms of schemes in the immediate vicinity, there are two refused applications (ref: 12-AP-0794 and 12-AP-2720) for the demolition of the Little Crown pub at 56 Albion Street, the first for construction of a five storey residential led scheme with retail and offices on the ground and basement, and a second for construction of a similar scheme over four storeys. The reasons for refusal of the second application relate to the scale, bulk and massing and also the impact on the immediate setting for the Grade II listed Finnish church. The first application was refused for the same reasons, as well as the lack of outside space for the proposed residential units.

There is also a planning application for demolition of Rotherhithe Library (ref: 13/AP/4332) which has secured prior approval.

7.3 Relevant policy

The site is subject to the following designations as identified on Southwark's Adopted Policies Map (adopted March 2012).





- Canada Water Action Area – Strategic (Policy 2, Policy 5, Policy 6, Refer to Canada Water Action Area Plan, UDP policy 4.4)
- Canada Water Action Area Core (Canada Water Action Area Core Vision, CS Policies: 5, 7, 10 & 12)
- Canada Water Strategic Heating Area (CWAAP Policy 20)
- Proposal Sites: Albion Primary School (CWAAP Policy 32)
- Urban Density Zone (CS Policies 5 & 7, CWAAP Policy 24)
- Air Quality Management Area (CS Policy 13)

We can confirm that the site is not located within a Conservation Area.

We also note here that the site has a Public Transport Accessibility Level (PTAL) of 4 (TfL Planning Information Database – PTAL is categorised in 8 levels, 1a to 6b, where 6b represents a high level of accessibility and 1a a low level of accessibility).

Canada Water Action Area policies

The Canada Water area action plan (CWAAP) is a plan to regenerate the area around Canada Water. Looking forward to 2026, it sets out a vision which describes the kind of place that Canada Water will be and a strategy for implementing the vision. We have reviewed the policies from the CWAAP, and note that the site falls within the Core Area, with relevant policies including:

- Policy 5 indicates support for a new market on Albion Street;
- Policies 6 and 7 encourage improvements to facilitate permeability through walking and cycling in the area as well as promote public transport;
- Policy 10 relates to parking and considers that residential parking within the Core Area should be limited to a maximum of 0.3 spaces per home.
- Policy 20 is to establish a district heating system to serve both new and existing development.
- Policy 24 relates to density of development, identifying that development within the core area should be 200-700 habitable rooms per hectare

Figure 9 in the CWAAP plan outlines proposed building heights for the area, however, it does not include the Albion School site.

Figure 14 identifies the site (CWAAP 4) and the opportunity to “*Work with governors and staff to explore the potential to provide mixed use development on a part of Albion Primary School*”. As well as the required education land use, it identifies that other acceptable uses could include Community (class D) and residential (Class C3) uses. It continues to state that some residential development would be appropriate to fund improvements, provided development would not result in a net loss of play space.

Housing target

London Plan Policy 3.3 states that boroughs should seek to “...*achieve and exceed the relevant minimum borough annual average housing target*”. LB Southwark has an annual housing target of 2,005 and a 10 year target of 20,050 (2011-2021). CS Policy 5 also sets a target for housing provision, with 24,450 net new homes targeted between 2011-2026.

The CWAAP’s core area is identified as offering the opportunity to provide at least 2,500 high quality new homes, which will be accommodated in generally mixed use development. The action area will provide at least 875 affordable housing units Affordable housing provision.



SP Policy 4.4 has been partially saved. The relevant saved part of the Policy states that a 70:30 split between social and intermediate housing will be sought in an urban density zone, and this follows through into the CWAAP.

Under CS Strategic Policy 6, the Council will require development to provide as much affordable housing as is reasonably possible and financially viable whilst meeting the needs for other types of development and encouraging mixed communities. Within urban zones the Council will seek at least 35% of new housing to be affordable on developments capable of providing 10 or more units. There is no maximum level of affordable housing but depending on the area (including this location) the Council's strategic priority is to encourage as much affordable housing to be built as possible.

The Council will adopt a sequential approach to the provision of affordable housing with the preference for it to be provided on-site. In exceptional circumstances, the Council may allow the affordable housing to be provided off-site within the local area of the proposed development. Where this is not achievable, in exceptional circumstances, the Council may allow a pooled contribution in lieu of on-site or offsite affordable housing towards providing affordable housing (Draft Affordable Housing SPD – Section 6.3).

The Government has recently introduced a new 'Affordable Rent' housing product. The Government defines 'Affordable Rent' in the NPPF as housing that "is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing." Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable). In addition, the Mayor of London has published Supplementary Planning Guidance on how the new product can be used to implement the policies in the London Plan.

Southwark's current approach to affordable rent is to continue to require existing policies to be met (i.e. minimum 35% affordable housing requirement, with a split between 70% social rent and 30% intermediate). Southwark will only consider affordable rent once a financial appraisal has been submitted to demonstrate why the policy requirement cannot be met, in line with the Affordable Housing SPD.

Housing mix, size and design

CS Policy 7 states that the Council will seek for developments of 10 or more units to provide at least 60% 2 or more bedrooms; a minimum of 20% for 3, 4 or 5 bedrooms; this may be split between private, social and intermediate housing; and a maximum of 5% as studios and only for private housing.

For all new social rented and intermediate homes, the Council's does not specify the preferred mix. Instead it states that it must be an appropriate mix of dwelling type and size to meet the identified needs of the Borough. 10% of all units would be sought as wheelchair compatible.

Policy 4.2 of the Supplementary Planning Guidance requires new residential development to meet high quality living standards. It also requires all the residential accommodation to be designed to Lifetime Homes standards. Supporting this policy, Southwark have recently adopted the Residential Design Standards SPD 2011 which sets out minimum room sizes and requirements for the provision of amenity space etc. All new units will need to meet the minimums set out within Southwark's SPD and if the proposal is above the density range they will need to exceed the minimum requirements and also show exemplary design. Units will also be expected to offer a dual aspect, where possible.

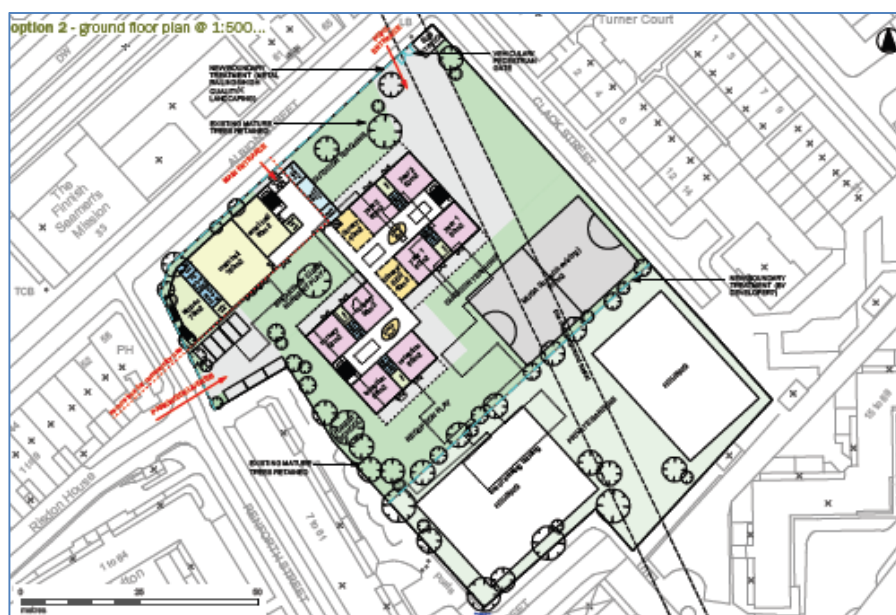


7.4 Potential Residential Scheme

A study has been prepared by Architype Architects to test the capacity for developing the site for a new school whilst releasing land for residential development. Several options have been identified, with two main options for the residential element of the development.



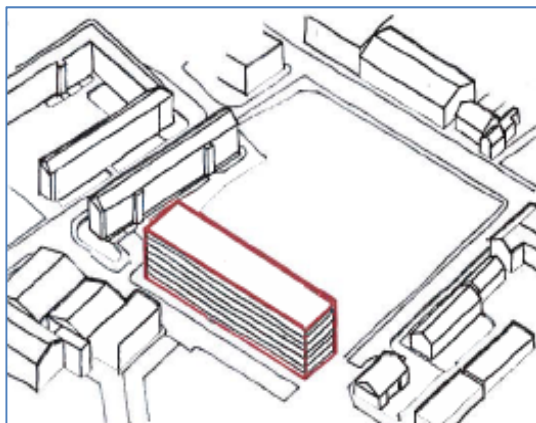
Option 1 arranges the new school over the western portion of the site, with a single residential block arranged to the east of the site. We note that if it is c. 6 storeys, this option would be very likely to generate injunctible Rights of Light infringements onto the residential properties on Clack Street.



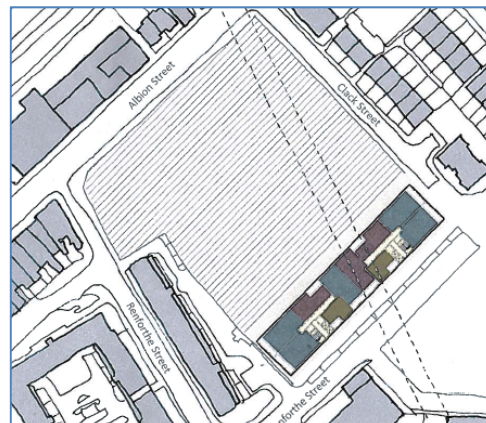
Option two arranges the new school over the northern section of the site, with two residential blocks bisected by the underground line at the southern section of the site.



Option 2 has been developed and further refined in a study by Maccreanor Lavington dated September 2014. This shows a single block to the rear of the site, and is referenced as Option B. The area to the south of the block forms new public space.



Aerial view



Plan view

We note that this is currently the Council's preferred option, and we would comment that Rights of Light would potentially be more manageable with this solution compared with a linear block to Clack Street. However, it will be important to establish that the leases relevant to the Council block on Renforth Street and the Albion Estate reserve appropriate development rights including Rights of Light.

Schedule of accommodation: Based on capacity study

	1 bed	2 bed	3 bed	total
No. units	14	18	36	68
Mix (% units)	21%	26%	53%	100%
Total sq m NSA	2,061	2,061	1,030	5,151
Avg size sq m NSA	50	70	86	

The potential; scheme above reflects 226 habitable rooms. We would highlight that the above unit mix does not reflect what the market would be likely to deliver, which would balance the unit numbers toward one and two bedroom units, within the confines of planning policy. We provide below an estimate of the potential accommodation within a market led scheme as follows:

	1 bed	2 bed	3 bed	total
No. units	30	30	16	76
Mix (% units)	39%	39%	21%	1
Total sq m NSA	1500	2100	1376	4976
Avg size NSA	50	70	86	

The above estimate assumes five storeys on average. We note that the Albion Estate located to the immediate south of the site is arranged over four storeys with a pitched roof, however, this is at a higher level than the subject site. We would comment that the Barratt scheme to the south of the Albion Estate is arranged over five to six storeys, with the blocks toward Canada Water station generally arranged over seven to eight storeys culminating in a 27 storey tower known as Ontario Point.



The potential scheme identified above equates to a density of 217 habitable rooms, which would reflect 771 habitable rooms per hectare based on a site area of 2,813 sq m. This is above the density range set out in London Plan and CWAAP policy for the Property, which is 200 to 700 habitable rooms per hectare for an urban zone, but slightly below the density identified in Option B from the Maccreeanor Lavington. However, we note the location being a short walk from Canada Water and Rotherhithe Stations as well as bus routes means that we consider that the density range could potentially be exceeded, subject to high quality design.

Tenure mix:

	1 bed	2 bed	3 bed	total
Affordable total:	11	11	6	28
<i>Social rent</i>	8	8	4	20
<i>Shared ownership</i>	3	3	2	8
Private	19	19	10	48

We have estimated a tenure mix based on approximately 35% affordable provision, split 70:30 social rented : intermediate, in accordance with planning policy. We note, however, that 35% or more may be sought, subject to viability.



8 MARKET APPRAISAL

We consider the residential market at national level and in the local area in detail below.

8.1 Residential market context

We attach at **Appendix 6** our BNP Paribas Real Estate in housing market review, Housing and the Economy, which details the key drivers for residential property and our regional analysis and market forecasts.

As detailed in this report the general consensus is that the UK housing market is finally entering a more general recovery. There is increasing evidence that house prices are beginning to rise across the country, with growth not just confined to London and the South East. Property lending has risen, as the Government's Funding for Lending scheme has helped push mortgage rates to record lows. Favourable interest rates have meant lending to first time buyers has risen rapidly and it is these market joiners that have this year played a significant role in driving up growth in mortgage lending.

There has been a marked pick-up in housing construction levels; yet the number of housing starts still remains well below pre-2008 levels. Nonetheless, with improving market conditions it seems unlikely that the level will go into decline again in the immediate future. The Government's Help to Buy initiative has helped boost demand, with 20,000 new build properties reserved over the 12 month period since the scheme's April 2013 launch.

The shortage of housing supply remains a major problem for the UK housing market. It is this mismatch between housing supply and demand levels that is putting upward pressure on prices. In the rental market, rents continue to outstrip wage growth. Demand for rental properties shows no sign of abating, as affordability continues to lock many individuals out of home ownership. Indeed it is this pent-up demand, improved funding market conditions and increased mortgage availability that is currently boosting buy-to-let investor demand. For house buyers, they too are faced with rising prices, which some fear will lead to another property bubble. If the supply and demand imbalance fails to correct itself, inevitably long-term price rises will create further affordability problems for many first time buyers; the exact group that the Government is trying to help.

The latest data published by the Land Registry indicates that as at September 2014 the average house price in England and Wales is £177,299 compared with a peak of £181,324 in November 2007. This is a 7.2% increase on August 2013 levels. 2013 was expected to be a turning point for the housing market and indeed it was, with house prices forecast to rise across all regions. These figures mask the rises in London, where tight supply and strong demand has placed upwards pressure on house prices, and the South East.

In terms of the London Housing market, we would highlight the following key points from our report Housing and the Economy:

- Reflecting recent strong demand for London residential property, house prices in the capital outperformed all other UK regions over the last five years
- Between 2010 and 2014 London house prices produced annual average growth of 7.7%, compared to a UK average of 3.3% p.a.
- Marking a notable change post-recession, all regions across England experienced rising house prices over this period, but the strength of the London market far exceeded the rest of the country
- Going forward the region is expected to continue to see strong positive growth but, given the level of increase already seen, it is no longer anticipated to outstrip the rest of the UK



- Indeed over the next five years, London house prices are forecast to grow by 7.1% p.a., slightly below the 7.3% forecast for UK as a whole, or by 3.8 % in real terms
- By 2019 London house prices will have increased cumulatively by 41% but only by 18% in real terms.

8.2 Local residential market

Within the Southwark market, local agents have reported steady growth since bottoming out in June 2009 at £308,906. In June 2014, the average house price in the borough was £540,265, reflecting growth of 75%. The current outlook is cautiously positive, although there is a realisation that the marketing is generally cooling off, after a period on strong growth. Traditionally underpriced areas in close proximity to central London have experienced particularly marked growth – the Bermondsey and Rotherhite area falls under this heading. Whilst prices have increased, sales volumes have remained relatively steady over the last three years, as limited supply and restricted mortgage availability have prevented a return to the peak levels of activity experienced in 2007.

The subject site is located in an area that has traditionally been characterised by a mixture of uses and council housing stock. However, the proximity to the City of London and London Bridge, together with the regeneration of Bermondsey and wider investment in the regeneration of the area, has attracted an increasing number of private purchasers. In recent years a number of new private and mixed tenure developments have come forward and played a part in improving the Bermondsey area. New schemes have generally been popular with buyers, with sales values increasing and a substantial proportion of units being sold off-plan.

Recent new build developments in the area include Greenland Place which is currently being developed by Barratt Homes. The scheme comprises a total of 696 units of which 579 are to be sold privately. As at the end of September 2014, 128 units had sold. Studio flats have been selling in the region of £300,000, 1 bed apartments for an average of £318,000, 2 bed apartments for around £443,000 and 3 bed apartments for an average of £564,000. These rates equate to values in the region of £490-£750 per sq ft, and reflect an average over the scheme's life. Current re-sales are significantly higher than these levels. The development includes the provision of onsite gym facilities and a 24 hour concierge facility.

In addition to this Barratt are also developing Redwood Park which is located to the north east of the subject property. It is understood that construction and marketing is progressing well with overall completion due in summer 2015. As at the end of Q3, 2014, 87 units had sold for between £450,000 and £605,000 which equates to £585 per sq ft for the lower value and £698 per sq ft for the more expensive units.

Marine Wharf is a 532 unit scheme that is being developed by Berkeley Homes. As at the end of Q3, 2014 all of the private units had been sold, with phased completions due until 2017. Prices ranged between £446 and £592 per sq ft for the units with an average of £503.

The Lock House development is currently under construction with completion due in early 2015. Six units were soft launched via Gordon & Co on 7th July priced at circa £730 per sq ft, two sold on the day with further sales since. The agent reports that the units have been received well by the market, however was unable to confirm further details. It is understood that one of the latter phases of 59 units has been purchased by a single investor who is in the process of re-selling individual units for a quoting price in the region of £730 psf.

Yeoman's Wharf is located circa 1 mile to the south east of the subject property. Construction has recently commenced with the scheme due to launch on 1st November



2014. The agent has confirmed that prior to launching they have received good interest in the units, once launched they will be able to give a clearer indication of demand and pricing.

In light of the comparable evidence we have adopted sales values of £390,000 on the 1 bedroom flats, £485,000 on the 2 bedroom flats, and £550,000 on the 3 bedroom flats, reflecting approximately £594 - £724 per sq ft.

We would highlight that the market around the subject site is diverse and the micro location is poor compared to most of the comparable schemes (e.g. Greenland Place) and does not have the scale to allow the provision of additional services such as gym or concierge facilities. We have also had regard to re-sales of units within the immediate vicinity. The site would not be considered a prime development site due to the close proximity of the school, the issues that arise due to the underground line and the surrounding housing stock, we have therefore had to take this into consideration when compared to recent re-sales in local developments which demonstrate particularly high pricing.

The schedule of comparable evidence at **Appendix 5** outlines availability and recent deals for residential apartments.



9 MARKET VALUATION

We have been instructed to provide a valuation on the basis of Market Value. This is an internationally recognised basis and is defined as:

“The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The purpose of the valuation is to inform your strategy for the site as well as negotiations with the school.

9.1 Freehold Valuation with Vacant Possession

In order to consider the Freehold Value with Vacant Possession of the subject Property, we have appraised the scheme as outlined in Section 7.5.

The key assumptions of our residual appraisal are set out below:

- A residential led mixed use scheme consisting of 76 units.
- 35% habitable rooms affordable housing (70:30 split social rent: shared ownership), with units split in line with overall unit mix;
- Private apartment sales values averaging:
 - 1 bed - £390,000
 - 2 bed - £485,000
 - 3 bed - £550,000
- We would comment that the above values reflect a discount to the new build accommodation closer to Canada Water station to reflect the expectation of fewer facilities (gym etc) that could be supported on site, as well as poorer outlook onto school and local authority accommodation.
- Affordable values (assume no grant funding) at £1,385 per sq m (£129 per sq ft) on the Social Rented units and £2,732 per sq m (£254 per sq ft) on the Shared Ownership units;
- Total development timescale of 24 months (3 months pre-development, 15 months build, 6 months post construction to complete marketing and sales with 50% of private units pre-sold off plan);
- Construction costs: £2,099 per sq m (£195 per sq ft) on private flats, £1,722- £1,829 per sq m (£160 - £170 per sq ft) on affordable flats, reflecting recent rapid build cost inflation as well as the relatively tight site and need to work around the underground line.
- It is anticipated that car parking will be provided for the wheelchair units only, and that these would be provided at surface level;
- Community Infrastructure Levy (CIL) – CIL levels are based on £35 per sq m for mayoral CIL and estimated Southwark CIL of £200 per sq m – we would highlight that with careful management, some of the CIL contribution could be netted off as a result of the existing school accommodation on site, however, we do not have exact areas to enable us to calculate this potential offset;
- Nominal/no Section 106 costs;
- Demolition / site clearance and remediation costs of £200,000;
- Landscaping / boundaries - £250,000
- Professional fees at 8% of construction costs;
- A developers contingency of 5% of construction costs;
- Marketing costs at 2% of revenue, and disposal costs at 1.5% of revenue;



- Developers profit requirement of 20% on cost for private elements, 6% on costs for affordable housing;
- Finance costs of 6.5% on debt.

A residual appraisal summary, which includes all assumptions adopted, is included at **Appendix 5**.

Taking all the above into account, we are of the opinion that the residual land value of the Property assuming planning consent in place for a residential scheme as outlined above, as at the date of the report is in the order of **£4,500,000**.

We would anticipate that a purchaser would apply a discount to this figure to reflect the time, cost and risk associated with obtaining planning consent, particularly given the constraints of the site and surrounding property. The level of discount applied will depend on the perceived risk of obtaining consent. Based on the assumed scheme we would anticipate a planning risk discount in the region of 10%. Applying this discount to the land value, we are of the opinion that the Market Value of the Property in isolation is in the region of:

£4,000,000
(Four Million Pounds)

Please note that if the site was sold on a 'subject to planning' basis, the planning risk would be significantly reduced. As such, offers received of a 'subject to planning' basis may be significantly above the reported Market Value for the site.

10 SENSITIVITY ANALYSIS

The value of the site is based on a residual appraisal, which by its nature is highly sensitive to the inputs adopted. Small changes in terms of cost and revenue can have a substantial impact on land value.

Below we have analysed the land value based on variations in our assumptions in terms of capital value per unit and developers costs.

Sensitivity Analysis on Land Value

	Construction costs					
Completed residential sales values		-10.00%	-5.00%	0.00%	5.00%	10.00%
	-10.00%	£3,915,708	£3,298,160	£2,680,071	£2,061,783	£1,443,498
	-5.00%	£4,819,180	£4,201,711	£3,584,163	£2,966,126	£2,347,837
	0.00%	£5,721,949	£5,105,222	£4,500,000	£3,870,167	£3,252,180
	5.00%	£6,624,623	£6,007,991	£5,391,264	£4,773,716	£4,156,170
	10.00%	£7,526,626	£6,910,759	£6,294,033	£5,677,267	£5,059,719

Of note, we would comment that increasing the residential sales values by a modest 5% increases the site value significantly, by c18% to £5.7M, or £4.85M on an unconditional basis allowing for risk, time and cost to secure a planning consent.



11 COMMENTS AND GENERAL CONDITIONS

This report and valuation has been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect the valuation. It has been prepared solely for the stated purpose and may not be appropriate for any other purpose.

We would again highlight that our valuation is presented gross of any abnormal costs associated with the development of the site, and assumes that the title to the Property is good and marketable. We would highlight that we have not been able to secure a copy of the 1964 Deed which affects the Property, but would be happy to review and comment if the Council are able to secure a copy. For the purposes of this exercise we have assumed that the rights attached to this deed could be managed within any development.

This report is private and confidential to you. It may not be disclosed to any third party without our prior written consent, nor published in any document or circular, without our prior approval in writing as to the form and context in which it shall appear. In breach of this condition, no responsibility can be accepted to third parties for the comments or advice contained in this report.

Yours faithfully

Samuel Blake BA PG Dip MRICS
Director
For and on behalf of BNP Paribas Real
Estate Limited

Kimberley McGowan BSc MSc MRICS
Associate Director
For and on behalf of BNP Paribas Real
Estate Limited

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APPENDIX 1 – TERMS AND CONDITIONS



BNP PARIBAS REAL ESTATE

Private & confidential

Fahad Nakendo
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Southwark Council
PO Box 64529
London
SE1P 5LX

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E-mail: Samuel.blake@bnpparibas.com

By email only

Our Ref: SDB/SNR/141733

18 September 2014

Dear Fahad

**LAND AT ALBION PRIMARY SCHOOL, ALBION STREET, ROTHERHITHE, LONDON SE16
7JD
("THE PROPERTY")**

Further to our recent meeting and email correspondence, I confirm that we are delighted to accept your instruction to undertake a valuation of the above Property.

The Property comprises part of the Albion Primary School, and is situated to the south of the school site. Albion Primary School is identified for redevelopment, which will consolidate the educational use on the north of the current site and release the Property as surplus. The Property is therefore bounded by the Albion Primary School site to the north, and residential use property to the east, south and west. The Property is currently developed for D1 primary school use together with associated ancillary accommodation and open play space. Nearest public transport bus and underground links are from Rotherhithe station circa 100m to the north, whilst Canada Water underground station is circa 300m south.

The freehold of the Property is currently owned by Southwark Council ("the Council"). The Property is not required for the redeveloped Albion Primary School, and the Council is therefore considering options for bringing the site forward for an alternative use. The Council has appointed BNP Paribas Real Estate to provide an opinion of the Market Value of the Property in order to inform your internal strategy for the site.

I confirm that the valuation will be undertaken in accordance with the current RICS Valuation Standards (the "Red Book"). Attached to this letter is a document entitled "Valuation Procedures and Assumptions" which describes the work we will undertake, the sources of information upon which we shall rely and the limitations that will apply to our investigations and report. A copy of our Terms and Conditions of Business is also attached.

BNP Paribas Real Estate Advisory & Property Management UK Limited

Registered office: 5 Aldermanbury Square, London EC2V 7BP

Registered in England No. 4176965

www.realestate.bnpparibas.co.uk

ISO 9001
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OHSAS 18001
BUREAU VERITAS
Certification



N° UK4578228(E) / UK4578228(E) / UK4578228(OHSAS)

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I can confirm that we have had no material involvement with any other party connected with the Property. In addition I am not aware of any other factor that could create a conflict with our duty to provide you with an objective and independent valuation.

We will provide you with our opinion of the Market Value of the freehold interest of the Property. This will be valued as at the date of our report. I can confirm that we hold professional indemnity insurance in respect of the service to be provided. The valuation will be undertaken by Samuel Blake MRICS and Simon Rogers MRICS, both of whom are RICS registered valuers. I confirm that we have the knowledge, skills and understanding necessary to undertake the valuation required.

You also require a Development Appraisal report considering the value of the Property combined with the Albion Estate to the east. The purpose of this report will be to inform your strategy in relation to the two sites going forward. The Development Appraisal report will provide you with an estimated value of the Property and Albion Estate in their existing use in isolation, as well as the potential combined value of the sites based on a proposed redevelopment scheme. The values and figures provided in the Development Appraisal report will not be in accordance with the "Red Book", and should not be relied upon as such.

We would like the opportunity to inspect the site, and ideally obtain access to Albion Primary School for the inspection. If this is possible then we would be grateful if we could arrange a time to inspect next week. Otherwise, if an internal inspection is not possible, we will rely on an external inspection of the Property.

Our fee for undertaking this work is as agreed at **£4,700** in accordance with our appointment to the Council's Surveying Framework. This figure will be subject to the addition of VAT.

At our meeting we reviewed a hard copy Masterplan document for the Property and Albion Estate. In order to complete the valuation, we would be grateful if you could further provide us with an electronic copy of the latest version of this document, together with the following (where available):

- Title documents in relation to both the Property and the Albion Estate;
- Any current leases or licenses over all or part of either the Property or the Albion Estate;
- Any surveys which the Council may hold or other technical reports in relation to the Property or the Albion Estate;
- A copy of any plans available for the proposed redevelopment of Albion Primary School;
- Any previous valuations or offers for the Property that you are aware of.

In terms of timescales, we confirm we will be able to provide you with the full report fifteen working days from receiving confirmation of instructions and all the additional information required (or as much as is available).

Our report will be addressed to you and is for your use only. No responsibility will be accepted to any other party. We understand that the report may be required for use or reference in an internal Cabinet report, and may also be used for and/or appended to a submission of a SATPF1 form to the Department of Education, and we confirm we are happy for our report to be used for these purposes. Our prior consent in writing will be required if you wish to reproduce the report or refer to it in any published document, other than those specified. Our valuation file may be subject to confidential monitoring in order to ensure compliance with the RICS conduct and disciplinary regulations.



BNP PARIBAS REAL ESTATE

I do not believe that any of these conditions conflict with your requirements but if you believe they do, please do not hesitate to contact me. Otherwise I would be grateful if you could sign and return a duplicate of this letter as confirmation that you wish us to proceed on this basis.

Yours sincerely

Samuel Blake MRICS
Director
for and on behalf of BNP Paribas Real Estate

I confirm that I / we* agree that this letter and the accompanying documents it refers to is an accurate summary of the service that I require, and of the terms that I / we* accept for its provision.

Signed:

Position:

Date:

* delete as appropriate

DEFINITIONS

In these Conditions:

"Affiliate" means any company, partnership or other entity which directly or indirectly controls, is controlled by or is under common control with Us;

"Conditions" means these terms and conditions of business;

"Confidential Information" means any technical, financial and commercial information obtained or received by You directly or indirectly from Us (and vice versa) in the course of or in anticipation of the Services;

"Engagement Letter" means the engagement letter from Us to You;

"Information" means any documents, advice, information, reports, instructions and/or assistance that We may require from You;

"Intellectual Property Rights" means patents, registered and unregistered trade marks and service marks, registered and unregistered design rights, copyright, database rights, rights in know-how and confidential information, applications for and rights to apply for any of the above, and any other similar rights recognised from time to time in any country, together with all rights of action in relation to the infringement of any of the above;

"Materials" includes, in addition to any document in writing, any drawing, map, plan, diagram, design, picture or other image, tape, disk or other device or record embodying information or data in any form;

"Property" means the property/ies, which is/are the subject of Your instructions to Us;

"Services" means the services and/or work performed or to be performed by Us as set out in the Engagement Letter and/or Service Specific Terms of Engagement, together with any other services and/or work which We provide or agree to provide to You from time to time;

"Service Specific Terms of Engagement" means the specific terms of engagement, if any, referred to in the Engagement Letter;

"Terms of Engagement" means these Conditions, the Engagement Letter and the Service Specific Terms of Engagement, in each case as may be varied in writing and agreed by Us and You from time to time;

"Transaction" means any transaction entered or intended to be entered into by You in relation to which the Services are to be performed;

"We, Us and Our" means BNP Paribas Real Estate Advisory & Property Management UK Limited, a company registered in England and Wales under company number 04176965 whose registered office is at 5 Aldermanbury Square, London EC2V 7BP; and

"You, Your and Yourself" means the person or persons, firm, company, authority or other organisation to whom We are to supply the Services, as set out in the Engagement Letter.

1 Terms of Engagement

- 1.1 The Services will be provided pursuant to the Terms of Engagement.
- 1.2 The Terms of Engagement comprise the whole agreement between Us and You in relation to the provision of Services. Both parties acknowledge and agree that, in entering into the Terms of Engagement, they do not rely on, or have not relied on, any undertaking, promise, assurance, statement, representation, warranty or understanding (whether made orally or in writing) of any person (including Us and You) relating to the subject matter of the Terms of Engagement, other than as expressly set out in the Terms of Engagement.

Terms and conditions of business

- 1.3 If any provision (or part of a provision) of the Terms of Engagement is found by any court of competent jurisdiction to be invalid, unenforceable or illegal, the other provisions (or remainder of the affected provision) will remain in force.
- 1.4 Subject to the rights of any BNPPRE Person granted under clause 14.7, the Terms of Engagement are made solely for the benefit of Us and You, and (where applicable) Our or Your successors and permitted assigns, and are not intended to benefit, or be enforceable by, anyone else. Except as stated in clause 14.7, and for the purpose of the Contract (Rights of Third Parties) Act 1999, the Terms of Engagement do not and are not intended to give any rights, or right to enforce any of their provisions, to any person who is not a party to them.
- 1.5 The Engagement Letter constitutes an offer by Us to You to provide the Services specified in it on the Terms of Engagement. By counter-signing the Engagement Letter You formally accept the Terms of Engagement. Notwithstanding the previous sentence, You agree that all and any Services provided prior to Your counter-signature of the Engagement Letter shall be governed by the Terms of Engagement.
- 1.6 In the event of any conflict arising between the documents comprising the Terms of Engagement, the following order of precedence shall apply:
 - (a) Engagement Letter;
 - (b) Service Specific Terms of Engagement;
 - (c) these Conditions.
- 1.7 The Terms of Engagement and any dispute arising out of or in connection with them or their subject matter, shall be governed by and construed in accordance with the laws of England and Wales. The parties both irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with the Terms of Engagement or their subject matter.
- 2 **Changes in Scope**

The scope of the Services will be limited to the matters set out in the Terms of Engagement. However, this does not preclude Us from considering and agreeing with You, in writing, changes to the scope of the Services from time to time.
- 3 **Timetable**
 - 3.1 We will discuss with You the nature and timing of the delivery of Services and the most effective way of implementing them. The timetable for completion of the Services assumes that the Information will be made available in good order and in a timely manner and will be provided in accordance with the provisions of clause 5.
 - 3.2 Dates for performance and/or completion of the Services are estimates only and shall not be construed as being of the essence to the Terms of Engagement. We will, however, use reasonable endeavours to perform the Services on or by the dates specified and agreed in writing.
- 4 **Services**

We undertake to perform the Services using reasonable care and skill and in accordance with the professional standards to which We are subject.
- 5 **Information**
 - 5.1 You shall provide to Us, free of charge and within any specified time limits, all Information as may be necessary or reasonably requested by Us at such time as shall enable Us to:



Terms and conditions of business

- (a) perform the Services in accordance with Our obligations under the Terms of Engagement; and/or
- (b) comply with Our internal anti money laundering policies and procedures and any relevant legislation or regulations as may be in force from time to time (including but not limited to Information about You or any third party on whose behalf you act in respect of receipt of the Services).
- 5.2 You warrant that all and any Information is accurate, complete and consistent. Accordingly, You agree that We are not liable for (and shall indemnify Us against) the direct or indirect consequences of any inaccuracies, inadequacies or inconsistencies contained in the Information, whether prepared by You or by a third party, or any shortfalls in or absence of such Information and whether or not supplied directly to Us by You or by such a third party.
- 5.3 You will notify Us immediately if anything occurs to render any Information untrue, inaccurate or misleading and/or if any claim is made by a third party in respect of any Information.
- 6 Intellectual Property Rights and Use of Our Materials**
- 6.1 All Intellectual Property Rights in any Materials prepared by Us or otherwise generated in the course of carrying out the Services shall be owned exclusively by Us. Without limiting clause 6.3, no part of any such Materials may be reproduced or transmitted or disclosed in any form or by any means without Our prior written permission.
- 6.2 All information, advice and Materials provided by Us to You are provided for Your use only and solely for the purpose(s) to which they refer. Accordingly, We accept no responsibility for (and you shall indemnify us in respect of) any reliance that any third party may place on such information, advice or Materials, and/or for any reliance that You may place on such information, advice or Materials for any other purpose.
- 6.3 Neither the whole nor any part of the Materials referred to under clause 6.1, nor any reference thereto, may be included in any published document, circular or statement or published in any way without Our prior written approval.
- 7 Recommendations**
- 7.1 The Services and any findings arising out of the Services will not in anyway constitute recommendations on matters outside the scope of the Terms of Engagement.
- 7.2 You are responsible for determining whether the scope of the Services as specified in the Terms of Engagement is sufficient for Your purposes in the context of Your wider investigations and due diligence.
- 8 Fees and Disbursements**
- 8.1 The fees for Services will be as set out in the Terms of Engagement or as otherwise agreed by Us in writing.
- 8.2 If the fees for Services are not stated in the Terms of Engagement, Our fees will be based on Our standard hourly rates in force from time to time.
- 8.3 Unless agreed otherwise, Our fees are exclusive of any reasonable disbursements and expenses that any of the personnel engaged in providing the Services may incur in connection with the provision of the Services and any applicable VAT, for all of which You will additionally be liable.
- 9 Payment Terms**
- 9.1 Where We quote a fixed fee for Our Services, this quotation will only be valid for a period of 30 days from issue or as otherwise agreed. No contract will arise from any such quotation until We give written confirmation to You. You accept that We reserve the right to increase such fixed fee by such amount as is reasonable, as a result of any matters beyond Our control, a change in instructions from You or a failure by You to provide Us with satisfactory Information pursuant to clause 5 and We will give You prior written notice of any such increase.
- 9.2 We reserve the right to render regular and/or interim invoices where appropriate. Specifically where We are working on an hourly rate basis We may bill monthly except where We agree otherwise in writing. We also reserve the right to immediately invoice You for the cost of any reasonable disbursements or expenses that We may incur in relation to the Services.
- 9.3 Save where otherwise agreed in writing, Our terms of payment are net cash 28 days from the date of invoice. Time for payment will be of the essence.
- 9.4 If any invoice is overdue for payment, We will be entitled to refrain from continuing to perform any Services for You until such invoice is paid in full (including interest). We will also be entitled to retain any Materials produced by Us in the course of the Services and/or any Information belonging to You until all outstanding sums have been paid. We retain the right to charge interest on such outstanding sums at the annual rate of 6% accruing on a daily basis from the due date until the date of actual payment of the overdue amount, compounded quarterly, whether before or after judgement. You must pay Us interest together with the overdue amount. Our rights under this Clause 9.4 do not limit Clause 9.3.
- 9.5 In certain circumstances (which We will discuss with You), We may require You to make payment on account of any anticipated fees and/or disbursements and/or expenses to be incurred prior to the Services being commenced or continued.
- 9.6 We may at any time, without notice to You, set off any obligation due from You to Us against any obligation owed by Us to You, whether either liability is present or future and whether or not either liability arises under the Terms of Engagement. Any exercise by Us of Our rights under this clause shall not limit or affect any other rights or remedies available to Us under the Terms of Engagement or otherwise.
- 10 Confidentiality**
- Both parties will (and will procure that their directors, officers, agents, contractors, consultants and employees will) at all times keep in strict confidence, and not use, any of the other party's Confidential Information, except:
- (a) in connection with the performance of the Services or as reasonably necessary for the purposes of the Transaction; or
- (b) as expressly stated in the Engagement Letter; or
- (c) as subsequently agreed to in writing by both parties; or
- (d) as otherwise required or permitted to be disclosed by law; or
- (e) where such Confidential Information is public knowledge (save where it becomes public knowledge through a breach of this clause 10).
- You agree that, without reference to You, We may disclose to our professional liability insurers and their agents and advisers, on terms of confidence, such Confidential Information as we are required to disclose in order to comply with the terms of our insurance.
- 11 Complaints**
- If You are for any reason dissatisfied with Our service We should be advised immediately so that We can deal with it and put it right. You agree that You will not take any action or commence any proceedings against Us before You have first referred Your complaint to Us in accordance with Our complaints procedure, details of which are



Terms and conditions of business

available from: The Chief Executive Officer, BNP Paribas Real Estate Advisory & Property Management UK Limited, 5 Aldermanbury Square, London, EC2V 7BP. The purpose of such referral is to enable Your complaint to be reviewed and responded to by Us, with a view to resolving the dispute or difference in a manner satisfactory to both parties.

12 Client Money and Anti-Money Laundering Procedures

- 12.1 All client money retained by us shall be held in separate client accounts in accordance with and subject to the requirements of the Members' Accounts Rules of the Royal Institution of Chartered Surveyors.
- 12.2 You agree to comply with all Anti-Money Laundering Procedures We have in place from time to time, and understand and accept that We are unable to provide the Services unless such procedures have been successfully completed in advance.
- 12.3 The Parties hereby represent and warrant that:
- (a) they each shall comply with all application anti-corruption laws;
 - (b) they each shall not directly or indirectly pay, offer, give, promise to pay or authorise the payment of, any portion of the compensation received in connection with these Terms of Engagement or any other monies or other things of value in connection with its performance to a government official to obtain or retain business or secure any improper advantage nor shall it permit such actions by a third party;
 - (c) Neither Party nor any Group Company of either Party is or will become an official or employee of the government during the term of these Terms of Engagement without prior written approval of the other.
- 12.4 Any breach of the representations and warranties in this clause shall constitute a material breach for the purposes of Clause 13.2(b)(ii) of these Terms of Engagement.
- 12.5 In the event one Party has reason to believe that a material breach has occurred or may occur, that party shall have the right to audit or to have a third party acceptable to each party at the joint expense of the Parties conduct the audit, in order to satisfy that no such breach has occurred. The Parties shall cooperate in any audit conducted by or on behalf of the other.

13 Termination

- 13.1 The Terms of Engagement shall terminate automatically on completion of the Services.
- 13.2 Without prejudice to any other rights or remedies which the parties may have:
- (a) either party has the right to terminate the Terms of Engagement on not less than 28 days' written notice to the other; and
 - (b) We may terminate the Terms of Engagement immediately on giving written notice to You if:
 - (i) a conflict of interest arises;
 - (ii) You commit a material breach of any of the provisions of the Terms of Engagement (including, but not limited to, any breach of the payment terms specified at clause 9); or
 - (iii) a person or persons, firm, company, authority or other organisation acquires control of You who did not have control immediately before the acquisition.
- 13.3 Either party may terminate the Terms of Engagement immediately on giving written notice to the other if the other party becomes bankrupt or insolvent, or if an order

is made or a resolution is passed for its winding up (other than voluntarily for the purpose of solvent amalgamation or reconstruction), or if an administrator, administrative receiver or receiver is appointed in respect of the whole or any part of its assets or business, or if it makes any composition with its creditors or takes or suffers any similar or analogous action in any jurisdiction in consequence of debt.

- 13.4 On termination of the Terms of Engagement for any reason, You will immediately pay Us for all outstanding unpaid sums and interest, and in respect of Services supplied prior to termination but for which no invoice has been submitted, We may submit an invoice, which shall be payable immediately on receipt.
- 13.5 Termination of the Terms of Engagement for any reason will not affect the parties' accrued rights and the following clauses shall survive: 5.2, 6, 7, 8, 9, 10, 13, 14, 16, 17 and all provisions necessary to interpret or enforce the Terms of Engagement.

14 Liability

YOUR ATTENTION IS PARTICULARLY DRAWN TO THE PROVISIONS OF THIS CONDITION 14

- 14.1 This Condition 14 sets out Our entire financial liability (including any liability for the acts or omissions of Our employees, directors, officers, agents, contractors and consultants) to You in respect of:
- (a) any breach of the Terms of Engagement;
 - (b) any use made by You of the Services or the Materials, information and advice provided by Us in performing the Services;
 - (c) any representation, statement or tortious act or omission (including negligence) arising under or in connection with the provision of the Services, whether made by Us or any third party.
- 14.2 All warranties, conditions and other terms implied by law are, to the fullest extent permitted by law, excluded from the Terms of Engagement.
- 14.3 Nothing in these Conditions limits or excludes Our liability for:
- (a) death or personal injury resulting from negligence; or
 - (b) any damage or liability incurred by You as a result of any fraud or fraudulent misrepresentation made by Us, or
 - (c) such other matters for which liability cannot lawfully be limited or excluded.
- 14.4 Subject to clause 14.2 and clause 14.3:
- (a) We shall not be liable for:
 - (i) loss of profits; or
 - (ii) loss of business; or
 - (iii) depletion of goodwill or similar loss; or
 - (iv) loss of anticipated savings; or
 - (v) loss of goods; or
 - (vi) loss of contract; or
 - (vii) loss of savings; or
 - (viii) loss of use; or
 - (ix) loss of opportunity; or
 - (x) loss of, or corruption of, data or information; or
 - (xi) any special, indirect, consequential or pure economic loss, costs, damages, charges or expenses;
- irrespective of whether or not We knew or ought to have known that such a loss might arise.



Terms and conditions of business

- (b) Subject to clause 14.3 Our aggregate liability to You in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise in connection with all matters under the Terms of Engagement will be limited to the higher of £5 million and 10 times Our fee invoiced for providing the Services.
- 14.5 Without prejudice to the other provisions of this clause 14, We will not be liable in respect of any of the following:
- any failure or delay in providing the Services where You have not complied with the Terms of Engagement;
 - any failure by Us to remind You of relevant deadlines;
 - in respect of any third party providers whom We may engage in the course of the Services or to whom We may refer You;
 - any findings or recommendations not expressly set out in Our final report;
 - checking the accuracy of the Information, including without limitation boundary lines;
 - advising You in relation to taxation matters;
 - any failure by You to hold any necessary consents, permissions or authorisations required for the Transaction;
 - any other matters set out in the Service Specific Terms of Engagement.
- 14.6 Where You are comprised of more than one entity, then Your liability under the Terms of Engagement will be joint and several with such other entity or entities.
- 14.7 You agree not to bring any claim for losses arising in connection with any matter under the Terms of Engagement against any of Our, or Our Affiliates', employees, officers, directors or consultants (each a "BNPPRE Person"). You accept that any such claim must be brought against Us. Both parties agree that any BNPPRE Person may enforce this clause under the Contracts (Rights of Third Parties) Act 1999, but that these Conditions (including this clause) may be varied at any time without the need for consent from any BNPPRE Person. Where a loss is suffered by You for which We and any other person are jointly responsible, any recoverable loss by You from Us will be proportionate to Our relative contribution to the loss suffered.
- 14.8 You agree to indemnify Us and keep Us indemnified against any liability which arises from a third party obtaining from You or using any Confidential Information and/or any Materials, information or advice provided by Us to You, unless We have agreed in writing to accept liability to such third party or the third party is a client of Ours and is permitted to obtain and use such Materials, information or advice.
- 15 Force Majeure**
- We will not be liable to You for any delay or failure to fulfil Our obligations under the Terms of Engagement caused by circumstances outside Our reasonable control.
- 16 Correspondence, Papers and File Destruction**
- 16.1 All Materials in Our possession or control that have been generated for Our internal purposes or are addressed to Us relating to the Services (unless expressly notified otherwise upon their provision) shall be Our sole property. We will not be obliged to provide or make available to You such Materials unless We agree otherwise.
- 16.2 Subject to clause 9.4, all Confidential Information provided to Us by You will be returned or destroyed upon Your request, provided that We may retain copies of any Confidential Information which forms the basis of Our Materials and advice.
- 16.3 It is acknowledged that certain Materials may legally belong to You. Subject to clause 9.4, We shall return such Materials to you upon Your request. Where You do not request that such Materials are returned We shall retain such Materials for a period of at least three years following termination of the Terms of Engagement. Such retention by Us shall be at Your risk and We shall have no liability to You for or caused by the destruction of or damage to such Materials. We may destroy correspondence and other Materials that We store, electronically or otherwise on or after the third anniversary of the termination of the Terms of Engagement.
- 17 Staff**
- If, without Our prior written approval, You directly and/or indirectly employ, engage and/or otherwise use the services of any member of Our or of any of Our Affiliates' staff ("Staff") to work on an engagement for You during the term of the Terms of Engagement or during the twelve-month period following expiry or termination of the Terms of Engagement, You will be liable to pay to Us a recruitment fee equal to four months' total average fee income for the Staff member concerned. You acknowledge and agree that this sum is a genuine attempt to estimate the costs that will be incurred by Us in recruiting a replacement for such member of Staff.
- 18 Assignment**
- Neither party may transfer or assign any rights or obligations under the Terms of Engagement without the prior written consent of the other party except as set out in this clause 18. We may assign all or any of the rights (and transfer all or any of the obligations) under the Terms of Engagement to any Affiliate or any of Our successors in title in the relevant business, without any requirement to notify You or obtain Your further consent. You agree to execute a novation to give full effect to this.
- 19 Notice**
- Notices given under these Conditions shall be in writing in the English language, and may be delivered in person or sent by courier or post or fax to the address or fax number set out in the Terms of Engagement, or to such other address or fax number as may be notified by either party to the other from time to time.
- 20 Publicity**
- We are keen to obtain publicity for work undertaken on behalf of Our clients. Unless details of the Services undertaken for You are publicly available, We will not externally publicise such details without Your prior written permission. However, You hereby agree to Us including such details in proposals or other similar submissions made to Our prospective clients, unless You subsequently expressly prohibit such disclosure in writing.
- 21 Health, Safety, Environment & Quality**
- 21.1 We operate accreditation to BS EN ISO 9001, OHSAS18001 & 14001. When visiting Our premises, You shall comply with Our Safety, Health, Environment and Quality Policies and Procedures, copies of which can be obtained by contacting the Director of Facilities.
- 21.2 Where We agree to provide the Services at Your premises, or at a third party's premises, You shall be responsible for giving or obtaining any Information, safe access licences, consents or permissions which may be necessary to enable Us and Our personnel to provide the Services at the premises in question. You or the operator of the premises shall also ensure that all appropriate health & safety acts, regulations, codes of practice or information sheets have been followed so as to ensure the health and safety of Our personnel.



Terms and conditions of business

- 21.3 Our Safety, Health & Environmental risk assessments and control measures are given on the basis of, and in strict reliance upon, all material facts and information having been accurately and fully disclosed to Us by You and You agree to confirm all such facts and information in writing. Details of Our policies, procedures and completed risk assessments are available for Your inspection on reasonable notice and without additional charge.

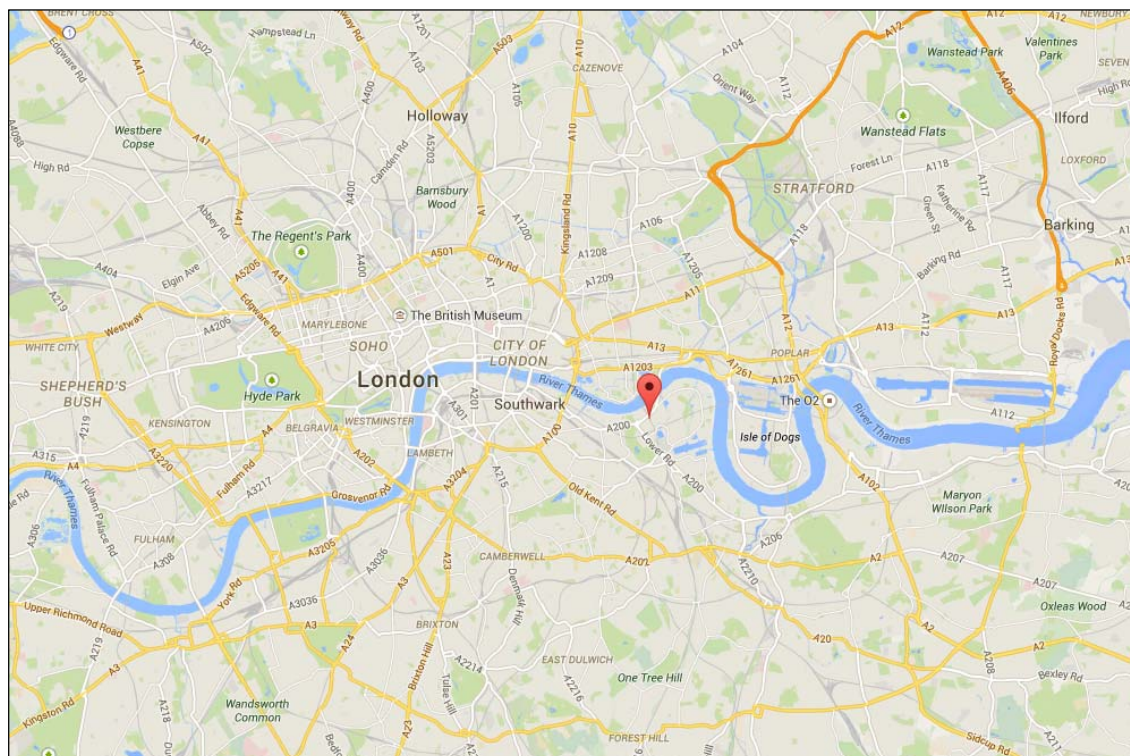
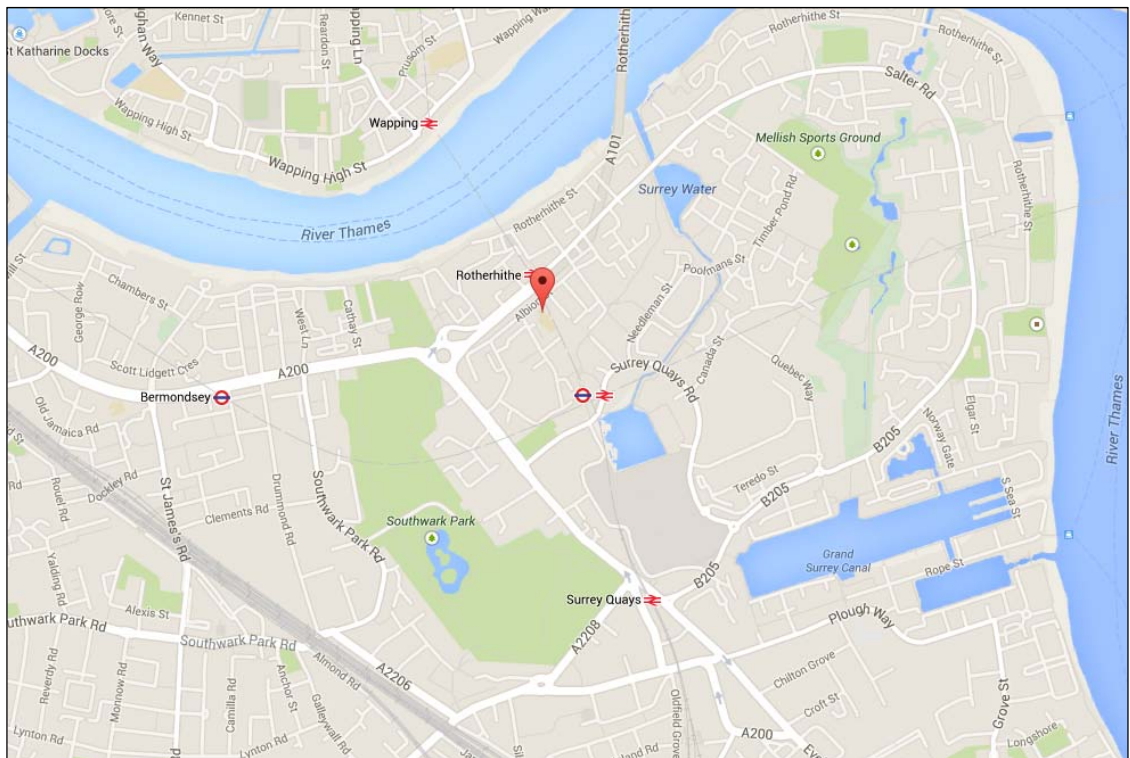
22 Data Protection

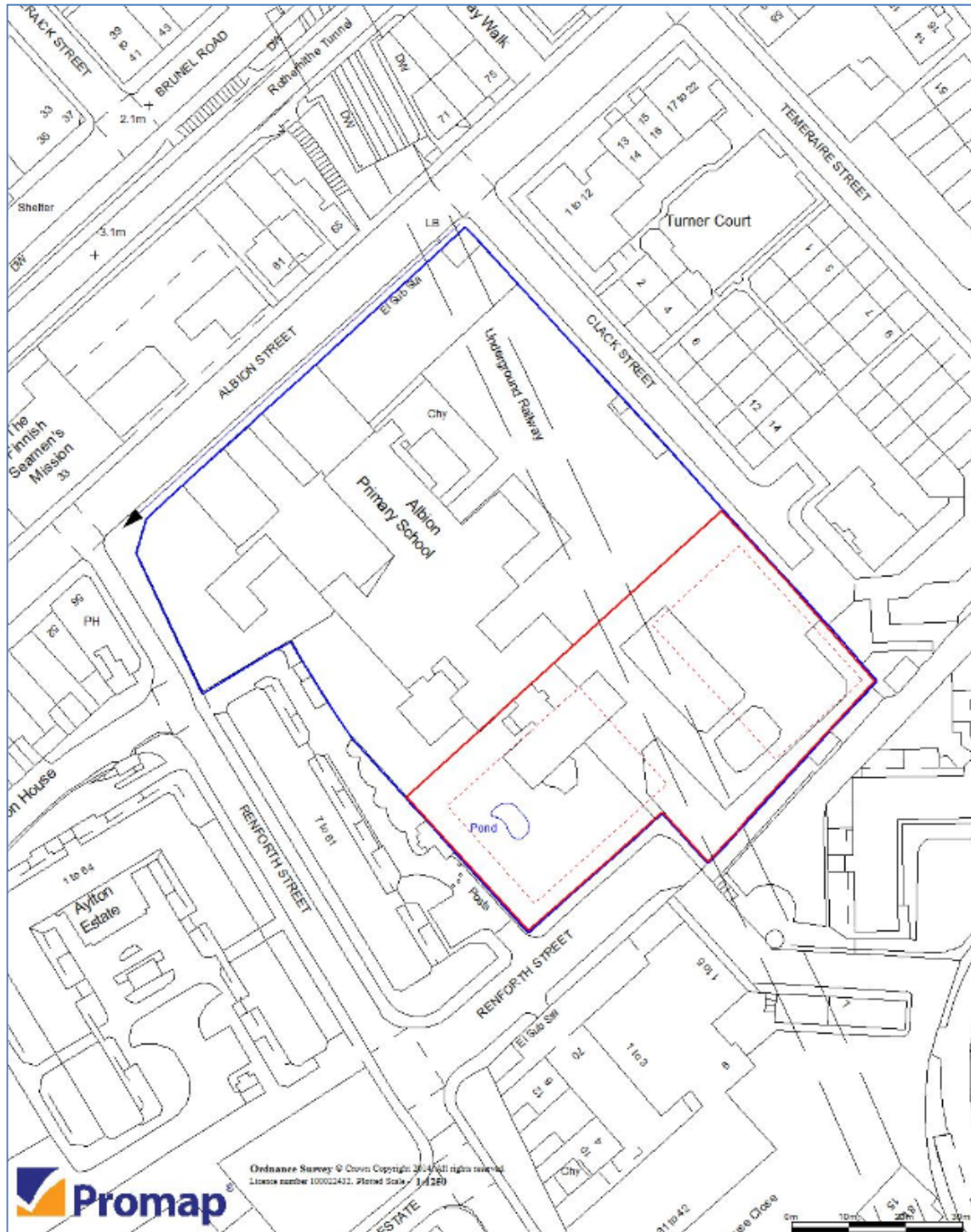
- 22.1 We shall process any personal data that You provide to Us as a data controller (as defined by the Data Protection Act 1998) and we shall use such personal data for the purposes of fulfilling our obligations to you under the Terms of Engagement. We may pass the personal data to third parties for them to use to provide services and/or supply products which are reasonably necessary for Us to perform the Services but We will not pass the personal data to any third party other than for that purpose.
- 22.2 We may from time to time send You marketing information about similar products and services which we believe may be of interest to you. If at any time in the future You wish to stop receiving any marketing information from Us then please contact Our Marketing Department on 0207 338 4000, or by post at 5 Aldermanbury Square, London, EC2V 7BP or by informing Your normal BNPPRE contact.

Please acknowledge agreement to these Conditions by signing and returning the enclosed duplicate copy. If you do not, We will, unless you tell Us otherwise within 7 days, proceed on the basis that You do agree such terms.



APPENDIX 2 – LOCATION AND SITE PLAN







APPENDIX 3 – PHOTOGRAPHS



View across site



Caretaker's cottage



Current access point to rear of school



Barratt new build scheme to the south





APPENDIX 4 – SCHEDULE OF COMPARABLE EVIDENCE

Albion School Comparables

Property Address	Photo	Size Sq Ft Gia	Price	Price Per Sq Ft	Details / Specification	Contact
New Development Schemes						
Phase 1, Lock House, Rope Street, Southwark, SE16 7TX		1 Bed Circa. 652 Sq ft	Circa. £450,000	Circa. £690psf	The property consists of a part 6 part 9 storey building + basement providing 21 underground parking spaces/cycle storage. Once completed the development will provide a mix of 1,2 and 3 bed apartments. 41 Units in total, of which 10 are classed as social housing.	Gordon & Co 020 7407 2790
Phase 1, Lock House, Rope Street, Southwark, SE16 7TX		2 Bed 840 – 890 Sq ft	£635,000 to £725,000	£680 -£765 The majority of units are little over £700psf	The property consists of a part 6 part 9 storey building + basement providing 21 underground parking spaces/cycle storage. Once completed the development will provide a mix of 1,2 and 3 bed apartments. 41 Units in total, of which 10 are classed as social housing.	Gordon & Co 020 7407 2790
Phase 1, Lock House, Rope Street, Southwark, SE16 7TX		3 Bed Sq ft	Currently Unknown	Currently Unknown	The property consists of a part 6 part 9 storey building + basement providing 21 underground parking spaces/cycle storage. Once completed the development will provide a mix of 1,2 and 3 bed apartments. 41 Units in total, of which 10 are classed as social housing.	Gordon & Co 020 7407 2790

Albion School Comparables

Property Address	Photo	Size Sq Ft Gia	Price	Price Per Sq Ft	Details / Specification	Contact
Greenland Place (Cannon Wharf) 35 Evelyn Street Lewisham SE8 5RT		Studio 400 sq ft	Circa, £300,000	Circa. £750 psf	The buildings arranged over 23 storeys, comprising a business centre (3,964 m²), studio/workshop space (2,405 m²), commercial units, a children's nursery and residential. Residential 279 x 1 bed, 337 x 2 bed, 78 x 3 bed and 46 studio units.	Jones Lang LaSalle 020 7493 4933
Greenland Place (Cannon Wharf) 35 Evelyn Street Lewisham SE8 5RT		1 Bed 391 - 541	£300,000 to £345,000	Circa. £756 - £774	The buildings arranged over 23 storeys, comprising a business centre (3,964 m²), studio/workshop space (2,405 m²), commercial units, a children's nursery and residential. Residential 279 x 1 bed, 337 x 2 bed, 78 x 3 bed and 46 studio units.	Jones Lang LaSalle 020 7493 4933
Greenland Place (Cannon Wharf) 35 Evelyn Street Lewisham SE8 5RT		2 Bed 750 - 890	£420,000 to £460,000	Circa £490 - £610	The buildings arranged over 23 storeys, comprising a business centre (3,964 m²), studio/workshop space (2,405 m²), commercial units, a children's nursery and residential. Residential 279 x 1 bed, 337 x 2 bed, 78 x 3 bed and 46 studio units.	Jones Lang LaSalle 020 7493 4933
Greenland Place (Cannon Wharf) 35 Evelyn Street Lewisham SE8 5RT		3 Bed Circa. 980 Sqft	£480,000 to £650,000	£550 - £570	The buildings arranged over 23 storeys, comprising a business centre (3,964 m²), studio/workshop space (2,405 m²), commercial units, a children's nursery and residential. Residential 279 x 1 bed, 337 x 2 bed, 78 x 3 bed and 46 studio units.	Jones Lang LaSalle 020 7493 4933

Albion School Comparables

Property Address	Photo	Size Sq Ft Gia	Price	Price Per Sq Ft	Details / Specification	Contact
Marine Wharf West, Plough Way, Lewisham, SE16 7UD		1,2 & 3 Beds	£296,500 To £915,000	£446 - £592 Average: £503	All units residential apartments have been sold. Some floor areas and details unknown. The new building provides 4,126 sq m of commercial use and 532 residential units (including 78 affordable housing units provided as an "Extra Care" facility)	Berkeley Homes 020 7720 2600
Quebec Quarter Quebec Way Southwark SE16 7LF		Unknown	NA	NA	The residential units have not yet launched, expected to be launched in spring/summer 2015. Construction has started with completion due in mid-2017. 43 private units are being delivered as affordable leaving 234 private units.	London & Quadrant Housing Trust 0844 406 9000
Redwood Park Downtown Road/ Salter Road Southwark SE16 6NP		1 Bed	Unknown	NA	The scheme comprises a total of 212 residential units, of which 161 are for private sale. Completion due in summer 2015 with the scheme already having sold out after launching in mid 2014.	Barratt London 020 8522 5500
Redwood Park Downtown Road/ Salter Road Southwark SE16 6NP		2 Bed 640 - 700	£450,000 To £550,000	Circa. £690	The scheme comprises a total of 212 residential units, of which 161 are for private sale. Completion due in summer 2015 with the scheme already having sold out after launching in mid 2014.	Barratt London 020 8522 5500




Albion School Comparables

Property Address	Photo	Size Sq Ft Gia	Price	Price Per Sq Ft	Details / Specification	Contact
Redwood Park Downtown Road/ Salter Road Southwark SE16 6NP		3 Bed 930 Sq ft.	Circa. £605,000	Circa. £650	The scheme comprises a total of 212 residential units, of which 161 are for private sale. Completion due in summer 2015 with the scheme already having sold out after launching in mid 2014.	Barratt London 020 8522 5500
Yeoman's Wharf 7-17 Yeoman Street Lewisham SE8 5DT		1 Bed	NA	NA	Construction is progressing with completion now due in February 2015 8 x 1 bed, 20 x 2 bed, 5 x 3 bed apartments, together with 33 bicycle spaces and a roof top communal garden. Due to launch 1 st November 2014	Site Sales 020 8502 5758
Yeoman's Wharf 7-17 Yeoman Street Lewisham SE8 5DT		2 Bed	NA	NA	Construction is progressing with completion now due in February 2015 8 x 1 bed, 20 x 2 bed, 5 x 3 bed apartments, together with 33 bicycle spaces and a roof top communal garden. Due to launch 1 st November 2014	Site Sales 020 8502 5758
Yeoman's Wharf 7-17 Yeoman Street Lewisham SE8 5DT		3 Bed	NA	NA	Construction is progressing with completion now due in February 2015 8 x 1 bed, 20 x 2 bed, 5 x 3 bed apartments, together with 33 bicycle spaces and a roof top communal garden. Due to launch 1 st November 2014	Site Sales 020 8502 5758





Albion School Comparables

Property Address	Photo	Size Sq Ft Gia	Price	Price Per Sq Ft	Details / Specification	Contact
Maple Quays 3 (Site A) Surrey Quays Road Southwark SE16 7HY		1 Bed Circa. 550 Sq ft	Average £350,000	Circa. £636	Located adjacent to the subject property. The development sold out early in Q2 2013 and construction works completed in mid 2013. 26 storey tower and 9 individual buildings ranging from 4 to 8 storeys in height to provide 668 residential units, 958sqm of retail, and 268sqm of community use, creation of a new open space and construction of new roads	Barratt Homes 020 8522 5500
Maple Quays 3 (Site A) Surrey Quays Road Southwark SE16 7HY		2 Bed Circa. 750 sq ft	Average £422,000	Circa. £560	The development sold out early in Q2 2013 and construction works completed in mid 2013. 26 storey tower and 9 individual buildings ranging from 4 to 8 storeys in height to provide 668 residential units, 958sqm of retail, and 268sqm of community use, creation of a new open space and construction of new roads	Barratt Homes 020 8522 5500
Maple Quays 3 (Site A) Surrey Quays Road Southwark SE16 7HY		3 Bed Circa. 1,000 Sq ft	Average £471,000	Circa. £471	The development sold out early in Q2 2013 and construction works completed in mid 2013. 26 storey tower and 9 individual buildings ranging from 4 to 8 storeys in height to provide 668 residential units, 958sqm of retail, and 268sqm of community use, creation of a new open space and construction of new roads	Barratt Homes 020 8522 5500





Albion School Comparables

Property Address	Photo	Size Sq Ft (Gia)	Price	Price Per Sq Ft	Details / Specification	Contact
Second Hand Properties						
Marine Wharf SE16		470 sq ft (1 Bedroom)	Completed Mid 2014 £350,000	£745	Recently constructed 5 th floor 1 bedroom apartment. Well located with 24h concierge service available and private gym facilities.	Martin and Co.
Maple Quays, Fairmont House, Canada Water		593 Sq ft (1 Bedroom)	OTM Quoting £440,000	£741	Very spacious 1 bed apartment located in Maple Quays, developed by Barratt Homes. Ground Floor flat. 24 hour concierge and gym facilities available.	Chase Evans
Eleanor Close, Surry Quays Canada Water		460 Sq ft (1 Bedroom)	Under Offer £350,000	£760,000	Located in a sought after gated development. Located on the 2 nd floor the property has the benefit of a balcony and external parking space.	KFH

Albion School Comparables

Property Address	Photo	Size Sq Ft (Gia)	Price	Price Per Sq Ft	Details / Specification	Contact
Vancouver House, Surrey Quays Road, SE16		624 Sq ft (1 Bedroom)	Completed £435,000	£697	Very large 4 th floor apartment with inward courtyard views. The development includes gym facilities and a 24 hour concierge service.	Metro Village Ltd
Fairmont House London SE16		549 sq ft (1 Bedroom)	OTM £425,000	£774	New build, 1 bed apartment located on the 2 nd floor. The property benefits from a balcony, porter and 24hr gym facilities.	Fraser & Co.
Montreal House, Surrey Quays Road, London		754 sq ft (2 Bedrooms)	Completed STC £560,000	£742	Modern apartment with 2 bedrooms and 2 bathrooms. The property benefits from a balcony and allocated parking.	Hastings
Fairmont House, Maple Quays Canada Water, London, SE16		727 Sq ft (2 Bedrooms)	Under Offer £540,000	£743	2 bed, 2 bath apartment located on the 2 nd floor. The property benefits from a 24 hour concierge service and gym facilities.	City Quays

Albion School Comparables

Property Address	Photo	Size Sq Ft (Gia)	Price	Price Per Sq Ft	Details / Specification	Contact
Wolfe Cresent, Surrey Quays, London SW16		706 Sq ft (2 Bedroom)	Completed £425,000	£602	Quirky 2 bed flat located on the 2 nd floor. The property is located in close proximity to the Albion Canal and local amenities.	KFH
Orchard House, Lower Road, London, SW16		689 Sq ft (2 Bedroom)	OTM £379,950	£551	Spacious ground floor apartment located within a purpose build 1930's building. Close to local amenities and tube links to both Canada Water and the West End.	Winkworths
Silversmith House 3 Hope Wharf London SW16		1821 Sq ft (2 Bedroom)	Completed £1,350,000	£741	Boutique warehouse conversion that retains a number of original features. The property benefits from off street parking.	Cluttons
Gomm Road, Canada Water, London		1,052 Sq ft (3 Bedroom)	Under Offer £750,000	£712	Mid terrace house with large rear garden. The property is located on a quiet cul-de-sac with easy access to Southwark Park.	Oliver Jaques

Albion School Comparables

Property Address	Photo	Size Sq Ft (Gia)	Price	Price Per Sq Ft	Details / Specification	Contact
Yew House, Woodland Crecent, London, SE16		1,406 Sq ft (3 Bedroom)	Under Offer £875,000	£622	This penthouse apartment comprises 3 bedrooms, private terrace and 2 further balconies.	LivingInLondon
Penthouse Apartment Vancouver House London, SE16		(3 Bedroom)	OTM £1,100,000		Three bedroom penthouse apartment on the 7 th floor of the building. The property includes a private roof garden, gym facilities and concierge service.	Metro Village
Other Properties						
Albion Street, Southwark London SW16		Potential Development Site	OTM £999,995	£500psf	Currently a 2,000 sqft public house which is vacant. It is understood that the property has been refused planning permission for residential twice due to the plans submitted.	NewPlace



APPENDIX 5 – RESIDUAL VALUATION SUMMARY

BNP Paribas Real estate

Development Appraisal

Maccreeanor Lavington Option B

Market Led unit mix

London

Report Date: 29 October 2014

**Maccreeanor Lavington Option B
Market Led unit mix**
Assumptions
Expenditure

Professional Fees are based on Construction
Purchaser's Costs are based on Gross Capitalisation
Purchaser's Costs Deducted from Sale (Not added to Cost)
Sales Fees are based on Net Capitalisation
Sales Fees Added to Cost (Not deducted from Sale)

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
 Initial Yield Valuation Method	 Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

**Maccreeanor Lavington Option B
Market Led unit mix****Assumptions****Calculation**

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Sep 2014)
VAT Calculations in Cash Flow	On

ASSUMPTIONS AND DEFAULTS**BNP PARIBAS REAL ESTATE****Maccreeanor Lavington Option B
Market Led unit mix****Assumptions****Residual**

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on Cost

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	20.00%	No	No
Phase 2	6.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets**Interest Set 1**

Debit Rate	Credit Rate	Months	Start Date
6.500%	0.000%	Perpetuity	Aug 2014

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Aug 2014

Maccreeanor Lavington Option B**Market Led unit mix****Assumptions****Inflation and Growth****Growth Sets****Growth Set 1**

Inflation/Growth for this set is calculated in arrears

This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Aug 2014

Inflation Sets**Inflation Set 1**

Inflation/Growth for this set is calculated in arrears

This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Aug 2014

Maccreeanor Lavington Option B
Market Led unit mix
NOTES

Maccreeanor Lavington Option B
Market Led unit mix

Timescale (Duration in months)

Project commences Aug 2014

Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligner	Offset
Phase Start		Aug 2014				
Pre-Construction	3	Aug 2014	Oct 2014	Purchase	End	0
Construction	15	Nov 2014	Jan 2016	Pre-Construction	End	0
Sale	6	Feb 2016	Jul 2016	Income Flow	End	0
Phase End		Jul 2016				
Phase Length	24					

Phase 2

Stage Name	Duration	Start Date	End Date	Anchored To	Aligner	Offset
Phase Start		Aug 2014				
Pre-Construction	3	Aug 2014	Oct 2014	(None)	Start	0
Construction	18	Nov 2014	Apr 2016	Pre-Construction	End	0
Sale	6	May 2016	Oct 2016	Income Flow	End	0
Phase End		Oct 2016				
Phase Length	27					

Project Length **27** **(Merged Phases - Includes Exit Period)**

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE**

Maccreeanor Lavington Option B
Market Led unit mix

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE**Sales Valuation**

	Units	m²	Rate m²	Unit Price	Gross Sales
Private Residential - 1 bed	19	950.00	7,800.00	390,000	7,410,000
Private Residential - 2 bed	19	1,330.00	6,928.57	485,000	9,215,000
Private Residential - 3 bed	10	860.00	6,395.35	550,000	5,500,000
Affordable (Shared Ownership) - 1 bed	3	150.00	2,732.00	136,600	409,800
Affordable (Shared Ownership) - 2 bed	3	210.00	2,732.00	191,240	573,720
Affordable (Shared Ownership) - 3 bed	2	172.00	2,732.00	234,952	469,904
Affordable (Social Rented) - 1 bed	8	400.00	1,385.00	69,250	554,000
Affordable (Social Rented) - 2 bed	8	560.00	1,385.00	96,950	775,600
Affordable (Social Rented) - 3 bed	4	344.00	1,385.00	119,110	476,440
Totals	76	4,976.00			25,384,464

NET REALISATION**25,384,464****OUTLAY****ACQUISITION COSTS**

Residualised Price (0.28 Ha 16,027,548.36 pHect)		4,487,714	
Stamp Duty	4.00%	241,988	
Agent Fee	1.00%	60,497	
Legal Fee	0.25%	15,124	
			4,805,323

CONSTRUCTION COSTS**Construction**

	m²	Rate m²	Cost	
Private Residential - 1 bed	1,117.65 m²	2,099.00 pm²	2,345,941	
Private Residential - 2 bed	1,564.71 m²	2,099.00 pm²	3,284,318	
Private Residential - 3 bed	1,011.76 m²	2,099.00 pm²	2,123,694	
Affordable (Shared Ownership) - 1 bed	187.50 m²	1,829.00 pm²	342,937	
Affordable (Shared Ownership) - 2 bed	262.50 m²	1,829.00 pm²	480,112	
Affordable (Shared Ownership) - 3 bed	215.00 m²	1,829.00 pm²	393,235	
Affordable (Social Rented) - 1 bed	500.00 m²	1,722.00 pm²	861,000	
Affordable (Social Rented) - 2 bed	700.00 m²	1,722.00 pm²	1,205,400	
Affordable (Social Rented) - 3 bed	430.00 m²	1,722.00 pm²	740,460	
Totals	5,989.12 m²		11,777,098	11,777,098

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Maccreeanor Lavington Option B****Market Led unit mix**

Contingency		5.00%	588,855	
Demolition			200,000	
Lanscaping			250,000	
Residential CIL	3,694.12 m²	200.00 pm²	738,824	
Mayoral CIL	3,694.12 m²	35.00 pm²	129,294	
				1,906,973

PROFESSIONAL FEES

Professional Fees - Phase 1		8.00%	620,316	
Professional Fees - Phase 2		8.00%	321,852	
				942,168

MARKETING & LETTING

Marketing		2.00%	442,500	
				442,500

DISPOSAL FEES

Sales Agent Fee		1.00%	221,250	
Sales Legal Fee		0.50%	110,625	
				331,875

FINANCE

Debit Rate 6.500% Credit Rate 0.000% (Nominal)				
Total Finance Cost				1,239,455

TOTAL COSTS**21,445,391****PROFIT****3,939,073****Performance Measures**

Profit on Cost%	18.37%
Profit on GDV%	15.52%
Profit on NDV%	15.52%
IRR	24.02%
Profit Erosion (finance rate 6.500%)	2 yrs 7 mths

APPENDIX 6 – RESIDENTIAL MARKET COMMENTARY



**BNP PARIBAS
REAL ESTATE**

RESEARCH

HOUSING AND THE ECONOMY

WINTER 2014 / 2015



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INTRODUCTION

A year on at BNP Paribas Real Estate as we continue to grow our residential advisory and transactional business, and we see a very different landscape for the housing market. The speed of the recovery, particularly in London and the South East, has surprised many which has led to thousands of column inches on the “housing bubble” narrative. I do not, and have not, subscribed to the idea that this is a “housing bubble”; to me bubbles burst and this is not something that will happen here. The market has already quietened down in the latter half of this year after significant activity over the preceding 9 months. A period I liken to dropping an Alka Seltzer into a glass of water and lots of sudden fizz and froth followed by settlement.

I admit the “fizz and froth” has led to an unsustainable level of annual value increase in London over such a short period (16% in 2014); however, demand has radically outstripped supply for years now. As a global employment hub (and a safe haven in recent years) the capital is a magnet for both employment and investment.

The mayor has tried to increase supply and curtail the demand from international buyers – which is a contributing factor in such prolific price growth – but at the same time he has not wanted to discourage international investment that enables development starts. A tricky balance.

The regional markets have lagged behind London and the South East but Government intervention with Help to Buy in particular has clearly stimulated more housing starts in the regions with the consequent increased demand.

Overall I believe we are set fair for the foreseeable future with continued growth on an annual basis. This report will demonstrate some staggering cumulative figures with the coming five years anticipated to build on the already healthy recovery in the market. UK house prices are forecast to grow by 7.3% p.a., reflecting a cumulative increase over that period of 42% in nominal terms.

However when assessed in real terms the growth appears sustainable.

With inflation stripped out, we are forecasting just 3.7% p.a. growth in UK house prices, and only 3.5% for London. Even applying this cumulatively over the next five years, this means a rise of only 18% in London house prices and 20% nationally.

We are forecasting growth, but I believe it is sustainable growth.

Adrian Owen
Executive Director, UK Residential
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**BNP PARIBAS
REAL ESTATE**

FOREWORD

The housing market is now recovering strongly; at the same time the economy is also moving into relatively strong growth close to the 3% per annum mark. It is the relaxation of credit conditions brought about by Funding for Lending and Help to Buy that have pushed up the housing market; previously it was frozen by the blocking of the credit channel. It is now a key part of the general UK recovery and coalition politicians will interfere with it at their peril.

Yet already cries are being heard from various quarters that there is an uncontrollable 'housing boom'. This is far from the case when one considers how far the market has fallen. It is more a correction than a boom, as referenced in Adrian's introduction. Even London is only just back to where it was before the crisis. Much of the comment on housing is subject to 'money illusion' — that is, people do not correct for the general rise in consumer prices in evaluating the housing market. Once this correction is made, showing real rather than nominal pricing, nationally prices are still well below their previous peaks, between 20% and 40% below depending on the region.

The Bank of England is speaking about housing 'overheating' with a forked tongue. On the one hand there is the Monetary Policy Committee with Governor Carney leading it arguing for continuing monetary ease; this dovish attitude sits uneasily with the strong growth we are seeing in both the economy and housing. On the other hand the prudential regulators are flexing their muscles suggesting they will intervene with special measures on such things as mortgage affordability, via 'caps' of one sort or another. The latter will cause market distortions and ultimately be evaded by the usual market processes. It would be far better to tackle monetary overheating directly by tightening monetary conditions towards normality: they are just abnormally loose at present, given the signs that the excessively draconian bank regulation is being sidestepped increasingly by the Government's special measures and the growing internet lending presence.

How vulnerable is the recovery? Until recently exports and investment have been weak; the first related to the euro-zone's continued weakness, the second reflecting uncertainty about recovery. Both may now be giving way to better things: the euro-zone may at last be pulling off the bottom. Business surveys suggest that firms are feeling the need to invest as the recovery proceeds. In short the recovery looks sustainable. Furthermore with an election looming the coalition is going to take no risks with any dampening down of the housing market.

PROFESSOR PATRICK MINFORD CBE CARDIFF BUSINESS SCHOOL

Patrick Minford CBE has been Professor of Economics, Cardiff Business School, Cardiff University since October 1997. Between 1967 and 1976 he held economic positions in the Ministry of Finance, Malawi; Directors' staff, Courtaulds Limited; H M Treasury; H M Treasury's Delegation to Washington, DC; Manchester University; and The National Institute for Economic and Social Research. From 1976-1997, Patrick Minford was professor of economics at Liverpool University. He was a member of Monopolies and Mergers Commission 1990-96 and one of the H M Treasury's Panel of Forecasters ('Six Wise Men') 1993-1996. He is author of many books and articles on exchange rates, unemployment, housing and macroeconomics.

MARKET OVERVIEW & OUTLOOK

The UK economy is powering along at pace and is now delivering broad and steady growth and employment, which is expected to continue. Limited job shedding and big base rates falls during the downturn mean there was not a glut of distressed properties depressing prices, as was the case in previous recessions. In the last few years, income growth through tax changes has supported price rises but wage growth has been low and below inflation. We expect real wage growth in 2015 and, while this may be moderate, rapid growth in employment and falling inflation mean aggregate real income growth looks fairly healthy. Moreover, consumer confidence has risen dramatically over the past year and is now at levels last seen in the pre-financial crisis period.

Credit availability is critical for housing market activity. Mortgage approvals for house purchases have been on an upward trend since their nadir of 26,600 in November 2008. They are currently just over 66,000 but from 1998 to 2007 they rarely dropped below 80,000. A blend of factors, demand and policy, suggest that mortgage approvals will maintain at their current level in the near term.

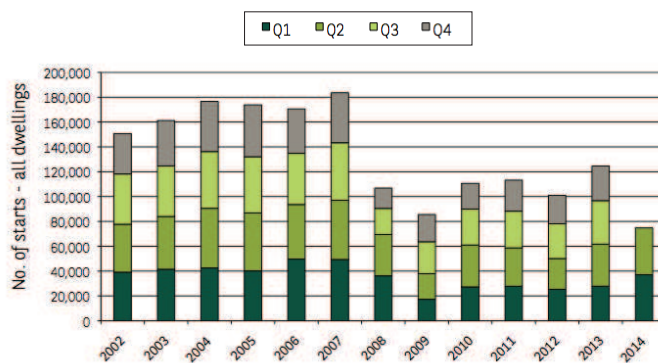
In March 2009, the UK base rate fell to 0.5% with mortgage rates following to a greater or lesser extent. When rates increase, the impact on buyers will depend on which mortgage product they have. Fixed rate mortgages account for around a third of all outstanding mortgages but 80% of new mortgages. Our expectation is that base rate will increase in late 2014 by 25bps, with further increases to 1.75% by the end of 2015. The CEBR calculated that the effect on mortgage holders of a rise in the bank rate from 0.5% to 1.25% would add an average of a mere £252 per household per year.

There has been a marked pick-up in housing construction levels. Total starts for the first six months of 2014 were nearly 75,000 – the highest level in the first half of a year since the boom period of 2007. This follows a year in which housing starts rose by 23% over 2012 to nearly 125,000. Admittedly this remains well below pre-2008 levels (the annual average in the 5 years before the downturn was 173,200), but with improving market conditions it seems likely the level will continue to rise. Even if the second half of 2014 only delivers the same number of dwellings as the first half, this will mean an annual total of 150,000 and a 20% increase over 2013. Nonetheless, this is still well below the 200,000 plus that are thought to be needed.

HIGHER PRICE RISES FORECAST FOR ALL ENGLISH REGIONS

The UK is set to see stronger growth in house prices over the next five years than in recent times. The chart showing regional variation sets average annual price changes in the last five years

Housebuilding starts in England to Q2 2014



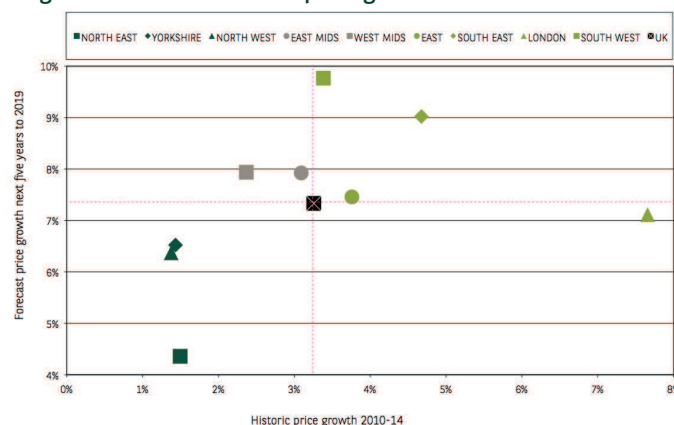
Source: National Statistics

against our forecasts for the coming period to 2019. The differing house price performance across the country (both historically and in the future) is striking, with the chart dividing the country into three distinct bands.

The resilient southern regions and London are on the right of the chart, demonstrating their strong growth over the last five years. The South East, East and South West regions are in the top right quadrant, with further strong growth forecast. London sits just below the UK average in terms of its forecast – reflecting that, although healthy growth is still anticipated, its recent powerful performance will now ease slightly as the other regions begin to catch up.

This is demonstrated particularly in the Midlands, where historic price growth has been a little below the national average but forecast growth is expected to be higher, hence their location in the upper left quadrant. Finally, clustered towards the bottom left are the country's weaker northern regions. These regions have seen less growth in house prices in last few years and are forecast to see comparatively restrained future price rises. Nonetheless, with average annual growth of between 4% to 7% forecast until 2019, the future performance of these regions is expected to be far stronger than they have produced in the recent past.

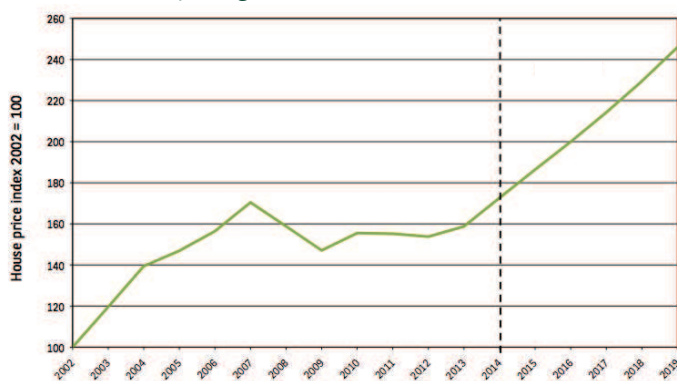
Regional variation in house price growth



Source: BNP Paribas Real Estate



Forecast house price growth - UK



Source: BNP Paribas Real Estate

- UK house prices are once again reflecting consistent annual growth, with both 2013 and 2014 demonstrating a rebound
- Despite minor price falls during the Eurozone wobbles of 2011-12, on average in the last five years the UK has seen house prices rise by 3.3% p.a.
- With a strong performance of nearly 9% during 2014, in nominal terms average house prices have recovered the ground lost during the downturn

Annual growth in house prices to 2019

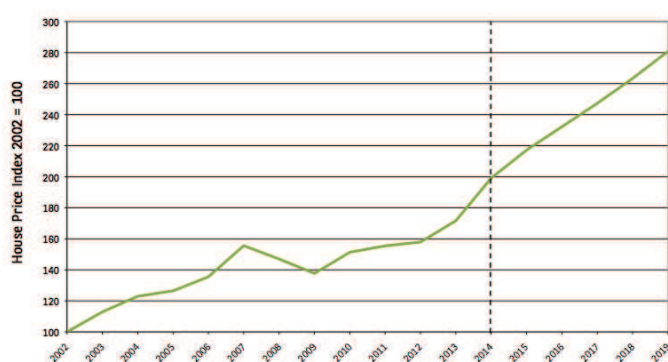
	UK
2010	5.7%
2011	-0.2%
2012	-0.9%
2013	3.2%
2014	8.8%
2015	8.0%
2016	7.3%
2017	7.1%
2018	7.1%
2019	7.2%
2015-2019 (annualised)	7.3%

Source: BNP Paribas Real Estate

- The coming five years are anticipated to build on this healthy recovery in the market
- On average in the five years to 2019, UK house prices are forecast to grow by 7.3% p.a., reflecting a cumulative increase over that period of 42% in nominal terms
- Once inflation is taken into account, however, in real terms these figures fall to 3.7% p.a. and 20% cumulative
- Despite this strong level of growth, by 2019 house prices will still be below their 2007 level in real terms.



Forecast house price growth - London



Source: BNP Paribas Real Estate

- Reflecting recent strong demand for London residential property, house prices in the capital outperformed all other UK regions over the last five years
- Between 2010 and 2014 London house prices produced annual average growth of 7.7%, compared to a UK average of 3.3% p.a.
- Marking a notable change post-recession, all regions across England experienced rising house prices over this period, but the strength of the London market far exceeded the rest of the country

Annual growth in house prices to 2019

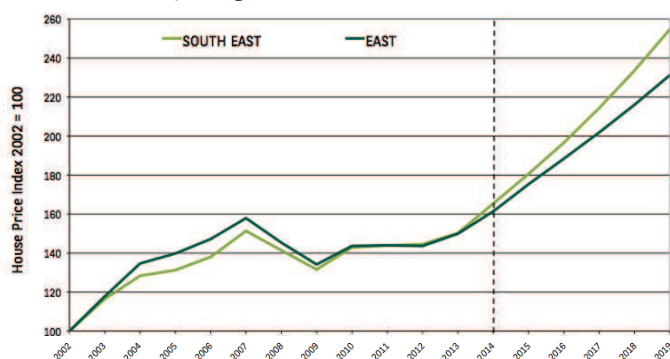
	LONDON
2010	9.9%
2011	2.7%
2012	1.6%
2013	8.7%
2014	16.0%
2015	9.1%
2016	6.9%
2017	6.5%
2018	6.5%
2019	6.6%
2015-2019 (annualised)	7.1%

Source: BNP Paribas Real Estate

- Going forward the region is expected to continue to see strong positive growth but, given the level of increase already seen, it is no longer anticipated to outstrip the rest of the UK
- Indeed over the next five years, London house prices are forecast to grow by 7.1% p.a., slightly below the 7.3% forecast for UK as a whole, or by 3.8% in real terms
- By 2019 London house prices will have increased cumulatively by 41% but only by 18% in real terms.

SOUTH EAST & EAST

Forecast house price growth - South East & East

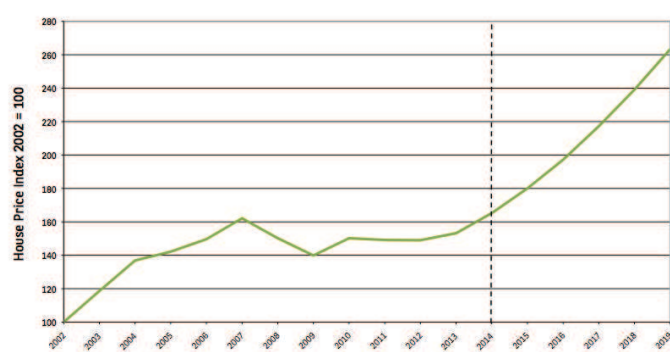


Source: BNP Paribas Real Estate

- The South East and East housing markets rebounded more quickly than most after the market downturn
- In the last five years, the South East has seen house prices grow by an average 4.7% p.a. and the East by 3.8% - both above the national average
- Looking to the future, both regions are expected to continue this outperformance, most particularly the South East
- More notably, both are also expected to produce stronger growth than London in the coming five years

SOUTH WEST

Forecast house price growth - South West



Source: BNP Paribas Real Estate

- Over the last five years South West house prices have seen a fairly average level of growth
- From 2010 to 2014 South West house prices increased by 3.4% p.a., performing very much in line with the national rate of 3.3% p.a..
- However, significant momentum is forecast to move prices on in this region over the next five years
- In the period to 2019, house prices are expected rise by an

Annual growth in house prices to 2019

	SOUTH EAST	EAST
2010	8.6%	7.1%
2011	0.7%	0.2%
2012	0.4%	-0.2%
2013	4.0%	4.4%
2014	10.0%	7.6%
2015	9.2%	8.6%
2016	8.9%	7.5%
2017	9.0%	7.1%
2018	9.0%	7.0%
2019	9.0%	7.0%
2015-2019 (annualised)	9.0%	7.5%

Source: BNP Paribas Real Estate

- The East region is forecast to see price growth of an average 7.5% p.a. over the next five years, while one of the country's top performing regions over that period will be the South East, where an average 9.0% p.a. is forecast
- In the five years to 2019, South East house prices will have increased cumulatively by 54%, compared to 43% in the East, or by 30% and 21% respectively once inflation has been stripped out.

Annual growth in house prices to 2019

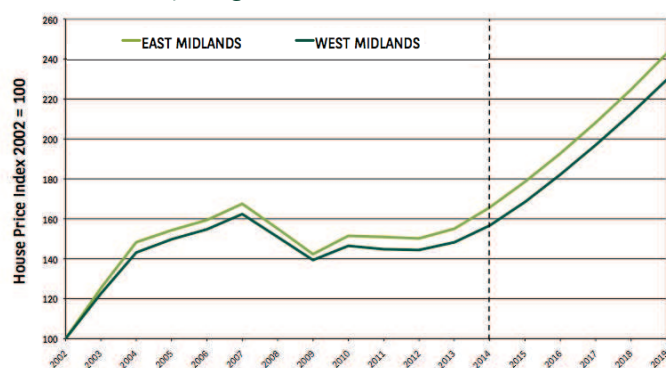
	SOUTH WEST
2010	7.4%
2011	-0.7%
2012	-0.1%
2013	2.8%
2014	7.9%
2015	9.0%
2016	9.5%
2017	10.2%
2018	10.1%
2019	10.1%
2015-2019 (annualised)	9.8%

Source: BNP Paribas Real Estate

- average 9.8% p.a., making the South West the region forecast to see the highest rate of growth in the country
- In cumulative terms, this strong rate of growth equates to an increase of nearly 60% over five years, and even once inflation has been deducted this represents growth of 35%
- Nonetheless, as the region did see significant declines in house prices during the recession, it will be 2018 before real house prices in the South West have recovered to their 2007 level.

MIDLANDS

Forecast house price growth - Midlands



Source: BNP Paribas Real Estate

- Since 2007 house price performance in the Midlands has been fairly poor and even in nominal terms they remain below their pre-recession peak
- The last five years have seen some slight recovery; West Midlands house prices grew by 2.4% p.a. on average and the East Midlands by 3.1%
- Both regions failed to outperform the UK average of 3.3% p.a.
- Looking ahead to the next five years, the Midlands looks set to see a notable turnaround on its recent performance
- House prices are forecast to grow at 7.9% p.a. in both the

Annual growth in house prices to 2019

	EAST MIDLANDS	WEST MIDLANDS
2010	6.4%	5.1%
2011	-0.4%	-1.2%
2012	-0.5%	-0.3%
2013	3.3%	2.7%
2014	6.9%	5.7%
2015	7.8%	7.6%
2016	7.9%	8.2%
2017	8.0%	8.1%
2018	7.9%	8.0%
2019	8.0%	7.9%
2015-2019 (annualised)	7.9%	7.9%

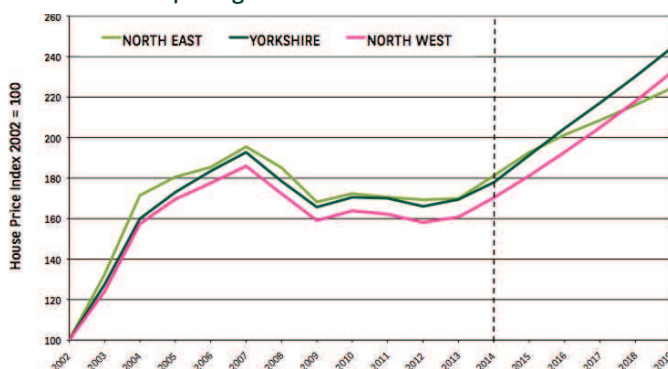
Source: BNP Paribas Real Estate

East and West Midlands, a higher rate of growth than London and the East region and above the national average of 7.3%

- In the five years to 2019 house prices in the East Midlands will have grown by a cumulative 46% and by 47% in the West Midlands
- However, once inflation has been stripped out, even this powerful performance will fall short of pushing house prices back up to their 2007 level, indicating potential for even further recovery beyond the forecast period

NORTH

Forecast house price growth - North



Source: BNP Paribas Real Estate

- During the recession, the Northern regions suffered the most within England, each experiencing a decline in house prices of around 14% in the period 2008-12
- Since 2012, all three Northern regions have experienced a modest recovery, pushing average annual house price change over the last five years into positive territory with growth of 1.5% p.a. in the North East and 1.4% p.a. in both Yorkshire and the North West
- Stronger growth is anticipated in all three regions in the medium term, although they will still fall short of matching the UK average of 7.3% p.a.

Annual growth in house prices to 2019

	NORTH EAST	YORKSHIRE	NORTH WEST
2010	2.4%	2.9%	3.0%
2011	-1.0%	-0.3%	-1.0%
2012	-0.7%	-2.4%	-2.5%
2013	0.3%	2.1%	1.7%
2014	6.7%	5.0%	6.0%
2015	6.4%	7.5%	6.4%
2016	4.5%	7.0%	6.5%
2017	3.6%	6.1%	6.3%
2018	3.6%	6.0%	6.3%
2019	3.8%	6.0%	6.4%
2015-2019 (annualised)	4.4%	6.5%	6.4%

Source: BNP Paribas Real Estate

- For the period to 2019, annual growth will average 6.5% in Yorkshire and 6.4% in the North West
- The North East, however, is forecast to fare less well with an annual average of 4.4% over the next five years placing it in bottom position in the league of English regions
- It will be 2016 before the three regions see house prices recover to their pre-recessionary peak even in nominal terms, but healthy cumulative growth of 37% in Yorkshire, 36% in the North West and 24% in the North East is forecast over the next five years.

INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS

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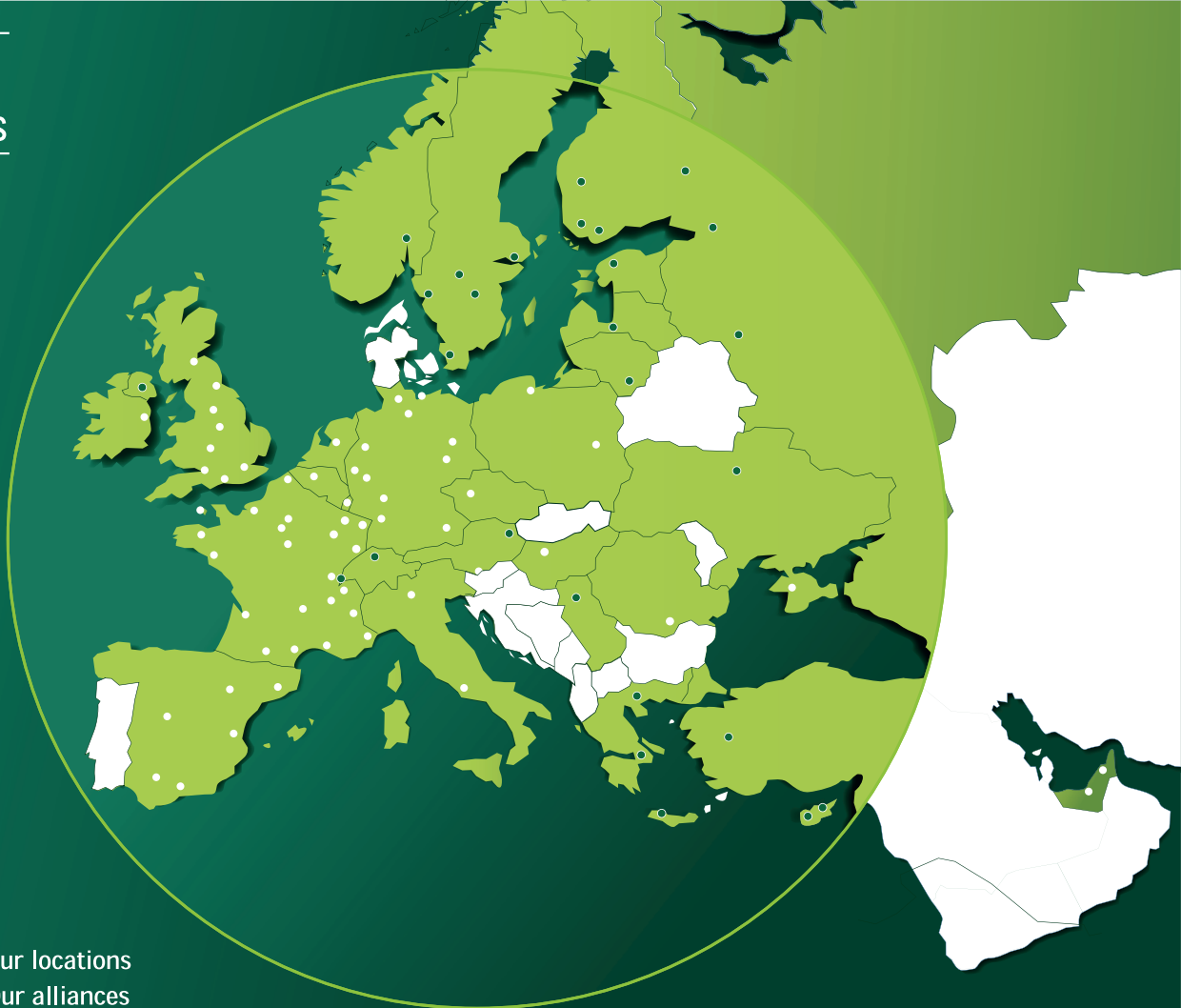
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- Our alliances



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