

Peter Doble  
Waltham Forest College  
Forest Road  
Walthamstow  
London  
E17 4JB

26 January 2015

Dear Peter

### **WALTHAM FOREST COLLEGE – SITE APPRAISAL**

You asked us to provide an initial indication of potential value that the College might be able to obtain from the sale of a small parcel of privately accessed, grass land on the corner of Forest Road and Spruce Hills Road. The Site boundary was (and still is) not fixed, nor do you have any plan associated with the potential development of the Site. As such, we have made reasonable assumptions as to the density and scale, but note that these will need to be tested in much greater detail if the College were to move forward with any sale.

Finally, by way of introduction, as agreed, we have assumed that planning consent would be obtained for the development; you did not require us to make any enquiries / assessment as to the potential issues associated with obtaining planning consent. That said, we noted below, you have asked that we comment on the potential discount that might be applicable were the Site to be sold unconditional on planning.

### **Market Commentary**

The Site is located within Walthamstow, with Forest Road to the south; Spruce Hills Road to the east and north; and the College car park to the west. We append to this letter the assumed Site boundary, but in essence, it follows the line of the rear of the gardens on Spruce Hills Road.

The Site is located 1 mile from Walthamstow Central and 0.7 miles from Wood Street railway station. Walthamstow Central is well-connected to the West End through the Victoria line, and Wood Street has trains to Liverpool Street with journey times of between 15 and 22 minutes. The area benefits from excellent road links with direct access to central London via the A10, and benefits from being located closely to the North Circular and the M11.

### ***Walthamstow Residential Market***

House prices have risen rapidly across London over the last few years, and Waltham Forest is quoted as

one of the boroughs with the fastest rising prices. A study by Savills in June 2014 stated that residential prices in the Borough of Waltham Forest increased by 4.6% in the 12 months to June 2013, but accelerated to 28.1% growth to June 2014, increasing the average house price in Waltham Forest to £330,300. Nevertheless, this was still below the London average price of £437,600 (Land Registry).

The residential stock and is characterised by second hand Victorian housing stock, with the Local Authority's housing study indicating that 75% of the housing stock was built before 1945. The Council's report states that the number of smaller properties, particularly those with only one or two rooms, has increased in recent years, presumably due to demand and pricing factors.

## ***Demand***

According to local agents, demand is typically from working professionals who commute to central London. Agents reported a large number of enquiries for one and two bedroom flats from first time buyers, who may be priced out of residential property in more central areas of London, such as the borough of Hackney (where the average house price differential is c.40% higher).

## ***New Build Supply***

There are currently three new build schemes which have sold or are currently selling units to the market, representing the most relevant comparable evidence for the College's land. It must be noted that the following comparable data is based on asking prices and transactions based on first and second floors only, as the potential development for the College's Site is envisaged to be a maximum of two-three storeys. The schemes are shown on the appended map, but in summary comprise:

- **The Scene** – located 0.2 miles north of Walthamstow Station and 0.9 miles south-east of Wood Street railway station. A mixed used development scheme consists of 121 units of which 71 are private and 50 are affordable. The private units comprise of 22 one-bedroom and 49 two-bedroom flats. Construction is on course for completion at the end of Q1 2015, but the scheme was launched fully in mid-September and 28 units had sold by the end of that month. We understand that 19 private 2-beds flats remain, with the current price list ranging from £340,000 to £575,000, averaging £485psf;
- **Metro Pads** – located 0.2 miles south of Walthamstow Station and 1 mile south-east of Wood Street railway station. All 34 private units in Phase 1 were sold in Q3 2013, of which 75% was sold at the initial launch with transactions completing in Q1 2014. No car parking is included within the scheme. The selling Agent reported that 67% were purchased by owner occupiers, due to the high demand for good quality one and two-bed apartments for first time buyers struggling to purchase a house. A second phase of development is underway and due to start in 2015 subject to planning. This phase will consist of 79 flats, all of which are one and two bedroom flats;
- **Spring House** – located 1.3 miles north-east of Walthamstow Station and 0.6 mile north of Wood Street railway station; situated to the north east of the College. The development consists of one phase of 23 one and two-bedroom residential flats. Sales commenced in November 2014 and we are advised that 10 units have been sold, four prior to the launch. The scheme includes car parking on a 1 space per unit basis.

<b>The Scene</b>	<b>The Scene (Quoting)</b>	<b>Metro Pads (Q3 2013)</b>	<b>Spring House (Quoting)</b>
Average 1 bed	£275,000	£215,000	£285,000
Average 2 bed	£380,000	£287,000	£350,000



## Key Site Assumptions

The following key assumptions have been used to appraise the Site:

- We consider that, as a blended average rate, residential units could achieve capital values in the region of £455psf (an average selling price of £330,000 for a mix of 1 & 2-bed properties);
- 9 one and two bed apartments could be developed, probably over a 2-3 storey development;
- Whilst Mayoral and Local Community Infrastructure Levy (CIL) would be payable, the Council's affordable housing requirement is only triggered for schemes of 10 units or more, and so no affordable allowance has been included;
- Average base build cost of £120psf plus 5% contingency;
- 10% professional fees;
- Marketing & sales costs of 3.5%; and
- Profit assumption of 20% on the Gross Development Value

## Appraisal Results

Based on the above key assumptions, we consider that, subject to planning, the Site might achieve offers in the region of £900,000 to £1,000,000. However, please note the following:

1. As with all development appraisals, relatively small changes in assumptions can have proportionally large changes in outcome; please bear this in mind given the initial, high-level nature of our work;
2. On very small sites such as this, without any design / architectural input, it is more difficult than normal to accurately assess the potential scale and massing of development;
3. As per your instructions, we have also not contacted the Local Planning Authority (LPA), and its view on a range of matters could impact on the appraisal; for example
4. Whilst it may be possible for more units to be developed on the Site, careful consideration would be needed as to the equivalent value generated, as the Council's affordable housing policy is that 50% of all units over 10 should be affordable, which are much less valuable than private units. Thus, more units does not, necessarily, equate to more value;
5. Whilst we note that Waltham Forest has experienced significant growth in values over the last few years, market sentiment has become slightly more cautious in recent months, for example, given uncertainties around the forthcoming general election. Whilst we are not currently experiencing any fall in values, depending on when the Site is marketed, land purchasers may not be as willing to take as many risks as previously, ultimately potentially impacting on levels of competition and achieved land values.

You also asked that we consider what potential discount may be applicable for an "unconditional on planning" sale. As requested, we have not undertaken a planning appraisal for the Site, but in considering this, we note that:

- The Council has a policy seeking to enhance education facilities in the Borough, and so a development proposal would need to demonstrate it was still adhering to this principle despite the selling off of education land. In promoting the Site, therefore, even if it were purchased unconditionally, the College may still need to work with the developer, which may impact on the level of "unconditionality";
- The Site does not appear to be allocated for a particular use in the adopted Core Strategy; nor does it appear to be located in an area of specific restriction e.g. Conservation Area or Metropolitan Open Land;

- We have assumed that the development would be predominately 2-storey, in keeping with the surrounding residential uses. It may be possible that more density is capable of being developed, potentially increasing value and so off-setting any discount for unconditionality, but we caution that this is, amongst other factors, subject to not triggering any affordable housing requirement; and
- With small sites, bidders' willingness to offer unconditionally is much more variable on the extent and nature of bidders e.g. who has capital ready to invest and what relationships do they have with the LPA. As such, the level of discount can vary significantly, even within the same bidding process – sometimes even showing little discount.

In the light of this, for budgeting purposes, we suggest a crude discount of, say 25-30% were the Site to be sold unconditionally, therefore, a potential receipt of say £600,000 to £750,000.

Please note that our advice does not constitute a formal valuation in accordance with RICS Valuation - Professional Standards 2014. This is on the basis that the advice and its associated appraisals will be provided expressly as part of agency or brokerage work in anticipation of receiving instructions to dispose of, or acquire, an asset (PS1 Exemptions 6.4). The advice and associated figures should not therefore be relied upon as formal valuations (for example, for book value or lending purposes). Nevertheless, the advice and appraisals will be prepared having full regard to the RICS Valuation Professional Standards.

## Next Steps

There are a variety of steps that the College would need to undertake prior to bringing the Site to the market, however, we recommend that the key next steps should be:

1. Obtain advice on the potential scale and massing of development that might be achieved on the Site – including whether the Site boundary could be extended without unduly impacting on the College's short and long-term operations;
2. In light of this, undertake a more detailed town planning review, including potential engagement with the LPA; and
3. Re-assess the values in the light of the above and the College's wider Estate Strategy objectives.

If you have any questions associated with the above, please contact me in the first instance.

Yours sincerely



**Martyn Jones**

On behalf of Deloitte LLP

Enc: Site Plan  
Comparables Map



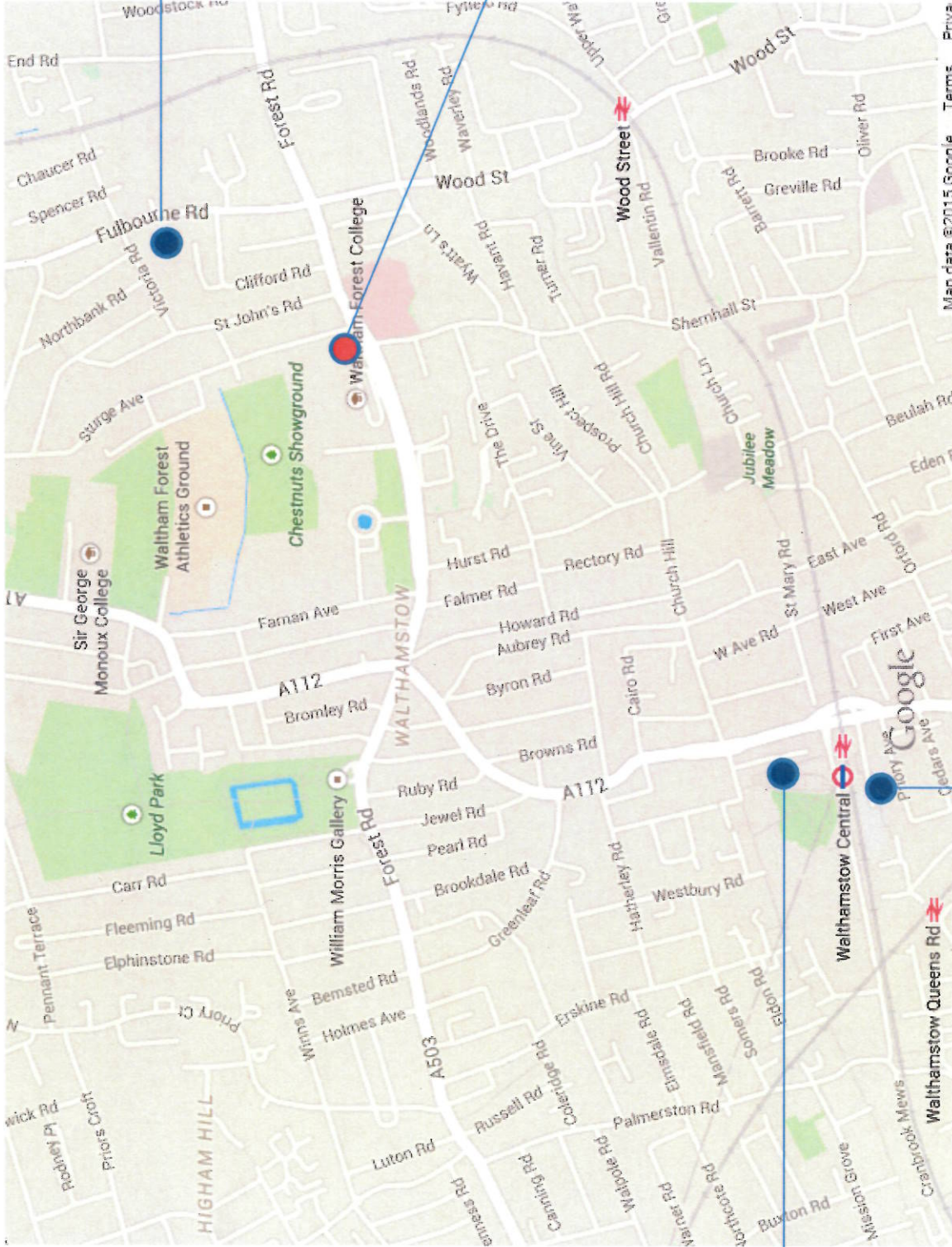
# Waltham Forest College



Indicative Site Plan

Spring House	£PSF
Average 1 bed	£460
Average 2 bed	£450
Total Average	£455

The Site



Map data ©2015 Google Terms Privacy

The Scene	£PSF
Average 1 bed	£500
Average 2 bed	£475
Total Average	£488

Metro Pads	£PSF	£PSF (assuming growth of 23%)
Average 1 bed	£405	£500
Average 2 bed	£355	£440
Total Average (Dec 13 prices)	£380	£470