BNP PARIBAS REAL ESTATE

PRIVATE AND CONFIDENTIAL
Mr Chris Marsh
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Sent via Email

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Dear Chris,

GREENWICH PENINSULA 2015 MATERPLAN – ADDENDUM TO FINANCIAL VIABILITY ASSESSMENT

Following the recent submission of the Financial Viability Assessment ("FVA") to support planning application for the 2015 Masterplan (Planning Reference: 15/0176/O), we have undertaken a sensitivity analysis of the proposed scheme to form a view as to when the scheme might achieve the required return stated in the FVA and therefore support additional affordable housing on Site.

This letter provides a synopsis of how we have undertaken our sensitivities and explains the results of our analysis.

In order to understand the potential net growth in sales values across the development period of the Peninsula Masterplan, we have considered the large scale Berkeley Homes development at Woolwich Arsenal. This comparable is not only located within the same borough as the Peninsula but has had 6 years to establish itself as a micro location and furthermore, once complete will provide approximately 3,500 units. We have therefore considered the annual increase in sales values across the Site from 2008.

In addition we have considered the data provided by the Office for National Statistics ("ONS") for average house prices in London from 2009.

These two sets of data have allowed us to compare both a local scheme and London as a whole to provide an indication of potential growth in sales values at the Greenwich Peninsula. The table below shows the average values in both London and at Woolwich:

Year	Average Value in London (£)	Average Value at Woolwich Arsenal (£)
2009	£357,054	£361,121
2010	£377,050	£393,983

Year	Average Value in London (£)	Average Value at Woolwich Arsenal (£)
2011	£398,164	£429,835
2012	£420,462	£468,950
2013	£444,008	£511,625
2014	£468,872	£558,183

The results above show that values in London and Woolwich Arsenal have increased by 5.6% and 9.1% per annum, respectively.

We must also consider the increase in build costs over the same period of time to understand the net growth in sales values. The RICS Build Cost Information Service ("BCIS") indicates that build costs have increased by an average of approximately 4% per annum over the same period from 2009 – 2014.

It is therefore reasonable to assume that in London net growth is approximately 1.6% per annum while at Woolwich Arsenal, sales prices have increased at a net rate of 5.1% per annum. As a result we have undertaken an analysis of the proposed Masterplan by increasing sales value by 4, 5 and 6% across a 5, 10 and 15 year period.

The table below highlights the impact of these growth scenarios on the Internal Rate of Return of the proposed development.

	Net Sales Growth / IRR		
Development Period	**4%**	**5%**	**6%**
5 years	-5.65%	4.23%	9.5%
10 years	15.16%	19.77%	22.63%
15 years	22.09%	25.65%	28.71%

Our analysis indicates that should sales prices increase with those achieved at Woolwich Arsenal the proposed development at the Greenwich Peninsula may be in an economically viable position to provide additional affordable housing half way through the proposed development period of 20 years. This is as a result of our analysis showing that should 5% net growth be achieved the current deficit existing within the proposed scheme will be cleared and an IRR of 19.77% may be achieved by year 10. Should a net increase exceed the Woolwich Arsenal development additional affordable housing could potentially be provided within the first 10 years of the development period.

Kind regards

Yours sincerely

Thomas Sykes MRICS
Senior Surveyor