



**ANTHOLOGY
KENNINGTON STAGE**

Built from London

Appendix A5

Nick Ireland

October 2020





Development Management
and Consultancy

1 Dugard Way, London, SE11 4TH

Report on Sales Rates for Different Unit Typologies

I² Development Management and
Consultancy on behalf of Anthology

October 2020

CONTENTS

1. INTRODUCTION	1
2. PROPOSED DEVELOPMENT	1
3. METHODOLOGY	2
4. INITIAL REVIEW	3
5. DETAILED REVIEW	6
6. CONCLUSION	14

APPENDICES

Appendix 1 – Minimum Space Standards, London Plan, 2016

Appendix 2 – Southwark Space Standards, 2011

1. INTRODUCTION

Instruction

- 1.1 I² Development Management and Consultancy has been instructed by Nick Ireland, Director at Icen Projects, to review sales rates of private flats through assessment of comparable schemes to that proposed in connection with an appeal following refusal to grant consent.
- 1.2 David van der Lande BSc (Hons), MRICS, Director of I² Development Management has led on the analysis. He assesses viability for a range of development schemes, advising private sector developers and Local Authorities clients on development viability for scheme formation and planning viability purposes. He is a Chartered Surveyor of over 20 years experience and Registered Valuer with the Royal Institution of Chartered Surveyors (RICS). He was supported on the formation of this assessment report by Olivia Holt, MRICS Associate Director of I² Development Management, an experienced viability surveyor who also acts for private and public sector clients.
- 1.3 The assessment has been carried out on an objective basis, in keeping with professional practice requirements of the RICS and no fees are contingent on the outcome of the Planning appeal.

Development Description

- 1.4 The proposals as set out in the planning application are for the erection of a part 24 and part 29 storey building and peripheral lower development of 3 / 4 storeys which accommodates affordable housing.
- 1.5 We have been provided with the following accommodation schedule:

	Studio	1 bed 2 pers	2 bed 3 pers	2 bed 4 pers	3 bed 5 pers	Total
Affordable Rent	-	-	-	15	9	24
Intermediate	-	66	23			89
Private	27	91	27			145
Total	27	157	50	15	9	258

2. METHODOLOGY

- 2.1 I²DM has reviewed the key comparable schemes as cited in Avison Young's Report.
- 2.2 Each block has been individually analysed to assess the likely sales rates. To account for any differentials in release dates from the developers within an individual block we have mapped out the sales period from the first sale of each unit type to the last sale of each unit type to determine an average sales rate per month for each unit typology.
- 2.3 All the data obtained is sold price data from Land Registry.
- 2.4 We have made an estimate of number of bedrooms based on the floor areas sourced, cross checked that with sales and letting particulars where available, as well as data sources such as LandInsight.
- 2.5 We also been mindful of the minimum space standards for new dwellings that followed national space standards to help inform the numbers of bedrooms as set out at **Appendix 1**. At the time of development of a number of the schemes being considered as comparable evidence, the space standards reflected the 2010 GLA Interim London Housing Design Guide published while Boris Johnson was Mayor of London. The Southwark Space Standards introduced in 2011 reflect that interim guidance. LB Lambeth Space Standards adopted the GLA Guidance following the adoption of the Lambeth Local Plan in September 2015. The 2011 Southwark Space Standards are at **Appendix 2**.
- 2.6 In addition to this, and drawing on the relationship between sales rates / pricing, we have analysed the differentials in pricing between the different unit typologies, to assess the impact of sales rates/pricing on the viability of schemes.
- 2.7 The data relates to available market information and allows an objective assessment of market norms and we identify anomalies that form outliers to the data.

3. INITIAL REVIEW

- 3.1 Within our initial review of the comparable schemes provided we have undertaken a high-level analysis of all the schemes provided to determine the weight to be given to each comparable.
- 3.2 We have discounted the following schemes as they are targeting the luxury end of the market with large lateral flats, in superior locations:

Palace View, Lambeth High Street, SE1 7JN

- 3.3 Palace View is situated 0.9 miles to the west of the appeal site and was developed by Taylor Wimpey.
- 3.4 The scheme provides 69 residential units (55 x private and 14 x intermediate) alongside office / retail accommodation at ground floor level.
- 3.5 This is a superior scheme that benefits from a riverside location with higher positioned apartments overlooking London landmarks such as the Shard, the London Eye, and Lambeth Palace. The average achieved pricing across the scheme exceeds £16,000 per sq. m. Furthermore, the average achieved price of the large lateral three-bedroom units exceeds £2m.
- 3.6 We therefore consider that Palace View represents a different market to the subject site, targeting those purchasers at the top end of the market, who demand large lateral flats. We have therefore discounted this comparable from our analysis.

Southbank Place, SE1 7LZ

- 3.7 Southbank Place is a Qatari Diar scheme that lies 1.3 miles to the north of the subject site. Planning permission was granted in June 2014 for a mixed-use development of 8 buildings ranging from 5 – 37 storeys and will deliver over 800 units.
- 3.8 This is a superior scheme that benefits from a riverside location with average achieved pricing across the scheme achieving in excess of £25,000 per sq. m. Furthermore, the average achieved price of the large lateral three-bedroom units exceeds £3.5m. We have therefore discounted this comparable from our analysis as we consider that it is targeting the luxury end of the market who demand a different product.

The Dumont, SE1 7TJ

- 3.9 The Dumont is a St. James scheme that is situated on the Albert Embankment, again a riverside location. The scheme provides 168 private and 18 intermediate units.
- 3.10 It is understood that whilst the scheme initially launched in May 2017 there are a number of four-bedroom penthouses that have not yet been released, and therefore the data set is incomplete.
- 3.11 There are 150 registered sales on Land Registry, and we note from these transactions an average achieved price in excess of £17,000 per sq. m. Further to this, we note that 75 of the units are oversized, with achieved pricing of these units ranging from £1.8m - £6m.
- 3.12 We therefore consider The Dumont represents a different market to the subject site, targeting those purchasers at the top end of the market, who demand large lateral flats. We have therefore discounted this comparable from our analysis.
- 3.13 The following schemes have also been discounted because all the units have not yet completed and therefore, we have been unable to build a comprehensive picture of the sales rates. Without a complete data set of sold prices we consider that the output of the results would be distorted.

Oval Village, SE11 5QU

- 3.14 Oval Village is a Berkeley Homes scheme situated 1.1 miles to the south west of the subject property.
- 3.15 The scheme will provide 571 residential units within four phases. It is understood that the first phase known as Phoenix Court was released in March 2019 (c.240 units) and that c. 75% of the units have now sold.
- 3.16 There are no registered sales on Land Registry and information provided from the marketing team at St. James confirms that the first completions will be in Q1 of 2023. It has therefore been discounted as a comparable until verifiable information is available.

Trilogy, Crown Court, SE1 6AW

- 3.17 Trilogy is a Galliard scheme that lies 0.9 miles to the north east of the subject property. The scheme will provide 64 residential units including 14 affordable units. The number of registered transactions on Land Registry is 7 units and therefore we have discounted this scheme due to the small and incomplete data set.

4. DETAILED REVIEW

4.1 We have undertaken a further detailed review of the schemes at The Levers, Blackfriars Circus, Two Fifty-One Southwark Bridge Road and Elephant Park.

The Levers, Amelia Street, SE17 3PY

4.2 The Levers is situated 0.5 miles to the east of the subject site and was developed by Peabody. The scheme provides 32 private residential units alongside 20 affordable units. In undertaking our analysis, we have removed the oversized one-bedroom units that were understood to be allocated to wheelchair users.

Unit Type	No. Units	Sales Commenced	Sales Completed	Months to sell	Sales Rate / per month	Average Floor Area (Sq. m.)	% of Value per sq. m. of 1 bed flats
1 bed flat	2	21.02.2019	08.03.2019	0.50	4.00	50	100%
2 bed flat	20	20.12.2018	09.04.2020	3.75	5.33	74	93%
3 bed flat	5	14.02.2019	30.03.2020	13.50	0.37	90	87%
Total:	27						

4.3 Whilst it appears that the 3-bedroom units are located on the top floor of the building, the building is low rise (5 storeys) and it is unlikely that an enhanced specification was provided for these units as they were brought forward by a Registered Provider.

4.4 There is a clear differential both in sales rates and average achieved £PSM for three-bedroom units.

Blackfriars Circus, SE1 8EQ

4.5 Blackfriars Circus comprises 336 apartments, including 91 affordable units. The scheme was developed by Barratt.

4.6 Blackfriars Circus came forward across several phases with completions across the scheme from 18/11/2015 to 26/06/2019.

4.7 The earlier phases are known as Elliston Apartments, Buckstone Apartments, Globe View House and Delphini Apartments, which primarily comprised low rise blocks of apartments (up to circa 8 storeys).

4.8 The most recent transactions can be found within Conquest Tower, 130 Blackfriars Road. Conquest Tower is a 27-storey block with 125 units for private sale. We note from the sales particulars that the units on the upper floors are 4 x 2-bedroom penthouse units with an enhanced specification which we have taken into consideration in our analysis.

4.9 The sales period ran from 21.05.2018 to 14.12.2018.

4.10 An analysis of the sales rates can be seen below:

Unit Type	No. Units	Sales Commenced	Sales completed	Months to sell	Ave. Unit Sales/month
1 bed units	37	29.05.2018	07.09.2018	3.5	10.6
2 bed units	65	21.05.2018	14.12.2018	6.75	9.6
2 bed units (PH)	4	27.09.2018	30.11.2018	2	2
3 bed units	19	12.06.2018	28.09.2018	3.5	5.4

4.11 In addition to this we have undertaken further analysis of the pricing to understand whether there was an impact on the sales rate per sq. m. on the larger units. Within Conquest Tower, we have found three-bedroom flats on the lower floors that has enabled us to do a more detailed analysis on price differentials between units.

4.12 We have undertaken an analysis looking at the differentials in pricing across unit types (lower floors only) and differentials in pricing across unit types within the entire block.

Bedrooms	No. Units on Lower Floors (Flat #40 and below)	% of Value per sq. m. of 1 bed flats on lower floors	No. Units in (Total Building)	Average Size (Sq.m.)	% of Value per sq. m. of 1 bed flats
1 bed flat	8	100%	37	56	100%
2 bed flat	11	102%	65	77	96%
2 bed penthouse	0	n/a	4	111	115%
3 bed flat	14	72%	19	110	73%

4.13 The analysis shows that the 2-bedroom penthouse apartments have the highest average £PSM. This is expected as they are duplex apartments with terraces and an enhanced specification situated on the upper floors of the development. If we exclude these units from the analysis, then on a £PSM basis then the average £PSM of a three-bedroom flat is 72% of the average £PSM of a one bedroom flat.

- 4.14 For the three-bedroom flats to achieve a sales rate that is in line with the one- and two-bedroom flats (c. 10 units per month) then we would expect to see an even more substantial reduction in the pricing which would impact negatively on the viability of the scheme in our opinion.

Two Fifty-One, Southwark Bridge Road, SE1 6FL

- 4.15 Two Fifty-One comprises 335 residential units within a 41-storey tower, of which 270 are for private sale.

- 4.16 It is noted that whilst the scheme launched in 2015, the majority of sales (262 units) occurred between 18.04.2018 and 04.04.2019, therefore the earlier sales have been discounted as they would distort the sales rates.

- 4.17 An analysis of the sales rates can be seen below:

Unit Type	No. Units	Sales commenced	Sales Completed	Months to sell	Ave Unit Sales Rate / month
Studio	16	18.04.2018	18.06.2018	2	8.0
1 bed units	126	18.04.2018	21.11.2018	7	18.0
2 bed units	84	18.04.2018	28.03.2019	11.25	7.5
3 bed units	36	18.04.2018	04.04.2019	11.5	3.1

- 4.18 In undertaking the analysis on pricing, we have removed the oversized units (i.e. 2 bed units over 90 sq. m. and 3 bed units at 116 sq. m, 117 sq. m, 119 sq. m, 168 sq. m. and 207 sq. m.). It should be noted that all of the large 3 beds that have been removed from the analysis are on the top five floors of the block and are therefore considered to be penthouse units. The inclusion of these units would artificially inflate the average £PSM of the three-bedroom units.

- 4.19 A summary of the analysis per unit type is below:

Unit Type	No. Units	Average Size (Sq. m.)	% of Value per sq. m. of 1 bed flats
Studio	16	39	95%
1 bed flat	126	50	100%
2 bed flat	76	71	97%
3 bed flat	25	93	93%

- 4.20 We would comment further to say that the 3-bedroom flats are generally on the upper floors (i.e. from Floor 19 upwards) compared to the 2-bedroom flats that are spread out

more evenly across the building (i.e. from Floor 11 upwards). In our opinion if the three-bedroom units were distributed more evenly across the development then we would expect to see an even more significant reduction in pricing per square metre than the 7% identified.

- 4.21 Regardless of this point, the sales rate for the three-bedroom units is much lower than the sales rates of the other unit typologies. For the three-bedroom units to achieve a sales rate that is in line with that of the one and two bedroom units, we would expect that there would need to be a significant reduction in pricing that would impact negatively on the viability of the scheme.
- 4.22 Furthermore, we are aware that a bulk sale of a number of the last remaining units occurred in October 2018, which included c. 50% of the remaining three-bedroom units. We understand that a deal was undertaken to dispose of those units that were struggling to sell to a foreign investor. In our opinion, if a bulk sale had not occurred then the three-bedroom sales rate would in fact be lower than the 3.1 units per month identified, negatively impacting on viability in our opinion.

Elephant Park, SE17 1UB

- 4.23 We have analysed a number of blocks within the Elephant Park Development seeking to provide a comprehensive view of the development over time. At this stage, we have not included analysis on the blocks that are currently on the market, however we are aware, following conversations with the developer, Lendlease, that all the one bedroom flats have sold and that there are only two and three bedroom flats remaining within the latest phase.
- 4.24 We have found that there is a low provision of three-bedroom units across the scheme and that where there are three-bedroom units, these tend to be on the upper floors of each block which in our opinion reflects developer concern of saleability in terms of unit size and pricing of three bedroom units which cannot be marketed in an alternative way. This distorts the average achieved pricing of the three-bedroom units as they are marketed as 'premium units' with additional features and specification over comparable one- and two-bedroom units to maintain values per square metre.
- 4.25 Despite this, the analysis indicates much slower sales rates for the three-bedroom units than for the other typologies on average. To increase the sales rates of the three-bedroom units there would need to be a reduction in pricing that would impact negatively on the viability of the scheme in our opinion.

4.26 Our detailed analysis of each block is below:

Hurlock Heights, Elephant Park

4.27 Hurlock Heights comprises 172 private residential units within a c.30 storey tower. There are 8 three-bedroom units that are located within the top five floors of the block.

Unit Type	No. Units	Date Commenced	Date Completed	Months to sell	Sales rate / month	Average Floor Area (Sq. m.)	% of Value per sq. m. of one bed flats
Studio	43	28.08.2019	08.01.2020	4.5	9.6	40	98%
1 bed flats	48	29.08.2019	28.02.2020	6	8	58	100%
2 bed flats	73	02.08.2019	19.12.2019	4.5	16.2	82	103%
3 bed flats	8	28.08.2019	25.11.2019	3	2.7	114	103%
Total:	172						

4.28 Although the pricing is maintained across the unit typologies with very minimal differentials in £PSM to increase the sales rates of the three bedroom units to be in line with those of the one and two bedroom flats then there would need to be a significant reduction in pricing which would impact negatively on scheme viability in our opinion.

Levy Building and Weymouth Building, Elephant Park

4.29 It is considered that Levy Building and Weymouth Building were launched on the same date as they are adjoining buildings with first sales occurring on 21.05.2019.

4.30 There are 43 private apartments in the Weymouth building, of which two are 3-bedroom units that are located on the top two floors of the building.

4.31 Within the Levy Building there are 37 private residential units of which there is only one three-bedroom unit, which is located on the top floor of the building. This unit has a 22.4 sq. m. terrace and would therefore command a premium for this.

Unit Type	No. Units	Sales Commenced	Sales Completed	Months to sell	Rate per month	Average Floor Area (Sq. m.)	Average £PSM as a % of 1 bed values
1 bed flats	43	24.05.2019	03.09.2019	3.5	12.29	54	100%
2 bed flats	34	21.05.2019	20.12.2019	7.0*	4.86	74	98%
3 bed flats	3	23.05.2019	03.06.2019	0.5	6.00	102	99%
Total:	80						

**Note: 33 x 2 bed units had sold by 12.07.2019 which would increase the sales rates of the 2 bed units to 18.9 units / per month.*

4.32 We consider that the sale of Flat 306, Weymouth Building, a 2-bedroom flat, is an anomaly as it sold over 5 months after the sale of the last 2-bedroom unit within the block. If we exclude this unit from the analysis, then the sales rate of the two-bedroom units increases to 18.9 units per month.

4.33 Although the pricing is maintained across the unit typologies with very minimal differentials in £PSM to increase the sales rates of the three bedroom units to be in line with those of the one and two bedroom flats then there would need to be a significant reduction in pricing which would negatively impact on scheme viability in our opinion.

Ferraro House and Tarling House, Elephant Park

4.34 It is considered that Ferraro House and Tarling House were launched on the same date as they are adjoining buildings with first sales occurring on 03.08.2018.

4.35 Ferraro House comprises 38 private residential units, of which 5 residential units are 3-bedroom units.

4.36 Tarling House comprises 22 private residential units of which there are no three-bedroom units.

4.37 We note that for the three-bedroom units, although the sales rate is significantly lower than for the one- and two-bedroom flats, the pricing has been maintained. This is because all of the three-bedroom units are situated on the top floor (5th) of Tarling House and have large terraces of up to 90 sq. m.

4.38 This has enabled them to offer significantly greater features than comparable 1- and 2-bedroom flats to allow them to be marketed as premium units and maintain the £PSM.

4.39 In our opinion if the three-bedroom units were distributed more evenly across the building and did not benefit from enhanced features, then we would expect to see a significant reduction in pricing of these units, similar to that identified at Blackfriars Circus.

Unit Type	No. Units	Sales Commenced	Sales Completed	Months to sell	Rate per month	Average Size (Sq. m.)	Average £PSM as a % of 1 bed flats
1 bed units	25	03.08.2018	09.10.2018	1.25	20	52	100%
2 bed units	30	03.08.2018	06.09.2019	13	2.3*	72	91%
3 bed units	5	28.08.2018	03.07.2019	10.25	0.5	114	100%
Total:	60						

*Note: 29 x 2 beds had sold by 22.10.2018. This would increase the sales rate of 2 bed units to 11.6 units / per month.

4.40 Further to this, we consider that the sale of Flat 303 Taring House, a 2-bedroom unit, is an anomaly as it sold 10.5 months after the sale of the last two bedroom flat within the block. If we exclude this unit from our analysis, then the sales rates of the two-bedroom units increases to 11.6 units per month.

Walton Heights, Elephant Park

4.41 It is understood that Walton Heights is a tower with residential accommodation arranged across Floors 1 – 17. There are 85 private residential units within the block.

4.42 We note that although the sales rates for the three-bedroom units are significantly lower than for the one and two bedroom flats the pricing has been maintained. The three-bedroom units are situated on the top floor of the tower and have an average floor area of 150 sq. m. and are therefore marketed as premium units.

Unit Type	No. Units	Sales Commenced	Sales Completed	Months to sell	Rate per month	Average Size (Sq. m.)	Average £PSM as a % of 1 bed values
1 bed units	32	19.11.2018	14.12.2018	0.75	42.7	51	100%
2 bed units	51	19.11.2018	20.12.2019	13	3.9	73	101%
3 bed units	2	24.01.2019	28.06.2019	5	2.5	150	101%
Total:	85						

4.43 Regardless of the unit sizing, we have given limited weight to this comparable as the sales rate differences between the unit typologies, is significant. It is considered that a bulk sale of the one-bedroom units is likely to have artificially overinflated the sales rate of this typology.

Summary of Sales Rates, Elephant Park

4.44 The table below summarises the average sales rates per unit type within the blocks that we have reviewed within Elephant Park:

Unit Type	Sales Rate (Min)	Sales Rate (Max)
1 bed flat	9.6	20.0
2 bed flat	11.6	18.9
3 bed flat	0.5	6.0

Note: this excludes the anomalous results within Weymouth Building, Tarling House and Walton Heights

4.45 Despite pricing for the three-bedroom flats being artificially maintained due to their superior positioning within the blocks the sales rates are consistently lower for the three-bedroom units across the scheme. If the three-bedroom units were not marketed as a 'premium' product then we could reasonably expect to see a reduction in the average sales rate per sq. m. similar to that identified at Blackfriars Circus, which would in our opinion have a negative impact on scheme viability.

5. CONCLUSION

5.1 Our analysis shows a consistently lower sales rates for three-bedroom units across the schemes that we have reviewed in detail.

5.2 There is a relationship between the pricing of the three-bedroom units and the average sales rates per month. This is shown in the table below:

Scheme	Average Sales Rate (1 bed units)	Average Sales Rate (2 bed units)	Average Sales Rate (3 bed units)	Average £PSM of 3 bed units as a % of 1 bedroom unit pricing
The Levers	4.0	5.3	0.4	87%
Blackfriars Circus	10.6	9.6	5.4	72%
251 Southwark Bridge Road	18	7.5	3.1	93%
Elephant Park	13.4	15.6	2.9	100%

5.3 This is borne out by Blackfriars Circus; whilst the three-bedroom units have maintained their sales rates (relative to the other three schemes), this has impacted on the average pricing, with a c. 30% reduction on a per sq. m. basis when compared to the one- and two-bedroom units within the same development. In contrast, whilst the units at Elephant Park have maintained their pricing relative to the other units within the development, the sales rates are significantly reduced as a consequence.

5.4 In conclusion for three-bedroom flats either the sales rates or the pricing will be reduced in comparison to other unit types and therefore three-bedroom units will have a negative impact on scheme viability.

5.5 If the three-bedroom flats found at Elephant Park (that are being marketed as 'premium' units) are discounted from the analysis then the negative impact on scheme viability is even more profound. Our analysis shows that when the 3-bedroom units are considered on a like for like basis with the other unit typologies there is a negative impact both on sales rates and on sales values. This would reduce scheme viability to a greater extent.

A1.MINIMUM SPACE STANDARDS, LONDON PLAN, 2016

Number of bedrooms	Number of bed spaces	Minimum GIA (m2)			Built-in storage (m2)
		1 storey dwellings	2 storey dwellings	3 storey dwellings	
1b	1p	39 (37)*			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4.0
<p>Notes to Table 3.3</p> <p>1. * Where a one person dwelling has a shower room instead of a bathroom, the floor area may be reduced from 39m2 to 37m2, as shown bracketed.</p>					

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2. The Gross Internal Area of a dwelling is defined as the total floor space measured between the internal faces of perimeter walls^[1] that enclose a dwelling. This includes partitions, structural elements, cupboards, ducts, flights of stairs and voids above stairs. GIA should be measured and denoted in square metres (m²).
 3. The nationally described space standard sets a minimum ceiling height of 2.3 metres for at least 75% of the gross internal area of the dwelling. To address the unique heat island effect of London and the distinct density and flatted nature of most of its residential development, a minimum ceiling height of 2.5m for at least 75% of the gross internal area is strongly encouraged so that new housing is of adequate quality, especially in terms of light, ventilation and sense of space.

A2.SOUTHWARK SPACE STANDARDS, 2011

Table 2: Minimum dwelling size standards

Development type	Dwelling type (bedroom/persons)	Essential GIA (sq m)
Flats	Studios	36
	1b2p	50
	2b3p	61
	2b4p	70
	2b average	66
	3b4p	74
	3b5p	86
	3b6p	95
	3b average	85
	4b5p	90
	4b6p	99
	4+b average	95
	2 storey houses	2b4p
3b4p		87
3b5p		96
3b average		92
4b5p		100
4b6p		107
4+b average		104
3 storey houses	3b5p	102
	4b5p	106
	4b6p	113
	4+b average	110

When designing homes for more than six persons developers should allow approximately 10 sq m per extra person.