

Affordable Workspace Study – Viability Review

London Borough of Hammersmith and Fulham

October 2021

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Client

London Borough of Hammersmith and Fulham

Our reference

LOND3016

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1. Introduction

- 1.1 Workspace affordability has become an increasingly important issue across London in recent years. Limited supply and strong demand have pushed rents up and space has become unaffordable for many businesses.
- 1.2 Ensuring that there is enough affordable space for businesses to become established and grow in is important in ensuring a healthy and dynamic economy. Affordable space can encourage entrepreneurialism, support innovation, attract inward investment, help retain existing businesses, create social value and, ultimately, drive economic growth.
- 1.3 Although it is recognised that the affordability of workspace is a challenge for many businesses across London, a significant number of these challenges are highly place and/or sector specific. As such, whilst the Draft London Plan includes a general definition of affordability local authorities are left to interpret and determine what 'affordable' workspace means in their places.
- 1.4 Hatch Regeneris are instructed on behalf of London Borough of Hammersmith & Fulham to assess the market and deliverability of Affordable Workspace, along with Turley as Sub-Consultant to understand the viability, which is the subject of this report. The viability analysis set out in the report will inform the development of the borough's emerging Economic Development Planning Obligation Supplementary Planning Document (SPD) which responds and contributes to their Industrial Strategy as set out below.

Hammersmith and Fulham Industrial Strategy

- 1.5 The London Borough of Hammersmith & Fulham has recently published an Industrial Strategy called Economic Growth for Everyone (2017). The ambition is to make the borough the best place to do business in Europe and to ensure that everyone benefits from growth rather than a favoured few.
- 1.6 The strategy sets out four key priorities: (1) West Tech Innovation District; (2) Encouraging Enterprise; (3) A Great Place in London; and, (4) Economic Growth for All.
- 1.7 A key pillar that cuts across all of these priorities is Creating Affordable Workspace. There is particular reference to the need to support the Science, Technology, Engineering and Mathematics (STEM) sectors, as well as the digital and creative industries to help overcome the high rents faced by SMEs in some parts of the borough.
- 1.8 A range of mechanisms are set out to do this, but one of the most prominent is to create an Affordable Workspace SPD which has a major focus on the delivery of affordable and flexible workspace through the planning system.
- 1.9 This Industrial Strategy is expected to be updated in response to COVID-19 and the recession, but it is likely that Creating Affordable Workspace will continue to be at the forefront. The recommendations set out in this report will shape and influence the updated document.

- 1.10 As identified in the report submitted in November 2021, The London Borough of Hammersmith & Fulham’s policies and strategies provide strategic insight on who needs Affordable Workspace, in terms of business typology, sectors and local communities. They also provide insights on the type of workspace required in the borough’s regeneration areas
- 1.11 There is an appreciation that small and micro businesses face specific space challenges in the borough. The recent employment study identifies that 62% of space requirements are for businesses requiring 93-465m² and that 74% of office conversions through permitted development were below 100m².
- 1.12 Analysis of publicly available economic data is also an important source of information to help identify who needs Affordable Workspace.
- 1.13 Evidence shows that the Hammersmith & Fulham economy is diverse and is home to around 140,000 jobs and at least 14,000 businesses. Recent performance over the last five years has been positive but below London averages:
- Employment grew by +7% between 2013 and 2018, which is higher than West London Alliance¹ at +3% but lower than 11% across London; and,
 - The number of businesses grew by +13% over the last five years, which is lower than West London Alliance (24%) and +27% growth in London.

Approach & Methodology

- 1.14 Turley’s sole focus for the review is to identify if ‘affordable’ is viable in Hammersmith & Fulham.
- 1.15 The main focus of this report is to identify and understand any difference in Viability following market changes (rents and costs), due to COVID-19 and various market factors. Turley undertook an updated comparable evidence research exercise (utilising CoStar), in order to identify any changes in each of the sub-markets from the initial submission and demonstrates the viability of the proposed discounts to market rent, as demonstrated in Table 4.6 of the Affordable Workspace Research Study (hereafter ‘AWRS’), across different parts of the borough.

¹ The West London Alliance is a sub-regional partnership of Western London boroughs and includes Barnet, Brent, Ealing, Harrow, Hillingdon, Hounslow and Hammersmith and Fulham

2. Planning Policy Context

COVID-19, Brexit and the Planning System

- 2.1 COVID-19, Brexit and potential changes to the planning system are expected to fundamentally impact the economy in both the short and longer term. In turn, the demand for and supply of commercial property will also be affected. These factors present both threats and opportunities for Affordable Workspace in Hammersmith & Fulham.
- 2.2 This report recognises these pressures but given the increased uncertainty with how the market may perform in the short to medium term, and the expectation that development levels will resume in the borough, it provides robust analysis and recommendations based on the best available evidence at this point in time.
- 2.3 An addendum to the AWRS was submitted in January 2021 to explore the potential impact of these pressures, including on viability, and alternative mechanisms to deliver Affordable Workspace in the borough. The viability testing set out in this report is an update 9 months on from when the AWRS was undertaken. The base values in the Addendum report were the same as the original report, as there was not ample market evidence to update the values. This, together with the content set out here, will provide the Council with all the evidence required to negotiate positively with developers on Affordable Workspace moving forward.

The London Plan

Policy E3 Affordable Workspace

- 2.4 In defined circumstances set out in 1.18 and 1.19 below, planning obligations may be used to secure Affordable Workspace (in the B Use Class) at rents maintained below the market rate for that space for a specific social, cultural or economic development purpose such as:
- 1) for specific sectors that have social value such as charities, voluntary and community organisations or social enterprises;
 - 2) for specific sectors that have cultural value such as creative and artists' workspace, rehearsal and performance space and makerspace;
 - 3) for disadvantaged groups starting up in any sector;
 - 4) supporting educational outcomes through connections to schools, colleges or higher education; and
 - 5) Supporting start-up and early stage businesses or regeneration.
- 2.5 Consideration should be given to the need for Affordable Workspace for the purposes in 1.17 above:

- 1) where there is Affordable Workspace on-site currently, or has been at any time since 1 December 2017, except where it is demonstrated that the Affordable Workspace has been provided on a temporary basis pending redevelopment of the site
 - 2) in areas identified in a local Development Plan Document where cost pressures could lead to the loss of affordable or low-cost workspace for micro, small and medium-sized enterprises (such as in the City Fringe around the CAZ and in Creative Enterprise Zones)
 - 3) in locations identified in a local Development Plan Document where the provision of Affordable Workspace would be necessary or desirable to sustain a mix of business or cultural uses which contribute to the character of an area.
- 2.6 Boroughs, in their Development Plans, should consider detailed Affordable Workspace policies in light of local evidence of need and viability. These may include policies on site-specific locations or defining areas of need for certain kinds of Affordable Workspace.
- 2.7 Affordable Workspace policies defined in Development Plans and the terms set out in Section 106 agreements should ensure that the objectives in 1.17 above are monitored and achieved, including evidence that the space will be managed by a workspace provider with a long-term commitment to maintaining the agreed or intended social, cultural or economic impact. Applicants are encouraged to engage with workspace providers at an early stage in the planning process to ensure that the space is configured and managed efficiently.
- 2.8 Leases or transfers of space to workspace providers should be at rates that allow providers to manage effective workspace with sub-market rents, meeting the objectives in 1.17, over the long-term.

Policy SD6 Town Centres and High Streets

- 2.9 The vitality and viability of London's varied town centres should be promoted and enhanced by:
- 1) The redevelopment, change of use and intensification of identified surplus office space to other uses including housing should be supported, taking into account the impact of office to residential permitted development rights (see Policy E1 Offices) and the need for affordable and suitable business space (Policy E2 Providing suitable business space, Policy E3 Affordable Workspace).

Policy SD9 Town centres: Local partnerships and implementation

- 2.10 Boroughs should:
- 1) introduce targeted Article 4 Directions where appropriate and justified to remove permitted development rights for office, light industrial and retail to residential in order to sustain town centre vitality and viability and to maintain flexibility for more comprehensive approaches to town centre housing and mixed-use intensification.

Hammersmith & Fulham Local Plan (2018)

- 2.11 Hammersmith & Fulham's Local Plan (February 2018) states that applications for large new commercial schemes will be expected to provide Affordable Workspace which could be via cross-subsidised rent through S106 Agreements, reduced rent arrangements, the provision of co-hubs, start up space and/or flexible leasing arrangements.
- 2.12 Any provision is to be specific to the area or location in which the development is being undertaken. This is highlighted earlier in this report, for instance, where there are specific requirements in local areas. An example of this is Shepherd's Bush, which is home to Media City, the Imperial College Campus and office space providers due to excellent transport links.
- 2.13 Local Plan Policy E1 – Providing for a Range of Employment - sets out the borough's aspirations for mixed-use and new employment schemes and the retention, enhancement and intensification of existing employment uses. The Council recognise the existing strengths in the borough in creative industries, health services, life science and other research-based industries. Policy E1 states that these industries will require flexible and affordable space suitable for small and medium enterprises in large new business developments, unless justified by the type and nature of the proposal and subject to viability.

3. Commercial Market Commentary

- 3.1 Turley has sought to understand changing market factors, in order to update the findings of the AWRS and forecast future trends from leading market experts.

Demand

- 3.2 According to the Carter Jonas' 'London Office Market' report², demand is likely to remain subdued for the foreseeable future as businesses seek to reduce their property footprint and real estate costs to underpin profitability. The migration of some London jobs to the regions by a number of large-scale employers is unlikely to ease the situation for landlords.

- 3.3 The lack of demand, combined with the ongoing rise in the availability of good quality, ready fitted out, tenant-controlled, Grade A sub-let space, and the completion of office refurbishments and new developments that were initiated before the pandemic, is likely to put pressure on landlords to secure fewer footloose tenants in a market where there is more choice.

Advertised Rents

- 3.4 The fall in demand and increase in vacancy means it is likely that advertised rents will begin to decline. Reductions in advertised rents for poorly specified accommodation are already manifesting themselves as occupiers increasingly focus their searches on new, refitted and good quality refurbished Grade A space.

Rent Discounts

- 3.5 The levels of discount that can presently be negotiated on advertised rents have widened from 1.5 – 3.5%, at the beginning of 2020, to typically around 5 – 10%. Rent discounts have been at this level since the autumn of last year.

Rent Free Periods

- 3.6 Rent free periods have, ultimately, been the key element in lease negotiations, reflecting the decline in demand since the onset of the COVID-19 pandemic, and have typically widened by 3 – 5 months for a 5 – 10 year lease since Q1 2020.

Market Summary

- 3.7 Carter Jonas' research indicates that occupiers are increasingly becoming footloose, with a focus on good quality refurbished Grade A space. This presents opportunities for LBHF, whereby occupiers are looking to relocate from more established commercial/office markets e.g. West End and Docklands to more affordable, but still well connected, London locations.

² Carter Jonas, The London Office Market, Q2 2021. A Guide to Rents, Rent Free Periods & Market Trends

4. Viability Assumptions

4.1 The areas identified in paragraph 5.4 of the AWRS submitted November 2020, as having demand for commercial development and need for Affordable Workspace are:

- Shepherd's Bush (mixed-use commercial);
- Hammersmith Town Centre (mixed-use commercial);
- Fulham Centre (mixed-use commercial);
- Olympia and West Brompton (mixed-use commercial); and
- Townmead and Imperial (industrial).

4.2 The viability of providing Affordable Workspace at the level of discount to market rent has been tested for different size thresholds and proportions as set out in chapter 4 of the AWRS. Whilst Parsons Green, Putney Bridge and Ravenscourt Park were listed initially, these areas are not considered to be locations where there is high demand for commercial development and Affordable Workspace; these areas have therefore not been tested.

Focus On: Viability Assumptions

4.3 Testing has been undertaken on the basis of commercial floorspace only. Mixed-use scheme testing has not been included at this time in order to establish whether purely commercial floorspace can viably support Affordable Workspace.

4.4 Reference has been made to the original Hammersmith & Fulham Community Infrastructure Levy Study (Peter Brett, 2014) in order to maintain consistency across the borough. Due consideration has also been given to the Car Giant scheme in Hythe Road (Old Oak & Park Royal Development Corporation ("OPDC") as examined by the Planning Inspector, September 2019) as this has been a recent assessment which has assisted in deliberations regarding land values across the borough.

Benchmark Land Values

4.5 Turley has adopted the same values from the AWRS.

4.6 Turley have considered the rents adopted by Hatch to establish Low, Medium and High Value locations in terms of Benchmark Land Values.

4.7 There is a High, Medium and Low value range for BLVs within LBHF, established from the rents identified. To arrive at a midpoint for the adopted land values, Turley have simply taken the midpoint between the lower adopted value (£4.75m) and higher adopted value (£6.5m) to arrive at £5.625m. This is set out in the following table:

Table 4.1: Benchmark Land Values By Sub-Area

Location	Rental Value (ft ²)	Value (Location)	£ per Acre	£ per Hectare
Townmead and Imperial	£36/ft ²	Low	£4,750,000	£11,750,000
Fulham	£42/ft ²	Medium	£5,625,000	£14,000,000
Olympia/West Brompton	£44/ft ²			
Hammersmith	£55/ft ²	High	£6,500,000	£16,500,000
Shepherds Bush	£53/ft ²			

Source: Hatch Regeneris/Turley

Plot Ratios

- 4.8 With regard to plot ratios, we have adopted a 1.5:1 (office building: development plot). Turley have also adopted a plot ratio of 0.65:1 (industrial building: development plot) for the Townmead appraisals. The plot ratios adopted are the same as those included in the AWRS.
- 4.9 The plot ratios: GIA office/industrial building areas are summarised in the below Table 4.2 overleaf.

Table 4.2: Commercial Development and Plot Ratios

Quantum of Offices (sqm)	Plot Area (sqm)	Plot Area (sqft)	Plot Area (in acres, rounded)	Plot Area (hectares)
1,000	666.67	7,175.93	0.15	0.06
2,500	1,666.67	17,939.83	0.45	0.18
5,000	3,333.33	35,879.67	0.85	0.34

Quantum of Industrial (sqm)	Plot Area (sqm)	Plot Area (sqft)	Plot Area (in acres, rounded)	Plot Area (hectares)
1,000	1,538	16,555	0.38	0.15
2,500	3,846	41,398	0.95	0.38
5,000	7,692	82,799	1.95	0.79

Source: Turley Analysis

Stamp Duty, Agent and Legal Fees

4.10 Stamp Duty has been included at the prevailing rate together with 1% Agents Fee and 0.80% Legal Fee. This is standard industry input for these costs.

Commercial Floorspace Thresholds

4.11 Commercial floorspace thresholds have been tested at:

- 1,000sqm;
- 2,500sqm and;
- 5,000sqm GIA of commercial space.

4.12 It is considered that 1,000sqm would be the minimum threshold to trigger a requirement for Affordable Workspace.

Percentage of Affordable Workspace

4.13 The following percentages have been tested in each of the floorspace at the following affordable provision thresholds:

- 5%;
- 10% and;
- 20% affordable provision.

4.14 With regard to work that other London Boroughs have undertaken on Affordable Workspace, it appears that 10% is the most common percentage of Affordable Workspace sought.

Construction Cost for Commercial Floorspace

- 4.15 The Construction Costs have been adopted from BCIS Offices 'Generally' and BCIS Purpose Built Warehouses both of which fall between BCIS Upper Quartile and Median Quartile, which we believe provides a reasonable allowance. We have therefore not included for Abnormals or Demolition costs. The view is that each site comes forward and is tested on its own merits.
- 4.16 For Office use, the commercial build cost is £2,723 per sq m / £253 per sq ft for Quarter 3, 2021. This falls between median and upper quartile for offices generally therefore this figure has been adopted for the appraisals in this report. This assumes fit out to Cat A specification.
- 4.17 Industrial build costs for warehouses in LBHF are listed at £1,238/m² (£115/ft²) Quarter 3, 2021 which has been adopted in the appraisals.

Table 4.3: Difference in Build Costs

Use	Build Costs Q4 2020 (£ per sqm / £ per sqft)	Build Costs Q3 2021 (£ per sqm / £ per sqft)	% Change
Office	£2,600 / £241	£2,723 / £253	4.9%
Industrial	£1,215 / £113	£1,238 / £115	1.9%

Source: Turley Analysis, RICS BCIS data

- 4.18 The build costs for office development has increased considerably since Q4 2020, by nearly 5%. The costs for industrial development has increased less significantly, by around 2%. Turley expects these change in build cost to materially affect the viability of bringing forward commercial developments in LBHF.
- 4.19 The Build Cost inflation in 2021 is due to both increase in construction materials and shortage of labour supply. Gardiner & Theobald³ state that it is uncommon to have nearly all material prices move upwards at any one time as they have in recent months, putting substantial pressure on contractors to pass these rises on to increased tender prices. Input costs have increased for the following items:
- M&E components: 2-3% (Jan-Jun 2021)
 - Concrete Reinforcing Steel Bars: 37.3% (April 2020 – April 2021)
 - Construction Industry Wage Growth: 4.9% (year-on-year three month average growth to Apr 2021)
 - Imported Sawn or Planted Wood: 22.0% (April 2020 – April 2021)
- 4.20 Inflationary pressures include reduced EU labour supply, increased shipping and logistics costs and global/manufacturing capacity unable to keep up with demand.

³ Gardiner & Theobald (2021) Tender Price Indicator Q3 2021

Plot External (Construction Costs)

4.21 Plot external have been incorporated at 10%. This is the same adopted rate as the AWRS.

Professional Fees

4.22 Turley have adopted 10% for Professional Fees. This is the same adopted rate as the AWRS.

Contingency

4.23 A 5% contingency has been applied to the construction costs. This is the same adopted rate as the AWRS.

Profit

4.24 Turley have adopted 15% Profit on GDV for commercial development, the same values from the AWRS report

Marketing/Sales Agent and Legal fee

4.25 A total of 3% sale, marketing and legal fee has been adopted, the same values from the AWRS report.

Letting Agent/Legal fee

- 10% Letting Agent Fee (calculated from the headline rent)
- 5% Letting Legal Fee (calculated from the headline rent)

4.26 This reflects industry standard inputs.

Finance

4.27 7% debt finance has been adopted. This is considered to be a reasonable level assuming 100% debt finance.

Rent Free Period

4.28 A rent free period of 12 months has been adopted. This reflects a market facing incentive to allow an occupier to fit out commercial space to their own specification. Turley note from speaking with commercial agents that typical rent free periods have not changed since Q4 2020.

Rents, Discounts and Yields

4.29 The rents identified have been included together with the proposed discounts for each area. With regard to yields, these are informed by comparable evidence identified for these particular locations, which are also corroborated by the evidence at Car Giant. The following rents, discounts and yields have been adopted for the areas tested.

Table 4.4: Location Specific - Applied Rents, Discounts and Yields (September 2021)

Location Specific	Use	Yield	Market Rent Per sqft	Affordable Rent Per sqft	Discount to Market Rent
Fulham	Office	5.5%	£42	£33.60	20%
Hammersmith TC	Office	5.5%	£55	£33	40%
Shepherds Bush	Office	5.5%	£53	£31.80	40%
Olympia and West Brompton	Office	5.5%	£44	£35.20	20%
Townmead/Imperial	Industrial	5.5%	£36	£21.60	40%

Source: Turley Analysis

Table 4.5: Location Specific | Comparison of Headline Rents Achieved

Location Specific	Use	Market Rent 2020 Per sqft	Market Rent 2021 Per sqft	% Change
Fulham	Office	£43	£42	-1%
Hammersmith TC	Office	£51	£55	8%
Shepherds Bush	Office	£53	£53	0%
Olympia and West Brompton	Office	£42	£44	5%
Townmead/Imperial	Industrial	£36	£36	0%

Source: Turley Analysis

- 4.30 Turley’s review of comparable data from January 2021 to September 2021 demonstrates there has been a shift in values for some of the sub-markets. Turley has adopted the discount rate stated in Table 4.4 (taken from Table 4.6 of the AWRS). In Fulham and Shepherds Bush, there has been little change in the office/commercial market transactions, with values falling by 1% in Fulham and 0% in Shepherds Bush.
- 4.31 Both Hammersmith and Olympia and West Brompton have seen an uplift in office/mixed-use commercial values, with Hammersmith increasing by 8% and Olympia and West Brompton by 5%.
- 4.32 The market rent for industrial properties in Townmead remains at £36 per sqft as per the original report, however, this is due to limited market transactions and therefore Turley has kept the same values as Hatch Regeneris as per the AWRS.
- 4.33 London Borough of Hammersmith & Fulham’s CIL Rate has not changed since the original submission in November 2020. Therefore, the same rates will be adopted.

- 4.34 Turley consider the rental value changes achieved across LBHF are generally positive, and demonstrate the borough has market resiliency in light of COVID-19 and associated market changes. However, Turley comment that further interrogation of the market is needed to understand whether the volume of deals completed is comparable with recent years.
- 4.35 With regard to yields, evidence demonstrates these have broadly stayed the same since Q4 2020. Investor appetite has remained consistent, perhaps due to being positively influenced the London Plan and LBHF policies allowing for intensification and opportunities to value-add.
- 4.36 It remains to be seen if larger floorplates desired by corporate businesses are still in high demand, or whether these spaces are going to be increasingly subdivided. Smaller floorplates and flexible tenancies would appeal to a wider, more diverse range of occupiers. The flexible Use Class E has also allowed a mix of commercial end users to occupy space without the requirement to seek planning permission. These positive changes have assisted in negating negative sentiment created by COVID-19 and the increasing prevalence of employees working from home.

Construction Timescale

- 4.37 The following construction timescales are tabled below per each of the threshold floorspaces tested. These remain the same as per the AWRS.

Table 4.6: Construction Timetable

Construction Timeline (months)	Threshold Tested		
	Offices (1,000 sqm)	Offices (2,500 sqm)	Offices (5,000 sqm)
Pre-construction	6	6	6
Construction	9	12	18
Sale	1	1	1
Total Months	16	19	25

Source: Turley Analysis

5. Viability Testing

5.1 The viability results are set out in Table 5.1, 5.2 and 5.3 below/overleaf. The RLV is highlighted in green where there is a surplus, and red where there is a deficit.

Table 5.1: 5% Affordable Workspace

GIA Area	1,000 sqm	2,500 sqm	5,000 sqm	Land Value	Land Value
Plot (acres)	0.15	0.45	0.85	(per acre)	(per hectare)
Plot (acres)*	0.38	0.95	1.95		
Fulham Centre					
	RLV	RLV	RLV		
5%	£1,186,384	£2,838,394	£5,229,778	£5,625,000	£14,000,000
BLV	£843,750	£2,531,250	£4,781,250		
Hammersmith TC					
	RLV	RLV	RLV		
5%	£2,270,251	£5,494,320	£10,322,176	£6,500,000	£16,000,000
BLV	£975,000	£2,925,000	£5,525,000		
Olympia and WB					
	RLV	RLV	RLV		
5%	£1,382,411	£3,320,032	£6,160,204	£5,625,000	£14,000,000
BLV	£843,750	£2,531,250	£4,781,250		
Shepherds Bush					
	RLV	RLV	RLV		
5%	£2,233,206	£5,410,439	£10,198,442	£6,500,000	£16,000,000
BLV	£975,000	£2,925,000	£5,525,000		
Townmead/Imperial					
	RLV	RLV	RLV		
5%	£2,205,958	£5,377,426	£10,267,877	£4,750,000	£11,750,000
BLV	£1,805,000	£4,512,500	£9,262,500		

Source: Turley Analysis, *Townmead Plot Ratios

Table 5.2: 10% Affordable Workspace

GIA Area	1,000 sqm	2,500 sqm	5,000 sqm	Land Value	Land Value
Plot (Acres)	0.15	0.45	0.85	(per acre)	(per hectare)
Plot (Acres)*	0.38	0.98	1.95		
Fulham Centre	RLV	RLV	RLV		
10%	£1,145,810	£2,738,703	£5,037,196	£5,625,000	£14,000,000
BLV	£843,750	£2,531,250	£4,781,250		
Hammersmith TC	RLV	RLV	RLV		
10%	£2,160,879	£5,225,593	£9,813,049	£6,500,000	£16,000,000
BLV	£975,000	£2,925,000	£5,525,000		
Olympia and WB	RLV	RLV	RLV		
10%	£1,340,060	£3,215,977	£5,959,191	£5,625,000	£14,000,000
BLV	£843,750	£2,531,250	£4,781,250		
Shepherds Bush	RLV	RLV	RLV		
10%	£2,127,991	£5,151,923	£9,699,044	£6,500,000	£16,000,000
BLV	£975,000	£2,925,000	£5,525,000		
Townmead/Imperial	RLV	RLV	RLV		
10%	£2,134,430	£5,201,681	£9,928,373	£4,750,000	£11,750,000
BLV	£1,805,000	£4,512,500	£9,262,500		

Source: Turley Analysis, *Townmead Plot Ratios

Table 5.3: 20% Affordable Workspace

GIA Area	1,000 sqm	2,500 sqm	5,000 sqm	Land Value	Land Value
Plot (Acres)	0.15	0.45	0.85	(per acre)	(per hectare)
Plot (Acres)*	0.38	0.95	1.95		
Fulham Centre					
	RLV	RLV	RLV		
20%	£1,064,662	£2,539,322	£4,652,032	£5,625,000	£14,000,000
BLV	£843,750	£2,531,250	£4,781,250		
Hammersmith TC					
	RLV	RLV	RLV		
20%	£1,942,135	£4,688,137	£8,774,796	£6,500,000	£16,000,000
BLV	£975,000	£2,925,000	£5,525,000		
Olympia and WB					
	RLV	RLV	RLV		
20%	£1,255,359	£3,007,866	£5,557,164	£5,625,000	£14,000,000
BLV	£843,750	£2,531,250	£4,781,250		
Shepherds Bush					
	RLV	RLV	RLV		
20%	£1,917,559	£4,634,893	£8,700,247	£6,500,000	£16,000,000
BLV	£975,000	£2,925,000	£5,525,000		
Townmead/Imperial					
	RLV	RLV	RLV		
20%	£1,991,373	£4,850,191	£9,249,366	£4,750,000	£11,750,000
BLV	£1,805,000	£4,512,500	£9,262,500		

Source: Turley Analysis, *Townmead Plot Ratios

- 5.2 As Table 5.1, 5.2 and 5.3 demonstrate, all locations and sizes are viable at the proposed discounts to market rents set out in the previous chapter (i.e. where the Residual Land Value exceeds the Benchmark Land Value as highlighted in green).

Conclusion

- 5.3 It can be reasonably expected that developments in Fulham Centre, Hammersmith Town Centre, Olympia and West Brompton, Shepherds Bush and Townmead and Imperial can provide up to 20% Affordable Workspace at the proposed discounts to market rents based on the current inputs.
- 5.4 Whilst Townmead has been tested on an Industrial basis, it may be possible to achieve a level of Affordable Workspace through mixed-use schemes which may generate a higher Gross Development Value overall, though this depends upon the practicality of delivering schemes with large scale office/mixed-commercial use in a largely industrial location.

- 5.5 As aforementioned, Turley consider that each site should be assessed on its own merits (and associated costs), and that the Benchmark Land Values set out act as a guide only.
- 5.6 An alternative to providing Affordable Workspace as part of a proposed development, is to secure a Payment in Lieu (PiL). PiL is typically the monetary equivalent of contributing the Affordable Workspace on-site, calculated via Viability Appraisal and agreed between the Applicant and Council. Turley consider that if the applicant has demonstrated that delivery of workspace is unviable and cannot afford a contribution, LBHF should seek to secure an early/late stage review to capture any uplift in value with changing market conditions, to secure a PiL and contribute towards Affordable Workspace.
- 5.7 Turley consider that the Affordable Workspace should be assessed in line with the market and discounted accordingly. This could be reviewed every five years at a minimum, or more regularly, depending on the terms of the leases. The duration of time the Affordable Workspace is provided for can also depend on whether the building has a change of use, or the market dictates that the existing use becomes unviable.