



# **Application for Certificates in Respect of Compulsory Acquisition of Open Space and Rights over Open Space pursuant to Section 131(4A) and Section 132 (3) – Planning Act 2008**

Clarifications regarding  
valuation references

**Thames  
Tideway Tunnel**



Creating a cleaner, healthier River Thames

# 1 Clarifications regarding referencing

## 1.1 Context

- 1.1.1 Further to queries raised by DCLG, the applicant is pleased to respond with the following clarifications to each question.

## 1.2 Question 1

**Could you provide more information on the source of market evidence referred to in para 6.3.15 to understand the level of research undertaken and whether this was robust?**

- 1.2.1 The valuation work was completed by three Property Consultancy Firms retained by Thames Water: CBRE, GVA and LSH. Each were responsible for a number of the assessments and used the support of their individual Market Research departments to inform the work completed. This research was therefore up to date and relevant to each of the potential exchange land site locations. This research was supplemented by use of industry internet search engines such as Focus and EGI. All firms also regularly publish Market Reports which are used to inform the general state of the market in the various sectors in different locations throughout the UK. We are therefore confident in the robustness of the research undertaken to provide the evidence relied upon in the property valuation assessments undertaken for this certificate application.

## 1.3 Question 2

**Could you explain why you have used 2010 RV figures to estimate freehold values (para 6.3.16.b.i) rather than current market evidence that might be available? In addition further information on the investment yield you have used to capitalise the RV to estimate the freehold value and why these figures were used?**

- 1.3.1 The Valuation Office Agency provides an extremely useful library of information regularly relied upon by valuers particularly when undertaking desk top valuation exercises. The agency's website includes a search function which enables the valuer to identify each individual rateable hereditament, the basis on which a rating assessment has been carried out on that hereditament and often the gross floor area used in the assessment. 2010 is the most recent list which is updated every five years. The starting point is generally considered a safe foundation on which to estimate the existing use value of a property. The rating assessment for the 2010 List is in effect based on a rental value of the property as at April 2008, this was a particularly high point in the property market cycle, levels of which are only now starting to return. What the valuer is able to do is index this rating assessment to present value
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thereby bringing the valuation assessment up (or down) to present day from the April 2008 date(not 2010).

- 1.3.2 Investment yields used for the assessments have been taken from the yield sheets published by CBRE, GVA and LSH. Individual valuer judgement has been used to adjust the yield sheet information to reflect each of the different valuations undertaken. The yield used would vary depending upon the type of property, its location, and other characteristics such as redevelopment potential, current occupation and lease length where that may be known. In each case the valuers have used their professional judgement using all the information available to them at the time.
- 1.3.3 Please see the attached yield sheets by way of example (Appendix A).

## 1.4 Question 3

**Could you provide evidence on the source for the estimated demolition costs (para 6.3.16.e.i) and per hectare cost for creating open space (6.3.16.f.i)? This is so we can understand better the figures adopted and whether they are reasonable.**

- 1.4.1 Our appointed property consultants have extensive experience in preparing residual development appraisals and when considering unknown elements of an appraisal such as the costs of demolition the information provided by BCIS (The RICS Building Cost Information Service) is the recognised source. The costs of demolition will vary depending on a number of factors but the figure of £75 per sqm was an average within the range that is currently provided by BCIS.
- 1.4.2 Local authorities have the experience and information relevant for creating open space and will often provide indicative costings to support their requirement for developer contributions for open space provision normally sought through Section 106 agreements. The figure of £300k per hectare was taken from the LB Wandsworth CIL charging schedule for the Vauxhall Nine Elms Opportunity Area from which can be quoted as follows:
- 1.4.3 *“The Linear Park will provide a level of open space amenity equivalent to that of an urban park. Based on the example of equivalent urban parks created elsewhere in London, and reflecting the comparatively complicated nature of brownfield sites in this location, this is likely to cost approximately £350,000 per hectare. This includes fees but excludes the cost of land. Therefore the total cost of the Linear Park is £1,225,000.*
- 1.4.4 *The Power Station Park is likely to be the equivalent of a neighbourhood park. Based on typical examples elsewhere of neighbourhood parks and factoring in a premium for a high quality development, the cost is expected to be £250,000 per hectare, including fees but excluding land. Therefore the total cost of the Power Station Park is £500,000.”*
- 1.4.5 The £300k figure is an average of the two figures quoted in the text above which establishes a cost to create open space without accounting for the value of land.
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## Appendix A – Example Yield Sheet

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# UK MONTHLY INDEX

## MarketView

November 2013

CBRE Global Research and Consulting

### Monthly Total Returns



**ALL PROPERTY**  
+1.1%



**ALL OFFICES**  
+1.2%



**ALL RETAIL**  
+1.0%



**ALL INDUSTRIALS**  
+1.7%

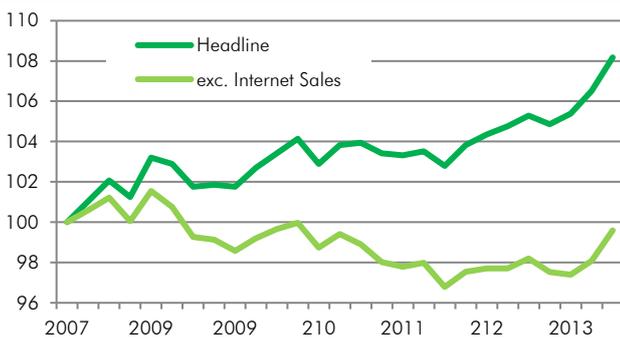
## RETAIL, INDUSTRIAL AND OFFICES MARKETS SHOW POSITIVE GROWTH IN OCTOBER

UK commercial property continued to improve during October, with capital values increasing by 0.6% over the month, resulting in growth of 2.0% so far this year. Total returns were 1.1% in October and 7.7% over the year to date.

All the main sectors experienced positive growth over the month with All Offices and All Industrials continuing a steady upward trajectory. In the retail sector capital values continued to improve, increasing by 0.4% over the month. Significantly, this is the fourth month of consecutive growth for the sector. High street shops, shopping centres and retail warehouse all recorded a positive uplift in capital values, showing some stabilization in this sector. This improvement coincides with stronger retail sales growth recorded in Q3. Retail sales were up 1.6% in Q3 on Q2 figure and 3.2% since Q4 2012. It is particularly noteworthy that the last quarter showed strong growth even once internet sales are stripped out.

Capital values in the industrial sector increased by 1.0% over the month, resulting in total return of 1.7% in October. This is the first time that All Industrials has recorded the highest monthly capital value growth since March 2009.

### Retail Sales



Overall in the office sector total returns and capital value grew by 1.2% and 0.6% respectively during October. As the year has progressed it has been increasingly the case that offices from across the country have been contributing to the overall performance of the sector and not just Central London, as had been the case until about March this year. The gap between the performance of Central London and the rest of the UK continued to close in October, although office capital value growth in Central London remains slightly higher than in the rest of the UK.

### Investment Market Returns, YoY% (end October)

	Total Return	Capital Growth
Property	8.3	1.6
Equities	22.8	18.5
Gilts	-3.9	-6.7

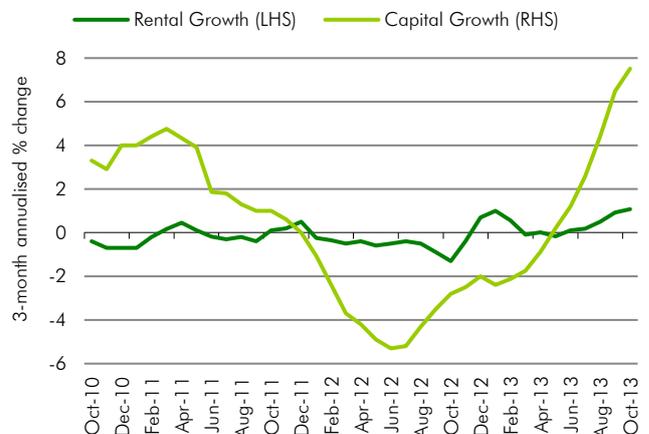
Source: CBRE, Macrobond

### CBRE Short Term Indicators (3-Month Annualised)

	Capital %	Rental %
All Offices	11.2	2.8
Central London Offices	12.6	5.2
Standard Shops	4.1	-1.2
Retail Warehousing	5.2	-0.3
All Industrial	11.3	1.1
All Property	7.5	1.1

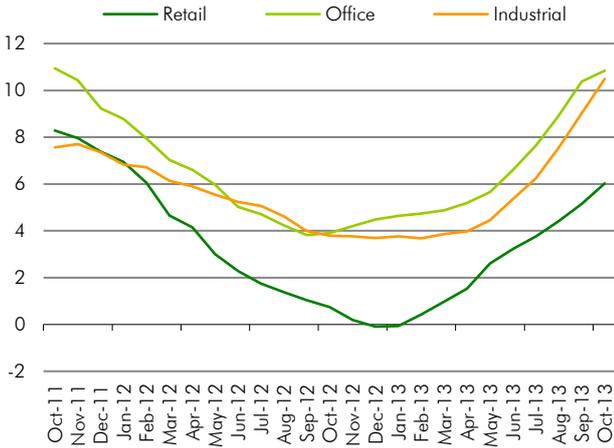
Source: CBRE Monthly Index, October 2013

### All Property Short Term Indicators



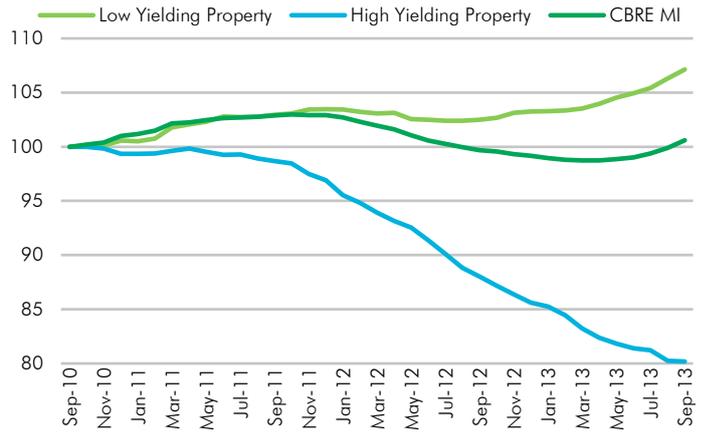
Source: CBRE Monthly Index, October 2013

### Year-on-Year Total Return (%pa)



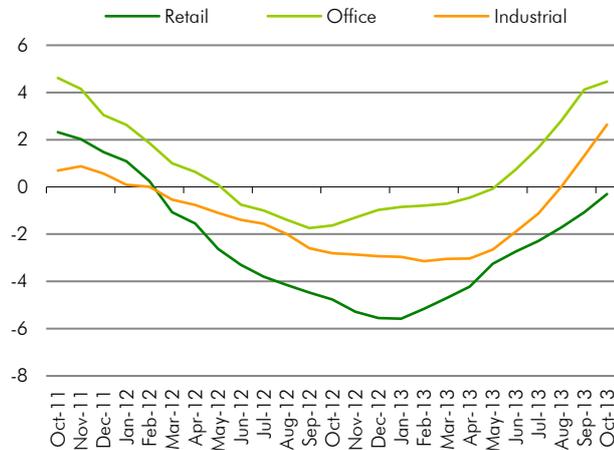
Source: CBRE Monthly Index, October 2013

### UK All Property Capital Value Index (Sep 2010 = 100)



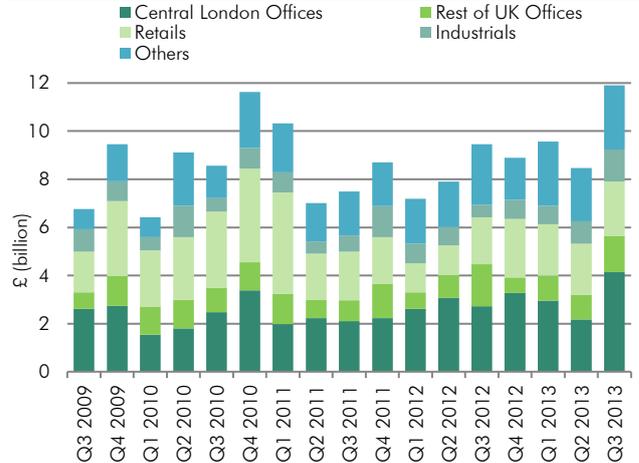
Source: Prime and Secondary Monthly Index (September 2013)

### Year-on-Year Capital Growth (%pa)



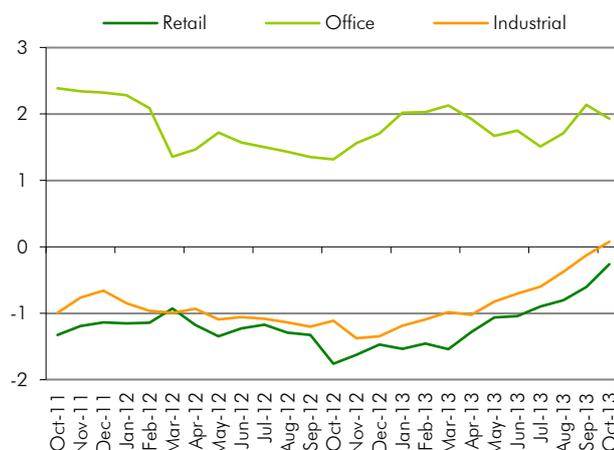
Source: CBRE Monthly Index, October 2013

### CRE Investment in the UK



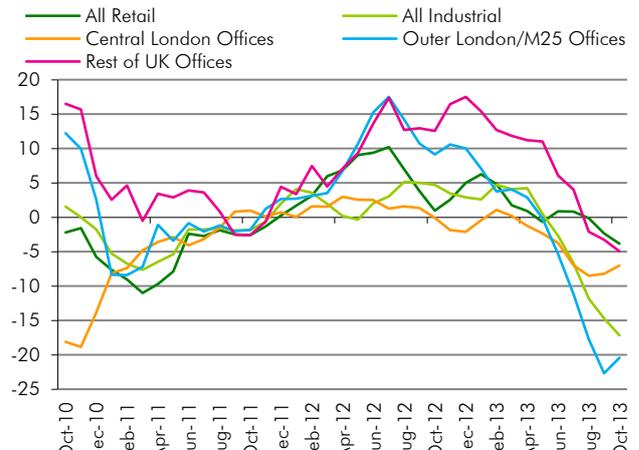
Source: Property Data

### Year-on-Year Rental Growth (%pa)



Source: CBRE Monthly Index, October 2013

### Equivalent yield shift (3-month rolling total, bps)



Source: CBRE Monthly Index, October 2013

## CBRE Monthly Index, October 2013

	Month	% , 1 Month			% , 3 Months			% , 12 Months			% , Year-to-date		
		TR	CVG	ERVG	TR	CVG	ERVG	TR	CVG	ERVG	TR	CVG	ERVG
All UK	October	1.1	0.6	0.0	3.5	1.8	0.3	8.3	1.6	0.6	7.7	2.0	0.3
	September	1.2	0.7	0.2	3.2	1.6	0.2	7.4	0.9	0.4	6.5	1.4	0.2
All Retail	October	1.0	0.4	0.0	2.6	1.0	-0.1	6.0	-0.3	-0.3	6.1	0.7	-0.4
	September	0.9	0.4	0.0	2.2	0.6	-0.1	5.1	-1.1	-0.6	5.0	0.2	-0.4
All Standard Shops	October	1.0	0.5	0.0	2.6	1.0	-0.3	5.8	-0.6	-1.0	5.4	0.0	-1.2
	September	0.9	0.3	-0.2	2.0	0.4	-0.5	5.0	-1.3	-0.9	4.4	-0.5	-1.2
All Retail Warehouses	October	1.1	0.6	0.0	2.9	1.3	-0.1	6.3	-0.1	0.4	6.6	1.2	0.1
	September	1.1	0.5	0.0	2.4	0.8	0.0	5.3	-1.0	0.4	5.5	0.6	0.2
All Shopping Centres	October	0.6	0.1	0.0	2.0	0.5	0.2	5.8	-0.2	-0.2	5.8	0.7	-0.2
	September	0.7	0.2	0.2	1.9	0.4	0.3	5.2	-0.8	-1.2	5.1	0.6	-0.2
All Offices	October	1.2	0.6	0.0	4.3	2.7	0.7	10.8	4.5	1.9	9.2	3.8	1.3
	September	1.6	1.1	0.4	4.4	2.9	0.7	10.4	4.1	2.1	7.9	3.2	1.2
Central London Offices	October	1.1	0.7	0.1	4.1	3.0	1.3	13.5	8.8	4.4	10.6	6.7	3.3
	September	1.5	1.2	0.8	4.7	3.6	1.3	13.7	9.0	4.8	9.4	6.0	3.2
City Offices	October	1.0	0.6	0.1	4.0	2.7	2.3	9.6	4.6	4.1	7.7	3.5	4.4
	September	1.6	1.1	1.5	3.9	2.6	2.3	9.3	4.4	4.2	6.6	3.0	4.3
West End Offices	October	0.9	0.6	0.0	3.9	2.9	1.0	15.2	10.7	5.3	11.6	7.9	3.3
	September	1.6	1.3	0.6	4.8	3.8	1.0	16.0	11.5	6.0	10.6	7.4	3.3
Midtown Offices	October	1.3	1.0	-0.2	4.4	3.4	0.2	12.8	7.9	2.5	10.2	6.3	1.5
	September	1.2	0.9	0.0	4.7	3.7	0.4	11.7	6.8	2.6	8.8	5.3	1.7
Outer London/M25 Offices	October	1.5	0.8	0.1	5.4	3.4	0.2	11.0	2.5	0.0	11.4	4.1	0.2
	September	2.3	1.6	0.0	5.3	3.2	0.0	9.4	1.0	-0.3	9.8	3.2	0.1
Rest of UK Offices	October	1.1	0.4	-0.1	3.4	1.2	0.3	2.5	-5.8	-1.0	4.1	-3.1	-0.7
	September	0.9	0.2	0.3	2.9	0.7	0.4	0.8	-7.2	-1.2	2.9	-3.5	-0.7
All Industrials	October	1.7	1.0	0.2	4.6	2.7	0.3	10.5	2.6	0.1	9.7	3.0	0.2
	September	1.5	0.8	0.0	4.1	2.2	0.2	9.0	1.3	-0.1	7.9	2.0	0.1

TR – Total Returns, CVG – Capital Growth, ERVG – Rental Growth

## Property Investment Yields, November 2013

	Equivalent Yields % November 2013		Equivalent Yields % November 2013
Prime Shops	4.75	Leisure Centres: Prime	6.25
Good Secondary Shops	7.00	Prime Offices: West End	4.00
Secondary Shops	11.25	Prime Offices: City	4.75
Prime Shopping Centres	5.25	Prime Offices: M25 / South East	5.75
Best Secondary Shopping Centres	7.25	Prime Offices: Major Provincial	6.00
Secondary Shopping Centres	9.00	Offices: Secondary	13.00
Retail Warehouse: Prime – restricted user	6.00	Prime Distribution Unit	5.75
Retail Parks: Prime – open user	5.00	Prime Industrial Estate (Greater London)	5.75
Retail Parks: Prime – restricted user	6.00	Prime Industrial Estate (Ex Greater London)	6.50
Retail Parks: Secondary	7.50	Secondary Industrial Estates (20 years old)	12.25

Note: Prime yields refer to an equivalent yield for a prime (well specified, well located and rack rented) property let to a financially strong tenant on a lease with a minimum of 15 years unexpired.

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CBRE's Monthly Index is based on regular fund valuations carried out for clients by CBRE. It compares the changes month to month on standing investments across the UK. Within each segment monitored the percentage change in ERV or capital value reported is the change in the aggregate for that metric of all the properties included in the index for that month.

The sample changes slightly from month to month depending on acquisitions, sales and capital expenditure (properties where there has been significant cap-ex are excluded for the month where that expenditure takes place to ensure that changes recorded relate only to changes in the market.

At the moment around 1,600 properties are included in the index each month, with a total capital value of around £17 billion.

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