

PEACH : Modelling Regeneration Options

Highbury Group 25th March 2019

Regeneration Aims

- Community led regeneration
- Comprehensive improvement of housing stock, the environment, and community facilities
- Demolish existing units and re-house all residents that want to stay but with careful phasing
- Increase number of housing units from 560 to 2216
- Achieve more social housing than LBN plans for Custom House (only 10% social housing – 233 units) i.e. at least 400 social housing units in the final mix
- Hold land in LBN Housing company and/or CLT

Assessment Assumptions and Methodology

- The dedicated spreadsheet model uses developed by Pete Redman with data and comparisons drawn from:
 - - London building costs
 - - London and local rent levels
 - - London and local market values for new housing
 - - Costs of replacing existing health services, and shops and building commercial floorspace
 - - Dwelling size and percentage of family housing as set down on LB Newham policy documents
- Macro-economic assumptions e.g. inflation and financing costs; and local assumptions e.g. value uplift due to Crossrail , sales inflation and impact of regeneration ; yields for non-housing uses; developer profit margins.
- The model assumes a regeneration period of 12-15 years for different Scenarios with cash flows based upon this assumption.
- A range of options tested tested; PEACH then used the model to come up with their own best option

Key Variables

- Tenure Mix and House types
- Market sales values
- Affordable housing Values
- Commercial Values 10,000 sq m
- Build Costs
- Macro economic assumptions about CPI
- House price inflation
- LA finance rate
- Cross Rail uplift
- Local Regeneration uplift
- Phasing
- Right to Buy assumption
- Buyback costs of leaseholders
- Market rents
- Regeneration contributions
- Developer profit

PEACH Best Model Option

- Social rent 40% market rent 45% 997 units
- Shared Equity/CLT 10% 222 units
- Market Housing 45% 997 units
- Total Housing Units 2216
- Office space 10,000 sq m

- *Balance £17.8m*

Reflections

- Model very sensitive to inputs but demonstrates that a scheme with 45% social rent is viable - even without affordable housing grant
- Significant amount of market housing and commercial office cross-subsidy is needed to produce 45% social rents and positive scheme value - even when land is at nil value
- Level of value uplift is crucial – Custom House Location is key to this
- **But** : The community is at the negotiating table; modelling has helped the PEACH case