The London Borough of Enfield (Meridian Water Strategic Infrastructure Works) Compulsory Purchase Order 2020 - Reference PCU/CPOP/Q5300/3258664

Proof of Evidence of Stephen Armitage

Appendix 3 – Results of Market Testing

- **(i) Meridian Three – Briefing document and response report (Gerald Eve)**
- **(ii) Meridian Four – Briefing document and response report (LSH)**
- **(iii) Cold contact notes**

Appendix 3 – Results of Market Testing

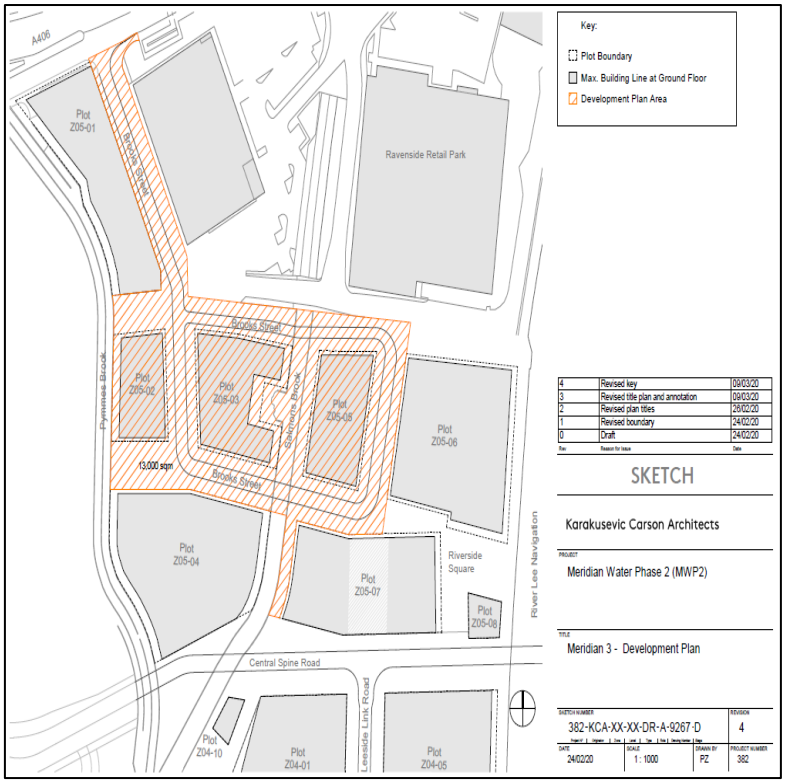
(i) Meridian Three – Briefing document and response report (Gerald Eve)

Student Accommodation and Co-Living Development Opportunity

Meridian Three at Meridian Water, London, N18

MERIDIAN THREE OPPORTUNITY

- Opportunity to purchase a **250-year leasehold interest** in a student and/or co-living development opportunity.
- Resolution to grant outline planning consent for the construction of Purpose Built Student Accommodation (PBSA) and/or Large Scale Purpose Built Shared Living (LSPBSL) of up to **18,000sqm GEA** in two buildings adjacent to Salmon's Brook.
- The outline planning permission allows the construction of a third building, which may or may not be included in the disposal, pending market feedback.
- There will be a requirement to provide **40% affordable housing**, either by way of on-site provision in the third building, or via a commuted payment (dependent on use and to be agreed with the LPA via a S106 Agreement).
- The site extends to a developable area of **2.3 acres (1.3 hectares)**.
- Proximity to green space and water frontage including the new 1.5 hectare park.
- Prominently located at the heart of Meridian Water, a significant mixed-use regeneration site comprising 210 acres of land in Upper Edmonton.
- Meridian Water is supported by the Government and has secured £156m of government Housing Infrastructure Funding (HIF) for new roads, bridges, parks and improved rail frequencies.
- Construction of Meridian Three can start after the completion of the HIF infrastructure works (programmed to be June 2022), so PC of the building would likely be Summer 2024.
- Good transport connections: 10 minutes' walk from the new Meridian Water train station, providing services to Stratford (15 minutes) and London Liverpool Street (25 minutes), as well as local bus routes and the A406 North Circular.



Site plan for Meridian Three (for indicative purposes)

MERIDIAN WATER OVERVIEW

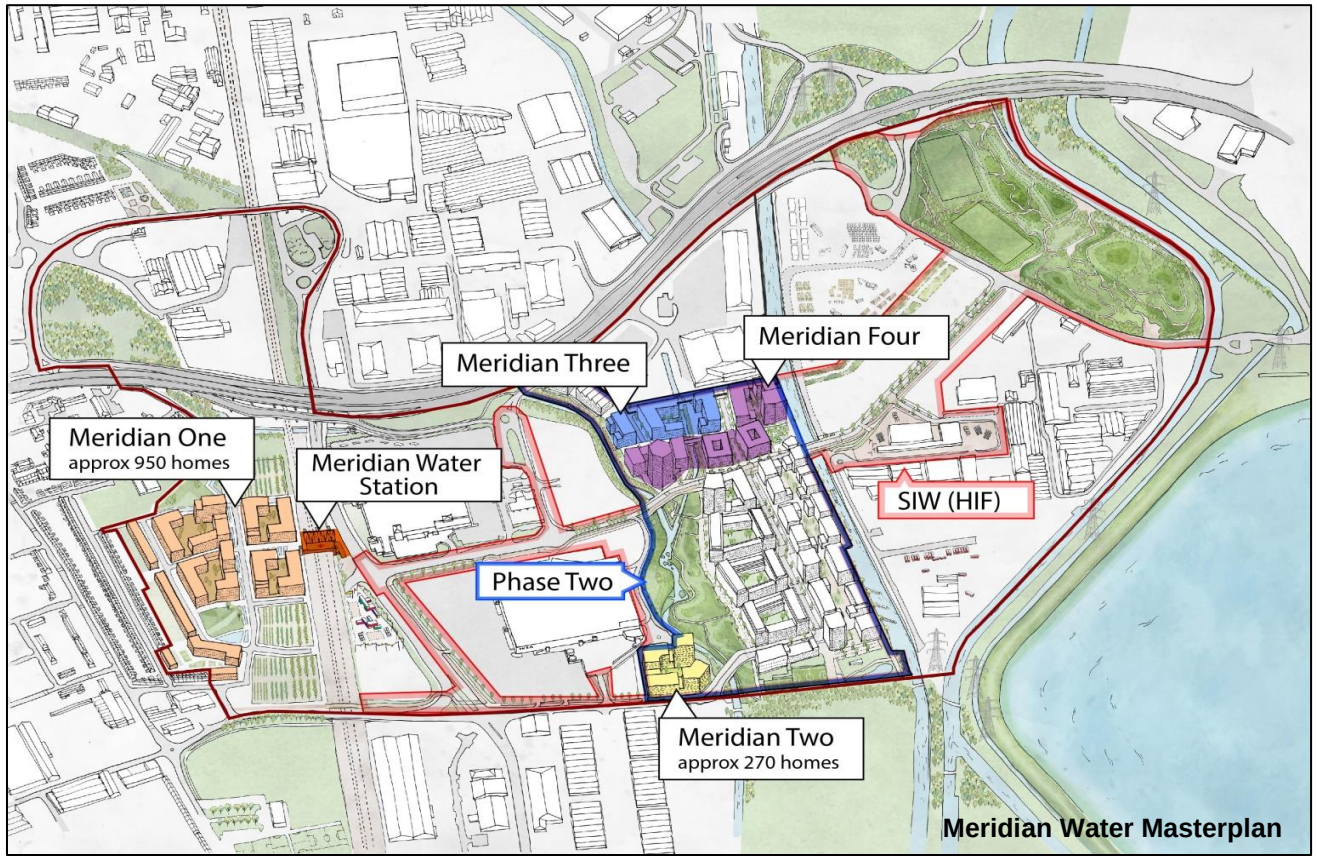
Meridian Water is a mixed-use regeneration scheme of national significance, comprising 210 acres (85 hectares) in Enfield, N18. The scheme is supported by the Government and is being promoted by the majority landowner, Enfield Council (the Council). The Council is acting as Master Developer and is focussed on regeneration for the long-term benefit of local people and future generations.

Meridian Water will deliver all the elements of a successful new neighbourhood including homes, jobs, schools, health facilities, connection into the Meridian Water Heat Network (MWHN), and new significant open spaces. The Council is determined to create a new district with a real sense of place which will be a destination for living, working, leisure and entertainment.

The Council is committed to providing a diverse quality of residential uses including student and/or co-living accommodation with place-making at the heart of the overall scheme.

The Council has invested significant resources already to achieving these aspirations, particularly in relation to land assembly, remediation and infrastructure, including the new Meridian Water train station.

Location Plan



Meridian Water Masterplan

meridian three
meridian water

KEY MILESTONES ACHIEVED TO DATE

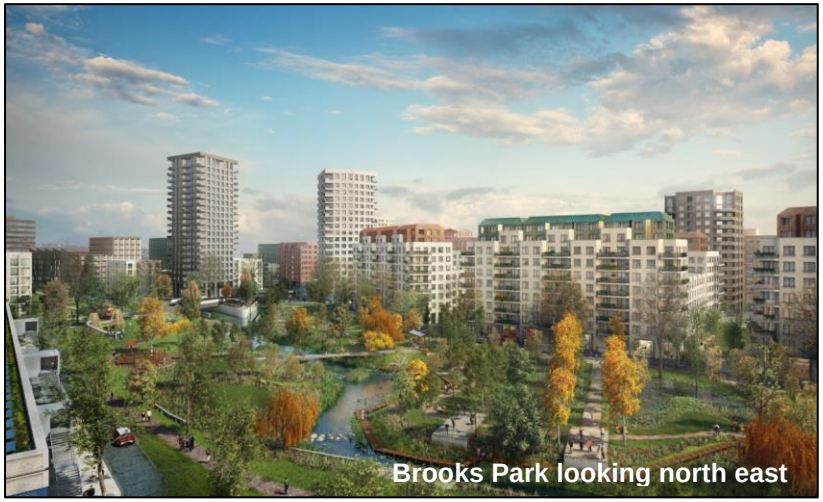
Meridian Water Station
The station opened on programme in June 2019 and is anticipated to serve up to four million rail passengers per year. The current timetable provides Greater Anglia services to Stratford and London Liverpool Street (via Tottenham Hale) in 15 and 25 minutes respectively.

Meridian One
In April 2019, the Council selected Vistry Partnerships (formerly Galliford Try) as the development partner for the first phase of Meridian Water. It will comprise c.950 homes, of which 50% will be affordable housing, new public squares, and retail and leisure facilities next to the Meridian Water train station. Enabling works commenced in January 2017 and first home completions are expected to be delivered by 2022.

Phase Two Planning Permission
A resolution to grant outline planning permission (Ref: 19/02718/RE3) has been obtained for the redevelopment of Phase 2, comprising a residential led mixed-use development of up to 2,300 homes, of which a minimum of 40% will be allocated for affordable housing and a range of business, retail and social infrastructure uses.

Meridian Two
The Council is in the advanced stages of procuring a development partner for Meridian Two, which comprises approximately 250 affordable homes and 3,000 sq m of ground floor commercial workspace.

Housing Infrastructure Funding (HIF) & Strategic Infrastructure Works (SIW)
The Council is the first London borough to be awarded HIF funding of £156m to deliver necessary infrastructure works to facilitate the delivery of Meridian Water. Works include site remediation, earthworks, utilities, flood alleviation, major parks, a primary road network and increased train frequency at the Meridian Water station.


Brooks Park looking north east


Meridian Works and River Lee Navigation looking north

meridian three
meridian water

PROPOSAL

LB Enfield own the freehold interest of the site and proposes to dispose of a long leasehold interest by way of informal tender. The most likely structure will be as follows (representations are welcome during soft market testing to optimise the disposal structure):

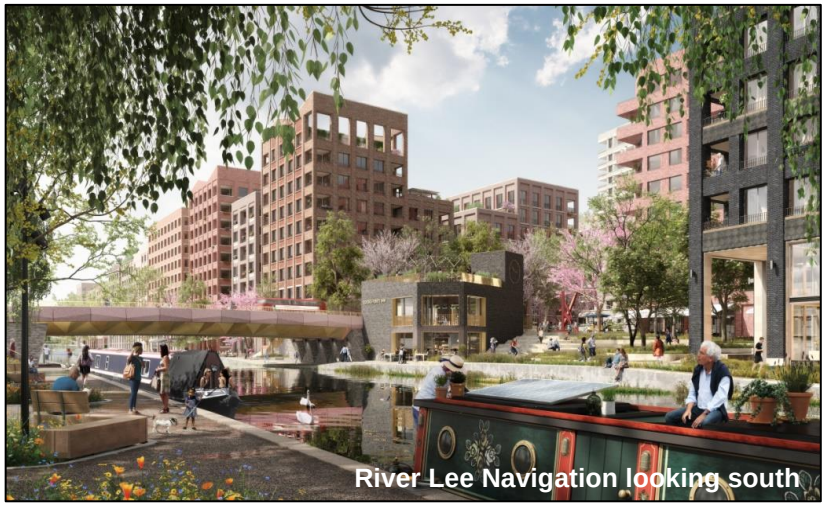
1. Agreement for Lease granted on satisfactions of conditions precedent;
2. Building Lease for a term of 21 years;
3. Lease for a term of 250 years at peppercorn rent.

Financial offers will likely be invited on the basis of a phased payment profile: part on commencement of the building lease, part after 12 months, and part on practical completion of the building works.


River Lee Navigation looking west

FURTHER INFORMATION

Background information is available at www.meridianwater.co.uk. We will be pleased to informally discuss the Meridian Three opportunity with you on a confidential basis.


River Lee Navigation looking south

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GERALDEVE

June 2020

Meridian Water: M3

PBSA 5MT Target Developers

Ref	Company	Date Call	Appetite for M3	General Comments	Location	Timing and Appetite/Acquiring Activity	OPP Building GEA	Room Numbers / Size / Amenity	Hybrid student/co-living?	Nominations / University Partnership	On-site C3 (AH)	Proposed Deal Structure and Funding	Sustainability	OPEX	Rents
1	**Host Student Housing Ltd / Tiger Developments**	06.07.20		Would be interested in pursuing a Co-Living / PBSA hybrid scheme however needs to do more DD on this. Would like to remain in the process and be informed of the Council's next steps	Wait until unis know where they are at. 2021 may be better Need to do DD on location for a PBSA perspective. 30 min door to door is key. Planning requirements for partnership/nominations. Need to do market testing with universities - ucl moving to Stratford. University of arts going to Stratford. Parties we would speak to. The anchor in terms of certainty around a % of the beds. Partner with uni recommend exploring option to create entrepreneurial hubs out there. uni floorspace there too?	PBSA is their bread and butter but are also doing co living e.g. west London co living planning application as well as in Guildford. They have a student scheme in Stratford. Manage PBSA schemes themselves in London. Covid - medium to long term is good for PBSA and co living. Forthcoming student/uni year a car crash - massive reduction in international students. UK students also deferring. Online vs face to face teaching. No one will know the situation until the beginning of year (Sep/Oct). Some investors/developers are pausing for breath for some taking the opportunity for covid discounting (land values). Recent deals with far eastern money due to the weaker pound - good value to be had in PBSA. Host are trying to unearth opportunities. London a priority and other key markets. M3 - Biggest challenge is micro location. Would want a site visit. Not dismissive of location but it is not obvious for pbsa. Location has good fundamentals. Understanding as and when everything else will happen is key . Funders still want to put money in. key is to get comfortable around the use.	Suitable for pBSA or Co-Living. In broad terms 1000 pbsa beds or 500 each. High level (Host hasn't run numbers yet)	cluster flat model - esp if partnering with uni . 13sqmof 6-10. less studios. For co-l more studies. 18-27 sqm. Communal provision. 1.5-2sqm per bed for PBSA amenity. Co-living 2-3sqm per bed. Metric driven by location and price point. Ensure above norm for co-l in Host schemes.	Yes would definitely explore this option but not in same building envelope	Parentship key and London Plan requirement	Would partner with an RP if required. Not something they have done before Would prioritise PIL for Co-Living. Problem with including DMR on site is that it affects community of building (some paying more than others). Co-living easier to manage as tenancy is different.	Long lease at a peppercorn is fine. Interim period - need details. Not ideal but could do it. Providing doesn't restrict assignment of funding etc it could be ok. Moving debt between providers could be tricky. Moving parts. Cleaner to have a long lease.	A moving feast. Building regs and breaam as examples . Do try to have sustainable management plans beyond the build and engagement of students / tenants. On our agenda. Moves up the agenda as quick as it needs to be. Scheme specific. Ensure not just the build but how it wl be sustainable in way it is used in the long term. Developing and managing sustainable buildings and meets requirements. No impact on rent or yield	Depends on location/amenity. No distinct metric.	
2	**McLaren Property Limited**	29.06.20		Definitely of interested and would consider a Co-Living / PBSA hybrid scheme (New arm of business Mclaren Living - focused on co-living / PRS)	Ok with location. Location reflective of price. No problem going to Enfield. £35k per bed on land value.	Wait until September to decide on timing. At this point will know occupancy levels. McLaren are cracking on [with acquisitions] regardless of Covid. Their research shows that student numbers set to increase 2020-21. Lots of students staying in purpose built for much longer .Demand from investors - some investors looking to put more money in. as long as occupancy higher rental growth ok.	c 600 beds in a building of this size for PBSA	Student: mix 80% clusters 20% studio. Mix of studios / demand is going up a bit due to Covid. Expect an allowance for each room off the GIA of circa 30sqm/student bed (inclusive of all common spaces). This is how we are getting to our c.600 beds for 195,000sqft. Co-L : 35 - 40 sqm	Yes - would definitely consider a hybrid and will be looking into this. Quite a good angle to do both. 400 student and 200 co living. Metrics of affordability work.	Yes done nominations before. Have relationships with unis. Could do stand alone but partnership with uni is key.	Yes work in partnerships with RPs	21yr lease would be fine. Re-gear enable to sell on development. Proposed phased payment profile is not the cleanest way. Ambiguity on when the payments could kick in e.g. ambiguity on golden brick. Legal drafting could get confusing. Cost of capital impacted up front. IRR better if phased payments. Up front payment simple. Removes ambiguity.	Regardless of standards/policy will aim for high sustainability standards. Funders like sustainable buildings. E.g. BREEAM. Need to know the detail of Enfield requirements. Cost per bed increases for BREEAM Excellent. Comes down to land value. Nothing to do with yield. CSR factor as well. Invisible factors. If more energy efficient may impact open. Is a way of futureproofing buildings not more expensive / yield impact.	£2,000-£2,200 per bed in London	
3	**CA Ventures Europe**	12.06.20		Would want to participate in informal tender but does require more info particularly on sustainability requirements and 21 year building lease/licence.	This wouldn't be a "slam dunk location" for CAV. They have looked at schemes in Tottenham Hale, Walthamstow and Hackney previously. MW is a bit removed from these locations. Metrics like transport ok.	PBSA market quite stagnant at the moment. CAV has 5 deals which they are working on and trying to get equity into. CAV buy sites to develop and operate with capital partners. Currently in the market, land vendors not revised aspirations on what they want for their sites; try and keep pricing up. Rental growth and revised debt assumptions impacting on IRR. End of year movement in construction pricing down could help. Market consensus Covid is a 1 year blip in PBSA. Issue for 2020 is occupancy. 2021 recovery likely. Closer marketing to 2021 year - student accommodation marketing period starting Oct-Nov of proceeding year. Closer to that date the better we will know what rental values will be. Whether any growth 2020-2021. Underwriting 0% growth now but 2021 onwards might recover. Go into deals now assume no growth will drag on returns.	CAV simple metric - GIA c 3% less than GEA. So for M3 c 189,000 GIA. M3 is larger end of schemes normally look at - c600 beds. Are looking at some larger ones currently. CAV are on site with ones over 400. 250 beds minimum as metric/open efficiencies. 500-600 beds comfortable level. Amenity space - CAV provide quite large amount. approx. 1.5 sqm per bed of internal amenity. This scale of building c1.2 sqft. Typical amenity for CAV includes communal reception area, coffee bar, breakfast bar, super high end, smart fit outs, gym, separated working pods. Launching CAV brand next week. depends on overall product offering. Punchy rents have to provide appropriate amenity. Even mid range product has amenity. Compete on cheap pricing. Wellness and mental health of students.	CAV Metric is 30sqm per bed - equates to c.585 beds. This size of scheme would provide c20% studios.	Yes	CAV has not done a scheme in London before. In a London scheme, 51% units to be affordable. Not many unis looking for nominations agreements. Underwriting - 35% of all units AH student. 51% nominations rent. 49% full private value. Nominations only cover 51% - could be a lease but want remainder to be private. value enhancement by nominations is less value enhancement than rent on premium rents.	No - management and ownership issues	21 year building lease is restrictive. 250 year long lease industry standard and ok with this. Funding difficult on basis of 21yr Building licence as restrictive Phased payment profile fine but preference to delay up front land payments as this makes the scheme easier to stack up without shifting payment down.	CAV undertake schemes with BREAAM very good or excellent anyway. Target high levels of sustainability. Global head of ESG - disseminate info across all business sectors to create most sustainable schemes. Plastic cups etc through to photovoltaic panels. Sustainability very much on their agenda. Would need to understand what they are being asked for in terms of sustainability before bidding on M3. Student is at most premium pricing ever been. all schemes very good (sustainability) anyway. Can't see marginal differences (in sustainability) would make a big change on yields. Can't see impact particularly for CAV rental product anyway on rents. Futureproof buildings important for investment but sustainability is expected / a norm now. Investors are hot on EDG requirements.		
4	**Osborne**	17.06.20		Opportunity that Osborne would look at but cautiously. Would want to share risk through partnership with unis or LBE.	Location is the risk here. Not an established university location. Should explore universities that would support accommodation in the location - for example, through underwriting of demand /ensure that the location is on the radar of students. Need a seal of approval from universities. Any potential demand for academic space itself would be a seal of approval and help promote the location as a student area. e.g. satellite spaces such as library/labs etc. Space in central London is at a premium. Not an established location for student - would be a pioneer scheme. No nearby campus. No PBSA in the area. Would need to persuade students to live here. A 15-20 min walk to campus is acceptable. London students travel further. This location is on the margins of what is acceptable . Would need to attract by being affordable as compensation for less ideal area.	September launch is potentially early. Need full occupancy picture known. However student market wont be hit as much as everyone thinks. Students still want the experience of going to seminars and socialising etc. Some students might defer especially international students. By oct/nob will have more vision on student numbers. Lead in time for start on site/PoC shouldn't be impacted by Covid.	Ok - allows for c500-600 beds. Operationally 200-250 is a good number. Osborne sites range from c 200 -1,000 beds so this scheme size is fine.	Type of units is very market driven, tendency to deliver high studios as generate high rent and thus high cap value. Tend to have a mix. 10% studios not unusual. 500-600 beds.		Partnership with university would be required to de risk too. Osborne has good relationship with a number of unis.		Exit - have to have a product that is fundable. Ordinarily take freehold interest as long as fundable. Wouldn't be interested in building lease for 21 years.				All inclusive rents.
5	**Watkins Jones**	17.06.20		Interested in this site and would like to be contacted when it is launched. WJ would also be interested in the BTR element.	Encouraged by the regen in the area, that taking place and planned. They would like to be a part of it. They developed a scheme in Blackhorse Road, which is a similar location although better transport. Everyone now piling in to BR in Blackhorse Road. It will be a hard year for student; fortunately have nothing reaching PC this year.	They have appetite and are bidding for sites currently. They are a very experienced student developer, and developer 3,000-4,000 beds a year. They would seek support from universities, which may be greater in Spring - hard to say. Funding would not be an issue, regardless of timing.	Appropriate GEA. Would not want to go bigger. Would phase delivery due to number of units. They estimate 600-700 beds in this size building, say 650. Communal facilities would reflect price point.	25% studios, 75% clusters. If co-living, % of studios would be higher.	Yes. They are moving towards more flexible schemes i.e. can be one or the other.	A lease to a Uni is 'the dream' but yes, would seek nominations agreement. Would contact UoL directly, who they know well.	Yes - would partner with RP.	No. The Building Lease would have to fall away when they are on-site as that's when their funding would kick in; there would be a challenge getting forward funding, especially as it is not a slam dunk location. Forward funders would not want this structure or for the Council to have step-in rights. Ideally, would be 999 year lease. 250 year lease is the minimum that would be acceptable. Ideally they would secure the site, deliver, and sell the investment. Investors may raise eyebrows with 250 years - would want 999 years.	Taking sustainability very seriously and university clients are too. Have heard anecdotally that investors are paying more for more sustainable buildings. The direction of travel is to exceed standards.		Hard to say and has not investigated. Maybe £200-230 pw for studios, and less than £200 for clusters. Has not undertaken any investigations though. Rents would be all inclusive. Would the lower rents be too close to affordable rents?
6	**iQ Student Accommodation** *In Co Living List too*	29.06.20		Need to sound out relationships / interest with universities. Travel times and distances likely an issue. Is there potential for a uni campus / floorspace on site? This would help establish the location. If LBE can adjust affordable rent cap, IQ would look at it.	Transport an issue - lack of Tube not ideal. Enfield need to be realistic - need for partnership with university to help establish demand for this location. Rents need to reflect a discount to rents in other PBSA outer locations such as Wembley.	Covid not impacting IQ appetite and IQ actively looking for new sites/opportunities. Not many co living developments. Restricted just co-living or PBSA? What about bar or other products? Ability to react to market conditions flex is key for tenure and design.	Appropriate. Equates to c 600 beds	600 beds equating to c 320sq ft per bed. Include c 2sqm per bed of amenity. Amenity impacts build rate - don't get much extra value		Essential	N/A	Proposed long lease length fine but geared ground lease wont get traction. Risk if occupancy drops . LLH title is fine - service charge ok. Any ground rent needs to be peppercorn or fixed income at a low level.	Sustainability driving down operating costs in efficiencies. Commit to zero carbon build. Only buy renewable services.	£2,500 per bed to operate in London.	Starting under £200 studio bed pw. Carrot is to offer up scheme without any affordable units.. Enable room rate £ to go down. IQ could help if they were to do this. Should tie in with a university on the railway line. Need nominations so students have guaranteed accommodation.
7	**Linkcity (Uliving)**	24.06.20		This is of interest albeit they would like to know details of timing of other phases and the demand study. Tom had good knowledge of the site. LinkCity has previously engaged with LBE on the design code for MW. Tom said they would be keen to advise on future design evolvement where appropriate.	Yes, albeit a demand study (and speaking to Universities) is key. Gut feeling less. Although it is close to Stratford. Affordability better Stratford. Nominations not needed if demonstrate sufficient demand. Good transport links. Area has Potential but need to study the market. Which unis would locate here? Student numbers? PRS / co living / bar yes - but not prime resi location. Plenty of regeneration schemes become desirable locations. Enfield doing the right thing. Perception important for purchasers/tenants. Important things to get over - e.g. the approach to the site, what is the wider landscaping / public realm plans. The box retail units there. Useful to have clarity on their future and wider plans. The access from N / N circular? Ikea and Tesco discussions - what is happening? Interesting location for co-living.	Covid - everything is in flux at the moment. Full effects of Covid not yet known, but the fundamentals of the student sector are still strong. Demand not effected by Covid. Enfield not prime. Range of offers need to respond to. Links to Stratford as a location. More budget offer. Pared back offering. Not many co living developments. Restricted just co-living or PBSA? What about bar or other products? Ability to react to market conditions flex is key for tenure and design.	Upper end. Floorspace of any on-site affordable, would that be deducted from the 18,000 sqm?				Demand analysis is important for PBSA. Has Enfield done these? Nominations agreement would be preferable due to location. If universities have expressed interest, this would give comfort. Would seek 60% units to be let via nominations agreement ideally.	Happy to Partner with an RP if required.	Building lease is problematic for funding and institutions would not be comfortable with too short a building lease; want stronger security. Trade off between OJEU and informal tender. What is the control of council - are successful bidders obliged to build out a certain scheme?	Would seek to push sustainability as much as possible. They seek superior quality buildings as then life-cycle is longer. Does not consider it affects rents or yields.	Would target £2,000 / unit/ pa which is average on other schemes. Would aim for 90% in year 1, and 97% when stabilised.	Say £200 pw for clusters. Rents are all inclusive.
8	**Campbell Property UK Ltd**	06.07.20		Would be interested however only if it was off-market. Said they would struggle to get investors onboard if it was competitive. Would also want a lease or noms agreement ideally. Co-living value underpins student, as it is not a tested location.	Not the best location/un-tested for student. Would be 'breaking new ground' for student.	Market unaffected although debt more expensive and harder to get. They bought £250m portfolio last week but was off-market and at a discount. Their appetite seems to be for off-market opportunities.	500-700 beds in clusters which is a big range and depends on communal space.	500-700 units.	Yes would consider hybrid if was in separate blocks with separate reception and communal. Design considerations.	Essential. Would not do direct lets in this location.	Yes. Would deliver and manage affordable units. In principle, happy with on-site.	Never seen this structure before so not sure if it would work or not. Funds always want freeholds and leaseholds will put off foreign investors.	Would seek to meet BREAMM Excellent standards (depending on ROI business case) but wouldn't expect yield shift.	Targets 70% occ in Year 1 and 97% stabilised, and 51 weeks. Estimates running costs at £1,850 / bed.	
9	**Nido Student**	01/07/2020		Interested in site and would want to do further due diligence on either Co-Living or Student proposal. Less nervous about lack of uni partner as have done schemes without before however the location is not a 'first choice' location. Requires further due diligence.	Sector looking to September and October to see Covid impact on student market . Perception there will be a hit to occupancy for 2020-21 academic year due to covid. International students may not be able to travel or be reluctant to. Wouldn't recommend sept/October launch date. Things bought to market likely distressed or single asset owners. Investors and institutions are looking for distressed assets. Perception might be construed as the site being distressed. For timings for marketing it is important to work back from design and planning, construction etc processes and time these will take - have in mind September opening date for Universities and have to be able to open summer before an intake Yes Nido have appetite, London is a strong market. More students go to uni in recession. looking for strong locations with strong connections. land values high in z1 and z2. Walthamstow and Wembley sites opening this year. Wembley doing extremely well - location. tube and amenity. word Wembley is known. Walthamstow scheme, fairly similar to M3 - overground station and more easy commute. appetite for more schemes	Difficult question ("which tells a story!") Not jumping at the bit. Need to consider and look at in more detail. Not 1st choice . PBSA could work- benefit of new station and new amenity in wider masterplan. Needs to be priced accordingly. Need to look at land value per bed in proportion to where build costs would be. £200 per week magic number. if this could be £200pw - is it viable depending on land cost. Need to look at private sector rental market in this location for 1 bed/2beds and see how it compares. Co-living - Nido has a co living brand. Stumbling blocks is planning / London Plan and understanding this use as not an established market. smaller rooms but onsite communal.	yes - allows critical mass. 300 beds plus. Less than 300 units becomes inefficient to operate.	PBSA - tend to work 25-30 sqm per room inc circulation space Scheme size equates to 600 studios/en-suite (shared kitchen) - 18,000 sqm. rule of thumb - 30sqm per room studio.ensiute corridor /staircwells and allocation of 2sqm per unit for communal space. Amenity floorspace - laundry pre requisite, study spaces, gym,. mental wellbeing high on agenda. mix of informal study areas. open plan communal spaces. Spaces are segregated by design but not formal room. Coffee bars. Private dining rooms (bookable). cooking classes etc. karaoke rooms. Co-living - need to research whether studios or ensuites is what market wants. Mix studios or ensuites. More about what location and demand is . Further out of centre - may need more studios than ensuites. Similar spaces to student for amenity. Spaces for drinks/events maybe slightly more space than student. coffee shop. slightly more than 2sqm. Dining areas - community spaces. gym also important. restaurant. independent gyms. don't see benefit of brand gyms.	could have both. Uses would need to be in two separate buildings then common areas have to be separated . Less than 300 beds is not ideal	Nominations and partnerships - insist on rent below market rent so need to factor into viability of scheme. Set off by lower yield applied to that portion of income. May be more onerous operating requirements which would increase operating costs. Noms/Partnerships Can be helpful in first years of operation of a scheme - majority of customers come from referrals. Helps establish building from year 1. Noms in first years that gets building on the map. Nido have some schemes with and without .Not a prerequisite . Banks and investors happy on a direct let model.	in Nido's Wembley scheme there was a commuted payment got rid of units at affordable rent. At their other scheme had. 4% of rooms at aff rent. Means testing of students for those rooms. 600 units at c40% affordable would be a significant number. Look to university to take them. More compelling chat with Uni. Lease or noms to uni may be able to value building on lower yield. accounting system in unis - nooms on balance sheet had impact on finances puts some unis off. On site AH - would be ok leasing directly but need to agree with LBE what the process would be - how means tested. Referral arrangement with RP? Easiest way to be commuted sum	Makes sense but don't want to be reliant on LBE for anything in order to complete it. No ground rent. 999 year would be better from point of acquisition without build lease. Not much difference between 250 and 999 yr lease. 21 year lease could be an issue for funding. Probably a better way of doing it	tough call with us at moment. Aim for BREEAM Excellence - requirement to be in line with building regs. Try and push for excellence. Sustainability building in use - e.g. water fountains etc. more sustainable than having water recycling systems etc. subjective topic. London plan air source heat pumps etc. probs with building over heating. helps with word of mouth and referrals. doesn't help letting of building. internet etc more important. next gen are more in tune with environment and recycling etc. but way building operates more imp. ESG a big thing at the moment. investors have stricter ESG policies. investment criteria. could be narrowing investment value without. too early to say whether more valuable buildings if BREEAM excellence etc. not much difference. energy sensors, light sensors - soft sustainability helps well being.		
10	**Urbanest**	12.06.20		Not for them due to location. Timing poor. He said it might appeal to those desperate to get into the London market; barriers to entry are usually high.	Too far out - he queried accessibility but not familiar with the location. Foreign students want the cache of a central London address. This location would not appeal to them; rents would have to be discounted to attract students. Build costs are increasing; it wouldn't stack up in this location and they'd struggle to get investors. Affordable @ 35% kills it.	Bad timing [September launch] This [Covid] is a short term blip and the fundamentals of the sector remain strong. It will recover in the longer term. A Spring 2021 date would be better as by then operators will know what rents they will have received. Values are not moving yields or values to reflect Covid, but it is likely will reflect the rents lost in the year end valuation. London universities will be more robust. Urbanest would not look at a scheme in September - too early as effects of Covid will not be known then.	Based on 585 beds @ 30 sq m each, this scheme is an appropriate size.	30 sq m per bed. No ratio for communal space. Clusters flats - they make an allowance of 4 sq m per person for the shared kitchen.		Would struggle to direct let this number of beds. Would need lease or nominations for it to be viable.	Not of interest	Too complex		Costs are £2,300-£2,500 per bed per annum. Does not have a ratio. He said he wouldn't expect co-living to be too dissimilar but admitted he has no experience in co-living and doesn't know the model.	All inclusive.
11	**Scape** *In Co Living List too*	23.06.20		Wrong location for Student. They target locations next to universities or tube stations. This is too far out for student, and prefer more centrally located for co-living. Young professionals want to live closer to Central London.	Not appropriate for them. Not close enough to a university or a tube station.	Actively developing student and co living in London. Appetite for well-located sites is not diminished. They are not deterred by Covid, as it is a short term blip and this would not be built for several years. This academic year won't effect buying decisions. That said, they anticipate that in 2021 pricing aspirations may have fallen. They are still looking for 'strong sites'. (This isn't a strong site in his view).	Right size. They seek sites with 300-600 beds.		Yes. They have first hybrid scheme in Guildford, in 2 blocks. 450 student + 100ish co-living. Separate reception, no shared facilities.	Scape manages their student.	Would partner with an RP if required.	"Devil is in the detail". Lenders may not like the structure, or do agree to anything which may 'trip them up' at a later date. Preference would be for a longer lease i.e. 999 years, freehold ideally. Would seek to fund via lenders and investors.	They want to deliver efficient, well built buildings which are cost efficient to run e.g. good EPC rating. They would want to score well on a sustainability matrix, and would promote this to students/residents. E.g. sourcing local materials, etc. They would work with a Council. Do not think exceeded standards would result in higher rent or sharper yield - no evidence of that. Higher sustainability standards would be reflected in pricing.	No ratio of OPEX as depends on the rents i.e. high rents would mean ratio looks great. They achieve 80% across all their schemes. Would anticipate lower in this location, and lower for co-living. Estimate co-living at 75-77%.	All inclusive. Charge for handful of extras e.g. room cleans, bedding packs. Events, parties, BBQs, talks - all included.

12	**Summix** ***In Co Living List too***	16.06.20 and 30.06.20		"Critically having looked in more detail at the location and transport situation I [Summix] would not be comfortable developing a student accommodation scheme in this area as the access to central London is pretty convoluted and I think that demand for student rooms in Stratford/east London is reasonable well catered for."	Location not suitable for a Student scheme although could be more suited to Co-Living. For PBSA affordability is key. Enfield has more affordable rents. Similar dynamics to Wembley - good connectivity, infrastructure reasonable and affordable.	Preferable for a later launch date i.e.. 2021	Suitable size.	Don't have a metric for quantum of amenity space in schemes but PBSA schemes will compete on amenity rather than price. Emphasis on mental health from LPAs and Universities - importance of spaces such as shared kitchens, gyms etc LPAs and unis putting pressure on mental health and quality of living spaces. Branded gyms open for public space. Students have a lot of choice so need to provide the right spaces. compete on amenity, Co living lounge and cinema space. Bookable breakout areas. Kitchens for dinner parties. Flexible spaces. No particular metric of amenity floorspace per user.	Yes and have done hybrid schemes before e.g. Bristol	Partnership with a university essential and London Plan requirement		Yes we have done this before.(e.g. scheme in Ireland) where there was a building lease with Irish Network Rail for 7 years and ability to roll on and at PC converts to 999 year lease. This structure works well with our capital. Depends on detail of initial building lease. Ground rent not a concern.,		OPEX - don't have operating company, work with management companies or work with partners. Headline % of income. Staffing, utilities etc.	Affordable location - c £200 pw
13	**Unite**	18.06.20		Have appetite but have reviewed Meridian W before and doesn't fit with their requirements. Location doesn't work for them - not established site and not an obvious university close by. Target more central London sites	No. some universities do own development e.g. Imperial. Reputational side of equation. Unite keep close relationships with Unis. Unis like confidence that the eventual owner will run site. Could put reputation at risk - putting students with operators they don't know. Unite had a chat to LBE (Sophie E) in Jan this year, saying location wasn't suitable - need closer to central London.	Unite perspective, September would be fine. Unite is actively looking for sites, targeting central London. Prefer closer to tubes. Seeing a lot Whitechapel/Southwark/.Lambeth/Canary W and Stratford. Do favour tubes. More central sites appeal. / areas like Nine Elms. Need university to get planning in line with LP - nominations. looking at being a bit more flexible on strategy. Funding tricky if in s106 need a uni agreement that don't have willing to sign on line. Unite would take risk due to capital and back relationships with unis. Office and resi market less competitive - move towards central for pbsa. regularly compare pbsa land v to resi.	Lower end of size range but ok. Within Unite's size criteria of Buildable development of >80,000 sq ft GIA up to 400,000 sq ft GIA.	Target room sizes of 27-28m bed gross. Prefer new builds.				Unite don't require any conditionality on funding. Well capitalised. Selling portfolio c £300m looking to reinvest easily re-gear. Funding tricky if in obligation in s106 - need a uni agreement that have willing to sign on line. Unite would take risk due to capital and back relationships with unis. Office and resi market less competitive - move towards central for pbsa.			
14	**The Stay Club / Hallmark** ***In Co Living List too***	No Engagement													
15	**Southern Grove** ***In Co Living List too***	No Engagement													

Meridian Water: M3

Co-living STM Target Developers

Ref	Company	Date of Call	Appetite for M3	General Comments	Location	Timing and Appetite	OPP Building GEA	Room Numbers / Size and Amenity	Hybrid student/co-living?	Partner with Operator	On-site C3 (AH)	Proposed Deal Structure and Funding	Sustainability	OPEX	Rents
1	**Greystar**	30.06.20		Would like to explore opportunity for Co-Living at M3. Need to understand to what extent LBE would have design control if selected party. Keen to get into regeneration zones such as M3. Greystar are long term holders of asset. Will price benefit of regeneration into cash flow LT. Placemaking narrative - advantage of Co-Living - construct as quick as possible and can occupy quicker. Brings people into wider area.	M3 is an interesting opportunity. Greystar are at the start of co-living journey. Want to explore opportunity on site. Greystar are very strong on PBSA (Zones 1 and 2). Student team looked but not as compelling as Z1 and 2 locations. Co-L - take into consideration regulation for London (policy). Not extremely well defined guidance yet. Some boroughs more supportive than others and some gal referable. defining unit typologies globally. Offer within units and part of rental bill - amenity spaces and what's provided and how run and programmed. defining as go along across geographies. sensitive to local market guidance. some are more restrictive than others. Designing a different product to Collective.	Unaffected by Covid. Buoyant market particularly for BTR and multi family.	feels sensible, but could go bigger. Smaller end of scale for investors.	Starting at 22sqm up to 30+sqm. Unit mix likely to be not exclusively micro studios. Would want to diversify the mix - not just micros .would do research on target customer. Amenity depends on scale of project. Approx. 3-7sqm depending on project. Defining different areas and usages - taking lead from co-working operators. Health /wellbeing/leisure. Providers for interesting concepts. Activated community important. Scale is important - no fewer than 250-300 co living units. prioritisation of affordability. policy makers- cultural journey with co-l at borough and GLA level. Can be very anti co-l. Wont go down C1 route with Co-Living. Operational plan on long stay basis. Wouldn't underwrite nightly stays.	No - focus on co-living and multi family. Student creates confusion for investor perspective and could drop level of return on capital.	Run management themselves. Key opp. Good at it just need to find the right assets.	as much private units as possible but can deal with people on site / separate block. Well defined guidance needed. [From LBE on AH expectations]. AH will want more conventional accommodation generally - AH co-living product would be a good option to mix in a co-l building. But cant see appetite from policy makers. separate core or building preferred. e.g. Collective consent (Old Oak) from PBSA to Co-living did provide 25% of units at DMR (20% discount). More guidance required. PIL would be most straight forward.	If it works already we would need to get ourselves comfortable. Debt - need cheapest possible so deal structure needs to be vanilla e.g. FH or LLH from start. If want best price keep it simple. Understand part of masterplan and under obligations but need to keep debt simple. Traditional ownership of land day 1. Include step in rights etc. Would be more preferable structure. Greystar not very experimental in deal structure due to Debt. Upfront land payments and deferred receipts. Geared / ground rents - income strips coming out makes schemes not viable.	Tend to exceed sustainability standards - Greystar are long term operators and LT interest in the schemes. See themselves at forefront of sustainability - e.g. construction methods, saving on C02. Creates a better product Not well tested in terms of impact on yield - need sustainability to futureproof buildings. Have to be sustainable. Will result in higher build costs.	OPEX varies - BTR have a formula. Not yet good benchmark in market for co-living. Have to include council tax. Policy isn't defined yet for Co-L. Over 300 units c 30% operating margin before council tax.	Rents are all inclusive
2	**HUB**	29.06.20		Interested but concerns regarding timings of wider masterplan including completion of infrastructure. Need assurance regarding start on site timings and completion of other parts of masterplan. HUB would be interested in the BTR element	Yes – The Meridian Waters masterplan is a fantastic opportunity to develop housing in North London. HUB would wish to undertake a significant amount of due diligence and market research. A key question that we would seek to resolve is the quantum of co-living or student that could be catered for in this location. We are also keen to ensure that the rest of the masterplan is delivered in the neighbouring plots to ensure that the community aspects of this location are enhanced. We would need to find out whether Enfield would require a nominations agreement from a university if student use-class were pursued	HUB remain positive about the potential for co-living and student housing developments despite the impact of CV-19. HUB continues to seek suitable sites for development of all housing tenures, the current pressures on housing supply throughout the UK and especially London mean that we are keen to secure sites as quickly as possible. HUB believe rental homes of all tenure types will be robust during any downturn in the market as a result of CV-19.	Ultimately this would be determined by our market research, however on first review this seems like a suitable scale development for HUB.	Our initial calculations suggest that circa 380-400 co-living units may be achievable although this depends on the quantum of amenity provided. The quality of communal amenity is critical to our vision of co-living being successful. Due to the quantum of development this scheme would be subject to GLA referral and we are very aware of the detailed design questions that they would have for us during the design and planning stages In line with GLA guidance for Co-living we would seek to be circa 24-25sqm. Student bedrooms may be smaller depending on the split between studio and cluster room typologies	Yes in principle.	HUB is currently considering multiple scenarios within the co-living space. One of HUB's strengths is it's ability to be flexible with it's exit strategy this allows us to find the best and most appropriate solution for each site. HUB also have in-house experience of operations and asset management through it's sister company Squarestone.	HUB would always prefer to deliver on-site affordable housing.	This adds a significant layer of complexity as it makes the funding process harder with institutions. Our preference would be to assign the 250year lease upon the funding agreement. HUB would welcome the opportunity to propose alternative financial offer solutions.	HUB always aim to have sustainability as high of the design agenda as possible, we believe that this can enhance the end user experience and make the building more profitable over it's lifetime. Typically we find that sustainable initiatives may add some value although this is unlikely to be reflected within the capitalisation rate or values.		
3	**London Green**	01/07/2020		"In a nut shell however, we'd be extremely keen to look at this opportunity in more detail and welcome the opportunity to place a competitive bid for the site in due course"	we've recently purchased our first co-living site, consisting of 140 beds + amenity in Islington. It's a space we've eagerly tracked the last 2 years or so and are keen to build up a strong position within.	Absolutely. Meridian Water will become a destination location, attracting a plethora of young professionals.		,The 'sweet spot' for co-living schemes is anywhere between 150-300 units. Crudely speaking, each co-living unit plus a share in the overall amenity space is roughly 350 sqft. 300 units x 350 sqft = 105,000 sqft. However, if you then also allowed for affordable housing on site in a separate building, then the proposed 195,000 GEA sounds about right. In terms of communal area quantum, we believe per room, 5 sqms of communal space should be provided outside of the 4 walls of the unit. This could come in the form of cinema rooms, games rooms, co-working spaces, gyms/yoga and bike studios, café/bars, spa/pool – the list goes on! Obviously for a large co-living offering such as this with 300 beds, it would warrant all the aforementioned communal areas and more. We've seen that operators like a mix between self-contained studio's / 1 beds which range from 25 to 30 sqm's (any larger would also be difficult to get through in planning terms as it starts to look too much like a C3 offering) and 'cluster units'. By cluster units it means the unit is effectively a 3/4/5 bedroom flat, with everyone enjoying their own bedroom, some with bathroom pods and kitchenettes, but there is then a shared communal space providing cooking facilities and living area.	This isn't something we've explored before and the complexities of doing so might be difficult.	Absolutely. We would partner up with some of the best in class in the co-living field. We already have partnerships with both Common (USA leading outfit) and Mason & Fifth.	Either, [commuted sum or on site AH] but the size of the site which has outline permission lends itself to an onsite offering.	Obviously purchasing the freehold would be of preference but 250 yearlong lease works fine. Would fund via A mix of our own cash resources and debt financing, due to the size of the deal!	If Enfield Council have a focus on sustainability we will strive to deliver a product which is as sustainable as possible.		
4	**Dandi**	17.06.20		Interested but concerns about location.	Transport v important		Yes good size.	255-300 sq ft room sizes. 3.5sqm per user (amenity space). Quality of space and retention of customers. Less transiency if better quality spaces. E.g. Dandi adopt Fixed rents and chose own furniture if sign up to 2 year lease. Sign for a year design is prescriptive.	If student is not above 24-25% occupancy rate would consider it. Location dependent.			Wont get funding on 21 year building lease. If had pre-let may be ok but probably tricky. Challenging to finance. Post Covid finance world makes it more difficult. 999 year lease or FH is preference. Phased payment profile ok. Quite attractive to have deposit up front then payment at PC.			
5	**Rode/ Scape**	01.07.20	PBSA CO LIVING	Concerns about suitability for PBSA but has potential for co-living, albeit this isn't a location that is really on their radar and have needed to get comfortable with the location. Already had long term involvement with LBE on this site	Attractiveness for certain types of PBSA operators but this is not prime pitch . Degree could make similar argument for Co-Living but much there is a much broader population / catchment for this type of asset i.e., not restricted to group of individuals. Meridian wasn't on the radar. Not really a place wold have been looking. Taken a while to convince themselves about location. . our view is whilst need to get over covid, this will be delivered in a few years time so not immediate risk.	Do not wait until 2021 [on basis of promoting Co-Living]. Scape are bringing forward number of sites during covid. Have been some adjustments to pricing. In order to get up and delivered 2024 - not major difference delaying until early 2021.		PBSA - tracked metric for amenity on student buildings closely. Depends on overall scheme size. 600 bed scheme have a lower % provision of communal area. Tends to be min 250 beds for communal amenity to be provided Caveat on Co-Living cant create massive schemes as principle of concept is about community . If a scheme is too big then loose that. Reluctant to do any more than 350-400 beds of co-living. Happy to co locate co-living and student as there are synergies and distinct facilities (some shared) other driver is LPAs approach. Some LPAs prefer a high level of amenity. Quality of spaces is important too. What kind of spaces - this is granular and depends on location not a specific formula.		Lower £psf than in other locations. Argument for including element of smaller rooms. Generally 24sqm . Too small would encourage churn and not long lasting communities. Own ensuite kitchenette. Appropriate to consider 18-20sqm - suitably attractive price point, convenience of all in rents .		building lease or agreement split into a long lease is fine .			
6	**Gallard**	12.06.20		"Meridian Water is clearly a new, up-and-coming development with great potential, but it was more the speculative student accommodation / co-living offer that wasn't of interest to us."	"This is less to do with Enfield and more to do with the market and potential return on investment….Unsure of the value of co-living in the current climate and whether the model would work at this location, as our research suggests that (other than the Collective's Old Oak site), co-living is primarily sought around high PTAL nodes."										
7	**SAV Group**	17.06.20		"We have looked at the area and we feel that the area is not right for such a big co-living/student site". Location was a key metric in decision making. Didn't consider it suitable for either student or Co-living.	Location not right for co-living or student. No tube station which is an issue for Co-living and demographic which is largely young professionals. Dynamics of pricing /value, construction cost and requirement for PIL make it difficult to stack up / be viable. Area not established so could be difficult to attract tenants unless reflected in the price of units, which impacts upon scheme viability. Meridian is not a destination place and so (Co-Living) considered a risk new. Not a PBSA opportunity either as no nearby university and distance from central London consider it would be difficult to attract students to this location	Actively looking for sites but very location focussed. Appetite not impacted	N/A	Depends on location. Central London - units can be smaller due to amenity spaces outside. Outskirts of London bigger units. 15sqm - 25sqm depending on location.	Would consider hybrid schemes. Depends on area. Central London would work. PBSA needs university	Outsource operations because we have a small team. Need efficiencies. Management plan is site specific - depends on size of units / self contained units or not. Not v different from a student management plan . No anti social behaviour - security and concierge.		Building lease - unfamiliar with this sort of structure. Ordinarily buy freehold sites usually or virtual FH.. A long lease structure potentially ok but it does depend on the lease covenants and how generous these conditions are. E.g. is there a ground rent? Any other lease constraints. If arranged like a FH then this is ok. Flexibility required.	Planning requirements for sustainability - would adhere to these. Reusable energy which sell back. Happy to adhere to requirements but not sure would exceed base requirements. Methods include modular construction which can help. When it comes to sell sustainability doesn't really matter. Maybe some special funds are interested. Investors are more focussed on open and income (profit?)- OPEX could be linked to sustainability initiatives.	Don't lead by %. Very area specific. Most of variables are the same e.g. energy bills. Net income led by rent. OpenR variables are same across buildings e.g. energy etc. Impact on net operating income is impacted by rent levels and therefore influenced by area.	
8	**The Collective**	No Engagement		"We are focused on delivering the projects we currently have for the time being. This is likely to be the case until the end of the year."											
9	**Tipi**	No Engagement													
10	**The Stay Club / Hallmark**	No Engagement		Concern surrounding structure for disposal. Require clarity the extent to which the Council will have clarity going forward.			Appropriate size if just co-living								
11	**Crosslane Group / Crosslane Co Living also develop student**	No Engagement													

Meridian Water: M3

University SMT Target

Ref	Company	Date of Call	Appetite for M3	Appetite for M3	General Comments	Location	Timing and Appetite/Acquiring Activity
1	**King's College London (27,000)**	30.06.20		None.	Not looking at new beds this year due to CV-19. In any case, this location is not of interest. Ideal is on the Jubilee Line.	Wrong location for them.	Will start looking at sites in January 2021.
2	**University of the Arts London including Central Saint Martins, London College of Fashion (18,000)**	30.06.20		"I have consulted with all stakeholders and have been told, really very clearly, that the location of Meridian 3 is too challenging for UAL."		Wrong location	
3	**Birkbeck University of London (18,000)**	N/A		"Apologies – yes all a bit hectic and the answer is both of the below: we don't have any demand for halls and the little we do have is as you say provided by UoL. Also we are very location sensitive – 10 minute walk from WC1E 7HXis about the limit."		Wrong location	
4	**Imperial College London (16,000)**	N/A				Wrong location	
5	**London School of Economics (8,000)**	N/A		"Regrettably this location is unlikely to be of interest to the LSE and to be candid at present is focussing on other issues."		Not right / of interest	
6	**Royal Veterinary College (2,000)**	TBC					
7	**Loughborough University London**	TBC					
8	**UCL East**	TBC					
9	**UCL (24,000)**	TBC					
10	**University of Westminster (20,000)**	TBC					
11	**University of East London (13,000)**	TBC					
12	**London Metropolitan (12,000)**	TBC					

Appendix 3 – Results of Market Testing

(ii) Meridian Four – Briefing document and response report (LSH)

meridian water

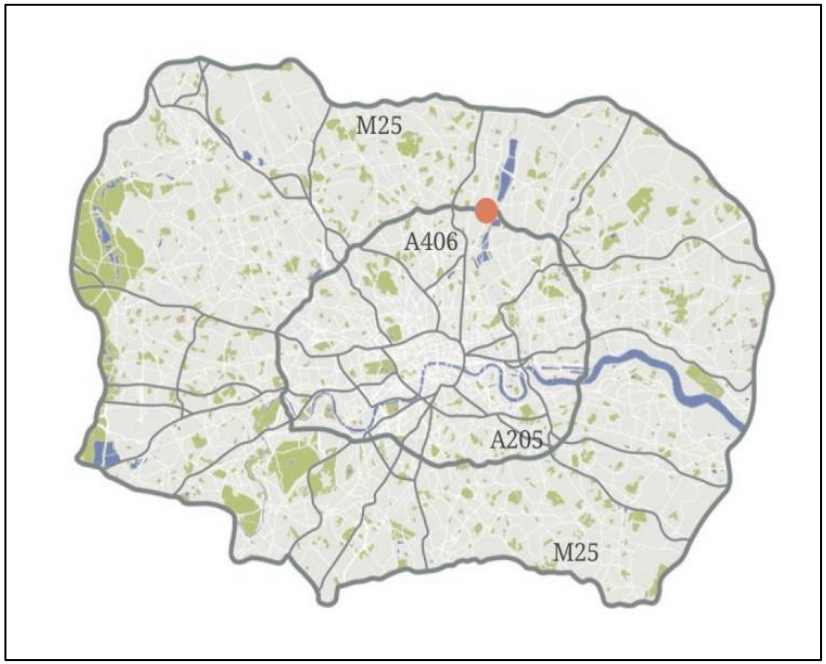
Lambert Smith Hampton

Meridian Four

Substantial Build to Rent Opportunity at Meridian Water, London, N18

MERIDIAN FOUR OPPORTUNITY

- Opportunity to acquire either 400- 450 or 1,100-1,200 BtR apartments. The Developer is reviewing whether there is sufficient investor appetite to build an entire BtR scheme or whether some for sale product should be included.
- Prominently located within the heart of the wider Meridian Water redevelopment a significant regeneration project covering 210 acres with placemaking and sustainability at its heart.
- A proposed unit mix of 40%, 1 bed homes, 40%, 2 bed homes and 20%, 3 bed homes. There may be scope for studios within the 1 bed provision.
- Great transport connections into central London being 10 minutes' walk from the new Meridian Water station, local bus routes and the A406.
- The site offers proximity to green space in the new local park and provision of ground floor non-residential uses for amenity space to be designed in conjunction with the purchaser.
- Provision of 53 or 150 discount market rent units within the scheme and the remaining affordable requirement will be delivered outside of this transaction.
- Meridian Water is supported by the Government and has secured £156m of government Housing Infrastructure Funding for new roads, bridges, parks and improved rail frequencies
- The site has Outline Planning Permission and the current timetable for delivery indicates obtaining Reserved Matters Approval by the end of 2021 and starting on site mid-2022.
- On completion the scheme will attract residents from both employed locally and those working into central London attracted to an attractive and affordable waterside location.



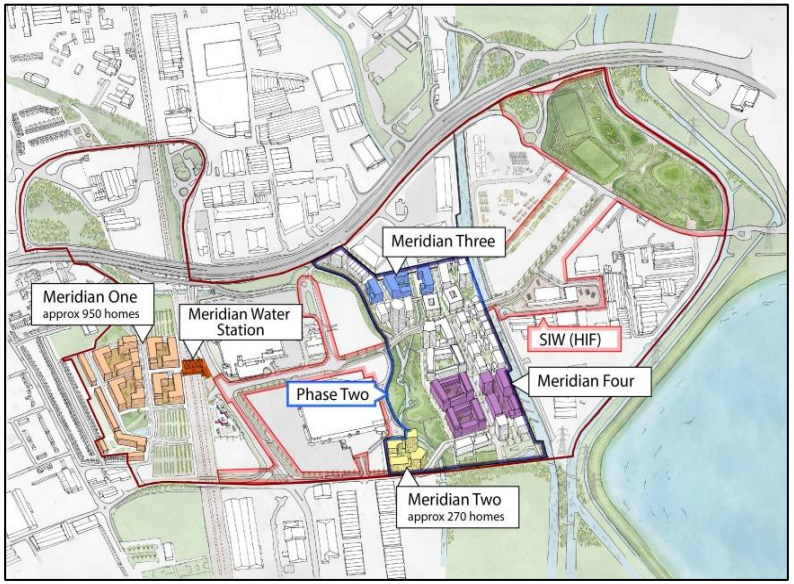
Location Plan of Meridian Water within Greater London

MERIDIAN WATER OVERVIEW

Meridian Water is a mixed-use regeneration scheme of national significance, comprising 210 acres (85 hectares) in Enfield, N18. The scheme is supported by the Government and being promoted by the majority landowner, Enfield Council (the Council). The Council are acting as Master Developer and focussed on regeneration for the long-term benefit of local people and future generations by providing a multi-tenure sustainable approach with place making at the heart of the overall scheme. The Council is committed to seeing a high quality BtR offering as a significant part of the wider scheme.

Meridian Water will deliver all elements of a successful new neighbourhood including homes, jobs, schools, health facilities, connection into the Meridian Water Heat Network (MWHN), and new significant open spaces. The Council is determined to create a new district with a real sense of place which will be a destination for living, working, leisure and entertainment.

Adjoining occupiers Tesco and IKEA are also proposing to deliver mixed use development as the area evolves into a new neighbourhood, which will attract residents and businesses from across London to its green spaces, water front and new environment. Whilst offering more affordable accommodation Meridian Water is an easy commute to both the City and the West End. Meridian One is the first housing scheme, comprising 900 homes and being developed by Vistry Partnerships. First completions are expected in 2022.



Meridian Water Masterplan (for indicative purposes)

meridian water

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MERIDIAN WATER DEVELOPMENT TEAM

The delivery of Meridian Water has progressed quickly over the last 10 years with land assembly and master planning, major land acquisitions all completed, consents and funding secured, construction and remediation works successfully undertaken. The Council have built up a successful project team comprising 80 dedicated staff within the Council supported by 150 external consultants. This team already has a strong track record in the delivery of major projects at Meridian Water, including:

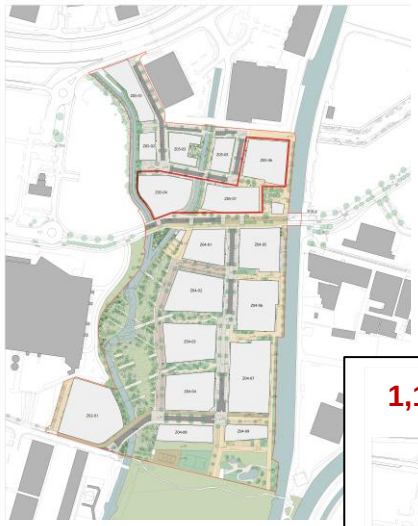
Meridian Water Station

The station opened on programme in June 2019 and is anticipated to serve up to four million rail passengers per year. The current timetable provides Greater Anglia services to Stratford and London Liverpool Street (via Tottenham Hale) in 15 and 25 minutes respectively.

Housing Infrastructure Funding (HIF) & Strategic Infrastructure Works (SIW)

The Council is the first London borough to be awarded grant funding from the Government's HIF and has successfully obtained £156 million to deliver necessary infrastructure works to facilitate the delivery of Meridian Water. Works include site remediation, earthworks, utilities, flood alleviation, major parks, a primary road network and increased train frequency at the Meridian Water station.

400 Unit Scheme Location



1,125 Unit Scheme Location

Meridian One Enabling Works

In April 2019, the Council selected Vistry Partnerships (formerly Galliford Try Partnerships) as the development partner for the first phase of Meridian Water. Meridian One comprises approximately 900 homes, of which 50% are allocated for affordable housing, new public squares, and retail and leisure facilities next to the new Meridian Water train station. Enabling works commenced (by the Council) in January 2017 and first home completions are expected to be delivered by 2022.

Phase Two Planning Permission

A resolution to grant outline planning permission (Ref: 19/02718/RE3) has been obtained for the redevelopment of Phase 2, comprising a residential led mixed-use development of up to 2,300 homes, of which a minimum of 40% will be allocated for affordable housing and a range of business, retail and social infrastructure uses.

Meridian Two Enabling Works

The Council is in the advanced stages of procuring a development partner for Meridian Two, which forms part of the Phase 2 boundary and comprises approximately 270 affordable homes and 3,000 sq m of ground floor commercial workspace.

River Lee Navigation looking west

meridian water

Lambert Smith Hampton

DELIVERY OF MERIDIAN FOUR

The Council proposes to deliver Meridian Four as a forward funding/commitment BtR development:

- The site is being prepared for development as part of the HIF remediation and infrastructure works
- With their experience and expertise in delivering other projects the Council will take full responsibility for construction and associated risks
- The scheme will deliver either 400 or 1,125 units: -

Beds	%	Dicount Market Rent	Open Market Rent	Total BtR
1	40%	21	139	160
2	40%	21	139	160
3	20%	11	69	80
		53	347	400

Beds	%	Dicount Market Rent	Open Market Rent	Total BtR
1	40%	21	390	411
2	40%	21	390	411
3	20%	11	195	206
		150	975	1125

- The Investor will be sold a ground lease for 250 years on completion
- At this stage the Council are prepared to consider an Investment sale on either a forward funding or forward commitment basis

DELIVERY TEAM

The Council has a team of proven professional advisors and consultants including: -

For more information about Meridian Water, please visit the website (www.meridianwater.co.uk).

Lambert Smith Hampton, May 2020

Soft Marketing Feedback Schedule

		Half Phase Questions	M4 Real Star	ASI
Questions	1	• In principle would you consider a forward funding or forward commitment basis?	Yes the scheme is of interest and could do either.	Yes the scheme is of interest and could do either.
	2	• Is the proposed number of units of the right scale or would you prefer something larger/smaller or delivered in phases?	Upper end of range - want buildings close to the station 200-400 units ok	Would prefer200-300 units BUT that is dependent on the level of DMR, and the depth of the discount required. Where there is a substantial DMR element we are more comfortable with a larger scheme
	3	• Is the DMR an issue for you?	No problem as long straightforward without nominations etc - sensible mechanism to agree discount.	No it is a positive
	4	• Is the delivery programme acceptable?	Would rather come in later - will price what is achieved at planning. Like to focus on schemes that have planning and are, 'shovel ready'.	Would like to bring it forward if possible
	5	• What amenity would you look to include in the scheme?	3-5% resi NIA as amenity space flexible and they would fit it out 10-15,000 sq ft space concierge, gym, parcel room & lounge	Standard provision – parcel room, management office/scheme host space, flexible lounge/studio/cinema space to hold monthly events. For a 200 unit scheme 3,000 sq.ft. or so should cover it
	6	• Is the 250 years lease an acceptable term?	Not the preference would like to have freehold or 999 year lease	Yes - but would be priced in
	7	• What level of profit margin would you require a developer to achieve on this type of project?	10% plus at the back end as the minimum	At least 10% dependent on strength of developer, contractor and any other risk mechanisms (performance bond, parent company guarantee)
	8	• The Council are driving high sustainability standards to achieve both climate change and commercial objectives. Do you think that high levels of sustainability will lead to an increase in rent levels or a sharper yield?	No, not currently but likely to change ESG becoming more important and more questions around life cycle costs	Sharper yield, although that has yet to be seen in the market.
	9	• There will be LAR units built as part of the phase but excluded from the deal. What would you require in terms of these units - separate cores within blocks/ separate blocks but sharing a podium/entirely separate blocks but pepper-potted between their blocks/ entirely separate development?	Different blocks separated if possible different red line- have done it with it being in the same building but not preference how will it work practically	It really depends on the whole masterplan. We don't have a problem with the principle of LAR units being around our schemes but the responsibilities need to be carefully thought through. We can't be beholden to others who may not be as motivated to keep the common areas looking as amazing as possible.
	10	• Bedroom mix – how acceptable is this?	In this location about right - if more central less three bedrooms.	Seems fine – if that is what the LA want to provide we can price off that.
	11	• Car parking – we are offering 25%, what would be your preferred ratio? Or even how low could you go?	Depends on tenant base due to location 25% at lower end of where want to be real feature of the site is road connectivity possibly 100% on current transport links	Seems a bit low given the specific climate today and the number of larger, family orientated units.
		Retail - is ownership of the whole ground floor important or if this was operated as part of a wider estate strategy with a leasing agreement would that work for you?	Would want some form of control would need limit on uses and acting reasonably - would need to be on a lease back basis with conditions in the lease with an option to buy back if it is sold what they have done in Colindale with Redrow	Yes it is important to include
		Other Comments	Questions around transport - how many trains per hour from Meridian - will they attract people from central London good bus network and road connectivity. Who is the target market - will have real impact on rental? Placemaking importantly.	
			Enthusiastic but really would like to get involved when there was more certainty around the scheme. Does not want to commit capital earlier than has to. Needs further understanding of local demographic and target market.	Scheme on the larger side for them and likely to want discount for location.

Parties

M&G	Long Harbour	Grainger*
Forward fund only - time frame on capital deployment is important - SDLT liability means a forward purchase being un- competitive	Would consider both but strong preference is for forward fund also have the ability to buy consented land directly without a developer in place.	Have done both - but scheme is not for them currently
Would be largest scheme to date ideally slightly smaller 300 units	This is fine. For this location would go up to 500 units and the lowest 300	
Yes like to have it so long as have control with straightforward process to let beware in S106 happy at various thresholds.	No, but we would need to control and manage the DMR – see this as a truly integrated offer. Its essential we are not restricted on this being managed by an RP as it causes issues	
Time frame too far out - like to deploy capital straight after transaction - completing as have to commit capital	Would prefer to see if it can be moved forward. They would really want to work alongside the council/developer on the reserved matters application and would prefer to get involved in 2020 rather than next year.	
12,000- 15,000 sq ft roof top garden some form of podium if possible and outdoor amenity space flexible area lounge, works space, private cinema, games room they would partion up and design	Would need to understand the wider masterplan and offer – we would want private and public amenity as part of the offer. We would expect at least 5,000 sqft upstairs for private residents amenity ideally with the addition of outdoor rooftop space.	
Would want 999 - virtual freehold in return for full value - have done 1 - 250 year lease to get access to rare product	Yes, no ground rent or ground rent type payment will be acceptable	
12% bullet payment and 3% retention	Minimum 10%	
Today - unlikely but in 10 years time very likely there will be - try to achieve best possible environmental credentials	Not necessarily it depends on what elements are being delivered, how this impacts on opex etc. We require high standards on all of our schemes in any event as part of our investment criteria.	
Outside of demise - separate scheme	Preferable entirely separate development. They could be separate blocks sharing podium with separate access but	
Would like some studios say 5% and 5% less three beds want different size 2 and 3 beds ie 2 bed with 2 baths and some 2 bed - 1 bath, and 3 bed 5 person etc	Need to introduce good sized studios – 3 beds unlikely to go to families as is normally intended we tend to see singles sharing in these.	
Have done less 25% about right in this location	This seems right for this location would need to do more research on the location. Also if families are targeted need a higher ratio	
Would want control happy to agree restrictions on use believe interets are aligned on it - would attribute a value to it	Would normally have ground floor space that would be open to the public during the day and have a mix of uses, café, bar, gym, co-working space on a scheme of 300+ we have partners that we work with including a bakery etc.	
Interaction of uses and types of property across the project is important - deliverability what's next door when it is delivered don't want a building site also access to station is important 3-5 min walk.	Overall very keen on the scheme and have equity to invest would like to move delivery forward. Would like a single building depending on design.	Grainger would not currently invest in this -a combination of price, location & transport On transport, if you add in the cost of travel to the target rents, you can get somewhere established and within the underground zones for arguably less than the combined total. Limited train services into London need at least 4 per hour. Too early in the wider regeneration and no certainty around surrounding use. There would need to be a significant discount to reflect the above risk.
Enthusiastic but again quite big for them they are acquiring a scheme at Colindale locally	Have recently raised capital to be deployed in London - would like to be involved in the design. Scheme a good size and not currently invested in the area	Suspect they maybe working with Vistry on their BtR element seemed very secretive!

Phase 2 Questions	Argent*	Harrison Street
· In principle would you consider a forward funding or forward commitment basis?	Would want to assist in the full design the team have 75,000 rental homes in US and would want to use this experience and involved in delivery partnership with Council team would want control of delivery then retain and operate would look to sit alongside using expertise to improve quality of place and retain and operate 50:50 would want to look at how could be re-configured. Forward fund/commitment not for them they would want a JV	They are not currently looking at non distressed opportunities of this type but would like to be included in marketing if it is next year.
· Is the proposed number of units of the right scale, it is likely to be delivered in phases would how many would wish in each phase? How many units would you acquire in each phase assuming they are delivered annually?	Ideally would go for more scale to be able to do more placemaking - exciting possibly would be less would potentially to look for sale to. Key to create brand and place	
· Is the DMR an issue for you?	Should not be a problem but would want to understand the terms as often different	
· Is the delivery programme acceptable?	Yes - it is ok but keen not to rush and get it right. Best way of creating long term value.	
· What amenity would you look to include in the scheme?	Very service focused but would want full amenity.	
· Is the 250 years lease an acceptable term?	Yes would prefer 999 year lease	
· What level of profit margin would you require a developer to achieve on this type of project?	N/A	
· The Council are driving high sustainability standards to achieve both climate change and commercial objectives. Do you think that high levels of sustainability will lead to an increase in rent levels or a sharper yield?	Vital to them across -social/carbon and energy sustainability one of the earlier adopters of BREEAM	
· There will be LAR units built as part of the phase but excluded from the deal. What would you require in terms of these units - separate cores within blocks/ separate blocks but sharing a podium/entirely separate blocks but pepper-potted between their blocks/ entirely separate development?	Would not want to share cores or entrances but happy with same buildings - would want tenure blind buildings and amenity	
· Bedroom mix – how acceptable is this?	Too many 3 beds - ideal mix roughly 10% studio, 10% 3 bed, 40% 1beds and 40% 2 beds would want more research. At Kings Cross had 23% 3 and 4 beds and been difficult to shift	
· Car parking – we are offering 25%, what would be their preferred ratio? Or even how low could you go?	Cycling is key - 3% car parking at Tottenham but would want more research. At Brent Cross 3% car parking but have options in adjoining multi storey. Any car parking would want future proof to be converted to other uses.	
Retail - is ownership of the whole ground floor important or if this was operated as part of a wider estate strategy with a leasing agreement would that work for you?	Community need local amenity key part of placemaking - would want everything inside the red line plan - key to create live work community so want to encourage other uses to. Believes that working from home post pandemic will create requirement for these type of locations	
	Very wary of formal procurement process it costs them considerably and usually lands on the entity that pays the most upfront not best scheme want to create long term social value using track record.	
	Don't want a large land payment upfront - but partner and create long term value possibly buildings back for the Council.	
	Concerned the site may become too fragmented like Nine Elms all with own agenda Very keen to help and support and share information and ideas - but not necessarily a funder for this phase.	

Quintain/Tippi	Both	L&G*
Visited site and inspected with Peter interested in it as the plans emerged going forward - not typically what they do as not set up for forward funding cost of capital does not work on this basis needs developers profit. Not impossible but would want developers risk /profit working on partnership phased land drawdowns - minimum for operational scale 250 - 500 units upwards 1,125 units ok	· Would you be interested in either lot size? Is the proposed number of units of the right scale or would you prefer something larger/smaller? How many units in each phase of delivery? In principle would you consider a forward funding or forward commitment basis?	Bid with Barrett on phase one to get 250 units - liked block next to station - new district they felt this was about the right location. 250- 500 units would be of interest want to fully understand how it would work and phasing - how train station will work. Keeping powder dry - want to focus in Central London zones 1-3 whilst housebuilders cant compete. Meridian is affordable but 1,125 units is probably too many for them. Either forward fund or commitment is ok
in sweet spot	· How many units would you acquire in each phase assuming they are delivered annually?	Would ideally like 400 delivered in two phases - assume 0 .8-1 unit let per day so if they were to look at the larger scheme C 200 units every 6-9 months
Not at all - tenure blend pepper pointed that's' not a problem	· Is the DMR an issue for you?	Prefer 100% private DMR OK - depends how DMR works - if straightforward discount then not a problem
Not an issue want to get involved earlier - to allow time to get really efficient scheme works all	· Is the delivery programme acceptable?	Yes sooner the better but needs to be postcovid
would want segmentation who will rent understanding what demographic would want would think similar to Wembley Park, unit mix and amenity likely to change in post covid world fitness room, lounge, private dining room, live work space, flexible space, cinema room, rooftop valued, podium gardens - have metrix on provision in	· What amenity would you look to include in the scheme?	Allow 3% NIA for amenity as blank space and L&G team would deal with it at ground or maybe roof. Engaged and work together when heads of terms are agreed
yes	· Is the 250 years lease an acceptable term?	Yes
10%	· What level of profit margin would you require a developer to achieve on this type of project?	10-12%
no evidence for a green product at Wembley - doing as much as they can no premium - renters are getting savvier in terms of sourcing of materials, wellness increasingly important in terms of yield if institutional money has drivers on it investing sustainably then maybe in future may be an impact in time - may lease quicker if greener no real evidence yet	· The Council are driving high sustainability standards to achieve both climate change and commercial objectives. Do you think that high levels of sustainability will lead to an increase in rent levels or a sharper yield?	Don't know - no evidence yet - proving attractive and renters becoming increasingly aware likely to become more important though do require high standards
at Wembley they have LAR blocks and shared ownership mixed do have two instances where they share podium garden space - problems around RP paying service charge for common areas so only BtR get use of podium - cleanest solution defined blocks of their own.	· There will be LAR units built as part of the phase but excluded from the deal. What would you require in terms of these units - separate cores within blocks/ separate blocks but sharing a podium/entirely separate blocks but pepper-potted between their blocks/ entirely separate development?	Separate blocks and managed separately
studios for affordability - would include some higher proportion studios and one beds, some twos potential 3 beds do 3 beds 6 person 3 bathrooms for shares mainly 1 beds.	· Bedroom mix – how acceptable is this?	65%-70% studios and 1 beds - 20-25% 2 beds balance 3 beds very keen to secure as many 1 beds as possible as this is where they see demand across town with quicker absorption rates
25%good starting point would be good to understand sentiment survey - target demographic at Wembley parking ratio point 15%		
No problem with income flowing back to freeholder- share placemaking aspirations and concerns around leasing and mix ground floor vitally important to long terms sustainable scheme	Retail - is ownership of the whole ground floor important or if this was operated as part of a wider estate strategy with a leasing agreement would that work for you?	Would want full control of ground floor need to dictate what goes in their will impact on whole buildings view might consider some form of ground floor profit share but would be difficult - would not drive best overall value.
They like this area of London and see it as one of the great opportunity areas for development and impressive progress to date and credible team preference of a JV		Units mix 20% 3 beds likely to scare people - phasing what is happening in other phases Vistry etc is discount for being further from station than first phase
Maintenance and upkeep of adjoining green space is important maintenance public realm to high standard		Seem to be more reluctant than anticipated maybe with Black Horse Mills would be too much n one location? Certainly not enthusiastic about the larger scheme.

Greystar*	Astir - Angus Mitchie	Overall
Either size would be of interest - lean towards larger scheme as a prefence but should not discount 400 units the mimiamb would be 250. Forward funding better for them as the money is invested more quickly. They would however look at a forward commitment	Astir are not a forward funder and would propose to acquire the land and deliver the units for sale at stabilisation to an institutional funder. Would work on either size but 1150 would be best size	Very positive for a 400 units scheme with market getting thinner over around 500 units. Overall a forward fund is proffered but either would be acceptable
250 plus in first phase to make sure they have the massing then a delivery rate of around 30 a month ideal handover amount would be around 60 at a time.	Would need to undertake some market research	Seems as if optimum size in terms of investor demand is between 250- 400 units, with less parties interested over this level. Seems to be consensus that absorption rates would be 20-30 per month and phasing would need to reflect this on larger schemes.
Very enthusiastic about it happy with it James Pargeter sat on the committee that advised the mayor on it - covid is focussing on intermediate level housing delivering in this fashion means it is white labelled and residents get the full benefit.	Can include the DMR units (at a 20% discount) and would retain them with the OMR units.	Positive on DMR as long the investor can manage and the parameters are straightforward. Concerns where HA's are involved in a multi tenure block and nominations and calculating discount becomes complicated.
Sooner the units are delivered the more they can pay, due to interest	Yes	Delivery time is too long and investors want to deploy capital as soon as it is committed rather than having to sit on capital that cant be invested elsewhere.
They would want to understand the target demographics market sensible package and more than competition all done well evolve based on resident needs. Co w- working space etc within amenity leisure. Daytime working from home.	Residents facilities would be provided these would be confirmed once we understand the provision across the remaining masterplan.	Amenity is seen as key and parties investors want to be involve in design as they see this as a way of branding and making it bespoke. Outside space see as important with roof/ garden.
fine at a peppercorn	yes	Comments this was short and might restrict what could be paid and comments around management costs and service charges.
10% ideally maybe less depending on developer covenant	N/A wont forward fund	10% was seen generally as the minimum level of profit margin for the developer/Council
Don't think so currently- it is just expected by residents and investors very enthusiastic but price sensitive. They have a long term view - and are concerned around future discounts for un sustainable buildings both rental and yield wise.	strong believers in sustainability credentials, while tenants and investors will prefer a sustainable building – leading to greater interest and sale and let ability we do not expect this to have a direct impact on value. Homes would be built using traditional building techniques to guarantee durability and minimise ongoing maintenance.	All parties keen for the most ESG building as possible however no one mentioned current pricing would be sharper on rents or yields but likely to be in the future - so should be as far above standards as possible.
Separate cores ok, - ideally separate building -not pepper potted they tried this at sailmakers and the HA's did not want it.	Will retain any LAR units we can include them within the our buildings, that would be our preference in the same manner as the DMR units. However if the units are to be held by the Council or an RP then their preference is likely to be for the units to be built in a separate building or core as a minimum to afford them control over their management costs and residents service charges.	Generally it was seen as best that LAR units were in a separate zone to avoid being seen as having different entrances and ease of management. Generally parties thought an HA would not maintain the common areas etc as well and wanted separate buildings.
To maximise value ideally 3-5% maximum 3 beds and 60% studios and 1 beds possibly more if possible - 2 bed 4 person with 2 beds good two bed for family housing. This allows fr the most efficient scheme and fully occupied scheme renters wont take more space than needed as can easily move.	The mix is broadly fine though we would seek to include studio units and increase the provision of 1 bedroom units in place of some of the three beds.	The initial proposal was to follow 40% 1bed units, 40% 2 bed units and 20% 3 beds. The consensus was this was likely to be too many 3 beds with Greystar saying 3-4% 3 beds. L&G and Greystar would like significantly more 1-bedroom units up to 60-70%. Long Harbour, L&G and M&G all wanted some studios included. Especially for the larger scheme an increased variety of units was important to attract as many different requirements as possible so some 2 beds 1 bath units, studios and to appeal to the widest audience M&G in particular supported this. Some parties confirmed the proposal was ok and they would value on this basis this included Real Star and ASI.
	We typically provide 10% parking provision. However, we would review the provision whilst determi	· The initial proposal for car parking is 25%, given the proximity to the north circular this was a minimum level and various parties wanted to undertake analysis to see if more was required. Several investors stated they would want electronic charging points.
Where possible ownership of everything in demise, would sign up to retail masterplan. If council retained they would want a restrictive retail they would not limitations on use and happy with joint marketing and use restrictions. marketing action plan etc.	They thought the Council's objectives would be closely aligned with the end investors and would prefer to retain but would discuss this further to find a solution	· All parties confirmed the ground floor was very important to enhancing the value of the residential units through placemaking wither directly through creating amenity or indirectly through attractive retail including coffee shops and local independents. They could not risk these units sitting vacant or leased to book makers or fast food restaurants as this would have a negative impact on the residential rents. It was agreed that the Councils' aspirations and investors were very likely to be aligned and they could operate with significant restrictions on ground floor uses in their lease. Investors generally happy to look at innovative ways to fulfil developer's aspirations such as ground floor profit shares, joint marketing, retail strategy and restrictions on use. The Council retaining the retail outright would prevent most from investing.
A deal structure based on a 30-40 year operational lease of the whole was discussed with a reversion back to LBE. The view was that this structure does not align the Council and Investor objectives as there is a disincentive to place make and mantain the scheme in the later years		
Very enthusiastic know the team and keen to be involved early to help shape the scheme and create the right product. Focus on the larger scheme.		

Appendix 3 – Results of Market Testing

(iii) Cold contact notes

See below for further information regarding QIQO and Respublica;

QIQO

- MT of QIQO, emailed Peter George, Jennifer Price and Nick Fletcher on 11 January 2021 regarding the Co-living opportunity at Meridian Water.
- MT was aware of the opportunity having reviewed LBE Cabinet Reports regarding the engagement process with PBSA and co-living parties, which was undertaken in Q2-Q3 2020. MT contacted LBE to enquire how QIQO could be considered as a potential acquiring party.
- MT confirmed that QIQO whilst a new venture, is financially backed by Bridges Fund Management. QIQO's is a social impact venture which seeks to deliver key worker accommodation (as co living) across London. Their development pipeline currently totals c £60m comprising c350 units within Zones 2 and 3.
- Further to request from LBE, GE arranged an SMT call with QIQO on 18th January 2021. The call aimed to cover the SMT topics which were discussed in the First Stage SMT process in the summer, including experience, funding, opinion on the opportunity and to find out about the QIQO product given it targets a specific section of the market.
- **QIQO confirmed their interest in the co-living opportunity**, and confirmed the September 2023 handover (further to HIF completion) works for them. QIQO stated their preference to purchase the two Sui Generis / Co-living blocks and requested to be kept informed of the developments regarding the disposal

Respublica

- We understand that Respublica approached LBE regarding the Co-living opportunity at M3 in late December 2020. Further to LBE's request, GE arranged SMT call on 7 and 20 January with RS, CEO of Respublica.
- RS confirmed that Respublica has funding in place and would be interested in partaking in a competitive process for the M3 site. Respublica also requested to be kept informed of progress relating to the disposal of the site.
- **Respublica would be interested in an affordable co-living product**, and would like to understand likely expectations in terms of a co-living PIL.
- A delayed land payment would be preferable for Respublica and would help with securing funding.
- Respublica confirmed the proposed September 2023 handover would work for Respublica and they confirmed they would like to be involved in the process going forward.