

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

26th March 2021

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1.0 INTRODUCTION

Qualifications and Experience

- 1.1 I, Stephen Hubert Armitage am a Fellow of the Royal Institution of Chartered Surveyors (RICS) and qualified in June 1980. I have over 40 years' professional experience of which over 30 years have been in the field of development consultancy, land acquisition and disposals for development purposes.
- 1.2 I am a Director of Lambert Smith Hampton (LSH) where I joined in June 2009, based in London in the Planning, Development and Regeneration department. LSH is a national firm of consultant surveyors with over 1,000 staff operating out of 32 offices covering the UK and providing a full range of property consultancy and agency services to clients drawn from the public and private sector.
- 1.3 Before joining LSH, I worked for 20 years in the London office of Dunlop Heywood initially as an Associate and later a Director dealing with development site acquisition and lettings. Prior to this, I worked in Manchester for Edward Rushton Son & Kenyon and Greater Manchester Council.
- 1.4 The purpose of my proof is to address the delivery of the Scheme. To assist my consideration, I have drawn on my experience of mixed-use development projects which enable me to take account of all the various matters relevant to bringing forward development at Meridian Water.
- 1.5 I have advised many London public sector bodies in connection with development projects, site disposals, acquisitions and development delivery vehicles. In Table 1 of Appendix 1 to this proof I have identified a selection of brownfield development projects in which I have been involved and note certain features which I regard as being relevant in the context of an appraisal of Meridian Water. In Table 2 of that section I illustrate my wider experience of development by reference to a list of other projects.

Summary introduction of my involvement with Meridian Water

- 1.6 I have advised the Council regarding Meridian Water since February 2018. My role is to lead the LSH team advising the Council on various aspects of the project and personally advise in connection with specific work streams.
- 1.7 The instructions that I have personally handled have involved working with the Council and its professional team to:

- (a) Advise on the delivery options for the Scheme generally and contribute to the Cabinet Reports concluding in the Council defining their delivery role as Master Developer. In this capacity, the Council accept responsibility for preparing development sites for disposal to the market coupled with development obligations being secured through a Development Agreement. This includes provision of infrastructure and securing outline planning permission to create 'ready for development' land interests.
- (b) Negotiation to successfully buy out an overage agreement with National Grid in connection with land at Willoughby Lane (now known as Phase One or Meridian One).
- (c) Lead on the marketing and procurement of Vistry as the development partner for Phase One.
- (d) Provide development model advice demonstrating the financial performance and viability of the master plan in support of the successful application for Housing Infrastructure Fund (HIF) grant funding in 2019.

1.8 Delivery of development is a process which requires separate but dependent activities to be successfully discharged and integrated to bring forward development. A selection of these activities includes obtaining planning permission, site preparation, funding, developer and/or contractor procurement and viability assessment. These include several areas of work within the direct control of the Council, for example funding of site preparation, carrying out infrastructure works, stakeholder engagement, technical resourcing, and governance. For the Scheme, the roles and activities that are within the control of the Council and how they are addressed are covered in the proofs of Peter George and John Reid. Town Planning aspects are dealt with in the proof of Paul Jarvis. My proof should be read in conjunction with these proofs and I have adopted the terminology set out in the Glossary.

Scope of the CPO and Delivery Implications

1.9 The land which is subject to the Order is described in the proof of Peter George and the proof of Matthew Bodley explains why the Order Land is required to implement the SIW. The scope of the SIW is defined in the proof of John Reid, with further detail provided in the evidence of Joe Nunan and Mike Savage. The Scheme (of which the SIW form part) and its rationale is described in greater detail in the evidence of Peter George and others, and I do not repeat the content of that evidence here, save insofar as particularly pertinent to my evidence. I do however note that the implementation of the SIW is critical to the delivery of the Scheme in several key areas:

- The Central Spine Road – the principal east west access linking Meridian Water Station to the development zones east of the railway and eastwards to Harbet Road;
- Leeside Link Road – to provide access from Leeside Road through to the Central Spine Road;
- Bridges – erection of bridges and associated works to enable the Central Spine Road and Leeside Link Road to provide access to Phase Two land and beyond to Harbet Road;
- Brooks Park and River Naturalisation – naturalising Pymmes Brook to introduce an ecological river landscape and riverside parkland;
- Edmonton Marshes and Flood Alleviation Works – re-levelling and remediation of land to the east of Harbet Road, providing comprehensive flood alleviation works and public open space within the Lee Valley Regional Park (LVRP);
- Access Works – to provide new and altered accesses to the IKEA store, a new north-south link between Argon Road and Glover Drive, the creation of a link between the Central Spine Road and Anthony Way and other improvements to maintain access, along with other ancillary highway works to Glover Drive, Leeside Road and Meridian Way; and
- Earthworks, Remediation, Utilities and ancillary works – earthworks, retaining structures and remediation within Zones 4 and 5 (defined in section 3) installation of main utility networks and ancillary works including the demolition of existing buildings and structures.

1.10 Without these works I do not consider that the Scheme could come forward.

1.11 The process of delivery of the SIW is described in the proof of John Reid and therefore in my proof I will not comment further on this topic; instead I focus on the delivery of development across the Scheme.

1.12 My proof of evidence contains the following sections:

- (a) Section 2 - a brief description of Meridian Water by reference to its development zones, and the current position in respect of their development;
- (b) Section 3 - a description of the development proposals to be delivered across Meridian Water;
- (c) Section 4 - my assessment as to delivery of the Scheme by reference to the various phases of development;
- (d) Section 5 – Conclusion
- (e) Section 6 - Response to objectors' comments; and
- (f) Section 7 - Statement of Truth and Declaration

2.0 MERIDIAN WATER

2.1 The Scheme is a brownfield development to provide 5,000 new homes and 1,500 jobs together with social and physical infrastructure. In addition to the built outputs, the Council have design, housing, social and economic objectives which are set out in the proof of Peter George. The scale and use configuration of the Scheme to meet these objectives which I have considered is set out in section 3 of this proof.

2.2 The Site of Meridian Water for the purposes of my proof is outlined in red on Plan 1.

Plan 1 – Site Plan and Development Zones



For the purposes of assessing deliverability, the site is designated into development zones and a brief description of these zones is as follows:

Zone 1 – Willoughby Lane and Meridian One

2.3 Zone 1 lies to the west of the railway tracks and delivery has commenced. The development works carried out to date include delivery of Meridian Water Station, and preparatory works including site remediation in preparation for residential development across the whole zone. The new Meridian Water Station was developed in partnership between the Council and Network Rail at a cost of £48m and opened in September 2019.

- 2.4 The site was formerly a power station and the Council funded and undertook remediation and levelling works at a cost of £18.6m which are now completed.
- 2.5 The development of Phase One within Zone 1 is known as 'Meridian One' and developer procurement for this phase commenced in 2018. A Development Agreement has since been completed with Vistry to acquire and develop this part of Zone 1 and development is expected to commence later in 2021. There is an extant outline planning permission for 725 housing units. I am advised that a Reserved Matters Application pursuant to the outline permission for 300 housing units (known as Phase One A) is being determined and set to be referred to planning committee shortly. A new planning application is then due to be submitted by Vistry later in 2021 with respect to Phase One B for circa 600 – 700 homes and all of the non-residential uses. This will result in a total of 900 – 1000 homes in Phase One. The development of Meridian One requires a gas main to be re-routed and the Council have agreed contractual and commercial terms with Cadent for this relocation.
- 2.6 This zone also includes land to the north and south of Phase One, owned by the Council, which is scheduled for disposal following the development of Meridian One. Both areas are cleared and ready for development.

Zone 2 – IKEA and Teardrop Site

- 2.7 The land east of Angel Edmonton Road is owned and occupied by IKEA who currently trade from a retail store with car parking and servicing to the south and west of the site. I am advised by the Council that there have been discussions between the Council and IKEA about development in this area. As described in paragraph 2.12 the area of land within Zone 2 known as the gasholder site is included in the Phase Two Planning Application.
- 2.8 The area of land west of Angel Edmonton Road is known as the 'Teardrop site' and is owned by the Council and available for development.

Zone 3 – Tesco and IKEA North Car Park

- 2.9 Part of this zone (east of a private road) is owned by IKEA and known as IKEA North Car Park and provides parking for their store. I am aware that development proposals have already been considered by IKEA in this area, and that it has held pre-application discussions with the Council. Planning permission has been secured for replacement car parking at the IKEA West Car Park, which will free the IKEA North Car Park for re-development.

- 2.10 The land to the west of the private road is occupied by Tesco as a retail trading store with surface car parking and a petrol filling station. I am advised by the Council that Tesco have development aspirations in respect of their landholding and have approached the Council regarding its proposed redevelopment.

Zone 4 – Phase Two (southern part)

- 2.11 The zone is included in the Phase Two Planning Application which is for a residential led mixed-use scheme comprising up to 2,080 homes and 32,170 sqm (346,287) sq ft of non-residential accommodation.
- 2.12 The Phase Two Planning Application boundary also includes the gas holder site to the south west which is shown to provide circa 250 units included in the total above. This area of land is included in the area of Zone 2 shown on the plan in paragraph 2.2.
- 2.13 The land required to develop Phase Two in Zone 4 is owned by the Council and comprises industrial land occupied primarily by the buildings constructed shortly after WW2 that form part of Orbital Business Park. These buildings comprise a terrace of high bay industrial buildings originally constructed for heavy engineering and include the buildings known also as the ‘Drum Sheds’. These are let by the Council on short term leasing arrangements contracted out of the provisions of the Landlord & Tenant Act 1954 and now used for storage, film studios and a music venue.
- 2.14 To the south of the Drum Sheds in Zone 4 the land is cleared and has been capped and landscaped ready for remediation and thereafter development.

Zone 5 - Phase Two (northern part)

- 2.15 The land is owned by the Council. It is in industrial land use and is occupied primarily by the buildings known as Orbital Business Park. This comprises a range of industrial buildings and land used for external storage and parking. The units are let by the Council on short term leasing arrangements contracted out of the provisions of the Landlord & Tenant Act 1954.

3.0 DEVELOPMENT PROPOSALS

- 3.1 The Council anticipates that the Scheme will come forward on the basis of various ‘development phases’. In this regard and by way of example, as noted above development of the first phase has already commenced in Zone 1. My evidence is based on development being delivered on each zone as follows.
- 3.2 **Zone 1** – As noted in the previous section, delivery of Meridian Water Station, infrastructure and site preparation work has already been achieved. The housing development of Phase One is being delivered by Vistry in accordance with the Development Agreement and commencing in 2021. The plots to the north and south of Phase One are to be developed by private developers who will be procured by the Council. The sites are ready for development immediately following completion of Phase One, scheduled for 2026.
- 3.3 **Zone 2** – Delivery of Zone 2 will comprise a later phase of the Scheme.
- 3.4 The Teardrop part of the site is in the Council’s ownership, and it is anticipated that this will be delivered by a private developer procured by the Council.
- 3.5 Development of the land in the ownership of IKEA (excluding the retail store) will be led by IKEA, possibly by means of a development partnership or by land sale. As noted above in paragraph 2.7 IKEA has approached the Council in respect of its intention to develop. However, I am not aware of specific development proposals at this stage and for the purposes of assessing the development capacity that aligns with, and will contribute towards, the overall objectives of Meridian Water I have adopted the capacity and uses that would be generated by applying the design principles of ELAAP.
- 3.6 **Zone 3** – The Council anticipates that Zone 3 will also, like Zone 2, come forward as a later phase of the Scheme. I am aware that Tesco also has aspirations to bring forward development on its land, and it is anticipated that it will do so either by means of a development partnership or by land sale. Tesco has already raised the issue of its development intentions with the Council (and indeed it did so in its objection to the Order). To assess capacity, I have adopted the provisions of ELAAP as for Zone 2.
- 3.7 **Zones 4 and 5** – These are the subject of the Phase Two Planning Application for which there has been a resolution to grant planning permission and will be delivered by the Council as Master Developer following the principles of Phase One by securing development partners with contractual commitments

secured by Development Agreement. I have based capacity on the scale and uses of the Phase Two Planning Application.

- 3.8 On this basis the capacity of development and uses for each zone are as shown in Table 1. The indicative numbers of homes for Zones 2 and 3 included in Table 1 are drawn from the ELAAP, which comprises part of the adopted development plan for the area (see further the evidence of Paul Jarvis in this regard). Plan 2 is an illustration showing the development zones and scheme massing adopting this density of development.

Table 1 – Summary of development uses and scale

Development Zone	Indicative number of homes per main DZ *	A1 Retail Total GEA	D1** social infr. Total GEA	D2 assembly and leisure Total GEA	B1a Office Total GEA	B1b/c light industrial Total GEA	Mixed B studio / maker space Total GEA	C1 Hotel Total GEA	Sui Genesis PBSA / LSPBSL Total GEA
1	1,353	1,250	800	750	0	0	0	0	0
2	588	2,925	1,360	0	8,000	11,055	1,000	0	0
3	981	1,391	0	0	7,200	0	0	0	0
4 & 5	2,080	2,000	500	5,000	15,000	7,000	4,500	16,000	18,000
		5,000	7,586	2,450	5,750	30,200	18,055	5,500	16,000

Plan 2 – Development Zones and illustrative massing



4.0 DELIVERY OF MERIDIAN WATER SCHEME

4.1 Development at Meridian Water is a 10-15-year programme to deliver some 5,000 new homes, create some 1,500 jobs, and provide social infrastructure and open space. Phase One marks the first stage of development and other phases will follow completion of the SIW.

Early Phases

4.2 Phase One

I have explained the works undertaken to date and contractual commitment of Vistry (paragraph 2.5) to develop the housing and retail content in Phase One. The legal structure between the Council and Vistry includes a Development Agreement and Agreement for Lease whereby the Council retain long term ownership until the housing works are completed and can exercise control over construction issues and programme.

Phase One will be a development of circa 950 - 970 units and 2,235 sq m of non-residential accommodation and is due to be implemented in Q2 2021 with phased completions between 2022 and 2026. The Council will acquire 25% of the homes for London Affordable Rent tenure and retain ownership of all of the non-residential space.

There is no reason to believe that this substantial element of Zone 1 will not be delivered as anticipated.

4.3 Phase Two

As explained above, Phase Two of Meridian Water relates to Zones 4 and 5. The factors that I believe are important in considering delivery are;

- Land ownership
- Council governance and approvals
- Planning Permission
- Viability
- Infrastructure
- Developer delivery

I have considered each of these factors in the context of the delivery in this phase as follows;

4.3.1 Land Ownership and Vacant Possession

The Council own all the land required to deliver Phase Two. There are several third-party tenancy agreements but none of these provide security of tenure; rather all have break dates or termination dates that will enable vacant possession to be provided in accordance with the delivery programme after completion of the SIW.

4.3.2 Council Governance, Budgets and Funding

The proof of Peter George confirms the Cabinet approvals of the delivery strategy and budget to implement delivery through the adopted Master Developer structure. Specifically, in relation to the stages of development within Phase Two these confirm:

'Meridian Three' (the northern part of Zone 5) benefits from a 'Resolution to Grant' Planning Permission in respect of Phase Two, and has Cabinet approval for marketing as a student / co-living opportunity of 177,174 sq ft (GIA) and separately a building for hotel use of 49,500 sq ft. It is to the north of the Central Spine Road and benefits directly from remediation and infrastructure provision carried out pursuant to the SIW. Procurement activity started in 2020 with soft market testing (explained in paragraph 4.3.6.3) and a start on site planned for 2024 following completion of the SIW.

'Meridian Four' (which comprises part of zones 4 and 5) has Cabinet approval to deliver circa 800 residential units comprising build to rent and affordable tenure. It is located directly off the Central Spine Road and thus also depends directly on the SIW for delivery. Procurement of the design team started in Q4 2020 with a start on site planned for 2024 following completion of the SIW.

'Meridian Five' (being the remainder of zone 4) is being studied as a possible senior living offer and design competitions are underway to explore options.

4.3.3 Planning Permission

The Council has resolved to grant outline planning permission in respect of Phase Two and the section 106 agreement is in the final stages of negotiation.

4.3.4 Viability

The Phase Two Financial Viability Assessment (FVA) submitted by LSH pursuant to the application demonstrated the viability of the scheme comprised in the Phase Two Planning Application and this was independently reviewed by the consultant firm of BPS on behalf of the Planning Authority and their opinion supported the results of the FVA.

4.3.5 Infrastructure

The SIW works have Planning Permission as advised in the proof of evidence of Paul Jarvis. The delivery of these works from a technical and funding perspective is also documented in the proofs of John Reid, Joe Nunan and Mike Savage. I am satisfied that the approach, technical and financial resources that Mr Reid describes indicate that the SIW will be delivered and facilitate the development of the Phase Two scheme.

4.3.6 Developer Delivery

I am confident that developers will come forward to deliver the Phase Two scheme for the reasons described in the following paragraphs.

4.3.6.1 Developer Procurement to Date

Meridian One - I have explained in paragraph 2.5 that Meridian One is under contract to Vistry with development scheduled to commence later in 2021.

Meridian Two - Proposed circa 250-unit affordable housing development with circa 3000m² commercial space to the south of the site bounded by the SIW (which forms part of Phase Two). It benefits directly from road and environmental improvements that will be delivered pursuant to the SIW. Procurement of Vistry as the development partner is close to completion subject to finalisation of the terms of the Development Agreement and enabling works are due to start on site in Q3 2021.

4.3.6.2 General Market Interest

This section provides an overview of general market interest, including direct evidence of market disposals in 2020, extracts from market reports from national property agents and my own commentary with respect to Meridian Water.

Notwithstanding the economic impacts of Covid-19 in 2020, the market evidence demonstrates that interest from private developers for mixed schemes remains strong. I set out in the following tables various examples of transactions which demonstrate the strength of market activity;

Table 1 – Transactions that LSH have been directly involved in

Table 2 - Other market transactions

Following these I provide comment on, and extracts from market reports from Hamptons and Savills that confirm market interest in mixed use development propositions. The full text of these reports is included in Appendix 2.

Table 1 – Summary of disposal projects in 2020 (LSH)

Project	Type	Status
Highgate Road, Kentish Town, NW5	Sale for residential development, comprising 42 units	100 enquiries, 20 unconditional offers. Proceeding to exchange of contracts.
Calor Gas, Wandsworth, SW18	Sale for residential development, comprising 850 units	Completed
Pix Farm Lane, Bourne End, HP1	Sale for residential development, comprising 56 units	Completed
Former Police Station, High Street, Hertfordshire, EN11	Sale for residential development, comprising 50 units	Completed
Former Greenfield School, Brooklyn Road, Woking, GU22	Sale for residential development, comprising 50 units	Completed
Hayden Way, Battersea, SW11	Sale for residential development, comprising 159 units.	Completed

Table 2 – Summary of other 2020 transactions

Project	Type	Status
Blackfriars Crown Court, Southwark, SE1	1.4-acre freehold development site for mixed use	Completed
Brill Place King's Cross, NW11	Land next to St Pancras station with detailed planning consent for 63,300 sq ft residential tower	Completed
Lombard Road, Battersea, SW11	Unconditional sale	Completed

Victoria Works, Osiers Road, Wandsworth, SW18	Existing offices and warehouse with potential for 175 residential units	Completed
225 Marsh Wall, Canary Wharf, E14	Consented residential development opportunity	Completed
231 The Vale, Acton, W3	Planning permission for 64 residential units	Completed
Great West Road, Brentford, TW8	Office building sale for housing with potential for 1000 homes	Completed

Market Commentaries

I set out in this section an extract from the Savills Market Report Q4 2020 which describes their view of continued confidence in the housing and developer markets post Covid-19. I also set out extracts from market reports prepared by Hamptons (Market Insight – Autumn 2020 and Winter 2021) and I have commented on specific points raised in these reports which I think have application to Meridian Water.

Savills Market Report Q4 2020

As evidence of continued buoyancy in the development market I quote the following extract from this market report;

Extract from page 1

Robust activity with an eye to risk

'Land values have remained robust over the past quarter with UK greenfield and urban values increasing by 0.3% and 0.6% respectively. Activity levels in the land market have been higher than previous quarters, new sites continue to be launched on to the market, and buyers appear more motivated and decisive but with an eye to risk management due to market uncertainties ahead.'

Land values and the numbers of bids per site have proved resilient, both recovering to stronger than pre-Covid levels in some markets. A net balance of 22% of Savills development agents reported that new sites continue to be brought on to the market, while a net balance of 37% reported an increase in the number of bids compared to normal levels.

There could be some pent-up demand for sites, as although some major housebuilders bought as much land in 2020 compared to normal levels, there are those who bought c.50–70% fewer plots in 2020 and others with a c.20–25% reduction in plots bought. Taylor Wimpey stands out for buying considerably more land in 2020, significantly ahead of normal rates of acquisition.

The strength of the housing market in the second half of 2020 has given land buyers more confidence. House prices grew by 7.3% in the year to December 2020 according to Nationwide, and transactions in November 2020 were 19.3% higher than the previous year, according to HMRC.

However, smaller sites (50–100 units) in primary locations have continued to attract strong interest over the past quarter, another sign of risk aversion from parties. Deferred payments terms remain common, allowing developers to spread their outgoings. There are also more examples of parties considering conversions of private plots to affordable and bulk sales to build to rent, as developers look to de-risk sites at a time of increasing market uncertainty with the end of the stamp duty holiday in March – around the same time that unemployment is expected to peak.'

Page 1 continues

Demand for Sites in Urban Locations

'Demand for urban sites across many areas persists, underlining that the vast majority of parties are resuming previous land-buying activity, albeit that some remain cautious about developing in these locations.

The Government has increased its emphasis on brownfield development and in December 2020 announced £167 million of new funding to support development on such land. This includes a £100 million brownfield land release fund to facilitate regeneration and development on public sector land. £67 million has been allocated specifically to Greater Manchester and the West Midlands. The most recent figures published show that 53% of new homes in England were built on brownfield land in 2017–18, according to MHCLG.'

Hamptons – Market Insight Winter 2021

Extract from page 4

'What lies ahead for the property market after the extraordinary events of 2020? After the pandemic freeze, the market re-opened to a clamour of demand for relocation that defied all expectations.

Households, with the wherewithal to move, wanted larger houses with big gardens and ample space for home working, either in a leafy suburb or the country.'

There is the potential for the change in household demand to seek less urban environments having a positive impact on the demand for housing at Meridian Water. The Scheme will benefit from the proximity of the green space in the LRVF whilst still being located in close proximity to Central London. The master planning of the Scheme includes a relatively high level of open space extending to over 25% of the area; Brooks Park (part of the SIW) being an example

In connection with households seeking larger properties the Scheme provides a high percentage of larger units with 70% of the proposed residential units being two, three or four-bedroom apartments. The provision of a greater number of larger sized units is likely to be of a benefit to Meridian Water. Residents of more central London boroughs may well perceive Meridian Water to offer good value for money, allowing them to trade up to a larger apartment.

Extract from page 14 –*Looking to the Year Ahead*

'The market seems set to pause for breath after 2020, an extraordinary year when as many as one million homes are likely to have been sold. This was despite the economic ravages of the pandemic and the temporary closure of the market.

What would be the result if Rishi Sunak, the Chancellor, opted to keep the stamp duty holiday in place until the end of year?¹ Such a decision would be welcome news for the buyers who may narrowly miss the deadline as the result of legal and other delays that have been causing some deals to stall.

In the event of a change of heart on the part of Chancellor Sunak, we would expect slightly stronger house price growth, particularly in London and the South. First-time buyers and second-steppers in more expensive parts of the country in particular would be able to contemplate a purchase thanks to the tax savings and hopefully a return in higher loan to- value mortgages as the economy recovers towards the end of the year.

We also think that around 10%, or 100,000, more homes could be sold, returning transaction numbers to their 2016 levels. But economic weakness and mortgage rationing will still serve to keep a cap on these numbers.

Extract from page 16

¹ subsequently extended to June 31st 2021 by the March 2021 budget

Whatever unfolds in 2021, we will still be talking about what happened in the market in 2020. Last September, two months after the surprise announcement of the stamp holiday, we forecast that overall growth for the year would be 2%. We now expect that the final figure may be higher, given that the demand for relocation continued almost unabated to the end of the year.

This growth forecast will continue to support the viability of the development.

Hamptons – Market Insight Autumn 2020

House price forecasts were published in this report on the basis that a “Brexit” deal would be agreed and that a vaccine programme would be rolled out in early 2021, both of which have transpired. The report set out the following house price forecasts:

Area	2021	2022	2023	2024
Greater London	-1.0%	1.5%	3.0%	6.0%
South East	0.5%	1.0%	2.0%	5.0%
JK	0.0%	2.5%	3.5%	8.0%

The first completions of residential units at Meridian Water are expected from December 2023 onwards. The table above highlights that the housing market in Greater London is anticipated to see positive house price growth across 2023 and 2024 of 3% and 6% respectively.'

4.3.6.3 Soft Market Testing (SMT)

SMT was carried out by LSH and consultants Gerald Eve in summer 2020 and involved them engaging with a selection of developers and investors in connection with Meridian Three and Meridian Four within Phase Two (described in paragraph 4.3.2) ('the development proposals'). The objective of the exercise was to assess the level of their interest in the development proposals, as and when they are brought to market, and to ask their views on the content of the development proposals and the delivery deal structure. This would then enable the Council to consider these responses and where appropriate reflect these views at detailed design and when structuring the transaction. This approach should result in maximum interest when the development proposals are ultimately taken to market. The following paragraphs summarise this response and details of the parties approached and their responses are attached in full in Appendix 3.

Meridian Three

Phase Two is programmed to commence in the north and evolve to the south. The next scheme to be procured is known as Meridian Three. The Phase Two Planning Application provides flexibility of use in this area for either co-living or student housing in two buildings totalling 177,144 sq ft (GIA) and a hotel in a building of 49,500 sq ft. Following the master developer model, the schemes would be delivered by the private sector, and the SMT has been undertaken to assess interest in developing these uses.

The SMT shows four parties expressed strong interest in the co-living opportunity. This use sector targets renters in the local area seeking to find affordable, well managed and good quality accommodation. This has been identified as an area of under supply by the Council's Housing Department and therefore aligns to the overarching objectives of Meridian Water.

More cautious interest was expressed by five further parties in the student living opportunity. This more cautious interest may well be the result of the exercise being undertaken in summer 2020 when student housing operators were focussed on mitigating the immediate adverse impacts of Covid-19 on student occupancy and revenues. Understandably operators would have been reluctant at that time to invest time considering new opportunities.

Meridian Four

This comprises 804 units in Phase Two and has also been subject to SMT to deliver a Build to Rent (BtR) and affordable housing scheme. Eleven investors were selected for testing and the feedback was positive from seven of these parties in respect of interest in delivering a BtR scheme within Meridian Water. Again, the provision of high quality and managed rented accommodation is a form of accommodation of which there is an under supply in the Borough. The full SMT response from these investors is included in Appendix 3.

Several uninvited parties have also approached the Council to express interest in development and a short e mail is also included in Appendix 3 confirming the details of two such parties.

SMT Conclusion

The development content of Meridian Three and Four accounts for 49% of the whole of Phase Two and the SMT shows strong interest from several parties in bringing forward the development of these two elements. I would not expect the further phases of development in Phase Two to be subject to SMT as this would be premature at this stage. As shown by the results of the SMT I am confident that when

each of these development propositions are taken to market, they would attract strong interest from parties with an appropriate track record, expertise and financial resources to bring forward these schemes.

Later Phases of Meridian Water

As noted previously, it is anticipated that Zones 2 and 3 of Meridian Water will come forward as later phases of development. Necessarily, the form and delivery of development will to some extent be dictated by need and market conditions prevailing at the time when proposals for development come forward. However, in the paragraphs below I have considered briefly the deliverability of these zones at a high level, by reference to the current prevailing factual matrix.

4.4 Zone 2 – IKEA

I have applied the same principles to considering the delivery of development on Zone 2.

4.4.1 Principle of Development

I am aware that IKEA have held pre-application discussions with the Planning Authority regarding redevelopment of their northern car park, on the basis that they wish to ensure and safeguard the development potential of their land. IKEA are positive about the principle of development including the redevelopment of the store. To facilitate this IKEA West Car Park has planning permission for the provision of replacement car parking.

4.4.2 Land Ownership

IKEA are the freehold owner of the site and there are no registered interests on the title and I have assumed therefore that the site would be available for development with vacant possession.

4.4.3 Planning Permission

The site is within the area defined by ELAAP which supports mixed use development, and I am advised there are strong prospects that planning permission would be granted in accordance with the provisions of ELAAP. Further, Phase Two having secured a resolution to grant planning permission adds weight to this view.

4.4.4 Viability

The viability of development of the Scheme has been demonstrated in respect of Phase One and Phase Two and I see no reason to expect that development in this zone would not also be viable.

4.4.5 Infrastructure

The SIW provide the framework of infrastructure to facilitate and encourage residential development of Zone 2 land (either car park, or reconfigured land if stores move) – namely the Central Spine Road, Leeside Link Road, Access Works, rail improvements and improved environment with park and forthcoming residential development.

4.4.6 Developer Interest

In the event that IKEA wished to secure delivery by direct development, partnering or sale I consider the interest of developers and the market confidence that I have explained in paragraph 4.3.6.2 would apply equally apply to this zone.

4.5 Zone 3 Tesco

I have applied the same principles to considering the delivery of development on Zone 3.

4.5.1 Principle of Development

I am aware that Tesco have held discussions with the Council regarding redevelopment of the site including retail re-provision and to my mind this shows Tesco are positive about the principle of development including the redevelopment of the Tesco Store.

4.5.2 Land Ownership

Tesco are the freehold owner of the site with BSPF holding an intermediate leasehold interest and both parties have confirmed interest in development, and I see no reason why the land ownership structure would prevent development coming forward.

4.5.3 Planning Permission

The site is within the area defined by ELAAP which supports mixed use development, and I am advised there are strong prospects that planning permission would be granted in accordance with the provisions of ELAAP. Further, Phase Two having secured a resolution to grant planning permission adds weight to this view.

4.5.4 Viability

The viability of development of the Scheme has been demonstrated in respect of Phase One and Phase Two and I see no reason to expect that development in this zone would not also be viable.

4.5.5 Infrastructure

The SIW provide the framework of infrastructure to facilitate and encourage residential development of Zone 3 land (either car park, or reconfigured land if stores move) – namely the Central Spine Road, Access Works, rail improvements and improved environment with park and forthcoming residential development.

4.5.6 Developer Interest

In the event that Tesco wished to secure delivery by direct development, partnering or sale I consider the interest of developers and the market confidence that I have explained in paragraph 4.3.6.2 would apply equally apply to the Tesco land.

5.0 CONCLUSION

- 5.1 I have considered what I believe to be the most critical factors which determine the prospects for delivery of development at Meridian Water. These are;
- Land ownership
 - Master Developer resourcing
 - The readiness of sites for development including planning permission and infrastructure
 - Viability
 - Market confidence and developer delivery
- 5.2 I have explained in paragraph 1.10 that delivery of the SIW is a requirement for the Scheme to come forward as the implementation of the SIW is necessary to achieve the ‘readiness for development’ status.
- 5.3 In the context of market confidence I have specifically considered the post Covid-19 impact on the developer and occupier markets. I take confidence from the occupier market statistics, forecasts and continued developer confidence shown by Vistry maintaining their programme at Meridian One and the results of the SMT.
- 5.4 Section 4 of my proof addresses these criteria in connection with each development zone and shows that the circumstances pertaining to these criteria in each zone remain positive and support my view that development will come forward as anticipated.
- 5.5 In conclusion I have every expectation that delivery of development at Meridian Water will come forward.

6.0 RESPONSE TO OBJECTORS

6.1 Objector: IKEA Properties Investments Ltd, IKEA Ltd, IKEA Leasing Ltd, Commerzbank Aktiengesellschaft

- 6.1.1 Grounds - IKEA's objection includes an assertion that the viability of scheme in its totality has not been demonstrated.
- 6.1.2 The deliverability of the SIW is described in the evidence of John Reid
- 6.1.3 My evidence confirms that the Scheme is deliverable, and this is demonstrated by the evidence as set out in section 4 of this proof.
- 6.1.4 Deliverability and viability at Meridian Water was also demonstrated in support of the HIF Funding application submitted to MHCLG in 2019. This was demonstrated by showing that the residual land value (RLV) generated by development across the whole site was sufficient to show a satisfactory return, illustrated by showing the Net Present Values of the bundle of RLV's applicable to each site in the scheme. This technique adopted many of the inputs adopted in the Phase 2 FVA other than where time adjustments were considered reasonable owing to the increase scale of the scheme in the HIF Funding application.
- 6.1.5 This approach was subject to interrogation by MHCLG and their advisors Cushman & Wakefield and as the HIF Funding application was approved, I believe this reinforces the view that development is viable.
- 6.1.6 The Phase Two Planning Application FVA which demonstrated the viability of the part of the Scheme comprised in the Phase Two Planning Application was also independently reviewed by the consultant firm of BPS on behalf of the local planning authority and their opinion supported the results of the FVA. (section 4.7)

6.2 Objector: Lee Valley Regional Park Authority

- 6.2.1 Grounds – Since the resolution took place in January 2020 the economic outlook has changed significantly as a result of the pandemic calling into question whether the scheme in its current form remains in the public interest and is deliverable.
- 6.2.2 I consider that section 4 of my proof clearly shows that there is no reason to believe that the scheme will not be delivered as anticipated, notwithstanding the impacts of Covid-19. I attach

particular weight to the evidence of market transactions which evidence developer activity during the period of Covid-19 and shows their confidence in committing to new development projects.

7.0 STATEMENT OF TRUTH AND DECLARATION

Statement of Truth

- 7.1 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

Declaration

- 7.2 I confirm that my report has drawn attention to all material facts which are relevant and have affected my professional opinion.
- 7.3 I confirm that I understand and have complied with my duty to the inquiry as an expert witness which overrides any duty to those instructing or paying me, that I have given my evidence impartially and objectively, and that I will continue to comply with that duty as required.
- 7.4 I confirm that I am not instructed under any conditional or other success-based fee arrangement.
- 7.5 I confirm that I have no conflicts of interest.
- 7.6 I confirm that I am aware of and have complied with the requirements of the rules, protocols and directions of the inquiry.
- 7.7 I confirm that my report complies with the requirements of Royal Institution of Chartered Surveyors (RICS), as set down in the RICS practice statement Surveyors acting as expert witnesses, and the RICS Professional Statement Surveyors advising in respect of compulsory purchase and statutory compensation.

Stephen H Armitage

March 26th 2021