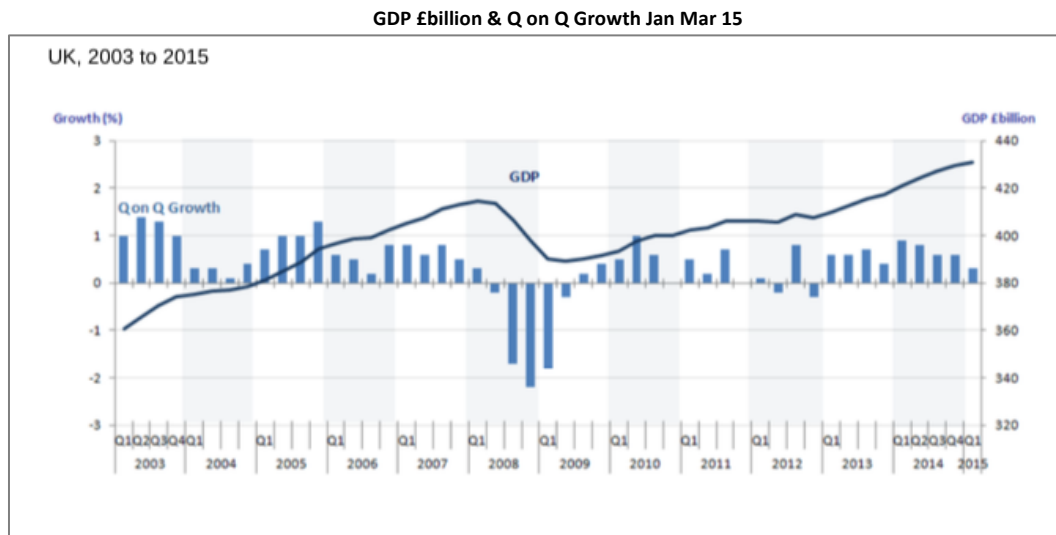


APPENDIX 1 – ECONOMIC AND STRATEGIC CONTEXT

1.1 Macro Context

1.1.1 The UK Market

Using changes in gross domestic product (GDP) the Office for National Statistics (ONS), recently reported, that growth in the UK has continued to increase by 0.3% in the first quarter of 2015, this builds on the growth of 0.6% in the final quarter of 2014. Compared with the same quarter a year ago GDP is 2.4% higher in 2015.



PwC also reported in March 2015 that they expect GDP to average around 2.5% in 2015, which is supported by recent oil price falls. Because of international risks, UK growth has been projected down in the short term. However, the medium term looks positive as the global economic environment improves. PwC expects the services sector to remain the main driver of UK growth for both output and employment. Manufacturing and construction growth have slowed recently, but should remain positive contributors to overall UK growth. It is hoped that the delivery approach once established will be able to use the Councils Corporate Plan and the subsequent Housing Strategy objectives in 2015-16.

According to the market research company Nielsen, consumer confidence rose for the fifth successive quarter in the opening months of this year to hit its highest level since the pre-crisis days of 2006.

“Consumer confidence in the UK continues to rise. The UK is one of the fastest growing major economies, unemployment is falling and people are benefiting from zero inflation and lower prices in supermarkets and petrol stations.”

Against the backdrop of falling unemployment and a modest pick up in wage growth, the Nielsen survey of more than 500 people in the UK found the proportion feeling positive about their job prospects increased for the eighth consecutive quarter to 45% – the highest level for more than seven years.

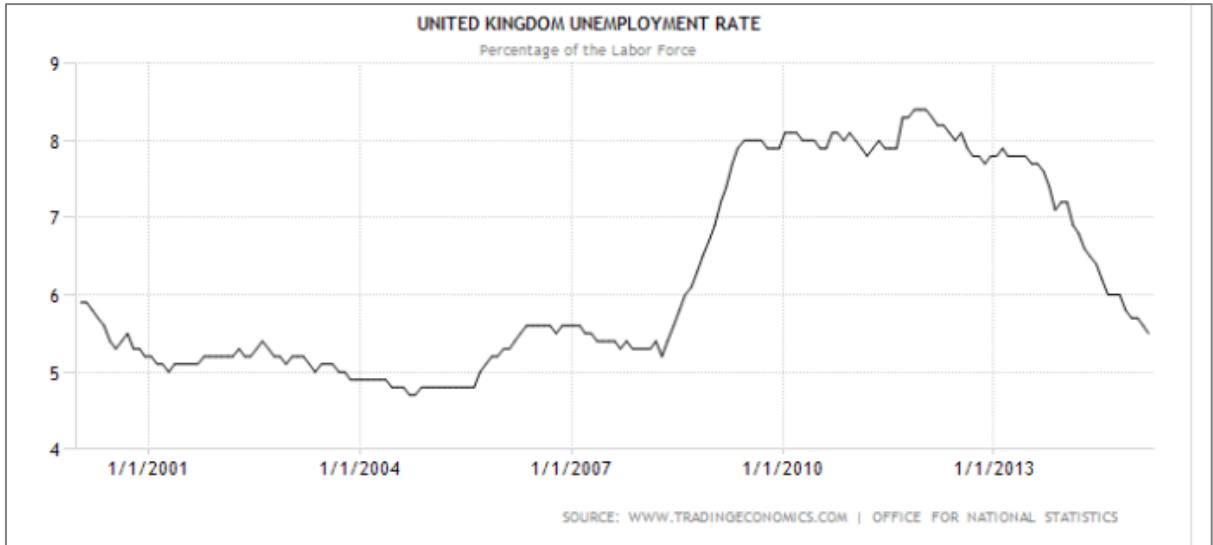
The OECD latest forecast from November 2014 indicates that growth has been propelled by high job creation and is set to continue at a strong pace in 2015 and 2016, again this has been supported by strong private consumption and investment.

These economic indicators illustrate that as the UK economy continues to show strong growth, greater consumer confidence and encouraging job prospects, it is a positive environment for the Council to be considering, and potentially establishing, a new delivery approach. In an upwardly trending UK market, and based on the continued positive messaging from the private sector, through both soft market testing and interest witnessed in similar opportunities, investors continue to seek long term returns, similar to those offered by the potential of the delivery vehicle.

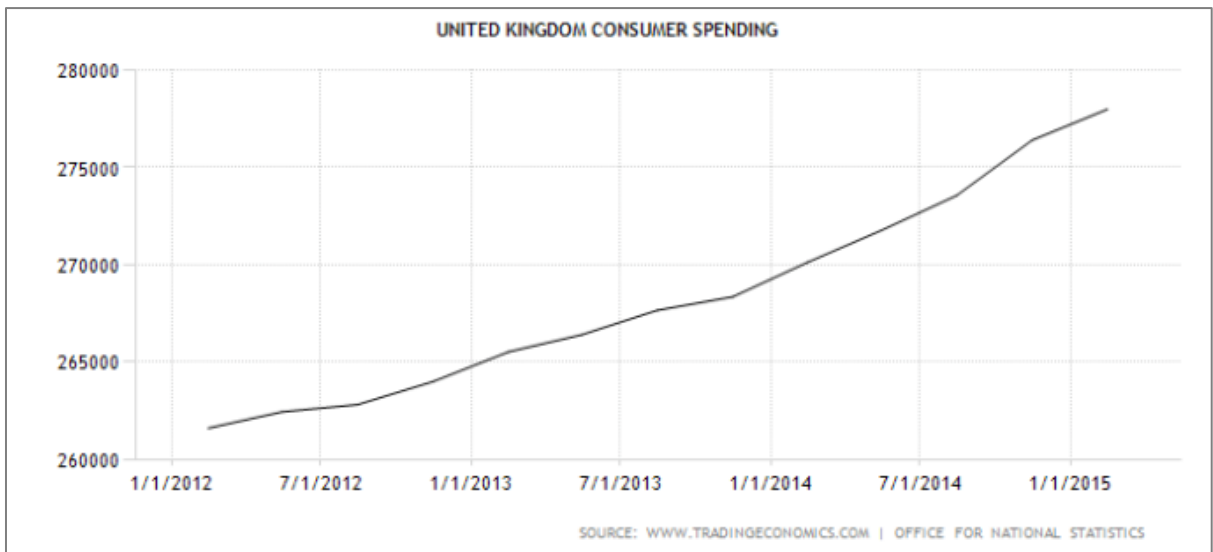
1.1.2 Economic Projections

The Bank of England's May 2015 Inflation report has projected solid demand growth. The report also confirms an expected boost to household spending which again is deemed from lower energy and food prices and sustained by an increase in wage growth. The report also concluded that business investment growth remains healthy, reflecting the current low cost of finance and the broader recovery in demand. The Bank's monetary policy committee (the MPC) also reported that they expected inflation to bounce back to its 2% target at the end of its two-year forecasting horizon, this would then allow the MPC to raise interest rates at the gradual pace currently priced in by the City. The MPC voted unanimously to leave the Bank Rate at a record low 0.5 percent.

Data from the ONS has shown that the jobless rate in the UK decreased to 5.5% in the first quarter of 2015 from 5.6% in the previous quarter. It is the lowest number since May-July 2008 as the employment rate reached the highest since records began in 1971.



Consumer spending continues to be the main driver of momentum in the economy. Improving certainty and easing credit conditions have prompted households to reduce their rate of saving. Continued increased in Consumer Spending has seen it almost back to the pre-crash peak in 2007.



1.1.3 London Market

London has always been a commercial city and continues to enjoy the status of having one of the largest city economies in the world. It has a GDP of over £565 billion, which is about 17% of the UK's total GDP. London's economy is set to expand by 15% over the next five years to 2019, according to a forecast from the Centre for Economics and Business Research (CEBR).

London’s labour market continues to show near record strength; London’s resident employment rate in the first quarter of 2015 stood at 72.1%, an increase of 1.0 percentage point on the year. The unemployment rate has fallen by 1.6 percentage points over the last year. In addition to improved labour market conditions, data from the GfK-NOP Consumer Confidence Barometer has shown steady increases over the last two years, reaching a record high in London in March 2015.

The outlook for London’s economy remains strong, with GLA Economics latest forecast published at the end of May 2015, forecasting that London’s economy will grow by 3.6% in 2015, with growth moderating to 3.2% in 2016 and 2.5% in 2017.

London’s strong employment growth coupled with improvements in consumer and business confidence should result in continued strong economic growth in the near term.

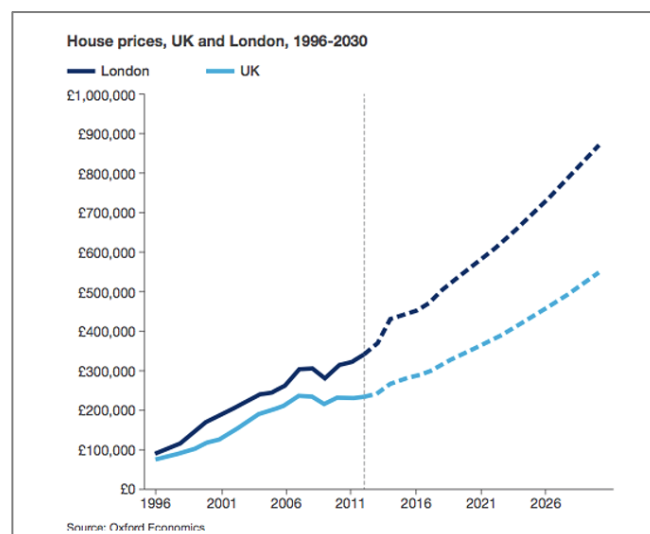
London always tends to have the highest regional Gross Value Added (GVA) per head; this is due to the amount of business and industry located there. In 2013 business in London added £40,215 to the UK economy for each person living there.

London continues to lead the recovery, as has been the pattern for many years, but other UK regions should also register positive real growth of around 1.7-2.5% in 2015.

1.2 Micro Context

1.2.1 London Residential Market

Oxford Economics reported in May this year that the average cost of a home in London is set to breach the £1 million level by 2030 as house building struggles to keep pace with a rapidly rising population. These increasing affordability issues within the capital will intensify even further as the expected increase in demand for housing coincides with a widening of the gap between rich and poor.



It is understood that the continued increase in prices is due to a progressively strong economic recovery and record-low interest rates. Faster growth in London may reflect the special features of the London housing market, including faster population growth, stronger economic performance and demand from foreign investors.

1.2.2 Housing Shortfall

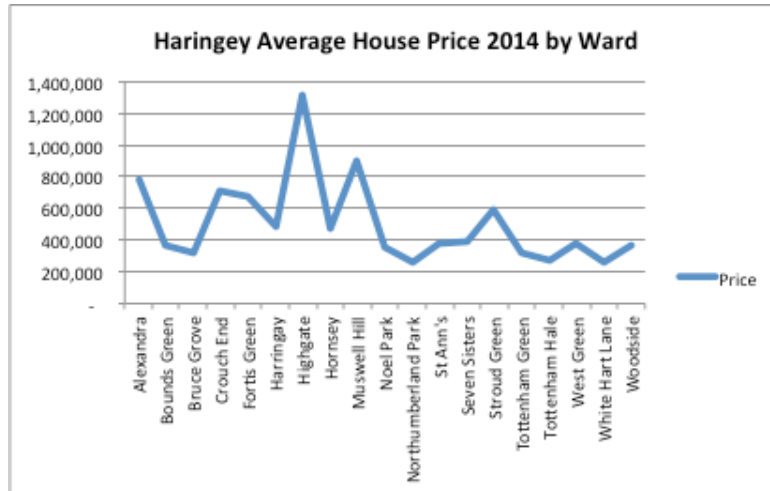
With London's population set to increase by 14%, which equates to more than 1 million people, over the next decade, London is unlikely to reach the level of housing required. It is estimated there is a significant imbalance between supply and demand with potential supply satisfying just two thirds of the estimated level of future demand for housing. This extreme demand compared with shortage of supply is likely to mean that the strong rise in the London housing market is going to continue into the medium term.

This continued upward cycle of London house prices has seen a generation of families migrating out of London toward the suburbs and more affordable housing markets. It is estimated that 84,000 people in their 30's and 40's moved out of, London taking 65,000 children with them, in 2014. London lost more through internal migration than any other authority in England and Wales. Analysts predict that the flow of mainly middle class families out of the city, while those in poorer areas remain, will create greater segregation between classes.

Savills research has reported that by 2018 the South of England will face a combined shortfall of at least 160,000 homes. The analysis found that the South East, South West and East of England regions would be short of 91,323 homes when targets are compared to actual need.

1.2.3 Haringey Residential

Analysis of Land Registry data shows that whilst Haringey average house prices run approximately parallel to those of average London house prices, when the data is broken down into wards, each ward, containing Council owned sites considered in this business case, has average house prices which are considerably lower than the London average (masked by the extremely affluent wards within the Borough such as Highgate and Muswell Hill). This shows the diverse spectrum of housing that the Borough contains and therefore the potential of such lower value areas to increase to the level of their neighbouring wards.



Additionally a National Housing Federation report has predicted that Haringey House prices will increase by 82% over the next ten years, 10% more than London.

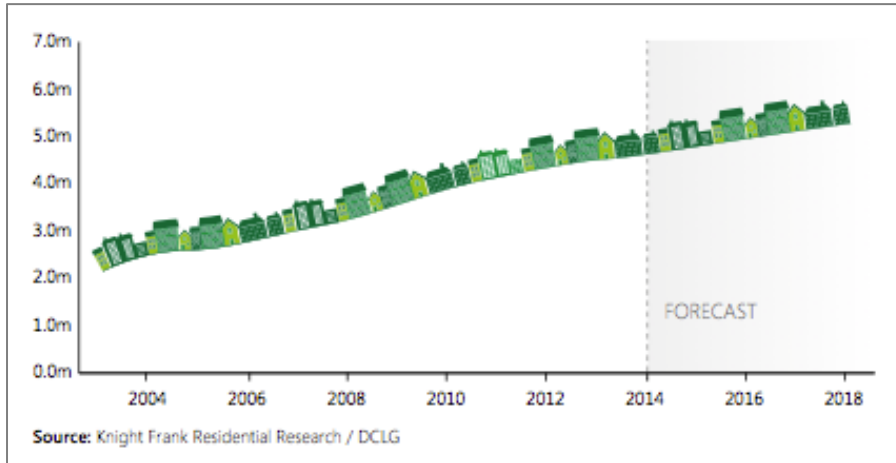
Overall House Prices	Increase	2013	2023
Haringey	82%	£433,000	£787,000
London	72%	£452,000	£776,300

It is anticipated that the combination of the increasing housing shortfall across both the Borough and wider London market, together with the relatively low value base of the Borough compared to the wider London market (with the associated strong projected long term increase of house prices within the Borough, that prospective investors would perceive these as favourable conditions for long term investment in the Borough.

1.3 Private Rented Sector

1.3.1 United Kingdom

Approximately 10 million people are currently living in privately rented accommodation in the UK. From census data the private rented sector (PRS) in England almost doubled in absolute size from 2001 to 2011 and grew from 8.8% to 15.4% of households. PRS now accounts for around four million households, some 17% of the total number of households in the UK. A recent forecast estimates that the number of households in the PRS sector will grow to more than 5 million by the end of 2016.



Many factors are believed to impact this sector; the continuing increased demand for housing stock due to the rise in the population; and the clampdown in mortgage lending after the financial crisis which required a generation of house buyers to become Generation Rent. However, greater analysis shows that the increase has other influences such as the scrapping of rent controls, the explosion of buy-to-let mortgages and the rise of house prices in relation to earnings.

Historically the PRS sector has been under-pinned by investors with small portfolios of properties. The sector appears to be on the verge of shifting towards the beginnings of institutional investment. This would more closely reflect the tenure trends of other countries such as the US and Germany. Moving to a market where institutionally managed rental blocks become much more common will inevitably take some time. The Olympic



park in Stratford is on the first examples of a large scale institutionally backed PRS.

M&G Investments bought 401 market rent homes in the Stratford Halo development on the edge of the Olympic Park from Genesis Housing Association in a 35-year deal. This deal is the first residential investment made by MG from its £1.5 billion secured property income fund. It is also believed to be the biggest single investment of its kind in the PRS.

1.3.2 London

London's PRS has grown considerably in recent years, and is now the second largest tenure in London. Shelter estimates private renting will grow to 41% of all households by 2025 – becoming bigger than the owner occupied sector in London for the first time since the mid-1960s.

However, the table below illustrates the increase in London's PRS has not been due to the growth of the total housing stock, but has been at the expense of other tenures.

	Owner occupied	Private rented	Social rented
1961	36.3%	45.5%	18.2%
1971	40.4%	34.8%	24.9%
1981	48.6%	16.6%	34.8%
1991	57.2%	13.9%	28.9%
2001	56.5%	17.3%	26.2%
2011	49.5%	26.4%	24.1%

T. Copley Deputy Chair of the Housing Committee

Looking at data from the last census between 2001 and 2011, London's total housing stock grew by 10% and in the same period the private rented sector grew by 75% (352,000 homes). Yet, the number of owner occupied homes actually fell by more than 86,000 and London's social rented stock stayed much the same.

The proportion of households living in the private rented sector is relatively uniform across the English regions. London is the clear exception to this trend and appears to have sharply diverged from the rest of the country. The size of the private rented sector in London was considerably larger than other regions in 2001 (14.3%) and the difference increased further in the following decade. By 2011 almost one-quarter of households in London (23.7%) were renting.

Haringey has had a large increase in PRS, especially through individual ownerships. An institutional approach to PRS in certain schemes across the Borough would complement and add diversity to the existing stock.

1.4 Work to date

The Council has undertaken considerable work to date in respect of its property portfolio. This has included both in-house work and commissioning of reports and strategic masterplan proposals by external consultants. Listed below are the key reports that have been reviewed as part of this analysis:

1.4.1 Commissioned Reports

- North Tottenham Investment Framework High Road West (JLL - 2013);
- Tottenham Regeneration Project – Review of Funding & Delivery Options (PWC – November 2013);

- Report on the London Borough of Haringey Commercial Portfolio (DTZ - January 2014);
- Master Plan work related to High Road West (Fletcher Priests Architects - May 2014);
- Strategic Options for Future Use of London Borough of Haringey Assets in Wood Green (PRD - September 2014);
- Viability studies for High Road West, Northumberland Park and Broadwater Farm (Frost Associates – 2013 / 2014);
- Hornsey Town Hall Options Appraisal for CAB (September 2014);
- Carter Jonas Review Commercial Property.

All of the above reports have been undertaken and written independently. Consequently, although the Council has a wide range of information available on specific sites and assets, there is not a cohesive structure or comprehensive strategy when looking at the entirety of the Council's development and investment assets. In essence the development of any one site will necessarily impact on the feasibility of its neighbouring sites, and whilst individual sites may not be viable in isolation, by adopting a more holistic and comprehensive approach, sites which previously have been thought to be undeliverable (especially from a financial viability perspective), may potentially now be delivered when considered in the context of a Vehicle, where cross subsidy can take place between assets.

1.4.2 Strategic reports

Key findings from the following reports have all been identified as strategic ambitions when considering a delivery approach that the Council may wish to follow. The key objectives and priorities of within each of the reports have been highlighted.

The Corporate Plan

Housing is a major Council priority and the Council, through the Corporate Plan, is clear regeneration, as opposed to simply replacement of housing stock, is imperative to the future growth of the Borough.

The delivery approach will focus on realising two of the five Council's Corporate Plan priorities:

- **Priority 4: Drive growth and employment from which everyone can benefit;**
- **Priority 5: Create homes and communities where people choose to live and are able to thrive.**

Housing Strategy

Whilst this is not a planning document, it will be material in the Council's development process and therefore its objectives must be included when thinking about the requirements that any potential Vehicle would need to fulfil.

The objectives clearly identify the focus for any delivery approach, and must be kept in mind when procuring a partner who will ultimately be delivering the vision for parts of the Borough.

Objective 1 – Improve help for those in housing crisis

The Housing strategy reinforces the Council's position of this project being more than just a housing project, that the developments must help the residents and communities within the Borough. Through this objective the Council are seeking to:

- Reduce homelessness;
- Take a new approach to temporary accommodation; and
- Ensure correct and quick allocation of affordable housing.

Objective 2 - Ensure that housing delivers a clear social dividend

This objective builds on the Council's ambition to create social benefits, creating positive non-economic benefits such as greater health and education provision together with increasing employment and community safety. This will ensure that through the development of the housing programme the Council gains a 'transformative effect' not just from the housing but the communities that are established. Through this objective the Council is seeking to:

- Use housing to improve life changes: promoting stability, independence, health and well-being; and
- Give residents a stake in growth.

Objective 3 – Drive up the quality of housing for all residents

The Housing Strategy makes it clear that this objective is about improving the quality of all housing, whether purpose built private rented, the design of privately owned houses or investing in the improvement of Council homes, and setting new standards for homes built and managed by housing associations (e.g. Homes for Haringey). By delivering regeneration through a Vehicle, it is expected that the Council will be able to ensure that a more cohesive approach is taken to design and quality, which may not be possible if the assets are developed on their own in a more traditional ad hoc manner. This objective will be achieved by:

- Improving the quality and management of homes owned by the Council;
- Improving the quality and management of homes owned by Registered Providers;

- Improving the quality and management of privately rented homes;
- Doing more to bring empty homes back into use;
- Securing better quality design across all new homes; and
- Reducing carbon emissions.

Objective 4 - Achieve a step change in the number of new homes being built

This is the most significant objective with regard to this project, as it is hoped the Vehicle can deliver most of these objectives' requirements:

- Maximise the number of new homes;
- Build the first new Haringey Council homes;
- Put mixed communities at the heart of the Council's approach;
- Promote "affordable" housing;
- Ensure estate renewal.

Haringey Economic Development and Growth Strategy

The Haringey Economic Development and Growth Strategy - A Plan for Jobs Growth and Prosperity (The Economic Strategy) predicts that by regenerating areas within the Borough the Council will not only be able to deliver increased housing but also ensure that its long term aims for economic growth are achieved. Despite the Borough having close proximity to some of London's key business centres such as King's Cross and Tech City, and having a long legacy of creative and artistic talent with a diverse mix of cultures, the Borough has not yet been able to harness or leverage these advantages. Since 1994 local jobs have only grown by 120 per year and many are at entry level in the retail and service economy. The Borough is underemployed and has earnings levels below the London average.

It is expected that part of the delivery approach objectives will be to act as a catalyst to regenerate areas. The Council wants to see this regeneration also translated into greater opportunity and prosperity for its residents.

Haringey Strategic Housing Market Assessment

The Haringey Strategic Housing Market Assessment (SHMA), prepared by GVA in May 2014, provided the Council with the necessary information to better understand the Borough's housing markets, both current and future. The SHMA has allowed to the Council to develop its policy for long term delivery of housing, and why it must regenerate key areas and harness its potential thorough structures such as the proposed Vehicle.

The SHMA outlines that the Borough presents significant differences in both social economic status and its housing market from the west to the east of the Borough. The west having a high value housing market, strong employment links to central London and a high private

sector tenure and the east of the Borough containing lower values with high social rented tenure and more associated links with industrial employment in the Lee Valley.

Compared to the wider 'Housing Market Area', the Borough contains a high level of terraced property and flat conversions, with a lower proportion of purpose built flats. The tenure and housing types are comparable to the wider London housing market, however, the Borough has some overcrowding issues.

The SHMA outlines that the Borough has a wide range of housing prices from the extreme high end found in wards to the west such as Muswell Hill, to the least expensive properties in the east of the Borough, including wards such as Northumberland Park. The report also shows that entry level (the lower quartile) or lower cost housing was 11.35% higher compared to London, this suggests that within the Borough there are affordability issues for entry level housing.

Meeting the Needs for Affordable Housing

In order to rectify issues of affordable housing and in combination with a recent resident's housing survey, which outlined a preference towards large homes, the SHMA states that over the plan period (2011-2026) more than 20,000 affordable houses are required, equating to a provision of 1,345 per annum.

The SHMA also considered that the latest reforms to the benefit system are all likely to impact on the affordability and accessibility of housing within the Borough. This may lead to a further increase in the level of demand.

The SHMA concludes that there is a significant affordable housing requirement within the Borough, and therefore the Council should as a priority continue to place those most in need into affordable housing as it becomes available. In order to alleviate this issue the Council must enhance access to the housing market, and to decrease the affordability gap that currently exists. This requires a significant increase in the supply of affordable housing. At the same time it is important to safeguard that the right mix of types and tenure of housing is developed in order to ensure that occupiers are able to relocate.

The SHMA also concluded that due to the shortfall in affordable housing within the Borough, many households meet their housing needs from the private sector, and therefore the private rented sector will become increasingly important in meeting the needs of younger households who are usually attracted to the greater flexibility it provides.

The Council, by appraising its current waiting list and the projected demographic growth of the Borough, has set out specific targets regarding the size of affordable housing provision required, 1 bedroom units and 3+ units that should receive particular focus. Small 1 bedroom units allow greater flexibility of the housing stock and are an important mechanism in freeing up existing stock, the larger family units meet the affordable housing required needs.

The SHMA outlines the importance in the requirement to monitor the Borough's housing market closely and to monitor change.

A Future for Tottenham - Tottenham Strategic Regeneration Framework

The Strategic Regeneration Framework (SRF) was developed in conjunction with the local community from 2013 and 2014. The strategies and visions are therefore driven by what the local community have highlighted, namely an aspiration for Tottenham to become the next great area of London:

“By the age of twenty, a child born in Tottenham today will have a quality of life and access to the same level of opportunity that is at least equal to the best in London.”

By using this strategic framework the Council will drive its plans to deliver its regeneration process, to include safe streets, greater and easier access to healthcare, rewarding jobs available to the local community, education from pre-school to university level all available within the Borough, which will deliver both academic and vocational excellence, which will enable residents to compete in the job market. £1billion, of both public and private investment, is already being invested to start the process of rejuvenating Tottenham.

Seven strategies have been identified from the SRF in order to achieve the ambitions of this framework:

1. World class education and training;
2. Improved access to jobs and business opportunities;
3. A different kind of housing market;
4. A fully connected community with even better transport links;
5. A strong and healthy community;
6. Great Places;
7. The right investment and high quality development.

The Tottenham Area Action Plan

The Tottenham Area Action Plan (AAP) is the planning policy document that will progress the SRF from a framework to delivery. Along with the Site Allocations Development Plan Document the AAP continues the regeneration strategy for Tottenham and established the local spatial planning framework for the area. It provides for major new housing development (10,000 new homes) and for the improvement of quality of the existing social housing stock, via estate renewal, in the hope of balancing the tenure mix and giving a greater housing choice to the residents of Tottenham and the Borough. It is hoped via this AAP that it will also deliver substantial employment growth, (5,000 new jobs), this is all to be complimented by further improvements to public transport, pedestrian interchanges upgrades and links with surrounding areas including the Lee Valley. This combined with the provision of increased community infrastructure, namely new school and healthcare.

The AAP is required because of the scale of development required by 2026 to meet the housing targets within the Borough. It is hoped that this AAP will help residents and businesses alike to understand and appreciate how the changes will affect them all, ensuring that a focus on delivery and implementation is foremost, in both the private sector, and public sector agencies. Whilst the APP does not incorporate all of the Borough and targets key strategic sites, it is hoped that other neighbouring sites will benefit from the targeted regeneration and improved infrastructure and physical changes.

The AAP identifies that the Council will take the lead on the implementation of the regeneration and delivery, with dedicated resources and will be able to co-ordinate and manage both the delivery of the sites and the surrounding infrastructure. In order to do this, the Council will have to work closely with a range of different partners, including landowners and developers, as well as infrastructure providers such as GLA and Transport for London. A key requirement in delivering the APP will be the Council's decisions on planning applications. Planning decisions will be crucial to ensuring that the potential new developments will reflect the Plan's objectives and policies. This will be undertaken in conjunction with the Council's other planning documents and guidance. This is a vital document in understanding how the Council wants to meet not only the housing demand and requirements in the Borough, but the manner in which it wants to achieve these objectives.