Lupin House, 11-13 Macklin Street, WC2B 5NH

Addendum Report (1)

Prepared on behalf of the London Borough of Camden

Issued: 21st March 2023

Planning Reference: 2022/2793/P

BPS Chartered Surveyors

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1.0 Introduction

1.1 BPS Chartered Surveyors were previously instructed by the London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment (dated September 2022) and subsequent addendum report (dated December 2022) prepared by JLL on behalf of Aviv Riverview Ltd ('the Applicant') in connection a planning application for the redevelopment of the above site.

1.2 We reviewed the FVA, and addendum, prepared by JLL which concluded that the scheme was unviable and therefore could not contribute towards affordable housing. In our report, dated 15th February 2023, we concluded that the scheme generated a surplus of £2.73 million and therefore could viably contribute towards affordable housing.

1.3 We have received a response from JLL, dated 2nd March 2023, which lists the following inputs and assumptions that are disagreed between us:

- Private Residential Values
- Commercial Values
- Finance Rate
- Development Timescales
- Benchmark Land Value

1.4 We issue this addendum to address JLL's response, focusing on the disputed inputs listed above. We have reported on each input in turn below. This addendum should be read in conjunction with our previous report, dated 15th February 2023.

2.0 Private Residential Values

2.1 JLL had prepared an initial FVA in September 2022 and subsequently submitted an updated FVA in December 2022. In their September report, an average value of £1,595 psf was adopted for the private residential units. However, in their December update, JLL reduced this average value by 5% to reflect 'market movements'. In our review, we concluded that JLL's September values were reasonable based on the transacted evidence available.

2.2 No robust comparable evidence was provided by JLL to support the reduction applied to their pricing. We cross-checked their assumption against the Land Registry House Price Index ('HPI') which indicated that flat values in Camden had remained stable during the period. In our review we requested that JLL provide evidence to support the 5% reduction.

2.3 JLL's response does not provide any further evidence to support the 5% decrease despite our request. We therefore conclude that this was an arbitrary reduction which was not based on evidence.

2.4 In their response, JLL refer to the HPI which shows a reduction in flat values in Camden of 1.8% between September 2022 and December 2022. They have therefore reduced their initial September values by 1.8% to get to an average of £1,566 psf. This 1.8% movement is a lesser reduction when compared to JLL's December 2022 position that a greater 5% decrease was appropriate.

2.5 We have cross-checked this and note that HPI shows a decrease of 1.5% which is marginally below the 1.8% quoted by JLL. HPI provides an indication only and we consider that more weight should be applied to comparable transacted evidence, in line with the RICS hierarchy of evidence.

2.6 We consider that the comparable evidence outlined in our initial review supports an average of £1,595 psf. However, we acknowledge that there is limited new and recent transacted evidence available at this stage. Given that this decrease of 1.8% is relatively nominal and arguably within acceptable estimating margins, we are willing to accept the revised average of £1,566 psf in order to reach agreement on this matter.

2.7 We have included the revised value of £1,566 psf within our appraisal, we therefore consider that this input is now agreed.

2.8 We would note that this revised average value is broadly at the lower end of our expectations based on the evidence available. We would not accept any further reductions to this value unless transacted evidence can be provided to support such movements.

3.0 Commercial Values

3.1 In our initial review we accepted JLL's position on the commercial rent but disagreed with their position on the void/rent free period and the yield.

3.2 In their March 2023 response, JLL accepted our position on the reduced rent free/void period of 6-months. We therefore consider this matter to be agreed.

3.3 In their September FVA, JLL adopted a yield of 4.5% which was based on transacted evidence and advice from local agents. However, in December they increased to 5.5% to reflect 'market changes'. However, no evidence was provided to support such yield shift. We considered a yield of 5% to be reasonable based on the evidence and information available to us.

3.4 In their response dated March 2023, JLL consider there to be limited new evidence available and suggest that a compromise position of 5.25% is adopted.

3.5 We have searched the EGI Database and have identified the following additional evidence in the area:

Address	Transaction	Description
19 Charterhouse Street, London, EC1N 6RA	Date: Jan 2023 Size: 63,170 sqft Price: £54m NIY: 4.60%	Office building disposed by Derwent London. Occupied by the London College of Accountancy on a lease expiring in 2025. The passing rent is £2.6m per annum. The purchaser was advised by Morgan Capital and BNF Capital Ltd.
7 Ridgmount Street, London, WC1E 7AE	Date: Dec 2022 Size: 29,180 sqft Price: £27.5m NIY: 2.49%	Office building disposed by Allsop to private investor (Knight Frank were acquiring agent). Details regarding tenancies not available. Passing rent £730,050 per annum.
20-22 Bedford Row, London, WC1R 4EB	Date: Oct 2022 Size: 13,216 sqft Price: £6.05m NIY: 4.60%	Office building disposed by JLL and purchased by Golden Square Real Estate Ltd. We understand that the building was redesigned and refurbished in 2019 by Hale Brown Architects. Passing rent of £788,760 pa. Details regarding tenancies not available.

3.6 We accept that there is a lack of recent transactional evidence, however, we have identified three additional transactions which were not previously identified. The above shows a yield range between 2.49% and 4.60%. We consider the Charterhouse transaction to be particularly useful given that it was recent having taken place in January 2023.

3.7 In addition, we have referred to a more recent Knight Frank Investment Yield Guide (March 2023) which indicates the following:

- City Prime: 4.75% (stable market sentiment)
- West End Prime Core: 3.75% (stable market sentiment)
- West End Non-Core: 4.50% (stable market sentiment)

3.8 Based on the evidence and information considered to date we conclude that a 5% yield is acceptable and see no reason at this stage to revise our position on this matter. We would be willing to consider more transacted evidence if JLL can provide any more recent comparable transactions.

4.0 Finance Rate

4.1 JLL's September FVA included a debit rate of 6.5% which they subsequently increased to 7.5% in their December report. In our review, we acknowledged that the BoE Base Rate had increased in December but noted that finance rates do not always mirror exact movements to the base rate and that developers can mitigate against rising interest cost by using fixed borrowing facilities. On balance, we therefore included finance at 7% within our review.

4.2 In their response, JLL acknowledge that developers can utilise fixed borrowing facilities but consider that even so the cost of borrowing will have increased and that smaller developers, who are more likely to deliver smaller schemes like the proposed, have been significantly impacted by increased borrowing. JLL note that they are aware that finance can cost upwards of 10%. No evidence is provided to support finance costs at this level, and we have not seen finance rates being included in viability assessments anywhere near this level.

4.3 We consider our revised rate of 7% to reflect recent increases to borrowing costs, noting that this is an adjustment to JLL's initial position of 6.5%. We are currently agreeing finance rates in the region of 6.5% and 7% on other small schemes across London and therefore consider our position of 7%, which is at the upper end, to be appropriate.

5.0 Development Timescales

Construction Period:

5.1 JLL adopted a construction period of 18-months within their assessment. By contrast, our Cost Consultant advised that a reduced period of 15-months should be adopted based on the BCIS duration calculator.

5.2 JLL's response criticises the use of BCIS but does not provide any further evidence or information relating to their position on the timescales. We do not dispute that this is a complex project but without the full information as to how the 18-months has been determined, we are unable to instruct our Cost Consultant to review, hence BCIS has been used as a cross-check.

5.3 JLL maintain that a construction period of 18-months is reasonable for this scheme as advised by the Applicant's Quantity Surveyor (G&T). According to JLL, G&T have estimated a construction period of 18-22 months.

5.4 We have discussed with our Cost Consultant who advises that the information in the G&T estimate provided was as follows:

PROGRAMME

1 Programme duration currently unknown, and is subject to VP's and sequencing of works

5.5 On this basis, it is not currently clear to us where the estimate of 18-22 months comes from and how this has been determined. We are not adverse to revisiting our position on this but require the evidence used to determine the 18-22 month period. Until such evidence is provided we have maintained our previously reported period of 15-months.

Residential Sales Period:

5.6 JLL assumed a 30% off plan sales rate and subsequent sales rate of 1 unit pcm, resulting in a total sales period of 8-months. This was not supported by any evidence or analysis.

5.7 By contrast, our review referred to recent sales rates evidence available on the Molior Database. We adopted an off plan sales rate of 50% and subsequent sales rate of 3 units pcm. This resulted in a reduced sales period of 3-months.

5.8 In their response, JLL note that the Chapter House development has been achieving 1 – 2 sales per quarter over the last year, and in the final year of marketing at the Hexagon scheme, 1 - 3 units sold per quarter. They expect the proposed scheme to have a slower sales rate and therefore maintain their initial sales period of 8-months.

5.9 Firstly, we point out that Chapter House, whilst close to the subject site, is being marketed with an average asking price of £2,600 psf. This is 66% higher than the average values we have agreed with JLL for the proposed scheme. Given that the proposed scheme is at a significant discount we would expect this to improve the sales rate by comparison to Chapter House.

5.10 Secondly, the proposed sales values are discounted from the asking prices at the Hexagon scheme (£2,050 psf) by 31%. Again, we would expect this significant discount to improve the sales rate at the subject scheme by comparison to Hexagon. In addition, according to Molior, the developer is said to have agreed several bulk sales in 2019 - 2020, however, several of the deals subsequently fell through in 2020 and as such the units then had to be marketed for individual sale. We expect that this has skewed the overall sales rate from this scheme.

5.11 Overall, we do not consider the information addressed above to provide a robust enough evidence base for which we would change our previously reported view on the sales period. We maintain the sales rate assumptions made within our previous report.

<u>Commercial Lettings Period:</u>

5.12 In our review we removed the letting period from the appraisal given that it was reflected in the overall GDV calculation. In their response, JLL have accepted our position on this, and we therefore consider this matter to be agreed.

6.0 Benchmark Land Value

6.1 In our viability review we disagreed with JLL's assessment of the Benchmark Land Value. In their response, JLL have revised their assessment, which we have summarised below:

Element	JLL (Dec 22)	BPS (Feb 23)	JLL (Feb 23)
Office	£3,130,000	£2,130,000	£3,130,000
Residential	£2,598,250	£2,019,000	£2,524,500
Premium	20%	10%	14.5%
BLV	**£6,873,900**	**£4,565,000**	**£6,472,400**

6.2 We note that our previous report requested that copies of the renewed commercial leases and residential AST's be provided to us. Despite this request, JLL have not provided this information and we request again that this is provided. We reserve the right to revisit our position on the BLV following receipt of this information.

6.3 We have dealt with each element of the EUV in turn below.

Office:

6.4 JLL's response highlights the areas of disagreement to be the rental value of the vacant floorspace and the yield applied to the rent passing.

6.5 We note that despite our request, evidence that the former tenants are renewing at the same passing rents has not been provided. We require this information before we can reach a conclusive position on this element.

Storage Rent:

6.6 In their FVA, JLL noted that the vacant commercial space could not be let as office space and therefore assumed that it could be let as ancillary storage space. On this basis, they applied a rent of £10 psf and an 18-month void period. This was not based on any comparable evidence of ancillary storage space and no evidence of demand for such space had been provided.

6.7 By contrast, our review outlined several issues with this approach and the assumptions made, and ultimately considered that the space had a nominal (nil) value.

6.8 Despite the comments in our review, JLL maintain their view that the space could be let as ancillary storage. Again, this is not supported by any additional evidence within their response. JLL simply state that they do not agree that this space is worth nothing.

6.9 We have outlined several reasons within our previous report as to why we do not accept JLL's approach. The assumption that this space could be let contradicts the marketing exercise submitted to the Council which seeks to demonstrate that the building is no longer viable in its current use. There is also no evidence of demand for ancillary storage use, and it appears that this space has been vacant for a long period of time despite ongoing marketing by agents, Next Gen.

6.10 We have identified some space currently being marketed on Next Gen's website. The space is marketed as office space on the second and third floors measuring 5,547 sqft in total. We assume that this is the vacant space being referred to as storage space by JLL. The internal photographs suggests that the accommodation is generally low quality and would require refurbishment to be let as office space, which is in line with JLL's assumption.

6.11 The space is currently being marketed with an asking rent of £2,000 per annum. When applied to the floor area of 5,547 sqft, this equates to c. £4 psf. This is below the arbitrary £10 psf adopted by JLL. According to the Next Gen marketing report, the space was put on the market in October 2020 and remains vacant.

6.12 Given the long term vacancy of this space we assume that it has been accruing empty property costs for some time. The freeholder would also have been accruing ongoing marketing fees for the space. The space has therefore been accruing costs for some time but has been receiving no income, making it a liability for the landowner. Given that the costs associated with this space will have exceeded the nil income received, this further indicates that the EUV of this element is nominal.

6.13 Overall, we have not been provided with any additional information or evidence that would lead us to alter our already reported position on the vacant space. We maintain our position that the EUV of this space is nominal.

Office Yield:

6.14 JLL maintain their view that the passing rent should be capitalised into perpetuity using a yield of 6%. By contrast, our review adopted this yield for the passing rent but a higher yield of 7% for the reversionary period to reflect the uncertainty surrounding this reversionary income.

6.15 We do not consider it reasonable to adopt this optimistic yield into perpetuity noting firstly that the tenancy agreements are only on 1 year terms and there is thus uncertainty regarding a sustained, long term income. Secondly, this is further reiterated by the fact that the Applicant has submitted a marketing exercise to the Council which concludes that the property is no longer viable for continued mixed commercial use.

6.16 Therefore, the property has high vacancy levels, an insecure, short term passing income, limited scope for future rental growth or increased occupancy levels. As such, this property represents a poor investment in its existing use.

6.17 Overall, we have not been provided with any additional information or evidence that would lead us to alter our already reported position on the office yields.

<u>Residential:</u>

6.18 JLL dispute our EUV for the residential element of the existing site. They state that it is not clear why we have valued the units using the investment approach rather than a capital value approach.

6.19 As stated in our review, the Planning Statement, also prepared by JLL, states that the flats are let on Assured Shorthold Tenancies (ASTs). As such our approach reflects the reality of the existing site.

6.20 In addition, the flats have no working lift access and share their access and core with the commercial elements of the building. As such we consider it likely that these units would remain let on ASTs rather than be sold separately to owner occupiers.

6.21 We have cross-checked our investment valuation against capital value comparables. However, we note that there is a lack of comparable sales evidence available given the issues already outlined regarding the existing units.

6.22 Despite disagreeing with our investment approach, JLL's rebuttal does review our position and concludes that the rental estimate of £100,980 per annum appears reasonable. We note that despite comments in our review we have not been provided with copies of the ASTs and request that these are provided to us.

6.23 JLL do however dispute our yield of 5% and consider a yield of 4% to be more appropriate. No comparable evidence is provided, and they refer to the Knight Frank Yield Guide (January 2023) which indicates an average yield of 3.8% for prime Central London.

6.24 We have referred to the latest Knight Frank guide (March 2023) which indicates that prime London co-living yields are at 4% and Zone 1 Build to Rent (BTR) yields are at 3.25%+.

6.25 We consider the subject to be inferior to the above indices and note the issues with the shared access and communal areas with the commercial tenants. The scheme is also not a purpose built co-living or BtR scheme. As such, we would not expect yields in this region i.e., 3.25% - 4.00%, to be applicable.

6.26 We also consider that the shared access and circulation areas with the commercial tenants, will make the residential element less desirable to potential investors.

6.27 We have carried out further market research and have identified the following investment transactions:

- 9 Marloes Road, W8 6LQ: mid terraced HMO arranged as 2 bed garden flat, 11 bedsit rooms. Let on ASTs predominantly with one bedsit room subject to regulated tenancy. Bedsits have communal bathrooms and laundry room. Passing rent £121,842 pa. Sold in February 2023 for £2m reflecting a GIY of 6.59%.

- 78 Fairhazel Gardens, NW6 3SR: terraced building comprising 12 studio flats, let on ASTs. Passing income £151,568 pa. Modern decorative order with communal garden. Sold in February 2023 for £3.055m reflecting a GIY of 4.96%.

- 374 Old Kent Road, SE1 5AA: residential dwelling arrange over ground and lower ground. Let on an AST of 12-months from April 2022 at a rent of £23,400 pa. Sold in November 2022 for £275,000 reflecting a GIY of 8.51%.

- 7 Elm Grove, NW2 3AE: semi-detached building arranged as 7 studio flats all let on ASTs at a rent of £76,588 pa. Modern decorative order. Sold in October 2022 for £1.115m reflecting a GIY of 6.87%.

- 99-101 Sumatra Road, NW6 1PL: two terraced buildings arranged as 6 self-contained studio flats and 6 bedsits. Marketed as having development potential STPP. Let at a rent of £120,876 pa. Sold in October 2022 for £1.75m reflecting a GIY of 6.91%.

- 40 Exeter Road, NW2 4SB: detached building comprising 8 flats (4 x 1 bed and 4 x studio). All let on 12 month ASTs with a rent of £116,592 pa. Sold in September 2022 for £1.905m reflecting a GIY of 6.66%.

- 23 Bryantwood Road, N7 7BG: terraced building arranged as 7 bedsit units let at a rent of £72,420 pa. Sold in June 2022 for £1.14m reflecting a GIY of 6.35%.

- Flat 2, 6 Queen's Gate, SW7 5EH: 3 bed flat arranged over lower ground and ground (1,438 sqft) let on AST on 36-months from Feb 2021. Income £78,000 pa. Sold in May 2022 for £2.2m reflecting a GIY of 6.00%.

- 366 Finchley Road, NW3 7AJ: semi-detached building arranged as 9 one bedroom flats. All flats let on 5 year leases starting January 2019. All leases can be terminated by tenant after 4-week notice period. Passing rent of £97,800 pa. Sold in May 2022 for £1.5m reflecting a GIY of 6.52%.

- 67 Old Kent Road, SE1 4RF: mid terraced building arranged as 7 flats, all let on ASTs. Annual passing rent £110,314. Sold in August 2021 for £1.39m reflecting a GIY of 7.88%.

6.28 We acknowledge that there is a lack of directly comparable evidence. We have not identified any transactions of residential units within a shared commercial building and thus one which has the same issues regarding access and shared circulation space. The above however does indicate that our yield of 5% is possibly optimistic and we therefore do not consider a reduced yield to be justified.

6.29 We have also cross-checked the yield against an FVA we recently assessed for a nearby site on Museum Street which had some existing residential units, also previously let on ASTs. It was assumed by the Applicant for the BLV that the units would be refurbished and let and a yield of 5.5% was proposed by their viability agents. The units did not share access or other space with any other users. We accepted this yield based on the nature of the assumed income and the evidence provided at the time. This further suggests to us that our yield of 5% is optimistic in this case.

6.30 At this stage, JLL have provided no new evidence which would lead us to revise our position on the residential EUV.

Landowner's Premium:

6.31 In our review we applied a 10% premium to the EUV. We considered this to be generous allowance as whilst JLL advise that the commercial space is income producing, the Applicant has demonstrated to the Council through a marketing exercise that the building is no longer viable for continued use.

6.32 Taking this into account as well as the unstable nature of the property's income which we note remains in part unevidenced by JLL, and the limited prospect of future rental growth, there would be limited incentive required to give up the asset for redevelopment.

6.33 In addition, the property is in part vacant and has been for several years despite ongoing marketing. The property is therefore likely accruing empty property costs as well as ongoing marketing fees and as such represents a liability to the landowner noting that these costs for the vacant space in particular are above any income being produced.

6.34 In their response, JLL accepts a 10% premium on the commercial element, and we therefore consider this matter to be agreed. However, JLL maintain a 20% premium for the residential element. Overall, they adopt a blended premium of 14.5%.

6.35 For the reasons aforementioned, we see no reason to increase our premium. We consider the allowance for any premium at all to be generous in this case given that the Applicant has sought to demonstrate to the Council that the proposed scheme should be accepted as the current building is no longer viable in its current use. This contradicts the idea that the landowner would need additional incentivisation to release the site for redevelopment.

Conclusion:

6.36 Overall, we have maintained our position on the Benchmark Land Value. We require copies of the current commercial lease agreements and the ASTs for the residential units. Without such evidence there is uncertainty surrounding the BLV.

7.0 Conclusion

7.1 We have reviewed JLL's response and note that they have revised their position on some inputs. As a result, their reported deficit figure has reduced to -£448,535. Whilst their reported deficit has reduced, the scheme in their view remains unviable and cannot contribute towards affordable housing.

7.2 As outlined in this addendum, we have now reached agreement with JLL on the private sales values and the letting void period.

7.3 However, we remain disagreed on some inputs including the proposed office yield, the finance rate, the construction period, and the Benchmark Land Value. No new evidence is provided by JLL which would lead us to revise our already reported position. The most significant area of difference is the BLV, in which we are c. £1.8m apart from JLL.

7.4 We have revised our appraisal in accordance with this addendum and our updated conclusion is that the scheme generates a surplus of £2.45m and therefore can viably contribute towards affordable housing.

7.5 A summary of our appraisal inputs can be found in Section 8 of this report. A copy of our appraisal summary can be found at Appendix 1.

7.6 Unless new evidence or information is provided by JLL then we do not see reason at this stage to revise our position on the disputed inputs. We would be willing to consider any new evidence put to us by JLL but note that any further work will necessitate an additional fee.

7.7 We recommend that if a policy compliant offer is not made, the scheme should be subject to a pre-implementation and late stage review of view of viability in order that the viability can be assessed over the lifetime of the development.

8.0 Summary Table

8.1 We have summarised the appraisal inputs below:

Input	JLL (Dec 22)	BPS (Feb 23)	JLL (Mar 23)	BPS (Mar 23)	Comments
Income					
Private Sales Values	£15,770,000 (£1,515 psf)	£16,600,000 (£1,595 psf)	£16,300,000 (£1,566psf)	£16,300,000 (£1,566psf)	**Agreed** (now)
Office Values	£5,100,863	£5,569,742	£5,495,263	£5,569,742	**Disagree**
Expenditure					
Build Costs	£7,872,000	£7,872,000	£7,872,000	£7,872,000	**Agreed** (previously)
Contingency	7.5%	7.5%	7.5%	7.5%	**Agreed** (previously)
Professional Fees	12%	12%	12%	12%	**Agreed** (previously)
CIL	£35,737	£35,737	£35,737	£35,737	**Ambiguous**
S106	£24,000	£24,000	£24,000	£24,000	**Ambiguous**
Purchaser's Costs	6.8%	6.8%	6.8%	6.8%	**Agreed** (previously)
Letting Agent Fee	10%	10%	10%	10%	**Agreed** (previously)
Letting Legal Fee	5%	5%	5%	5%	**Agreed** (previously)
Sales Agent Fee (Resi)	1.5%	1.5%	1.5%	1.5%	**Agreed** (previously)
Sales Legal Fee (Resi)	0.5%	0.5%	0.5%	0.5%	**Agreed** (previously)
Sales Agent Fee (Comm)	1%	1%	1%	1%	**Agreed** (previously)
Sales Legal Fee (Comm)	0.5%	0.5%	0.5%	0.5%	**Agreed** (previously)
Finance (debit/credit)	7.5% / 2%	7.0% / 2%	7.5% / 2%	7.0% / 2%	**Disagree**
Profit Target (on Cost)	20%	20%	20%	20%	**Agreed** (previously)
Benchmark Land Value	£6,873,900	£4,565,000	£6,472,400	£4,656,000	**Disagree**
Development Timeframes					
Pre-construction Period	6 months	6 months	6 months	6 months	**Agreed** (previously)
Construction Period	18 months	15 months	18 months	15 months	**Disagree**
Sales Period (Resi)	8 months	3 months	8 months	3 months	**Disagree**
Letting Period (Comm)	6 months	n/a	n/a	n/a	**Agreed** (now)
Viability Position					
Surplus/Deficit	**-£1.65m**	**+£2.73m**	**-£448,535**	**+£2.45m**	**Disagree**

9.0 Author Sign Off

9.1 This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used, or relied upon by any third party.

9.2 The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information.

9.3 The following persons have been involved in the production of this report:

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For and on behalf of
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For and on behalf of
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21st March 2023

Appendix 1: BPS Appraisal

BPS Appraisal (Addendum 1)
Lupin House, 11-13 Macklin St, WC2B
2022/2793/P

Development Appraisal
BPS Surveyors
17 March 2023

BPS Appraisal (Addendum 1)
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2022/2793/P

Appraisal Summary for Phase 1

Currency in £

REVENUE						
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**	
Private Residential Flats	12	10,408	1,566.10	1,358,333	16,300,000	
Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Office	1	4,893	60.49	296,000	296,000	296,000
Investment Valuation						
Office						
Market Rent	296,000	YP @	5.0000%	20.0000		
(1yr 3mths Rent Free)		PV 1yr 3mths @	5.0000%	0.9408	5,569,742	
GROSS DEVELOPMENT VALUE				**21,869,742**		
Purchaser's Costs			(378,742)			
Effective Purchaser's Costs Rate		6.80%				
				(378,742)		
NET DEVELOPMENT VALUE				**21,491,000**		
NET REALISATION				**21,491,000**		
OUTLAY						
ACQUISITION COSTS						
Fixed Benchmark Land Value		4,565,000				
Fixed Benchmark Land Value			4,565,000			
				4,565,000		
Stamp Duty			217,750			
Effective Stamp Duty Rate		4.77%				
Agent Fee		1.00%	45,650			
Legal Fee		0.80%	36,520			
				299,920		
CONSTRUCTION COSTS						
Construction	**Units**	**Unit Amount**	**Cost**			
Construction Costs	1 un	7,872,000	7,872,000			
Contingency		7.50%	590,400			
				8,462,400		
Section 106 Costs						
CIL			35,737			
Section 106 Costs			24,000			
				59,737		
PROFESSIONAL FEES						
Professional Fees		12.00%	944,640			
				944,640		
MARKETING & LETTING						
Letting Agent Fee		10.00%	29,600			
Letting Legal Fee		5.00%	14,800			
				44,400		
DISPOSAL FEES						
Sales Agent Fee (Residential)		1.50%	244,500			
Sales Legal Fee (Residential)		0.50%	81,500			
Sales Agent Fee (Commercial)		1.00%	163,000			

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Sales Legal Fee (Commercial)	0.50%	27,849	
			516,849
MISCELLANEOUS FEES			
Profit Target (20% on Cost)		3,174,038	
			3,174,038
FINANCE			
Debit Rate 7.000%, Credit Rate 2.000% (Nominal)			
Land		596,677	
Construction		372,133	
Other		8,433	
Total Finance Cost			977,242
TOTAL COSTS			**19,044,226**
PROFIT			
			2,446,773
Performance Measures			
Profit on Cost%	12.85%		
Profit on GDV%	11.19%		
Profit on NDV%	11.39%		
Development Yield% (on Rent)	1.55%		
Equivalent Yield% (Nominal)	5.00%		
Equivalent Yield% (True)	5.16%		
IRR% (without Interest)	22.09%		
Rent Cover	8 yrs 3 mths		
Profit Erosion (finance rate 7.000)	1 yr 9 mths		