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Independent Viability Review

Prepared on behalf of the London Borough of Camden

2nd June 2023

Planning Reference: 2018/3833/P & 2018/3834/L

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1.0 Introduction

1.1 BPS Chartered Surveyors have been instructed by the London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by James R Brown ('JRB') on behalf of Austringer Properties Limited ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 BPS were previously instructed by the Council to review a viability letter prepared by Mellersh and Harding, dated 18th March 2021, on behalf of the Applicant, relating to the same planning application. We reported our findings to the Council on 1st June 2022. We concluded that the letter did not provide sufficient detail or evidence to support the viability position being presented. We disagreed with several of the inputs and assumptions made in this letter and found the scheme to be viable based on our own assessment.

1.3 Following this earlier instruction, we have now been instructed by the Council to review the Applicant's updated Viability Report, prepared by JRB, dated April 2023. JRB conclude that the proposed scheme generates a profit output of £45,000 which equates to a 0.25% return on costs. This is significantly below the suggested developer profit target of 10% on cost (£1.78 million) adopted by JRB for viability testing. On this basis, JRB conclude that the scheme is unviable, generating a deficit of -£1.736 million. In their view, the scheme cannot viably contribute towards affordable housing or affordable workspace.

1.4 The profit output generated by JRB's appraisal is nominal at just £45,000 (0.25% on costs). Very marginal movements to the appraisal inputs would erode this level of return in its entirety and make the scheme financially loss making. This raises questions regarding the deliverability of this scheme. JRB state that short to medium term future market predictions do not warrant any positive sensitivity tests. Therefore, JRB have not provided any analysis to demonstrate how this scheme could be delivered and no rationale is provided from the Applicant to justify why they would continue with the scheme given the significant shortfall of developer return being presented.

1.5 The site currently comprises a Grade II listed terraced building arranged over basement, ground, mezzanine and four upper floors. We understood from our previous instruction that the building was let in its entirety to Natwest who operated in the basement, ground, and mezzanine floor areas. The upper floors had been vacant for several years following the end of a sublet agreement in 2014. We are now advised by JRB that the building has since been fully vacated by Natwest.

1.6 The proposals under planning application reference 2018/3833/P are as follows:

Alterations and extensions to existing building including demolition at mezzanine and fourth floor levels; removal of modern additions at basement, ground, first, second, and third floor levels; construction of six storey rear extension above ground floor level; change of use from bank (Class A2) to retail (Class A1) at basement, ground and mezzanine levels and an uplift in office (Class B1) floorspace at upper levels including loss of 1 ancillary residential unit.

1.7 The above planning application is accompanied by an application for listed building consent under reference 2018/3834/L:

Internal refurbishment and alterations to layout; demolition of listed building at mezzanine level and fourth floor level; partial demolition of listed building including removal of modern additions at basement, ground, first, second, and third floor levels; construction of six storey above ground floor level rear extension; creation of Class A1 unit at basement, ground, and mezzanine level; and use of the remaining floorspace for Class B1 office use.

1.8 The proposed scheme will see an uplift in commercial floorspace by 1,241.2 sqm and thus triggers Policy H2 of the Camden Local Plan and therefore an affordable housing contribution is required. The Council's affordable housing target is 50%. Policy H2 allows for the Council to decide whether the affordable housing should be provided as an onsite contribution or as an offsite contribution (payment in lieu). We assume that in this case, the affordable housing contribution would be required as a PIL because there is no residential element to the proposed scheme.

1.9 The Local Plan (paragraph 5.44) also requires an element of affordable SME workspace from large scale employment developments with a floorspace of 1,000 sqm or more. The Camden Planning Guidance on employment sites and business premises states that the Council's Inclusive Economy Team will work with developers to agree the appropriate terms of the affordable workspace on a case by case basis.

1.10 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make any affordable housing and/or workspace contributions.

1.11 The advice set out in this report is provided in the context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2020, the provisions of VPS1–5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation. The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the Council and with any associated

Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Council.

1.12 This Viability Review adheres to the RICS Professional Statement on Financial Viability in Planning (published May 2019). In accordance with this Statement, we refer you to our standard terms and conditions which incorporate details of our Quality Standards Control & Statement on Limitation of Liability/ Publication.

2.0 Summary Table

Proposed Scheme: All Private			
Input	**JRB**	**BPS**	**Comments**
Gross Development Value			
Retail Value	£19,224,349	£2,980,149	Disagree – our GDV equates to £20,382,312 which is higher than JRB's position.
Gym Value		£604,725	
Office Value		£16,797,438	
Development Costs			
Build Costs	£6,415,000	£6,415,000	Agree
Professional Fees	12%	12%	Agree
Marketing Fee	£150,000	£150,000	Agree
Sales Agent Fee	1%	1%	Agree
Sales Legal Fee	£25,000	£25,000	Agree
Purchaser's Costs	Unclear	6.8%	Ambiguous
CIL/S106 Costs	£0	£0	Ambiguous – Council to confirm.
Finance (debit/credit)	8.0% / 0.5%	8.0% / 0.5%	Accept – subject to review.
Profit Target (on cost)	10%	10%	Agree
Benchmark Land Value	£8,500,000	£6,200,000	Disagree
Development Timeframes			
Purchase Period	2-months	0-months	Disagree
Pre-construction Period	2-months	2-months	Agree
Construction Period	12-months	10-months	Disagree
Sales/Letting Period	1-month	1-months	Agree
Viability Position			
Profit Outturn	£45,000 (0.25% on cost)	£4,117,733 (27.68% on cost)	Disagree – we consider their scope for an affordable contribution.
Profit Target	£1,781,495 (10% on cost)	£1,487,858 (10% on cost)	
Surplus/Deficit	**-£1,736,495**	**+£2,630,000**	

3.0 Conclusions And Recommendations

3.1 We have reviewed the Viability Report prepared by JRB, dated April 2023, on behalf of the Applicant. JRB conclude that the scheme generates a deficit of -£1.736 million and therefore it cannot viably contribute towards affordable housing or affordable workspace. We have assessed the cost and value inputs adopted by JRB to test whether the scheme can viably make a contribution.

3.2 It should be noted the Applicant's FVA adopts a number of appraisal inputs and assumptions which are unsupported by evidence. The onus in NPPG is firmly placed on the Applicant to demonstrate and firmly evidence their viability case where this would not meet policy expectations. Where such evidenced positions are missing we reserve the right to review our suggested inputs as outlined in this report, noting our role is to review not complete the Applicant's assessment by default.

Benchmark Land Value

3.3 JRB have adopted an EUV approach and have adopted a site value £871 psf which results in a total BLV of £8.5 million. A lack of evidence and analysis is provided to support this EUV approach and value.

3.4 We consider there is very limited prospect of an occupier taking the premises in their current condition and configuration. The value of the property therefore rests in refurbishment/redevelopment. The site value in this context is therefore the product of an Alternative Use Value (AUV) assuming refurbishment/redevelopment. We assume that the application scheme seeks to maximise achievable value for a minimum cost. Indeed, it would be illogical for the Applicant to pursue a less than optimised application scheme.

3.5 Therefore, an assessment of this proposed scheme on a policy compliant basis generates a residual site value of £6.2 million. Unless it can be demonstrated that a higher EUV exists or a more optimal development solution for the site than the application scheme can be delivered, we consider the above approach to represent the most secure means of establishing a suitable BLV. It is also consistent with NPPG. We have adopted £6.2 million as our BLV.

Development Value

3.6 The scheme includes mixed commercial space (office, retail and gym uses). We have reviewed JRB's position and disagree with some of the rents and void periods assumed. We have therefore identified a higher GDV. We also disagree with JRB's approach which includes a value net of purchaser's costs and disposal fees within the appraisal as the GDV and then includes such costs again within the appraisal. These costs are therefore double counted. We have included the gross value within our appraisal and have included purchaser's costs and disposal costs as separate costs within the appraisal to avoid any double counting.

Development Costs

3.7 We have been provided with an updated cost plan, which our Cost Consultant has assessed and concludes that the costs are reasonable.

3.8 We have reviewed the other costs outlined within the FVA and consider them to be broadly acceptable. We have made some adjustments to the proposed development timescales.

Recommendations & Appraisal Results

3.9 We have created our own appraisal in Argus Developer and have applied our inputs as summarised at Section 2 of this report. Our appraisal includes the Benchmark Land Value as a fixed cost to ensure than land interest charges are not under or overstated. To mirror JRB's approach, our appraisal generates a profit output which is then compared to the profit target. If the target is exceeded then the scheme can provide a contribution toward affordable housing/workspace. If the target is not meet then the scheme is technically unviable and cannot make a contribution. Our appraisal can be found at Appendix 3.

3.10 We conclude that the scheme generates a profit output of c. £4.12 million (28% on costs) which is above the proposed profit target of c. £1.49 million (10% on costs). Therefore, the scheme generates a surplus of £2.63 million and can thus viably contribute towards affordable housing and affordable workspace.

3.11 We recommend that this scheme should be subject to a pre-implementation and late stage review of viability in order that the viability can be assessed over the lifetime of the development.

4.0 Principles Of Viability Assessment

4.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

Gross Development Value – Development Costs (including Developer's Profit) = Residual Value

4.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.

4.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.

4.4 Development appraisals can also be constructed to include a fixed land value and fixed profit targets. If an appropriate benchmark is included as a fixed land value within a development appraisal this allows for interest to be more accurately calculated on the Benchmark Land Value, rather than on the output residual value. By including fixed profit targets as a cost within the appraisal, programmed to the end of development so as not to attract interest payments, the output represents a 'super' profit. This is the profit above target levels generated by the scheme which represents the surplus available towards planning obligations

4.5 This Viability Review report adheres to the RICS Professional Statement on Financial Viability in Planning: Conduct and Reporting (published May 2019). In accordance with this Statement, Section 8 below incorporates details of our Quality Standards Control & Statement on Limitation of Liability/ Publication. This report has been prepared according to the Professional Statement's requirement for objectivity and impartiality, without interference and with reference to all appropriate available sources of information. Where information has not been obtainable, we have stated this expressly in the body of the report.

5.0 Benchmark Land Value

Viability Benchmarking

5.1 Planning Policy Guidance, published May 2019, states:

Benchmark land value should:

- *be based on existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs, and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. These may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

The evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

[…] Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

5.2 The NPPF recognises the need to provide both land owners and developers with a competitive return. In relation to land owners this is to encourage land owners to release land for development. This is set out in PPG as follows:

To define land value for any viability assessment, a benchmark land value should be established on the basis of existing use value (EUV) of the land, plus a premium for the *landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The Premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*

5.3 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the NPPG's definition of Benchmark Land Value.

5.4 NPPG further defines EUV as follows:

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers, and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

5.5 The Mayor of London's Affordable Housing and Viability SPG published August 2017 states a clear preference for using EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. This is evidenced through the following extract:

The Mayor considers that the 'Existing Use Value plus' (EUV) approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used.

5.6 Guidance indicates that the sale of any premium should reflect the circumstances of the land owner. We are of the view that where sites represent an ongoing liability to a land owner and the only means of either ending this liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable. This view is corroborated in the Mayor of London's Affordable Housing and Viability SPG which states:

Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/ costs, a *lower premium of no premium would be expected compared with a site occupied by profit-making businesses that require relocation. The premium could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary.*

5.7 While EUV is the primary approach to defining BLV, in some circumstances an Alternative Use Value approach can be adopted. This is the value of the land for a use other than its existing use. NPPG outlines:

If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.

[…] Plan makers can ser out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued.

5.8 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the definition of AUV from NPPG and reiterates that any AUV must reflect relevant policy requirements.

5.9 When adopting an AUV approach, the premium to the landowner is implicit and therefore an additional landowner premium should not be added as this would be double counting.

5.10 NPPG and RICS guidance are clear that if refurbishment or redevelopment is necessary to realise an existing use value then this falls under the AUV provision of NPPG and no landowner premium should be added.

The Proposed Benchmark

5.11 JRB have approached the Benchmark Land Value on an Existing Use Value (EUV) basis.

5.12 The building is said to measure 9,762 sqft (NIA) / 15,026 sqft (GIA). It comprises a former bank at basement and ground floor level, office accommodation on the mezzanine floor to part third floor and a residential apartment located across both the part third and fourth floors.

5.13 JRB advise that the property is currently vacant following the departure of former tenants, Natwest. They state that the office space in the existing upper floor requires some redecoration and updating.

5.14 To establish an EUV, JRB have referred to two sales transactions of office buildings which show capital values ranging between £658 psf and £864 psf. JRB also refer to an asking price of £967 psf.

5.15 JRB apply a value of £871 psf to the subject resulting in an EUV of £8.5 million. It is unclear how this value per sqft has been determined and we note that it is above the transacted evidence tone presented in JRB's report.

5.16 JRB do not include a Landowner's Premium and therefore adopt a Benchmark Land Value of £8.5 million.

5.17 JRB's approach of adopting a capital value £psf and applying it to the property is the same approach taken by the Applicant's previous viability advisor, whose approach we reviewed in our earlier June 2022 report. We note that this former advisor adopted a lower BLV of £8.0m based on sales evidence.

5.18 In essence the approach is intended to identify a price per sq ft for office development sites. It is clear in NPPG that BLV must reflect policy compliance and as such it is essential that any analysis to derive a BLV is explicit on this basis.

5.19 Furthermore, there is a risk that transactions may not reflect the requirements of planning policy and may also adopt other assumptions which may also not be anchored in either a current viability assessment or are inconsistent with an eventual site specific planning consent. These factors introduce considerable ambiguity into sales evidence and NPPG is clear that for this reason market sales should be used as cross check where it is clear that are policy compliant or adjusted to be so.

5.20 As established in our earlier June 2022 review, we do not consider this approach alone to constitute an appropriate assessment of value on an Existing Use Value (EUV) basis. It has not been considered by JRB whether these office buildings sold for redevelopment and the prices therefore will reflect hope value. Hope value for redevelopment must be excluded from the EUV, in accordance with PPG.

5.21 Moreover, according to JRB the building is worth £8.5m but the Applicant is choosing to continue with a scheme that will see them make a nominal (close to £nil) profit return. We therefore question why a prudent developer would not sell the site in favour of continuing with a non-profit making development. This does raise doubt over the viability assessment being presented to us.

Our Assessment of Benchmark Land Value

5.22 In our previous report (June 2022) we established an Existing Use Value (EUV) of £4,235,000 which was based on the passing rent being received under the former lease to Natwest.

5.23 We are now advised by JRB that Natwest have since vacated the building. We have not been provided with evidence of this and request that full details are provided. We have revisited our BLV assessment given that the rent passing is no longer being achieved and that the property is now vacant.

5.24 We were provided with the following floor measurements as part of our previous instruction (June 2022):

Floor	Use	Net Area (Sqft)
Basement	Class E (former bank)	2,056
Ground	Class E (former bank)	2,842
Mezzanine	Class E (office)	678
First	Class E (office)	1,356
Second	Class E (office)	1,345
Third	Part Class E (office) / Part C3 (flat)	1,292
Fourth	Class C3 (flat)	280

5.25 The basement and ground floor comprises of the former Natwest bank. Floor plans show the basement to include the bank vault, staff room, staff facilities and storage. The ground floor comprises of the former bank foyer and ancillary office space.

5.26 We would expect there to be a lack of demand for continued use as a bank given that Natwest have presumably vacated the premises prior to the end of their lease, and more generally due to the mass closure of High Street banks in recent years.

5.27 The mezzanine floor, first, second and part third floor comprises of office space. We understand that this space has been vacant since 2014 and JRB describe the space as needing some updating and redecoration.

5.28 It is apparent that there is considerable overhang of secondary and tertiary office supply both within the locality and also London more widely. Whilst occupier take up has increased since the pandemic, demand is focussed on Grade A accommodation with very limited take up of less desirable space.

5.29 In view of this we consider there is very limited prospect of an occupier taking the premises in their current condition and configuration. The value of the property therefore rests in refurbishment/redevelopment. The site value in this context is therefore the product of an

Alternative Use Value (AUV) assuming refurbishment/redevelopment. We assume that the application scheme seeks to maximise achievable value for a minimum cost. Indeed, it would be illogical for the Applicant to pursue a less than optimised application scheme.

5.30 Therefore, an assessment of this proposed scheme on a policy compliant basis generates a residual site value of £6.2 million. This shows a value of £635 per sq ft overall. Our appraisal can be found at Appendix 4.

5.31 Unless it can be demonstrated that a higher EUV exists or a more optimal development solution for the site than the application scheme can be delivered, we consider the above approach to represent the most secure means of establishing a suitable BLV. It is also consistent with NPPG in that it is based on a policy compliant scheme. In this context it will be noted that the application scheme makes no provision for onsite housing as such we have included a PIL within our appraisal of £930,750 in accordance with CPG and have allowed for onsite delivery of 20% affordable workspace at a 50% discount to market rent.

5.32 We request that the Council confirm that our assumptions above regarding the housing PIL and affordable workspace reflect policy compliance. We reserve the right to amend our appraisal upon further advice from the Council on this matter.

5.33 An additional Landowner's Premium would not be appropriate given that refurbishment costs are allowed for within the valuation which constitutes an Alternative Use Value (AUV) approach in accordance with PPG and as such a premium is not applicable.

5.34 We have cross-checked residual land value against available sales evidence of other commercial properties in the area. We note that this evidence should be treated with caution as some of the properties sold with planning consent, or to developers, and the price paid thus reflects hope value which should be excluded for BLV purposes. Despite this, our AUV sits within the evidence tone identified which ranges between £634 psf and £1,178 psf. The evidence and accompanying analysis can be found at Appendix 2.

5.35 We have adopted a BLV of £6,200,000 as a fixed land value input within our appraisal.

6.0 Development Values

6.1 The proposed scheme includes alterations to the existing building and construction of an additional storey to provide a mixed commercial building. The proposed uses are office, retail, and a gym.

<u>JRB Approach:</u>

6.2 JRB have applied the following rents to the proposed commercial space:

Floor	Use	Net Area (Sqft)	Rent £psf	Rent £pa
5th	Office	1,216	£60	£72,960
4th	Office	1,216	£60	£72,960
3rd (rear)	Office	1,345	£57	£76,665
3rd (front)	Office	1,625	£60	£97,500
2nd (rear)	Office	1,345	£57	£76,665
2nd (front)	Office	1,604	£60	£96,240
1st (rear)	Office	1,668	£57	£95,076
1st (front)	Office	1,625	£60	£97,500
Mezzanine	Office	1,787	£54	£96,498
Mezzanine	Retail	872	£40	£34,880
Ground	Retail	1,270	£50	£63,500
Basement	Retail	1,496	£30	£44,880
Basement	Gym	646	£30	£19,380
Total:		**17,715**	**£53**	**£944,704**

6.3 JRB have allowed for a 24-month combined letting void and rent free period and have then capitalised the income using a yield of 4.5%.

6.4 On this basis, JRB determine a gross capital value of £19,224,349. From this they deduct letting agent and legal fees totalling £150,000 and deduct purchaser's costs to get to a net value of £17,860,000.

6.5 JRB input this net value as the Gross Development Value (GDV) within their appraisal, from which further disposal fees are deducted. The disposal fees are therefore being double counted.

6.6 We consider that the GDV should be included within the appraisal and the relevant disposal fees and purchaser's costs are then deducted only once. This ensures that such costs are not double counted.

BPS Approach

3.14 We have reviewed JRB's values, and the evidence provided in support of these. We have addressed each commercial use individually below.

Retail

6.7 We understand that the retail space will be provided at basement, ground and mezzanine floors as follows:

Floor	Use	Net Area (Sqft)
Mezzanine	Retail	872
Ground	Retail	1,270
Basement	Retail	1,496

6.8 JRB have adopted a rent of £30 psf for the basement, £50 psf for the ground floor and £40 psf for the mezzanine floor (blended overall rent £39.38 psf). This is in line with the rent levels adopted in the Applicant's previous viability submission prepared by Mellersh and Harding in 2021.

6.9 JRB have provided one letting at Gate Street which achieved £53.47 psf and have referred to two asking rents of £12.28 psf and £54.35 psf.

6.10 We have conducted our own research using the EGI database to see whether there are any further relevant letting transactions that should be considered. We note that there is limited recent transactional evidence in the immediate area. We have identified the letting at Gate Street which JRB have included within their report. We note that the property was let in January 2023 and comprised ground floor (405 sqft) and basement space (605 sqft). We have also identified another transaction on Gate Street and a more dated letting on Theobalds Road.

6.11 The letting at Gate Street indicates that JRB's rental assumptions could be understated but we acknowledge that overall, there is a lack of comparable evidence and that the proposed space is considerably larger than that at Gate Street which will impact the rent on a £psf basis.

6.12 We have accepted JRB's rental assumptions which equates to an annual rent of £143,260 for the retail space. However, we do recommend that these rental assumptions are kept under close review as more evidence becomes available.

6.13 JRB have not provided any transacted evidence to support their void and rent free assumption of 24-months. JRB have provided a screenshot from the EGI database which shows an average disposal time of 14-months, but it is not clear what the date range for this data is or what use it is specifically referring to.

6.14 We have referred to the EGI database which shows an average disposal time of 4-months for retail premises in the WC1V postcode area, within the last two years. We acknowledge however that this is based on a very small number of transactions. We have therefore extended the search to cover Holborn which shows an average disposal time of 3-months. We have also extended the search to cover Camden as a Borough and the average disposal time is 4-months.

6.15 On this basis we have allowed for a letting void of 6-months which we consider generous considering the above data and that the space can be marketed throughout the development period providing scope for a pre-let. We have allowed for a 12-month rent free on the assumption that the space will be delivered to shell and core and thus tenant fit out will be required. This results in a combined void/rent free period of 18-months.

6.16 JRB have not provided any investment transactional evidence to support their retail yield of 4.5%. We have identified some additional evidence which can be found at Appendix 2.

6.17 We have only identified one retail investment transaction in the Borough which was on Gray's Inn Road which achieved a NIY of 4.65%. Given the superior location of the subject and that it will be part of a new mixed commercial development we consider a yield of 4.5% to be reasonable.

Gym

6.18 The proposed scheme includes a gym at basement level which will measure 646 sqft. JRB have applied a rent of £30 psf to this element, allowed for a 24-month void and have capitalised the income using a yield of 4.5%.

6.19 No comparable evidence is provided to support the above valuation assumptions. We note that the inputs are in line with those adopted in the Applicant's previous viability submission prepared by Mellersh and Harding in 2021.

6.20 We have conducted research into letting evidence which can be found at Appendix 2. We have identified a small number of transactions but note that there is lack of evidence within the immediate area. We consider the transaction at Cornhill House to be the best comparable given it is of a similar size (albeit smaller) to the proposed and is also located at the basement level of a mixed commercial building. We do acknowledge that it is located c. 1.7 miles away from the subject.

6.21 On this basis we have adopted a rent of £45 psf (£29,070 pa) for the proposed gym. This is slightly below the letting at Cornhill House (£47 psf) to reflect the larger size of the proposed gym space by comparison. Typically, we would expect small units to achieve a higher rent on a price per sqft basis.

6.22 JRB have not provided any transacted evidence to support their void and rent free assumption of 24-months. Pending evidence, we have allowed for a combined 18-month void/rent free period which is consistent with that adopted for the retail space.

6.23 JRB have not provided any investment transactional evidence to support their gym yield of 4.5%. We have conducted research which can be found at Appendix 2.

6.24 We have only identified one ‘gym’ transaction which was of a large David Lloyd Health and Fitness Club in North West London which we do not consider to be comparable to the proposed. This transaction reflected a NIY of 4.28%. Overall, we have accepted JRB’s yield of 4.5%.

<u>Office</u>

6.25 We understand that the office space will be provided at mezzanine level and the five upper floors as follows:

Floor	Use	Net Area (Sqft)
5th	Office	1,216
4th	Office	1,216
3rd (rear)	Office	1,345
3rd (front)	Office	1,625
2nd (rear)	Office	1,345
2nd (front)	Office	1,604
1st (rear)	Office	1,668
1st (front)	Office	1,625
Mezzanine	Office	1,787

6.26 JRB do not provide any detail on the proposed specification or quality of the office space. The Planning Statement (dated 2018) describes the proposed office space as “high quality”. We require further information on the proposed fit out and specification of the space.

6.27 JRB have adopted rents ranging between £54 psf and £60 psf for the office space. This is similar to the rents adopted in the Applicant’s previous viability submission prepared by Mellersh and Harding in 2021.

6.28 In support of their rental assumptions JRB have referred to three office transactions showing rents ranging between £58 psf and £65 psf. JRB also provide an asking rent of £49.50 psf at an available office on High Holborn. JRB do not provide much analysis within their report but simply state that the two offices which achieved rents of £60 psf and £65 psf are superior to the subject and therefore they expect the subject to achieve lower rent levels.

6.29 We have conducted our own research using the EGI database to see whether there are any further relevant letting transactions that should be considered. The evidence can be found at Appendix 2.

6.30 We have identified some additional office lettings in the area which show rents ranging between £65 psf and £67.64 psf. We have identified two transactions on High Holborn, both of which are refurbished office spaces within the Holborn Gate building and achieved rents of £65 psf (7th floor) and £67.64 psf (3rd floor).

6.31 The letting evidence we have identified indicates that JRB's rents are understated for the subject property. We have adjusted the rents to range between £60 psf and £65 psf to be more in line with the evidence identified. We have summarised the rents below:

Floor	Use	Net Area (Sqft)	Rent £psf	Rent £pa
5th	Office	1,216	£65	£79,040
4th	Office	1,216	£65	£79,040
3rd (rear)	Office	1,345	£62.50	£84,063
3rd (front)	Office	1,625	£62.50	£101,563
2nd (rear)	Office	1,345	£60	£80,700
2nd (front)	Office	1,604	£60	£96,240
1st (rear)	Office	1,668	£60	£100,080
1st (front)	Office	1,625	£60	£97,500
Mezzanine	Office	1,787	£60	£107,220
Total:		**13,431**	**£61.45**	**£825,445**

6.32 The evidence tone does suggest that even higher rents may be achievable, and we therefore recommend that the above is kept under review.

6.33 JRB have not provided any transacted evidence to support their void and rent free assumption of 24-months. JRB have provided a screenshot from the EGI database which shows an average disposal time of 14-months, but it is not clear what the date range for this data is or what use it is specifically referring to.

6.34 We have referred to the EGI database which shows an average disposal time of 17-months for office premises in the WC1V postcode area, within the last year. This indicates that a 24-month combined void, after allowing for a rent free period, may be realistic. We have therefore accepted this within our assessment.

6.35 JRB have provided a single investment transaction which was that of Labs House on Bloomsbury Way which sold in February 2022 reflecting a NIY of 4.62%. In addition, JRB refer to the Savills Prime Yields guide which shows West End office yields at 4% and City offices at 4.50%. The date of this guide is not stated. They also refer to the Knight Frank Prime Investment Yield Guide (March 2023) which indicates yields of 3.75% - 4.50% for West End offices and 4.75% for City Prime offices.

6.36 We have undertaken our own research which can be found at Appendix 2. We have identified yields ranging between 3.66% and 4.6% and note that JRB's assumption of 4.5% is at the very upper end of the evidence tone we have identified.

6.37 We have also referred to the most recent Knight Frank Prime Investment Yield Guide (May 2023) which provides the following indication on Grade A office yields:

- City Prime (single let 10-years): 4.75% - 5.00%
- West End Prime Core (Mayfair & St James'): 3.75%
- West End Non-Core (Soho & Fitzrovia): 4.50% - 4.75%

6.38 Overall, we have accepted JRB's yield of 4.5% but note that it is at the pessimistic end of our expectations based on the transacted evidence available. We also anticipate that the yield could improve if the office accommodation was let to a single occupier with good covenant. As such, the office yield should be kept under close review as more evidence becomes available.

<u>BPS Conclusion:</u>

6.39 We have determined the following GDV for the scheme:

Use	Net Area (Sqft)	Rent £pa	Void/RF	Yield	Gross Value
Retail	3,638	£143,260	18-months	4.5%	£2,980,149
Gym	646	£29,070	18-months	4.5%	£604,725
Office	13,431	£825,445	24-months	4.5%	£16,797,438
Total GDV:	**17,715**	**£997,775**			**£20,382,312**

6.40 We have allowed for purchaser's costs and disposal fees within our appraisal.

6.41 We note that we have not been provided with any details of pre-let agreements relating to the development. If any pre-let agreements are in place then full information should be provided to us, and we note that it may materially impact our assessment of value.

7.0 Development Costs

Construction Costs

7.1 JRB's have adopted the build costs proposed in the WWA cost plan, dated June 2022. We understand that this cost plan is an update on the previous version, dated November 2020, which was reviewed by our Cost Consultant as part of our June 2022 report.

7.2 We acknowledge that the cost plan now appended to JRB's report is an update to that which we have previously assessed, but we would highlight that it is nearly 12-months out of date.

7.3 Our Cost Consultant, Neil Powling, has reviewed the revised cost plan, prepared by WWA, dated June 2022, and concludes that the costs are reasonable when compared to current day cost benchmarking data.

Additional Costs

7.4 JRB have applied the following additional cost assumptions:

- Professional fees of 12%
- Marketing fees of £150,000
- Sales agent fees of 1%
- Sales legal fees of £25,000

7.5 We had accepted a 10% professional fee in our previous report. However, our Cost Consultant has assessed the site and scheme specifics and concludes that a 12% fee is acceptable.

7.6 We consider the commercial disposal fees to be broadly acceptable.

7.7 We have allowed for purchaser's costs of 6.8% on the GDV of the commercial elements given that the values in our appraisal are not net of such costs.

CIL/S106 Costs

7.8 JRB have not included any S106 or CIL costs within their appraisal. We request that the Council confirm whether any such charges should be included, and we can update our appraisal accoridngly.

Finance

7.9 Finance has been included at 8% (debit rate) and 0.5% (credit rate) assuming that the scheme is 100% debt financed. We are typically agreeing finance rates in the region of 7% - 7.5%. We therefore consider JRB's position to be above our expectations.

7.10 However, we acknowledge the continued increase to the Bank of England Base Rate and whilst we do not consider finance rates to mirror exact movements to the base rate, we accept that generally finance costs are increasing and we are therefore willing to accept 8% in this instance. This is on the basis that the Applicant will commence with the development immediately following consent.

7.11 We recommend that a pre-implementation review is included in the S106 agreement. If the Applicant commences with the scheme immediately following consent (i.e., pre-implementation review is not triggered) then we are willing to model viability with an 8% finance rate. However, if the Applicant chooses to hold off on starting works to wait for more favourable market conditions (i.e., pre-implementation review is triggered) then we recommend that the finance rate is reassessed as part of the review.

Profit

7.12 The developer profit target adopted by JRB is 10% on costs. Based on JRB's appraisal this equates to a sum of £1,781,495 or 9.2% on GDV.

7.13 Typically for viability purposes the profit target is expressed as a percentage return on GDV. However, we acknowledge that in some cases, such as refurbishment schemes, that a return expressed on cost may be deemed appropriate.

7.14 Generally, we consider JRB's profit target of 10% on costs to be broadly acceptable for this scheme.

Development Timeframes

7.15 JRB have adopted the following development timescales:

- Purchase: 2-months
- Pre-construction: 2-months
- Construction: 10-months
- Sales: 1-month

7.16 We have not been provided with a detailed build programme which supports the above timescales.

7.17 We do not consider it appropriate to include a purchase period and have therefore omitted this from our appraisal. We accept the pre-construction period to be reasonable.

7.18 As part of our 2022 instruction, we sought advice from our Cost Consultant regarding the construction period. He advised that the BCIS Duration Calculator indicated that a 10-month construction period would be appropriate. We have therefore maintained this position.

7.19 We consider the 1 month sales period to be reasonable and we have assumed that the commercial revenue will be received at this point in the cashflow, noting that all voids are already factored into the GDV assessment.

8.0 Author Sign Off

8.1 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.

8.2 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.

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

Madison Thomas MRICS
RICS Membership no. 6892167
For and on behalf of
BPS Chartered Surveyors

Andrew Jones MRICS
RICS Registered Valuer
RICS Membership no. 0085834
For and on behalf of
BPS Chartered Surveyors

2nd June 2023

Appendix 1: Build Cost Report

Project: 212-214 High Holborn WC1V 7BF
May 2023

Independent Review of Assessment of Economic Viability

1 SUMMARY

1.1 The base date of the cost estimate is 2Q2022. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 2Q2022 is 365 (Provisional) and for 2Q2023 382 (Forecast). The increase in TPI from 2Q2022 to 2Q2023 is 4.66%.

1.2 The cost estimate includes an allowance of 21% for preliminaries. The allowance for overheads and profit (OHP) is 7%. We consider both of these allowances high especially the preliminaries.

1.3 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 132 that has been applied in our benchmarking calculations. The LF at the time of our May 2022 report was 128.

1.4 Our benchmarking results in an adjusted benchmark of £2,808/m^2 that compares to the Applicant's £2,517/m^2. We therefore consider the Applicant's costs to be reasonable.

1.5 We have calculated a cost for the refurbishment of the existing building as offices using BCIS Lower Quartile rates and a 10% contingency in the total sum of £1,895,238 (£1,358/m^2). An appropriate duration for these works based on a BCIS duration would be 6 months.

2 METHODOLOGY

2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element-by-element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme.

BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5-year and also 30-year average prices. We have previously considered 5-year data more likely to reflect current regulations, specification, technology and market requirements, but because of reduce sample sizes in the last 5 years we consider the default values the most appropriate for benchmarking.

2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available an overall £ per sqm and on a group element basis i.e., substructure, superstructure, finishings, fittings and services – but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher-than-normal cost of external wall and window elements.

2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

2.5 BCIS costs are available on a quarterly basis – the most recent quarters use forecast figures; the older quarters are firm. If any estimates require adjustment on a time basis, we use the BCIS all-in Tender Price Index (TPI).

2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However, if the Applicant's cost plan does not distinguish different categories, we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.

2.7 To undertake the benchmarking, we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also, any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.

2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.

2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element-by-element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m^2 and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

2.11 We have considered the duration of the construction period by reference to the average duration calculation resulting from use of the BCIS Duration Calculator, and if we consider appropriate have drawn attention to any significant divergence between the Applicant's duration and the BCIS calculation. The duration is expected to be the result of a programme in appropriate detail for the stage of the project that should be prepared by a specialist in the field. We consider our experience of construction and duration sufficient for benchmarking comparisons using BCIS, but do not possess the appropriate qualifications and experience for undertaking a more detailed examination of the construction duration.

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the Viability Report issued April 2023 by James R Brown together with the Order of Cost Estimate Rev B issued 1 Jun 2022 by Ward Williams Associates.

3.2 The base date of the cost estimate is 2Q2022. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 2Q2022 is 365 (Provisional) and for 2Q2023 382 (Forecast). The increase in TPI from 2Q2022 to 2Q2023 is 4.66%.

3.3 The cost estimate includes an allowance of 21% for preliminaries. The allowance for overheads and profit (OHP) is 7%. We consider both of these allowances high especially the preliminaries.

3.4 The allowance for contingencies is 10% which we consider reasonable. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

3.5 We have extracted the cost information provided by the Applicant into a standard BCIS/NRM format to facilitate our benchmarking.

3.6 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 132 that has been applied in our benchmarking calculations. The LF at the time of our May 2022 report was 128.

3.7 We have adopted the same GIA used in the Applicant's cost plan; we assume this to be the GIA calculated in accordance with the RICS Code of Measurement 6th Edition 2007.

3.8 The building is an existing building of 6 storeys, part to be refurbished/ converted and part extended. We have prepared a blended rate for benchmarking as the table below.

3.9

	GIA m^2	%	BCIS £/m^2	Blended £/m^2
Alter and refurbish existing	1,396	55%	1,577	864
New build extension	1,153	45%	3,523	1,594
Total GIA	2,549	100%		2,457

3.10 Our benchmarking results in an adjusted benchmark of £2,808/m^2 that compares to the Applicant's £2,517/m^2. We therefore consider the Applicant's costs to be reasonable.

3.11 We have calculated a cost for the refurbishment of the existing building as offices using BCIS Lower Quartile rates and a 10% contingency in the total sum of £1,895,238 (£1,358/m^2). An appropriate duration for these works based on a BCIS duration would be 6 months.

3.12 The areas and costs included in the appraisal are consistent with the areas and costs in the estimate.

BPS Chartered Surveyors
Date: 17 May 2023

212-214 High Holborn WC1V 7BF

Elemental analysis & BCIS benchmarking

WWA Order of Cost Estimate Rev B issued 1 Jun 2022

				New build offices	
		GIA m²	**2,549**	**LF100**	**LF132**
		£	**£/m²**	**£/m²**	**£/m²**
	Demolitions 6.9%	**277,000**	**109**		
1	**Substructure**	**0**		**185**	**244**
2A	Frame	546,000	214	163	215
2B	Upper Floors			90	119
2C	Roof	119,000	47	164	216
2D	Stairs		0	48	63
2E	External Walls	901,000	353	246	325
2F	Windows & External Doors	21,000	8	148	195
2G	Internal Walls & Partitions	116,000	46	83	110
2H	Internal Doors	79,000	31	47	62
2	**Superstructure**	**1,782,000**	**699**	**989**	**1,305**
3A	Wall Finishes	160,000	63	53	70
3B	Floor Finishes	195,000	77	92	121
3C	Ceiling Finishes	206,000	81	46	61
3	**Internal Finishes**	**561,000**	**220**	**191**	**252**
4	**Fittings**	**187,000**	**73**	**32**	**42**
5A	Sanitary Appliances	32,000	13	21	28
5B	Services Equipment (kitchen, laundry)			21	28
5C	Disposal Installations			16	21
5D	Water Installations	1,647,000	646	37	49
5E	Heat Source			64	84
5F	Space Heating & Air Treatment			203	268
5G	Ventilating Systems, smoke extract & control			77	102
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)			217	286
5I	Fuel Installations			3	4
5J	Lift Installations		0	31	41
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)			19	25
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)			57	75
5M	Special Installations - (window cleaning, BMS, medical gas)			39	51
5N	BWIC with Services		0	23	30
5O	Management of commissioning of services				
5	**Services**	**1,679,000**	**659**	**828**	**1,093**
6A	Site Works	18,000	7		
6B	Drainage				
6C	External Services				
6D	Minor Building Works				
6	**External Works 0.4%**	**18,000**	**7**	**0**	**0**
	SUB TOTAL	**4,504,000**	**1,767**	**2,225**	**2,937**
7	**Preliminaries 21%**	**946,000**	**371**		
	Overheads & Profit 7%	**382,000**	**150**		
	SUB TOTAL	**5,832,000**	**2,288**	**2,225**	**2,937**
	Design Development risks 10%	583,000	229		
	Construction risks				
	Employer change risks				
	Employer other risks				
	TOTAL - 2Q2022	**6,415,000**	**2,517**		
			2,517		
	Benchmarking		2,457		
	Add demolitions	109			
	Add external works	7			
		116			
	Add prelims 21%	24			
	Add OHP 7%	10	150		
			2,607		
	Add contingency (blanded rate) 7.7%		201		
	Total adjusted benchmark - 2Q2023	7,157,848	2,808		
	Applicant cost adjusted to current 2Q2023	6,713,781	2,634		

Appendix 2: BPS Comparable Evidence

Letting Transactions:

Retail:

Image	Address	Transaction	Description
	10 Gate Street, Holborn, WC2A 3HP	Date: January 2023 Use: Retail Sqft: 1,010 Rent £pa: £54,000 Rent £psf: £53.47 Source: EGI & DMA	Retail unit arranged over ground (405 sqft) and basement (605 sqft). Located behind Holborn Station on bus cut through.
	2 Gate Street, Holborn, WC2A 3HP	Date: March 2022 Use: Retail Sqft: 722 Rent £pa: £28,500 Rent £psf: £39.46 Source: EGI & H&P	Retail unit arranged over basement and ground floor. Let to a barbers on a 15-year lease with a 3-month initial rent free and rent reviews in years 5 and 10.
	17 Theobalds Road, WC1X 8SL	Date: July 2021 Use: Retail Sqft: 711 Rent £pa: £25,000 Rent £psf: £35.16 Source: EGI	Retail unit arranged over basement and ground floor. Let to Sonamu Limited on a 10-year lease with 3-months initial rent free and rent reviews in years 5 and 10.

Gym:

Image	Address	Transaction	Description
	Cannon Green, 27 Bush Lane, EC4R 0AT	Date: January 2023 Use: Gym (leisure) Sqft: 21,771 Rent £pa: £348,336 Rent £psf: £16.00 Source: EGI & Colliers	Large, partially fitted out health and fitness club located in financial district. Fully fitted in 2018. Arranged over basement and lower ground, located beneath 110,000 sqft office building. Let on a 15-year lease.
	Cornhill House, 59-60 Cornhill, EC3V 3PD	Date: May 2022 Use: Gym (leisure) Sqft: 550 Rent £pa: £25,998 Rent £psf: £47.27 Source: EGI	Gym located at basement level of a mixed commercial building. Period property with retail and office over 6 upper floors. Let on a 10-year lease, trading as Solo 60.
	Newham's Yard, 151-57 Tower Bridge Road, SE1 3LW	Date: April 2022 Use: Gym (leisure) Sqft: 5,382 Rent £pa: £120,000 Rent £psf: £22.30 Source: EGI	New Galliard Homes development. Gym located at basement level. Let to Bermondsey Boxing Club Limited on a 10-year lease with a rent review in year 5.

	Units 3&4, Spectrum House, 32-34 Gordon House Road, NW5 1LP	Date: April 2020 Use: Gym (leisure) Sqft: 2,601 Rent £pa: £106,000 Rent £psf: £40.76 Source: EGI	Converted warehouse let to The Picky Lady Ltd (appears to be trading as F45) on a 15 year lease with mutual break in year 10 and rent reviews in 5th and 10th year.

Office:

Image	Address	Transaction	Description
	Russell Square House, 10-12 Russell Square, WC1B 5QU	Date: March 2023 Use: Office Sqft: 4,125 Rent £pa: £272,250 Rent £psf: £66.00 Source: EGI	Ground floor (south) office let on a 7-year lease to McKesson. Refurbished office space.
	Holborn Gate, 326-328 High Holborn, WC1V 7PP	Date: March 2023 Use: Office Sqft: 16,940 Rent £pa: £1,145,821 Rent £psf: £67.64 Source: EGI	Third floor office space let to Orega Management Ltd on a 15-year lease. Refurbished building with two receptions, piazza area with retail. Opposite Chancery Lane Station.
	Holborn Gate, 326-328 High Holborn, WC1V 7PP	Date: March 2023 Use: Office Sqft: 8,416 Rent £pa: £547,040 Rent £psf: £65.00 Source: EGI	Seventh floor office space let to British Horseracing Authority on a 10-year lease. Refurbished building with two receptions, piazza area with retail. Opposite Chancery Lane Station.
	43 Eagle Street, WC1R 4AT	Date: December 2022 Use: Office Sqft: 2,027 Rent £pa: £135,809 Rent £psf: £67.00 Source: EGI	Ground floor office let to Newton Kearns. Refurbished office accommodation. CAT B fully fitted space. Communal roof terrace and shower/changing facilities.
	Caroline House, 55-57 High Holborn, WC1V 6DX	Date: November 2022 Use: Office Sqft: 1,537 Rent £pa: £99,905 Rent £psf: £65.00 Source: EGI & Allsops	Seventh floor office space let to BTP Group. Fully fitted space. Lit access. Roof terrace.

Investment Transactions:

Retail:

Image	Address	Transaction	Description
	39-43 Gray's Inn Road, WC1X 8PR	Date: December 2022 Use: Retail Sqft: 4,908 Price: £4.6m NIY: 4.65% Source: EGI & FMX	Retail (foodstore) entirely let to Co-operative Ground Ltd on a lease expiring 24th March 2030. Rent £227,502 pa with 5 year upward only rent reviews. Reviews RPI linked with collar and cap of 1% and 4%. Located c. 0.5 miles from the subject site.

'Gym/Fitness':

Image	Address	Transaction	Description
	David Lloyd Health and Fitness Club, Ducks Hill Road, HA6 2DR	Date: March 2021 Use: Gym Sqft: 144,895 Price: £50.625m NIY: 4.28% Source: EGI	David Llyod Health Club purchased by Centrica Pension Fund. Total rent £2.3 million. Other lease details not disclosed.

Office:

Image	Address	Transaction	Description
	20-22 Bedford Row, WC1R 4EB	Date: October 2022 Use: Office Sqft: 13,216 Price: £16.05m Price £psf: £1,214 NIY: 4.6% Source: EGI	Office building purchased by Golden Square Real Estate. Total rent of £788,760 per annum at the time of the sale. Reception area, common parts and two of the floors refurbished in 2019.
	22 Kingsway, WC2B 6LE	Date: June 2022 Use: Office Sqft: 90,558 Price: £100m Price £psf: £1,104 NIY: 3.70% Source: EGI	Office building purchased by Scape. Total rent of £3.95m per annum at the time of the sale. Majority of the building let to Kings College London until September 2025.
	37-41 Bedford Row, WC1R 4JH	Date: January 2022 Use: Office Sqft: 24,648 Price: £26.85m Price £psf: £1,089 NIY: 3.66% Source: EGI	Office building purchased by Al Haditha Real Estate Limited. Georgian building. Arranged over seven floors. 100% occupied at the time of sale. Total rent of £1.05m at the time of the sale.

	Holborn Hall, 193-197 High Holborn, WC1V 7BD	Date: February 2021 Use: Office Sqft: 27,613 Price: £24.925m Price £psf: £903 NIY: 3.95% Source: EGI	Listed building comprising office accommodation sold in 2019. The building is currently undergoing refurbishment and is due to open in Spring 2023. Total rent of £1.051m per annum at the time of sale.

Office Sales Transactions:

Image	Address	Transaction	Description
	39-40 Eagle Street, Holborn, WC1	Date: January 2022 Sqft: 9,120 Price: £6.0m Price £psf: £658 Source: EGI & GW	Office purchased by Central Properties Limited. Advised by agents Glinsman Weller than it is a 1960s office building in need of upgrading. Sold to owner occupier following extensive marketing campaign. Various consents for refurbishment and extension permitted in 2022/23 (after sale).
	14 John Street, WC1N 2EB	Date: January 2022 Sqft: 3,762 Price: £3.25m Price £psf: £864 Source: EGI & KG	Office purchased by Central Properties Limited. 19th century, Grade II listed building. Former terraced house converted to office use. Arranged over LG and five upper floors. Info taken from Kinney Green marketing brochure.
	Warwick House, 64-65 Cowcross Street, EC1M 6EG	Date: September 2021 Sqft: 6,774 Price: £5.25m Price £psf: £775 Source: EGI	Office building arranged over 1st to 4th floor. Earlier letting brochures from 2020 suggest refurbishment took place prior to this sale.
	Holborn Central (Kingsbourne House), 229-231 High Holborn	Date: July 2021 Sqft: 67,707 Price: £52.0m Price £psf: £768 Source: EGI	Office building sold with planning consent for refurbishment (granted March 2021). Purchased by Hagag Group. New space arranged over 1st to 7th floor at asking rents of £69.50 psf.
	6 Bream's Buildings, Holborn, EC4A	Date: February 2021 Sqft: 4,838 Price: £5.7m Price £psf: £1,178 Source: EGI	Office purchased by Aviv Property Development Ltd. Sold with full planning consent for conversion and extension to provide 8 residential units.
	33 John Street, WC1N 2AT	Date: January 2021 Sqft: 7,887 Price: £5.0m Price £psf: £634 Source: EGI	Office arranged over lower ground, ground and three upper floors. Lack of information available regarding sale.

Appendix 3: BPS Appraisal (All Private Scheme)

BPS Viability Appraisal (2023 Instruction)
212-214 High Holborn WC1V
2018/3833/P

Development Appraisal
BPS Surveyors
02 June 2023

BPS Viability Appraisal (2023 Instruction)
212-214 High Holborn WC1V
2018/3833/P

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Retail	1	3,638	39.38	143,260	143,260	143,260
Gym	1	646	45.00	29,070	29,070	29,070
Office	1	13,431	61.46	825,445	825,445	825,445
Totals	**3**	**17,715**			**997,775**	**997,775**

Investment Valuation

Retail					
Market Rent	143,260	YP @	4.5000%	22.2222	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.5000%	0.9361	2,980,149
Gym					
Market Rent	29,070	YP @	4.5000%	22.2222	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.5000%	0.9361	604,725
Office					
Market Rent	825,445	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	16,797,438
Total Investment Valuation					**20,382,312**

GROSS DEVELOPMENT VALUE			**20,382,312**
Purchaser's Costs		(1,385,997)	
Effective Purchaser's Costs Rate	6.80%		
			(1,385,997)
NET DEVELOPMENT VALUE			**18,996,315**
NET REALISATION			**18,996,315**

OUTLAY

ACQUISITION COSTS				
Fixed Benchmark Land Value		6,200,000		
Fixed Benchmark Land Value			6,200,000	
				6,200,000
Stamp Duty			299,500	
Effective Stamp Duty Rate		4.83%		
Agent Fee		1.00%	62,000	
Legal Fee		0.80%	49,600	
				411,100
CONSTRUCTION COSTS				
Construction	**Units**	**Unit Amount**	**Cost**	
Construction Costs	1 un	6,415,000	6,415,000	
				6,415,000
PROFESSIONAL FEES				
Professional Fees		12.00%	769,800	
				769,800
MARKETING & LETTING				
Marketing			150,000	

BPS Viability Appraisal (2023 Instruction)
212-214 High Holborn WC1V
2018/3833/P

			150,000
DISPOSAL FEES			
Sales Agent Fee	1.00%	203,823	
Sales Legal Fee		25,000	
			228,823
FINANCE			
Debit Rate 8.000%, Credit Rate 0.500% (Nominal)			
Land		498,196	
Construction		205,664	
Total Finance Cost			703,859
TOTAL COSTS			**14,878,582**
PROFIT			
			4,117,733
Performance Measures			
Profit on Cost%	27.68%		
Profit on GDV%	20.20%		
Profit on NDV%	21.68%		
Development Yield% (on Rent)	6.71%		
Equivalent Yield% (Nominal)	4.50%		
Equivalent Yield% (True)	4.63%		
IRR% (without Interest)	51.01%		
Rent Cover	4 yrs 2 mths		
Profit Erosion (finance rate 8.000)	3 yrs 1 mth		

Appendix 4: BPS Appraisal (Policy Compliant - AUV)

BPS Viability Appraisal (2023 Instruction)
212-214 High Holborn WC1V
2018/3833/P
Policy Compliant Estimate (DRAFT)

Development Appraisal
BPS Surveyors
02 June 2023

BPS Viability Appraisal (2023 Instruction)
212-214 High Holborn WC1V
2018/3833/P

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Retail	1	3,638	39.38	143,260	143,260	143,260
Gym	1	646	45.00	29,070	29,070	29,070
Office (Market)	1	10,745	61.46	660,368	660,368	660,368
Office (Affordable)	1	2,686	30.73	82,541	82,541	82,541
Totals	**4**	**17,715**			**915,239**	**915,239**

Investment Valuation					
Retail					
Market Rent	143,260	YP @	4.5000%	22.2222	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.5000%	0.9361	2,980,149
Gym					
Market Rent	29,070	YP @	4.5000%	22.2222	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.5000%	0.9361	604,725
Office (Market)					
Market Rent	660,368	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	13,438,201
Office (Affordable)					
Market Rent	82,541	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	1,679,668
Total Investment Valuation					**18,702,743**

GROSS DEVELOPMENT VALUE			**18,702,743**
Purchaser's Costs		(1,271,787)	
Effective Purchaser's Costs Rate	6.80%		
			(1,271,787)
NET DEVELOPMENT VALUE			**17,430,956**
NET REALISATION			**17,430,956**

OUTLAY

ACQUISITION COSTS			
Residualised Price		6,211,850	
			6,211,850
Stamp Duty		300,092	
Effective Stamp Duty Rate	4.83%		
Agent Fee	1.00%	62,119	
Legal Fee	0.80%	49,695	
			411,906

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Construction Costs	1 un	6,415,000	6,415,000	
Affordable Housing PIL			930,750	
				7,345,750

BPS Viability Appraisal (2023 Instruction)
212-214 High Holborn WC1V
2018/3833/P

PROFESSIONAL FEES			
Professional Fees	12.00%	769,800	
			769,800
MARKETING & LETTING			
Marketing		150,000	
			150,000
DISPOSAL FEES			
Sales Agent Fee	1.00%	170,231	
Sales Legal Fee		25,000	
			195,231
FINANCE			
Debit Rate 8.000%, Credit Rate 0.500% (Nominal)			
Land		499,149	
Construction		262,633	
Total Finance Cost			761,782
TOTAL COSTS			**15,846,319**
PROFIT			
			1,584,637
Performance Measures			
Profit on Cost%	10.00%		
Profit on GDV%	8.47%		
Profit on NDV%	9.09%		
Development Yield% (on Rent)	5.78%		
Equivalent Yield% (Nominal)	4.50%		
Equivalent Yield% (True)	4.63%		
IRR% (without Interest)	22.61%		
Rent Cover	1 yr 9 mths		
Profit Erosion (finance rate 8.000)	1 yr 2 mths		