55 Tottenham Court Road & 16-24 Whitfield Street

Independent Viability Review

Prepared on behalf of the London Borough of Camden

16th November 2023

Planning Reference: 2023/3808/P

BPS Chartered Surveyors

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Contents

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 Gerald Eve ('GE') on behalf of Mayhunt Properties Ltd ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The Site is currently occupied by Marks and Spencer ('M&S') on the lower ground and ground floor, with vacant offices on the upper floors. The application premises were occupied by the British Transport Police (BTP) from circa 2003 until 1 May 2022.

1.3 The location is mixed in nature. The site is not located in a conservation area nor is it listed.

1.4 The proposals are for:

'Partial demolition; change of use to offices (Class E); extensions at first, second, third and fourth floors to provide additional office (Class E) floorspace; new replacement façades at Whitfield Street and Tottenham Court Road elevations; partial new replacement facades at north and south elevations; rooftop plant equipment, PV panels and green roof; external amenity areas at first, second, third and fourth floors; removal of basement car parking, ramp and vehicle dock; and associated external alterations.'

1.5 The basis of our review is the Financial Viability Review prepared by GE, dated 8th September 2023, which concludes that the scheme currently shows a surplus of approximately £325,750 which represents the maximum payment viable and therefore no additional affordable housing contribution can justifiably be offered.

1.6 We have downloaded documents available on the Council's planning website.

1.7 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 contributions.

1.8 We have searched the Camden Council planning website and have identified an extant planning application relating to the site;

1.8.1 2022/2626/P - Extensions at second floor and fourth floor levels to provide commercial (Class E) floorspace, new external plant area and external amenity areas at third and fourth. Alterations to Tottenham Court Road elevation involve installation of double-glazed aluminium windows and grey aluminium panels at first floor following the removal of ventilation grills. Removal of existing plant room at fourth floor level and associated alterations. Full Planning Permission Granted Subject to a Section 106 Legal Agreement - 27th October 2022.

1.9 A Land Registry search shows that the applicant does not currently own the property.

1.10 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.

1.11 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

2.1 Our analysis presents the following outturn financial position for the project:

Input	GE	BPS	Comments
Income			
Office	£63,243,000	£64,470,000 (£1,533 psf)	Disagreed – Whilst we consider GE's rental and yield assumptions to only be marginally pessimistic, we consider their rent free/ void periods to be out of kilter with the available market evidence.
Expenditure			
Benchmark Land Value	£19,575,000	£16,646,000	Disagreed – We consider GE's yield assumptions to be optimistic in comparison to the proposed scheme.
Build Costs	£16.73 million	£16.73 million	Agreed
Abnormal Costs	£1,120,000	£1,120,000	Agreed
Contingency	5%	5% (included)	Agreed
Professional Fees	10%	10%	Agreed
Private Marketing & Agent Fees	3%	3%	Agreed
Letting and legal fees	15%	15%	Agreed
Purchasers Costs	6.8%	6.8%	Agreed
CIL/ S106	£650,750	£650,750	Ambiguous - We require confirmation from the Council on this input.
Finance	8.5%	8.5%	Agreed - While adopted we consider the pre-stage review should reassess whether the finance rate remains appropriate, if triggered.
Profit:	15% on GDV	15% on Costs	Disagreed – We consider a target profit on costs to be reflective of the nature of the scheme.
Development Timeframes			
Pre-construction Period	1 months	1 months	Agreed
Construction Period	1 year 10 months	1 year 10 months	Agreed
Viability Position	Breakeven	+£4,970,434	Disagreed – We have identified additional surplus which we suggest could used as contribution.
Actual Profit	14.49% on GDV (£9.2 million)	15% on Costs (£7.9 million)	

3.0 Conclusions And Recommendations

3.1 We have reviewed the Financial Viability Statement prepared by GE on behalf of the applicant which concludes that the proposed scheme generates a residual value of £9.16 million which is approximately £323,584 above their profit target of £8.84 million (15%). On this basis the scheme cannot provide any additional affordable housing contribution.

Benchmark Land Value

3.2 GE have approached the Benchmark Land Value on an Alternative Use Value approach reflecting the extant planning permission at the site (ref. 2022/2626/P) ('the Consented Scheme'). Similarly, to the proposed, the consented scheme is for the full refurbishment of and extension to the existing site.

3.3 GE have appended evidence showing comparable leasing transactions in the area. Of the comparable evidence presented, the achieved rental values range from approximately £67-£105 psf depending on the condition, terms, and location. GE have also provided evidence of comparable yields from two recent sales of 1.20% and 4.68%.

3.4 We have reviewed GE's inclusion of build costs and consider these to be reasonable.

3.5 We instructed Heyford Masons ('HM') to advise us on their consideration for the rental value and yields for the extant scheme as outlined by GE. Their full assessment has been appended to this report (Appendix 2).

3.6 Having taken HM's assessment into consideration, we consider the Benchmark Land Value ranges from £16.6 million to £18.4 million depending on the yield adopted.

Development Value

3.7 The scheme represents a refurbishment and extension of the existing site generating an additional 801 sq m. The changes to the building include the extension and creation of office space within the existing third and fourth floors, new terraces on the first, second, third and fourth floors and alterations to the entrances and facade.

3.8 We have reviewed the information provided by GE in support of their capital values and we have also sought advice from Heyford Masons ('HM') regarding the proposed rent, yield, void and rent-free inputs and we include their report at Appendix 2. HM consider that the rents proposed by Savills are slightly below what would be achievable at the proposed site. We have suggested some changes to the values proposed by GE which are outlined in Section 6 of this report. Overall, after our amendments we consider the proposed development would achieve approximately £1.2 million to £5 million over the value proposed by GE. We have assumed the affordable office will be in perpetuity.

Ground rents

3.9 The Leasehold Reform (Ground Rent) Act 2022 is now in full force. We therefore consider the omission of capitalised ground rents as being a reasonable assumption.

Development Costs

3.10 Our Cost Consultant, Neil Powling, has reviewed the Cost Plan for the proposed scheme prepared by G&T, dated June 2023, and concludes that:

Our benchmarking of the proposed scheme results in an adjusted benchmark of £3,380/m² that compares to the Applicant's £3,384/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable.

3.11 We have reviewed the other cost outlined within the FVA and consider them to be reasonable.

Recommendations

3.12 We have been provided with a live version of the Argus appraisals included in GE's report to which we have applied our amendments. These amendments are outlined in the table included at Section 2.

3.13 Hayford Masons have provided us with guidance on the rental values and a range of yields they consider to be reasonable for the AUV and proposed schemes. We have tested the scheme on both basis and have identified a surplus ranging from £4.97 million to £5.63 million.

3.14 On this basis we calculate that the scheme would be able to contribute towards or provide additional affordable contribution.

3.15 We recommend that if a policy compliant offer is not made, the scheme should be subject to a 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 set 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.

<u>The Proposed Benchmark</u>

5.11 The benchmark proposed by GE for viability testing is based on an Alternative Use Value approach reflecting the extant planning permission at the site (ref. 2022/2626/P) ('the Consented Scheme'). The Consented Scheme assumes the floorspace is refurbished to a good standard and also includes an extension at second to fourth floor levels to provide additional office floorspace, new external plant and amenity areas are also provided at the third and fourth floors.

5.12 GE say their applied rents, rent free periods and capitalisation rates therefore reflect the improved specification compared with the existing condition, albeit these are slightly below the

Proposed Scheme to reflect the Proposed Scheme's superior design, ESG credentials and configuration.

5.13 GE instructed Savills to provide their view of the estimated market rents. The yield and rental assumptions adopted by GE are as follows;

BLV - Extant Scheme	GE
RLV	£19.58 million
Sq ft	39,775.00
Build Costs	£12,394,191
Rental Assumptions (ERV)	
Lower Ground Office	£ 32.50
Ground Floor Office	£ 62.50
Ground Floor Affordable Office	£ 31.25
First Floor Office	£ 72.50
Second Floor Office	£ 80.00
Third Floor Office	£ 85.00
Fourth Floor Office	£ 90.00
Total ERV	**£ 2,834,280**
ERV psf	£ 71.26 psf
Average rent free & void period	34 months
Yield Assumption	4.50%
Total GDV	£55.41 million

5.14 GE have allowed for construction costs of £13 million, including a 5% contingency. Additional cost assumptions have been adopted by GE as follows:

	%	£
Construction Costs		£ 12,394,191
Contingency	5%	£ 619,710
CIL		£ 70,000
Other Construction Costs		£ 300,000
M&S Plant and Machinery		£ 1,000,000
Section 106 Costs		£ 11,675
Professional Fees	10.00%	£ 1,239,419
Marketing	1.50%	£ 831,160
Letting Agent Fee	15.00%	£ 425,142
Letting Legal Fee	5.00%	£ 141,714
Profit	15% on GDV	£ 8,311,601
Sales Agent Fee	1.00%	£ 554,107
Sales Legal Fee	0.50%	£ 277,053
Finance	8.50%	£ 4,626,113
TOTAL COSTS		£ 30,801,885

5.15 Assuming the above, GE has determined the AUV to be c. £19.575 million.

Our Assessment of Benchmark Land Value

5.16 We instructed Heyford Masons ('HM') to advise us on their view of rental value and yields for the extant scheme as outlined by GE. Their full assessment has been appended to this report (Appendix 2).

5.17 The site was originally developed in 2001 for the British Transport Police; GE say it was built under a PFI-funded contract and was consequently not built to a high design standard. We undertook a site inspection of the subject property on 11th October 2023 and noted that the building has been stripped internally for redevelopment.

5.18 The proposed specification of the building as per the AUV scheme is as follows;

- Male and female WCs on all floors, excluding the ground floor.
- Amenity space on the third (80.58 m2) and fourth floor (63.80 m2).
- 2 x passenger lifts
- Floor area extensions at 2nd and 4th floors less than 200 m2 GIA.
- Platform lift to basement storage lockers, bike racks and refuse.

5.19 With regards to their comparable evidence, as shown in Appendix 2, HM are of the view the existing building, subject to works as per the extant scheme, would achieve £2,728,713 (£75.67 psf) rental income per annum and the affordable space achieve some £94,875 (£37.50 psf) per annum exclusive. HM anticipate the property will achieve new leases on a 10 year term basis, assuming an average void of 12 months and a 10 month rent free period.

5.20 HM have assumed a yield of 4.75% to 5.00%. We have tested the scheme on both bases.

5.21 Our cost consultant Neil Powling,

"Our benchmarking of the consented scheme results in an adjusted benchmark of £2,224/m² that compares to the Applicant's £2,164/m². We therefore consider the Applicant's costs for the consented scheme to be reasonable."

5.22 We have adopted the Applicant's costs in our appraisal. We note however that the anticipated build costs included for the AUV scheme are £4.4 million below the build costs included for the proposed scheme under this application. The consented scheme is marginally smaller (-2,273 sq ft / -5.7%) than the proposed scheme, though in our view this does not adequately justify a 35% reduction in build costs. A detailed cost plan for the AUV scheme has not been provided, we therefore require the Applicant to provide further justification for the significant difference in costs should a policy compliant affordable housing offer not be made.

5.23 Our appraisals result in an benchmark land value ranging from £16,646,000 to £18,410,000.

5.24 On this basis we have tentatively adopted the above range as the Benchmark Land Value pending further justification in relation to the build costs from the applicant.

6.0 Development Value

6.1 The development is proposed on an all-office basis, representing a refurbishment and extension of the existing site. The changes to the building include the extension and creation of office space within the existing third and fourth floors, new terraces on the first, second, third and fourth floors and alterations to the entrances and facade. The planning statement downloaded from Camden Council's planning website details the GIAs as follows.

	Existing	Proposed Extension	Total Proposed
GIA Sqm (Class Use E)	5,518 sq m	801 sq m	6,319 sq m

*Including 255 sqm GIA of affordable workspace

6.2 In arriving at their value for the office floorspace, GE instructed Savills to conduct research into recent letting evidence in the area.

6.3 Of the comparable transactions noted, Savills say recent deals in the area include Mission Co taking 11,544 sq feet at The Manufactory at a rent of £90 psf, Bazaarvoice acquiring 7,923 sq ft at 1 Newman Street at £94.78 psf and Synova taking 10,980 sq feet at Wells & More at £87.50 psf.

6.4 Savills have applied the following yield and rental values based on the evidence provided:

Proposed Scheme	Savills' Assumptions
Sq ft	42,045.00
Rental Assumptions (ERV)	
Lower Ground Office	£ 30.00
Lower Ground Affordable Office	£ 15.00
Ground Floor Office	£ 60.00
Ground Floor Affordable Office	£ 30.00
First Floor Office	£ 75.00
Second Floor Office	£ 80.00
Third Floor Office	£ 85.00
Fourth Floor Office	£ 95.00
Total ERV	**£3,229,750**
Total ERV psf	£76.82
Average rent free & void period	34 months
Yield	4.50%
Yield (Affordable)	5.50%
Purchasers Costs	6.8%
GDV	£58,94 million

6.5 We have sought advice from Heyford Masons ('HM') regarding the proposed rent, yield, void and rent-free inputs and we include their report at Appendix 2. HM consider that the rents proposed by Savills are slightly below what would be achievable at the proposed site.

6.6 HM's revised rental values are as follows:

Proposed Scheme	HM's Assumptions
Sq ft	42,045.00
Rental Assumptions (ERV)	
Lower Ground Office	£ 30.00
Lower Ground Affordable Office	£ 15.00
Ground Floor Office	£ 75.00
Ground Floor Affordable Office	£ 37.50
First Floor Office	£ 80.00
Second Floor Office	£ 82.50
Third Floor Office	£ 87.50
Fourth Floor Office	£ 90.00
Total ERV	**£3,319,610**
Total ERV psf	£78.92
Yield	4.50% - 4.75%

6.7 Based upon the above, we are of the view that a total rent of £3,319,610 per annum could be generated from the commercial space. This represents an increase of £89,860 or £2 psf on the ERV adopted by GE.

6.8 HM say they would expect minimum 10-year leases to be granted, assuming a significantly shorter average void of 9 months and rent-free periods of 10 months.

6.9 HM have assumed a yield of 4.50% to 4.75%. We have tested the scheme on both bases.

6.10 HM say, in their view the revised scheme, because of the enhanced amenities and layout would be a more attractive and hence lettable proposition in comparison to the extant scheme. They have therefore reflected this in higher rents and lower letting void periods.

6.11 We are satisfied that a yield ranging between 4.50% and 4.75% is appropriate. When applied to the market rent this results in a GDV ranging between approximately £64.47 million and £68.27 million (£153 psf and £162 psf) after applying a ten month rent free period and deducting purchaser's costs.

7.0 Development Costs

Construction Costs

7.1 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Gardiner & Theobald, dated June 2023, and concludes that:

We have adopted the same GIA of 4,945m² used in the Applicant's cost plan; this is confirmed as calculated in accordance with the RICS Code of Measurement 6th Edition 2007. The GIA from the Architect's schedule and in the FVA is given as 6,319m². The differences, mainly at ground and basement levels, appear to relate to areas of the building without planned construction work.

The appraisal includes an allowance of £500,000 for plant and machinery to M&S. We suggest some explanation of the reason for this is requested. There is a further provision of £620,000 for other "potential abnormal" commercially sensitive costs. Some explanation should be requested to verify that these costs should be included in the viability calculation.

Our benchmarking of the proposed scheme results in an adjusted benchmark of £3,380/m² that compares to the Applicant's £3,384/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable.

7.2 Mr Powling's full cost report can be found at Appendix 1.

Additional Costs

7.3 GE have applied the following additional cost assumptions:

- Professional fees of 10%
- Marketing, Sales, and Legal fees of 3%
- Lettings agent and legal fees of 15%

7.4 Generally, we accept that these percentages are realistic and in line with market norms.

7.5 CIL/S106 charges have been assumed at £650,750. We request the council verify this amount.

7.6 Finance has been included at 8.50% assuming that the scheme is 100% debt financed. We consider the pre-implementation review should reassess whether the finance rate remains appropriate.

Profit

7.7 The developer profit target adopted by GE is 15% on GDV. We consider that the profit target in this instance should be reflective of a percentage on cost due to the nature of the proposed scheme, which is an extension and refurbishment of an existing building. We would typically expect the profit on the Affordable component to be less to reflect the reduced level of risk when letting the area at a discounted value.

7.8 Notwithstanding the above, we have applied a profit target of 15% on costs for the scheme on a without prejudice basis.

7.9 Development Timeframes

7.10 The duration allowed in the Applicant's appraisal comprises a pre-construction period of 1 month and a construction period of 20 months. The results determined from the BCIS duration calculation for refurbishment provides an estimated average construction duration from start on site to construction completion of 29 weeks (6.7 months) with a 90% confidence interval for this estimate of 18 to 44 weeks (4.2 to 10.2 months).

7.11 We consider the Applicant's allowance for pre-construction reasonable. The duration of 20 months for construction is significantly more than the BCIS maximum of 10.2 months (or the maximum for new build of 12.9 months). We note that the nature of this work in an existing building makes comparison with other data problematic, and the duration is supported by an indicative project programme but suggest the applicant is asked to provide some explanation for the programme allowances made.

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:

Emma Cox
RICS Membership no. 0877642
For and on behalf of
BPS Chartered Surveyors

Clare Jones
RICS Registered Valuer
RICS Membership no. 0095561
For and on behalf of
BPS Chartered Surveyors

16th November 2023

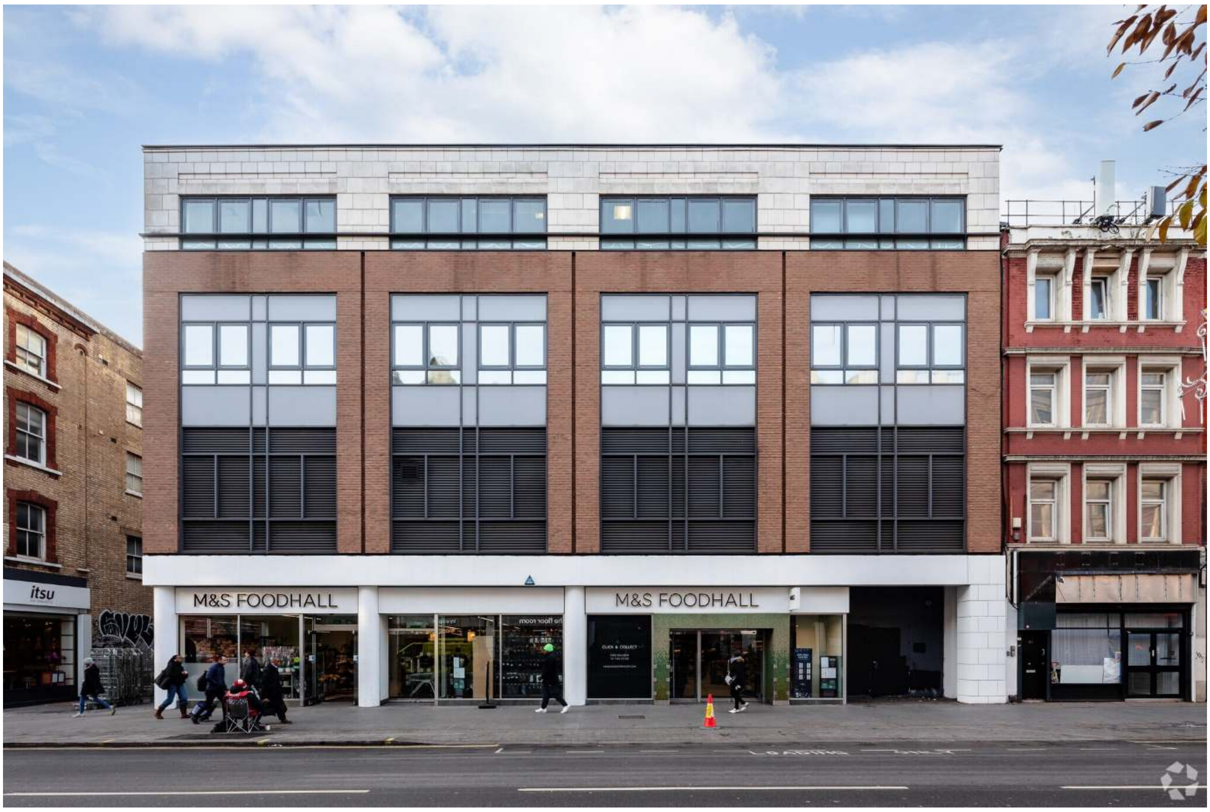
Appendix 1: Heyford Masons Valuation Report

55 TOTTENHAM COURT ROAD

AND

16-24 WHITFIELD STREET

LONDON W1



REPORT PREPARED BY

ANDREW FARQUHAR

OF

HEYFORD MASONS LLP

ON BEHALF OF

BPS CHARTERED SURVEYORS

30 OCTOBER 2023

HEYFORD MASONS
PROPERTY CONSULTANTS

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APPENDICES

INTRODUCTION

We have been asked to comment upon the revised development proposal put forward for this Property.

In particular we have been asked to give our opinion on the following:

a) Consideration of the value of the Property if redeveloped in line with the currently consent scheme (2022/2626/P) granted planning in November 2022 in terms of rents and yields.

b) Consideration of the Property if redeveloped in line with the proposed scheme in terms of rents and yields.

We consider the location and the Property and then address each question in turn.

LOCATION AND DESCRIPTION

Location

The Property is located on the west side of Tottenham Court Road between Goodge Street to the north and Windmill Street to the south. The site is part of a terrace backing onto Whitfield Street.

The balance of the island site (Goodge Street/Tottenham Court Road/Windmill Street/Whitfield Street) is primarily small office or residential properties over retail fronting onto Tottenham Court Road, Goodge Street and Windmill Street with larger, predominantly office properties along Whitfield Street.

The Property is well served by public transport. Goodge Street station (Northern Line) is some 100 metres to the north, Tottenham Court Road (Elizabeth, Central, Northern Lines) some 500 metres to the south. Euston and Kings Cross and st Pancras main line stations are within relatively easy walking distance. There are a number of bus routes running along Tottenham Court Road.

Description of the Property

55 Tottenham Court Road/16-24 Whitfield Street is a primarily vacant terrace building over basement, ground and three upper floors.

The retail section, fronting Tottenham Court Road and comprising part ground and lower ground is still occupied by Marks & Spencer. We understand this arrangement will continue during the refurbishment scheme.

The remainder of the Property, accessed from Whitfield Street, which was previously a police station, is vacant and has been largely stripped out. We understand that this currently has a sui generis planning use.

This section of Whitfield street is attractive, notably opposite Crabtree Fields. We understand that the London Borough of Camden are in the early stages of considering a significant change/enhancement to these gardens.

OCCUPATIONAL MARKET COMMENTARY

Overview – The Economy

The UK economy is experiencing very limited growth. Commentators anticipate this low growth level will continue for at least the short term. The Bank of England Base rate stands at 5.25% compared with 2.25% a year ago.

Inflation has come down from a level of over 10% in 2022 to approximately 6% but is at higher than norm levels and is believed likely to continue so for the short term.

Unemployment levels remain at just over 4%, which is has remained broadly steady for the last few years.

The Global economic and political environment is negative and uncertain with potential flashpoints at in particular the Middle East, the Ukraine and China.

To summarise, currently downbeat but steady.

Offices

The central London office market is seeing subdued activity. Vacancy levels are just over 7% in the West End, just under 10% in the City. Overall take up is down by about 33% across the market compared with 2022.

It seems reasonably clear that this is a consequence of changing working practices leading to less demand for office space together with an economic slowdown.

Rental growth is generally very limited and we are seeing continued pressure on overall deal levels (the lease flexibility, rent and rent free package) in most instances.

There are exceptions. One clear trend is greater demand for high quality offices. The very best offices in the best locations are seeing exceptional demand and consequently record rents are being achieved in both the West End and the City markets.

As a part consequence of that trend we are also seeing a greater incidence of pre-lettings and early lettings as occupiers, especially for relatively large amounts of space (say 25,000 square feet plus) seek to secure good quality offices in that limited and so potentially competitive environment.

Nonetheless overall this is a lethargic market. Appendix 3 illustrates that letting can be a protracted process even for better quality offices.

The planning environment has changed over the past decade with an increased focus on environmental factors. This, together with construction costs inflation is in large measure evidenced by the greater preponderance of refurbishment over redevelopment schemes.

Environmental factors are important in both planning requirements but increasingly in occupier preferences. It would be wrong to say they are paramount in occupier decisions but they can be a significant choice and hence value determinant.

That is the carrot. The stick is government legislation requiring buildings to have a minimum level of energy performance to allow landlords to let the space. These requirements are set to become significantly more draconian over the course of the next seven years. Many landlords are in a very difficult position where this required expenditure might not lead to enhanced letting chances and in some cases the levels of likely rent set against the energy enhancement costs might render such works uneconomic.

The Fitzrovia and Bloomsbury sub-markets have in large measure followed these trends. Their own particular characteristics, such as significant occupiers in the educational, medical and wider life sciences sectors have meant that take up is relatively good albeit rental levels continue to significantly lag the prime West end sub-markets in Mayfair and St James's.

CONSIDERATION OF THE PROPERTY BENEFITTING FROM THE EXISITING PLANNING CONSENT AND THE ESTIMATED VALUE OF THE PROPERTY IN TERMS OF OFFICE RENTS

We understand that the existing, consented, proposal is to substantially refurbish the existing property over the existing retail tenant on ground and lower ground floors, fronting Tottenham Court Road. The consented scheme comprises offices and affordable offices over lower ground, ground and four upper floors.

These offices will be accessed from a main entrance in Whitfield Street. The floors would be served by two lifts (one only to the 4th floor). There is a terrace on the 4th floor.

This scheme would consist of the following floor areas:

Floor	Offices (sq ft)	Affordable Workspace (sq ft)	Total (sq ft)
4	2,637	0	2,637
3	7,804	0	7,804
2	10,010	0	10,010
1	10,925	0	10,925
Ground	2,368	2,530	4,898
Lower Ground	3,498	0	3,498
Total	**37,242**	**2,530**	**39,772**

We would anticipate part of the ground floor, described as offices would in fact be designed and used as a reception area for the balance of the office space. Except in unusual circumstances that area would not be rentalised.

Rental Values

We have looked at and considered the evidence of fully refurbished and redeveloped office properties in the area over the past year. These are set out in Appendix 4.

Floor	Estimated Rental Value (£ per sq ft)	Letting Void (months)	Rent free Period (months)
4	£85.00	9 months	12 months
3	£85.00	9 months	12 months
2	£80.00	12 months	12 months
1	£77.50	15 months	12 months
Ground	£37.50 *	15 months	14 months
Ground (affordable)	£37.50 (50% OMV)	9 months	9 months
Lower Ground	£30.00	15 months	14 months

* We are assuming that say 50% of the ground floor would in fact function as a reception area.

Disregarding the affordable office space this would derive an annual exclusive rent of £2,728,712.50; let us say an overall rent of £75.67 per sq ft. The affordable space income would be some £94,875 per annum exclusive.

We would anticipate that the scheme might let as a whole (the affordable space would let separately) or, more likely as a number of floors; probably not more than three office tenants.

We would anticipate new leases of 10 years would be granted. It seems most likely that those 10 year leases would incorporate a tenant only option to break at the end of the fifth year. If so then we would expect additional rent free would be granted if the break were not operated. From the current market evidence we would assume that latter would be approximately level of 10 months.

We have adopted an average void period of approximately twelve months.

Affordable Workspace

We have assumed that the standard of services/finishes here would be of a comparable standard to the offices generally.

For the purposes of this exercise we have chosen to assume that a lease for a term of five years would be achieved.

We understand that affordable workspace is taken at 50% of passing rents which produces a figure of £37.50 per sq ft. As that level would be seen as competitive in the market we have to an extent minimised the rent free and void periods.

CONSIDERATION OF THE PROPERTY BENEFITTING FROM THE PROPOSED NEW SCHEME AND THE ESTIMATED VALUE OF THE PROPERTY IN TERMS OF OFFICE RENTS

We understand that the new proposal is to similarly substantially refurbish the existing property over the existing retail tenant on ground and lower ground floors, fronting Tottenham Court Road. The new proposed scheme comprises offices and affordable offices over lower ground, ground and four upper floors. However the area of the scheme has been increased such that enhanced CIL contributions should be required. Additionally the scheme has been, as the developers describe, enhanced in terms of energy efficiency and amenity.

These offices will be accessed from a main entrance in Whitfield Street. The floors would be served by two lifts. There will now be terraces on all upper office floors, those on the 3rd and 4th floors being of a meaningful size.

Additional amenities include more bicycle spaces and associated facilities (showers, a drying room etc) and solar panels and a biodiverse roof. The plant areas have been reconfigured to a more energy-efficient layout.

This scheme would consist of the following floor areas:

Floor	Offices (sq ft)	Affordable Workspace (sq ft)	Total (sq ft)
4	7,535	0	7,535
3	8,396	0	8,396
2	10,226	0	10,226
1	10,850	0	10,850
Ground	1,389	786	2,175
Lower Ground	1,238	1,625	2,863
Total	**39,634**	**2,411**	**42,045**

There is a ground floor reception of approximately 1,000 square feet.

Rental Values

We have looked at and considered the evidence of fully refurbished and redeveloped office properties in the area over the past year. These are set out in Appendix 4.

Floor	Estimated Rental Value (£ per sq ft)	Letting Void (months)	Initial Rent Free Period (months)
4	£90.00	6 months	10 months
3	£87.50	6 months	12 months
2	£82.50	9 months	12 months
1	£80.00	12 months	12 months
Ground	£75.00	12 months	14 months
Ground (affordable)	£37.50 (50% OMV)	9 months	9 months
Lower Ground	£30.00	12 months	14 months
Lower Ground (affordable)	£15.00 (50% OMV)	9 months	9 months

Disregarding the affordable office space this would derive an annual exclusive rent of £3,264.280; let us say an overall rent of £82.36 per sq ft. The affordable space income would be some £53,850 per annum exclusive.

We anticipate that the scheme could let as a whole (the affordable space would let separately) or as a number of floors; if the latter probably not more than three office tenants.

We would expect this proposed scheme would have a greater chance than the existing consent scheme, because of the enhanced amenity, of being pre-let or early let before completion but we believe the difference is insufficient to reflect in our opinion of value.

We would anticipate new leases of 10 years would be granted. It seems most likely that those 10 year leases would incorporate a tenant only option to break at the end of the fifth year. If so then we would expect additional rent free would be granted if the break were not operated. From the current market evidence we would assume an level of 10 months.

We have adopted an average void period of approximately nine months.

In our view the revised scheme, because of the enhanced amenities and layout would be a more attractive and hence lettable proposition. We have reflected this in higher rents and lower letting void periods.

Affordable Workspace

We have assumed that the standard of services/finishes here would be of a comparable standard to the offices generally.

For the purposes of this exercise we have chosen to assume that a lease for a term of five years would be achieved.

We understand that affordable workspace is taken at 50% of passing rents which produces a figure of £37.50 per sq ft (£15.00 per square foot for the lower ground). As that level would be seen as competitive in the market we have to an extent minimised the rent free and void periods.

INVESTMENT MARKET COMMENTARY

Very challenging.

High interest levels (Bank of England base rate up from 0.25% in December 2021 to the current level of 5.25%), persistent inflation, a subdued economy and question marks over continued demand for offices given changing working practices have combined to lead to a sharply reduced number of transactions in the investment market.

As at the end of August investment transaction turnover in the West End stood at some £2 billion (in 55 deals), down 40% on the comparable time period in 2022. City of London figures are £2.6 billion (in 45 deals) and down 57% respectively.

Prime yields, at least those publicly cited, have weakened a little. In the West End out from 3.75% to 4.00%; in the City out from 4.25% to 5.25%.

As with the occupier market there is a bias towards quality products, that is excellent covenant tenants leasing new/best quality offices in good locations on lease terms of at least ten years. A move away from any one of those components has a significant impact on the value of the investment.

In terms of development or speculative purchases price levels are under significantly more pressure. A very recent example illustrates.

In August Great Portland Estates purchased the freehold interest in 29-43 Oxford Street & 16-19 Soho Square, W1. The existing property is some 56,000 square feet due to be vacated by March 2024. The scheme has planning for 60,000 square feet of offices over 30,000 square feet of retail. The purchase price of £70 million is cited as representing “an over 50% discount to levels previously negotiated”.

These base problems facing investment sellers are, in our view, unlikely to improve in the short term. We do foresee increased activity however this is likely to be caused by an increased number of forced sellers, probably initiated by being compelled to meet refinancing requirements. The likely effect will be greater activity but a further reduction in price levels, possibly quite a sharp correction.

In each instance the price ultimately agreed, as always, is going to be influenced by covenant strength, building quality, rental level and lease term.

It is worth stressing the importance of building quality. In the occupier market tenants are being drawn towards the best quality properties. This will be even more the case for the best quality covenant tenants who are able and willing to pay well for the quality they demand.

The converse is true. A poor or moderate quality property, particularly if, for example, it has an Energy Performance Certificate at a level which will require mandatory significant expenditure in the short to medium term will be downgraded sharply.

CONSIDERATION OF THE PROPERTY BENEFITTING FROM THE EXISTING PLANNING CONSENT AND THE ESTIMATED VALUE OF THE PROPERTY IN TERMS OF INVESTMENT YIELDS

For the purposes of this exercise we have assumed:

- The property is held freehold (we believe this to be the case in any event).
- The property is fully let and income producing with best office rents of £85.00 per sq ft but with an overall rent of approximately £75.50 per sq ft.
- The property is multi-let; tenant covenants are unexceptional.
- Lease terms will acknowledge the existence of five year break options.

The current investment market is challenging. There are few comparable transactions in this location and those that have taken place have been for well above average lease terms certain.

Set against that the property will be regarded as of a good quality and therefore more likely to experience rental growth.

Taking all of that into account we would anticipate a net initial yield in the range from 4.75% to 5.00%; that level after allowing for appropriate purchaser's costs.

Applying that yield range to our estimate of likely annual rental would, after allowing for appropriate purchaser's costs, amount to some £1,330 to £1,400 per square foot.

CONSIDERATION OF THE PROPERTY BENEFITTING FROM THE PROPOSED NEW SCHEME AND THE ESTIMATED VALUE OF THE PROPERTY IN TERMS OF INVESTMENT YIELDS

For the purposes of this exercise we have assumed:

- The property is held freehold (we believe this to be the case in any event).
- The property is fully let and income producing with best office rents of £90.00 per sq ft but with an overall rent of approximately £82.50 per sq ft.
- The property is multi-let; tenant covenants are unexceptional.
- Lease terms will acknowledge the existence of five year break options.

- The property does benefit from “best-in-class” environmental credentials.

As mentioned the current investment market is challenging. There are few comparable transactions in this location and those that have taken place have been for well above average lease terms certain.

Set against that the property will be regarded as of premier quality and therefore more likely to experience superior rental growth.

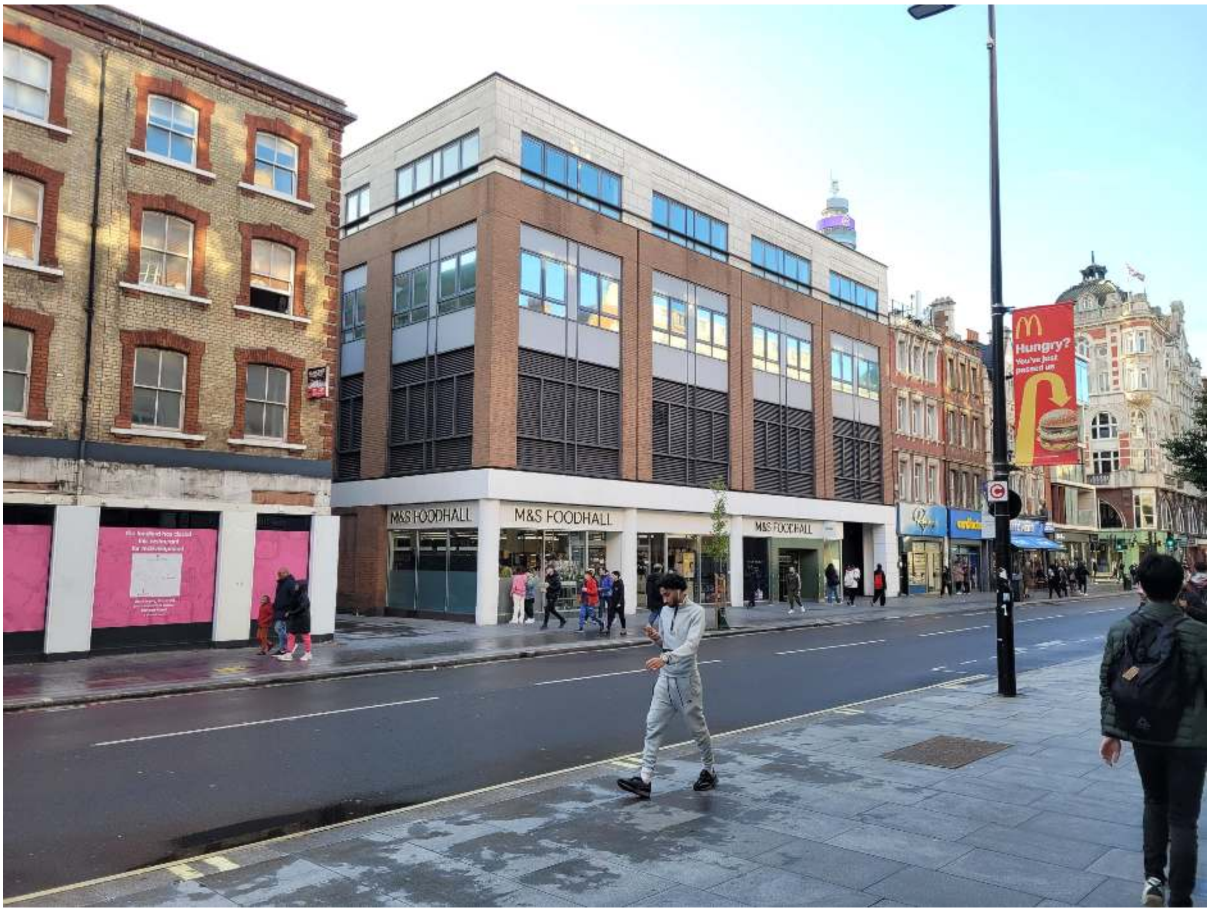
Taking all of that into account we would anticipate a net initial yield in the range from 4.5% to 4.75%; that level after allowing for appropriate purchaser’s costs.

Applying that yield range to our estimate of likely annual rental would, after allowing for appropriate purchaser’s costs, amount to some £1,560 to £1,650 per square foot.

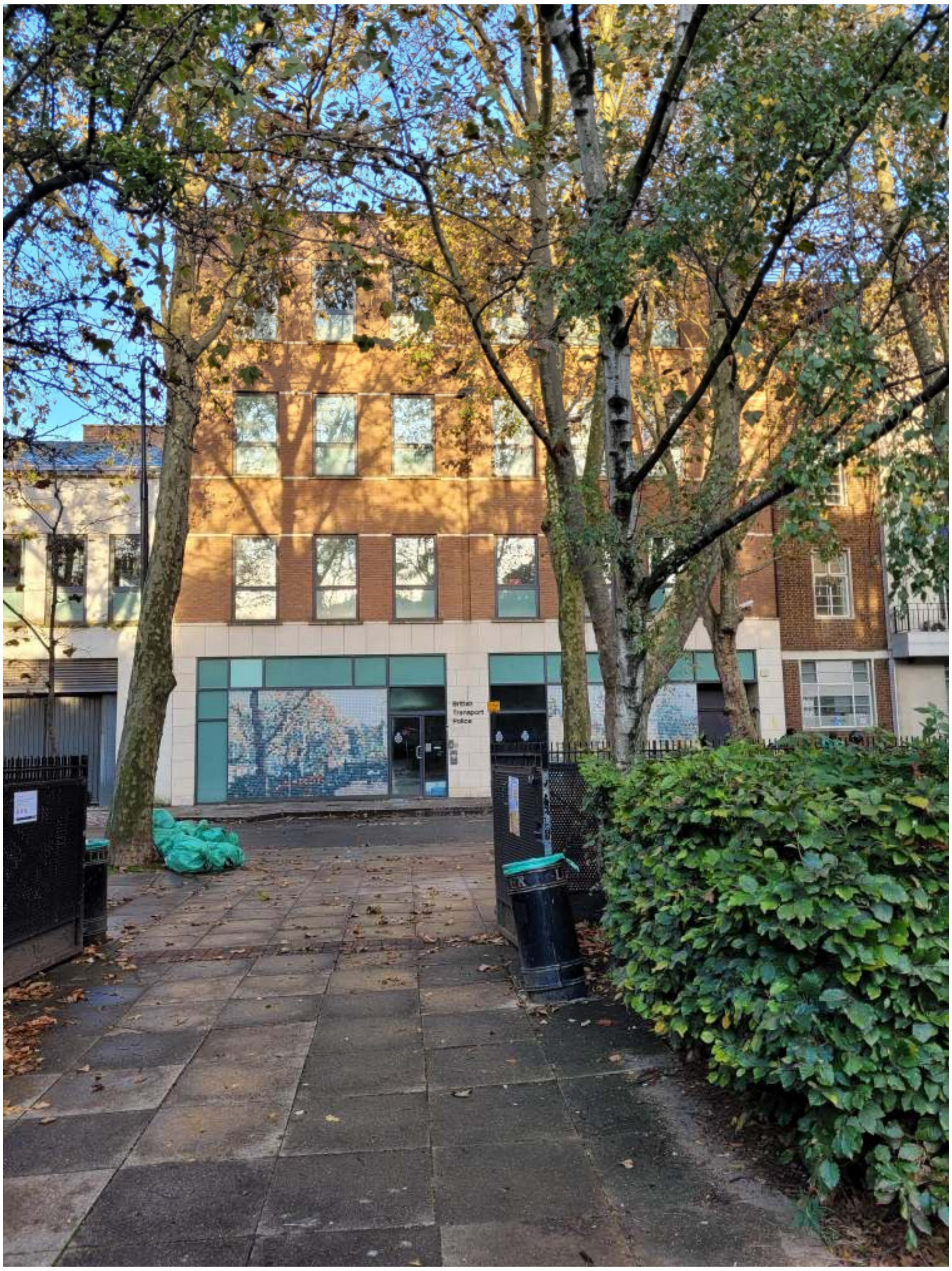
APPENDIX 1

APPENDIX 2

Photographs of the Site



Photograph of 55 Tottenham Court Road taken from 222 Tottenham Court Road



Photograph of 16 Whitfield Street taken from Crabtree Fields

APPENDIX 3

Selected Available Properties

Address	Time on the Market	Area (sq ft)	Quoting Rent (per sq ft)	Comments
MET Building 22 Percy Street Fitzrovia W1T 2BU	Completed Q2 2023	51,624	Guiding £95.00 (podium)	Refurbishment. Podium plus 4,500 sq ft tower floors
10 Whitfield Street Fitzrovia W1T 2RE	Completed Q3 2021	9,451	£79.50 (£89.50 if fitted out)	Refurbished
Berners & Wells 58-60 Berners Street Fitzrovia W1T 3NQ	Completed Q1 2023	54,928	Up from £105.00	New development. Two floors (7,500 sq ft) under offer
80 Charlotte Street Fitzrovia W1T 4DF	18 months	50,300	£87.50	Developed 2020. Sub-leases up to 2040.
Arthur Stanley House 40 Tottenham Street Fitzrovia W1T 4RN	Completed Q2 2023	37,858	£100.00	Comprehensive refurbishment. Ground/lower ground let
Wells & More 45 Mortimer Street Fitzrovia W1W 8JD	Due to be completed April 2024.	33,668	£92.50	Comprehensive refurbishment under way
The Fitzrovia 247 Tottenham Court Road Bloomsbury W1T 7QZ	Due to be completed Q4 2024	85,885	£110.00 (estimated)	New development under way.
1 Bedford Avenue Bloomsbury WC1B 3AU	2 months	40,929	£85.00 to £95.00	Sub-leases to April 2033. Fully fitted
The Heals Building 22-24 Torrington Place Bloomsbury WC1E 7HJ	16 months	41,488	Guiding from £90.00	Iconic property. Ongoing refurbishment scheme.
1 Smart's Place Holborn WC2B 5LW	Completed Q1 2021	9,008	£85.00	Comprehensive refurbishment
1 Dean Street Soho W1D 3RB	30 months	11,444	£97.50	Refurbished.

APPENDIX 4

Letting Evidence

Address	Timing	Floor/Area (sq ft)	Agreed Rent (per sq ft)	Comments
1 Newman Street, W1T 1PB	Q2 2023	Part 3rd 7,923	£95.00	Sub-lease to June 2032, mutual break June 2027. 10 months' rent free
60 Charlotte Street W1T 2NU	Q2 2023	1st 11,997	£91.00	10 year lease, 5th year tenant break. 14 months' initial rent free, 10 months' post break rent free
The Manufactory (AKA Heal's Building) 196 Tottenham Court Road W1T 7LQ	Q1 2023	4th/5th 11,544	£90.00	12 year lease, 7th year tenant break. 17 months' initial rent free, 10 months' post break rent free
Wells & More, 45 Mortimer Street, W1W 8HJ	Q4 2022	Part 3rd 10,980	£87.50	10 year lease, 5th year tenant break. 11 months' initial rent free, 10 months' post break rent free
MET Building 22 Percy Street W1T 2BU	Q4 2022	7th/8th 9,054	£105.00	10 year lease. 20 months' rent free. Tower floors.
Yalding House, 156 Great Portland Street W1W 6AJ	Q4 2022	5th/6th 5,393	£90.00	10 year lease, 5th year tenant break. 12 months' initial rent free, 10 months' post break rent free
1 Newman Street, W1T 1PB	Q3 2022	2nd 13,972	£93.50	10 year lease, 5th year tenant break. 12.5 months' initial rent free, 10.5 months' post break rent free

APPENDIX 5

Investment Evidence – Prospective Schemes

Address	Timing	Area (sq ft)	Price (per sq ft/NIY)	Comments
16-19 Soho Square W1D 3QH	Q3 2023	57,456	£1,218 N/A	Freehold. Vacant possession in March 2024.
Film House, 142 Wardour Street W1F 8ZU	Q2 2023	103,380	£1,282 N/A	124 year long leasehold. Was being refurbished for WeWork occupation; now vacant possession.
19-22 Rathbone Place W1T 1HY	Q2 2023	41,525	£1,480 4.68%	Freehold. Leases up to September 2028. We believe some tenant breaks beforehand.
27 Soho Square W1D 3QR	Q2 2023	30,990	£1,468 4.65%	Freehold. Part vacant and leases expiring/breaking between 2024 and 2031.
141 Wardour Street W1F 0US	Q2 2023	33,717	£1,156 N/A	Freehold. Bought with vacant possession.
Berkshire House, 168 High Holborn WC1V 7AA	Q1 2023	56,833	£ 880 N/A	115 year long leasehold. Potential vacant possession by July 2024.

Investment Evidence – Longer Term Tenancies

Address	Timing	Area (sq ft)	Price (per sq ft/NIY)	Comments
33 Foley Street W1T 1PB	Q2 2023	42,199	£1,943 4.32%	Freehold. Kier Limited lease to December 2042 RPI-linked reviews (compounded annually) in 2027, 2032 and 2037.
GPS House, 215-226 Great Portland Street W1W 5PN	Q2 2023	34,253	£1,540 3.98%	Freehold. HCA International lease to December 2040 then Tenant option to extend for 25 years.

Appendix 2: Build Cost Report

Project: 55 Tottenham Court Road & 16-24 Whitfield Street, Camden W1T 2RA

2023/3808/P

Independent Review of Assessment of Economic Viability

Interim Draft Report

Appendix A Cost Report

1 SUMMARY

1.1 The allowance for Design & Build risk in the cost plan is 5% with a further 5% contingency in the appraisal. We consider a total risk allowance of 10% for work to existing buildings.

1.2 We have adopted the same GIA of 4,945m² used in the Applicant's cost plan; this is confirmed as calculated in accordance with the RICS Code of Measurement 6th Edition 2007. The GIA from the Architect's schedule and in the FVA is given as 6,319m². The comparison is shown in the table at 3.13 below. The differences, mainly at ground and basement levels, appear to relate to areas of the building without planned construction work.

1.3 The appraisal includes an allowance of £500,000 for plant and machinery to M&S. We suggest some explanation of the reason for this is requested. There is a further provision of £620,000 for other "potential abnormal" commercially sensitive costs. Some explanation should be requested to verify that these costs should be included in the viability calculation.

1.4 Our benchmarking of the proposed scheme results in an adjusted benchmark of £3,380/m² that compares to the Applicant's £3,384/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable.

1.5 Our benchmarking of the consented scheme results in an adjusted benchmark of £2,224/m² that compares to the Applicant's £2,164/m². We therefore consider the Applicant's costs for the consented scheme to be reasonable.

1.6 The duration allowed in the Applicant's appraisal comprises a pre-construction period of 1 month and a construction period of 20 months. The results determined from the BCIS duration calculation for refurbishment provides an estimated average construction duration from start on site to construction completion of 29 weeks (6.7 months) with a 90% confidence interval for this estimate of 18 to 44 weeks (4.2 to 10.2 months). We consider the Applicant's allowance for pre-construction reasonable. The duration of 20 months for construction is significantly more than the BCIS maximum of 10.2 months (or the maximum for new build of 12.9 month)s. We note that the nature of this work in an existing building makes comparison with other data problematic, and the duration is supported by an indicative project programme but suggest the applicant is asked to provide some explanation for the programme allowances made.

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 £/m² 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 Financial Viability Assessment issued 8 September 2023 by Gerald Eve for Mayhunt Properties Ltd together with appendices 3 and 8: the Stage 2 Cost Plan issued June 2023 by Gardiner & Theobald - Base 8 June 2023: 2Q2023 and the Planning Approved Scheme B Feasibility Estimate issued 10 Feb 2023 Base 1Q2023.

3.2 We have also downloaded a number of files from the planning web site.

3.3 The information we require to undertake the cost benchmarking process outlined in section 2 is a reasonably detailed cost estimate in elemental detail with each element separately costed, with separate sub-totals in accordance with the BCIS/NRM rules of measurement, preferably presented as an elemental summary, and supported by a sufficiently detailed build-up to indicate the proposed specifications. If fit-out is separated in the estimate it too should be in similar elemental detail.

3.4 The Stage 2 Cost Plan received is in an elemental format for both the main works and the fit out. The services costs are in good detail. There is good supporting detail for the remaining works.

3.5 The base date of the proposed cost plan is 2Q2023 and for the consented scheme 1Q2023. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in Tender Price Index (TPI) for 1Q2023 is 379 (Provisional), for 2Q2023 383 (Provisional) and for 4Q2023 388 (Forecast).

3.6 The design information used to produce the cost plan has not been scheduled. There is therefore no information on the basis for the structural and services costs.

3.7 The cost plan includes an allowance of 15% for preliminaries. The allowance for overheads and profit (OHP) is 7%. We consider taken together these allowances to be reasonable.

3.8 The allowance for Design & Build risk in the cost plan is 5% with a further 5% contingency in the appraisal. We consider a total risk allowance of 10% for work to existing buildings. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

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

3.10 Sales of flats for the PiL calculation have been included at average figures of £1200 to £1350/ft² (Net Sales Area).

3.11

We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 131 that has been applied in our benchmarking calculations.

3.12 We have adopted the same GIA of 4,945m² used in the Applicant's cost plan; this is confirmed as calculated in accordance with the RICS Code of Measurement 6th Edition 2007. The GIA from the Architect's schedule and in the FVA is given as 6,319m². The comparison is shown in the table at 3.13 below. The differences, mainly at ground and basement levels, appear to relate to areas of the building without planned construction work.

3.13

	G&T	Arch
Rf	151	25
4	771	780
3	857	865
2	1,040	1,060
1	1,082	1,148
G	503	1,222
B	541	1,219
Total	4,945	6,319

3.14 The building is a conversion of the lower ground, ground and 4 floors of offices with some horizontal and vertical extension. We have prepared a blended rate for benchmarking as the table below.

3.15

			BCIS	Blended
	GIA m²	%	£/m²	£/m²
Horizontal extn	801	16%	3,194	517
Conversion	4,144	84%	1,977	1,657
TOTAL	4,945			2,174

3.16 The appraisal includes an allowance of £500,000 for plant and machinery to M&S. We suggest some explanation of the reason for this is requested. There is a further provision of £620,000 for other "potential abnormal" commercially sensitive costs. Some explanation should be requested to verify that these costs should be included in the viability calculation.

3.17 Our benchmarking of the proposed scheme results in an adjusted benchmark of £3,380/m² that compares to the Applicant's £3,384/m². We therefore consider the Applicant's costs for the proposed scheme to be reasonable.

3.18

Our benchmarking of the consented scheme results in an adjusted benchmark of £2,224/m² that compares to the Applicant's £2,164/m². We therefore consider the
3.19 Applicant's costs for the consented scheme to be reasonable.

The duration allowed in the Applicant's appraisal comprises a pre-construction period of 1 month and a construction period of 20 months. The results determined from the BCIS duration calculation for refurbishment provides an estimated average construction duration from start on site to construction completion of 29 weeks (6.7 months) with a 90% confidence interval for this estimate of 18 to 44 weeks (4.2 to 10.2 months). We consider the Applicant's allowance for pre-construction reasonable. The duration of 20 months for construction is significantly more than the BCIS maximum of 10.2 months (or the maximum for new build of 12.9 month)s. We note that the nature of this work in an existing building makes comparison with other data problematic, and the duration is supported by an indicative project programme but suggest the applicant is asked to provide some explanation for the programme allowances made.

3.20 The areas and costs included in the appraisal are consistent with the areas and costs in the cost plan.

BPS Chartered Surveyors

Date: 27th October 2023

55 Tottenham Court Road & 16-24 Whitfield Street, Camden W1T 2RA
Consented Scheme Elemental analysis & BCIS benchmarking

				New build		Conversion	
	GIA m²		5,727	LF100	LF131	LF100	LF131
		£	£/m²	£/m²	£/m²	£/m²	£/m²
	Demolitions 5.87%	**509,984**	**89**				
1	**Substructure**			**199**	**261**	**293**	**384**
2A	Frame	102,816	18	164	215		
2B	Upper Floors			90	118		
2C	Roof	225,976	39	171	224		
2D	Stairs	12,000	2	47	62		
2E	External Walls	1,350,980	236	241	316		
2F	Windows & External Doors			148	194		
2G	Internal Walls & Partitions			95	124		
2H	Internal Doors			49	64		
2	**Superstructure**	**1,691,772**	**295**	**1,005**	**1,317**	**1,039**	**1,361**
3A	Wall Finishes			55	72		
3B	Floor Finishes			96	126		
3C	Ceiling Finishes			49	64		
3	**Internal Finishes**	**0**	**0**	**200**	**262**	**199**	**261**
	CAT A (£600/m²)	**2,271,066**	**397**				
	Landlord area fit out	**721,370**	**126**				
4	**Fittings**			**33**	43	**34**	**45**
5A	Sanitary Appliances			23	30		
5B	Services Equipment (kitchen, laundry)			21	28		
5C	Disposal Installations			16	21		
5D	Water Installations - MEP	3,436,002	600	39	51		
5E	Heat Source			47	62		
5F	Space Heating & Air Treatment			219	287		
5G	Ventilating Systems, smoke extract & control			83	109		
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS, PV Panels)			220	288		
5I	Fuel Installations			3	4		
5J	Lift Installations	350,000	61	32	42		
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)			16	21		
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)			62	81		
5M	Special Installations - (window cleaning, BMS, medical gas)			42	55		
5N	BWIC with Services			24	31		
5O	Management of commissioning of services						
5	**Services**	**3,786,002**	**661**	**847**	**1,110**	**751**	**984**
6A	Site Works	69,600	12				
6B	Drainage						
6C	External Services	150,000	26				
6D	Minor Building Works						
6	**External Works 2.45%**	**219,600**	**38**	**0**	**0**	**0**	**0**
	SUB TOTAL	**9,199,794**	**1,606**	**2,284**	**2,992**	**2,316**	**3,034**
7	**Preliminaries 15%**	**1,379,969**	**241**				**455**
	Overheads & Profit 6.5%	**687,685**	**120**				
	SUB TOTAL	**11,267,448**	**1,967**	**2,284**	**2,992**	**2,316**	**3,489**
	Design Development risks 5%	563,372	98				
	Construction risks 5%	563,372	98				
	Employer change risks						
	Employer other risks						
	TOTAL	**12,394,192**	**2,164**				
			2,164				

Benchmarking		1,977
Add demolitions	89	
Add external works	26	
	115	
Add prelims 15%	17	
Add OP 6.5%	9	141
		2,118
Add contingency 5% (appraisal includes 5% - allow 10% in total)		106
Total adjusted benchmark		2,224

55 Tottenham Court Road & 16-24 Whitfield Street, Camden W1T 2RA
Proposed scheme Elemental analysis & BCIS benchmarking

	GIA m²		4,945		4,945		4,945				
		Total		Works		Fit out		LF100	LF131	LF100	LF131
		£	£/m²	£	£/m²	£	£/m²	£/m²	£/m²	£/m²	£/m²
	Demolitions of ramp, façade, strip out M&S demise, temporary propping 1.95%	**247,450**	**50**	**247,450**	**50**		**0**				
1	**Substructure**	**167,625**	**34**	**167,625**	**34**		**0**	**199**	**261**	**293**	**384**
2A	Frame	1,150,272	233	1,150,272	233		0	164	215		
2B	Upper Floors	160,595	32	160,595	32		0	90	118		
2C	Roof	1,203,814	243	1,203,814	243		0	171	224		
2D	Stairs	156,750	32	156,750	32		0	47	62		
2E	External Walls	1,363,750	276	1,363,750	276		0	241	316		
2F	Windows & External Doors	1,109,900	224	1,109,900	224		0	148	194		
2G	Internal Walls & Partitions	287,700	58	287,700	58		0	95	124		
2H	Internal Doors	181,300	37	181,300	37		0	49	64		
2	**Superstructure**	**5,614,081**	**1,135**	**5,614,081**	**1,135**	**0**	**0**	**1,005**	**1,317**	**1,039**	**1,361**
3A	Wall Finishes	101,100	20	94,600	19	6,500	1	55	72		
3B	Floor Finishes	478,535	97	113,510	23	365,025	74	96	126		
3C	Ceiling Finishes	481,195	97	94,495	19	386,700	78	49	64		
3	**Internal Finishes**	**1,060,830**	**215**	**302,605**	**61**	**758,225**	**153**	**200**	**262**	**199**	**261**
4	**Fittings**	**301,470**	**61**	**301,470**	**61**		**0**	**33**	43	**34**	**45**
5A	Sanitary Appliances	91,300	18	91,300	18		0	23	30		
5B	Services Equipment (kitchen, laundry)							21	28		
5C	Disposal Installations	224,786	45	184,886	37	39,900	8	16	21		
5D	Water Installations	244,343	49	244,343	49		0	39	51		
5E	Heat Source							47	62		
5F	Space Heating & Air Treatment	1,151,780	233	666,945	135	484,835	98	219	287		
5G	Ventilating Systems, smoke extract & control	307,518	62	234,045	47	73,473	15	83	109		
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS, PV Panels)	1,498,898	303	930,906	188	567,992	115	220	288		
5I	Fuel Installations							3	4		
5J	Lift Installations	310,000	63	310,000	63		0	32	42		
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)	72,138	15	72,138	15		0	16	21		
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)	670,175	136	631,505	128	38,670	8	62	81		
5M	Special Installations - (window cleaning, BMS, medical gas) - inc mobile booster signal	356,875	72	310,325	63	46,550	9	42	55		
5N	BWIC with Services	133,822	27	108,792	22	25,030	5	24	31		
5O	Management of commissioning of services - Prelims	124,820	25	112,056	23	12,764	3				
5	**Services**	**5,186,455**	**1,049**	**3,897,241**	**788**	**1,289,214**	**261**	**847**	**1,110**	**751**	**984**
6A	Site Works										
6B	Drainage										
6C	External Services	373,000	75	373,000	75		0				
6D	Minor Building Works										
6	**External Works**	**373,000**	**75**	**373,000**	**75**	**0**	**0**	**0**	**0**	**0**	**0**
	SUB TOTAL	**12,950,911**	**2,619**	**10,903,472**	**2,205**	**2,047,439**	**414**	**2,284**	**2,992**	**2,316**	**3,034**
7	**Preliminaries 15%**	**1,942,636**	**393**	**1,942,636**	**393**		**0**				**455**
	Overheads & Profit 7%	**1,042,549**	**211**	**1,042,549**	**211**		**0**				
	SUB TOTAL	**15,936,096**	**3,223**	**13,888,657**	**2,809**	**2,047,439**	**414**	**2,284**	**2,992**	**2,316**	**3,489**
	Design Development risks - D&B risk - 5%	796,804	161	796,804	161		0				
	Construction risks										
	Employer change risks										
	Employer other risks	-2	0		0		0				
	TOTAL	**16,732,898**	**3,384**	**14,685,461**	**2,970**	**2,047,439**	**414**				

Benchmarking		2,174
Group element adjustment		789
Add demolitions	50	
Add external works	75	
Add additional cost of fittings	18	
Add additional cost of services - allow	65	
	208	
Add prelims 15%	31	
Add OHP 7%	17	256
		3,219
Add 5% risk (further 5% in appraisal)		161
Total adjusted benchmark		3,380

Appendix 3: BPS Appraisals (BLV)

55 Tottenham Court Road & 16-24 Whitfield Street
Benchmark Land Value
AUV - 5.00% yield

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
Lower Ground Office	1	3,498	30.00	104,940	104,940	104,940
Ground Floor Office	1	2,368	37.50	88,800	88,800	88,800
Ground Floor Affordable Office	1	2,530	37.50	94,875	94,875	94,875
First Floor Office	1	10,925	77.50	846,688	846,688	846,688
Second Floor Office	1	10,010	80.00	800,800	800,800	800,800
Third Floor Office	1	7,804	85.00	663,340	663,340	663,340
Fourth Floor Office	1	2,637	85.00	224,145	224,145	224,145
Totals	**7**	**39,772**			**2,823,588**	**2,823,588**

Investment Valuation

Lower Ground Office					
Market Rent	104,940	YP @	5.0000%	20.0000	
(2yrs 5mths Rent Free)		PV 2yrs 5mths @	5.0000%	0.8888	1,865,364
Ground Floor Office					
Market Rent	88,800	YP @	5.0000%	20.0000	
(2yrs 5mths Rent Free)		PV 2yrs 5mths @	5.0000%	0.8888	1,578,467
Ground Floor Affordable Office					
Market Rent	94,875	YP @	5.0000%	20.0000	
(1yr 6mths Rent Free)		PV 1yr 6mths @	5.0000%	0.9294	1,763,591
First Floor Office					
Market Rent	846,688	YP @	5.0000%	20.0000	
(2yrs 3mths Rent Free)		PV 2yrs 3mths @	5.0000%	0.8960	15,173,201
Second Floor Office					
Market Rent	800,800	YP @	5.0000%	20.0000	
(2yrs Rent Free)		PV 2yrs @	5.0000%	0.9070	14,526,984
Third Floor Office					
Market Rent	663,340	YP @	5.0000%	20.0000	
(1yr 9mths Rent Free)		PV 1yr 9mths @	5.0000%	0.9182	12,181,055
Fourth Floor Office					
Market Rent	224,145	YP @	5.0000%	20.0000	
(1yr 9mths Rent Free)		PV 1yr 9mths @	5.0000%	0.9182	4,116,023
Total Investment Valuation					**51,204,685**

GROSS DEVELOPMENT VALUE			**51,204,685**
Purchaser's Costs		(3,481,919)	
Effective Purchaser's Costs Rate	6.80%		
			(3,481,919)

55 Tottenham Court Road & 16-24 Whitfield Street
Benchmark Land Value
AUV - 5.00% yield

NET DEVELOPMENT VALUE				**47,722,767**
NET REALISATION				**47,722,767**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			16,646,081	
				16,646,081
Stamp Duty			821,804	
Effective Stamp Duty Rate		4.94%		
Agent Fee		1.00%	166,461	
Legal Fee		0.50%	83,230	
				1,071,495
CONSTRUCTION COSTS				
Construction	**Units**	**Unit Amount**	**Cost**	
Construction	1 un	12,394,191	12,394,191	
Contingency		5.00%	619,710	
				13,013,901
Other Construction				
Other Construction Costs			300,000	
M&S Plant and Machinery			1,000,000	
				1,300,000
Section 106 Costs				
Section 106 Costs			11,675	
				11,675
PROFESSIONAL FEES				
Other Professionals		10.00%	1,239,419	
				1,239,419
MARKETING & LETTING				
Letting Agent Fee		15.00%	423,538	
Letting Legal Fee		5.00%	141,179	
				564,718
DISPOSAL FEES				
Sales Agent Fee		1.00%	477,228	
Sales Legal Fee		0.50%	238,614	
				715,841
FINANCE				
Timescale	**Duration**	**Commences**		
Purchase	1	Apr 2017		
Construction	20	May 2017		
Letting	12	Jan 2019		
Sale	1	Jan 2020		
Total Duration	34			
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			2,667,205	
Construction			1,023,399	
Letting			3,244,321	
Total Finance Cost				6,934,924
TOTAL COSTS				**41,498,054**
PROFIT				

55 Tottenham Court Road & 16-24 Whitfield Street
Benchmark Land Value
AUV - 5.00% yield

6,224,713

Performance Measures

Profit on Cost%	15.00%
Profit on GDV%	12.16%
Profit on NDV%	13.04%
Development Yield% (on Rent)	6.80%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%
IRR% (without Interest)	15.29%
Rent Cover	2 yrs 2 mths
Profit Erosion (finance rate 8.500)	1 yr 8 mths

55 Tottenham Court Road & 16-24 Whitfield Street
Benchmark Land Value
AUV - 4.75% yield

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
Lower Ground Office	1	3,498	30.00	104,940	104,940	104,940
Ground Floor Office	1	2,368	37.50	88,800	88,800	88,800
Ground Floor Affordable Office	1	2,530	37.50	94,875	94,875	94,875
First Floor Office	1	10,925	77.50	846,688	846,688	846,688
Second Floor Office	1	10,010	80.00	800,800	800,800	800,800
Third Floor Office	1	7,804	85.00	663,340	663,340	663,340
Fourth Floor Office	1	2,637	85.00	224,145	224,145	224,145
Totals	**7**	**39,772**			**2,823,588**	**2,823,588**

Investment Valuation

Lower Ground Office					
Market Rent	104,940	YP @	4.7500%	21.0526	
(2yrs 5mths Rent Free)		PV 2yrs 5mths @	4.7500%	0.8939	1,974,885
Ground Floor Office					
Market Rent	88,800	YP @	4.7500%	21.0526	
(2yrs 5mths Rent Free)		PV 2yrs 5mths @	4.7500%	0.8939	1,671,144
Ground Floor Affordable Office					
Market Rent	94,875	YP @	4.7500%	21.0526	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.7500%	0.9328	1,863,061
First Floor Office					
Market Rent	846,688	YP @	4.7500%	21.0526	
(2yrs 3mths Rent Free)		PV 2yrs 3mths @	4.7500%	0.9009	16,057,686
Second Floor Office					
Market Rent	800,800	YP @	4.7500%	21.0526	
(2yrs Rent Free)		PV 2yrs @	4.7500%	0.9114	15,364,640
Third Floor Office					
Market Rent	663,340	YP @	4.7500%	21.0526	
(1yr 9mths Rent Free)		PV 1yr 9mths @	4.7500%	0.9220	12,875,764
Fourth Floor Office					
Market Rent	224,145	YP @	4.7500%	21.0526	
(1yr 9mths Rent Free)		PV 1yr 9mths @	4.7500%	0.9220	4,350,768
Total Investment Valuation					**54,157,949**

GROSS DEVELOPMENT VALUE			**54,157,949**
Purchaser's Costs		(3,682,741)	
Effective Purchaser's Costs Rate	6.80%		
			(3,682,741)

55 Tottenham Court Road & 16-24 Whitfield Street
Benchmark Land Value
AUV - 4.75% yield

NET DEVELOPMENT VALUE				**50,475,208**
NET REALISATION				**50,475,208**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			18,410,830	
				18,410,830
Stamp Duty			910,041	
Effective Stamp Duty Rate		4.94%		
Agent Fee		1.00%	184,108	
Legal Fee		0.50%	92,054	
				1,186,204
CONSTRUCTION COSTS				
Construction	**Units**	**Unit Amount**	**Cost**	
Construction	1 un	12,394,191	12,394,191	
Contingency		5.00%	619,710	
				13,013,901
Other Construction				
Other Construction Costs			300,000	
M&S Plant and Machinery			1,000,000	
				1,300,000
Section 106 Costs				
Section 106 Costs			11,675	
				11,675
PROFESSIONAL FEES				
Other Professionals		10.00%	1,239,419	
				1,239,419
MARKETING & LETTING				
Letting Agent Fee		15.00%	423,538	
Letting Legal Fee		5.00%	141,179	
				564,718
DISPOSAL FEES				
Sales Agent Fee		1.00%	504,752	
Sales Legal Fee		0.50%	252,376	
				757,128
FINANCE				
Timescale	**Duration**	**Commences**		
Purchase	1	Apr 2017		
Construction	20	May 2017		
Letting	12	Jan 2019		
Sale	1	Jan 2020		
Total Duration	34			
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			2,950,139	
Construction			1,023,399	
Letting			3,434,066	
Total Finance Cost				7,407,604
TOTAL COSTS				**43,891,478**
PROFIT				

55 Tottenham Court Road & 16-24 Whitfield Street
Benchmark Land Value
AUV - 4.75% yield

6,583,730

Performance Measures

Profit on Cost%	15.00%
Profit on GDV%	12.16%
Profit on NDV%	13.04%
Development Yield% (on Rent)	6.43%
Equivalent Yield% (Nominal)	4.75%
Equivalent Yield% (True)	4.89%
IRR% (without Interest)	15.23%
Rent Cover	2 yrs 4 mths
Profit Erosion (finance rate 8.500)	1 yr 8 mths

Appendix 4: BPS Appraisals (Proposed)

16-24 Whitfield Street and 55 Tottenham Court Road
Proposed Scheme 4.50% Yield

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
Lower Ground - Affordable Office	1	1,625	15.00	24,375	24,375	24,375
Lower Ground - Office	1	1,238	30.00	37,140	37,140	37,140
Ground - Affordable Office	1	786	37.50	29,475	29,475	29,475
Ground - Office	1	1,389	75.00	104,175	104,175	104,175
First - Office	1	10,850	80.00	868,000	868,000	868,000
Second - Office	1	10,226	82.50	843,645	843,645	843,645
Third - Office	1	8,396	87.50	734,650	734,650	734,650
Fourth - Office	1	7,535	90.00	678,150	678,150	678,150
Totals	**8**	**42,045**			**3,319,610**	**3,319,610**

Investment Valuation

Lower Ground - Affordable Office					
Market Rent	24,375	YP @	4.5000%	22.2222	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.5000%	0.9361	507,058
Lower Ground - Office					
Market Rent	37,140	YP @	4.5000%	22.2222	
(2yrs 2mths Rent Free)		PV 2yrs 2mths @	4.5000%	0.9090	750,258
Ground - Affordable Office					
Market Rent	29,475	YP @	4.5000%	22.2222	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.5000%	0.9361	613,150
Ground - Office					
Market Rent	104,175	YP @	4.5000%	22.2222	
(2yrs 2mths Rent Free)		PV 2yrs 2mths @	4.5000%	0.9090	2,104,420
First - Office					
Market Rent	868,000	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	17,663,413
Second - Office					
Market Rent	843,645	YP @	4.5000%	22.2222	
(1yr 9mths Rent Free)		PV 1yr 9mths @	4.5000%	0.9259	17,357,761
Third - Office					
Market Rent	734,650	YP @	4.5000%	22.2222	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.5000%	0.9361	15,282,469
Fourth - Office					
Market Rent	678,150	YP @	4.5000%	22.2222	
(1yr 4mths Rent Free)		PV 1yr 4mths @	4.5000%	0.9430	14,211,007
Total Investment Valuation					**68,489,538**

GROSS DEVELOPMENT VALUE	**68,489,538**

16-24 Whitfield Street and 55 Tottenham Court Road
Proposed Scheme 4.50% Yield

Purchaser's Costs			(4,657,289)	
Effective Purchaser's Costs Rate		6.80%		
				(4,657,289)
NET DEVELOPMENT VALUE				**63,832,249**
NET REALISATION				**63,832,249**
OUTLAY				
ACQUISITION COSTS				
Residualised Price		5,633,308		
Fixed Price		18,410,830		
Total Acquisition			24,044,138	
				24,044,138
Stamp Duty			1,191,707	
Effective Stamp Duty Rate		4.96%		
Agent Fee		1.00%	240,441	
Legal Fee		0.50%	120,221	
				1,552,369
CONSTRUCTION COSTS				
Construction	**Units**	**Unit Amount**	**Cost**	
Construction Costs	1 un	16,733,000	16,733,000	
Contingency		5.00%	836,650	
CIL			273,000	
				17,842,650
Other Construction				
Other Construction			620,000	
M&S Plant and Machinery			500,000	
				1,120,000
Section 106 Costs				
Section 106 Costs			650,750	
				650,750
PROFESSIONAL FEES				
Professional Fees		10.00%	1,673,300	
				1,673,300
MARKETING & LETTING				
Marketing		1.50%	1,027,343	
Letting Agent Fee		15.00%	497,942	
Letting Legal Fee		5.00%	165,981	
				1,691,265
DISPOSAL FEES				
Sales Agent Fee		1.00%	684,895	
Sales Legal Fee		0.50%	342,448	
				1,027,343
FINANCE				
Timescale	**Duration**	**Commences**		
Pre-Construction	1	Sep 2023		
Construction	22	Oct 2023		
Total Duration	23			
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			4,270,506	
Construction			1,633,979	
Total Finance Cost				5,904,485

16-24 Whitfield Street and 55 Tottenham Court Road
Proposed Scheme 4.50% Yield

TOTAL COSTS	**55,506,300**
PROFIT	
	8,325,949

Performance Measures

Profit on Cost%	15.00%
Profit on GDV%	12.16%
Profit on NDV%	13.04%
Development Yield% (on Rent)	5.98%
Equivalent Yield% (Nominal)	4.50%
Equivalent Yield% (True)	4.63%
IRR% (without Interest)	19.23%
Rent Cover	2 yrs 6 mths
Profit Erosion (finance rate 8.500)	1 yr 8 mths

16-24 Whitfield Street and 55 Tottenham Court Road
Proposed Scheme 4.50% Yield

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**
Lower Ground - Affordable Office	1	1,625	15.00	24,375	24,375	24,375
Lower Ground - Office	1	1,238	30.00	37,140	37,140	37,140
Ground - Affordable Office	1	786	37.50	29,475	29,475	29,475
Ground - Office	1	1,389	75.00	104,175	104,175	104,175
First - Office	1	10,850	80.00	868,000	868,000	868,000
Second - Office	1	10,226	82.50	843,645	843,645	843,645
Third - Office	1	8,396	87.50	734,650	734,650	734,650
Fourth - Office	1	7,535	90.00	678,150	678,150	678,150
Totals	**8**	**42,045**			**3,319,610**	**3,319,610**

Investment Valuation

Lower Ground - Affordable Office					
Market Rent	24,375	YP @	4.7500%	21.0526	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.7500%	0.9328	478,652
Lower Ground - Office					
Market Rent	37,140	YP @	4.7500%	21.0526	
(2yrs 2mths Rent Free)		PV 2yrs 2mths @	4.7500%	0.9043	707,101
Ground - Affordable Office					
Market Rent	29,475	YP @	4.7500%	21.0526	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.7500%	0.9328	578,801
Ground - Office					
Market Rent	104,175	YP @	4.7500%	21.0526	
(2yrs 2mths Rent Free)		PV 2yrs 2mths @	4.7500%	0.9043	1,983,366
First - Office					
Market Rent	868,000	YP @	4.7500%	21.0526	
(2yrs Rent Free)		PV 2yrs @	4.7500%	0.9114	16,653,981
Second - Office					
Market Rent	843,645	YP @	4.7500%	21.0526	
(1yr 9mths Rent Free)		PV 1yr 9mths @	4.7500%	0.9220	16,375,576
Third - Office					
Market Rent	734,650	YP @	4.7500%	21.0526	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.7500%	0.9328	14,426,329
Fourth - Office					
Market Rent	678,150	YP @	4.7500%	21.0526	
(1yr 4mths Rent Free)		PV 1yr 4mths @	4.7500%	0.9400	13,420,235
Total Investment Valuation					**64,624,039**

GROSS DEVELOPMENT VALUE **64,624,039**

16-24 Whitfield Street and 55 Tottenham Court Road
Proposed Scheme 4.50% Yield

Purchaser's Costs			(4,394,435)	
Effective Purchaser's Costs Rate		6.80%		
				(4,394,435)
NET DEVELOPMENT VALUE				**60,229,604**
NET REALISATION				**60,229,604**
OUTLAY				
ACQUISITION COSTS				
Residualised Price		4,970,434		
Fixed Price		16,646,081		
Total Acquisition			21,616,515	
				21,616,515
Stamp Duty			1,070,326	
Effective Stamp Duty Rate		4.95%		
Agent Fee		1.00%	216,165	
Legal Fee		0.50%	108,083	
				1,394,573
CONSTRUCTION COSTS				
Construction	**Units**	**Unit Amount**	**Cost**	
Construction Costs	1 un	16,733,000	16,733,000	
Contingency		5.00%	836,650	
CIL			273,000	
				17,842,650
Other Construction				
Other Construction			620,000	
M&S Plant and Machinery			500,000	
				1,120,000
Section 106 Costs				
Section 106 Costs			650,750	
				650,750
PROFESSIONAL FEES				
Professional Fees		10.00%	1,673,300	
				1,673,300
MARKETING & LETTING				
Marketing		1.50%	969,361	
Letting Agent Fee		15.00%	497,942	
Letting Legal Fee		5.00%	165,981	
				1,633,283
DISPOSAL FEES				
Sales Agent Fee		1.00%	646,240	
Sales Legal Fee		0.50%	323,120	
				969,361
FINANCE				
Timescale	**Duration**	**Commences**		
Pre-Construction	1	Sep 2023		
Construction	22	Oct 2023		
Total Duration	23			
Debit Rate 8.500%, Credit Rate 0.000% (Nominal)				
Land			3,839,156	
Construction			1,633,979	
Total Finance Cost				5,473,135

16-24 Whitfield Street and 55 Tottenham Court Road
Proposed Scheme 4.50% Yield

TOTAL COSTS		**52,373,567**
PROFIT		
		7,856,038

Performance Measures

Profit on Cost%	15.00%
Profit on GDV%	12.16%
Profit on NDV%	13.04%
Development Yield% (on Rent)	6.34%
Equivalent Yield% (Nominal)	4.75%
Equivalent Yield% (True)	4.89%
IRR% (without Interest)	19.42%
Rent Cover	2 yrs 4 mths
Profit Erosion (finance rate 8.500)	1 yr 8 mths