

1 Triton Square & St Anne's Church, Regents Place, NW1 3DX

Independent Post Construction Viability Review

Prepared on behalf of the London Borough of
Camden

4th March 2024

Planning Reference: 2016/6069/P



215a High Street, Dorking RH4 1RU

www.bps-surveyors.co.uk

Contents

1.0	Introduction	2
2.0	Summary Table	4
3.0	Conclusions And Recommendations.....	6
4.0	Development Values	8
	St Annes (Affordable Housing)	8
	Offices (1 Triton Square)	8
	Affordable Workspace (1 Triton Square).....	10
	Retail/Gym (1 Triton Square)	11
	Existing Rental Income	12
5.0	Development Costs	13
	DS2 Position	13
	Construction Costs	13
	Contingency & Professional Fees	14
	Other Costs & Fees	15
	Finance.....	16
	Profit.....	16
	Development Timescales	16
6.0	Author Sign Off.....	18
	Appendix 1: PCVA Appraisals	19

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 Post Construction Viability Assessment ('PCVA') prepared by DS2 on behalf of British Land ('the Owner) in connection with the redevelopment of the above site.

1.2 Planning consent was granted in November 2017, under planning reference 2016/6069/P, for the following:

Erection of 3 storey extension at roof (6th floor) level of 1 Triton Square to provide additional office floorspace (Class B1) with relocated plant above, creation of roof terraces at 6th floor level, reconfiguration of ground floor including infill of Triton Square Mall including flexible retail (A1, A3 and A4), affordable workspace (B1) and reprovision of gym (D2); erection of part 6, part 9 storeys residential building to provide 22 flats (10 x 3-bed, 11 x 2-bed and 1 x 1-bed) (Class C3) following demolition of St Anne's Church (Class D1); hard and soft landscaping including garden at junction of Longford Street and Triton Square; reconfigured vehicle and pedestrian accesses; and other ancillary works.

1.3 The S106 Agreement, dated 21st November 2017, defines the PCVA at paragraph 2.5.3. The S106 Agreement requires that the PCVA be undertaken in the same format as the viability assessment submitted by the Applicant at the planning application stage, and also defines several of the inputs that will be fixed for the purposes of the review.

1.4 The S106 Agreement indicates that the trigger for the PCVA is at the sale/letting of at least 30% of the floorspace of the commercial element, or the issuing of the Certificate of Practical Completion for the commercial element. We assume that the review was triggered when the office building was entirely let to Meta in September 2021. This is relevant in terms of the timing of the review and the information and assumptions which should be applied to it, and we have recommended that the Council take appropriate legal advice in this regard.

1.5 The basis of our review is a PCVA prepared by DS2, dated 14th June 2021 and an updated appraisal dated 16th February 2024. DS2's 2021 submission concluded that the scheme showed a deficit of c. £64 million and therefore no deferred affordable housing contribution can be viably offered. DS2's updated appraisal from February 2024 shows an increased deficit of £114 million.

1.6 The deficit was calculated by DS2 in accordance with paragraph of 2.71 of the S106 Agreement which states that a sum of £164,447,883 is to be subtracted from the residual value of the development (£100,532,229 according to DS2).

-
- 1.7 However, the S106 also states that the PCVA must be carried out in the same format as the application stage appraisal. DS2's appraisal does not follow this format, which included a fixed Benchmark Land Value input with the residual appraisal calculating a profit output. This is relevant as the appraisal also computes finance costs on land costs which would be incorrect if this was based on a residual value which was different from the BLV.
- 1.8 We note that BPS were initially instructed to review DS2's submission in 2022, at which time we requested further information from the Applicant to support to PCVA. The information requested was, after some considerable, delay provided via email on the 16th February 2024.
- 1.9 It is unclear whether the date of the review should be September 2021, i.e. when it was presumably triggered in line with paragraph 1.4 above, or as of current day, i.e. when were able to commence our instruction. Given this ambiguity we have tested both scenarios.
- 1.10 We have reviewed the information provided to date for the PCVA to assess whether a deferred affordable housing contribution can be viably provided. The deferred contribution is defined in the S106 Agreement as being capped at a figure of £6,172,200 subject to the outturn viability of the scheme.
- 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

Input	DS2	BPS	BPS Comments
Income			
Affordable Housing	-	£5,975,000	We have been provided with the sales contract.
Offices (2024 review)	£404,029,967	£410,328,411	Limited evidence provided. Amended to reflect reduced void in Meta lease.
Offices (2021 review)	-	£496,691,872	Adjusted yield to reflect 2021 review date.
Meta Surrender	-	£139,000,000	Included in '2024' review scenario to reflect reported Meta premium (£149m less SDLT).
Ground Floor Retail/Gym	£8,351,849	£8,717,530	HoT for gym provided. No retail leases provided. Adjusted retail rents using comps.
Affordable Workspace	£3,361,579	£3,361,579	TAP summary provided.
Existing Retail Income	£1,444,145	£1,444,145	No evidence provided.
Expenditure			
Purchaser's Costs	£32,085,659	£32,085,659	Standard 6.8% industry assumption.
Acquisition & VP Costs	£6,457,591	£6,457,591	In line with CapEx paid to date schedule.
Holding Costs	£1,415,314	£1,415,314	In line with CapEx paid to date schedule.
Construction Costs	£167,878,745	£165,326,544	Amended to be in line with CapEx paid to date schedule.
Construction Contingency	£450,679	£0	Excluded as construction completed.
Impact Hub Fitout	£3,620,000	£3,620,000	TAP summary provided. Information on payback/profit share arrangement required.
Project Insurance	£3,672,953	£3,672,953	In line with CapEx paid to date schedule.
Professional Fees	£13,758,701	£13,755,015	Amended to be in line with CapEx paid to date schedule. Some invoices provided.
Planning Fees	£2,626,785	£2,626,785	In line with CapEx paid to date schedule.
Tenant Costs	£16,218,854	£15,311,853	Amended to be in line with CapEx paid to date schedule.
Marketing	£153,847	£153,847	No evidence but appears reasonable when crosschecked against standard FVA inputs.
Letting Costs	£1,108,650	£1,108,650	No evidence but appears reasonable when crosschecked against standard FVA inputs.
Post PC Void	£44,424	£44,424	In line with CapEx paid to date schedule.
Other Costs & Fees	£3,173,236	£3,038,415	Amended to be in line with CapEx paid to date schedule.
Developer Contingency	£4,627,969	£0	Excluded as construction completed.
Covid-19 Contingency	£1,679,099	£0	Excluded as construction completed.

Finance	6.5%	6.5%	Same rate as planning stage appraisal.
Profit on Cost	20%	20%	Fixed in S106 Agreement.
Timeframes			
Pre-construction	6-months	6-months	Reasonable.
Construction	45-months	45-months	Programme not provided.
Sales Period	1-month	1-month	Reasonable.
Viability Review Position			
Surplus/Deficit (2024)	-£114 million	-£22 million	Based on a current day assessment
Surplus/Deficit (2021)	-£64 million	-£80 million	Based on the review being triggered in 2021

3.0 Conclusions And Recommendations

- 3.1 We have reviewed the PCVA provided by DS2 and note firstly that their appraisal has not been submitted in line with the S106 Agreement which states that this should be undertaken in the same format as the planning stage 2016 appraisal. Given that BPS reviewed this application during the planning stage we have a copy of the 2016 appraisal and have therefore used this as the basis for our assessment.
- 3.2 Moreover, it is unclear when the date of the PVCA should be. The S106 Agreement states that the review is triggered when at least 30% of the commercial space is sold/let. This occurred in September 2021 when 1 Triton Square was let entirely to Meta. On this basis the review should reflect the presence of that lease and all other information known at that time. It should however be noted that although we initially received information in 2022 for the review, DS2 have provided an appraisal dated February 2024 which presumably is supposed to reflect the cost and values as of 2024. We are not qualified to offer a legal opinion as to the operative date of the review and recommend the Council take appropriate legal advice on this issue.
- 3.3 The date of the review is fundamental to the outcome of the viability because if the date is to be September 2021 then the values and costs should be reflective of those received and incurred as of this date. By contrast, if the date is to be 'current day', then the costs and values should reflect 'current day'. On this basis, we would expect the surrender premium from Meta to break the Triton Square lease, which is reported in the region of £149 million, to be factored into the 'current day' appraisal.
- 3.4 As demonstrated in Section 2 of this report, we have not received evidence necessary for underpinning all cost and value assumptions. Where value evidence is missing we have based our assessment on relevant comparable evidence. For the costs we have been provided with a comprehensive spreadsheet documenting the cost budget and invoices paid to date. The selection of invoices provided match with the figures in the schedule s such we are broadly satisfied that the costs are adequately evidenced.
- 3.5 Given the ambiguity regarding the date of the review we have modelled the appraisal assuming both dates to test the impact this has on viability. We have summarised our position below:

Review Date	Profit Output	Profit Target	Surplus/Deficit
2021	£12,974,219 (2.78% on cost)	£93,446,803 (20.00% on cost)	-£80,472,584
2024	£71,363,474 (15.27% on cost)	£93,446,803 (20.00% on cost)	-£22,083,329

- 3.6 It can be seen that the date of review has a significant impact on overall scheme viability. however as demonstrated above, regardless of the review date the scheme generates a deficit when measured against the profit target set out in the S106 Agreement and therefore cannot viably make a deferred affordable housing contribution.

4.0 Development Values

St Annes (Affordable Housing)

- 4.1 The scheme includes 22 affordable units on the site of the former St Annes Church on Longford Street. This comprises 16 social rented and 6 intermediate rented dwellings. DS2 advise that these units have been sold to Newlon Housing Trust at a price of £5,975,000.
- 4.2 We have been provided with a copy of the Client Completion Statement which confirms an agreement for sale with Newlon at the price stated above. We have therefore included this within our appraisal.

Offices (1 Triton Square)

- 4.3 The whole office building (312,259 sqft NIA) had been let to Facebook (Meta). DS2's updated appraisal includes a rent of £22,058,160 per annum, a 3 year rent free/void period and a yield of 4.75%.
- 4.4 We have been provided with an excel tenancy schedule which we have summarised below:
- **Let Areas:** basement, levels 1 – 8 and 25 car parking spaces
 - **Tenant:** Facebook UK (Meta Platforms Inc)
 - **Lease Start:** 27th September 2021
 - **Lease End:** 23rd May 2041
 - **Lease Length:** 19 years and 7 months
 - **Rent Start:** 24th May 2024 (32 months' rent free)
 - **Annual Rent:** £22,058,160 (£70.64 psf)
 - **Rent Review:** 24th May 2026
- 4.5 We have not been provided with a copy of the lease agreement and therefore cannot verify the above details.
- 4.6 Nonetheless, it has been widely reported that Meta have since paid British Land a sum in the region of £149 million to surrender the lease, never having taken occupation. The office space is currently being marketed to let by Cushman & Wakefield. The rent is available upon application.
- 4.7 As such it is fundamental to determine the date of the review. If the review is to be completed as per the date it was triggered (assumed 2021) then it would be reasonable to value the office element assuming the Meta lease terms and a market yield as of September 2021. However,

if the review date is current day, then the appraisal needs to be based on the property being currently vacant factoring assumptions of current market rents, a current market yield and the surrender premium paid by Meta. This does raise a further question regarding the timing of the review as there is currently no qualifying sale or lease to trigger the review however we assume the building has reached practical completion, but it is not clear when this was achieved although the tenancy proforma supplied suggests this was May 2021.

4.8 We have conducted our own research into office investment transactions which we have summarised below:

Office Investment Yield Evidence				
Address	Date	Price	Yield	Comments
Craven House, 25-32 Marshall Street, W1F 7ES	Feb 2024	£22m	4.60%	Office building measuring 14,800 sqft. Purchased by UKCM. Details from EGI.
12 Conduit Street, London, W1S 2XH	Nov 2023	£32m	3.48%	Office building measuring 15,902 sqft let at a rent of £1.19m per annum. Details from EGI.
1 Charlotte Street, London, W1T 1RB	Aug 2023	£8m	4.29%	Office measuring 4,086 sqft. Limited details provided on EGI.
19-22 Rathbone Place, London, W1T 1HY	Jun 2023	£61m	4.68%	Office building measuring 54,099 sqft. Purchased by JP Morgan. Details from EGI.
27 Soho Square, London, W1D 3AY	Jun 2023	£45m	4.00%	Office building measuring 31,000 sqft. Purchased by Kajima. Details from EGI.
33 Foley Street, London, W1W 7TL	May 2023	£82m	4.42%	Office building measuring 42,199 sqft let at a rent of £3.87m per annum. Purchased by Pontegadea. Details from EGI.
GPS House, 215-227 Great Portland Street, W1W 5PN	May 2023	£54m	3.89%	Office building measuring 42,754 sqft. Purchaser unknown. Details from EGI.

4.9 We have also looked at the Knight Frank Prime Investment Yield Guide (February 2024) which indicates the following office yields:

- West End (Prime Core, Mayfair & St James'): 4.00%

- West End (Non-Core, Soho & Fitzrovia): 4.75%

- 4.10 Based on the evidence available we consider a 4.75% yield to be broadly acceptable for the office space as of today.
- 4.11 If the review date is September 2021 i.e. the date of the Meta lease (when the review was presumably triggered) then we would adopt a yield to reflect the market at this date and the presence of a secure tenancy. According to the Knight Frank Investment Yield Guide (September 2021) West End (Non-Core) office yields were at 4.00% - 4.25%. We have adopted 4.00% given the tenant covenant and lease terms.
- 4.12 We have therefore modelled two scenarios within our argus appraisal. The first assumes a current day review date and includes the 4.75% yield and the £149m surrender premium (less SDLT) to reflect the current day circumstances. The second assumes a review date as at September 2021 when the Meta lease was signed and therefore includes a yield of 4.00% and no surrender premium.

Affordable Workspace (1 Triton Square)

- 4.13 The scheme includes 10,656 sqft of affordable workspace at the ground floor of 1 Triton Square. The S106 Agreement (paragraph 4.3) requires that the affordable workspace be let to a Community Affordable Workspace ('CAW') provider which will be pre-agreed with the Council. The rent charged will be no more than 50% of the rental values for comparable commercial floorspace.
- 4.14 A rent of £159,675 per annum (£15 psf) is included in DS2's updated appraisal, which is capitalised as a yield of 4.75%. The yield is in line with that adopted for the open market office space.
- 4.15 We have been provided with a TAP Transaction Summary which appears to be an internal document showing a proposed annual rent of £159,675 for the affordable space. The space is said to have been let to Impact Hub London Limited. We require a copy of the lease agreement to confirm the above details.
- 4.16 We have provisionally accepted DS2's inputs pending a copy of the agreement and clarity that the affordable workspace will be let at 50% of market rent into perpetuity as assumed in the appraisal.

Retail/Gym (1 Triton Square)

- 4.17 The development includes 22,562 sqft of commercial space, including 3,597 sqft of retail and a 18,965 sqft gym.
- 4.18 DS2's updated appraisal includes a rent of £89,925 per annum (£25 psf) for the retail space and a rent of £340,000 per annum (£18 psf) for the gym. The appraisal includes a 9-month rent free for the retail space and 24-month rent free for the gym. The income is capitalised using a yield of 4.75%.
- 4.19 We have been provided with the Heads of Terms for the letting of the gym to The Gym Group on a 15 year lease from January 2022. The rent is stated to be £340,000 per annum and a 24-month rent free period is included in the HoTs. This concurs with the inputs in DS2's appraisal.
- 4.20 We note that the HoTs are not signed by either party and are subject to conditions. A desktop search indicates that The Gym Group do occupy the space, but we require evidence that the HoTs represent the finalised lease agreement terms. Pending this evidence we have accepted DS2's inputs which mirror the HoTs.
- 4.21 We have not been provided with copies of the retail leases and thus it is not clear how DS2 have determined the £25 psf average. In the absence of this evidence, we have conducted our own research which we have summarised as follows:

Retail Letting Evidence				
Address	Date	Sqft	Rent £psf	Comments
6 Nottingham Street, W1U 5EJ	Jun 2023	1,574	£43	Let on a 10-year lease with an initial rent free of 4-months and a rent review in year 5.
3 Great Titchfield Street, W1W 8AX	Jun 2023	1,500	£67	Restaurant arranged over ground and first floor. Let to Chishuru.
136 Marylebone Road, NW1 5PH	Mar 2023	2,957	£31	Retail unit arranged over first and ground floor let to Veg Box Café.
331 Euston Road, W1T 5NP	Available	2,840	£32	Retail unit arranged over basement and ground floor. Been on the market since January 2024.

- 4.22 We acknowledge the lack of recent and relevant comparable transactions. The evidence tone identified does indicate that DS2's assumption of £25 psf is broadly low and we have adopted a rate of £30 psf for the retail pending further details of any leases in place.

- 4.23 No supporting yield evidence has been provided. We have conducted our own research which we have summarised below:

<u>Retail Investment Yield Evidence</u>				
Address	Date	Price	Yield	Comments
68-69 Marylebone High Street, W1U 5JH	Jun 2023	£4.2m	4.50%	Retail unit measuring 2,918 sqft. Limited details on EGI.
38-40 Eastcastle Street, W1W 8DT	Apr 2023	£4.4m	5.65%	Retail unit measuring 5,418 sqft. Let to Istu and Costa, c. 1 year to Costa expiry and c. 4 years to Istu break. Combined rent £165,000 pa.

- 4.24 We have found there to be very limited recent and relevant transactional evidence in the immediate area. Based on our experience of reviewing other schemes in this area we consider a yield of 4.75% to be broadly acceptable for the retail and gym space.
- 4.25 Overall, we have broadly accepted DS2's inputs but have increased the proposed retail rents based on the evidence we have identified.

Existing Rental Income

- 4.26 DS2 have included existing rental income totalling £1,444,145 with their appraisal. We have not been provided with evidence of this income and therefore cannot comment.

5.0 Development Costs

DS2 Position

- 5.1 Alongside DS2's updated appraisal (February 2024) we have been provided with a comprehensive excel file which details the Applicant's cost budget and invoices paid to date.
- 5.2 DS2 have adopted the approved budget costs within their appraisal, which total c. £221 million. However, we would expect the paid items to date total costs to be adopted within the appraisal, which total nearly £9 million less than the budgeted costs at c. £213 million.
- 5.3 We have included a screenshot of the proposed budget figures (adopted by DS2) and the paid to date figures:

	Current Approved Budget	Proposed Budget	Budget Movement	Paid to Date	Costs to Come (v proposed budget)
Acquisition And VP	6,457,591	6,457,591	-	6,457,591	-
Holding Costs	1,415,314	1,415,314	-	1,415,314	0
Planning Costs	2,675,982	2,675,982	-	2,626,785	49,197
Professional fees	13,758,701	14,277,511	518,810	13,755,015	522,496
Other costs and fees	3,173,236	3,173,236	-	3,038,415	134,821
Construction	167,878,745	167,878,745	-	165,326,544	2,552,201
Insurance	3,672,953	3,672,953	-	3,672,953	0
Contributions	16,218,854	15,700,044	518,810	15,311,853	388,191
Letting/Sale costs	1,108,650	1,108,650	-	1,050,625	58,025
Marketing	153,847	153,847	-	153,847	0
Post PC Void	44,424	44,424	-	44,424	0
Construction Contingency	450,679	450,679	-	-	450,679
Developer Contingency	4,627,969	4,627,969	-	-	4,627,969
Fee Contingency	-	-	-	-	-
Total	221,636,945	221,636,945	-	212,853,367	8,783,578

Construction Costs

- 5.4 DS2 have included a construction cost of £167,878,745. This is above the paid to date figure of £165,326,544 stated in the excel we have been provided.
- 5.5 We have been provided with a Final Account Statement, prepared by AECOM Cost Management, dated 17th May 2021. The final account can be summarised as follows:
- Contract Sum: £144,840,401
 - Additions: +£15,698,805
 - Omissions: -£7,321,155
 - Adjusted Sum: £153,218,050
- 5.6 The Statement is in draft form and is not signed. We require a final and signed copy of this account.

- 5.7 It is not clear from DS2's updated appraisal whether the construction costs for St Annes are included. We have been provided with a Final Account Statement, prepared by AECOM, dated March 2021. This shows a total final cost of £6,865,411 for St Annes. Again, the statement is not signed, and we require a finalised copy.
- 5.8 Overall, assuming that the finalised and signed copies of the accounts can be provided then we have adopted the paid to date construction cost figure from the excel.

Contingency & Professional Fees

- 5.9 The following allowances have been made in DS2's updated appraisal:
- (i) Construction Contingency: £450,679
- 5.10 We take from the excel provided that this was an approved budgeted cost and not an incurred cost. We have therefore excluded this from our appraisal.
- (ii) Professional Fees: £13,758,701
- 5.11 We have been provided with invoices for some of the professional fee costs which we have cross-checked against the costs stated in the Capex schedule.
- 5.12 The commercial architect fees are included at £4,737,916 in the Capex Invoice Schedule. We have been provided with a copies of the invoices listed in the schedule. We have selected a randomised sample and have found the invoices to match the figures in the schedule.
- 5.13 The QS/Cost Consultant fees are included at £1,603,656. In support of this we have been provided with an email from AECOM confirming this figure as well as a schedule of costs from AECOM. We consider that invoices should be provided as this would constitute better evidence.
- 5.14 For the project management fees and expenses we have been provided with a Commitment Order Form and invoices. We have selected a randomised sample of the invoices and have found that the invoices match the figures in the schedule.
- 5.15 We have been provided with the invoices for the service charge costs and the service diversion costs. We have selected a randomised sample of invoices and have found that the invoices match the figures in the schedule.
- 5.16 Overall, the invoices provided verify the figures stated in the Capex schedule for the elements discussed above. We note that we have not been provided with invoices for all individual professional fee entries which is reasonable noting the high volumes involved, but the invoices

provided do cover a substantial proportion of the overall cost. As a further sense-check, the professional fee allowance equates to 8% of the construction cost figure which is broadly in line with our expectations.

(iii) Developer Contingency: £4,627,969

5.17 We take from the excel provided that this was an approved budgeted cost and not an incurred cost. We have therefore excluded this from our appraisal.

(iv) Covid-19 Contingency: £1,679,099

5.18 We take from the excel provided that this was an approved budgeted cost and not an incurred cost. We have therefore excluded this from our appraisal.

Other Costs & Fees

5.19 We have addressed the other cost and fee inputs included in DS2's updated appraisal below:

(i) Project Insurance: £3,672,953

5.20 We had previously been provided with an email from Lockton, dated May 2021, showing a total insurance cost of £3,438,961. The figure in the updated Capex Overview shows a marginally reduced figure of £3,377,732 for Lockton Insurance. We have not received updated evidence of this cost.

5.21 The Capex Overview includes an additional insurance cost of £295,221 from Light & Legal Indemnity. We have not been provided with evidence of this cost.

(ii) Impact Hub Fit Out: £3,620,000

5.22 We have been provided with TAP Transaction Summary which states the total cost to be £3,632,500. The document states that the Impact Hub (the lessee) will payback £1,500,000 over an 8 year period from practical completion (March 2024). Above this amount is a profit share to be agreed between 33% - 40% with the Applicant expecting c. 39% to be agreed. It is not clear how this has been reflected in DS2's appraisal. We require further detail.

(iii) Tenant Contribution and Costs: £16,218,854

5.23 A comprehensive excel spreadsheet has been provided but we have no supporting evidence to verify this cost. We have adopted the lower figure of £15,311,853 which is said to have been paid to date.

(iv) Letting and Sales Costs: £1,108,650

5.24 A comprehensive excel spreadsheet has been provided but we have no supporting evidence to verify this cost. We have adopted the lower figure of £1,050,625 which is said to have been the paid to date. This cost does not appear unreasonable when compared to the scheme GDV and the typical allowances adopted for viability testing purposes.

(v) Marketing Costs: £153,847

5.25 A comprehensive excel spreadsheet has been provided but we have no supporting evidence to verify this cost. The cost does not appear unreasonable when compared to the scheme GDV and the typical allowances adopted for viability testing purposes.

(vi) Post PC Void: £44,424

5.26 A comprehensive excel spreadsheet has been provided but we have no supporting evidence to verify this cost. We note that this is a nominal cost overall.

(vii) Other Cost and Fees: £3,173,236

5.27 A comprehensive excel spreadsheet has been provided but we have no supporting evidence to verify this cost. We have adopted the lower figure of £3,038,415 which is said to have been paid to date.

Finance

5.28 Finance is included at 6.5% in line with the application stage viability assessment. We consider 6.5% to be a reasonable allowance.

Profit

5.29 A 20% profit on cost is included in DS2's appraisal. This is in accordance with the target fixed in the S106 Agreement for the review.

Development Timescales

5.30 The following timescales have been assumed in DS2's appraisal:

- Pre-construction: 6-months
- Construction: 45-months
- Sales: 1-month

5.31 We have not been provided with a construction programme to verify these assumptions. The dates of the invoices paid relating to construction in the excel spreadsheet indicates that the

construction period could be reasonable, but we request further evidence in order to confirm this.

- 5.32 When modelling the planning application stage appraisal (2016) we have made no adjustment to the project timescales.

6.0 Author Sign Off

- 6.1 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.
- 6.2 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.
- 6.3 The following persons have been involved in the production of this report:

Madison Thomas

Madison Thomas MRICS
RICS Registered Valuer
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

4th March 2024

Appendix 1: PCVA Appraisals

BPS Appraisal (assuming 2021 review date)

Regents Place Estate
1 Triton Square & St Anne's
NW1

BPS Appraisal (assuming 2021 review date)

Appraisal Summary for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
Mixed tenure - rent/ intermediate (SAC)	22	18,977	314.85	271,591	5,975,000

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale
Office (Meta)	1	312,259	70.64	22,058,160	22,058,160
Affordable workspace	1	10,656	14.98	159,627	159,627
Retail	1	3,597	30.00	107,910	107,910
Gym	1	18,965	17.93	340,000	340,000
Totals	4	345,477			22,665,697

Investment Valuation

Office (Meta)					
Market Rent	22,058,160	YP @	4.0000%	25.0000	
(2yrs 8mths Rent Free)		PV 2yrs 8mths @	4.0000%	0.9007	496,691,872
Affordable workspace					
Current Rent	159,627	YP @	4.7500%	21.0526	3,360,566
Retail					
Market Rent	107,910	YP @	4.7500%	21.0526	
(9mths Rent Free)		PV 9mths @	4.7500%	0.9658	2,194,081
Gym					
Market Rent	340,000	YP @	4.7500%	21.0526	
(2yrs Rent Free)		PV 2yrs @	4.7500%	0.9114	6,523,449
Total Investment Valuation					508,769,967

GROSS DEVELOPMENT VALUE

514,744,967

Purchaser's Costs			(34,596,358)		
Effective Purchaser's Costs Rate		6.80%			(34,596,358)

NET DEVELOPMENT VALUE

480,148,609

Income from Tenants				159,627	
---------------------	--	--	--	---------	--

NET REALISATION

480,308,236

OUTLAY

ACQUISITION COSTS

Fixed Price	164,447,883				
Fixed Price	1				
Total Acquisition			164,447,884		164,447,884
Stamp Duty		5.00%	8,222,394		
Agent Fee		1.00%	1,644,479		
Legal Fee		0.50%	822,239		
					10,689,112

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Other Construction Costs	1 un	5,242,633	5,242,633
	ft ²	Build Rate ft ²	Cost

APPRAISAL SUMMARY**BPS SURVEYORS****BPS Appraisal (assuming 2021 review date)**

Construction costs (Triton Sq.)	506,248	302.66	153,218,500
Construction costs (SAC)	<u>26,232</u>	261.72	<u>6,865,411</u>
Totals	532,480 ft²		160,083,911

165,326,544

Other Construction

Acquisition & VP			6,457,591
Holding Costs			1,415,314
Planning Costs			2,626,785
Professional Fees			13,755,015
Other Costs & Fees			3,038,415
Insurance			3,672,953
Contributions			15,311,853

46,277,926

MARKETING & LETTING

Letting & Sale Costs			1,050,625
Marketing			153,847
Post PC Void			44,424

1,248,896

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Total Finance Cost			79,343,655

TOTAL COSTS**467,334,017****PROFIT****12,974,219****Performance Measures**

Profit on Cost%	2.78%
Profit on GDV%	2.52%
Profit on NDV%	2.70%
Development Yield% (on Rent)	4.85%
Equivalent Yield% (Nominal)	4.02%
Equivalent Yield% (True)	4.12%
IRR% (without Interest)	7.44%
Rent Cover	7 mths
Profit Erosion (finance rate 6.500)	5 mths

BPS Appraisal (assuming 2024 review date)

Regents Place Estate
1 Triton Square & St Anne's
NW1

Development Appraisal
BPS Surveyors
04 March 2024

BPS Appraisal (assuming 2024 review date)

Appraisal Summary for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
Mixed tenure - rent/ intermediate (SAC)	22	18,977	314.85	271,591	5,975,000

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale
Office	1	312,259	70.64	22,058,160	22,058,160
Affordable workspace	1	10,656	14.98	159,627	159,627
Retail	1	3,597	30.00	107,910	107,910
Gym	1	18,965	17.93	340,000	340,000
Totals	4	345,477			22,665,697

Investment Valuation

Office					
Market Rent	22,058,160	YP @	4.7500%	21.0526	
(2yrs 8mths Rent Free)		PV 2yrs 8mths @	4.7500%	0.8836	410,328,411
Affordable workspace					
Current Rent	159,627	YP @	4.7500%	21.0526	3,360,566
Retail					
Market Rent	107,910	YP @	4.7500%	21.0526	
(9mths Rent Free)		PV 9mths @	4.7500%	0.9658	2,194,081
Gym					
Market Rent	340,000	YP @	4.7500%	21.0526	
(2yrs Rent Free)		PV 2yrs @	4.7500%	0.9114	6,523,449
Total Investment Valuation					422,406,506

GROSS DEVELOPMENT VALUE

428,381,506

Purchaser's Costs			(28,723,642)		
Effective Purchaser's Costs Rate		6.80%			(28,723,642)

NET DEVELOPMENT VALUE

399,657,864

Income from Tenants				159,627	
---------------------	--	--	--	---------	--

Additional Revenue

Meta Surrender Payment			138,880,000		
				138,880,000	

NET REALISATION

538,697,491

OUTLAY

ACQUISITION COSTS

Fixed Price	164,447,883				
Fixed Price		1			
Total Acquisition			164,447,884		164,447,884
Stamp Duty		5.00%	8,222,394		
Agent Fee		1.00%	1,644,479		
Legal Fee		0.50%	822,239		
				10,689,112	

BPS Appraisal (assuming 2024 review date)

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Other Construction Costs	1 un	5,242,633	5,242,633
	ft²	Build Rate ft²	Cost
Construction costs (Triton Sq.)	506,248	302.66	153,218,500
Construction costs (SAC)	<u>26,232</u>	261.72	<u>6,865,411</u>
Totals	532,480 ft²		160,083,911

165,326,544

Other Construction

Contributions			15,311,853
Insurance			3,672,953
Other Costs & Fees			3,038,415
Professional Fees			13,755,015
Planning Costs			2,626,785
Holding Costs			1,415,314
Acquisition & VP			6,457,591

46,277,926

MARKETING & LETTING

Post PC Void			44,424
Marketing			153,847
Letting & Sale Costs			1,050,625

1,248,896

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Total Finance Cost			79,343,655

TOTAL COSTS

467,334,017

PROFIT

71,363,474

Performance Measures

Profit on Cost%	15.27%
Profit on GDV%	16.66%
Profit on NDV%	17.86%
Development Yield% (on Rent)	4.85%
Equivalent Yield% (Nominal)	4.75%
Equivalent Yield% (True)	4.89%
IRR% (without Interest)	11.58%
Rent Cover	3 yrs 2 mths
Profit Erosion (finance rate 6.500)	2 yrs 2 mths