

DIORAMA

The Crown Estate

October 2014



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Ownership and Occupier Commentary

The above subject property is owned freehold by The Crown Estate. The Grade 1 listing, the Nash design and the aspect onto Regent's park combine to make this property remarkable in its own way. It lies in The Regent's Park Conservation Area. It has been let to The Prince's Trust on a long lease expiring March 2013, after which it has remained unoccupied.

Despite attempts on the part of The Crown Estate to agree terms for the continued occupation of the property by The Prince's Trust, this occupier vacated.

The Crown Estate, at first, expected that The Prince's Trust would remain in occupation. Nevertheless, CBRE was asked to maintain a market awareness of potential occupiers for the building as it was appreciated in 2010 that the property has inherent design and layout limitations. In essence, the space is poorly laid out, inefficient in operation and costly to run with areas of space incapable of occupation, yet requiring heating and lighting. These inbuilt inefficiencies and future prospects of higher energy changes tend to suggest that the building is not a 'good fit' with the public persona of a typical charity.

The Crown Estate is a long term custodian of numerous properties of heritage and/or architectural interest and on its commercial Regent Street portfolio and elsewhere, undertakes redevelopment of 'signature' buildings as a cycle of renewal/refurbishment and enhancement. Thus, in recent times a deal of attention has been given to identifying a future for this property, particularly when it became evident that there is a paucity of charitable or institutional users seeking accommodation such as The Diorama. Furthermore, the use permitted at town planning seeks to prefer 'institutional' or 'charitable' office occupiers and, as such, deters the more general market-wide B1 office user.

In the last year or so, demand from the charitable and institutional sector for new accommodation has been at a very low level. Our research shows that there were, in fact, only two requirements totalling 30,000 sq ft: Medical Protection Society and Tony Blair Faith Foundation. Our impression has been that charitable shops in certain retail locations continue to thrive, particularly in high foot traffic high streets. However, few charities are seeking to add to their head office or 'central/core' costs by relocation. Perhaps this is considered an unnecessary extravagance in the current economic climate and charities are ever mindful of their public facing image and conserving cost would be high on the agendas of most.

The Prince's Trust's reasons for leaving are these according to several conversation held with them by The Crown Estate:-

- i. The building's location is not ideal. Public transport is acceptable, but the building is not close to amenities, such as shops, cafes and support facilities such as dry cleaners.
- ii. The Trust's new accommodation in Liverpool Street is closer to the Trust's stakeholders and better for the Trust's activities.
- iii. The Trust felt that the building was perhaps too 'grand' given the Trust's charitable status and could create the wrong impression to donors that funds were being allocated inappropriately. The Trust is clear that this is not the case, but the Trust is sensitive to the wrong impression being formed.
- iv. The Diorama's upkeep costs are calculated to not only be initially higher than at the new Liverpool Street address, but to rise over time at a higher rate than

Ownership and Occupier Commentary

the Liverpool Street new address. We understand that the Liverpool Street address is purpose built single floor plate offices.

Immediate Vicinity

The area adjacent to this site and to the rear is mixed use. Numbers 13-16 and 20-24 have been converted to apartments and by this a deal of period features internally have been either removed or compromised. To the rear, the prevalent use is B1 office. Three notable occupiers lie adjacent in Peto Place, accessed off Albany Street; "Which" has its London office to the rear of the property, and adjacent lies the offices of the Royal College of Physicians.

The property is part of a terrace. The facade contributes positively to the townscape of this area and the location is well recognised and important locally. Due to the building age, both as to the original 18th Century Nash inspired front section and the later rear addition, The Crown Estate is concerned should the building remain vacant for a long interval. Their concern relates to the physical configuration of the space where without regular inspection there could be incidences of blocked gutters, hoppers and downpipes as flat roofs exist as well as more 'period' building components that may block or back-up. The external envelope is not secure, as there are easily accessible windows and entrance doors that are not overlooked and nor are they reinforced against forced intrusion.

Options Considered

In 2013 and as it became more evident that the Trust will vacate, The Crown Estate assembled a team to explore options for the future of the property. In terms of maintaining a steady income return from the property either a continuation of the charitable/institutional use or a conversion to B1 offices appeared logical.

The Trust will be responsible for dilapidations, yet major investment is required which falls to The Crown Estate. The options considered were:

- Retain institutional/charity use through minor refurbishment
- Comprehensive refurbishment for charity or institutional use
- Cultural use
- Comprehensive office refurbishment for unrestricted B1 use.

1. Minor Refurbishment

The brief was to be a 'light touch' refurbishment. Essentially, deploying the monies secured from the Trust through dilapidations negotiations, together with an indicative £25-£30 psf 'spend' on upgrading that which exists, internal redesign in part and a re-carpet, plus minor cosmetic lighting and constrained toilet and kitchen upgrade. Given the lack of demand from the charity section for accommodation such as the property has to offer, this was discounted as being too uncertain.

This failed to address that the fixtures, fittings and the layout of the accommodation are all dated in design. The mechanical and electrical equipment, whilst still capable of continued use through ongoing maintenance, is approaching the end of its useful life. Replacement is advised and more energy efficient alternatives require sourcing.

The lease terms that typically appeals to an occupier exploring office leases on older stock light touch refurbishment is an average of three years moving to possibly five, but not in today's market where the occupier has a stronger bargaining position. Indicative rents are circa £35 psf, +/- 20%. Rent free periods tend to be six months and large voids are factored in.

2. Comprehensive Refurbishment for Charity/Institutional use

The brief was a major renewal of all mechanical and engineering, a rearrangement of the internal space to improve efficiency and including a new lift, plus toilet and entrance foyer upgrade. This study was abandoned part way as it was quickly realised that the capital investment required was of the order to place charity/institutional rental expectations well above this type of occupiers' ability to pay.

The office rent, rent free and void periods for a building having undergone more capital involvement such as in this case study are circa £40-£45 psf, +/- 10%, with a marginally improved lead period of up to five years, yet voids and rent free periods are not markedly improved from that stated in the above example.

Options Considered

3. Cultural Use

The brief was to consider if the building could fulfil a future role as gallery space and the upper floors either support or ancillary to the main level. As a guide, the Photographer's gallery space in Ramillies Street was taken as an informed example. This, too, became quickly evident that the low level of rent known to be paid by cultural occupiers will not match the development cost. We took, as a guide, a rent set at 65%-75% of open market B1 space. This is possibly the easiest appraisal scenario for us to explain. The building has an elegant facade but lacks a retail presence onto the street. Comparable gallery data we have all rely on the retail gross front and we thus discounted heavily the expected rent to circa £20 psf maximum.

For the reasons stated above, these studies were discontinued.

Option Taken Forward

The Charitable/Institutional Office Market

If possible, The Crown Estate is happy to attract such users for the building capable of paying an economic and sustainable rent and of sufficient status to keep the property in good and substantial repair. The age of the building and including the 19th Century rear three storey brick extension into Peto Place is such to require vigilance and a regular ‘hands on’ repair cycle.

The Regent’s Park conservation area is not an obvious area that might come up in the mind of a ‘charitable’ or ‘institutional’ office market occupier seeking new offices or a relocation. However, to the rear, ‘Which’ is a charity and The Royal College of Physicians is an institutional occupier. The distinction being is that both of these occupiers gain access/ take access from Albany Street, which is a lesser ‘status’ street in our belief than the inference of a quality address that resonates with either ‘The outer circle’ or Regent’s Park East.

We are aware that ‘Which’ seeks to expand its accommodation, but that this is to be by way of an extension or rearrangement to the built facilities at their site. The size of the Diorama exceeds their extension requirements by a considerable margin. We also suspect that it will prove more profitable to extend ‘Which’ at site as opposed to taking on a ‘satellite’ facility albeit that such a satellite facility is so proximate.

There has been no recent dialogue with The Royal College of Physicians, but previous historic contact suggested to The Crown Estate that their premises suit their needs and there has been no approach from the College seeking to expand either in situ or by way of acquisition.

As a contrast, the ideal and close-by market for institutional and charitable occupiers is termed ‘Fitzrovia’ around the north end of Tottenham Court Road and near Ogle Street. This sub zone which could be loosely defined as demonstrating a higher than usual weighting of ‘charitable’ or ‘institutional’ space for an inner London area as it is anchored by the presence of the University College London Hospitals as well as Marie Stopes on Whitfield Street and other ancillary medical institutions in the vicinity. There exists here, a better build variety of built form ranging from converted terrace houses to purpose built office and medical space. As important is the presence here of subsidised residential accommodation for staff engaged in these occupations most evident being the extensive accommodation in Foley Street, Ogle Street and Howland Street.

In considering the charitable sector as an occupier for Diorama, many of the comments that apply to the more traditional sectors/occupiers apply to this sector. They like to have large open plan space where communication between people is optimised. Again they are looking for economical space. More importantly the statistics relating to this sector further highlight the limited number of charities that have been active in the market. The table below shows the levels of take up in this sector across the West End and The North of Oxford Street West Market, which Euston forms part of:-

	WEST END	NOSW
10 Year average (sq ft)	38,328	1,987
5 Year Average (sq ft)	53,777	3,975

Option Taken Forward

It is clear to see, based on this information, that this charitable market would not be a target sector for Diorama but more importantly there would be a severe lack of demand from this sector.

Evidence of 'charitable' office lettings is hard to come by. The Prince's Trust paid a rent equivalent to £ 22 psf and argued for a nil increase in rent in 2013 prior to their decision to vacate. We consider that The Prince's Trust is typical in their rental level expectations and other charities/institutions will expect to pay an overall low level of total cost to occupy. This will require these charities and institutions to seek out low specification space, possible in less attractive locations with older built form building stock which meets their low cost based search criteria.

In terms of the address and location, the Regent's Park Square East should prove most attractive to those seeking a headquarters 'trophy' building. At this time we are not aware of any such requirements in the market place from 'institutional' or 'charitable' office interested parties.

The immediate surroundings and access to the Park are unparalleled in terms of historical relevance and the amenity space the Park provides. On delving deeper though, the building offers up challenges to prospective occupiers.

The amenities in the area fall below competing locations south of Marylebone Road and in Camden Centre. There are no cafes or shops in evidence to hand and this address lies between two competing and complimentary locations of Great Portland Street, West Euston and Camden, yet is not part of any of these. It is, perhaps, a "solus" location.

The General B1 Office Option

A comprehensive office refurbishment option was analysed over some time. Not only will this have a wide appeal beyond charitable/institutional/cultural use, but offer a "trophy" headquarters building should there be an organisation seeking such a prestigious address.

A scheme was conceived, details of which are attached in Appendix A. By way of a brief description, a new lift is inserted at the rear of the building, together with stairs. The toilets are refurbished throughout, and male and female are arranged at each level plus one disabled WC. At all floors, there have been inserted four safe zones for disabled occupiers and at the entrance with its numerous changes in levels, two disabled stair lifts appear.

The levels below ground floors were retained pretty much as at present for ancillary to office use. They suffer from poor or non-existent natural light.

The upper ground floor proposed works to the office entrance foyer/reception and upgrades to the fire escapes, enhanced fire rating to internal glazing around the atrium to assist means of escape and protected routes.

At the third floor, a plant zone is incorporated into the plan form. As with most of The Crown Estate's refurbishment/development schemes, the BREAM target rating was to be "very good".

Having explored and rejected the likelihood of a charitable/institutional office occupier coming forward, The Crown Estate still welcome interest from such an occupier seeking 24,000 sq ft, but recognises that by charitable and institutional standards, this is a large amount of space. Ideally, it could fulfil a 'charity' office headquarters role, but is too large for regional or operational needs alone. The West End Office Letting team at CBRE co-

Option Taken Forward

operates closely with The Crown Estate and whilst not the sole/exclusive supplier letting The Crown Estate's offices, does enjoy a continued working relationship. The market report provided to The Crown Estate as a statement of options and comparables in this sub regional market has been inserted in full into this report on the following page.

The Assessment of the Office Use of Diorama

Project Brief

Clearly Diorama offers a unique product due to its location and what it offers, but it does have a large number of physical constraints.

CBRE West End office agency has been monitoring and presenting Diorama to potential occupiers within the market since 2010. This has not been a full blown marketing exercise, but the parties that are looking for this amount of space have had the opportunity discussed and in some cases presented to them. For a number of reasons, which will be outlined below, and backed up with compelling market data this property has not been considered as an option for these people to locate their business. In addition to this, we have looked at the property from an office occupier's point of view and provided reasons as to why the property is not suitable.

Market Evidence

Diorama falls within the North of Oxford Street market and is closely aligned to the Euston sub market. The North of Oxford Street market stock totals circa 9m sq ft. The nature of the stock is varied and ranges from small period units to large scale Grade A developments.

The immediate vicinity of Diorama is dominated by large scale Grade A Office schemes like Regents Place, 1 and 2 Triton Square. This accommodation offers the highest quality Grade A office accommodation on a single floor.

Unsurprisingly and due largely to these recent developments, take up in this sector has been dominated by the schemes outlined above.

More importantly, the number of self-contained transactions across the West End on period stock buildings of the nature of Diorama is limited and this is due mainly to the drive on the part of occupiers to increase their density per person to help reduce their occupational costs.

In term of market evidence there have seen a total of 25 self-contained transactions since 2012; totalling 1.04m sq ft. Looking at the transactions in detail, the majority of these have been on modern Grade A refurbished buildings and the average size of transaction is 41,576 sq ft, which is double the size of Diorama.

To highlight this even further, across the entire West End in the last four years there have been only ten self-contained lettings of between 20,000 – 29,000 sq ft, equating to a total of 240,000 sq ft, as listed below:

The Assessment of the Office Use of Diorama

TRANSACTION DATE	ADDRESS	MARKET	FLOOR NAME	TOTAL SIZE SQ FT	GRADE	TENANT
6-June-2014	Tenterden House 3 Tenterden Street London W1S 1TD	Mayfair	1st-6th	24,152	A	Avanta Serviced Office Group
21-March-2014	20 Bentinck Street London W1U 2EU	Maylebone	LG, 2nd-4th	21,833		TDR Capital LLP
18-Oct-2013	21 Bloomsbury Street London WC1B 3SS	Bloomsbury	LG – 9th	77,378	A	Government Agency
19-July-2013	Charlotte House 9/14 Windmill Street London W1T 2JG	Noho/Fitzrovia	LG-5th	28,252	A	The Mill
24-June-2013	50 Eastbourne Terrace London W2 6LA	Paddington	G-4th	23,764		Instant Offices
03-May-2013	Evergreen House 160 Euston Road London NW1 2DX	Euston	34d-7 th	22,140		Serviced Office Group PLC
21-Sep-2012	Academy House 25 Sackville Street London W1S 3HQ	Mayfair	G-4th	22,145		Avanta Serviced Office Group
17-Aug-2012	38 Hans Crescent London SW1X 0LZ	Knightsbridge	2nd-5th	27,367	A	Chellomedia
01-Aug-2012	1-5 Poland Street London W1F 8PR	Soho	LG – 4th	23,272	A	TAG Worldwide
23-Feb-2012	67 Brompton Road London SW3 1DB	Knightsbridge	2nd-4th	24,767	B	Tommy Hilfiger

The majority of the deals outlined above took place in Grade A non-period style properties which again further emphasises the lack of demand by occupiers across the West End for period style buildings. The majority of occupiers who are looking for this quantum of space have a preference for larger, more efficient floor plates.

The Assessment of the Office Use of Diorama

Building Analysis

During the past 24 months we have discussed the building with a number of parties and there have been a number of comments that have been made in relation to the building. Before highlighting the deficiencies of the building there are a number of key elements that an occupier takes into account when considering a relocation of their business. All of these fundamentally focus on one key driver, the retention of their staff. A business is only as good as the staff it has. There are a number of facts that affect this:-

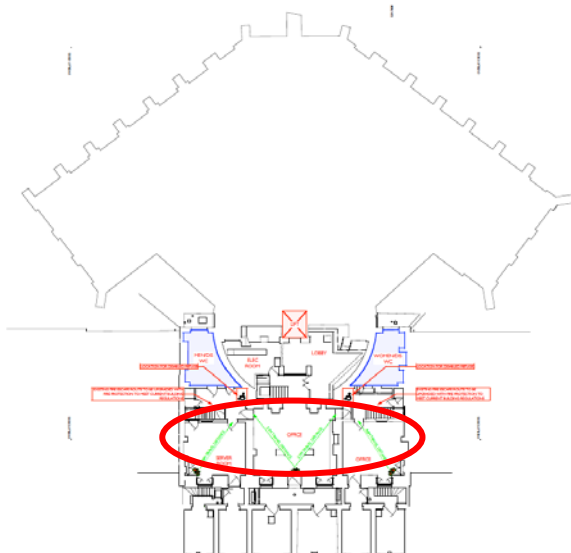
1. **Connectivity:** In simple terms, how easy is it for my staff to get to work? Diorama is well positioned between Euston and Marylebone mainland stations but both of these are a good walk from the building. Regents Park Tube line is very close by which is a plus. Overall, the connectivity to Diorama is considered by us to be acceptable.
2. **Amenities:** What the staff can do at lunchtime and after work is a key feature for occupiers. The local amenities surrounding Diorama are poor in relation to some of the other submarkets like Soho and Covent Garden.
3. **Cost:** The cost of relocation is a key factor. Most occupiers are looking to reduce their overall costs, so are looking for buildings that they can maximise the amount of space per person (a measure of density of occupation) in order to keep the cost per head as low as possible. Diorama is very inefficient. The net to gross ratio of space in Diorama is very poor.
4. **Clustering:** Occupiers like to cluster close to similar business or businesses they have relationships with. The offering at Diorama and the immediate surrounds does not allow for the clustering of like-minded businesses.
5. **Disabled access.** The front access is via steps, very wheelchair unfriendly and as equally daunting to persons whose mobility is impaired. The comprehensive office refurbishment study allowed for a new stair and lift core to the rear of the building. This improved matters but could not overcome the change in level inherent in the built form where the 'Nash' rear facade meets the later rear extension. Access to basement areas is problematic to disabled or mobility impaired groups.

Diorama does not fall down completely on all of these criteria, but on analysing the building in detail, there are some fundamental functional issues with the building that will not be attractive or prove suitable to an office occupier. These have been highlighted below on a floor by floor basis. The main consideration that will be a big issue for occupiers is the under-provision of lifts. The building has two lifts, one of which is mainly for goods, so this leaves only one passenger lift which will not cope efficiently with vertical movement demand in a building of 24,000 sq ft and would not meet the BCO standard. The other issue is that there are a number of changes in level throughout the building which make the space very disjointed and has implications for disabled access.

The Assessment of the Office Use of Diorama

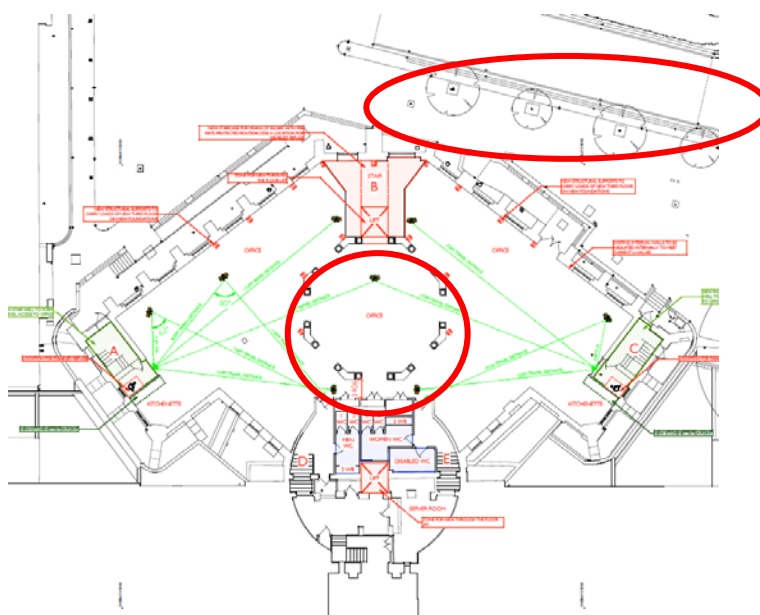
1. Basement

The basement floor has 2 small offices and a server room which do not benefit from natural light. The best usage for this will be for storage.



2. Lower Ground

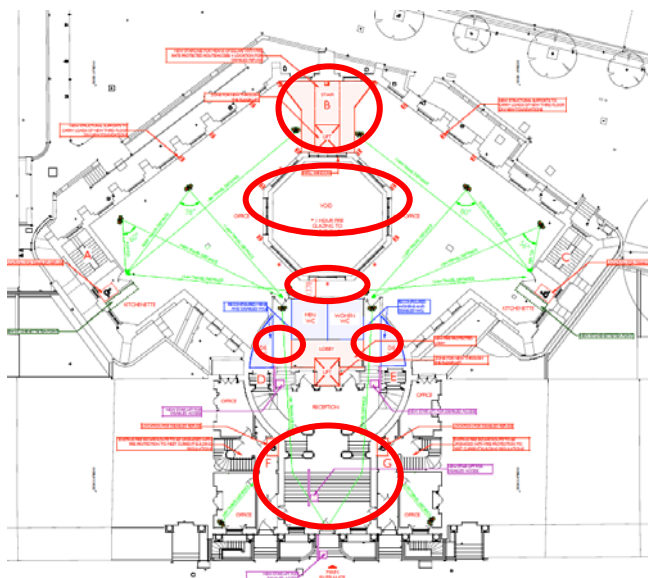
- a. Outlook: The outlook to the rear is poor as it looks at a ramp for a car park. In addition to this the view is interrupted
- b. The columns in the centre of the floor effect the sight lines and restrict the use by compromising the most efficient layout possible within the main floor plate



The Assessment of the Office Use of Diorama

3. Upper Ground, 1st – 3rd Floors

- a. The arrival experience to the floor is poor as you have to walk past the toilet doors to access the floor
- b. The reception is very grand and has a good arrival experience yet has a number of stairs which causes issues for DDA access
- c. The central void interrupts the flow of the floor and the area behind the front lift is very narrow and creates a pinch point on the floor.
- d. The introduction of the rear lift core means there is no circulation space to the rear of the floor.



Conclusion

As you can see from the market evidence and from our analysis of the arrangement of the space as outlined above and the practical limitations of the building we do not envisage being able to find a suitable office occupier for the building. If we were to find one, the time frame to do this is uncertain and the reality is that the terms agreed would need to be heavily discounted to reflect the inherent difficulties of the space. The most appropriate use for Diorama would appear to lie in a change of use based on the surrounding buildings. Moreover, there is a lack of demand for offices of this nature in and across the West End.

Evaluation

The Crown Estate instructed that the option to convert the building to a wider B1 audience be explored fully. Under Gardiner & Theobald, a study team assembled to consider internal rearrangement and refurbishment costs. Quantem Consulting provided cost data benchmarked against similar schemes in their knowledge/database. HUB Architects was charged with delivering a conversion scheme that minimised changes to the external appearance of the property yet addressed the internal barriers to a more general office layout and operation. A new plant room could be accommodated in a non-contentious location in Peto Place and the team conceived a scheme that refreshed the building and one that is most likely to appeal to neighbours and persons having an interest in conserving the building. This is attached in Appendix A.

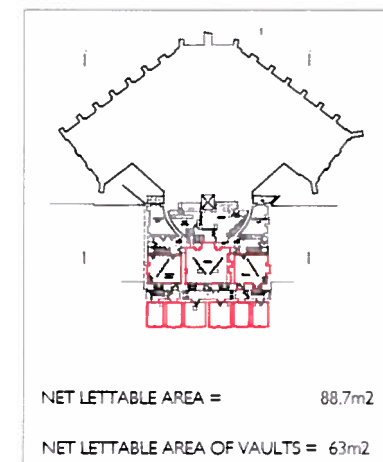
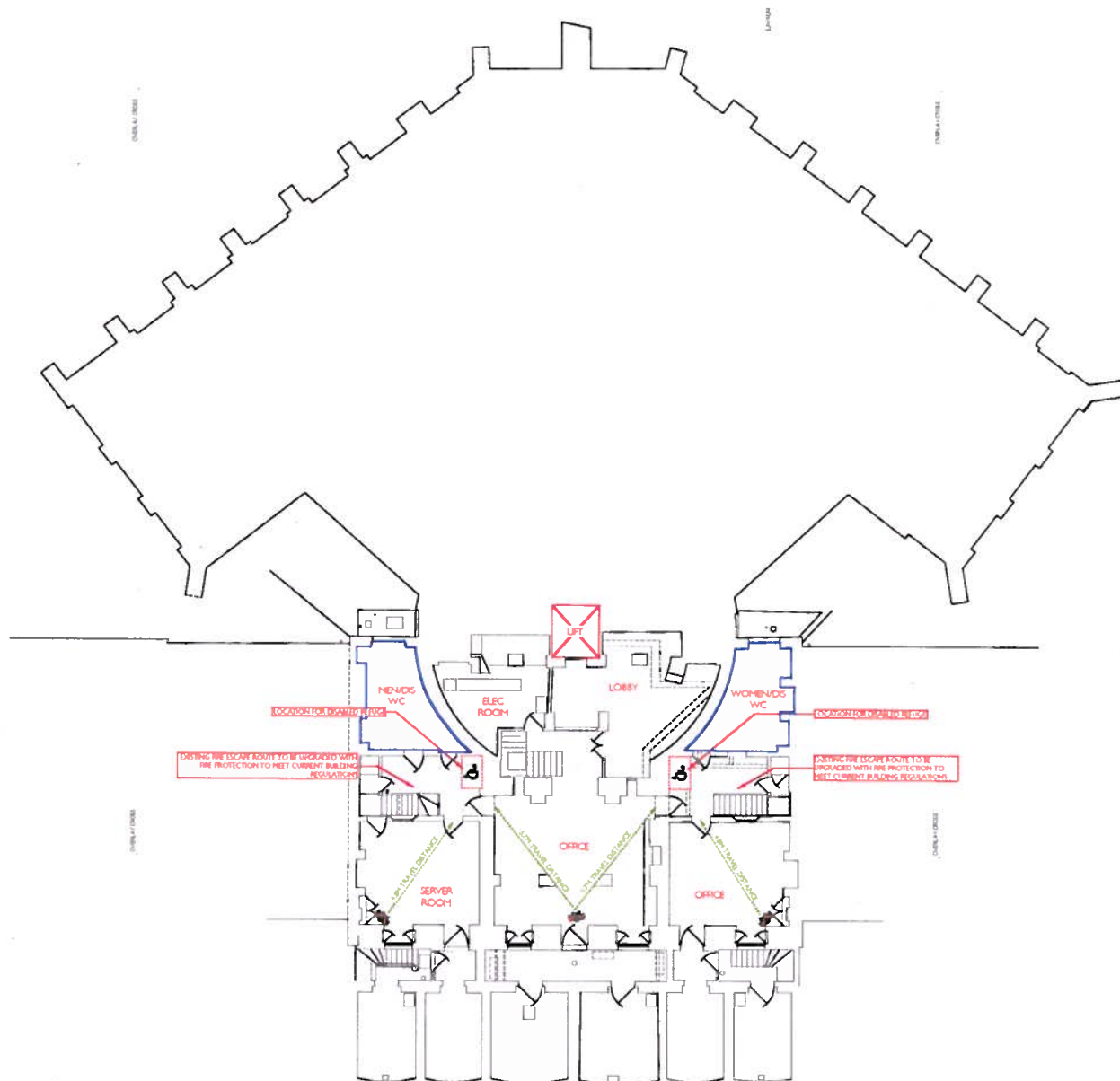
An indicative financial appraisal is attached at Appendix B. Quantem built a cost plan of £4.132m (Appendix C).

Conclusion

The disappointing result of this analysis is that the level of rent obtainable in this location fails completely to justify the capital investment. We carried out a sensitivity analysis to see at what level of rent the case for office conversion makes an adequate return. The office rent on a net internal area basis had to exceed £97.50 psf per annum to produce greater than a 14.9% profit on cost level of return, which is a reasonable return on capital on development. This is beyond all reasonable and realistic expectations. At this point, the team concluded further work to finesse an office scheme refurbishment should be put on hold and occupier interest monitored and, where appropriate, promoted to charitable/institutional organisations looking for new accommodation. On reporting such disappointing results to The Crown Estate, it agreed and determined to meet The London Borough of Camden for advice and counsel on alternatives.

APPENDICES

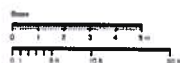
Appendix A - Architects Scheme

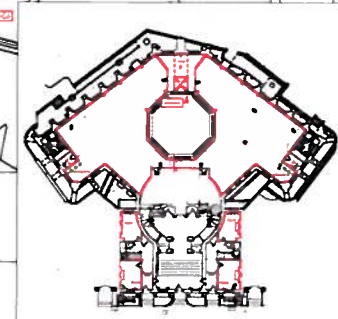


GROSS INTERNAL AREA = 378m²

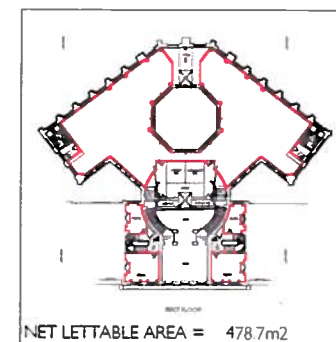


PREPARED BY HUB ARCHITECTS AND DESIGNERS LTD
 PROJECT: DIORAMA, LONDON NW1 4LH
 DRAWING: BASEMENT OFFICE VIABILITY
 DRAWING NO: 1126-OV-01 REV B
 SCALE: 1:200 @ A3





GROSS INTERNAL AREA = 772.8m²

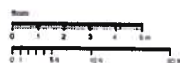


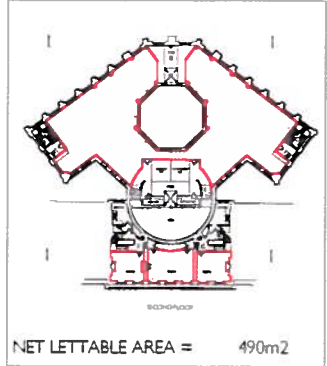
GROSS INTERNAL AREA = 773m²



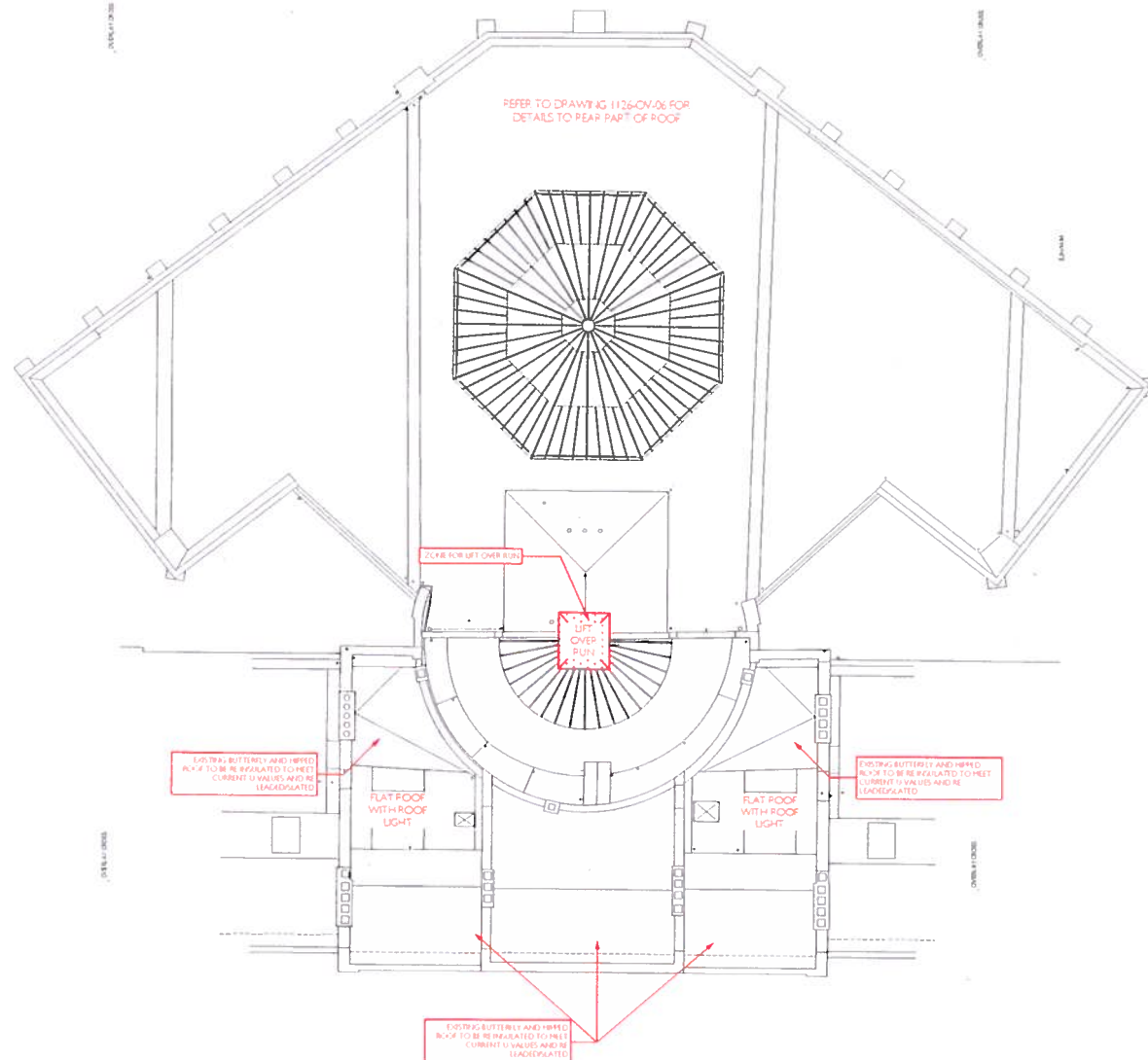
HUB
Architects

SCALE: 1:200 @ A3





SCALE: 1:200 @ A3



PREPARED BY HUB ARCHITECTS AND DESIGNERS LTD

PROJECT: DIORAMA, LONDON NW1 4LH

DRAWING: ROOF PLAN OFFICE VIABILITY

DRAWING NO: 1126-OV-07 REV A

SCALE: 1:200 @ A3

Appendix B - Financial Appraisals



The Crown Estate - Diorama
Office Feasibility Scheme - Sensitivity

Date Amended: 09-Oct-14
Date Printed: 09-Oct-14

Current Costs/ Current Values

Prepared by: John

DEVELOPMENT YIELD (%)

Office Yield and Office Rent

Office Yield Start: 4.25% Office Yield Interval: 0.25%
Office Rent Start: £37.50 Office Rent Interval: £1.50

	£37.50	£39.00	£40.50	£42.00	£43.50	£45.00	£46.50	£48.00	£49.50
4.25%	-38.4%	-36.1%	-33.9%	-31.7%	-29.4%	-27.2%	-25.0%	-22.9%	-20.7%
4.50%	-41.8%	-39.7%	-37.6%	-35.5%	-33.4%	-31.3%	-29.2%	-27.1%	-25.1%
4.75%	-44.9%	-42.9%	-40.9%	-38.9%	-36.9%	-34.9%	-32.9%	-31.0%	-29.0%
5.00%	-47.6%	-45.7%	-43.8%	-41.9%	-40.0%	-38.1%	-36.3%	-34.4%	-32.6%
5.25%	-50.1%	-48.3%	-46.5%	-44.7%	-42.9%	-41.1%	-39.3%	-37.6%	-35.8%
5.50%	-52.4%	-50.7%	-48.9%	-47.2%	-45.5%	-43.8%	-42.1%	-40.4%	-38.7%
5.75%	-54.5%	-52.8%	-51.1%	-49.5%	-47.8%	-46.2%	-44.6%	-43.0%	-41.4%
6.00%	-56.4%	-54.8%	-53.2%	-51.6%	-50.0%	-48.5%	-46.9%	-45.4%	-43.8%

Dev Period and Dev Cost

Dev Period Start: 8 months Dev Period Interval: 1 months
Dev Cost Centre: £3,345,864 Dev Cost Interval: 2.50%

	£3,023,617	£3,101,145	£3,180,662	£3,262,217	£3,345,864	£3,429,511	£3,515,248	£3,603,130	£3,693,208
8m	-36.2%	-36.5%	-36.7%	-37.0%	-37.2%	-37.4%	-37.7%	-37.9%	-38.2%
9m	-36.5%	-36.7%	-37.0%	-37.2%	-37.4%	-37.7%	-37.9%	-38.2%	-38.4%
10m	-36.7%	-37.0%	-37.2%	-37.4%	-37.7%	-37.9%	-38.2%	-38.4%	-38.7%
11m	-37.0%	-37.2%	-37.4%	-37.7%	-37.9%	-38.2%	-38.4%	-38.6%	-38.9%
12m	-37.2%	-37.4%	-37.7%	-37.9%	-38.1%	-38.4%	-38.6%	-38.9%	-39.1%
13m	-37.4%	-37.7%	-37.9%	-38.1%	-38.4%	-38.6%	-38.9%	-39.1%	-39.4%
14m	-37.7%	-37.9%	-38.1%	-38.4%	-38.6%	-38.9%	-39.1%	-39.3%	-39.6%
15m	-37.9%	-38.1%	-38.4%	-38.6%	-38.8%	-39.1%	-39.3%	-39.6%	-39.8%

Current Headline ERV **£45.00**

Office Feasibility Scheme Current Costs/ Current Values

Office Accommodation

09/10/2014

Description	Use	GIA (sq ft)	NIA (sq ft)	% of headline	ERV (£psf)	ERV (p.a.)	Void Period (Months)	Void Period (£)	Rent Free (Months)	Rent Free (£)
3rd	Offices		1,783	100.0%	£ 45.00	£80,213	12	80,213	18	120,319
2nd	Offices		5,274	100.0%	£ 45.00	£237,344	12	237,344	18	356,016
1st	Offices		5,153	100.0%	£ 45.00	£231,871	12	231,871	18	347,806
Upper Ground	Offices		4,973	88.9%	£ 40.00	£198,917	12	198,917	18	298,375
Lower Ground	Offices		5,345	66.7%	£ 30.00	£160,361	12	160,361	18	240,541
Basement	Offices		955	20.0%	£ 9.00	£8,593	12	8,593	18	12,889
Basement Vaults	Offices		678	10.0%	£ 4.50	£3,052	12	3,052	18	4,577
					£ -	£0		0		0
Total GIA		29,332			£ -	£0		0		0
					£ -	£0		0		0
					£ -	£0		0		0
					£ -	£0		0		0
					£ -	£0		0		0
					£ -	£0		0		0
					£ -	£0		0		0
					£ -	£0		0		0
					£ -	£0		0		0
					£ -	£0		0		0
TOTALS		29,332	24,161			£920,349	12 (WAVP)	£920,349	18 (WAVP)	£1,380,523

CBRE		The Crown Estate - Diorama				Date Amended:		09-Oct-14				
		Office Feasibility Scheme				Date Printed:		09-Oct-14				
Current Costs/ Current Values								Prepared by:		John		
AREAS		GEA	GIA:GEA	GIA	NIA:GIA	NIA						
Office		-	n/a	29,332	82%	24,161	(Includes some basement ancillary in the NIA)					
Retail		-	n/a	-	n/a	-						
Total		-	n/a	29,332	82%	24,161	(Sweett / Barr Gazetas - October 2012)					
PROGRAMME												
Preconstruction						Start Date		End Date		Months		
Start Date						01-Jan-15		31-Mar-15		3		
Construction						01-Apr-15		31-Mar-16		12		
Postconstruction		Linked to										
Void		Office		01-Apr-16		31-Mar-17		12				
Rent Free						01-Apr-17		01-Oct-18		18		
End Date								31-Dec-24				
Cashflow Length						120						
DEVELOPMENT VALUE		Net Internal Area (sq ft)		Headline ERV psf		ERV Overall psf		per annum		Yield		
Investment Valuation										Net CV psf		
Offices		24,161		£45.00 psf		£38.09 psf		£920,349		5.00%		
Retail		-				-		-		£720		
Sub total		24,161						£920,349		5.00%		
Less Sales Costs												
Offices		1.80%								£17,397,901		
Retail		1.80%								-		
Sub total										£313,162		
Net Capital Value of Scheme										£17,084,739		
DEVELOPMENT COSTS						Cost						
Site Value												
Site Costs												
Site Value						TCE Valuation - Sept 2014		£17,275,000				
Stamp Duty, Agents & Legal Fees												
Total						£17,275,000						
Construction		Grs Area (sq ft)		Rate (£ psf)								
Base Construction												
Office		29,332		£114 psf								
Sub total						£3,345,864		£114 psf				
Construction Contingency						Included in base construction cost		-				
Other Construction Costs												
Contractor Preliminaries						£468,421						
Contractor OHP						£190,714						
Construction Contingency						£300,375						
Sub total						£959,510						
Sub total construction						£4,305,374		£147 psf				
Professional fees												
All Professional Fees @ 12.5%						£538,172						
Professional fees contingency						5.00%		£26,909				
Sub total professional fees						£565,080		13.13%				
Other costs												
Planning Fee / Statutory approval						£30,000						
Project Insurance						£200,000						
S.106 Agreement - inc' Mayor						-						
Cross-Rail Contribution						-						
Disturbance, Rights of Light & Party Wall Payments						£250,000						
Legal Fees						£200,000						
Sub total other costs						£680,000						
Marketing												
Office						£100,000						
Sub total marketing						£100,000						
Fees - Letting												
Office Agents						13%		£119,645				
Office Legals						5%		£46,017				
Sub total letting fees						£165,663						
Incentives												
Office Rent Free Period (months)						18 months		£1,380,523				
Office Capex Contribution						1 months		£76,696				
Sub total incentives						£1,457,219						
Void Costs												
Office Void Period						12 months		£920,349				
Office Empty Rates (% ERV)						0.00%		-				
Office Empty Service Charge (Epsf NIA)						£8.50		£205,366				
Sub total void costs						£1,125,714						
Project Contingency						10.00%		£607,127		£607,127		
Finance						6.00%		£1,339,612		£1,339,612		
TOTAL DEVELOPMENT COSTS						OK		OK		£27,620,790		
NET CASH SPEND (£)											£6,705,305	
DEVELOPER'S PROFIT (£)											-£10,536,051	
DEVELOPMENT PROFIT (%)											-38.1%	
DEVELOPMENT YIELD (%)											3.3%	
IRR (cap out when income producing)											-9.5%	

Appendix C – Quantem Cost Plan

Draft Feasibility Estimate for Diorama Office Scheme

30 September 2014 GIA m2 2725
 GIA ft2 29332

	£	£/ft²
<u>Strip Out</u>		
Stripping out building including existing services	136,250	5
Allowance for Asbestos Removal	25,000	1
<u>Fit Out</u>		
Cat A Fit out including base build services and works to cores	1,759,914	60
<u>Demolitions and Alterations</u>		
Breaking out new stair core to rear	10,000	0
Breaking through structure to form front of house lift shaft	7,500	0
Breaking out roof for formation of new roof structure	25,000	1
Allowance for propping and the like	15,000	1
Removing lift and stairs	30,000	1
<u>Structural works</u>		0
Allowance for foundations to new columns	75,000	3
Strengthening columns	60,000	2
Allowance for strengthening beams 5 tonnes per office floor	53,000	2
Forming lift pits	40,000	1
Forming lift shaft (front of house)	25,000	1
Forming core at rear of offices incl. stairs	100,000	3
Infilling area here lift and stairs removed	15,000	1
Forming new slab to roof area	22,000	1
Sundries	20,000	1
<u>Lifts</u>		
2 Nr new passenger lifts	90,000	3
4 Nr stair lifts	80,000	3
<u>Façade Works</u>		0
Access provision	incl	
Making good to elevations generally	47,000	2
Overhaul and refurbish existing windows	18,600	1
Secondary glazing to existing windows	139,500	5
Atrium glazing	150,000	5
<u>Roof Works</u>		
Atrium roof glazing	38,500	1
Flat roof	138,600	5
Renewal of roof coverings at Park Place	100,000	3
<u>Basement Works</u>		
Allowance for works to basement to accommodate plant	50,000	2
<u>External Works</u>		
Allowance for external works	25,000	1
<u>Substation</u>		
Allowance for substation works	50,000	2
Total works	3,345,864	114
Contractor preliminaries @ 14%	468,421	16
Contractor OHP @ 5%	190,714	7
Construction Contingency @ 7.5%	300,375	10
Estimated Total	4,305,000	147