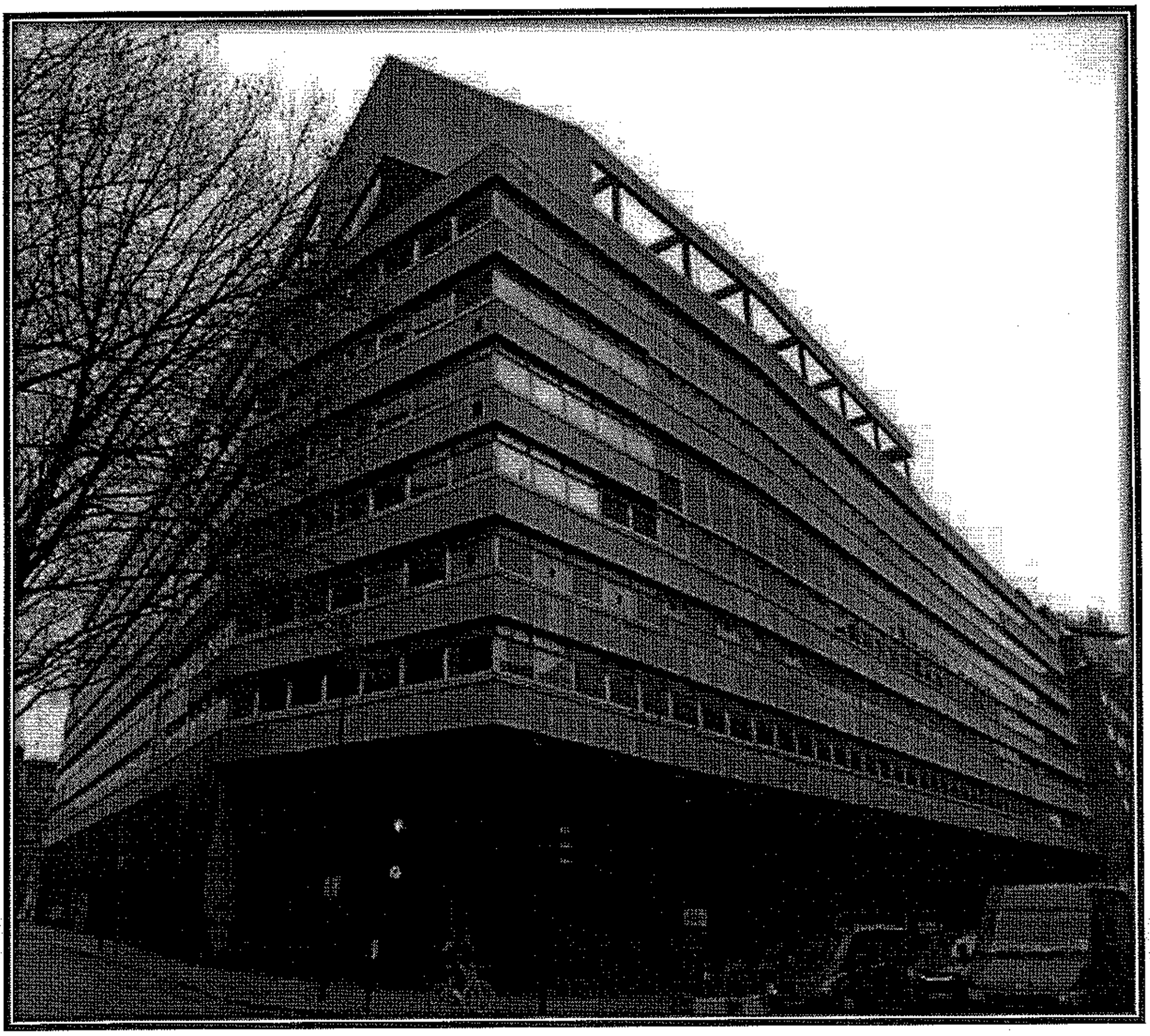
BPS
Chartered Surveyors

21-31 New Oxford Street

Independent Review of Financial Viability



November 2014

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1.0 INTRODUCTION

1.1 We have been instructed by the London Borough of Camden (the Council) to review a September 2014 Financial Viability Assessment that has been prepared by Gerald Eve on behalf of New Oxford Street Limited ('the Applicant'), in respect of a proposed redevelopment of the existing building at 21-31 New Oxford Street ('the property').

1.2 The site has an area of 0.43 Ha and is bounded by New Oxford Street to the north, High Holborn to the south, Museum Street to the west, and Commonwealth House to the east. It is mostly covered by the existing building known as 21-31 New Oxford Street, but also includes Dunn's Passage and public realm areas.

1.3 The property is a former Royal Mail Sorting Office, known as the Western Central District Office. It has been vacant (with the exception of temporary exhibitions) since the early 1990's and has fallen into a state of disrepair. The Royal Mail underground railway line (known as the Mail Rail) runs below the site, and the Royal Mail railway station is located in the lower floors of the building.

1.4 The Applicant proposes to convert the property into office and retail use. The current planning application (reference: 2014/5946/P) proposes to deliver 43,610 sqm of floorspace, of which 35,568 sqm will be offices (B1), 4,051 sqm retail, and 3,530 sqm affordable housing (totalling 21 units), but with nil private market housing on-site. The scheme will also provide substantial public realm improvements.

1.5 Gerald Eve has modelled the proposed scheme's viability by using a bespoke financial appraisal, and has also modelled three counterfactual scenarios, each of which delivers a policy compliant percentage (50%) of the net additional floorspace as residential uses. The counterfactual scenarios are as follows:

- Scenario One: half office, half residential (with 50% affordable housing)
- Scenario Two: half office, half residential (reduced affordable housing)
- Scenario Three: half office, half residential (100% private market housing)

1.6 These scenarios reflect the Council's policy DP1 in respect of the policy compliant quantum of residential floorspace that should be provided in mixed use schemes within the 'Central London Area', such that 50% of the net additional floorspace is required to be residential. This applies to any scheme providing over 200 sqm of net additional floorspace.

1.7 Camden Development Policy DP3 requires any scheme providing 10 or more net additional residential units to make a contribution towards affordable housing, with the requisite level of contribution being calculated using a 'sliding scale' by which, for example, schemes providing 10 units should include 10% affordable housing (by area) and those providing 50 units should include 50% affordable.

1.8 The proposed scheme's net additional floorspace is 13,299 sqm (GEA) of which 50% (6,650 sqm) will be required to be residential. This residential floorspace is in turn required to be comprised of 50% (3,324 sqm) affordable housing under DP3, subject to viability and other material considerations. The scheme proposes 3,350 sqm of residential floorspace (all affordable housing) which fulfils the affordable housing requirement of DP3, although clearly there is a shortfall from the requirements of DP1 in respect of overall residential floorspace.

1.9 The principal conclusion of Gerald Eve's financial viability assessment is that the site cannot feasibly deliver the level of residential floorspace that is required by DP1, and that the quantum of housing that is included within the proposed scheme is the maximum that can reasonably be delivered.

1.10 The Applicant's advisers conclude that DP1 and DP3 have been complied with, as 100% of the affordable housing requirement has been met (DP3) and whilst the entire on-site requirement for housing is not being met by the currently proposed scheme, it is asserted that the possibility of full provision on-site has been adequately explored, as has the option of provision at an alternative site, leading to the Applicant instead offering a £4,212,000 payment-in-lieu towards housing provision.

1.11 The applicant has commissioned a Housing Study which explores a wide variety of options for on-site housing delivery. Each option proposes housing provision within a different part of the building. These options have been considered from an architectural, planning and viability point of view, in order to establish whether they are feasible. In conjunction with planning officers, we have considered the merits of the arguments put forward in the Housing Study, so that it can be established whether the currently proposed option (affordable housing in the south east corner of building) is the most feasible option and the best in terms of its ability to maximise housing delivery and affordable housing delivery.

1.12 We recently undertook a site visit of the property in order to assess, among other matters, its potential to provide high quality office and retail space, and to consider the practical issues that limit property's ability to provide a policy compliant amount of residential floorspace.

2.0 CONCLUSIONS & RECOMMENDATIONS

2.1 Our key conclusion is that we accept that the currently proposed level of on-site housing provision is the maximum that can reasonably be provided.

2.2 Following our review of the documentation provided, we have reached the conclusion that the Applicant's advisers have thoroughly and methodically explored many different ways of providing the full housing requirement on site. We consequently agree with the view that full housing provision on-site is not feasible for a combination of architectural and viability reasons. It is therefore in our view appropriate for the shortfall in housing provision to not be delivered on-site, and it is appropriate for this provision to be in the form of a commuted sum rather than *off*-site provision, as, despite a detailed search, the Applicant has not been able to secure an appropriate site nearby on which to deliver the off-site housing.

2.3 The scheme's rented units are being offered as Affordable Rent and Intermediate Rent, at Octavia Housing's suggested rent levels which Octavia consider to be affordable for residents in this locality. Planning officers have requested that we explore the possibility of these units instead being provided as the Council's preferred tenure of Social Rent, although based on the current viability position we accept that such a change would require a compensatory reduction in planning contributions.

2.4 As discussed further below, we suggest that the benchmark land value is overstated and that the profit target is too high. The combined effect is that the appraisal of the currently offered scheme shows a substantial deficit, even when growth in values (and costs) is factored in, which makes us question whether the appraisal is an accurate representation of scheme viability. However, this does not alter our key conclusion that the current housing/affordable housing offer is both policy compliant and the maximum level the scheme can reasonably provide.

2.5 We outline our conclusions in more detail in the remainder of this Section, below.

<u>Counterfactual Scenarios</u>

2.6 Following our assessment of the three counterfactual scenarios, we accept the conclusion that these options - involving housing provision on the building's upper floors - are not financially viable.

<u>Housing Study - analysis</u>

2.7 We have considered the various options for on-site housing delivery that are set out in the Housing Study. Planning officers have considered the positive and negative features of these options from a planning policy perspective. This analysis shows that for many of the options the negatives significantly outweigh the positives, and for this reason they are unlikely to meet with officer approval. Key negatives features include having single aspects and being north-facing. Further details regarding these options will be included in the officers' Delegated Report.

2.8 An option that had a significant number of positives is Option 4, which proposed housing provision in the south-east and north east corner of the building. This is similar to the proposed scheme, which includes housing only in one corner (the south east). It is, however, highly unlikely that Option 4 would be economically viable, given the additional impact on viability that would result from having two corners of residential instead of only the one which is currently being proposed.

2.9 Another relatively plausible option is Option 5 which proposes residential uses on the upper floors. The applicant's advisers viewed this as being one of the most promising options from an architectural point of view and in terms of its potential to provide quality housing that meets certain planning policy criteria. Consequently, the viability of this option was explored within the three counterfactual scenarios, which established that this option is non-viable.

2.10 We accept that the housing option put forward in the proposed scheme is the most advantageous of all those options considered, and it is apparent that none of the options are likely to be viable.

Developer's Profit

2.11 We recognise that the success of this scheme in part depends on the success of regenerating this area, and that there are some major uncertainties over the location including how it will compete as a retail destination with more established retail areas including Oxford Street and the vicinity of Holborn Underground Station. It is legitimate for this to be reflected in the developer's profit target.

2.12 We recognise that the contingency of 6% could legitimately have been increased to reflect this scheme's risk. Our calculations using Gerald Eve's model, shows that when a 20% IRR is reached the scheme delivers a 34% profit on Cost. There are indeed challenges associated with a scheme of this nature although it questionable whether such a high profit rate can be justified.

Benchmark land value

2.13 We consider the benchmark of £107.5m to be overstated in the context of Gerald Eve's development appraisal, as even with future growth in values (and costs) factored in, the scheme shows a substantial profit deficit when this benchmark is adopted. We calculate that the benchmark would need to be reduced to c.£75m in order for the development appraisal (with growth included) to reach the profit target of 20% IRR.

Office values

2.14 We have scrutinised the rents and yields and other assumptions adopted in Gerald Eve's viability assessment, and can confirm that these are realistic, taking into account the unique advantages of the building but also the considerable challenges posed by conversion to office use.

Retail values

2.15 The capital values of the retail element of the scheme are, we conclude, not unreasonable especially given that this is not a prime retail pitch and that the rents and yields appear to be in part predicated upon the assumption that the development will improve the local area, including its public realm, and thereby improve the area's attractiveness shoppers and retailers alike. In this context, we do not consider that more optimistic rents and yields can be justified.

Build costs

2.16 Our cost consultant, Neil Powling, has reviewed the cost plan that has been prepared by EC Harris, and has concluded that the cost estimate is realistic. His full cost review report is included in Appendix One.

Off-site affordable housing

2.17 The Applicant has attempted to find a suitable site for housing provision in order to address the shortfall in housing provision within the proposed scheme. No suitable sites have been found despite over thirty potential sites having been considered. Following further discussions with the Applicant's advisers, it is our view that a rigorous process has been followed in (unsuccessfully) seeking a suitable site, which leads us to agree with the applicant that it is therefore appropriate for the shortfall in housing provision to instead be addressed via a commuted sum. We have reached this view based on our analysis of the documentation the applicant's has provided, which demonstrates the off-site provision is unfeasible. This matter will, however, require further consideration by planning officers.

Planning contributions

2.18 The notional planning contribution for the proposed scheme is £10.03m, which incorporates £4.21m commuted payment towards housing provision, £5.252m in total for Crossrail and Mayoral CIL, and £570,500 of S106 Contributions. Planning Officers have suggested that the required CIL Contributions will actually be considerably lower than this, and further discussion will be required in order to ensure that a correct CIL figure is adopted in the appraisal.

2.19 With respect to the S106 Contributions, the suitable level of contributions for this scheme is currently under discussion within the Council, therefore we cannot confirm at this stage whether £570,500 is an appropriate figure.

2.20 No Camden CIL appears to have been included in the appraisal, and we are currently seeking to confirm the size of the Camden CIL requirement that this scheme will generate.

3.0 HOUSING STUDY - ANALYSIS

3.1 The conclusion of the Housing Study by Gerald Eve and AHMM architects is that the only potentially feasible option is to provide a vertical column of housing in the south-eastern section of the block. This is a variant of Option 4 and has been utilised in the proposed scheme - i.e. a single stack of housing in the south east corner of the site.

3.2 We have liaised with planning officers in respect of the different options that have been put forward in the Housing Study for the provision of housing within building. More in depth analysis of the various options will, we understand, be provided in the planning officer's delegated report. We have therefore focused upon the viability aspects of these options.

3.3 The other on-site housing option that was considered to be potentially feasible was to provide housing on the 8th floor and 8th floor mezzanine (Option 5). This Option was consequently explored in more detail and was further investigated by way of a development appraisal which tested viability, in the three counterfactual scenarios. This showed that this option is unviable. We summarise below the eight options that are considered in the Housing Study:

	Description	BPS comments
Option 1 Perimeter Layout	policy compliant level of residential floorspace on the lower floors of the building in a perimeter layout	Many drawbacks identified by planning officers, unlikely to be an acceptable option
Option 2 South Elevation	residential along the full southern elevation from first to fourth floor	Many drawbacks identified by planning officers, unlikely to be an acceptable option
Option 3 Four Corners	residential stacked in each corner	Many drawbacks identified by planning officers, unlikely to be an acceptable option
Option 4 Two Corners	residential stacked in the two eastern corners	Good option, with some positives and limited negatives. But is unlikely to be viable.
Option 5 Upper Floors	residential accommodation on the upper floors	Many drawbacks identified by planning officers, unlikely to be an acceptable option.
Option 6 Upper 'L' Plan	residential accommodation along the south and east perimeter of the upper floors	Limited positives, but considerable number of negatives
Option 7 Upper Slot	residential accommodation along the upper floors of the eastern half of the building.	Limited positives, but considerable number of negatives
Option 8 Stacked	residential accommodation throughout the building on the north-east and south-east corners	Limited positives, but considerable number of negatives

3.4 It is contended that the building is not well designed for conversion to residential use because of its large floorplates and high floor-to-ceiling heights. If the existing floorplates were to be converted to residential use, it would mean that parts of the accommodation would be situated at a considerable distance from the windows, and many of the apartments (or rooms within apartments) would be single aspect, and moreover, many of these single aspects units would be north-facing. We entirely accept the conclusion that it is impracticable for large amounts of residential to be provided within most areas of the building.

3.5 We have scrutinised the floorplans of the building and have considered these in conjunction with the Housing Study, which provides detailed architectural drawings of each option. The ground to 3rd floors are double height relative to conventional office space, and for this reason are considered to be unsuitable suitable for residential use.

4.0 DEVELOPMENT APPRAISAL RESULTS

4.1 The financial performance of the scheme has been measured using an Internal Rate of Return. The three alternative options (counterfactual scenarios) are all shown to be non-viable, both on a present-day basis and a growth basis. The present-day version is based on present-day costs and values, whereas the growth model factors in future cost and value inflation and reflects the predicted improvements in viability over time.

Development appraisal results

Appraisal	IRR
Proposed scheme - present day	8.1%
Proposed scheme - growth	13.0%
Counterfactual A - 50% affordable	7.2%
Counterfactual B - 10% affordable	10%
Counterfactual C - nil affordable	11.5%

4.2 The proposed scheme is stated by Gerald Eve as only being 'potentially viable' once capital value growth is factored in. Even with growth factored in, the proposed scheme still shows a major deficit in viability. This indicates that the Market Value of £107.5m ascribed to the site is not supported by Gerald Eve viability assessment.

4.3 It is difficult to see how a bidder for the site would pay £107.5m unless they had different expectations of costs, values or profit targets, or of the level of expected growth in values in the future. If this level of land value were to be accepted, it may provide grounds under the provisions of the Growth & Infrastructure Act 2013 to renegotiate the level of affordable housing.

4.4 Gerald Eve has informed us that it is likely the Applicant's bid was predicated upon more optimistic growth expectations than have been included in the appraisal. We question whether it is appropriate for a benchmark to be applied that is based on more optimistic assumptions than have been applied in the viability assessment itself.

5.0 DEVELOPER'S PROFIT TARGET

5.1 The profit target for this scheme is 20% Internal Rate of Return. It is questionable whether such a high target is appropriate. This location has a strong office market thus the risks of market downturn is limited.

5.2 We have adjusted the benchmark land value to the point where the appraisal just reaches the profit target of 20% IRR. This shows that a substantial profit on Cost can be generated.

Benchmark Land Value	IRR	Profit on Cost
£107.5m	13.0%	15.9%
£90m	16.5%	25.4%
£80m	18.8%	31.5%
£75m	20.0%	34.8%

5.3 This is a challenging and unusual project, and for these reasons is subject to more risk than more conventional office schemes. There are also some complex construction challenges including the need to provide additional piling and structural support. These justify a higher profit than is typical, especially because only a relatively modest build cost contingency of 6% has been adopted.

6.0 PLANNING

6.1 Permission was granted in 1995 for change of use of the building from Sui Generis (post sorting office) to a museum support centre for the basement to 3rd floors, and B1 use on the upper floors. This permission was renewed in 2000 but we understand has since lapsed.

6.2 In 2001 permission was granted for change of use to a mixed use as museum study centre, A1, A2, A3, B1 workshops, and B8 (storage). In 2004 an application was made for change of use of the first floors and mezzanine but was withdrawn.

6.3 The most significant application in recent years was for D1 Use of part of the building, under application PS9704327R3 which was granted in 1998 and was implemented.

6.4 The site is Site 17 within the Council's Site Allocations document which forms part of the Council's Local Development Framework.

6.5 We have had reference to national and local planning policy, and in particular to the Council's Development Policy DP1, which states that:

"The Council will require a mix of uses in development where appropriate in all parts of the borough, including a contribution towards the supply of housing. In the Central London Area (except Hatton Garden) and the town centres of Camden Town, Finchley Road/ Swiss Cottage and Kilburn High Road, where more than 200 sq m (gross) additional floorspace is provided, we will require up to 50% of all additional floorspace to be housing.

"The Council will require any secondary uses to be provided on site, particularly where 1,000sqm (gross) of additional floorspace or more is proposed. Where inclusion of a secondary use is appropriate for the area and cannot practically be achieved on the site, the Council may accept a contribution to the mix of uses elsewhere in the area, or exceptionally a payment-in-lieu."

6.6 DP1 sets out a number of matters that it takes into account when considering the suitability of provision of net additional on-site:

"In considering whether a mix of uses should be sought, whether it can practically be achieved on the site, the most appropriate mix of uses, and the scale and nature of any contribution to the supply of housing and other secondary uses, the Council will take into account:

a) the character of the development, the site and the area;
b) site size, the extent of the additional floorspace, and constraints on including a mix of uses;
c) the need for an active street frontage and natural surveillance;
d) the economics and financial viability of the development including any particular costs associated with it;
e) whether the sole or primary use proposed is housing;
f) whether secondary uses would be incompatible with the character of the primary use;
g) whether an extension to the gross floorspace is needed for an existing user;
h) whether the development is publicly funded;
i) any other planning objectives considered to be a priority for the site."

7.0 COUNTERFACTUAL SCENARIOS

7.1 Gerald Eve has considered the feasibility of developing a scheme in which the net additional floorspace is half residential and half offices. This poses a number of practical challenges, including the requirement for extra cores to service the residential floorspace located on the upper floors, which would result in a loss of office floorspace relative to the proposed scheme. There would also need to be separate entrances for the office and residential uses, which has cost implications and impacts on the area available for office use, thereby constraining revenues. Similarly, all three scenarios require relocation of the plant from the roof to the 7th floor (to make way for residential) which impacts upon the amount of office floorspace.

7.2 In Scenario A (50/50 private/affordable housing), two additional cores are assumed to be provided as it is impracticable for these residential tenures to share core facilities. This requires relocation of the plant facilities to the 7th floor which takes up floorspace that would otherwise have been converted into office use, and therefore has a negative impact on viability.

7.3 Scenario B includes 10% (4,112 sqm) of the residential floorspace as affordable housing. Scenario C only requires the provision of one (rather than two) additional service cores as all the housing is for private sale. We accept Gerald Eve's assertion that the inclusion of an additional core has a negative impact on viability by reducing the amount of deliverable office floorspace, and affects the quality of the offices by altering their floor layouts and further restricting their access to natural light.

8.0 OFF-SITE HOUSING PROVISION

8.1 As discussed above, extensive studies by the applicant's advisers have demonstrated that a policy compliant quantum of housing cannot be practicably delivered on-site. An alternative is therefore off-site provision, and a search for an appropriate off-site solution is continuing to be carried out. Over 30 sites have been looked at so far. If an appropriate off-site solution cannot be found, a £4.21m payment in lieu of will be provided, in accordance with Policy DP1.

8.2 The scheme's total requirement for housing is 6,650 sqm GEA. The on-site provision proposed is 3,530 sqm (GEA), thus the shortfall is 3,120 sqm. At £4.21m, the proposed commuted sum (payment in lieu) equates to £1,350 per sqm (GEA), which is the multiplier that is stipulated by Camden Planning Guidance (GPG8). We can confirm that this a correctly calculated payment in lieu figure.

8.3 The Housing Statement outlines the methodology applied in searching and evaluating potential subsidiary sites for delivery of off-site housing provision. This search focussed on sites south of the Euston Road, as advised by Planning Officers. We requested further details of the analysis that was made by the Applicant's advisers, and have in response received from CBRE a schedule of sites they considered in their 'donor site search'. This includes a short commentary on each site, which focusses on the reasons why they are considered to be unsuitable as 'donor sites'. A similar document has been provided by Gerald Eve, which analyses 34 sites. We have reached the conclusion that a rigorous search has been undertaken, which has been unsuccessful in identifying a suitable site. However, further consideration of this matter by planning officers may be required.

9.0 ALTERNATIVE AFFORDABLE HOUSING OPTION - LOWER RENTS

9.1 The Council has requested that we explore the potential for Social Rent levels to be adopted instead of Affordable Rent levels. We in turn requested that the applicant considers the possibility of providing Social Rent units, but no additional modelling has yet been provided, and no indication has been made that a new affordable housing offer will be forthcoming.

9.2 The applicant considers Affordable Rent tenure to be a policy compliant form of tenure which is in accordance with the London Plan. It is our understanding that Affordable Rent is indeed a policy compliant tenure in that it conforms with the London Plan. It does not follow, however, that rents and social rent levels are necessarily *non* policy compliant, especially given that the London Plan recognises social rent as a valid rental model. It is for Planning Officers to decide whether it is legitimate to provide units with rents that are in line with Social Rent target levels.

9.3 In this case, a switch from Affordable Rent to Social Rent would help meet the Council's affordability criteria, without compromising the overall level of affordable housing delivery. It does not therefore compromise the Mayor's overarching objective of maximising affordable housing delivery, and therefore we see no reason for this approach to be at odds with the London Plan.

9.4 Typical social rents in the Borough are cited by housing officers at £116 per week (gross) for 1-beds, £129 per week for 2-beds, and £136 per week for 3-beds. This compares to the following rents currently being proposed by the Applicant, which are inclusive of service charge:

Intermediate rent

- 1-beds: £156 per week
- 2-beds: £168 per week
- 3-beds: £217 per week

Affordable rent

- 1-beds: £151 per week
- 2-beds: £202 per week
- 3-beds: £217 per week

9.5 The affordable housing is currently valued at £3.05m by Octavia Housing Group. It has been suggested that if the viability cannot support any reduction in the value of the affordable housing (due to reduced rents), then the planning contribution within the S106 will need to be reduced to compensate.

9.6 We have created a detailed appraisal of the affordable units' values, adjusted so the total is in line with Octavia's £[redacted]m valuation. We have then adjusted the rents from Affordable Rent and Intermediate Rents, to Social Rents at the levels cited above (1-beds, £156; 2-beds, £168; 3-beds, £217). This results in a £1.00m reduction in the overall Market Value of the affordable units (to £[redacted]m). The Council may therefore be justified in requesting that the affordable units be instead delivered at Social Rent levels, providing that a compensatory reduction in other planning contributions is accepted, such as a reduction in the £4.212m payment-in-lieu. There may, however, be alternative ways of compensating for such a change rents, and this is a matter that will require further discussion between planning officers and the applicant's advisers.

9.7 We have adjusted Gerald Eve's appraisal by reducing the affordable housing revenues by £1.00m, and then adjusted the £4.212m payment-in-lieu by the amount necessary to revert the appraisal's profit output back to its original 15.89% IRR. This required an £862,000 reduction in the payment-in-lieu, which therefore represents the reduction in payments required to counteract the switch to social rented units. We have been informed by planning officers that the amount of CIL contributions that are included in the appraisal may be higher than will be required, therefore a reduction in CIL could provide an alternative to reducing the payment-in-lieu.

9.8 In summary, our analysis indicates that one 'viability neutral' alternative option is to reduce the rent levels down to target rents while at the same time reducing the payment-in-lieu by £862,000.

9.9 It is worth noting that it is possible for the rents to still be delivered using the Affordable Rent model (i.e. based on a proportion of Market Rents), but with the discount from Market Rents being at a level that brings the rental levels in line with the Council's current target rents (i.e. social rents).

10.0 AFFORDABLE HOUSING VALUES

10.1 21 affordable housing units are proposed, which are to be located in the southeastern corner of the building and are comprised of 57% Affordable Rent and 43% Intermediate Rent tenures (by unit). This part of the building will be self-contained so that it can be more effectively managed by a Registered Provider. The affordable units will be located on the 1st to 4th floors, and are mostly dual aspect.

10.2 Octavia Housing has valued the 21 unit at a total of £3.05m (£1,658 per sqm). Octavia is a Registered Provider although we understand that it has yet made an offer for the site. A letter from Octavia setting out its valuation has been provided. Gerald Eve have confirmed that Octavia may potentially make a bid in due course although at this stage is primarily providing an opinion of value.

10.3 Gerald Eve has had discussions also with Origin Housing, Soho Housing, Newlon Housing Trust and Circle Housing, all of which have expressed an interest in proposed affordable housing.

10.4 Nine of the units are classified as Intermediate Rent and are ascribed rents of £156 per week for 1-beds and £202 per week for 2-beds.

10.5 The Affordable Rent levels have been provided by Octavia based on its own affordability criteria for this locality although these criteria have not been made explicit. Gerald Eve has not confirmed what percentage these are of Market Rents.

10.6 We have modelled the affordable housing values using typical assumptions adopted by Registered Providers, including in respect of management costs. We have created a unit-by-unit valuation using the accommodation schedule provided by Gerald Eve, and the result is a total value of £2.83m, which indicates that Octavia's valuation is within an acceptable range of capital values and is unlikely to be understated.

11.0 OFFICES VALUES

11.1 CBRE has provided a Market Report to assess achievable rents for the proposed office space. The office specification will be Grade A, which includes air conditioning and raised floors. The office space will benefit from the building's exceptionally high floor-to-ceiling heights. Floors 5-8 have high floor-to-ceiling heights and terraces so are likely to be highly sought after by occupiers, especially those seeking non-conventional offices. The 1st and 2nd floors are 5-6 metres in height, the 3rd and 4th are 3.5-4.0 metres and the 5th, 6th 7th floors are 3 metres.

11.2 There are, however, challenges posed by the Property's deep floorplates which entail that some parts of offices will be situated at a considerable distance from the windows. The inclusion of mezzanine floors will therefore need to be sensitive to the need to maintain adequate levels of natural light in the central areas of the floorplates.

Proposed offices - Rents

11.3 Office rents of £[redacted] per sqm (£[redacted] per sqft) have been applied to the proposed scheme's offices. The 1st and 2nd floors (with mezzanines) are £[redacted] per sqm (£[redacted] per sqft), the 3rd-7th are £[redacted] per sqm (£[redacted] per sqft), and the 8th and 8th mezzanine, £[redacted] per sqm (£[redacted] per sqft).

11.4 CBRE has provided investment sales in supported of its yield estimate, but has not included any comparable lettings evidence within its report. We have requested this evidence, and Gerald Eve has informed us that CBRE did base its rental valuation upon comparable evidence, although we still await this evidence. We have undertaken our own research into the lettings market.

BPS analysis of comparable lettings

Property	BPS Comments
90 Long Acre Covent Garden	• £861 per sqm (£80 per sqft) • Secondhand grade A • Marginally better location • Whole building let • Would except the proposed building to reach similar for the better floors.
64-68 Kingsway	• July 2014 letting of entire building, asking rent £640 per sqm (£59.50 per sqft), totalling £7.1m per annum • Excellent quality, high Grade A, prestigious façade and location on Kingsway • Comprehensive refurbishment • 2.7-3.0 m floor-to-ceiling height • Has some advantages over subject building, would not expect overall rents for subject offices to be significantly higher
1 Southampton Row, Victoria Colonnade	• 2009 building, Grade A • £630 per sqm (£58.50 per sqft) achieved for 2nd floor (subletting so perhaps not a fully open market transaction) • Excellent quality, although without the 'uniqueness' of the proposed offices. • Close proximity to subject site • Reasonable for proposed office to have marginally higher rents
10 Southampton Street	• Fifth floor let to World Nuclear Association, on a ten year lease, with a fourteen month rent free period at a rent of £710 per sqm (£66.00 per sqft) • 2002 refurbishment, Grade A • Corner building, historic stone façade, not directly comparable but suggests rents for the proposed offices are broadly correct
25 Soho Square	• £700 per sqm (£65 per sqft) achieved in November 2013 • 3rd floor • Grade A, second hand • Suggests that marginally higher rents could be achieved for proposed offices (including lower floors), given their advantages including exceptionally high floor to ceiling heights.
Hend House, 233 Shaftesbury Avenue	• £640 per sqm (£59.50 per sqft) achieved for entire building • High quality, very close, Grade A, completely refurbished. • 1920s Art Deco construction.

11.5 Our research shows that the £646-£753 per sqm (£60-£70 per sqft) bracket is typical for high quality (Grade A) offices in this area. Given the uniqueness of these offices, there is in our view the potential for marginally higher office rents than have been used in the appraisal, although the same unique characteristics may also limit interest from more conventional occupiers and therefore suppress rental values.

11.6 The building is situated in Midtown which is not within the 'Core' West End market where rents exceeding £1,076 per sqm (£100 per sqft) can be achieved for high quality space. It is situated in between different markets including Covent Garden, Holborn, Bloomsbury, and Soho.

11.7 Average asking rents for new build space in Midtown was £459 per sqm (£42.64 per sqft) in 2012 and has increased to c.£614 per sqm (c£57 per sqft) today. It is apparent that the proposed offices' rental estimate exceeds this average despite the building not being in the most advantageous area of Midtown, which includes higher rented areas including Covent Garden.

11.8 Following our site visit of Property and our analysis of the application's documentation (including Design & Access Statement), we now recognise and accept that there are challenges posed by a conversion of the building relating to its deep floorplates and restricted aspects (due to close proximity of nearby buildings such as Commonwealth House). This is especially the case for the lower floors. We therefore consider that, on balance, the rents estimated by CBRE are reasonable and not especially cautious, though there remains scope for variation in rents.

Proposed offices - Yields

11.9 A gross initial yield of [redacted]% has been applied to the office rental income. This is a relatively low yield for this locality, which is outside the Core West End market. There is, however, high growth potential in this area because of nearby regeneration and the benefits that the under-construction Tottenham Court Road Crossrail is predicted to bring.

11.10 CBRE has provided a number of comparable investment sales in support of its yield estimate, including the recent sales of Ropemaker Place, EC2, for £472m, which generated a 5.01% net initial yield (4.73% gross initial yield. It is a high quality, Grade A office constructed in 2009 and let to investment banks and fund management companies. Compared to 21-31 New Oxford Street, it is in a more 'prime' office location, in the City of London, and we do not envisage significantly lower yields being achievable for the proposed office space.

11.11 We have collated a range of comparable transactions that have taken place over the last year in the vicinity of the subject building.

Comparable investment sales in last year

Address	Uses	Area	Sale price	Yield (net initial)
1 Plough Place, London, EC4A 1DE	Office, Retail	54,523	£55,600,000	4.75
Sixty London, 60 Farringdon Road, London, EC1R 3GA	Office, General	221,522	£250,000,000	4.75
Holborn Place (Daily Mirror Site), 33 Holborn, London, EC1N 2HT	General, Office	328,375	£311,000,000	4.80
St. Pauls House, 8-12 Warwick Lane, London, EC4M 7BP	Office	35,301	£33,000,000	4.95
10 Foster Lane, London, EC2V 6HR	Office, General	12,460	£8,450,000	4.98
26 Red Lion Square, London, WC1R 4HQ	Leisure, Office	101,985	£85,100,000	5.09
Gkn House And Royalty Theatre, 22 Kingsway, London, WC2B	General, Office,	128,369	£59,300,000	5.10
Entire Building, Nexus Place (Formerly Fleetway House), 22-25	Office, Retail	156,094	£128,000,000	5.15
Northumberland House, 303-306 High Holborn, London, WC1V 7JZ	Office	19,723	£14,500,000	5.19
Centrium, 61 Aldwych, 2-18 Kingsway, London, WC2B 4AE	General, Office	191,418	£170,000,000	5.19
Chancellor House, 3-5 Norwich Street, London, EC4A 1EJ	Office	23,002	£12,540,000	5.30

11.12 One example from the above transactions is 26 Red Lion Square which sold at a 5.09% net initial yield (c.4.81% gross initial yield) in January 2014. It is a refurbished, Grade A specification office, multi-let to 'blue-chip' firms, and is in close proximity to the subject site. This and other sales, such as 22 Kingsway, strongly indicate that the 5% gross initial yield applied by CBRE is reasonable.

11.13 7-10 Foster Lane is a refurbished, multi-let office building which sold in August 2014 at a 4.98% net initial yield (4.71% gross initial). It is in a more 'prime' office location than the Property, although it considered by a number of respected commentators that there is more rental growth potential in the locality of the Property than in the more established office locations including the core City of London markets. Therefore a yield on a par with, or somewhat higher than, 7-10 Foster Lane is not unrealistic.

11.14 22 Kingsway was purchased by Derwent from Harel Insurance for £59.3 million, a 5.1% net initial yield (c.4.82% gross initial yield). The building, which comprises around 88,000 sqft of office space, is let to King's College London until 2025. The largest deal in Midtown in Q2 2014 was the purchase by Tishman Speyer of 33 Holborn for £33m. This building was constructed in 2001. It provides Grade A space that includes air conditioning. The gross initial yield in this deal was c5.1%. This building is predominantly let to Sainsbury as its head office, thus has a strong security of tenure. This is in close proximity to the Property and, together with the 22 Kingsway sales, demonstrates that gross initial yields of circa. 5% are achievable in this area of Midtown.

11.15 In this context, we accept the a [redacted]% gross initial yield is not unreasonable and that lower yields cannot realistically be justified, especially in view of the yields most recently achieved in Midtown for high quality buildings such as the aforementioned 33 Holborn sale.

Other assumptions

11.16 CBRE anticipate average voids of 10 months. We expect that a substantial proportion of the offices will be let prior to practical completion. Nevertheless, 10 months is still a relatively low average void, bearing in mind the length of time it can take to secure lettings in new buildings, especially as this is a large office that is unlikely to be single-let and that its unique features may limit interest from potential occupiers. We therefore do not dispute this void period.

11.17 Voids increase by 2-5 months for the counterfactual scenarios. We accept that at least some increase in the void period is likely to be reasonable to assume, although 2-5 months seems to be unproven and potentially excessive. This view is based on the comments of CBRE regarding the negative impact of inclusion of residential upon the attractiveness of the offices to prospective tenants.

11.18 CBRE expect leases of 10-15 years and average rent free periods of 18 months. By way of comparison, a 10 year lease with a 14 month rent free period was agreed at 10 Southampton Place; and in nearby Covent Garden, Monmouth Dean (a leading office agency) has previously advised us that 21 month rent free periods are not untypical for leases of 10-15 years. EGi's LOMA report cites average rent free periods 17.75 months for Midtown as a whole, and average of 21.0 months for the Chancery Lane submarket of Midtown. In the context of the wider market trend in letting incentives, 18 months' rent free appears to be a realistic assumption.

Counterfactual Scenarios - discounted rents and yields

11.19 CBRE considers that the introduction of residential uses would most likely have a negative impact on rents. This is because additional cores would be required to these residential uses. These cores would replace potentially lettable floor area and further restrict natural light to the building. The residential would also mean the office space would no longer be able to benefit from use of the outdoor terrace, resulting in a loss of amenity space which may compromise achievable rents. A differential in office yields is also suggested, which we accept may be the case as it is not uncommon for investors to look unfavourably upon mixed use office buildings with residential uses, given the complications this causes including in respect of building management issues.

11.20 Lower rents of £[redacted] per sqm (£[redacted] per sqft) have been applied to the alternative scenarios. A higher capitalisation rate of [redacted]% has been applied to the counterfactual scenarios. We agree that that it is appropriate to adopt a higher yield to reflect the negative impact that the inclusion of residential tenures within an office building has on investor sentiment.

12.0 RETAIL VALUES

12.1 The ground and lower ground floors will be converted in Retail use. Mezzanine retail space is proposed for the ground floor. CBRE has prepared a Retail Market Report in which it is asserted that this is a largely untested retail location, and that this has been reflected in the estimated rents. We accept this analysis of the local market and the uncertainties over this scheme's potential as a retail location. The site is some distance from the prime location of Oxford Street and Covent Garden, and is currently perceived as a secondary/tertiary retail location. It is, however, only a short distance from the Kingsway/Holborn junction which has a strong A1 and A3 presence.

12.2 Nearby pipeline schemes, including ones by Henderson and L&G, are predicted to increase retailing demand in the area via the influx of office workers, and the proposed scheme its will itself generate additional retail demand for the same reason. The Tottenham Court Road Crossrail station is expected to contribute to increasing the potential footfall and thus the demand for retail uses.

12.3 Pre -lets are assumed to be capable of being secured on all the retail units, which is optimistic for this location. Rent free periods of 9-18 months have been assumed for the A1 units, and 9-12 months for the A3 units.

Rents

12.4 Ground floor rents of £[redacted] per sqm (£[redacted] to £[redacted] per sqft) have been applied by CBRE to the A3 (Restaurant) units, and (£[redacted] per sqm (£[redacted] to £[redacted] per sqft) for the A1 (Retail). Basement space is assumed to be part sales areas and part ancillary space, and is ascribed rents of £[redacted]-£[redacted] per sqft (£[redacted] per sqm). Comparable lettings cited by CBRE include:

- 108 New Oxford Street - let to Kimchee in February 2013- (A1 Unit) for £140,000 (£678 per sqm - £63 per sqft). This has a 113 sqm ground floor unit and a 93 sqm basement.
- 96-106 New Oxford Street - £501 per sqm (£46.50 per sqft) - July 2013 - half basement, half ground floor. July 2013. Let to Artigiano.
- Central St Giles - A3 unit let at £538 per sqm (£50 per sqft) for the ground floor and £269 per sqm for the basement (£323 per sqm, or £30 per sqft, overall).

12.5 We consider the rental estimates to be reasonable in light of the above evidence. The most suitable comparable scheme for many reasons is Central St Giles, which has upper floors offices above the retail floorspace. It is clear that the £[redacted] per sqm (£[redacted] per sqft) is in line with Central St Giles.

Yields

12.6 A capitalisation rate (yield) of [redacted]% (gross initial yield) has been applied to the rental income of the A3 units and 4.5% to the A1 units. CBRE has provided a commentary in which it considers the advantages and disadvantages of this location from a retail investors' point of view, including its secondary retail status but also the benefits of a lack of new pipeline prime and super-prime retail which is leading to a knock-on improvement in secondary markets. The retail growth potential that is engendered by the construction of Crossrail is another factor that is improving investor sentiment.

12.7 Yields are cited as averaging 4.5-5.5% in the New Oxford Street area. An example is the recent sale of 154-162 Tottenham Court Road at a 5.54% net initial yield (c.5.23% gross initial) which is in a marginally superior location.

12.8 We accept that the yields applied in the appraisal are realistic in the context of the local retail market and its potential for growth and regeneration.

13.0 PRIVATE RESIDENTIAL VALUES

13.1 Private residential units are provided in each of the counterfactual scenarios. In Counterfactual Scenario 3, (all private housing, no affordable) the values are £18,234-£19,741 per sqm (£1,694-£1,834 per sqft), while lower values are applied to Scenarios 1 and 2 to reflect the negative impact that inclusion of affordable housing has on private values.

13.2 The building is a concrete-framed structure with little architectural merit or prestige/iconic status therefore it is difficult to envisage high-end values being achievable. The attainable views on the top floors are a key consideration. The immediate environs of the building are not exceptionally desirable aesthetically. This is not the most ideal location from the point of view of prospective residents.

13.3 The average value across the whole of Midtown is cited by CBRE as £18,901 per sqm (£1,756 per sqft). CBRE provide a detailed commentary on sales values. This includes a wide range of comparable transactions from the local market which demonstrates that the values per sqm applied are at the upper end of the market, so we would not expect higher values to be justifiable. There is sufficient level of detailed evidence (all of which includes areas and values per sqm to support CBRE's valuation. We have, nevertheless, undertaken our own research into the new-build market.

	Average value per sqm (March 2014	Average values per sqft (March 2014)
Art House	£14,595	£1,356
Canaletto	£12,593	£1,170
Central Square	£15,285	£1,420
Eagle House	£12,066	£1,121

13.4 Even allowing for recent growth in values (since March 2014), it is still apparent that the private values are on a par with or higher than those of comparable new-build schemes nearby.

13.5 Ground rents are £750 per annum have been attributed to each private residence, and capitalised at 5%, which are realistic assumptions, which are supported by comparable capitalised ground rent (freehold) sales evidence.

14.0 SITE VALUE

14.1 The Applicant holds the virtual freehold in the site. It purchased this interest in April 2013 for £110,060,000 from Royal Mail Group. Gerald Eve has adopted a benchmark land value of £107.5m which has been in part on the purchase price and in part upon comparable land transactions.

14.2 RICS Guidance requires that any Site Value should have regard to the development plan and disregard that which is contrary to the plan. In this instance, there is a clear requirement under DP1 for any site value to account for the requirement to provide 50% of net additional floorspace is affordable housing.

14.3 It is highly likely that minimal existing use value can be attributed to the site, which has a lawful use of Sorting Office (Sui Generis) and has been vacant for many years. We have not been provided with an existing use valuation, nor any alternative use valuations.

14.4 We recognise that there is the potential for an alternative use valuation to be created, based on a reduced-size office-led development, entailing a limited (reduced) or nil increase in the net additional area of the building, and which would therefore not trigger housing and affordable housing requirements under DP1 and DP3 respectively. It has, however, been confirmed by the Applicant's advisers that such a scheme is unlikely to generate a higher residual value than the proposed scheme, and the latter's additional floorspace is a key driver of value by creating valuable new floorspace on the upper floors.

14.5 Given the significant slab to slab heights it is inevitable that any future use of the building will seek to introduce mezzanine floors to break up this space. The addition of upper floors is considered to be necessary in order to maximise scheme value, but we recognise that the building is likely to have a not insignificant residual value if it assumed to be converted to retail and office use without increasing its overall floor area. Such a scheme would not trigger any affordable housing requirements (DP3) or housing requirements (DP1)

14.6 An alternative use valuation could potentially generate a substantial residual value which may underpin at least in part the site valuation that has been used in the appraisal.

14.7 It is important that a benchmark land value that does not support the scheme is not agreed as otherwise this figure may form part of a S106 1A, 1B, 1C s106 renegotiation, based on the guidelines in S106 Review and Appeal.

14.8 Gerald Eve considers the purchase price to be a relevant consideration, together with general land price inflation over the period since the sale. Comparable land transactions are cited in detail as a further strand of support for the benchmark. The figure arrived at is £107.5m, which is close to the purchase price. It is not entirely clear how this precise figure, which breaks down to £6,728 per sqm (£625 per sqft), has been arrived at from their analysis.

14.9 We consider the benchmark of £[redacted]m to be overstated in the context of Gerald Eve's development appraisal, as even with future growth in values (and costs) factored in, the scheme shows a substantial profit deficit when this benchmark is adopted.

15.0 DEVELOPMENT COSTS

15.1 Construction costs of £[redacted]m are estimated by EC Harris for the proposed scheme. This cost increases for the counterfactual scenarios to reflect the cost of providing additional cores and relocating plant from the roof to the 7th floor. Our Cost Consultant, Neil Powling, has reviewed the cost plan in detail, with reference to BCIS elemental cost rate, and has reached the conclusion that it is realistic. His full cost review report is included as Appendix One.

15.2 A development programme of 27 months is applied to the proposed scheme, which increases to 30 months for the counterfactual scenarios to reflect the additional complexity of these schemes. We have scrutinised the development period in detail as this is an important determinant of financial performance, especially in the case of appraisal based on an IRR profit output, as these appraisals are time sensitive. We

15.3 Professional Fees of 12.5% are included in the appraisal. This is a typical level of professional fees in the current market, and is realistic in this case, taking into account the complexities of this scheme.

15.4 Finance costs are calculated using a realistic interest rate of 7% and based on the assumed development periods. The appraisal results are not, however, influenced by the finance costs and the profit (IRR) outputs excludes finance costs, which is an industry standard approach.

16.0 COST AND VALUE INFLATION

16.1 Our cost consultant, Neil Powling, has considered the EC Harris Tender Price Index that has been applied in the growth model to inflate costs from present-day rates. Neil has made a comparison with BCIS's growth predictions, which are not too dissimilar. We recognise therefore that EC Harris's inflation predictions are suitable to use in the proposed scheme's growth model.

16.2 The applicant's advisers have applied value growth rates to the different elements of the scheme including the retail and residential space, in order to reflect predicted growth between the present-day and the predicted date of sale. We do not dispute the growth forecasts which have been applied.

BPS Chartered Surveyors
November 2014

Appendix One: Cost Review

1 SUMMARY

1.1 We are satisfied that the estimated costs on a current day cost basis of £[redacted] are a reasonable estimate for these works.

1.2 The allowances for inflation are calculated using an EC Harris London Tender Price index - we have compared to a BCIS Tender Price Index that is UK-wide and is broadly in line - refer to the table at 3.5 below.

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 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.

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 upper quartile for benchmarking depending on the quality of the scheme. 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 average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.

2.3 BCIS average prices are also available on an overall £ per sqm and for new build work (but not for rehabilitation/ conversion) on an elemental £ per sqm basis. We generally consider both. 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 keep the estimates for different categories separate to assist more accurate benchmarking.

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 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 on the planning website.

2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs do not include these. Nor do 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.

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the following:

- Financial Viability Assessment prepared by Gerald Eve dated 12th September 2014
- Stage C Estimate dated 5th Sep 2014 prepared by EC Harris Built Asset Consultancy for Office with Affordable Residential Element (the Application scheme) in the amount of £[redacted] (current day costs.)
- Appendix F functional split of last
- Housing Viability 50% Affordable Model prepared by EC Harris Built Asset Consultancy dated 27th August 2014 in the amount of £[redacted]

3.2 We have also downloaded a number of documents available from the planning web site; in particular a number of drawings, the Design & Access Statement and the Construction Management Plan.

3.3 The Cost plan calculates the preliminaries as cumulative additions of 16%, overheads and profit (OHP) 4% and contingencies 6%. We consider all these % additions reasonable, indeed as the building is existing with a number of obvious risks the contingency might be considered low.

3.4 The estimate is on a current day cost basis and a separate inflation calculation produced using inflation values of EC Harris Tender Price Index published 2nd quarter 2014. We have compared these values to BCIS Tender Price Indices updated 14th November 2014. The comparison is made in the table below.

3.5

		All-in TPI		
	ECH	BCIS	BCIS%	Difference
2Q2014	0.00%	249	0.00%	0.00%
2Q2015	5.41%	263	5.62%	-0.21%
3Q2015	6.90%	266	6.83%	0.07%
1Q2016	10.30%	271	8.84%	1.46%
3Q2016	12.90%	278	11.65%	1.25%
1Q2017	14.80%	285	14.46%	0.34%
3Q2017	17.20%	293	17.67%	-0.47%
1Q2018	18.70%	300	20.48%	-1.78%

Note: All BCIS figures are forecasts
BCIS data downloaded 15.11.14 updated 14.11.14

3.6 The BCIS figures are not London based and are all forecasts.

3.7 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 120 compared to a UK mean of 100 and have applied this adjustment where appropriate in our calculations.

3.8 We have prepared an elemental analysis by function of the Application scheme - refer to our pdf "Elemental analysis by function and BCIS benchmarking".

3.9 Benchmarking of works to existing buildings is a less precise process than for new build, nevertheless the adjusted benchmarking indicates that the estimated costs are reasonable and we are content that the estimate is a reasonable calculation of the costs.

3.10 The main Mechanical & Electrical services costs have been published as figures determined on m² rates for shell and core, Cat A to offices, with separate allowances for the residential and retail elements. We would prefer to see a properly itemised estimate for these sections, but are satisfied that the cost allowances are reasonable.

21-31 New Oxford St
Elemental analysis by function & BCIS Benchmarking

		Combined		New bld Offices	New bld Offices	Rehab Offices	Office		Affordable		Retail	
	Office	34,836										
	Affordable	3,068										
	Retail	4,167										
	Total GIA m²	42,071		LF100	LF120	LF120	34,836		3,068		4,167	
		£	£/m²	£/m²	£/m²	£/m²	£	£/m²	£	£/m²	£	£/m²
	Demolitions	5,737,635	136				4,640,776	133	641,451	209	455,418	109
1	Substructure	1,810,750	43	103	124	0	1,525,626	44	173,894	57	111,230	27
2A	Frame	13,230,966	314	98	118	10	11,570,687	332	1,143,782	373	516,496	124
2B	Upper Floors			54	65	10						
2C	Roof	2,292,946	55	83	100	20	2,161,207	62	43,142	14	88,597	21
2D	Stairs	725,000	17	31	37	15	506,401	15	168,646	55	49,953	12
2E	External Walls	15,923,791	378	145	174	25	13,659,194	392	995,093	324	1,269,504	305
2F	Windows & External Doors			84	101	25						
2G	Internal Walls & Partitions	2,258,748	54	41	49	37	1,814,558	52	291,120	95	153,069	37
2H	Internal Doors	898,283	21	25	30	30	806,243	23	92,040	30	0	0
2	Superstructure	35,329,734	840	561	673	172	30,518,290	876	2,733,823	891	2,077,618	499
3A	Wall Finishes	1,617,653	38	30	36	36	1,494,933	43	122,720	40	0	0
3B	Floor Finishes	1,204,670	29	63	76	76	1,080,050	31	107,380	35	17,240	4
3C	Ceiling Finishes	1,022,270	24	27	32	32	897,650	26	107,380	35	17,240	4
	Entrance hall fit-out	1,029,375	24				1,029,375	30		0	0	0
	Lift loby fit-out	1,367,046	32				1,367,046	39		0	0	0
	WC fit-out	1,568,630	37				1,568,630	45		0	0	0
3	Internal Finishes	7,809,644	186	120	144	144	7,437,684	214	337,480	110	34,480	8
4	Fittings	2,065,504	49	24	29	29	1,754,466	50	255,460	83	55,279	13
	Shell & core - GIA 34,836m² @ £384/m²	13,386,473	318				13,386,473	384		0		0
	Cat A - NIA 23,705m² @ £330/m²	7,825,293	186				7,825,293	225		0		0
	Affordable rest GIA 3,068m² @ 300	920,400	22					0	920,400	300		0
	Allowance for retail	150,000	4					0		0	150,000	36
5A	Sanitary Appliances			10	12	12						
5B	Services Equipment (kitchen, laundry)			16	19							
5C	Disposal Installations			8	10	10						
5D	Water Installations			17	20	20						
5E	Heat Source			28	34	34						
5F	Space Heating & Air Treatment			134	161	150						
5G	Ventilating Systems			50	60	60						
5H	Electrical Installations (power, lighting, emergency lighting)			124	149	149						
5I	Gas Installations			5	6	6						
5J	Lift Installations	3,040,000	72	28	34	34	2,680,000	77	140,000	46	220,000	53
5K	Protective Installations (fire fighting, sprinklers, lightning protection)			12	14	14						
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite)			21	25	25						
5M	Special Installations - (window cleaning, BMS, medical gas)			19	23	23						
5N	BWIC with Services	1,286,000	31	15	18	16	1,064,845	31	93,781	31	127,374	31
5O	Builders Profit & Attendance on Services			11	13	12						
	PVs on roof	392,000	9				392,000	11		0		0
5	Services	27,000,166	642	498	598	565	25,348,611	728	1,154,181	376	497,374	119
6A	Site Works											
6B	Drainage	30,000	1					0		0		0
6C	External Services	1,471,000	35				1,215,737	35	158,979	52	126,285	30
6D	Minor Building Works											
	SUB TOTAL	79,753,433	1,896	1,306	1,567	910	71,225,453	2,045	5,296,289	1,726	3,231,399	775
6	External Works	1,501,000	36				1,215,737	35	158,979	52	126,285	30
	SUB TOTAL	81,254,433	1,931				72,441,190	2,079	5,455,268	1,778	3,357,684	806
7	Preliminaries 16%	12,900,000	307			146	11,600,000	333	800,000	261	500,000	120
	Overheads & Profit 4%	3,800,000	90			42	3,500,000	100	200,000	65	100,000	24
	SUB TOTAL	97,954,433	2,328			1,098	87,541,190	2,513	6,455,268	2,104	3,957,684	950
	Price & Design Risk & contingency 6%	5,900,000	140				5,100,000	146	500,000	163	290,000	70
	Contingencies											
	Grand Total (Exc VAT)	103,854,433	2,469				92,641,190	2,659	6,955,268	2,267	4,247,684	1,019
	say	103,850,000	2,468				92,640,000	2,659	6,960,000	2,269	4,250,000	1,020
		£/ft²	229			check	103,650,000					
	BCIS benchmarking - inc prelims & OHP			Blended	1,263			1,201		1,342		859
	Add EO cost of substructure			43			44					
	Add demolitions			136			133		209		109	
	Add ext works/ infrastructure			36			35		52		30	
	Add EO cost of frame			304			322		130			
	Add EO cost of roof			35			42					
	Add EO cost of external façade			328			342		274			
	Add EO cost of finishings			42			70					
	Add EO cost of fittings			20			21					
	Add EO cost of services			77			77					
				1,021			1,086		665		140	
	Add prelims		16.00%	163			174		105		22	
	Add OHP		4.00%	47	1,232		50	1,310	31	803	6	168
					2,495			2,511		2,144		1,028
	Add contingency		6.00%		150			151		129		62
					2,645			2,662		2,273		1,088

BPS Chartered Surveyors
Date: 17th November 2014