Financial Viability Addendum Report following Review by BPS

330 Grays Inn Road, London

On behalf of: 330 Grays Inn Road Limited

March 2021

72 Welbeck Street London W1G 0AY
Tel. 020 7493 3338
www.geraldeve.com

GERALDEVE

This assessment has been produced having regard to and abiding to the requirements of **RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019)**.

1: In preparing this viability assessment, we confirm that we have acted with objectivity, impartiality and without interference. We have also complied with the requirements of PS2 Ethics, competency, objectivity and disclosures in the RICS Valuation – Global Standards 2017 in connection with valuation reports;

2: This document sets out our terms of engagement for undertaking this viability assessment (Introduction). We declare that to the best of our knowledge there is no conflict of interest (paragraph 1.1 of the Conflict of Interest Professional Statement of January 2018), Other than, if necessary, where stated in the report circumstances which fall under Informed Consent (as per the Conflict of Interest Professional Statement).

3: We confirm that our fee basis for undertaking this viability assessment is neither performance related nor involves contingent fees.

4: We confirm that this viability assessment has been prepared in the full knowledge that it may be made publicly at some point in the future. Where we believe there to be information, which is commercially sensitive, that we have relied upon in arriving at our opinion we have stated so in our report. We request that permission is sort by the instructing/applicant prior to being made public to ensure commercially sensitive or personal information does not infringe other statutory regulatory requirements.

5: We confirm that we have not undertaken an area-wide viability assessment concerning existing and future policies against which the scheme will in due course be considered. We have confirmed with the instructing party that no conflict exists in undertaking the viability assessment, we have also highlighted to the Council where we have previously provided advice relating the site in question. Should this position change we will immediately notify the parties involved. We understand that if any of the parties identified in this report consider there to be a conflict that we would immediately stand down from the instruction.

6: In this viability assessment we have set out a full justification of the evidence and have also supported our opinions where they differ from the applicant's advisor with a reasoned justification. We note in due course the emphasis within the RICS Professional Statement on conduct and reporting in Financial Viability in Planning the need to see to resolve differences of opinion wherever possible.

7: In determining Benchmark Land Value (if required) we have followed NPG (Viability) (2019) setting out this in detail within the Benchmark Land Value section.

8: We make a clear distinction in our report between preparation/review of a viability assessment and subsequent negotiations. Such negotiations may be identified as part of an addendum documents and may relate to S106 agreements.

9: This report includes a section relating to sensitivity analysis and accompanying explanation and interpretation of the results of our viability assessment. This enables the reader to consider the impact on the result of changes to key variables in the appraisal having regard to the risk and return of the proposed scheme.

10. We confirm we have advocated transparent and appropriate engagement between the Applicant and the Council's viability advisors.

11: This report includes a non-technical summary at the commencement of the report which includes all key figures and issues relating to the assessment.

12: We confirm this report has been formally reviewed and signed off by the individuals who have carried out the assessment and confirm that this FVA [as above*] has been prepared in accordance with the need for objectivity, impartiality and without interference. Subject to the completion of any discussion and resolution or note of differences, we will be retained to then subsequently advise upon and negotiate the Section 106 Agreement.

13: All contributors to this report have been considered competent and are aware of the RICS requirements and understand they must comply with the mandatory requirements.

14: We were provided an adequate time to produce this report, proportionate to the scale of the project and degree of complexity of the project.

GERALDEVE

Producer:

S Bolitho

Sarah Bolitho MRICS

Date: 18/03/21

Reviewer:

Alex Brown MRICS MRTPI

Date: 18/03/21

NOTE: This report has been produced in accordance with National Planning Policy Framework (2019) and Planning Policy Guidance (as amended). Gerald Eve LLP can confirm that the report has been produced by qualified Practitioners of the Royal Institution of the Chartered Surveyors (RICS) and that the report has been produced in accordance with RICS Practitioner guidance on viability in planning matters.

The contents of this report are specific to the circumstance of the Proposed Scheme and date of publication; and it together with any further information supplied shall not be copied, reproduced or distributed to any third parties for any purpose other than determining the application for which it is intended. Furthermore, the information is being supplied to London Borough of Camden on the express understanding that it shall be used only to assist in the financial assessment in relation to the Application. The information contained within this report is believed to be correct as at the date of publication, but Gerald Eve LLP give notice that:

(i) all statements contained within this report are made without acceptance of any liability in negligence or otherwise by Gerald Eve LLP. The information contained in this report has not been independently verified by Gerald Eve LLP;

(ii) none of the statements contained within this report are to be relied upon as statements or representations of fact or warranty whatsoever without referring to Gerald Eve LLP in the first instance and taking appropriate legal advice;

(iii) references to national and local government legislation and regulations should be verified with Gerald Eve LLP and legal opinion sought as appropriate;

(iv) Gerald Eve LLP do not accept any liability, nor should any of the statements or representations be relied upon, in respect of intending lenders or otherwise providing or raising finance to which this report as a whole or in part may be referred to;

(v) Any estimates of values or similar, other than specifically referred to otherwise, are subject to and for the purposes of discussion and are therefore only draft and excluded from the provisions of the RICS Valuation – Professional Standards 2014; and

(vi) Information in this report should not be relied upon or used as evidence in relation to other viability assessments without the agreement of Gerald Eve LLP.

Contents Page

Appendices

Executive Summary (non-technical)

1. This document is in response to BPS' review (on behalf of the London Borough Camden) of Gerald Eve's Financial Viability Assessment, dated December 20, in relation to 330 Grays Inn Road, London. BPS submitted a final report in February 21.

2. In its FVA, GE proposed that the Scheme was unable to viably support any additional affordable housing beyond that proposed by the Applicant. This package comprised of 50% affordable housing (by hab room) plus S106 and CIL of £6.5 million. GE and BPS did not reach the same conclusion, with BPS concluding that the Scheme produces a surplus of £4,691,476.

3. As such, we have been instructed to provide an addendum report to support reaching agreement relating to the areas of difference with BPS.

4. The core areas of difference between the GE FVA and BPS' review relate to:
   - Private residential sales values;
   - Affordable values;
   - Hotel value;
   - Office void period and efficiency;
   - Profit target for private residential units;
   - Build Costs in respect of Design and Build allowance; and
   - Benchmark Land Value.

5. This Addendum seeks to resolve all areas of difference. Justification is provided throughout for either an update to our opinion, or for remaining of our opinion as set out in the GE FVA.

6. The Applicant has also increased its affordable workspace offer from 465 sq m NIA (5,005 sq ft) to 659 sq m NIA (7,093 sq ft), which has been factored into our updated appraisals.

7. In terms of overall conclusions, whilst we have accepted many of BPS's inputs in this report, our updated appraisal still shows a deficit position. We therefore remain of the opinion that the Scheme cannot afford any additional planning obligations over and above the level already offered.

8. Due to the material valuation uncertainty as a result of Novel Coronavirus (COVID – 19) this report is supported by the most robust available evidence at the date of the

report. It is recognised this evidence only reflects up to Q1 2020. Our financial viability assessment, whilst reported in accordance with the RICS Professional Statement on "Financial Viability in Planning: report and conduct" is therefore provided based on material uncertainty.

1 Introduction

1.1 This document is in response to BPS' review dated February 21 (on behalf of the London Borough of Camden (LBC)) of Gerald Eve's (GE) Financial Viability Assessment (FVA) dated December 20 (on behalf of 330 Grays Inn Road Ltd) in relation to a planning application ("the Scheme") at 330 Grays Inn Road, London ("the Site").

1.2 We proposed in our FVA dated December 20 that the Scheme was unable to viably support any additional affordable housing beyond that proposed by the Applicant. This package comprised of 50% affordable housing (by hab room) plus S106 and CIL of £6.5 million. GE and BPS did not reach the same conclusion, with BPS concluding that the Scheme produces a surplus of £4,691,476.

1.3 We recognise that the BPS report did vary on several assumptions and therefore this Addendum looks to provide additional commentary and evidence to support meeting an agreed position on the detail as well as reaching agreement on the overall conclusions.

1.4 BPS differ in their approach to setting out their position, providing a total surplus figure. GE set out the deficit position in relation to the scheme not achieving a target return. We set out a comparison of viability outcome below:

Table 1: Summary of Appraisal Results

	GE FVA December 20	BPS FVA Review February 20
Benchmark Land Value	£39.6m	£12.2m
Target Rate of Return (Profit on GDV)	Private Residential: 20% Affordable Residential: 6% Commercial: 15% 15.6% (blended)	Private Residential: 17.5% Affordable Residential: 6% Commercial: 15%
Surplus/Deficit	-5.6% profit on GDV	£4,691,476

1.5 This report sets out GE's updated position on viability, following our review of BPS's report.

Confirmation of Terms of Engagement

1.6 Subsequently to receiving the BPS report (February 21), GE have been instructed by 330 Grays Inn Road Ltd to provide an Addendum report to support reaching agreement relating to the areas of difference with BPS following the conclusions of their review.

1.7 We confirm that we have had adequate time to complete the instruction.

Reporting Procedures

1.8 We note the emphasis within the RICS Professional Statement on conduct and reporting in Financial Viability in Planning the need to seek to resolve differences of opinion wherever possible. This Addendum looks to resolve areas of detail where differences of opinion currently exist.

1.9 As per our FVA and Pre-App FVA, this Addendum has been drafted in accordance with the RICS Professional Statement Financial Viability in Planning: conduct and reporting (1st edition 2019).

Material valuation uncertainty due to Novel Coronavirus (COVID-19)

1.10 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted on global financial markets. Travel restrictions have been implemented by many countries. In the UK, market activity is being impacted in all sectors. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a viability judgement.

1.11 Our financial viability assessment, whilst reported in accordance with the RICS Professional Statement on "Financial Viability in Planning: report and conduct" is provided on the basis of material uncertainty. Consequently, less certainty – and a higher degree of caution – should be attached to our financial viability assessment than would normally be the case.

2 Agreed Assumptions

2.1 We have reviewed BPS' FVA review report of February 21, and note the key appraisal assumptions adopted in the GE FVA December 20 that they accept are as follows:

Table 2: Summary of Agreed Assumptions

Item	Agreed Assumption	Source for GE FVA (December 20)
Gym value	£4.25 million	GE
Ground rents	Nil value	GE
Base build costs (provisionally agreed)*	£138,389,422	Turner & Townsend
Contingency	5% (5.25% in cost plan)	GE
Professional fees	12%	GE
Disposal fees	Residential: 1.5% sales agents/legals, 1% marketing (2.5% overall) Commercial: 1.5% sales agents/legals; 15% letting agent/legals. Purchasers costs at 6.8%.	GE
Profit target	Affordable Housing: 6% Profit on GDV Commercial: 15% Profit on GDV	GE

** BPS have provisionally agreed the T&T build costs but have requested further information in respect of a number of items. A response from T&T providing further information is appended to this report.*

3 Areas of Difference

3.1 We also set out the areas of difference between our FVA and BPS' report below:

Table 3: Summary of Assumptions Not Yet Agreed

Ref	Item	GE FVA December 20 Assumption	BPS FVA Review February 21 Assumption
A	Private residential values	£37,895,000	£41,025,000
B	Affordable housing values	LAR: £149.40 psf IR: £326.69 psf	LAR: £100 psf IR: £240 psf
C	Hotel value	£69,000,000	£83,130,000
D	Office void cost	Reflected in value	£1,681,537.50
E	Build cost – Design & Build contingency	2.5% (included in cost plan)	Not included
F	Profit target – private residential	20% profit on GDV	17.5% profit on GDV
G	Finance	7%	6.5%
H	Benchmark Land Value	£39,600,000	£12,200,000

A. Private Residential Values

3.2 BPS do not agree with the private residential values within the FVA, based on advice provided by Savills. It is noted that BPS broadly accept the values provided for the studio and 1-bed units, however, they consider there to be a considerable margin in respect of the 2-bed units and duplexes (3-beds). The difference in GDV for the private residential units between GE/Savills and BPS is as follows:

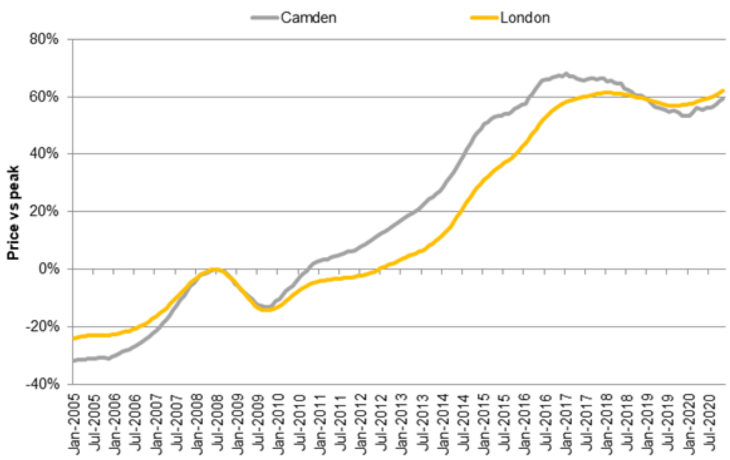
Table 4: Summary of Private Residential Values

	GE FVA Private Residential GDV	BPS FVR Private Residential GDV
GDV	£37,895,000	£41,025,000

3.3 Savills have reviewed BPS's comments and have provided the following response:

We note that BPS refer to the Savills Spotlight "Revisions to our mainstream residential market forecasts". As indicated in the title, these forecasts relate to the mainstream market only which for London is defined as properties with values below £1,000 per sq ft. The subject site sits within the Prime market and therefore these forecasts and references to growth in 2020 do not apply. Our forecasts for the Prime central London market from October 2020 show predicted falls of -0.5% in 2020 and we attach the relevant publication[1]*. Since we published these forecasts we can now confirm the actual price growth across Prime central London in 2020 was -0.4% demonstrating that the Prime London market was not in a period of growth in 2020.*

We understand there is disparity between our pricing of the 2 and 3 bed units at the proposed development. BPS rely on outdated transactions at St Pancras Place and Kings Cross Quarter for their pricing of units and whilst we don't disagree that they are in close proximity to the subject site, the date of the transactions mean the evidence is unreliable. The most recent transactions at both of these schemes are from 2018 and 2019 at a very different time in the market to today. We provide below an updated chart which shows the price movement in Camden over the past 15 years. We can see from this that prices across the whole of Camden have fallen -2.0% since January 2018, whilst London saw growth of 2.1% over the same period. Although there has been some growth in the borough over the last year, prices are still below the levels seen in 2018 and 2019.



[1] **Appendix 1** – Savills Prime London Residential Bulletin Q3 2020.

GERALDEVE

With a lack of recent sales evidence in the immediate area to the site we have used the recent transactions at the nearby developments of Postmark and Bourne to benchmark our pricing for the subject development, whilst taking into consideration the specific constraints of the site. We therefore consider our position on pricing to be a fair reflection of the site characteristics and scheme proposals taking into account the available evidence base. Based on our in-depth first-hand experience of the Prime London new build market, we consider BPS's capital values to be unachievable for this site in the current market conditions.

3.4 As per the advice from Savills and for the reasons above, we have continued to adopt their private residential pricing.

3.5 In terms of our own comments, we note at paragraph 5.10 of their report, BPS refer to the Regal Homes scheme. Our understanding of this comparable is that the majority of the units exchanged in 2014/15 and not in 2018.

3.6 Paragraph 5.42 – our understanding is that the majority of the units at Kings Cross Quarter were sold in mid-2016 to late 2017. The majority of the units at St Pancras Place occurred in 2015 and not in 2018/19.

3.7 Paragraph 5.44 – our understanding is that the Bourne Estate development is not simply an estate regeneration scheme bult out by the Borough. It comprises a mixed-tenure development including 75 new homes with improved public realm and open space. The development is considered to be successful and has won numerous awards[2]. It was undertaken by 'Camden Living', the development company setup by the Borough. The Camden Living website describes the development as follows:

Bourne is a collection of stylish new apartments within a Grade II listed Edwardian estate. Located minutes from Chancery Lane station in an area that has been at the forefront of the return to authentic city living, this is the perfect opportunity to rediscover the pleasures and the conveniences of contemporary, urban culture[3].

[2] https://matthewlloyd.co.uk/projects/bourne-estate/

[3] http://camdenliving.co.uk/development/bourne-estate/

3.8 We understand from LBC's website[4] that out of the 75 homes, 34 are social rented homes and 10 are let at Camden Living Rents (intermediate), meaning a social rented component of 45% and not 59% as BPS suggest.

3.9 Paragraph 5.56 – BPS refer to the Argent 'Gasholder' redevelopment. Our understanding is that the gasholders and related redevelopment within them only make up a relatively small component part of the development.

B. Affordable Housing Values

3.10 The table below sets out the affordable housing values presented in the FVA and those within BPS's review report:

Table 5: Summary of Affordable Residential Values

	GE FVA Affordable Residential Values (£psf)	BPS FVR Affordable Residential Values (£psf)
London Affordable Rent	£149	£100
Intermediate Rent	£327	£240

3.11 The GE Affordable Housing team has reviewed the values applied by BPS and consider them to be within a reasonable range of those adopted by GE on this specific site. The differences between the two sets of values are likely to be attributed to the unit sizes, management and maintenance deductions that have been applied to the unit types, as well as the differences in void rates. We are therefore happy to adopt the values adopted by BPS and have done so for the purposes of this Addendum report.

[4] https://news.camden.gov.uk/estate-is-bourne-again/

3.12 In terms of the affordable housing revenue timings, we note that BPS have assumed this will be received monthly throughout the construction period. This does not reflect our understanding of how affordable housing receipts are received. We have therefore reset the revenue timings so that the affordable housing is received at practical completion.

C. Hotel Value

3.13 We note that there is a significant difference in the value applied to the hotel in GE's FVA (£69m) and BPS' report (£83.1m).

3.14 To substantiate their GDV, BPS rely on a report provided by Melvin Gold, which sets out EBITDA figures, to which they apply an exit yield of 4.5%.

3.15 We have shared Melvin Gold and BPS's hotel calculations and evidence with the GE Hotels team, who have reviewed this. They have advised that they consider the Melvin Gold build-up of revenue to be broadly reasonable. They do, however, have a different opinion in respect of the exit yield applied by BPS in their valuation calculations.

3.16 For contextualisation, Gerald Eve has advised on over 80% of branded hotels within 0.75 miles of the proposed hotel and therefore has extensive experience and holds confidential KPIs. Following the GE Hotels team review, they have provided us with the following specific comments:

The global hotel market is currently experiencing an unprecedented downturn caused by the global pandemic of COVID-19. The UK remains in a national lockdown with restrictions due to ease over the forthcoming months and hotels are scheduled to re-open from 17 May. Current market sentiment suggests that hotels are forecast to recover to 2019 trading levels, in 2023/4 (depending on segmentation and reliance on foreign/international travellers. This anticipated recovery is subject to a continuous successful role out of the vaccination scheme, and no new variants entering the UK which could cause a further national lockdown and ban on tourism in the UK.

In our opinion, this increase in uncertainty within the market has caused a material shift in yields with yields softening between 25 to 50 BPS across the capital depending on the asset predominately due to the lack of affordable debt. There remains a significant number of potential purchasers however the gap between buyers and vendors expectation is too wide. Were the UK economy to enter a prolonged recession, then hotel values will ultimately be affected further as a consequence of increased unemployment and reduced earnings. However, it should be noted, London is one of the top three hotel markets in the world and that during the GFC, London did not see material discounting on values for existing hotels.

Whilst the current environment is likely to result in a softening of yield for the subject property, there are additional factors which require further discussion, namely that of location and product type. The subject hotel, is to be an upscale offering, located on the periphery of Kings Cross. Whilst the broader area has experienced significant regeneration across the past decade, the position of the proposed hotel is that it is located away from this new bustling hub and the likes of Coal Drops Yard and Granary Square which are situated 0.8 miles to the north west of the property. This market therefore remains untested both with few products of this type and few trading hotels of the proposed specification in the immediate vicinity. We believe the market would be cautious when seeking to acquire a site in this location. This uncertainty creates an increased level of risk and therefore a further softening in yield.

Gerald Eve has recently agreed a valuation of the Euston Premier Inn with BPS/Melvin Gold at a capitalisation rate of 4.25% (in 2019). In our opinion there should be a market/COVID-19 adjustment of 0.25% and then a locational/unproven trading history/unknown covenant adjustment of 0.25% (PI Euston is situated opposite a major transport hub and is an established asset with a proven trading history). All things considered, we are of the opinion that an appropriate capitalisation rate for the property is between 4.75% to 5.00%, reflective of the location of the asset, the current economic conditions following the COVID-19 pandemic and that the asset is not currently operational and therefore has an associated level of risk for this level of specification.

There is limited transactional evidence post COVID-19 in London and there are no direct comparable sales to benchmark this proposed hotel against, which complicates the valuation process. We detail below what we consider to be the most salient comparables.

We understand that the Crowne Plaza Kensington sold in April 2019 for circa £89,000,000. This was equivalent to circa £528,000 per key. This hotel was in a significantly more desirable location, in West London, to the subject property, is a well-tested product and has historically achieved a strong trading performance (when compared to the speculative development of the subject hotel). As such the proposed subject property would command a softer yield and a lower value on a price per key basis.

Another useful comparable to help set the tone of transactions prior to the pandemic is the Days Inn Waterloo. The 162 key property transacted in April 2019 for £55,100,000 equivalent to circa £340,100 per bedroom. Whilst a useful comparable, Kings Cross is considered a more attractive location having undergone extensive ongoing regeneration and the room sizes are smaller in this hotel. We therefore are of the opinion that the subject property would achieve a higher value on a per key basis.

A final useful comparable is The Clayton Hotel in Aldgate. We understand that hotel transacted for an estimated £89,000,000 equivalent to circa £420,000 per key. The hotel provides a 4-star offering similar to that of the proposed hotel however is located in the City centre, likely to attract a stronger corporate demand. On balance we consider that the subject hotel will achieve a similar value on a price per key basis.

The comparables are useful in helping set the tone of the market prior to the pandemic and achievable yields post recovery. As aforementioned, there is significant investor demand today but the gap between investor and vendor expectations is too great and there is yet to be transactions in central London over £10m to quantify this gap. This particular asset will remain attractive given its lot size and location, which has the ability to improve if further regeneration of the area continues.

In the balance of compromise, we would suggest adopting a capitalisation rate of 4.75% (25 bps for COVID-19 and 25 bps for unproven trading history/weaker location/specification), which results in a Gross Development Value of £78,580,000.

3.17 Based upon the above advice, we propose to adopt the Melvin Gold hotel revenue build up and an exit yield of 4.75% (softer than BPS's 4.5%). Using BPS's own calculations, this results in a hotel GDV of £78.58 million, reflecting £431,758 per key.

3.18 We also note that at point 3.13 of their report, BPS make the following comment:

"As highlighted in the body of our report we appreciate that whilst currently the hotel market is uncertain owing to Covid-19, we have had regard to the available market evidence which whilst slightly dated indicates that Savills have undervalued the hotel element and therefore we do not accept the values proposed for this element. We have taken a forward-looking approach based on the realistic assumption that the hotel market would recover to its former market conditions post Covid and at the point of completion. To assume a permanent impact on hotel business arising from Covid would in our view be to assume an ongoing pandemic. The rapid vaccine roll out suggests that significant trading restrictions are likely to have been lifted by mid 2021, well in advance of any prospect of practical completion of this scheme."

3.19 As highlighted by our Hotels team, we are of the opinion that there is currently market uncertainty surrounding the hotel market and that this comment made by BPS is somewhat overly optimistic and/or too forward-looking. The operative date of assessment (or valuation date) for the viability assessment is the present day. In our opinion, whilst currently subdued, there is a good prospect that the hotel market will improve over the coming months. It will not, however, 'bounce back' instantly, post-Covid and it would be reasonable to assume that there will be a gradual improvement in hotel trading in respect of central London hotels when 'lockdown' ends and trading is legally permitted to resume, in approximately mid-2021. In other words, it is highly unlikely that the central London hotel market will have recovered to pre-Covid levels until some way into the future. The risk attached to this further supports our conclusions that a higher yield of 4.75% is reasonable in this instance, as opposed to BPS's yield of 4.5%.

D. Offices – Void Period and Efficiency

<u>Void Period</u>

3.20 We have relied upon void period and cost assumptions provided by Cushman & Wakefield ("**C&W**") in their report at Appendix 8 of the FVA. Within their FVA review, BPS manually calculate the cost of the office void period, broadly agreeing with C&W's assumptions (and therefore GE's). However, BPS are of the opinion that an appropriate void period is six months, as opposed to 12 months, as advised by C&W. BPS have provided us with their office void cost calculation.

3.21 Based upon the C&W advice, GE and the Applicant considers that a 12-month void period is appropriate at the current time, as per the FVA. Further, that a void period of six months does not have regard to the current market, specifically the uncertainty and the economic impact of COVID-19. In our opinion and experience it would be reasonable to allow for a more nominal void period of six months under normal market conditions and not the prevailing conditions.

3.22 BPS at section 5.108 of their report refer to pre-letting, as follows:

"Noting the amount of pre-letting activity for new build accommodation we consider C&W's void allowance of 12 months across all of the accommodation to be somewhat harsh, we have reduced it to 6 months to reflect the inevitable element of pre-letting."

3.23 We consider that BPS's view is overly optimistic view, particularly given that the approach already assumes that half of the office space could be pre-let, which is in itself an optimistic assumption given that Covid-19 has significantly worsened pre-letting activity. We are therefore of the opinion that the void period should not be reduced based on potential for pre-letting.

3.24 To substantiate our views in this regard we have referred to the following London office market reports which highlight the ongoing uncertainty facing the sector:

- Carter Jonas – The London Office Market Q3 2020 – A Guide to Rents, Rent Free Periods & Market Trends which states that economic uncertainty is causing a significant number of those businesses that were considering a move prior to the outbreak of the COVID-19 pandemic have chosen to put their relocation plans on hold and are taking a 'wait and see' approach before committing to a large capital investment programme that an office relocation represents. Additionally, the greater bias towards working from home and shift working to comply with social distancing measures have caused businesses which were considering moving to larger premises to instead stay put.

- Colliers International – London Offices Snapshot January 2021 which comments that only when it is safe for the entire workforce, will companies be able to analyse what their new demands are in terms of usable space, after which they can draw up and implement new workplace strategies.

- Oktra – London Office Rent Report 2021 Edition comments that the UK faces continued economic uncertainty as the pandemic and Brexit persist; while the pre-pandemic market saw a decline in available Grade A office space, the current market sees an influx of available space as companies downsize, go fully remote and look to sub-let their space, or simply run out their current office lease, deferring property decisions until more certain times.

3.25 Whilst we and the Applicant remain of the opinion that the correct void period to allow for is 12 months, in the interest of seeking to conclude viability matters, we propose to adopt a reduced period of nine months, on a without prejudice basis. This effectively splits the difference between GE and BPS and is considered reasonable given the advice from C&W, our comments and the research above.

3.26 As BPS note in their report and appraisal, holding costs should be deducted over the void period. The principle of this is therefore agreed in principle and the assumptions for the calculation of the void period adopted are as follows:

- 50% of ERV to reflect business rates liability;
- £10psf service charge; and
- 50% adjustment for the floorspace likely to be pre-let.

3.27 Based on the above assumptions and given we are now proposing a nine-month void period in the interest of seeking to reach agreement with BPS, we calculate the office void costs for the Scheme to be -£1,740,663 in total.

<u>Efficiency</u>

3.28 We also note that at section 5.89 of their report, BPS refer to the proposed office scheme's efficiency, as follows:

"We note this represents a 70% efficiency between gross and net and is much less efficient than we would expect compared say with office efficiency where we would expect 80-8% and suggests there may be scope to improve this through further design development, as such further clarity on the design would be welcome".

3.29 We understand from the Applicant that the reason for the 70% efficiency is due to a combination of factors, including the irregular shape of the Site; the amount of service areas and plant; and the fact that the office floors step back at the upper levels but the core retains the same dimensions running through the building.

GERALDEVE

E. Build Cost and Design & Build Risk

3.30 We note that BPS's QS has provisionally agreed the build costs provided by Turner and Townsend (T&T) as reasonable, subject to a number of clarifications. We include at **Appendix 2** a response from T&T which includes the information as requested.

3.31 Further, we note the comment made by BPS at section 7.3 of their report, as follows:

"We dispute the allowance in respect of the Design & Build "Risk" Contingency which we have removed on the basis of our Cost Consultant's comments. 5% contingency (all-in) is industry standard for viability test purposes so it is somewhat surprising GE continue to include an additional 2.5% as an additional effective contingency on cost."

3.32 As set out in the costs response by T&T, the 2.5% D&B Risk has been allowed for as it is the Applicant's intention to for the Scheme to be procured via a Design and Build procurement route. This therefore comprises a known and actual cost that the Applicant is expecting to pay in delivering the Scheme.

3.33 In response to BPS' query over why GE has continued to adopt the 2.5% D&B Risk allowance, we can clarify that this has been applied for the above reason. A further reason is that on a 'stand-back' basis, it was felt that a total contingency equating to 7.5% 'all-in' was reasonable, in light of the complex nature of the mixed-use Scheme, the central location of the Site and its proximity to sensitive adjoining occupiers and the London Underground railway line.

3.34 A further reason why it was felt that such a contingency was reasonable is the fact that 15% profit on GDV has been applied in respect of the commercial uses in the Scheme (including the substantial office and hotel components, to be delivered speculatively). We wish to highlight that in our experience, whilst 15% profit on GDV is a common allowance / target rate of return for many commercial developments in Greater London, this is at the bottom of the target range referenced in National Planning Guidance (NPG) (the range being 15% to 20% on GDV). In our experience, where a profit allowance is being applied at the bottom end of a range, it is not uncommon to apply an additional level of contingency in an appraisal, often at the 2.5% to 5% level, often referred to as a 'Developer's Contingency'.

3.35 However, notwithstanding the points made above, in the interest of reaching agreement with BPS and concluding viability discussions, we propose to remove the 2.5% D&B Risk allowance from our appraisals, albeit on a without prejudice basis. We caveat however, that due to the fact that the Applicant considers this to comprise a real/actual cost, it reserves the right to revisit this assumption at a later date, should further discussions be required.

3.36 Also, in terms of build programme, we note that in their appraisal, BPS reset the build programme so that the construction of each block commences at the same time. This deviates from the build programme appended to the FVA, which shows that the construction of the blocks will be slightly staggered. We have changed the build programme settings in the appraisal back to marry up with the FVA build programme accordingly, which reflects how the Site will be built out in practice.

3.37 We set out further, specific, comments in respect of profit below.

F. Profit / Target Rate of Return

3.38 As BPS note, GE has to date adopted a profit allowance of 20% on GDV for the private residential accommodation. In their review, BPS consider that a developer's profit of 17.5% on GDV for the private residential element to be full, reasonable and in line with the Three Dragon Technical Study, noting this has been used to inform and support the Mayor's New London Plan and is considered a leading planning evidence base.

3.39 BPS also consider at point 7.32 of their report that whilst they appreciate that there has been an immediate short-term impact on the market as a result of Covid-19, it would be unreasonable of the applicant to use the short-term impacts in order to inflate their developer‘s profit excessively noting that many markets have in fact seen a major upswing in demand with only a relatively limited impact on pricing. We are unsure of the evidence base for this statement, particularly when considering London markets, and are of the view that it is overly optimistic.

3.40 BPS also state at paragraph 7.32 that neither party can accurately predict the longer-term impact of Covid-19, however that the timescale of this project and the rapid vaccine rollout opens up the possibility of normal conditions returning. We do not disagree with this statement, however, we comment that the operative date for the viability assessment is the present day and any recovery will not be immediate.

3.41 The above comments notwithstanding, as we are keen to reach agreement with BPS, we propose to also adopt a private residential target of 17.5% on GDV, as per BPS' review. This is therefore agreed.

3.42 In doing so, we wish to highlight the comments made above in respect of the 15% on GDV that has been adopted in respect of the office and hotel elements. These comprise the two largest components in terms of GDV and 15% is at the bottom end of the range referenced by NPG. Whilst we are not proposing to revisit this assumption in this report (because we are seeking to reach agreement with BPS on an overall basis), we wish to make this point so that it can be noted by BPS and the Borough.

3.43 Finally, we note that in their appraisal, BPS have applied a rate of 6% on GDV to the affordable workspace. This is not agreed. In our experience there is not a precedent to treat affordable workspace in the same way as affordable housing (which has a lower risk profile than private residential, hence the reduced return often applied, more akin to a contractor's return). From a risk/return perspective, in our opinion, there is as much risk in delivering the affordable workspace component as there is in delivering the 'market' office component (if not more, hence the yield differential due to covenant) and for this reason we have retained our assumption of 15% on GDV in respect of the affordable workspace.

G. Finance

3.44 We adopted a finance rate of 7.0% within the FVA (Dec 20). We note that within their report BPS comment that finance costs typically range from 6.0% to 7.0% and that they have adopted a 6.5% finance cost as the mid-point in their range.

3.45 As set out in the FVA, we do not agree that the cost of finance is currently 6.5% for complex developments such as this. However, in order to agree a viability position, we are willing to adopt a finance cost of 6.5% in this instance, as applied by BPS in their FVA review.

H. Benchmark Land Value

3.46 We note that the difference between GE and BPS for the BLV is as follows:

Table 6: Summary of BLV – GE and BPS Positions

	GE BLV	BPS BLV
BLV	£39,600,000	£12,200,000

3.47 We have reviewed BPS's comments in respect of the BLV proposed in our December 20 FVA and have further consulted our Specialist valuation team for their views.

3.48 It appears to us that BPS are approaching the BLV from the perspective that the Site is a low value and low-quality property, in an area of limited or no demand. Contrary to this, our Specialist team's opinion is that the Site comprises a freehold Use Class E (formerly D1) estate, in the 'Knowledge Quarter' (a high value area), close to numerous universities and other institutions. The estate was until recently a fully-functioning, operational hospital, including consulting rooms, that had a substantial passing rent of £1,564,920 pa.

Demand

3.49 We do not agree with BPS's opinion that there would be limited demand for the Site, for a continuation of the existing use. BPS make comment in relation to this at section 8.24 of their report, as follows:

"Put simply if the NHS don't want c. 140,000 sq ft of 2nd hand medical accommodation (refurbished) for the purpose of the exercise, then which 3rd party medical occupiers would genuinely want to take occupation?"

3.50 This point is repeated by BPS at section 8.54 of their report, questioning which occupiers are in this market for this quality and scale of accommodation, especially noting that Covid-19 has polarised the market, with prime space remaining in demand and sub-standard accommodation being largely out of favour.

3.51 Our Specialist team have provided us with the following response on this matter:

The D1 (Use Class E) market in central London is rather opportunistic, with many occupiers competing to be in the best locations. This is within the Knowledge Quarter which claims to have the world's greatest cluster of knowledge-based institutions and surrounded by various universities and research institutions. On this basis, we remain of the opinion that there is demand.

Universities both domestic but more likely international would have a very strong interest – we are aware of a direct requirement in central London from an Indian university and have seen high demand in schools and colleges we are selling from Asian countries and it would not be unreasonable to assume demand would arise for the whole Site. Whether for wider D1 or existing hospital use, demand cannot be ruled out. There would be strong demand for piecemeal parts also.

Other demand could be expected to come from:

- *Private healthcare operators – based on the location and existing use this would be reasonable to expect.*
- *Independent schools – principal demand would be for use as a secondary school or private sixth form college but probably for part only. We are aware of several parties with ongoing requirements for educational space in central London.*
- *Department for Education / EFSA for educational use. They currently have an urgent requirement for educational space for SEN schools in central London.*

3.52 Given the above, we remain of the opinion that there is a reasonable prospect of demand for the Site in its current form and planning use on a refurbished basis. It is reasonable therefore to approach the BLV from this perspective, as we have done so.

Site Condition

3.53 We note that BPS have not been able to access the Site for inspection purposes. This is understandable given the current Covid-19 situation, albeit this can be arranged, should BPS wish to inspect. In the interim, in lieu of a physical inspection, we have complied a pack of photographs annotated and referenced against existing floorplans, so that BPS and their QS are able to understand the layout and condition of the existing buildings. The floorplans are at **Appendix 3** and the photographs are at **Appendix 4**. A further description of the buildings referenced in the floorplans/photographs can be found in the GE Specialist valuation report appended to the FVA.

3.54 We must highlight that the photographs were taken as part of our own inspection in October 2019 and that since this point in time, the NHS have vacated the property and live-in guardians have moved in to occupy the property on a temporary basis / prevent squatters. The photographs at **Appendix 4** are therefore the most up to date obtainable in the circumstances and in our opinion show that the existing buildings are in generally reasonable condition, with some parts of the Site, particularly the offices fronting Grays Inn Road being in very good condition.

Comparable Evidence – Capital Value

3.55 We note that BPS's AUV figure of £12.2 million (unchanged from their Pre-App review report) reflects £87.70 per sq ft on a refurbished basis. We and our Specialist team have reviewed the evidence provided by BPS in their February 2021 report and note that this indicates (along with the GE evidence also discussed) that £87.70 per sq ft is too low a rate for a refurbished central London property such as this.

3.56 In terms of BPS's application of £350 psf as an 'end value' for refurbished accommodation (before the deduction of costs), our Specialist team advise that this is understated. They have provided us with an up to date schedule of comparable evidence (**Appendix 5**), which supports this view.

3.57 Of particular note is the sale of the Former City of Westminster College on Saltram Crescent, W9. This 50,633 sq ft property was sold by GE in an average to poor condition, to an independent school, with vacant possession, in May 2019. The sale price of £23.5 million reflected £464 per sq ft, which reflected the quantum of floorspace and the condition of the property. This is a highly relevant comparable in our opinion, albeit being situated in Kilburn, the location is inferior to that of the subject Site.

3.58 In terms of comparable evidence already discussed, we agree with BPS that Eastman Dental Hospital is a relevant comparable. As BPS highlight, the property was purchased at a price reflecting £284 per sq ft and it is of a not dissimilar size (albeit slightly larger at 178,444 sq ft). The points to raise with this comparable are that:

a) It was not in a refurbished condition at the point of sale, meaning that the £284 per sq ft rate reflects its un-refurbished condition. The rate would be substantially higher if it had been refurbished; and

b) The rate of £284 per sq ft reflects the large quantum of floorspace, which depresses the rate.

3.59 Adjusting for both of these factors, does not, in our opinion, indicate either £350 psf as an ‘end value’, or £87.70 per sq ft after the deduction of costs.

3.60 Both the Former City of Westminster College and Eastman Dental Hospital sales indicate that BPS’s application of £350 per sq ft to the Site, assuming refurbishment, is a pessimistic assumption, below market rates.

3.61 We agree with BPS that 123-129 Grays Inn Road is also relevant, reflecting £481 per sq ft, albeit as it transacted in September 2015, we would expect the rate to be higher should it transact in the present day.

3.62 Turning to BPS’s own comparables, as set out at Appendix L of their report. Our Specialist team has reviewed these and consider many of them to be not comparable. Eight out of the 12 comparables are situated in peripheral, inferior, locations, including Bromley, Mitcham, Orpington, Enfield, Barnet, Greenford and Croydon (two comparables). They are also particularly small in size, ranging from 2,347 sq ft (a health centre) to 19,000 sq ft (a church/community centre). We consider these comparables to be of significantly less relevance than the rest of BPS’s comparables that are predominantly in central London and range in size from 6,727 sq ft (a period former clinic building, sold for use as a nursery) to 77,829 sq ft (a long-leasehold building let to the University of Law).

3.63 When we consider the per sq ft analysis of BPS’s more centrally located comparables, which by virtue of location and size, are more relevant, this ranges from £421 per sq ft to £647 per sq ft.

3.64 It follows therefore that these transactions do not point towards a refurbished value of £350 per sq ft when applied to the Site. Our Specialist team consider that based upon the most up to date evidence, the Site should have a value of between £31 million and £34 million, assuming refurbishment for a D1 use and adopting an ‘end value’ capital rate of between £450 per sq ft and £470 per sq ft.

3.65 They have 'sense-checked' their updated assessment by way of a rent and yield approach, adopting an NIA of 97,373 sq ft (70% gross to net ratio, which we are advised is common for D1 property), a void period of two years, followed by a letting at £35 per sq ft. The resulting income of £3,408,046 pa has been capitalised at a yield of 5% to give a capital value of £61,823,956. Deducting T&T's refurbishment costs (£27.25 million) and purchaser's costs gives a net value of just under £31 million. The higher end of their value range has been arrived at by way of the same calculation but adopting a lower yield of 4.75%. We set this information out for good order, as it reflects the latest advice provided to us by our Specialist team. We appreciate, however, that the primary approach to establishing a BLV on this basis has to date been by way of capital value rate, less refurbishment costs, so we do not propose to deviate from this at this stage, in the interest of trying to draw viability discussions to a close.

3.66 As we are seeking to agree a BLV with BPS therefore, on a without prejudice basis, we propose to adopt a lower value rate of £400 per sq ft for the purposes of this report. This rate sits below the prevailing rate as evidenced by the most up to date central London comparables (both GE's and BPS's) and is below that advised by our Specialist team.

3.67 In terms of their existing Site medical refurbishment costs, BPS have adopted a figure totalling £35.6 million, as provided by their QS. BPS consider that the equivalent costs adopted by GE (£27.25 million) are understated.

3.68 As set out in the T&T build costs response, we consider the refurbishment costs totalling £27.25 million to comprise a reasonable and accurate assessment of the costs that would be incurred in refurbishing the existing hospital buildings for a continued hospital/medical use. T&T's costs have been arrived at specifically having regard to benchmark data derived from live projects undertaken by T&T and not BCIS mean rates. For this reason, we do not agree that T&T's refurbishment costs are understated.

3.69 Given that we consider the T&T costs to be full and accurate to fully refurbish the Site, adopting a rate of £400 per sq ft (based on BPS's central London comparables) and deducting the T&T costs (£27.25 million) outputs a net value (after deduction of purchaser's costs) of **£26.58 million**, reflecting £191 per sq ft.

3.70 Further, we note that even if we were to accept BPS's higher refurbishment costs at £35.6 million, adopting the lowest possible value rate of £400 per sq ft would output a net value of **£18.71 million**, reflecting £134 per sq ft.

3.71 Comparing the outputs of the two scenarios presented above with the comparable evidence and the most up to date advice from our Specialist team, this reaffirms our view that BPS's BLV of £12.2 million is understated.

Planning Use Class

3.72 At sections 3.6 and 3.8 of their report, BPS refer to the AUV for continued D1 use as refurbished accommodation.

3.73 We note that all but one of the comparables cited by BPS pre-date the recent Use Class Order changes and since this took effect, the scope for alternative occupiers to occupy the accommodation will have increased as a result.

3.74 Due to the widening of the use to Use Class E, the Site could now be used for any number of uses sitting within this Use Class, including offices, a creche, day nursery and assembly and leisure. We do not agree with BPS's critique that the Site cannot plausibly be used as offices, given that a large part of the Site has until recently been used as offices, with the part of the Site fronting Grays Inn Road comprising good quality, offices and the balance of the office accommodation being of a more secondary nature.

3.75 Using the annotated existing floorplans at **Appendix 3** as a guide, the following blocks have either recently been in use as offices, or could readily be used as offices:

- Block A – Main front of the hospital and first and second floor offices – existing cellular offices (12,087 sq ft GIA);
- Block B – Main wards – cellular offices/consulting rooms at lower ground floor, wards and rooms on ground and upper floors could be used as offices (36,436 sq ft GIA);
- Block D – Wicklow Street building – cellular offices/consulting rooms across all floors (20,359 sq ft);
- Block H – Audiology building – cellular offices on all floors (18,871 sq ft);
- Block I – Link building – cellular offices/consulting rooms on both floors (4,017 sq ft);
- Block J – Nuffield building – cellular offices/consulting rooms on all floors (14,522 sq ft);
- Block K – Library and studios building - predominantly offices/studios on all floors (9,533 sq ft); and
- Block L – Laboratory building – laboratories and offices on both floors (2,652 sq ft).

3.76 We calculate therefore, based upon the above assessment, that approximately 118,477 sq ft of the total GIA of 139,104 sq ft has either been in use as offices or could readily be used as offices, albeit we note that a significant element is cellular space as opposed to open plan. This represents an office content of 85%.

3.77 In our opinion, the existing office/lab/consulting room component parts of the Site underpin its overall existing value. Furthermore, given the historic use of these component parts, we consider that it could feasibly be used as affordable workspace by a specialist operator, with minimal refurbishment.

3.78 Assuming a low rent of £20 per sq ft[5] (significantly below prevailing market rates and reflecting the varying quality of accommodation), adopting an office NIA of 88,858 sq ft (a 75% gross to net ratio), this would result in a rental value of £1,777,160 per annum for office/affordable workspace use.

3.79 Allowing for a total void and rent free period of 24 months (to become income producing) and capitalising this income at a yield of 6.0% to reflect the secondary nature of the accommodation (compared against the 5.25% applied to the affordable workspace in the Scheme) would give a gross value of £26.36 million.

3.80 Deducting approximately £5.3 million, reflecting £60 per sq ft, which we consider reasonable in order to undertake a light refurbishment, would result in an adjusted gross value of £21.03 million and a net value of £19.69 million following deduction of purchaser's costs. The Site could therefore feasibly have an AUV for affordable workspace use, based on a rent and yield approach, of **£19.69 million** (reflecting £142 per sq ft on the total GIA). Based upon our analysis and adopting sub-market rates, this is the lowest possible BLV the Site could have.

Valuation Approach

3.81 We note BPS's comments that they are minded to adopt the residual method of valuation for the hospital refurbishment scenario, in light of the level of costs that are being allowed for in their calculations. We have consulted our Specialist team on this point and they advise that this would be contrary to how the market would appraise the property, due to its use.

3.82 Moving the valuation approach to the residual method would assume that the Site would be purchased by a developer, who would seek a profit from the opportunity. It is important to note that in line with the market, our valuation approach assumes a purchase by an owner-occupier, who would not require a profit from the transaction, their return being effectively wrapped up in the opportunity to occupy the property for its own purposes. For this reason, we consider that it would not be appropriate to adopt the residual method to appraise/value the existing Site on a refurbishment basis.

[5] In terms of further rental evidence to support this, we have considered the offices at 340 Grays Inn Road, which are currently available quoting £27.50 per sq ft for a 985 sq ft ground floor suite and £39.50 per sq ft for a first floor 2,030 sq ft suite.

AUV Scheme

3.83 We note BPS's comments in regard to our AUV Scheme appraisal, particularly in respect of the affordable housing tenures not being policy compliant and the absence of a payment in lieu.

3.84 We have addressed BPS's comments and we attach at **Appendix 6** an Updated AUV Scheme Appraisal, which also allows for the following updated assumptions:

- Policy compliant affordable housing tenure mix – 60/40 in favour of LAR;
- Residential PIL of £2,405,250;
- Nine-month void periods as proposed at paragraph 3.21 and related holding costs over the letting void period (for both office buildings);
- Increased affordable workspace floorspace;
- All other assumptions hereby agreed in this Addendum report, including residential profit at 17.5% on GDV and finance at 6.5%.

3.85 Our updated AUV Scheme appraisal outputs a residual land value of **£23.29 million**.

BLV Conclusions

3.86 The further analysis on BLV in this Addendum report demonstrates that BPS's BLV of £12.2 million is understated and not in line with central London comparable evidence.

3.87 Our updated analysis shows a potential BLV range of between **£19.69 million** and **£26.58 million**. For the purposes of this Addendum report we have tested the Scheme at the upper end of this range. Our updated opinion of BLV is therefore **£26.58 million**.

4 Updated Appraisal

4.1 Considering the above, we have updated our financial appraisal as attached at **Appendix 7**. We will also share the live appraisal file with BPS so they can ensure they are comfortable with the way the cashflow is structured and is in accordance with our commentary.

4.2 The updated areas of agreement are as follows:

Table 7: Updated Summary of Areas of Agreement

Item	Agreed Assumption	Source
Affordable Housing values	LAR: £100 psf IR: £240 psf	GE
Contingency	5% (5.25% in cost plan)	GE
Build cost – Design & Build contingency	Not included	2.5% (included in cost plan)
Professional fees	12%	GE
Disposal fees	Residential: 1.5% sales agents/legals, 1% marketing (2.5% overall) Commercial: 1.5% sales agents/legals; 15% letting agent/legals. Purchasers costs at 6.8%.	GE
Profit target	Affordable Housing: 6% Profit on GDV Commercial: 15% Profit on GDV Private: 17.5% Profit on GDV	GE
Finance	6.5%	GE

4.3 The Applicant has also increased its affordable workspace offer from 465 sq m NIA (5,005 sq ft) to 659 sq m NIA (7,093 sq ft), which has been factored into our updated appraisals. We understand from the Applicant and T&T that the additional net area will result in only a nominal increase in build cost. As such, the build costs have not been updated.

4.4 The outstanding areas of difference are as follows:

Table 8: Updated Summary of Remaining Areas of Difference

Item	BPS FVA Review Position February 21	GE Updated Position March 21
Private residential values	£41,025,000	£37,895,000
Hotel value	£83,130,000	£78,580,000
Office voids	6 months	9 months
Benchmark Land Value	£12,200,000	£26,580,000

4.5 BPS' position as at February 21 is set out in Table 9 below, which illustrates their identified surplus of £4.69m.

Table 9: BPS Position (February 21)

	BPS FVA Review February 21
Benchmark Land Value	£12.2 m
Surplus/Deficit	£4.69 m

4.6 We have updated our Scheme appraisal (set out in **Appendix 7**) which indicates that the Scheme shows the following results when tested against our updated BLV:

Table 10: Summary of Updated Appraisal Results

Output	GE Updated Appraisal
Benchmark Land Value	£26.58 m
Surplus/Deficit	-£22.12 m

4.7 We note that if were to test the Scheme against our updated lower end BLV of £19.69 million, there would still be a deficit position, but this would narrow to -£12.91 million.

4.8 Due to the deficit position reached, we have not updated the affordable housing tenures in our Scheme appraisal. They remain as per the Applicant's offer, reflecting 60% intermediate / 40% LAR on viability grounds.

4.9 An updated sensitivity analysis of the GE appraisal can be found at **Appendix 8**. The sensitivity analysis shows that with cost and value changes, the Scheme is potentially capable of being viable.

4.10 The updated live development appraisal will be provided to BPS. For ease of reference, our updated appraisal is based upon the live Argus file provided to us by BPS (subject to edits made by GE as set out in this report). It therefore adopts BPS's approach to inputting a fixed land value (BLV) and deducting profit allowances on a use by use basis.

5 Conclusions

5.1 GE was instructed by the Applicant to revisit our FVA dated December 20 and to respond to the report prepared by BPS on behalf of LBC.

5.2 We have updated our appraisal, adopting BPS' assumptions for the following inputs:

- Office GDV as calculated by BPS;
- Affordable housing values;
- Finance rate; and
- Profit return (private residential).

5.3 In terms of hotel value assumptions, we have accepted the revenue build up calculated by Melvin Gold, but consider that a marginally higher exit yield of 4.75% should be applied.

5.4 Following the updates to our appraisal, the Scheme is still in a deficit position when tested against the GE BLV. The results of the appraisal output against the GE BLV are shown below:

Table 12: Summary of Update Appraisal Results – GE BLV

Output	GE Update – GE BLV
Benchmark Land Value	£26.58 m
Surplus/Deficit	-£22.12 m

5.5 Based upon the updated analysis presented herein, we remain of the conclusions that the Scheme cannot afford additional planning obligations over and above the affordable housing already offered by the Applicant (50% by hab room / 46% by area – split 60/40 in favour of intermediate) plus CIL of £4.53 million and S106 of £2 million.

GERALDEVE

Material valuation uncertainty due to Novel Coronavirus (COVID – 19)

5.6 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value and viability. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a viability judgement. Our financial viability assessment, whilst provided in accordance with the RICS Professional Statement on "Financial Viability in Planning: report and conduct", is therefore reported as being subject to material uncertainty. Consequently, less certainty – and a higher degree of caution – should be attached to our financial viability assessment than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep this assessment under frequent review.

5.7 For the avoidance of doubt, the inclusion of the "material valuation uncertainty" declaration above does not mean that the assessment cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the assessment than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the assessment.

Appendix 1: Savills Prime London Residential Bulletin Q3 2020

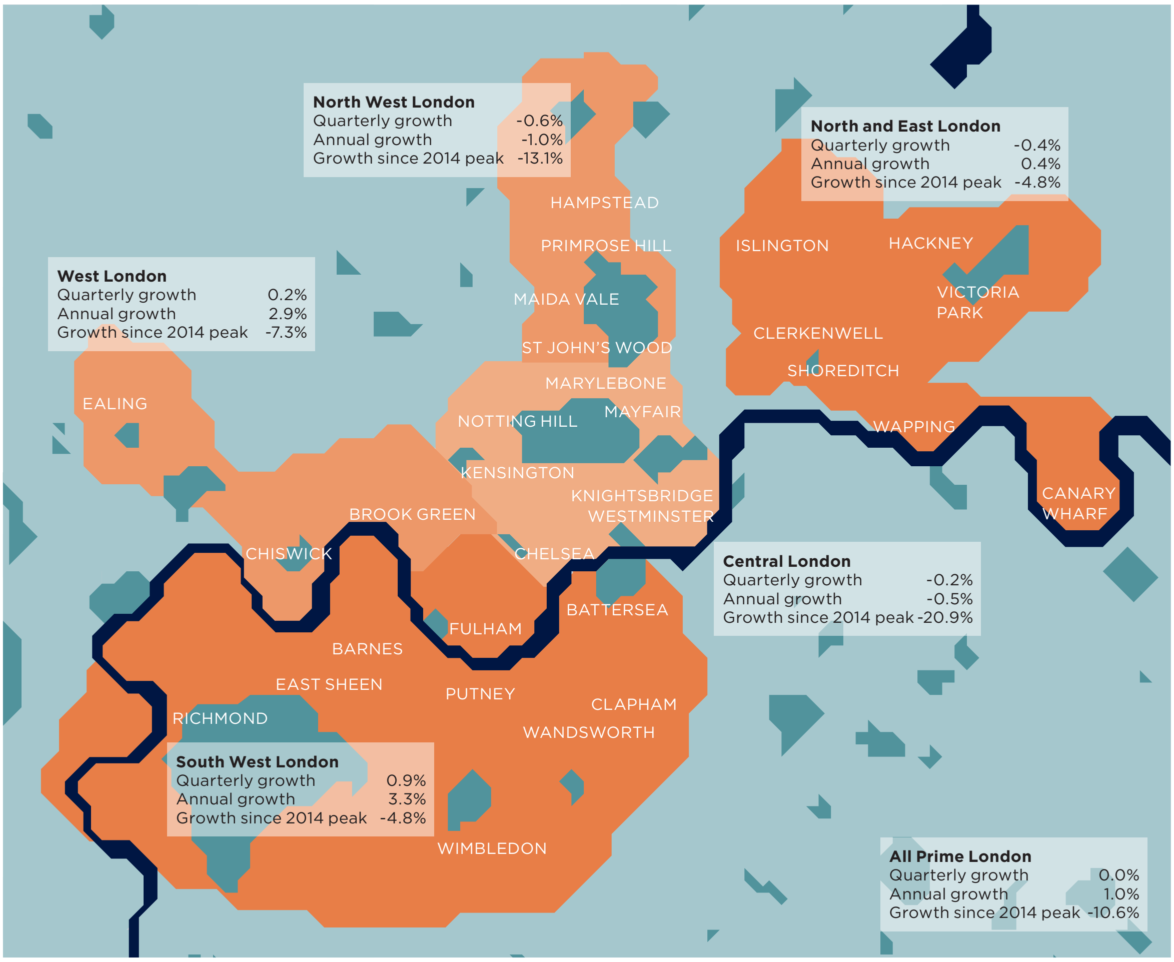
MARKET IN MINUTES

Savills Research

UK Residential – Q3 2020

Prime London Residential

savills



Note Price movements to September 2020 **Source** Savills Research

Balanced market masks the full picture

The prime markets of London have continued to defy gravity over the summer months, a period which is generally known to be much quieter.

The number of properties worth £1 million or more marked as sold subject to contract across the capital was 87% higher in the third quarter of 2020, compared to the same period last year.

But strong demand is being matched with supply. New for sale instructions in the three months to September were 77% higher than in Q3 2019.

Buyer and seller expectations on price also appear to be aligning. Half of our London agents reported that vendors' price expectations of the property they are selling had reduced, while 44% said buyers' budgets had decreased. Similarly, 35% and 29% of agents reported an increase in vendors' and buyers' expectations on pricing, respectively.

All of this suggests that there is a balanced market and, at a headline level, there has been little movement in prices. Indeed, across prime London as a whole, prices remained flat in the third quarter of 2020, leaving them 1.0% higher than a year ago.

But these overall figures do hide some disparity across the market that has been triggered by a recent shift in lifestyle trends. Across all five prime London regions, the value of houses held up more strongly than that of flats. The best performing markets over the past three months have been Victoria Park, Richmond and Putney, which are well known for having a strong family house market.

In central London, houses saw marginal growth of 0.1% in Q3 2020, compared with a fall of -0.4% for flats. This is despite a lack of demand from international buyers, currently constrained by travel restrictions, that would usually be active in this market. Here, the availability of houses is much more scarce than across other parts of London and limited supply is likely to support prices going forward.

This lack of available stock at the top end has resulted in a slight outperformance of the highest value homes. In outer prime London, the value of property worth £2 million or more has increased by 0.5% in the three months to September and by 2.4% in the past year.

In central London, £10 million+ property has risen in value by 0.2% in the quarter compared to a fall of -0.5% for those worth less than £2 million.

The top end of the market continues to look good value after suffering the most over the past six years because of successive stamp duty changes and political uncertainty.

Definition of prime property This market consists of the most desirable and aspirational property by location, aesthetics, standards of accommodation and value. Typically, it comprises properties in the top 5% of the market by house price.

Market monitor
Key statistics for prime London

0.0%
Quarterly price movement across the prime London housing markets

+1.0%
Average annual price movement across the prime London housing markets

+4.5%
Annual price movement for properties across outer prime London with a medium-sized garden

+87%
Increase in the number of £1m+ properties marked as sold subject to contract across London, Q3 2020 vs Q3 2019

Source Savills Research and TwentyCi

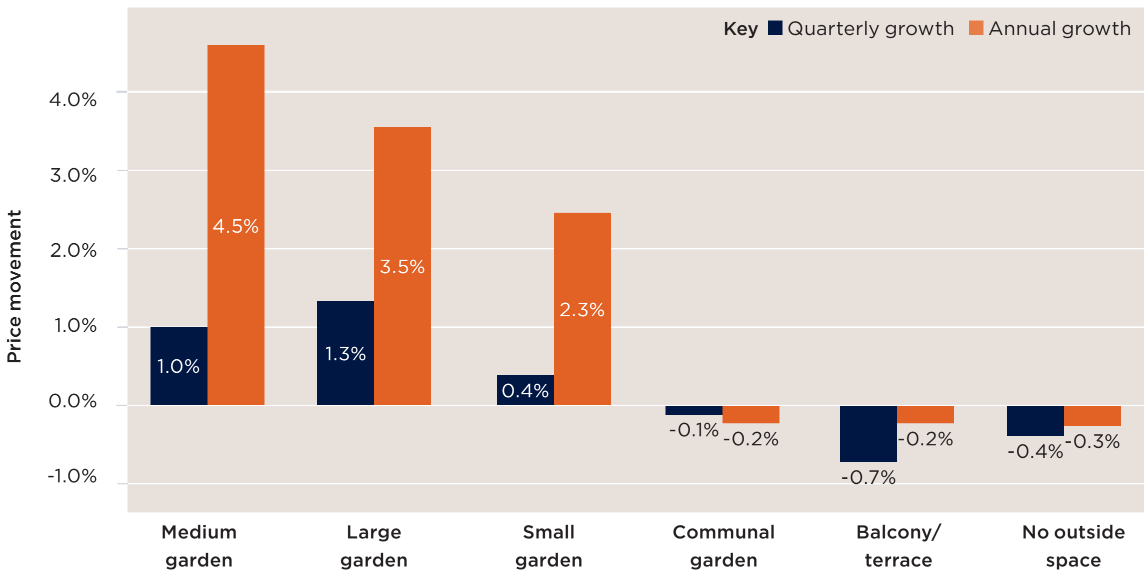
Gardens at a premium

It has been widely reported that the experience of lockdown has triggered many to reassess their current home and, in particular, search for a property with a garden.

In our latest client and applicant survey conducted in August, 71% of respondents in London said the amount of garden or other outside space had become more important to them in their search for a new home. This increased desire for gardens has now also translated into price growth. Whereas properties in outer prime London that have either a balcony, terrace, access to a communal garden or no outside space at all fell in value in the three months to September, prices increased for those with a small, medium or large garden.

This trend is also notable in central London where the value of properties with medium and large gardens have increased by 0.2% and 0.4%, respectively.

Demand for gardens is translating into price growth in outer prime London



Note Price movements to September 2020 **Source** Savills Research

OUTLOOK

Looking forward, buyers and sellers will not only need to continue to be pragmatic on pricing but also remain patient as mortgage lenders, conveyancers and surveyors are finding it difficult to keep up with the demands of the current market.

Economic uncertainty and another looming Brexit deadline will make it difficult for the current momentum to be sustained towards the back end of this year. But the ending of the stamp duty holiday on 31 March 2021, which coincides with the introduction of a surcharge for overseas buyers, could cause a flurry of activity in the first few months of next year.

The performance throughout the rest of next year will be very dependent on the extent to which the economy has recovered, where we stand with Covid-19 and the search for a vaccine.

The wider tax environment may act as a drag on future price growth as the economy and prospects for wealth generation recover, particularly as the government is going to need a strong focus on tax revenues once the economic recovery has gained some momentum.

Easing of international travel restrictions will be particularly important for central London and other markets more reliant on overseas demand. When and how this will happen still remains to be seen but for now, the value on offer in these markets represents a compelling buying opportunity for those who take a longer term view.

Prime market forecasts

	2020	2021	2022	2023	2024	5-year compound growth
Prime central London	-0.5%	4.0%	7.0%	4.0%	2.0%	17.5%
Prime outer London	2.0%	2.0%	3.0%	4.0%	1.5%	13.1%

Note These forecasts apply to average prices in the second-hand market. New build values may not move at the same rate **Source** Savills Research

Savills team

Please contact us for further information

Lucian Cook
Head of Residential Research
020 7016 3837
lcook@savills.com

Frances Clacy
Associate
Residential Research
020 7409 5905
fclacy@savills.com

Jonathan Hewlett
Head of London Residential Sales
020 7824 9018
jhewlett@savills.com

Appendix 2: T&T Build Costs Response and Attachments

Alex Brown

From: James Towers <james.towers@turntown.co.uk>
Sent: 10 March 2021 12:48
To: Alex Brown
Cc: Hana Sicander; Connor McCoy; Ross Jacobson; Sophie Hardy; Alex Neal; Nick Morris
Subject: GRAYS INN ROAD BPS FVA
Attachments: The Hoxton Ethos - Architecture Brief.pdf; GIR BPS Summary Issued 100321.xlsx

Follow Up Flag: Filed to online folder: Correspondence

Categories: Filed to SharePoint

Hi Alex,

Please see below our initial responses to some of the key issues raised in the report by BPS.

- 1.2/1.8/3.6 – Design and build risk – We made an allowance of 2.5% on this scheme as the clients' intention is for the scheme to be procured via a Design and Build procurement route. As mentioned in section 1 (page 4) of the cost plan, a contractor appointed on a D&B contract will take on a level of design risk and responsibility and therefore a risk premium is required. We would advise that an allowance for D&B risk should be included to account for this main contractor's cost, which is a known cost on a D&B project that the client will be expected to pay.

  To provide an example from a similar scheme that is currently in the middle of the procurement stage. The tier 1 main contractor working on that project has requested a D&B risk amount of 5%, on a proposed contract value of around £120m. Based on our range of recently procured projects this example is at the higher end of our benchmarking, however, we believe that the 2.5% main contractor D&B risk allowance in the cost plan to be reasonable at this stage and it should be isolated from the risk/contingency allowance. The 5.25% risk allowance should be protected for risks that sit with the client in design, construction or other items that are the responsibility of the client/employer. Some of these risks are identified in our risk register in section 10 of the cost plan.

- 1.4 – We would disagree the detail we have provided is 'limited'. The summaries provided and layout of the cost plan have been provided to maintain consistency with previous reports, as requested by the client. At the back of the cost plan there are detailed workbooks for each building and the basement which clearly breakdown the shell and core costs in detail. When read in conjunction with the full design team reports and drawings, this level of detail in the cost plan should provide sufficient level of data in order for the cost plan to be reviewed alongside benchmark or BCIS projects. To assist with the review of the cost plan we have provided an additional summary (attached) which aligns with the table shown in the BPS report. We have attached this in excel format so that BPS can amend as required.

  Within the appendices there are also detailed fit out models for both the residential and hotel blocks. At the planning stage it is unusual to obtain a design specification and as a result the residential and hotel fit out models were based on similar benchmark projects, as agreed with Groveworld and the design team. There was limited information provided for the hotel in particular and therefore it was agreed with Groveworld that the hotel fit out costs, including allowances to the front of house areas have been assumed to follow a high spec 4* hotel, as listed in section 2 (page 7) in our cost plan.
  To assist with the review, we have attached the architectural brief shared to us by Groveworld for the Ennismore/Hoxton 4* star London Boutique hotel specification. This

should assist in providing further detail on the basis of cost and our assumptions on the hotel building.

- 1.11 – We have provided an order of magnitude estimate with some high level allowances based on the information provided. Where possible, we have undertaken detailed measures using the existing drawings and provided rates based on benchmark refurbishment schemes. We chose this approach to generate a cost model which relates to this particular scheme and which we feel is more relevant than using BCIS mean rates. We also have a benchmark project on our records that is similar, however, required a more extensive MEP refurbishment. When brought up to present day with inflation this project works out at £2,177/m2, which is comparable to our estimate. We also have two other examples of similar scale that range between £2,300 - £2,500/m2, however, both of these hospital refurbishments consisted of a more comprehensive MEP refurb and fit out scope, than what has been allowed for in our high level estimate.

- 3.4 - The Cost plan has been based on AHMM's drawings dated 20/11/20 as mentioned in Section 2, WSP structural information and XCO2 MEP information. We assume BPS have all of the design information in order for them to review alongside the cost plan? Our assumptions are listed in section 2 (pages 8-11) of our cost plan. If required, we can provide a full list of the drawings/information used.

- 3.7 - Similar answer to 1.4. The Fit out has been based on assumptions agreed with Groveworld and the design team. There is currently no clear specification on internal finishes from the design team for any building. As noted above and in the cost plan, we have based the hotel on a high end 4* hotel. The detail included in the residential fit out models and cost plan workbooks should be sufficient in order to assess if the cost plan numbers are reasonable? As stated in our response to 1.4, we have provided an additional summary (attached) which aligns with the table shown in the BPS report.

- 3.10 - Correct, drawings have been measured in accordance to RICS code of measurement 6th edition.

- 3.12 – answers to 1.4 and 3.7 hopefully address this query on the hotel fit out.

Should you or BPS have any further queries on the above or the cost plan then please do not hesitate to get in touch.

Kind regards,

James

James Towers
Associate Director, Cost Management
Turner & Townsend
One New Change, London, EC4M 9AF
m: +44 (0) 7956 286 614 | www.turnerandtownsend.com

The Hoxton Ethos – Architecture Brief

ENNISMORE

THE HOXTON ETHOS - ARCHITECTS BRIEF

The Hoxton opened its doors in Shoreditch in 2006. Back then Shoreditch, now one of the most vibrant neighbourhoods in London, was just beginning to see a creative crowd move into its disused warehouses. Eight years later, after becoming a loved fixture on the Hoxton circuit we started spreading our wings, opening in exciting neighbourhoods across the globe. Today, we are still striving to open our doors to locals and become a part of some of the most creative and interesting cities in the world.

The Hoxton ethos has always encompassed a 'no rip-off' policy, providing guests with an up-market, service driven experience whilst being affordable, no fuss and value for money. We have redefined the hotel model by cutting out all the annoyances and, doing so, has won us loyal fans enabling us to consistently outperform the market. The atmosphere in a Hoxton is always lively and we try to provide guests with a true insight into the local vibe, making them feel as though the Hoxton is a 'home from home' through cleverly designed spaces and excellent customer service.

SITE & BUILDING REQUIREMENTS

LOCATION

Hoxton's are typically located in city centres or within easy access of the city centre in up and coming areas and exciting neighbourhoods. They are close to transport links and within easy reach of local bars and restaurants.

GUESTROOMS

Generally, the minimum number of guestrooms in a Hoxton is 150, maximum 250. Guestrooms are positioned primarily above the public areas and BOH spaces. Unless there are special circumstances, guestrooms at basement or grade level are not per- mitted.

ARCHITECTURE

A Hoxton could be a new build property or a renovation of an existing property, most importantly, the architecture should be exciting and full of character.

CONSTRUCTION

The minimum structural slab to soffit measurement in the public areas should allow for a minimum finished floor level to finished ceiling measurement of 4.5m/14'9". The minimum structural slab to soffit measurement in the bedrooms should allow for a minimum finished floor level to finished ceiling measurement of 2.7m/8'10" in the guestroom and 2.4m/7'10" in the guestroom lobby and bathroom. Buildings can be framed or load bearing wall construction.

Where framed, buildings can be either steel or concrete however consideration should be given to appropriate forms to ensure that the acoustic performance of the building.

THE HOXTON ETHOS - ARCHITECTS BRIEF

DESIGN NARRATIVE

Every Hoxton takes its inspiration from local design, architecture, food, fashion, art and anything else that makes that neighbourhood unique. We celebrate that every Hoxton looks different and believe the individuality of the design comes from the personality and history of its surroundings.

INCLUSIVE

Hoxton is not elitist and wants to make all ages, professions and nationalities feel comfortable and welcome.

RESIDENTIAL

A Hoxton should be a home from home for its visitors and local community.

ECLECTIC

We don’t have a definitive aesthetic; A Hoxton building and its interiors can be informed by different influences from different time periods, styles and materials.

INDIVIDUAL

We use forward thinking architecture and design to distinguish ourselves from other hotels.

LOCAL

The architecture and interior de- sign are a product of the city it’s in.

AUTHENTIC

We love honest, natural materials and finishes which age well and are inherently beautiful.

FUNCTIONAL

Everything a guest touches needs to be durable, practical, easy to use and comfortable.

TIMELESS

We want Hoxton’s to stand the test of time.

THE HOXTON ETHOS - ARCHITECTS BRIEF

ENTRANCE

The entrance to a Hoxton does not follow any specific design principles - it varies hugely according to the fabric of the building and where it is located. Typically, the entrance is centralised TO THE public areas and there is a considerable amount of glazed storefront to create a high level of natural daylighting and a visual connection to the outside. Depending on location some parts of the facade may have louvres for mechanical plant. Most cladding solutions to areas around the entrance will be considered. In most cases, the main entrance to the hotel has 2 sets of automatic sliding doors with a wind lobby between and a blown air heat curtain for heating and cooling.

Hoxton preference is to have a dedicated vehicle access to the pavement outside the main entrance to the hotel with sufficient space for a taxi or valet to stop. Car parking spaces are not essential but should be allowed for where possible. Bicycle parking must be allowed for according to local code. Where permission is granted, a canopy, exterior lighting, subtle signage and restrained planting are used to mark the entrance and welcome visitors.

Dedicated Staff and Delivery entrances are required, and refuse collection should not interfere with efficient use of drop off areas. Fire vehicle access is to be provided to all parts of the building across surfaces which are acceptable to the local fire brigade. Maintenance vehicles are to have appropriate access for cleaning, repairs and removal of plant from the main mechanical room. Within the service area the minimum vehicle height clearance is 4m/13'.

OUTDOOR SPACE

It is typical to have outdoor spaces in a Hoxton which can be used for dining and events. In warmer climates a pool deck is desirable. The outdoor spaces should be linked to and easily accessible from the public areas. Balconies and private guestroom terraces are also permitted but should not be to the detriment of floor area in the guestrooms

LOBBY, BAR & RESTAURANT

The lobby, bar & restaurant areas have a mix of high- and low-level seating as well as communal tables with power provision for laptop users. The lounge seating tends to be flexible and is often moved around to accommodate different sized groups or individuals. Typically, there is high level seating around the main bar. The Bar should be in a prominent position within the public areas and typically has a minimum of 4 cocktail stations and 4 till points. For details on general restaurant, lobby and restaurant covers please refer to the Public areas programme table.

Often an additional Dispense bar is required to take pressure off the main bar, it typically contains cocktail and coffee making equipment and is located within the lobby area.

Where public area BOH spaces are on more than one level a service lift, stair or dumb waiter is required. The kitchen, bar and associated areas are to be designed and spec- ified by a professional kitchen/bar consultant who will work closely with the operator.

The food concept is different in each Hoxton and the kitchen requirements vary ac- cording to the concept that is decided on. Generally, in addition to the seating areas, a restaurant requires space allowance for the following:

Finishing kitchen, prep kitchen & storage, glass wash, pot wash, dry store, wine store, beer store, cold store, walk in freezer, spirits store

THE HOXTON ETHOS - ARCHITECTS BRIEF

RECEPTION DESK

The reception desk is located in the lobby. It should be in a subtle location while still be- in visible to incoming guests. Guest use lifts should be located within a short distance of the reception desk and the luggage room ad- jacinth to the reception desk.

The Reception desk front counter requires 2-tiered surfaces for guest use and for staff use. Staff use surface to be 950mm high with sufficient depth to accommodate work- station requirements. Guest use surface is to be 1100mm high with minimum depth of 250mm. ADA/DDA accessible surface must be provided in accordance with local code.

Where the hotel has in excess of 100 guestrooms there is a requirement for 3 worksta- tions. Each Workstation is to be a minimum 1400mm wide. Minimum clear circulation space between the front counter and back counter is 1.1m. Where local code requires wheelchair, accessible surface must be incorporated

The back counter of the reception desk needs to incorporate 2 double drinks fridges at low level. The Hoxton reception desk also acts as a 'convenience store' for its guests, selling alcohol, snacks and everyday essentials at super-

INDEPENDENT F&B / RETAIL

It's common for a Hoxton to have additional food & beverage or retail alongside the hotel F&B offer. These additional offerings should still be accessible through the main entrance to the hotel or have a BOH connection to the lobby but may also have their own independent entrance.

THE APARTMENT

Adjoining the lobby is 'The Apartment'. The Apartment is made up of a number of meeting rooms laid out around a main 'break out area' or events space typically called The Pantry. The Pantry should be positioned a short walking distance from the hotel reception and public WCs (if there is not a dedicated apartment WC/s). Food service is provided in The Apartment, so it is important that it is located an ac- ceptable travel distance from the main kitchen. All apartment meeting rooms must have natural daylight unless otherwise approved by Ennismore. The apartment may be situated on a different level of the building to the public areas although the location must still meet the location conditions as described above.

Rooms are hired out individually, in combination with others or alternatively the whole of The Apartment can be booked. It is an environment where visitors should feel at home and help themselves to free food and drink. To help realise this each space is themed as a room of an apartment and is individually designed. Typically meeting rooms are titled; living room, playroom, study, pantry, library, den etc. By night the apartment turns into a party venue, we design in openable walls to create bigger spaces for this and kitchen counters and cupboards that can transform into a cocktail bar.

The minimum number of meeting rooms in a Hoxton is 5, in addition to the central kitchen area (Pantry). The minimum meeting room floor area is 12m2 and minimum ceiling height 3.5m unless otherwise approved by Ennismore. Meeting rooms require floor boxes underneath meeting tables or wall mounted HDMI/ data and power connections. Each room has wall mounted controls for lighting, sound and temperature. Access to the apartment and individual meeting rooms is controlled by RFID. Where possible there is a requirement for operable partitions between rooms to allow for flexibility. Operable partitions are stacked to one side

THE HOXTON ETHOS - ARCHITECTS BRIEF

when not in use and must be top supported with drop down floor seals.

Within the apartment, a service kitchen is required for staff use. This needs to be a minimum 6m2. It should be adjacent to or a short distance from the Apartment pantry. A furniture storage room is also required. This needs to be a minimum 15m2. The entrance door is to be located to provide sufficient clearance for trans- porting large items of furniture in and out of the furniture storeroom. The furniture storeroom door must be a minimum of 1m wide.

HOTEL BOH

LUGGAGE ROOM

The Luggage room is located adjacent to the reception desk and has a minimum area of 0.05m2 per key. The guest route to reception and the luggage room must consider the requirement for sufficient clearance for wheeling bags around the public are- as, the reception desk and in and out of the luggage room. The luggage room entrance door must be a minimum of 1m wide.

ADMIN OFFICE

The back of house Admin office should be located a short travel distance from the main reception desk and apartment meeting rooms. The office is used by the Hoxton management team and needs to accommodate a specified number of staff desks, typically 13 in the US. It is preferable, but not essential, that the office has a window along one wall to allow for natural light.

STAFF CANTEEN

The staff cafeteria is located a short travel distance from the kitchen and staff changing facilities. It is a minimum 10 m2 in size with a minimum ceiling height of 2.4m.

HOUSEKEEPING & ENGINEERING OFFICE

The back of house housekeeping and maintenance office is used by the head housekeeper, assistant head housekeeper and chief engineer and needs to accommodate five staff desks. The ceiling height in the housekeeping and maintenance office is a minimum 2.4m. The minimum desk size per person required within the office is 1200mm(length) x 650mm(depth).

FINANCE OFFICE

The back of house finance office is used by the hotels finance department and needs to accommodate three staff desks. The ceiling height in the office is a minimum 2.4m. The minimum desk size per person required within the office is 1200mm(length) x 650mm(depth).

STAFF CHANGING ROOMS

Separate male and female changing rooms are required. Each changing room must have a shower and separate WC cubicle. There is a minimum of 50 lockers per changing room. Lockers are arranged in banks of three. The total minimum area of both changing rooms is 45m2 with a minimum ceiling height of 2.4m

THE HOXTON ETHOS - ARCHITECTS BRIEF

COMMS ROOM

For requirements refer to Hoxton hotels technology brand

MAINTENANCE WORKSHOP

The chief engineer uses the maintenance workshop to store tools. It is located close to the housekeeping & maintenance office or in spare back of house space on a guest floor. It is a

GUESTROOM IMAGERY - TYPICAL FEATURES

KEY FEATURES

-solid or engineered timber flooring laid in chevron or herringbone pattern

-feature wall/ceiling finish or mouldings to walls (cornice, chair rail, box trim)

-paint line across walls

-skirting to all walls

-drapery pocket above windows

-glazed bathroom door or partition

-flat panel entrance door with decorative mouldings

-discreet or decorative HVAC grills

GUESTROOM BATHROOM IMAGERY - TYPICAL FEATURES

KEY FEATURES

-tiled floor and walls

-tiled edge details

-metal framed shower screen or enclosure

-stone threshold into shower

-metal vanity stand with stone sur- face

-heritage style brassware

-stone shelf above WC

-decorative wall lights to either side of mirror

-demisting mirror

Grays Inn Road - Stage 2 Cost Plan (T&T)

GIA		33,113		33,113		6,668		11,981		7,010		7,454
	Total		Utilities & GSHP		Basement & substructure		Commercial		Residential		Hotel	
	£	£/m2	£	£/m2	£	£/m2	£	£/m2	£	£/m2	£	£/m2
Demolitions	**1,900,760**	**57**	**1,850,760**	**56**							**50,000**	**7**
1 **Substructure**	**10,868,152**	**328**			**10,868,152**	**1,630**		**-**		**-**		**-**
Frame	4,924,303	149			294,653	44	2,493,442	208	1,019,318	145	1,116,890	150
Upper Floors	6,928,803	209				-	3,043,844	254	2,133,321	304	1,751,638	235
Roof	2,203,218	67				-	1,039,184	87	582,749	83	581,284	78
Stairs	1,016,980	31			114,190	17	221,850	19	279,500	40	401,440	54
External Walls	17,674,911	534				-	5,109,928	427	6,168,394	880	6,396,589	858
Windows & External Doors	7,658,874	231				-	2,385,952	199	2,416,268	345	2,856,654	383
Internal Walls & Partitions	4,189,630	127			740,056	111	634,060	53	1,145,120	163	1,670,394	224
Internal Doors	1,615,100	49			36,500	5	178,600	15	241,100	34	1,158,900	155
Superstructure	**46,211,819**	**1,396**	**-**		**1,185,399**	**178**	**15,106,861**	**1,261**	**13,985,769**	**1,995**	**15,933,790**	**2,138**
Wall finishes	3,795,882	115			45,400	7	572,280	48	407,447	58	2,770,755	372
Floor Finishes	3,437,994	104			37,800	6	1,153,432	96	517,390	74	1,729,372	232
Ceiling Finishes	1,960,241	59			40,535	6	900,535	75	413,495	59	605,681	81
Internal Finishes	**9,194,117**	**278**	**-**		**123,730**	**19**	**2,626,247**	**219**	**1,338,332**	**191**	**5,105,807**	**685**
Fittings	**4,779,429**	**144**			**89,057**	**13**	**262,286**	**22**	**653,727**	**93**	**3,774,359**	**506**
Sanitary Appliances	1,960,720	59			40,000	6	438,900	37	223,320	32	1,258,500	169
Services Equipment - Includes resi/hotel fit out (App A-D)	6,164,550	186				-		-	2,468,400	352	3,696,150	496
Disposal	-	-				-		-		-		-
Disposal Installations	1,026,133	31			299,295	45	351,046	29	196,083	28	179,709	24
Water Installations	1,731,451	52			382,215	57	349,225	29	234,710	33	765,301	103
Water Installations - Services	-	-				-		-		-		-
Heat Source	105,000	3			105,000	16		-		-		-
Space Heating & Air treatment	7,493,610	226			2,296,099	344	2,912,850	243	587,812	84	1,696,849	228
Ventilating Systems, smoke extract & control	1,476,085	45			831,375	125	145,856	12	154,500	22	344,354	46
Electrical Installations	5,505,684	166			1,429,965	214	2,226,550	186	715,139	102	1,134,029	152
Fuel Installations	25,000	1				-		-		-	25,000	3
Lift Installations	2,211,500	67			70,000	10	785,000	66	515,500	74	841,000	113
Protective Installations	1,033,154	31			272,691	41	502,261	42	109,361	16	148,841	20
Communication Installations	3,477,904	105			931,140	140	1,100,215	92	523,150	75	923,399	124
Special Installations	-	-				-		-		-		-
BWIC with Services	648,875	20			199,733	30	176,238	15	91,149	13	181,755	24
Management of commissioning of services	4,636,733	140			1,081,890	162	1,876,950	157	511,389	73	1,166,504	156
Services	**37,496,399**	**1,132**	**-**		**7,939,404**	**1,191**	**10,865,091**	**907**	**6,330,512**	**903**	**12,361,392**	**1,658**
Site Works	-	-				**-**		**-**		**-**		**-**
Drainage	-	-				**-**		**-**		**-**		**-**
External Services	3,661,403	111	963,000	**29**		**-**	1,157,467	**97**	752,377	**107**	788,559	**106**
Minor Building Works	-	-				**-**		**-**		**-**		**-**
External Works	**3,661,403**	**111**	**963,000**	**29**	**-**	**-**	**1,157,467**	**97**	**752,377**	**107**	**788,559**	**106**
SUB TOTAL	**114,112,078**	**3,446**	**2,813,760**	**85**	**20,205,741**	**3,030**	**30,017,952**	**2,505**	**23,060,718**	**3,290**	**38,013,907**	**5,100**
Preliminaries @15.5%	17,687,372	534	436,133	13	3,131,890	470	4,652,783	388	3,574,411	510	5,892,156	790
OH&P @5%	6,589,972	199	162,495	5	1,166,882	175	1,733,537	145	1,331,756	190	2,195,303	295
Main Contractor D&B Risk @ 2.5%	3,459,736	104	85,310	3	612,613	92	910,107	76	699,172	100	1,152,534	155
SUB TOTAL	**141,849,158**	**4,284**	**3,497,697**	**106**	**25,117,125**	**3,767**	**37,314,379**	**3,114**	**28,666,058**	**4,089**	**47,253,900**	**6,339**
Design Development risks @ 5.25%	7,447,081	225	183,629	**6**	1,318,649	**198**	1,959,005	**164**	1,504,968	**215**	2,480,830	**333**
Construction Risks		-										
Employer change risks												
Employer other risks (rounding sum)	3,761	0										
TOTAL	**149,300,000**	**4,509**	**3,681,326**	**111**	**26,435,775**	**3,965**	**39,273,384**	**3,278**	**30,171,026**	**4,304**	**49,734,729**	**6,672**

Appendix 3: Existing Site Floorplans

Note

1 NOTES NOTES
2 NOTES
3 NOTES NOTES
4 NOTES
5 NOTES NOTES
6 NOTES
7 NOTES NOTES
8 NOTES

RECORD DRAWING

Rev	Date	Description

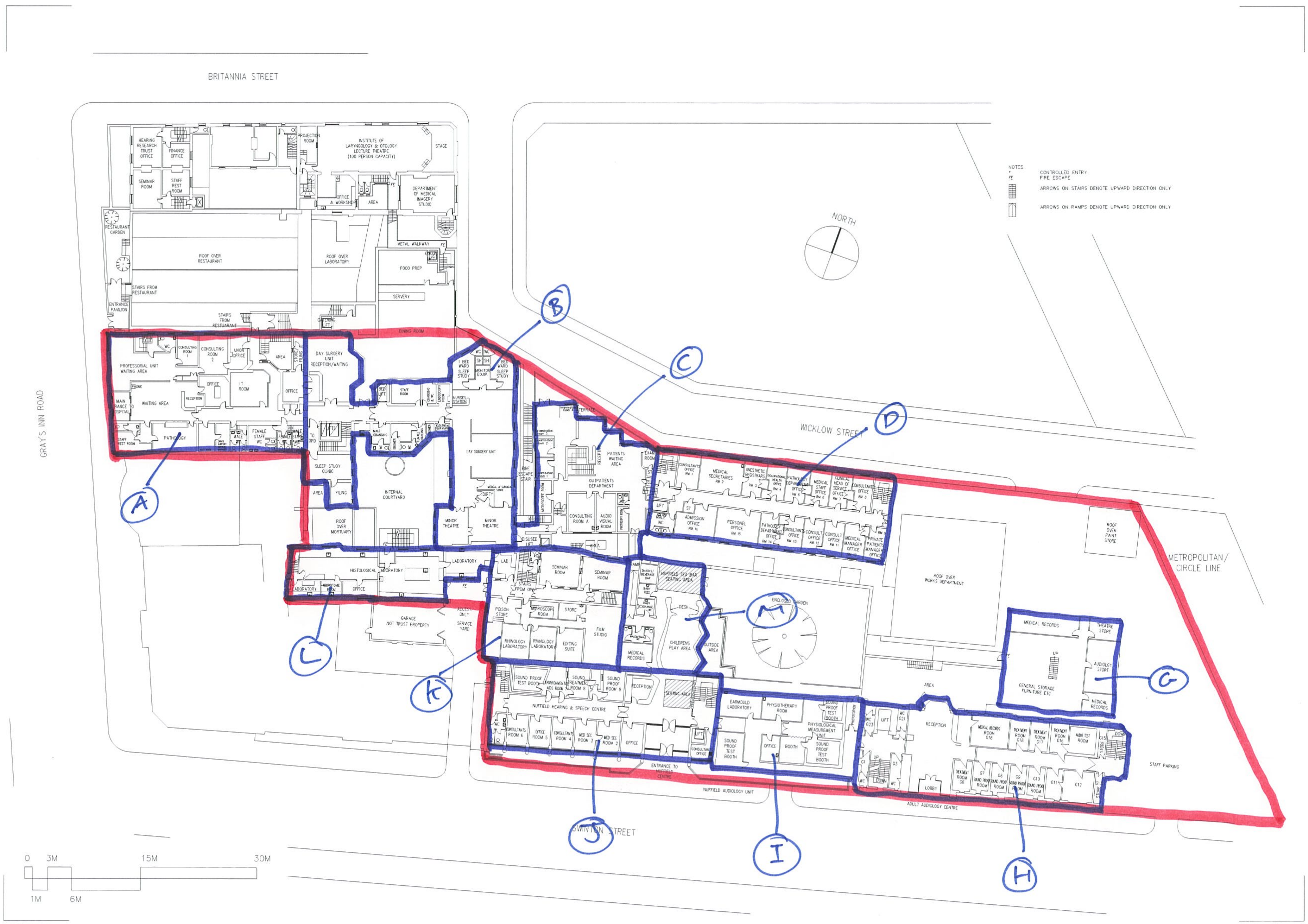
KEY PLAN

Royal Free Hampstead NHS Trust

Project
Royal National Throat Nose & Ear Hospital

Title
Lower Ground Floor Plan
—

Date Nov 03	Scale 1:250
Drawn	Designed
Checked	Approved
Drawing No —	Rev R



Note

1 NOTES NOTES
2 NOTES
3 NOTES NOTES
4 NOTES
5 NOTES NOTES
6 NOTES
7 NOTES NOTES
8 NOTES

RECORD DRAWING

Rev	Date	Description

KEY PLAN

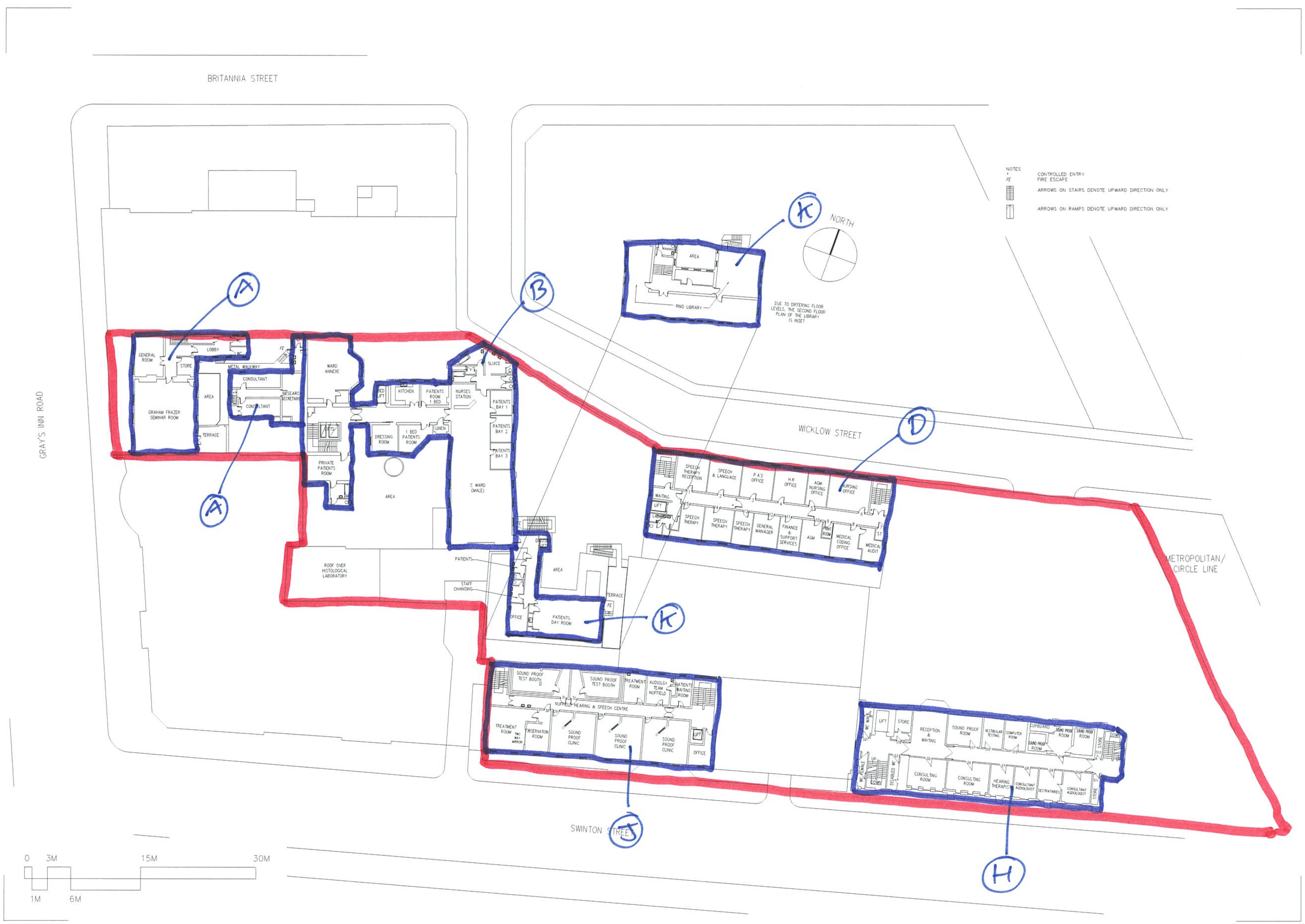
Royal Free Hampstead
NHS Trust

Project
Royal National Throat Nose & Ear Hospital

Title
Ground Floor Plan

Date Nov 03	Scale 1:250
Drawn	Designed
Checked	Approved
Drawing No –	Rev R


BRITANNIA STREET
GRAY'S INN ROAD
WICKLOW STREET
SWINTON STREET
NORTH
A
B
C
D
H
J
K
DEPARTMENT OF ANAESTHETICS
B WARD (FEMALE)
NUFFIELD HEARING & SPEECH CENTRE
INSTITUTE OF LARYNGOLOGY LIBRARY & READING ROOM
TISSUE CULTURE LABORATORY
HISTOLOGICAL LABORATORY OFFICE
PROGRESSIVE CARE UNIT (PCU)
ROOF OVER WAITING AREA
ROOF OVER INFILL BLOCK
CONTROLLED ENTRY
FIRE ESCAPE
ARROWS ON STAIRS DENOTE UPWARD DIRECTION ONLY
ARROWS ON RAMPS DENOTE UPWARD DIRECTION ONLY
0 3M 15M 30M
1M 6M
Note
RECORD DRAWING
Rev Date Description
KEY PLAN
Royal Free Hampstead NHS Trust
Project
Royal National Throat Nose & Ear Hospital
Title
1st Floor Plan
Date Nov 03
Scale 1:250
Drawn
Designed
Checked
Approved
Drawing No
Rev
R



Note

1	NOTES NOTES
2	NOTES
3	NOTES NOTES
4	NOTES
5	NOTES NOTES
6	NOTES
7	NOTES NOTES
8	NOTES

RECORD DRAWING

Rev	Date	Description

KEY PLAN

Royal Free Hampstead
NHS Trust

Engineer's Office, Royal Free Hospital
Pond Street, Hampstead
London NW3 2QG
020 7794 0500

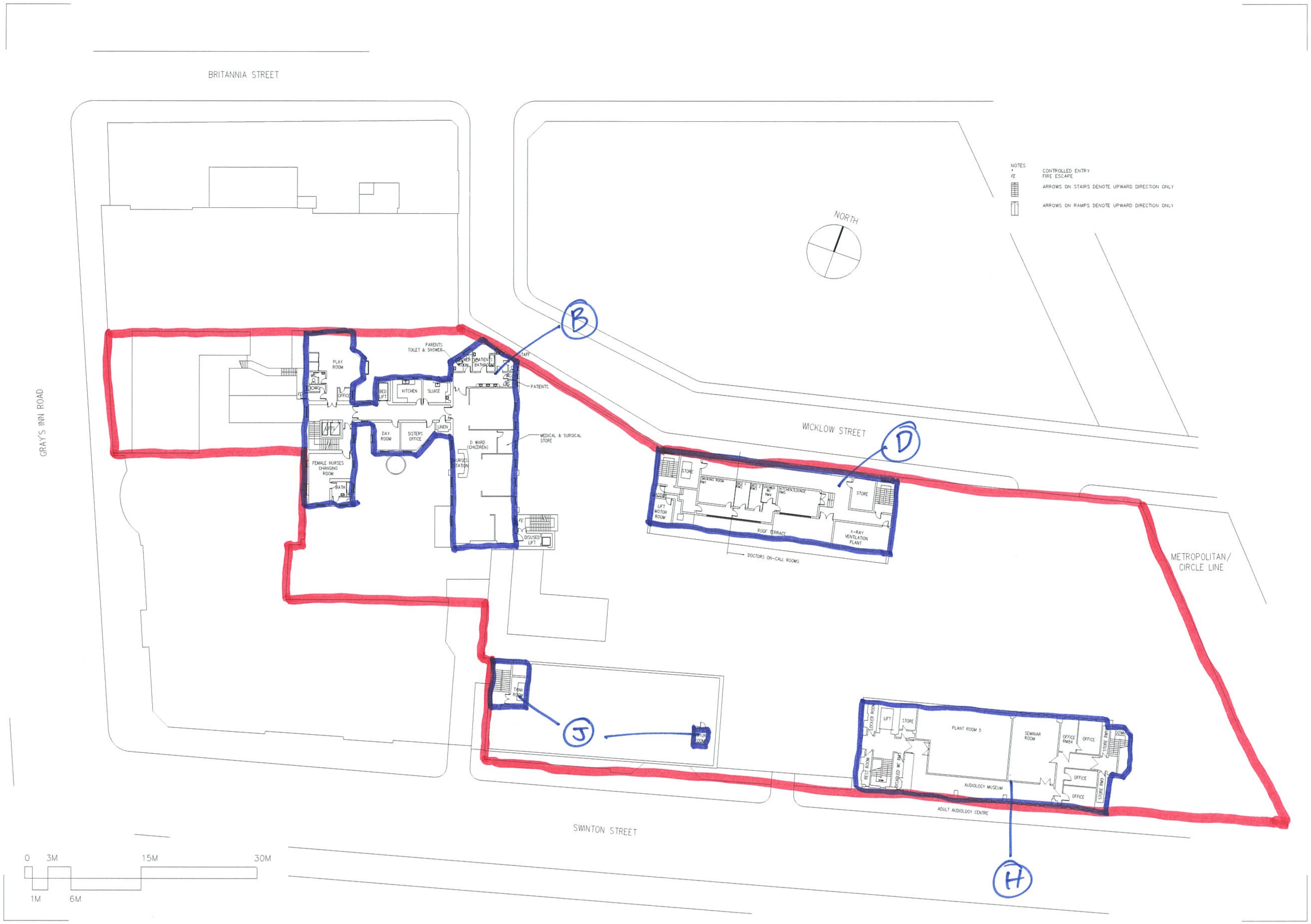
Project
Royal National Throat Nose & Ear Hospital

Title
2nd Floor Plan
–

Date Nov 03	Scale 1:250
Drawn	Designed
Checked	Approved
Drawing No –	Rev R

Note

1 NOTES NOTES
2 NOTES
3 NOTES NOTES
4 NOTES
5 NOTES NOTES
6 NOTES
7 NOTES NOTES
8 NOTES



RECORD DRAWING

Rev	Date	Description

KEY PLAN

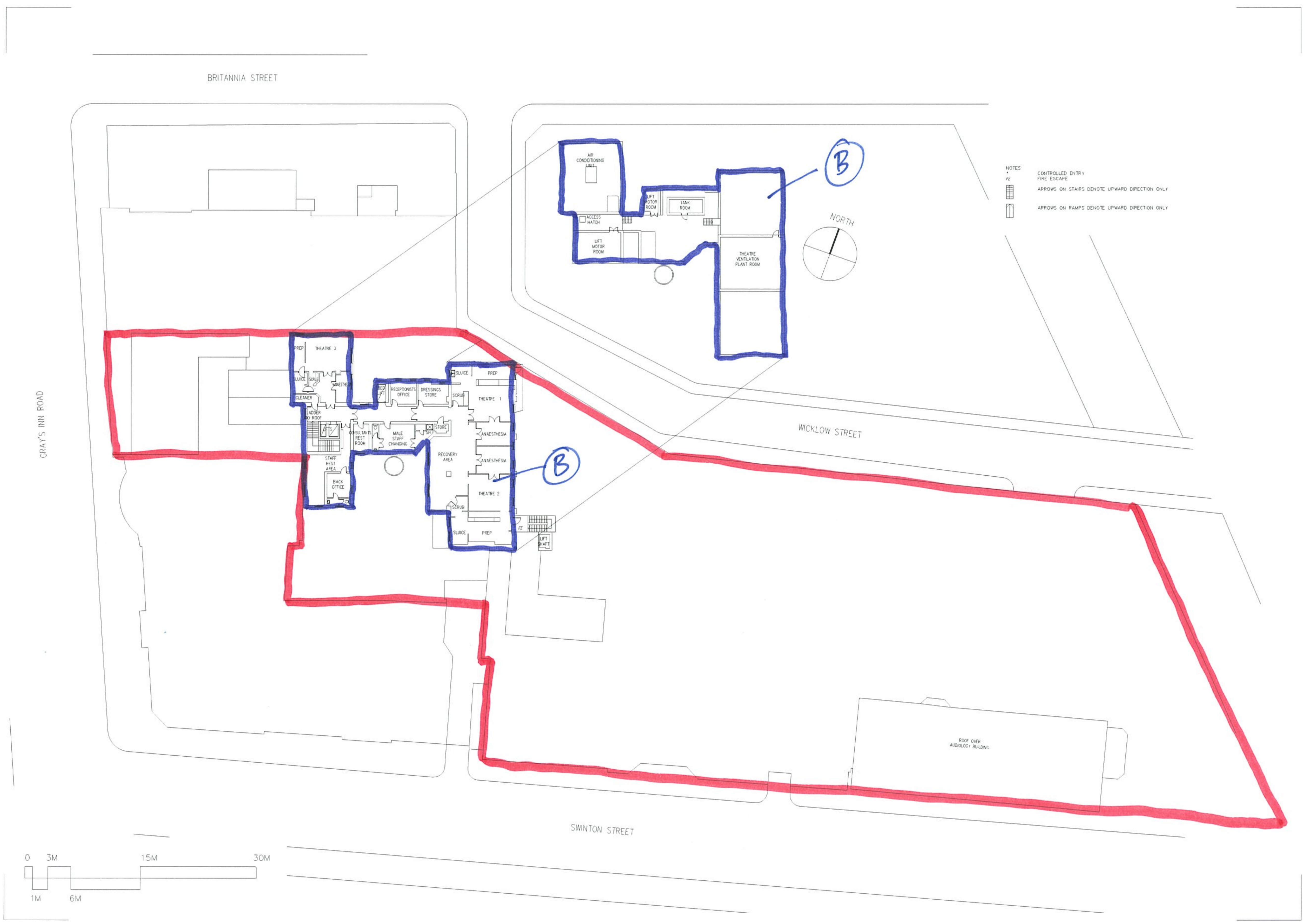
Royal Free Hampstead
NHS Trust

Engineer's Office, Royal Free Hospital
Pond Street, Hampstead
London NW3 2QG

Project
Royal National Throat
Nose & Ear Hospital

Title
3rd Floor Plan
–

Date Nov 03	Scale 1:250
Drawn	Designed
Checked	Approved
Drawing No –	Rev R



Note	
1	NOTES NOTES
2	NOTES
3	NOTES NOTES
4	NOTES
5	NOTES NOTES
6	NOTES
7	NOTES NOTES
8	NOTES

RECORD DRAWING

Rev	Date	Description

KEY PLAN

Royal Free Hampstead
NHS Trust

Engineer's Office, Royal Free Hospital
Pond Street, Hampstead
London NW3 2QG
020 7794 0500

Project
Royal National Throat Nose & Ear Hospital

Title
4th Floor Plan
–

Date Nov 03	Scale 1:250
Drawn	Designed
Checked	Approved
Drawing No –	Rev R

Note	
1	NOTES NOTES
2	NOTES
3	NOTES NOTES
4	NOTES
5	NOTES NOTES
6	NOTES
7	NOTES NOTES
8	NOTES

RECORD DRAWING

Rev	Date	Description

KEY PLAN

Royal Free Hampstead
NHS Trust

Engineer's Office, Royal Free Hospital
Pond Street, Hampstead
London NW3 2QG
020 7794 0500

Project
Royal National Throat Nose & Ear Hospital

Title
Basement Floor Plan
—

Date —	Scale 1:250
Drawn	Designed
Checked	Approved
Drawing No —	Rev R

Appendix 4: Existing Site Photo Sheet

Block A (main building on Grays Inn Road).

Block A – Main reception.

Block A – Ground floor waiting room.

Block A – First floor offices.

Block A – First floor offices.

Block A – Second floor offices.

Block A – Second floor seminar room.

Block B – Theatre corridor.

Block B – Sleep study unit.

Block B – First floor day surgery ward / patients' bay.

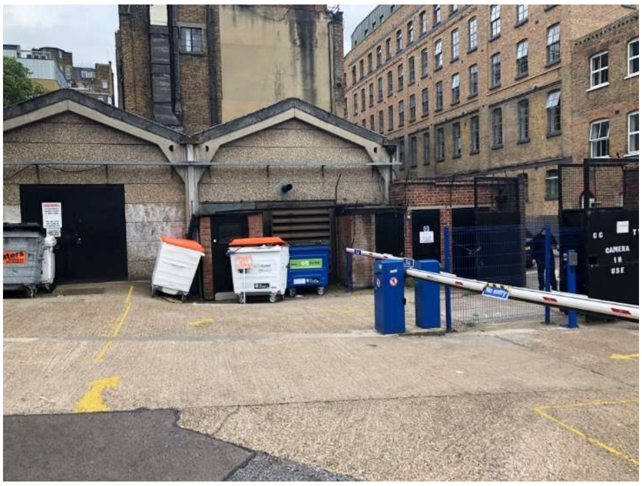
Block C – Outpatients waiting area.

Block C – Outpatients centre.

Block D – Wicklow / former nurses accommodation corridor.

Block D – Wicklow first floor offices.

Block D – Wicklow third floor doctor's on call lounge.



Block E – Workshops.

Block F – Plant store.

Wicklow Street entrance/exit.

Wicklow Street / rear of Block D.

Rear of Block B from Wicklow Street.

Block G – Medical records and stores.

Service yard showing proximity to London Underground line.

Service yard / car parking.

Block H – Audiology centre.

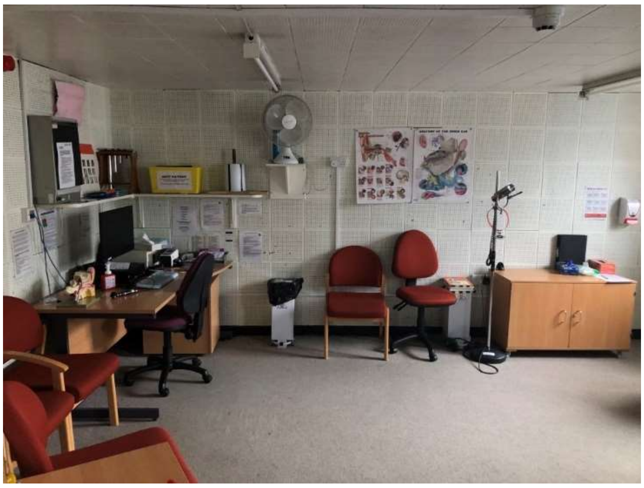
Block H – Audiology seminar room.

Block H – Audiology third floor lab/studio.

Blocks I and J – Nuffield link building and Nuffield building.

Block J – Nuffield building reception.

Block J – Nuffield building waiting area.



Block J – Nuffield building first floor therapy room.

Block K – Library.

Appendix 5: D1 Comparable Evidence

Capital sales

Property	Description	Floor Area (sq ft) GIA	Sale price	Sale price psf GIA	Sale date
Duncan House Stratford High Street, London, E15 2JB	D1 use building located on Stratford High Street. Excellent location close to the regenerated centre of Stratford near the Queen Elizabeth Olympic Park. 29,417 sq ft GIA in shell & core condition.	29,417	£11m - £13m	£374-£442	Under offer
38 Marlborough Place, London NW8 0PE	Attractive Grade II Victorian property that was extensively refurbished in 2017, in an immaculate condition with a large garden at the rear. Accommodation is arranged as a nursery and classrooms. The marketing process attracted strong interest from school operators for continued D1 use.	9192	£9.02 m	£981	Nov 20
41 Devonshire Place W1	Grade II Listed building formerly owned and occupied by the Royal Philatelic Society London as a members club including library, offices and residential apartments; mixed D1 and C3 use. The NIA is 8,412 sq ft and GIA is 11,752 sq ft. Previously sold in July 2017 for £10.05 million.	11,752	£8.6m	£732	Sept-19
Former City of Westminster College, Saltram Crescent, London W9	Gerald Eve advised on the sale of the former FE college which is in average to poor condition, extending to 50,633 sq ft on a site of 0.77 acre. Sold to an independent school with vacant possession in May 2019. Price psf reflects the large quantum and condition.	50,633	£23.5m	£464	May 19
Queensway House, 275-285 High Street, Stratford E15 2TF	Three storey plus basement B1 office building. Previous owners secured planning permission for GDPO change of use to 35 residential flats. Subsequently purchased by Mary Ward Settlement, an adult education college. No planning application identified for D1 use yet but it is understood they intend to relocate their teaching premises to Stratford by the 2022. They plan to completely refurbish the building and add two new floors.	17,954	£7.1m	£395	Jun 18
The Burlington School of English, 1 - 3 Chesilton Road, Fulham	3 storey former language school within Class D1 with potential to extend. Awkward layout. Situated off Fulham Road, close to Parsons Green station.	10,194	£7.5m	£736	Feb 19

Property	Description	Floor Area (sq ft) GIA	Sale price	Sale price psf GIA	Sale date
Festival Ballet House, 39 Jay Mews, Kensington SW7	D1 use premises formerly occupied by English National Ballet were acquired by the Royal College of Music. 125 year leasehold from December 1977 at low ground rent.	14,691	£c. £14.5m	£986	Feb 19
Elvaston House, 2 Elvaston Place, Kensington	6 storey mid terrace property formerly in school use – D1 use. Sold for continued education use to American Institute for Foreign Study.	5,600	£7.05m	£1259	Jan 19
55-57 Eccleston Square, London SW1V	Gerald Eve advised on the sale of three Victorian interconnected town houses converted and refurbished to provide a language school in D1 use. Good condition with access rights to communal square gardens. Grade II Listed. High quality / prime asset. NIA 15,454 sq ft. The price devalues to £1,360 psf on NIA. Delayed completion/ deferred payments.	25,414	£21m	£826	Oct 2018
10-18 Union Street, London SE1	The Royal College of Obstetricians & Gynaecologists purchased to become its new headquarters from PWC. The property comprises five floors of accommodation and is constructed around a central courtyard. It is set on a site of 0.5 acre. There is planning permission for a new 77,662 sq ft office development. A full redesign and refurbishment is planned and the price paid reflects the works required and planning permission for additional development.	55,924	£35	£625	Dec-17

D1 Lettings

There is limited evidence of open market lettings of D1 properties in this location. We have had regard to the following rental evidence of D1 use premises.

Address	Description	Area sq ft (NIA)	Rent £ psf	Date
One Bartholomew, London, EC1	The University of Chicago Booth School of Business has taken 43,245 sq ft on a 15-year lease. The university's new campus facility will cover the ground, first and second floors in the new mid town office block.	43,245	£75	April 2019
Drayton House, 30 Gordon Street, London WC1H	Let to University College London and comprises 27,078 sq ft of B1/D1 space across basement to third floor. The rent was subject to review in June 2019. A rent of £40.00 psf overall was agreed, equating to £42.66 on the best space in the building. RPI review in 2022 and every 5 years after at 2% collar and 4% cap. The building is Grade II Listed and is basic in terms of specification. The configuration is most suited to a D1 occupier and is used for teaching and private study/office rooms.	27,078	£40	Jun 2019
The Whitechapel Building, 10 Whitechapel High Street	Derwent London has pre-let the lower ground floors and office pavilion to Fotografiska who will occupy the space as The London Museum of Photography. A 15 year lease has been agreed with 5 yearly rent review linked to RPI and a break option in year 12. Rent free is equivalent to 30 months on 12 year term rising to 36 months on 15 year term.	89,000	£27	Aug 2017
64/66 Wigmore Street, W1	Howard de Walden Estate has entered into an Agreement to Lease with Schoen Klinik, a family owned German Hospital group. A new 19 year lease was agreed with an option for a further 21 years. It was subject to an undisclosed rent-free period and was subject to planning permission for change of use from offices to medical. The building has recently been completed. It will provide c. 7,293 sq m (78,500 sq ft) of gross internal accommodation and c. 5,063 sq m (54,500 sq ft) of open plan accommodation over two lower ground, ground and four upper floors. We understand proposals are to include 3 theatres, 39 overnight beds, 5 day beds and 10 consulting rooms. Schoen	78,500	£77	Feb 2017

Address	Description	Area sq ft (NIA)	Rent £ psf	Date
	will be responsible for fitting out the building for medical use.			
34-36 Bedford Square, London WC1B	Let to the Architectural Association and comprises 24,138 sq ft of D1 accommodation over basement to third floor. The rent was subject to review in May 2017 and a rent of £45 psf overall was agreed, equating to £51.24 on the best space. The location is superior due to the prestigious address and views over the gardens but the layout of the building is poor and fragmented.	24,138	£45	May 2017
Confidential – Central London University	We are aware of a confidential letting in March 2015 of c. 270,000 sq ft NIA of space in central London to a university for a lease of 50 years on full repairing terms. The letting included 4 buildings with dual B1/ D1 use and reflected 18 months rent free. The rent devalues to circa £33 per ft on net off a headline rent of c. £40 per sq ft. VAT was payable on the rent.	270,000	£33	Mar 2015
Bond House, 347-353 Chiswick High Road, Chiswick, W4	In September 2016 HCA took 1,914 sq m (26,000 sq ft) [GIA] of dual B1/D1 healthcare accommodation on a 25 year lease for £1,239,323 per annum. The rent equates to £648 per sq m [£47.66 psf] (GIA) and will be reviewed every 5 years. 12 months rent free was given and there is a break option in year 15. Planning permission was granted in April 2016 for a development which will provide 2 theatres, 22 consulting rooms and 12 beds.	26,000	£48	Sep 2016
31 Jewry Street, London EC3N 2EY	David Game College, a private 6th form college, has taken 58,966 sq ft of basement to fifth floor D1 accommodation on a 10 year lease. This previously dilapidated grade II listed building has been subsequently the subject of a multi-million pound refurbishment to create a premium education space in the heart of the City of London.	58,966	£35	Jul 2016
Aldwych Quarter, (Bush House, Strand House, Kings House, Melbourne House)	KCL has taken 50 year leases of 4 large buildings opposite their Strand campus with T's option to determine at 25th, 35th and 45th years. KCL will only gain possession and pay rent on Melbourne House on 25 March 2025. The office accommodation has dual B1/D1 use class. We	296,680 (gross) 258,655 (net)	£40	May 2015

Address	Description	Area sq ft (NIA)	Rent £ psf	Date
	have excluded the undercroft and parking from the headline rent analysis. Adjustment would be needed for the long lease length, condition and flexible user clause.			
Here East, Olympic Park, Stratford E15	UCL agreed terms and are reported to have paid more than £30 psf for 60,000 sq ft of space. Initially a 6 year lease.	60,000	£30	Mar 2015
7-9 Bath Street and 4-12 Cayton Street, London, EC1V 9LF	Moorfields Eye Hospital NHS Trust took a 10 year lease of this former education building from City University in September 2015 for an initial rent of £731,364 per annum. The building extends to 23,157 sq ft net and the rent reflects £31.58 psf. The Trust fully fitted out the building as a specialist eye clinic. This building was sold in 2018 subject to the lease for just over £17 million (£734 psf) which reflects a net initial yield of 4%.	23,157	£32	September 2015
Centre for Research into rare Disease in Children, 20 Guildford Street, London	The Charity have granted a 25 year lease to the Trust from September 2015 at a rent of £762,000 per annum. The lease is non assignable and the rent reflects £11.49 psf which equates to £16.41 psf with adjustment for the alienation provisions.	66,319	£11.49	Sep 2015
Translation Building, Imperial West W2	Part of the new Imperial White City Campus, the property comprises 187,000 sq ft net or Grade A offices and incubator space on the 7.5 acre Innovation Campus. The building was pre-let entirely to Imperial Bioincubator (part of Imperial College London) for 25 years at a rent of £30 per sq ft (£5.71 million per annum), with index linked reviews. It was purchased by Aviva in May 2015 for £153 million, which devalues to 3.39% and £819 per sq ft on net.	187,000	£30	May 2015
Cancer Treatment Centre at Guy's Hospital, SE1	HCA is set to open a new cancer centre on levels 10-13 at Guy's Hospital. The rent was agreed for the shell space in August 2012 at £77.24 psf. It comprises 57,000 sq ft and the new centre will include 40 inpatient beds, 4 operating theatres and 5 consulting rooms.	57,000	£77	August 2012

Investment Transactions

We have referred to the following investment transactions.

Address	**Description**	**Area sq ft**	**Purchase Price**	**Net Initial Yield**	**Date**
Units 5, 6 & 7 Daneland Walk, Tottenham Hale, London N17	Purpose built and fully fitted dialysis unit with 47 beds and extending to a NIA of 20,139 sq ft with basement and ground parking with 29 spaces. Long leasehold 155 years at a peppercorn from 24 May 2013 (149.5 years unexpired). Subject to 30 year FRI lease the Royal Free London NHS Foundation Trust at a passing rent of £324,597 per annum (reflects £16.11 psf as a shell) with fixed uplifts every 5 years (equating to 3.00% per annum compound). The lease is subject to tenant only breaks in May 2033 (14.6 years term certain) and 2038. Sold end of 2018 to Waypoint Government Income Fund for £7.9million (£392 psf) which reflects a net initial yield of 3.85% based on purchasers' costs of 6.8%.	20,138 NIA	£7.9m	3.85%	2018
Bath and Cayton Street, London EC1	Attractive warehouse-style corner property with dual B1/D1 use purchased in May 2018 for £17.32 million. The property extends to 23,158 sq ft NIA of flexible accommodation arranged over basement, ground and five upper floors. Securely let to Moorfields Eye Hospital NHS Foundation Trust (D&B rating of 5A1) with 7.6 years to lease expiry (31st August 2025). Passing rent of £731,364 per annum, reflecting a low overall passing rent of £31.58 per sq ft. Opportunity to drive rental performance at September 2020 rent review. Prime office rents in the immediate area are now in excess of £65.00 per sq ft. Future refurbishment and redevelopment potential with the immediate area set to benefit from the delivery of several major developments and infrastructure upgrades. The sale reflects a NIY of 4.2% and £748 psf NIA.	23,158	£17.32m	4.2% (£748 psf)	May 2018

Address	Description	Area sq ft	Purchase Price	Net Initial Yield	Date
510 Fulham Palace Road, London S10	Sold in September 2017 for £2.475m (£891 per sq ft) representing and net initial yield of 3.84% based on a reviewed rent from May 2017 of £101,639 pa. Let to Hammersmith and Fulham Primary Care Trust on an FRI lease until 27 May 2032. The lease benefits from upward only rent reviews that are either open market rent or an uncapped RPI uplift. The period property comprises 2,776 sq ft accommodation arranged over ground to second floors. D1 use class providing medical accommodation.	2,776	£2.475m	3.84%	Sep 17
50-52 Union Street, London, SE1	Hill Balfour acquired the freehold interest in July 2017 for £4.25 million. The property comprises 6,056 sq ft of dual B1/D1 accommodation over five floors. It is let on FRI terms to The London Centre for Contemporary Music until October 2018 at a rent passing of £170,000 (£28 psf). We understand that they intend to vacate the premises at the end of their lease and therefore there will be a various asset management opportunities available. The sale reflects a net initial yield of 3.75% and equates to £700 psf.	6,056	£4.25m	3.75% (£700 psf)	July 2017
Lambeth Walk Group Practice, 5 Lambeth Walk, London, SE11 6DX	A buyer purchased the freehold interest in March 2016. The property comprises 18,866 sq ft and is fully occupied. The investment sold for £4,990,000, reflecting a net initial yield of 3.5%.	18,866	£4.99m	3.5%	March 2016

Appendix 6: Updated AUV Scheme Appraisal

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated AUV Scheme Appraisal
Gerald Eve - March 21

Development Appraisal
Licensed Copy
16 March 2021

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated AUV Scheme Appraisal
Gerald Eve - March 21

Appraisal Summary for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Residential Block A (LAR)	17	14,574	100.00	85,729	1,457,400
Residential Block A (Intermediate Rent)	15	9,741	240.00	155,856	2,337,840
Residential Block B (Private)	44	30,849	1,228.40	861,250	37,895,000
Totals	**76**	**55,164**			**41,690,240**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Offices and Cafe	1	64,830	57.19	3,707,630	3,707,630	3,707,630
Affordable Workspace	1	2,845	48.01	136,600	136,600	136,600
Offices (Floors LG - 3)	1	58,010	63.41	3,678,600	3,678,600	3,678,600
Offices (Floors 4 - 7)	1	42,495	68.83	2,924,800	2,924,800	2,924,800
Gym	1	12,370	22.50	278,325	278,325	278,325
Affordable workspace	1	7,093	32.64	231,516	231,516	231,516
Totals	**6**	**187,643**			**10,957,471**	**10,957,471**

Investment Valuation

Offices and Cafe					
Market Rent	3,707,630	YP @	4.8500%	20.6186	
(1mth Unexpired Rent Free)		PV 1mth @	4.8500%	0.9961	76,144,864
Affordable Workspace					
Current Rent	136,600	YP @	5.2500%	19.0476	2,601,905
Offices (Floors LG - 3)					
Market Rent	3,678,600	YP @	4.7500%	21.0526	
(1mth Unexpired Rent Free)		PV 1mth @	4.7500%	0.9961	77,145,297
Offices (Floors 4 - 7)					
Market Rent	2,924,800	YP @	4.5000%	22.2222	
(1yr 1mth Unexpired Rent Free)		PV 1yr 1mth @	4.5000%	0.9534	61,968,980
Gym					
Market Rent	278,325	YP @	6.5000%	15.3846	
(1mth Unexpired Rent Free)		PV 1mth @	6.5000%	0.9948	4,259,511
Affordable workspace					
Market Rent	231,516	YP @	5.2500%	19.0476	
(1mth Unexpired Rent Free)		PV 1mth @	5.2500%	0.9957	4,391,056
Total Investment Valuation					**226,511,612**

GROSS DEVELOPMENT VALUE			**268,201,852**
Purchaser's Costs		-15,402,790	
Effective Purchaser's Costs Rate	6.80%		
			-15,402,790
NET DEVELOPMENT VALUE			**252,799,062**
Income from Tenants			22,767
NET REALISATION			**252,821,829**

OUTLAY

ACQUISITION COSTS			
Residualised Price		23,295,195	
			23,295,195
Stamp Duty		1,154,260	
Effective Stamp Duty Rate	4.95%		
Agent Fee	1.00%	232,952	
Legal Fee	0.80%	186,362	

APPRAISAL SUMMARY	LICENSED COPY

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated AUV Scheme Appraisal
Gerald Eve - March 21

				1,573,573
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Offices and Cafe	76,858	232.43	17,864,468	
Affordable Workspace	3,373	232.43	783,986	
Offices (Floors LG - 3)	82,459	388.31	32,019,706	
Offices (Floors 4 - 7)	60,397	388.31	23,452,577	
Gym	15,885	388.31	6,168,304	
Affordable workspace	8,058	388.31	3,129,002	
Residential Block A (LAR)	24,571	388.31	9,541,165	
Residential Block A (Intermediate Rent)	15,845	388.31	6,152,694	
Residential Block B (Private)	47,702	388.31	18,523,164	
Totals	**335,148 ft²**		**117,635,067**	
Contingency		5.00%	5,881,753	
CIL			5,067,131	
S106			2,000,000	
PIL			2,405,250	
				132,989,201
Other Construction				
Office void (manual cost)			1,949,149	
Office void (manual cost)			1,615,013	
				3,564,162
PROFESSIONAL FEES				
Professional Fees		12.00%	14,543,907	
				14,543,907
MARKETING & LETTING				
Letting Agent Fee		10.00%	1,095,747	
Letting Legal Fee		5.00%	547,874	
				1,643,621
DISPOSAL FEES				
Commercial disposal (all-in)		1.50%	3,166,632	
Residential Agents/legals/marketing		2.50%	947,375	
				4,114,007
FINANCE				
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				30,787,424
TOTAL COSTS				**212,511,090**
PROFIT				
				40,310,738
Performance Measures				
Profit on Cost%		18.97%		
Profit on GDV%		15.03%		
Profit on NDV%		15.95%		
Equivalent Yield% (Nominal)		4.76%		
Equivalent Yield% (True)		4.91%		
IRR% (without Interest)		13.23%		
Rent Cover		3 yrs 8 mths		
Profit Erosion (finance rate 6.500)		2 yrs 8 mths		

TIMESCALE AND PHASING CHART | LICENSED COPY

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated AUV Scheme Appraisal
Gerald Eve - March 21

Project Timescale	
Project Start Date	Feb 2021
Project End Date	Mar 2026
Project Duration (Inc Exit Period)	62 months

All Phases

	Start Date	Duration	End Date	Feb 21	Feb 22	Feb 23	Feb 24	Feb 25	Feb 26
Project	Feb 2021	62	Mar 2026						
Purchase	Feb 2021	0 Month(s)							
Pre-Construction	Feb 2021	12	Jan 2022						
Construction	Feb 2022	29	Jun 2024						
Post Development	Nov 2023	0 Month(s)							
Letting	Nov 2023	17	Mar 2025						
Income Flow	Jan 2024	0 Month(s)							
Sale	Jan 2024	27	Mar 2026						
Cash Activity	Feb 2021	62	Mar 2026						
				1	13	25	37	49	61

1. Offices

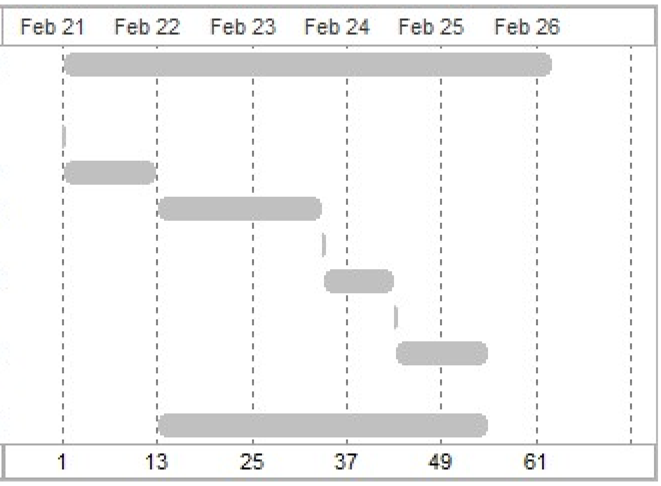
	Start Date	Duration	End Date	Feb 21	Feb 22	Feb 23	Feb 24	Feb 25	Feb 26
Project	Feb 2021	62	Mar 2026						
Purchase	Feb 2021	0 Month(s)							
Pre-Construction	Feb 2021	12	Jan 2022						
Construction	Feb 2022	29	Jun 2024						
Post Development	Jul 2024	0 Month(s)							
Letting	Jul 2024	9 Month(s)	Mar 2025						
Income Flow	Apr 2025	0 Month(s)							
Sale	Apr 2025	12	Mar 2026						
Cash Activity	Feb 2021	62	Mar 2026						
				1	13	25	37	49	61

TIMESCALE AND PHASING CHART | LICENSED COPY

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated AUV Scheme Appraisal
Gerald Eve - March 21

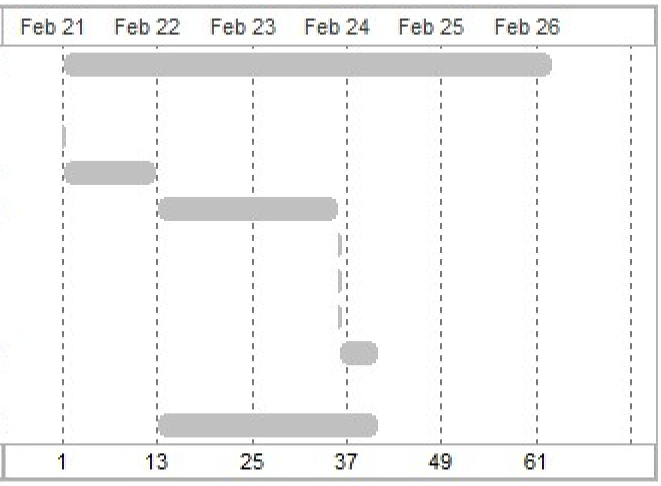
2. Office + Gym

	Start Date	Duration	End Date
Project	Feb 2021	62	Mar 2026
Purchase	Feb 2021	0 Month(s)	
Pre-Construction	Feb 2021	12	Jan 2022
Construction	Feb 2022	21	Oct 2023
Post Development	Nov 2023	0 Month(s)	
Letting	Nov 2023	9 Month(s)	Jul 2024
Income Flow	Aug 2024	0 Month(s)	
Sale	Aug 2024	12	Jul 2025
Cash Activity	Feb 2022	42	Jul 2025



3. Residential

	Start Date	Duration	End Date
Project	Feb 2021	62	Mar 2026
Purchase	Feb 2021	0 Month(s)	
Pre-Construction	Feb 2021	12	Jan 2022
Construction	Feb 2022	23	Dec 2023
Post Development	Jan 2024	0 Month(s)	
Letting	Jan 2024	0 Month(s)	
Income Flow	Jan 2024	0 Month(s)	
Sale	Jan 2024	5 Month(s)	May 2024
Cash Activity	Feb 2022	28	May 2024



Appendix 7: Updated Scheme Appraisal

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated Proposed Scheme Appraisal
Gerald Eve - March 21

Development Appraisal
Licensed Copy
16 March 2021

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated Proposed Scheme Appraisal
Gerald Eve - March 21

Appraisal Summary for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Residential Block A (LAR)	7	8,428	100.00	120,400	842,800
Residential Block A (Intermediate Rent)	25	15,888	240.00	152,525	3,813,120
Residential Block B (Private)	44	30,849	1,228.40	861,250	37,895,000
Totals	**76**	**55,165**			**42,550,920**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Hotel GDV (182 keys)	1	54,724		0	0	
Offices (Floors LG - 3)	1	58,010	63.41	3,678,600	3,678,600	3,678,600
Offices (Floors 4 - 7)	1	42,495	68.83	2,924,800	2,924,800	2,924,800
Gym	1	12,370	22.50	278,325	278,325	278,325
Affordable workspace	1	7,093	32.64	231,516	231,516	231,516
Totals	**5**	**174,692**			**7,113,241**	**7,113,241**

Investment Valuation

Hotel GDV (182 keys)					
Manual Value					78,580,000
Offices (Floors LG - 3)					
Market Rent	3,678,600	YP @	4.7500%	21.0526	
(1mth Unexpired Rent Free)		PV 1mth @	4.7500%	0.9961	77,145,297
Offices (Floors 4 - 7)					
Market Rent	2,924,800	YP @	4.5000%	22.2222	
(1yr 1mth Unexpired Rent Free)		PV 1yr 1mth @	4.5000%	0.9534	61,968,980
Gym					
Market Rent	278,325	YP @	6.5000%	15.3846	
(1mth Unexpired Rent Free)		PV 1mth @	6.5000%	0.9948	4,259,511
Affordable workspace					
Market Rent	231,516	YP @	5.2500%	19.0476	
(1mth Unexpired Rent Free)		PV 1mth @	5.2500%	0.9957	4,391,056
Total Investment Valuation					**226,344,843**

GROSS DEVELOPMENT VALUE			**268,895,763**
Purchaser's Costs		-15,391,449	
Effective Purchaser's Costs Rate	6.80%		
			-15,391,449
NET DEVELOPMENT VALUE			**253,504,314**
NET REALISATION			**253,504,314**

OUTLAY

ACQUISITION COSTS

BMLV (AUV) - Net Value	26,580,000		
BMLV (AUV) - Net Value		26,580,000	
			26,580,000

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**
Hotel GDV (182 keys)	101,468	388.31	39,401,039
Offices (Floors LG - 3)	82,459	388.31	32,019,706
Offices (Floors 4 - 7)	60,397	388.31	23,452,577
Gym	15,885	388.31	6,168,304
Affordable workspace	8,058	388.31	3,129,002
Residential Block A (LAR)	14,008	388.31	5,439,446
Residential Block A (Intermediate Rent)	26,408	388.31	10,254,490

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated Proposed Scheme Appraisal
Gerald Eve - March 21

Residential Block B (Private)	47,702	388.31	18,523,164	
Totals	**356,385 ft²**		**138,387,729**	
Contingency		5.00%	6,919,386	
CIL			4,535,719	
S106			2,000,000	
				151,842,835
Other Construction				
Office void (manual cost)			1,615,031	
				1,615,031
PROFESSIONAL FEES				
Professional Fees		12.00%	16,800,331	
				16,800,331
MARKETING & LETTING				
Letting Agent Fee		10.00%	711,324	
Letting Legal Fee		5.00%	355,662	
				1,066,986
DISPOSAL FEES				
Commercial disposal (all-in)		1.50%	3,164,301	
Residential Agents/legals/marketing		2.50%	947,375	
				4,111,676
MISCELLANEOUS FEES				
Commercial Profit		15.00%	11,787,000	
Commercial Profit		15.00%	22,164,726	
Private profit		17.50%	6,631,625	
Affordable profit		6.00%	279,355	
				40,862,707
FINANCE				
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				32,741,074
TOTAL COSTS				**275,620,639**
PROFIT				
				-22,116,325
Performance Measures				
Profit on Cost%		-8.02%		
Profit on GDV%		-8.22%		
Profit on NDV%		-8.72%		
Equivalent Yield% (Nominal)		4.71%		
Equivalent Yield% (True)		4.85%		
IRR% (without Interest)		2.18%		
Rent Cover		-3 yrs -1 mths		
Profit Erosion (finance rate 6.500)		N/A		

TIMESCALE AND PHASING CHART — LICENSED COPY

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated Proposed Scheme Appraisal
Gerald Eve - March 21

Project Timescale	
Project Start Date	Feb 2021
Project End Date	Sep 2025
Project Duration (Inc Exit Period)	56 months

All Phases

	Start Date	Duration	End Date	Feb 21	Feb 22	Feb 23	Feb 24	Feb 25
Project	Feb 2021	56	Sep 2025					
Purchase	Feb 2021	0 Month(s)						
Pre-Construction	Feb 2021	16	May 2022					
Construction	Feb 2022	29	Jun 2024					
Post Development	Jan 2024	0 Month(s)						
Letting	Jan 2024	9 Month(s)	Sep 2024					
Income Flow	May 2024	0 Month(s)						
Sale	May 2024	17	Sep 2025					
Cash Activity	Feb 2021	56	Sep 2025					
				1	13	25	37	49

1. Hotel

	Start Date	Duration	End Date	Feb 21	Feb 22	Feb 23	Feb 24	Feb 25
Project	Feb 2021	56	Sep 2025					
Purchase	Feb 2021	0 Month(s)						
Pre-Construction	Feb 2021	12	Jan 2022					
Construction	Feb 2022	29	Jun 2024					
Post Development	Jul 2024	0 Month(s)						
Letting	Jul 2024	0 Month(s)						
Income Flow	Jul 2024	0 Month(s)						
Sale	Jul 2024	12	Jun 2025					
Cash Activity	Feb 2021	53	Jun 2025					
				1	13	25	37	49

TIMESCALE AND PHASING CHART — LICENSED COPY

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated Proposed Scheme Appraisal
Gerald Eve - March 21

2. Office + Gym

	Start Date	Duration	End Date
Project	Feb 2021	56	Sep 2025
Purchase	Feb 2021	0 Month(s)	
Pre-Construction	Feb 2021	14	Mar 2022
Construction	Apr 2022	21	Dec 2023
Post Development	Jan 2024	0 Month(s)	
Letting	Jan 2024	9 Month(s)	Sep 2024
Income Flow	Oct 2024	0 Month(s)	
Sale	Oct 2024	12	Sep 2025
Cash Activity	Apr 2022	42	Sep 2025

Timeline: Feb 21 (1), Feb 22 (13), Feb 23 (25), Feb 24 (37), Feb 25 (49)

3. Residential

	Start Date	Duration	End Date
Project	Feb 2021	56	Sep 2025
Purchase	Feb 2021	0 Month(s)	
Pre-Construction	Feb 2021	16	May 2022
Construction	Jun 2022	23	Apr 2024
Post Development	May 2024	0 Month(s)	
Letting	May 2024	0 Month(s)	
Income Flow	May 2024	0 Month(s)	
Sale	May 2024	5 Month(s)	Sep 2024
Cash Activity	Jun 2022	28	Sep 2024

Timeline: Feb 21 (1), Feb 22 (13), Feb 23 (25), Feb 24 (37), Feb 25 (49)

Appendix 8: Sensitivity Analysis

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated Proposed Scheme Appraisal
Gerald Eve - March 21

Development Appraisal
Licensed Copy
18 March 2021

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated Proposed Scheme Appraisal
Gerald Eve - March 21

Table of Profit Amount and Profit Amount

Rent: Yield	Construction: Rate /ft²				
Sales: Gross Sales	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
	368.89 /ft²	378.60 /ft²	388.31 /ft²	398.02 /ft²	407.73 /ft²
-5.000%	(£14,020,613)	(£18,730,615)	(£23,440,617)	(£28,150,619)	(£32,860,620)
	(£14,020,613)	(£18,730,615)	(£23,440,617)	(£28,150,619)	(£32,860,620)
-2.500%	(£13,067,106)	(£17,777,108)	(£22,487,110)	(£27,197,112)	(£31,907,114)
	(£13,067,106)	(£17,777,108)	(£22,487,110)	(£27,197,112)	(£31,907,114)
0.000%	(£12,113,600)	(£16,823,601)	(£21,533,603)	(£26,243,605)	(£30,953,607)
	(£12,113,600)	(£16,823,601)	(£21,533,603)	(£26,243,605)	(£30,953,607)
+2.500%	(£11,160,093)	(£15,870,095)	(£20,580,097)	(£25,290,098)	(£30,000,100)
	(£11,160,093)	(£15,870,095)	(£20,580,097)	(£25,290,098)	(£30,000,100)
+5.000%	(£10,206,586)	(£14,916,588)	(£19,626,590)	(£24,336,592)	(£29,046,593)
	(£10,206,586)	(£14,916,588)	(£19,626,590)	(£24,336,592)	(£29,046,593)

Rent: Yield	Construction: Rate /ft²				
Sales: Gross Sales	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
	368.89 /ft²	378.60 /ft²	388.31 /ft²	398.02 /ft²	407.73 /ft²
-5.000%	(£14,312,705)	(£19,022,707)	(£23,732,709)	(£28,442,711)	(£33,152,712)
	(£14,312,705)	(£19,022,707)	(£23,732,709)	(£28,442,711)	(£33,152,712)
-2.500%	(£13,359,198)	(£18,069,200)	(£22,779,202)	(£27,489,204)	(£32,199,206)
	(£13,359,198)	(£18,069,200)	(£22,779,202)	(£27,489,204)	(£32,199,206)
0.000%	(£12,405,692)	(£17,115,693)	(£21,825,695)	(£26,535,697)	(£31,245,699)
	(£12,405,692)	(£17,115,693)	(£21,825,695)	(£26,535,697)	(£31,245,699)
+2.500%	(£11,452,185)	(£16,162,187)	(£20,872,188)	(£25,582,190)	(£30,292,192)
	(£11,452,185)	(£16,162,187)	(£20,872,188)	(£25,582,190)	(£30,292,192)
+5.000%	(£10,498,678)	(£15,208,680)	(£19,918,682)	(£24,628,684)	(£29,338,685)
	(£10,498,678)	(£15,208,680)	(£19,918,682)	(£24,628,684)	(£29,338,685)

Rent: Yield	Construction: Rate /ft²				
Sales: Gross Sales	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
	368.89 /ft²	378.60 /ft²	388.31 /ft²	398.02 /ft²	407.73 /ft²
-5.000%	(£14,603,335)	(£19,313,337)	(£24,023,339)	(£28,733,341)	(£33,443,343)
	(£14,603,335)	(£19,313,337)	(£24,023,339)	(£28,733,341)	(£33,443,343)
-2.500%	(£13,649,828)	(£18,359,830)	(£23,069,832)	(£27,779,834)	(£32,489,836)
	(£13,649,828)	(£18,359,830)	(£23,069,832)	(£27,779,834)	(£32,489,836)
0.000%	(£12,696,322)	(£17,406,324)	(£22,116,325)	(£26,826,327)	(£31,536,329)
	(£12,696,322)	(£17,406,324)	(£22,116,325)	(£26,826,327)	(£31,536,329)
+2.500%	(£11,742,815)	(£16,452,817)	(£21,162,819)	(£25,872,820)	(£30,582,822)
	(£11,742,815)	(£16,452,817)	(£21,162,819)	(£25,872,820)	(£30,582,822)
+5.000%	(£10,789,308)	(£15,499,310)	(£20,209,312)	(£24,919,314)	(£29,629,316)
	(£10,789,308)	(£15,499,310)	(£20,209,312)	(£24,919,314)	(£29,629,316)

Rent: Yield	Construction: Rate /ft²				
Sales: Gross Sales	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
	368.89 /ft²	378.60 /ft²	388.31 /ft²	398.02 /ft²	407.73 /ft²
-5.000%	(£14,892,515)	(£19,602,516)	(£24,312,518)	(£29,022,520)	(£33,732,522)
	(£14,892,515)	(£19,602,516)	(£24,312,518)	(£29,022,520)	(£33,732,522)
-2.500%	(£13,939,008)	(£18,649,010)	(£23,359,011)	(£28,069,013)	(£32,779,015)
	(£13,939,008)	(£18,649,010)	(£23,359,011)	(£28,069,013)	(£32,779,015)
0.000%	(£12,985,501)	(£17,695,503)	(£22,405,505)	(£27,115,507)	(£31,825,508)
	(£12,985,501)	(£17,695,503)	(£22,405,505)	(£27,115,507)	(£31,825,508)
+2.500%	(£12,031,994)	(£16,741,996)	(£21,451,998)	(£26,162,000)	(£30,872,002)
	(£12,031,994)	(£16,741,996)	(£21,451,998)	(£26,162,000)	(£30,872,002)
+5.000%	(£11,078,488)	(£15,788,489)	(£20,498,491)	(£25,208,493)	(£29,918,495)
	(£11,078,488)	(£15,788,489)	(£20,498,491)	(£25,208,493)	(£29,918,495)

Rent: Yield	Construction: Rate /ft²				
Sales: Gross Sales	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
	368.89 /ft²	378.60 /ft²	388.31 /ft²	398.02 /ft²	407.73 /ft²
-5.000%	(£15,180,254)	(£19,890,256)	(£24,600,257)	(£29,310,259)	(£34,020,261)
	(£15,180,254)	(£19,890,256)	(£24,600,257)	(£29,310,259)	(£34,020,261)
-2.500%	(£14,226,747)	(£18,936,749)	(£23,646,751)	(£28,356,753)	(£33,066,754)
	(£14,226,747)	(£18,936,749)	(£23,646,751)	(£28,356,753)	(£33,066,754)
0.000%	(£13,273,240)	(£17,983,242)	(£22,693,244)	(£27,403,246)	(£32,113,248)
	(£13,273,240)	(£17,983,242)	(£22,693,244)	(£27,403,246)	(£32,113,248)
+2.500%	(£12,319,734)	(£17,029,735)	(£21,739,737)	(£26,449,739)	(£31,159,741)
	(£12,319,734)	(£17,029,735)	(£21,739,737)	(£26,449,739)	(£31,159,741)
+5.000%	(£11,366,227)	(£16,076,229)	(£20,786,231)	(£25,496,232)	(£30,206,234)
	(£11,366,227)	(£16,076,229)	(£20,786,231)	(£25,496,232)	(£30,206,234)

Sensitivity Analysis : Assumptions for Calculation

330 Grays Inn Road, Ear Nose & Throat Hospital
Updated Proposed Scheme Appraisal
Gerald Eve - March 21

Construction: Rate /ft²
Original Values are varied by Steps of 2.500%.

Heading	Phase	Rate	No. of Steps
Hotel GDV (182 keys)	1	£388.31	2.00 Up & Down
Offices (Floors LG - 3)	2	£388.31	2.00 Up & Down
Offices (Floors 4 - 7)	2	£388.31	2.00 Up & Down
Gym	2	£388.31	2.00 Up & Down
Affordable workspace	2	£388.31	2.00 Up & Down
Residential Block A (LAR)	3	£388.31	2.00 Up & Down
Residential Block A (Intermediate Rent)	3	£388.31	2.00 Up & Down
Residential Block B (Private)	3	£388.31	2.00 Up & Down

Sales: Gross Sales
Original Values are varied by Steps of 2.500%.

Heading	Phase	Amount	No. of Steps
Residential Block A (LAR)	3	£842,800	2.00 Up & Down
Residential Block A (Intermediate Rent)	3	£3,813,120	2.00 Up & Down
Residential Block B (Private)	3	£37,895,000	2.00 Up & Down

Rent: Yield
Original Values are varied by Steps of 0.250%.

Heading	Phase	Cap. Rate	No. of Steps
Offices (Floors LG - 3)	2	4.7500%	2.00 Up & Down
Offices (Floors 4 - 7)	2	4.5000%	2.00 Up & Down
Gym	2	6.5000%	2.00 Up & Down
Affordable workspace	2	5.2500%	2.00 Up & Down