

**Middlesex Hospital Annex,
Bedford Passage Development,
44 Cleveland Street, London W1T 4JT**

Addendum Report 2

Prepared on behalf of London Borough of Camden

29th July 2021

Planning references: 2017/0414/P and 2021/3087/P



215a High Street, Dorking, RH4 1RU
www.bps-surveyors.co.uk
Tel: 01483 565 433

1.0 INTRODUCTION

- 1.1 BPS Chartered Surveyors have been instructed by the London Borough of Camden ('the Council') to comment on an FVA, dated June 2021, for a revised s73 application (2021/3087/P) for amendments to the consented scheme (2017/0414/P), prepared by SQW on behalf of University College London Hospitals Charity via the Middlesex Annex LLP ('the Applicant').
- 1.2 This addendum is issued subsequent to and should be read together with the previous FVA dated November 2020 (also prepared by SQW), our FVA review dated 2nd February 2021, the BLV assessment dated April 2021 (prepared by SQW) and finally our first addendum dated 17th May 2021.
- 1.3 The consented scheme (as amended) comprised a total of 53 residential units (including 40 Affordable units) in addition to 4,535sqm commercial space. This scheme was granted subject to a s106 Agreement on 15th January 2018 and is therefore no longer extant.
- 1.4 In our previous addendum, our position on the BLV remained unchanged at a nominal value. This resulted in the previously calculated deficit of £13,336,139 for Scenario A, which included 30 Affordable Legacy units, and a surplus of £3,915,633 for Scenario B (100% private housing). The summary table from our previous report is included below:

	SQW			BPS		
	Consented	Scenario A	Scenario B	Consented	Scenario A	Scenario B
BLV	£11,901,743	£11,901,743	£11,901,743	Nominal	Nominal	Nominal
GDV	£79,267,057	£86,044,001	£115,684,216	£76,638,670	£83,415,620	£113,055,833
Developer's Profit	14.50%	15.15%	16.71%	14.48%	15.16%	16.75%
Surplus/ Deficit	£35,483,270	£31,948,269	£13,503,221	£16,472,499	£13,336,139	£3,915,633

- 1.5 Our conclusions, therefore, remained unchanged:

'Our analysis shows a decreased deficit of £16,472,499 for the consented scheme which would indicate that the scheme as consented is not able to viably deliver the planned level of affordable housing. Scenario A (30 units of Legacy Affordable Housing) also shows a reduced deficit of £13,336,139. Scenario B (100% Private Housing) shows a surplus of £3,915,633, which would be subject to further increase should costs reduce or revenues increase from our assumptions. It should be noted that no allowance for land value has been made in this assessment.'

We note specifically the advice on costs received from Neil Powling 'the current tender price levels could reasonably be expected to be procured for a little less.' In addition, we note the lack of recent comparable evidence for residential and commercial sales and the somewhat arbitrary 10% reduction in private sales values for the 'Covid effect' which SQW have adopted despite minimal evidence. We recommend, therefore, that viability is subject to a late-stage review.'

- 1.6 We confirm that we have received further instructions from the Council that, 'the applicant has a legal obligation to provide 30 affordable units as part of an earlier

development proposal [‘the Legacy Units’] and that this should be taken into consideration when looking at the viability of the project’.

- 1.7 This addendum summarises the scheme changes now submitted to the Council and provides comment upon the inputs used by SQW in their revised FVA and consequent impact upon the viability position.

2.0 SUMMARY OF PROPOSED SCHEME CHANGES

2.1 The applicant now proposes an increase in overall housing units from 53 to 57. This includes a reduction in affordable residential provision to accommodate 17 units for Affordable Housing in addition to a further 40 residential units for market sale and a reduction in commercial space from 36,357sf to 32,615sf.

2.2 The proposed unit types and tenure split are shown below:

Type	Market Housing units	Social Rent Units	Intermediate Units	Total AH	Total
1b flat	13	6	-	6	19
1b duplex	1	-	-	-	1
1b disabled	-	2	2	4	4
2b flat	18	4	2	6	24
2b duplex	5	-	-	-	5
3b flat	1	1	-	1	2
3b house	1	-	-	-	1
4b house	1	-	-	-	1
Total Units	40	13	4	17	57
Percent by unit	70.2%	22.8%	7.0%	29.8%	100.0%
Hab Rooms	126	33	10	43	169
Percent by Hab Room	74.6%	19.5%	5.9%	25.4%	100.0%

2.3 The proposed tenure split indicates a ratio of affordable tenures, social rent to intermediate of 76:24 by unit and 77:23 by habitable room.

2.4 In view of the 30 Legacy Unit obligation, the proposed scheme does not fulfil the applicant's legal obligations.

2.5 We note Policy H4 in the Camden Local Plan 2017 which states:

'The Council will seek to negotiate the maximum reasonable amount of affordable housing on the following basis:

- a. The guideline mix of affordable housing types is 60% social-affordable rented housing and 40% intermediate housing;*
- e. An affordable housing target of 50% applied to developments with capacity for 25 or more additional dwellings.'*

2.6 The proposed scheme is therefore not policy compliant, even were the Legacy Units to be included and counted in the Affordable Housing contribution for this site, subject to viability considerations.

3.0 CONCLUSIONS AND RECOMMENDATIONS

3.1 We have made the following adjustments to SQW's Argus appraisal included in Annex A:1 of their report dated April 2021:

- The revenue and costs associated with the 30 Legacy units have been removed from the appraisal in line with our comments in s5.0 below.

3.2 In line with our previous reports, we have made the following additional amendments:

- A Benchmark Land Value of nominal value only has been included to reflect the Legacy obligation. Arguably this obligation on a standalone basis could potentially make for a negative site value.
- The Benchmark Land Value has been inputted as a fixed land value so that land interest charges are not over or understated. Profit has been included as a development cost timed to the end of development. This results in the appraisal outputting a profit above profit targets representing either the development surplus or deficit.
- In the absence of new comparable evidence, commercial yields and rent free/void periods have been maintained at a level in line with our previous reports.
- We have included finance costs at 6.50% which are charged in percentage terms throughout the development period as appropriate.
- We have reduced professional and planning fees to a total of 15.00%
- Total Construction costs have been reduced pro-rata to reflect the removal of the 30 Legacy units from the analysis.
- We have reduced the contingency allowance to 5.00% of the construction works
- As recommended in our previous report, the development has been adjusted to reflect the following timings:
 - 6 months pre-construction
 - 39 months construction
 - 6 months sales period

3.3 These inputs result in the following respective positions:

	SQW S73 scheme		BPS
	100% Market Sales	30% Affordable	Legacy Unit Scenario 100% Mkt Sale analysed separately to Legacy obligation
BLV	£5,137,143	£5,137,143	Nominal
GDV	£105,038,798	£92,702,291	£80,966,613
Developer's Profit	16.15%	15.85%	16.27
Surplus/Deficit	-£27,316,674	-£37,382,729	-£8,528,180

- 3.4 The SQW profit levels are inferred from the inputs provided for their blended rate.
- 3.5 Our analysis of the Legacy Scenario, included in Appendix 2, shows a net deficit of £8,528,180. This indicates that the Legacy Scenario would provide 27 residential units for market sale and 32,615sf of offices at a reduced deficit in addition to the 30 Legacy units (a total of 52% affordable by unit). Our analysis is subject to confirmation of cost information as detailed below.

4.0 BENCHMARK LAND VALUE

- 4.1 We refer you to the Council's instructions in s1.6 above. The s106 Agreement provides the Council with an option to purchase the subject site for £1, should the required 30 Legacy Units not be constructed by the end date of 1st June 2010, which has now passed. The s106 Agreement is clear that this obligation passes with the land to any new owner.
- 4.2 We are firmly of the view, therefore, that the BLV of the site can be no higher than £1, as no reasonable purchaser would commit to such a purchase, knowing that the site could be purchased by the Council for a nominal sum. This would be the case whether the valuation of the BLV was assessed from an EUV+ approach or from an AUV approach.
- 4.3 We are therefore of the view that the BLV of the site is nominal only.
- 4.4 Arguably the site value reflecting the full implications of the legacy units could be considered as a negative value.

5.0 RESIDENTIAL GROSS DEVELOPMENT VALUE

- 5.1 The proposed unit mix has been amended and no longer includes a minimum of 30 Affordable Housing units in line with the Legacy obligation.
- 5.2 On this basis, we assume that the proposed scheme would not be acceptable to the Council, and we have therefore not reviewed the scheme as proposed.
- 5.3 On the basis that the Legacy Unit obligation is enforced, we assume that the minimum Affordable Housing units acceptable to the Council would be 30 and that none of those units would effectively count towards the applicant's Affordable Housing contribution for this site.
- 5.4 Clearly, it is for the applicant to devise a scheme which meets legal and planning obligations, but in the interests of progressing the matter, we have assessed the proposed scheme, with the key amendment that the Legacy obligation is met in full (the 'Legacy Scenario').
- 5.5 This Legacy Scenario does not provide any additional contribution to affordable housing arising from the provision of housing on this site and is therefore not policy compliant but serves to indicate whether a surplus exists which may fund a degree of additional Affordable Housing.
- 5.6 To assess the viability position more accurately, we have assumed that the obligation to provide the legacy units arises from developments on other sites which have generated the financial resources to cover their delivery after allowing for the value they generate as affordable housing.
- 5.7 In view of the above, we have stripped out the costs (with the exception of archaeology) and revenues relevant to the 30 Legacy units. This exercise has been approximated from the information made available to us and should be subject to confirmation of both costs and revenues at early and late-stage review. This appraisal is provided for indicative purposes only with the aim of bringing this long outstanding matter closer to a satisfactory conclusion.
- 5.8 We have therefore assessed the Legacy Scenario by adjusting the SQW appraisal in Annex A:1 of the revised FVA dated June 2021 on the following basis:
- 5.9 We have assumed that the proposed affordable housing units (listed as AI01-AI04 as AL01-AL13 in the Argus appraisal provided) form part of the Legacy obligation and that the units MH02-MH14 complete the Legacy obligation. The revenue from these 30 units has therefore been removed from the appraisal. This interpretation of the Legacy unit obligation is indicative only and does not indicate compliance with any legal or planning requirement. It results in a mix of 1 and 2 bedroom flats, with one 3 bedroom flat and includes 4 accessible units.
- 5.10 In addition, the total construction costs attributable to the Legacy units have been estimated on a pro rata basis with reference to the area provided in the applicant's latest Argus appraisal and then omitted from our appraisal.
- 5.11 We note that private residential values have remained unchanged from the previously agreed levels, which we consider reasonable.

7.0 COMMERCIAL GROSS DEVELOPMENT VALUE

- 7.1 We note SQW's comments regarding commercial values and their advice received from CBRE dated August 2020, which we note pre-dates their original FVA produced in November 2020. The CBRE report now appears somewhat outdated and was undoubtedly produced in a period of greater uncertainty, it is based upon take up figures for Q2 2020, which includes England's first and most stringent Covid-19 lockdown, when the market was effectively shut down for several weeks. In addition, no specific yield or rental evidence is provided within the CBRE report, and we have consequently discounted it. Should more recent transactional evidence be produced by the applicant, we reserve the right to reconsider.
- 7.2 We observe that the level of rent psf assumed by SQW has not changed since their initial FVA in November 2020, which we consider reasonable.
- 7.3 We note that SQW have extended combined rent free and void periods assumed for the commercial space from 36 months to 39 months. This is based on their observations of the market in general terms and without specific comparable evidence, we are unable to accept this change without relevant supporting evidence. For the avoidance of doubt, we have maintained the combined void/rent free period for the basement space at 24 months which is in line with the pre-let agreed on this space.
- 7.4 SQW have increased the commercial yield assumed from 4.25% to 4.75% on the basis of the above advice from CBRE, which we have again discounted for the reasons stated. We note that the Knight Frank Prime Yield Guide has continued to show a figure for offices in Soho/Fitzrovia of 4.00-4.25% and has recently changed its sentiment assessment for this market to 'Positive'. In the absence of transactional evidence, we therefore do not see any justification to raise the commercial yield and have retained it at the previously agreed 4.25% level.
- 7.5 We query whether the commercial element to the scheme is viable on a stand-alone basis, based on SQW's respective assessment of costs and revenues.

8.0 DEVELOPMENT COSTS

- 8.1 We have received advice from our Cost Consultant, Neil Powling, who has reviewed the Equals Cost report dated 22nd June 2021 v.15. and concluded:

‘Because of the nature of this application our usual method of assessing construction cost by benchmarking against BCIS is not appropriate. The cost information has been provided in a high level form without the substantiation of the detailed make-up of the figures. We have no reason to doubt that costs provided are a true account of the costs for this project, but without the provision of the detail or the opportunity to interrogate the build up to the costs we are unable to confirm that they are a true representation. Our cost analysis is included below in Appendix 1, and should be read in conjunction with the previous cost advice issued on 22nd January 2021, (also appended).’

- 8.2 We note that overall costs have increased significantly from the previous scheme. The significant increase is in the construction works with ‘Wind and Watertight Existing Buildings’ accounting for most of this increase although no detail or explanation has been provided for this.
- 8.3 Our Cost Consultant further observes, ‘The development contingency of £5,215,037 has been calculated at 5% of all the other development costs of £104,300,738. There is no contingency indicated in the construction costs. We generally expect the contingency to be calculated only on the construction costs.’
- 8.4 Our Cost Consultant has requested that a detailed build up of costs would need to be provided in order provide further advice.
- 8.5 Our report assumes that the costs provided are reasonable, with the following adjustments. However, our findings will need to be adjusted accordingly on receipt of required information from the applicant.
- i. We have amended finance costs to 6.50% in line with prevailing interest rates and to exclude the impact of a particular purchaser in line with PPG. This percentage has been input to the Argus model in order that finance can be accounted for accurately over the life of the development. This in line with our previous reports.
 - ii. In line with our previous report and in the absence of any other information, we have assumed the following timescales for the project:
 - 6 months pre-construction
 - 39 months construction
 - 6 months sales

10.0 QUALITY STANDARDS CONTROL

This report is provided for the stated purpose and for the sole use of the named clients. This report may not, without written consent, be used or relied upon by any third party.

The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information.

The following persons have been involved in the production of this report:



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



Andrew Jones MRICS
RICS Membership no. 0085834
For and on behalf of BPS
Chartered Surveyors

11.0 LIMITATION OF LIABILITY/ PUBLICATION

This report is provided for the stated purpose and for the sole use of the named clients. It is confidential to the clients and their professional advisors and BPS Chartered Surveyors accepts no responsibility whatsoever to any other person.

Neither the whole nor any part of this valuation report nor any reference hereto may be included in any published document, circular, or statement, or published in any way, without prior written approval from BPS of the form and context in which it may appear.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 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 valuation date, we** consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to our valuation 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 the valuation of [this property] under frequent review.

Appendix 1: Cost Analysis

Project: Middlesex Annex, Bedford Passage Development, 44 Cleveland St, Camden FVA Report June 2021

Independent Review of Assessment of Economic Viability

Interim Draft Report Appendix A Cost Report

1 SUMMARY

- 1.1 We have not undertaken benchmarking for this report but the current TPI for 3Q2021 is 334. At the time of our January report the TPI was 327; this illustrates a progressive rise albeit on very low volumes with little change in sample size.
- 1.2 Without further detail we are unable to comment on the costs in 3.5 below. However it is notable that the construction works for wind and watertight buildings has increased for £7,371,000 to £17,140,000 without explanation.
- 1.3 There is no detail or explanation for the increase in the costs in 3.8 below. The significant increase is in the construction costs.
- 1.4 The development contingency of £5,215,037 has been calculated at 5% of all the other development costs of £104,300,738. There is no contingency indicated in the construction costs. We generally expect the contingency to be calculated only on the construction costs.
- 1.5 Our conclusion for this June 21 FVA is unchanged from the conclusion in our January 2021 report: because of the nature of this application our usual method of assessing construction cost by benchmarking against BCIS is not appropriate. The cost information has been provided in a high level form without the substantiation of the detailed make-up of the figures. We have no reason to doubt that costs provided are a true account of the costs for this project, but without the provision of the detail or the opportunity to interrogate the build up to the costs we are unable to confirm that they are a true representation.

2 METHODOLOGY

- 2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.
- 2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification

enhancement in the scheme on an element by element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5 year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.

- 2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available on an overall £ per sqm and on a group element basis ie. substructure, superstructure, finishings, fittings and services - but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher than normal cost of external wall and window elements.

- 2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.

- 2.5 BCIS costs are available on a quarterly basis - the most recent quarters use forecast figures, the older quarters are firm. If any estimates require adjustment on a time basis we use the BCIS all-in Tender Price Index (TPI).

- 2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However if the Applicant's cost plan does not distinguish different categories we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.

- 2.7 To undertake the benchmarking we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is in excess of a normal BCIS benchmark allowance.

- 2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also any other reports that may have a bearing on the costs. These are often listed as having been used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.

- 2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.

- 2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element by element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

3 GENERAL REVIEW

- 3.1 This report is supplemental to our report issued 22nd January 2021.
- 3.2 We have been provided with and relied upon the Financial Viability Assessment Report Final Draft v1.5 issued June 2021 by SQW for University College Hospitals Charity together with Annex E the Overall Projected Costs for the S73 Application Scheme 22 June 2021 v.15 issued by Equals.
- 3.3 We have not undertaken benchmarking for this report but the current TPI for 3Q2021 is 334. At the time of our January report the TPI was 327; this illustrates a progressive rise albeit on very low volumes with little change in sample size.
- 3.4 The Project Development Costs report includes a listing of costs that have been included in the appraisal. The Construction works details are as the table below with a comparison to the costs in the Oct 2020 report.
- 3.5
- | | | | Oct-20 | Jun-21 |
|------|--------------------------------------|----------------|------------|------------|
| 6000 | Construction Works | | | |
| 6001 | Demolitions | ARK Build | 4,015,000 | 4,015,000 |
| 6002 | Wind & Watertight Existing Buildings | ARK Build | 7,371,000 | 17,140,000 |
| 6003 | Fit-out Existing Buildings | ARK Build | 7,786,000 | 0 |
| 6004 | Enabling Works | Morgan Sindall | 5,394,000 | 6,594,000 |
| 6005 | Main Works | Morgan Sindall | 33,314,000 | 35,451,000 |
| 6006 | Revised tenure mix | | | 7,687,170 |
| | | | 57,880,000 | 70,887,170 |
- 3.6 Without further detail we are unable to comment on these costs. However it is notable that the construction works for wind and watertight buildings has increased for £7,371,000 to £17,140,000 without explanation.
- 3.7 The overall costs including the construction costs and a comparison to the Oct 2020 costs are shown in the table below.

	Oct-20	Jun-21
Land acquisition	0	0

Finance	10,681,325	12,338,613
Client direct costs	0	0
Planning	2,248,354	2,874,946
Project team	9,955,735	12,316,222
Construction works	57,880,000	70,887,170
Archaeology	2,810,247	2,439,553
Other costs	1,284,566	1,719,234
Marketing and sales	1,075,000	1,725,000
Development contingency 5%	5,419,634	5,215,037
Total Projected Cost	91,354,861	109,515,775

- 3.9 There is no detail or explanation for the increase in these costs. The significant increase is in the construction costs.
- 3.10 The development contingency of £5,215,037 has been calculated at 5% of all the other development costs of £104,300,738. There is no contingency indicated in the construction costs. We generally expect the contingency to be calculated only on the construction costs.
- 3.11 Our conclusion for this June 21 FVA is unchanged from the conclusion in our January 2021 report: because of the nature of this application our usual method of assessing construction cost by benchmarking against BCIS is not appropriate. The cost information has been provided in a high level form without the substantiation of the detailed make-up of the figures. We have no reason to doubt that costs provided are a true account of the costs for this project, but without the provision of the detail or the opportunity to interrogate the build up to the costs we are unable to confirm that they are a true representation.

BPS Chartered Surveyors

Date: 14 July 2021

Appendix 2: Argus Appraisal

Bedford Passage
Legacy Scenario
27 private residential units + 32,615 Commercial
Costs and Revenues of 30 Legacy units removed

44 Cleveland Street
London

APPRAISAL SUMMARY

BPS SURVEYORS

Bedford Passage
Legacy Scenario
27 private residential units + 32,615 Commercial

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7 8 9

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
M01 (4bd townhouse)	1	2,326	1,168.83	2,718,701	2,718,701
M02 (3bd townhouse)	1	1,713	1,156.63	1,981,301	1,981,301
M03 (2bd apartment)	1	681	1,408.55	959,226	959,226
M04 (3bd apartment)	1	1,091	1,407.51	1,535,590	1,535,590
M05 (1bd apartment)	1	637	1,406.25	895,781	895,781
M06 (1bd apartment)	1	487	1,546.39	753,093	753,093
M07 (2bd apartment)	1	832	1,458.08	1,213,123	1,213,123
M08 (1bd apartment)	1	628	1,494.35	938,449	938,449
M09 (1bd apartment)	1	488	1,597.94	779,794	779,794
M10 (2bd apartment)	1	829	1,488.10	1,233,631	1,233,631
M11 (2bd duplex)	1	1,049	1,485.36	1,558,138	1,558,138
M12 (2bd duplex)	1	793	1,529.41	1,212,824	1,212,824
M13 (2bd duplex)	1	1,165	1,476.38	1,719,980	1,719,980
M14 (2bd duplex)	1	979	1,474.90	1,443,927	1,443,927
M15 (1bd duplex)	1	582	1,474.90	858,392	858,392
MH01 (2bd duplex apartment)	1	1,060	1,474.90	1,563,394	1,563,394
MH15 (2bd apartment)	1	815	1,474.90	1,202,044	1,202,044
MH16 (2bd apartment)	1	939	1,474.90	1,384,931	1,384,931
MH17 (1bd apartment)	1	540	1,474.90	796,446	796,446
MH18 (2bd apartment)	1	786	1,474.90	1,159,271	1,159,271
MH19 (2bd apartment)	1	773	1,474.90	1,140,098	1,140,098
MH20 (2bd apartment)	1	900	1,474.90	1,327,410	1,327,410
MH21 (2bd apartment)	1	939	1,474.90	1,384,931	1,384,931
MH22 (1bd apartment)	1	540	1,474.90	796,446	796,446
MH23 (2bd apartment)	1	786	1,474.90	1,159,271	1,159,271
MH24 (2bd apartment)	1	773	1,474.90	1,140,098	1,140,098
MH25 (2bd apartment)	1	900	1,474.90	1,327,410	1,327,410
Totals	27	24,031			34,183,699

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial - Basement (MRI Suite)	1	8,593	50.00	429,650	429,650	429,650
Commercial - Ground Floor	1	5,460	65.00	354,900	354,900	354,900
Commercial - First Floor	1	9,282	75.00	696,150	696,150	696,150
Commercial - Second Floor	1	9,280	77.50	719,200	719,200	719,200
Totals	4	32,615			2,199,900	2,199,900

Investment Valuation

Commercial - Basement (MRI Suite)

Current Rent	429,650	YP @	4.2500%	23.5294	10,109,412
Rent Free	(429,650)	YP 2yrs @	4.2500%	1.8794	
		PV 10yrs @	4.2500%	0.6595	(532,555)
					9,576,857

Commercial - Ground Floor

Market Rent	354,900	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	7,683,603
Renewal Rent Free	(354,900)	YP 1yr @	4.2500%	0.9592	
		PV 10yrs @	4.2500%	0.6595	(224,527)
					7,459,076

Commercial - First Floor

Market Rent	696,150	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	15,071,684
Renewal Rent Free	(696,150)	YP 1yr @	4.2500%	0.9592	
		PV 10yrs @	4.2500%	0.6595	(440,419)
					14,631,265

Commercial - Second Floor

Market Rent	719,200	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	15,570,717
Renewal Rent Free	(719,200)	YP 1yr @	4.2500%	0.9592	

APPRAISAL SUMMARY**BPS SURVEYORS****Bedford Passage****Legacy Scenario****27 private residential units + 32,615 Commercial**

PV 10yrs @	4.2500%	0.6595	(455,002)
			15,115,716

Total Investment Valuation**46,782,914****GROSS DEVELOPMENT VALUE****80,966,613****NET REALISATION****80,966,613****OUTLAY****CONSTRUCTION COSTS****Construction**

	ft ²	Build Rate ft ²	Cost	
Construction cost	56,646	917.00	51,944,382	
Contingency		5.00%	2,597,219	
				54,541,601

Other Construction

Archaeology			2,439,553	
Other Costs			1,260,027	
Additional CIL			541,458	
				4,241,038

PROFESSIONAL FEES

Planning Costs	5.00%	2,597,219	
Professional fess (Project team)	10.00%	5,194,438	
			7,791,657

MARKETING & LETTING

Marketing and letting		1,500,000	
			1,500,000

MISCELLANEOUS FEES

Profit Private resi	18.00%	846,000	
Profit Private resi	18.00%	2,303,933	
Profit Private resi	18.00%	414,417	
Profit Private resi	18.00%	2,588,715	
Profit Commercial	15.00%	7,017,437	
			13,170,503

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Total Finance Cost			8,249,993

TOTAL COSTS**89,494,793****PROFIT****(8,528,180)****Performance Measures**

Profit on Cost%	-9.53%
Profit on GDV%	-10.53%
Profit on NDV%	-10.53%
Development Yield% (on Rent)	2.46%
Equivalent Yield% (Nominal)	4.25%
Equivalent Yield% (True)	4.36%

Rent Cover	-3 yrs -11 mths
Profit Erosion (finance rate 6.500)	N/A

Bedford Passage
Legacy Scenario
27 private residential units + 32,615 Commercial

Table of Gross Development Value and Profit Amount

Sales: Rate /ft²					
Construction: Gross Cost	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	£78,986,418	£79,976,515	£80,966,613	£81,956,710	£82,946,808
46,749,944	(£3,137,334)	(£2,325,454)	(£1,513,574)	(£701,694)	£110,186
-5.000%	£78,986,418	£79,976,515	£80,966,613	£81,956,710	£82,946,808
49,347,163	(£6,644,637)	(£5,832,757)	(£5,020,877)	(£4,208,997)	(£3,397,117)
0.000%	£78,986,418	£79,976,515	£80,966,613	£81,956,710	£82,946,808
51,944,382	(£10,151,940)	(£9,340,060)	(£8,528,180)	(£7,716,300)	(£6,904,420)
+5.000%	£78,986,418	£79,976,515	£80,966,613	£81,956,710	£82,946,808
54,541,601	(£13,677,654)	(£12,847,362)	(£12,035,482)	(£11,223,603)	(£10,411,723)
+10.000%	£78,986,418	£79,976,515	£80,966,613	£81,956,710	£82,946,808
57,138,820	(£17,276,978)	(£16,438,109)	(£15,599,239)	(£14,761,015)	(£13,927,567)

Sensitivity Analysis : Assumptions for Calculation

Sales: Rate /ft²

Original Values are varied by Steps of 5.000%.

Heading	Phase	Rate	No. of Steps
M01 (4bd townhouse)	1	£1,168.83	2.00 Up & Down
M02 (3bd townhouse)	1	£1,156.63	2.00 Up & Down
M03 (2bd apartment)	2	£1,408.55	2.00 Up & Down
M04 (3bd apartment)	2	£1,407.51	2.00 Up & Down
M05 (1bd apartment)	2	£1,406.25	2.00 Up & Down
M06 (1bd apartment)	2	£1,546.39	2.00 Up & Down
M07 (2bd apartment)	2	£1,458.08	2.00 Up & Down
M08 (1bd apartment)	2	£1,494.35	2.00 Up & Down
M09 (1bd apartment)	2	£1,597.94	2.00 Up & Down
M10 (2bd apartment)	2	£1,488.10	2.00 Up & Down
M11 (2bd duplex)	2	£1,485.36	2.00 Up & Down
M12 (2bd duplex)	2	£1,529.41	2.00 Up & Down
M13 (2bd duplex)	2	£1,476.38	2.00 Up & Down
M14 (2bd duplex)	3	£1,474.90	2.00 Up & Down
M15 (1bd duplex)	3	£1,474.90	2.00 Up & Down
AI01 (2bd apartment)	4	£361.92	2.00 Up & Down
AI02 (1bd apartment) (wheelchair unit)	4	£330.47	2.00 Up & Down
AI03 (2bd apartment)	4	£361.92	2.00 Up & Down
AI04 (1bd apartment) (wheelchair unit)	4	£330.47	2.00 Up & Down
AL01 (2 bd)	4	£363.42	2.00 Up & Down
AL02 (1bd apartment) Wheelchair unit	4	£330.47	2.00 Up & Down
AL03 (1bd apartment)	4	£460.21	2.00 Up & Down
AL04 (2bd apartment)	4	£336.04	2.00 Up & Down
AL05 (3bd apartment)	4	£293.90	2.00 Up & Down
AL06 (1bd apartment)	4	£439.07	2.00 Up & Down
AL18 (3bd apartment)	4	£292.05	2.00 Up & Down
AL19 (1bd apartment)	4	£443.78	2.00 Up & Down
AL20 (3bd apartment)	4	£290.52	2.00 Up & Down
AL21 (1bd apartment)	4	£455.99	2.00 Up & Down
AL22 (1bd apartment)	4	£452.67	2.00 Up & Down
AL23 (1bd apartment)	4	£421.93	2.00 Up & Down
AL24 (3bd apartment)	4	£290.22	2.00 Up & Down
AL25 (1bd apartment)	4	£419.08	2.00 Up & Down
AL26 (3bd apartment)	4	£285.15	2.00 Up & Down
AL27 (1bd apartment)	4	£460.21	2.00 Up & Down
AL28 (2bd apartment)	4	£334.76	2.00 Up & Down
AL29 (3bd apartment)	4	£291.74	2.00 Up & Down
AL30 (1bd apartment)	4	£390.13	2.00 Up & Down
AISR 01	4	£277.46	2.00 Up & Down
AISR 02	4	£268.60	2.00 Up & Down
AISR 03	4	£212.34	2.00 Up & Down
AISR 04	4	£277.46	2.00 Up & Down
AISR 05	4	£268.60	2.00 Up & Down
AISR 06	4	£212.34	2.00 Up & Down
AI 03 (1bd apartment)	9	£489.52	2.00 Up & Down
AI 04 (1bd apartment)	9	£489.52	2.00 Up & Down

Construction: Gross Cost

Original Values are varied by Steps of 5.000%.

Bedford Passage**Legacy Scenario****27 private residential units + 32,615 Commercial**

Heading	Phase	Amount	No. of Steps
Construction cost	7	£51,944,382	2.00 Up & Down